


ANNUAL REPORT 2011

DELIVERING POWERFUL RESULTS

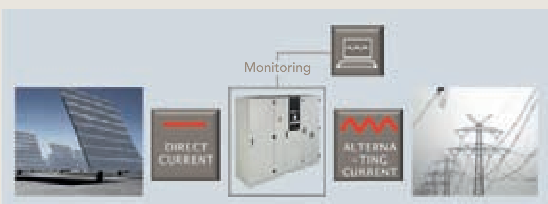
3W power | AEG POWER SOLUTIONS

INNOVATIVE POWER MANAGEMENT SOLUTIONS THAT

RENEWABLE ENERGY SOLUTIONS

The Group is active on both the upstream and the downstream ends of the photovoltaic industry value chain around the world, from high-reliability solar inverters and supervision and monitoring systems to industrial power controllers that optimize output and cut operating costs

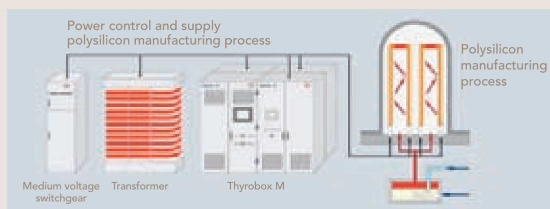
SOLAR SOLUTIONS



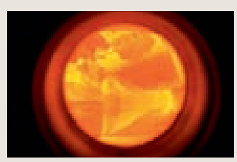
APPLICATIONS

- High-efficiency solar inverters and advanced measurement, monitoring and supervision systems for megawatt utility-scale photovoltaic power plants
- Solutions for both on-grid and off-grid systems
- Electrical system design, engineering and installation

POWER CONTROLLERS



APPLICATIONS

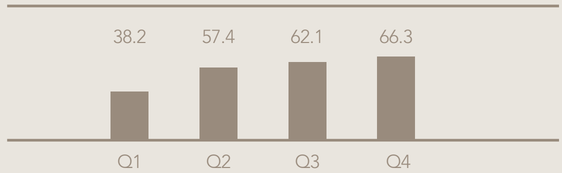


- For all industrial processes where temperature control is critical: float glass, arc furnaces process & chemical industries and more
- A world leader in power control systems for polysilicon production lines

MARKET STRENGTH

In **Solar**, the combination of highly efficient inverters, best in class monitoring and supervision systems, engineering, service and our global footprint make us a unique solution provider enabling PV power plants operators to maximize their returns on investment everywhere in the world.
In **POC**, our systems are the preferred choice for the most important polysilicon producers and we are leveraging our expertise to other areas requiring high-end power control.

REVENUE DEVELOPMENT (RES) 2011 in millions of euros



KEEP BUSINESSES RUNNING

ENERGY EFFICIENCY SOLUTIONS

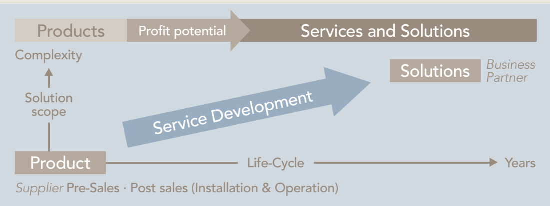
A full range of energy management and back-up power solutions for industry, transport, utilities and telecoms

PRODUCTS & SOLUTIONS

APPLICATIONS

- Comprehensive range of uninterruptible power supply (UPS) products optimized for oil & gas, power generation/transmission & distribution, nuclear power plants, transportation and data & IT
- Direct current (DC) power solutions for industrial and telecom equipment back-up and field sites, especially for cellular networks
- Converters for telecom Original Equipment Manufacturers (OEM)
- Drivers that optimize the efficiency and reliability of LED-based outdoor lighting systems

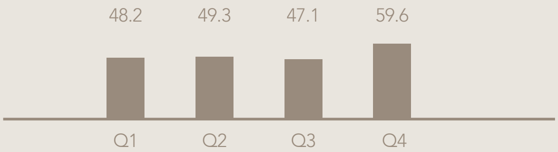
SERVICES



APPLICATIONS

- Comprehensive, worldwide service and support – from consulting and system design to custom applications and maintenance
- More than 200 field service engineers with an average 15 years field experience in 20 service centers worldwide

REVENUE DEVELOPMENT (EES) 2011 in millions of euros



MARKET STRENGTH

In **EES** our strength is in delivering reliable custom solutions across many industrial power applications as evidenced by a market leading position in nuclear power plants. At the same time, we are one of the major players in oil & gas, power generation, transport and industry.

BORN WITH THE INDUSTRIAL REVOLUTION. LEADING THE ENERGY REVOLUTION. SETTING THE STANDARD FOR DEPENDABLE RENEWABLE ENERGY AND ENERGY EFFICIENCY SOLUTIONS.

Who We Are: 3W Power | AEG Power Solutions helps customers worldwide meet their power challenges with innovative, world-class power solutions. Backed by more than a century of innovation and customer service, the Company offers a full range of reliable, cost-effective solutions, from power conversion modules and high-reliability UPS systems to industrial chargers and DC systems.

Our Vision: We will be the leader in supplying customers with innovative power and power management solutions during the green energy revolution.

3W POWER | AEG POWER SOLUTIONS AT A GLANCE 2011

in millions of euros	2011	2010	% change
Backlog	156.5	179.4	-13%
Orders	403.7	371.1	9%
Revenue	428.2	306.0	40%
Book to Bill	0.9	1.2	-22%
EBITDA	53.1	(23.9)	na
% of revenue	*12.4%*	*na*	
Adjusted EBIT	43.1	5.1	745%
% of revenue	*10.1%*	*1.7%*	
Reported EBIT	13.9	(126.6)	na
% of revenue	*3.2%*	*na*	
Net income	(0.6)	(83.9)	99%
Adjusted net income	13.0	(0.1)	na
Earnings per share (in EUR)	(0.02)	(1.78)	99%
Adjusted earnings per share (in EUR)	0.26	(0.02)	na
Cash from operating activities	18.2	(21.6)	na
Cash used in investing activities	(25.8)	(28.5)	9%
Working capital	45.5	31.6	44%
Cash	82.5	122.6	-33%
Net (debt)	(27.5)	(6.3)	-337%

For derivation of EBITDA, Adjusted EBIT and Adjusted Net Income, reference is made to Appendix I. Percentages of revenue are not shown where negative. Percentage changes are also not shown if considered not to be helpful in the understanding of these Key Performance Indicators (KPIs).

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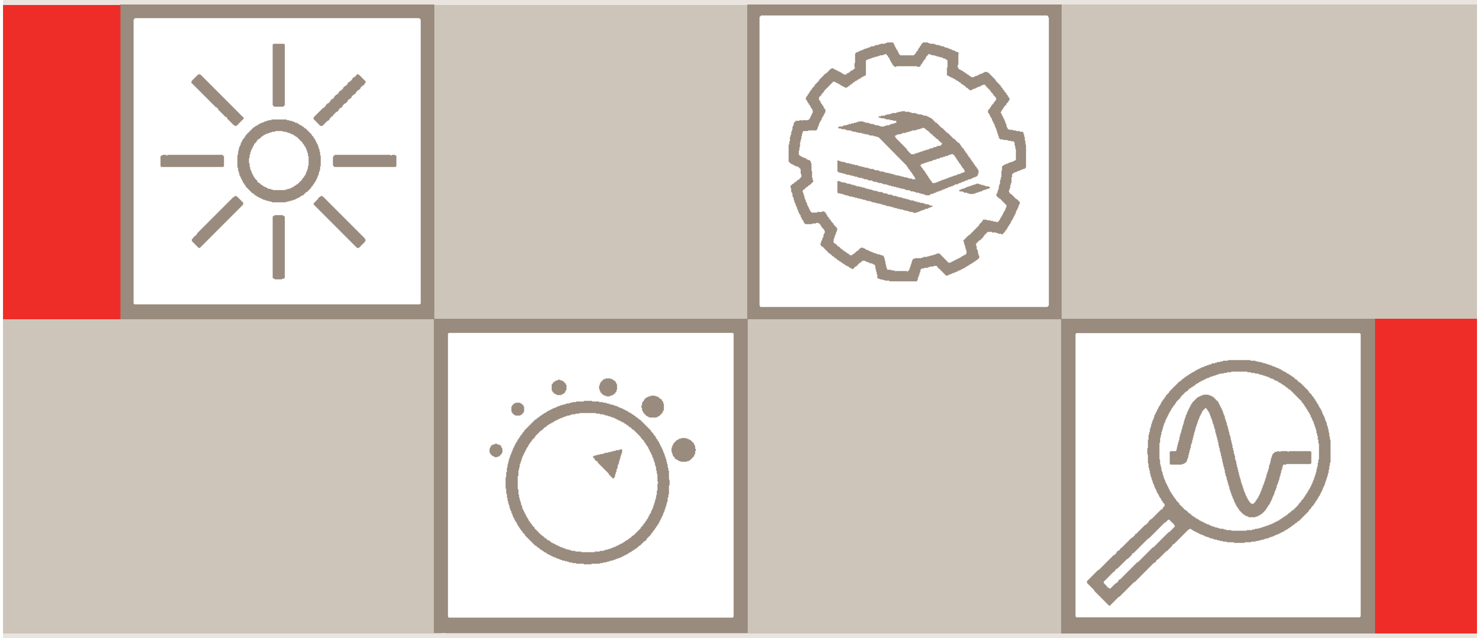
DELIVER

+40%

SALES

ING

OUR PRODUCTS AND SERVICES ARE THE RESULTS OF A LONG INNOVATION HISTORY. WITH THIS ASSET, WE AIM FOR THE LEADERSHIP IN EMERGING SMART MICRO GRID APPLICATIONS.



COMBINING EFFICIENT AND RELIABLE ENERGY SOLUTIONS FOR TODAY AND TOMORROW

Whether 3W Power | AEG Power Solutions is developing a back-up power supply for an industrial application or inventing better ways to store energy generated by renewable energy processes, the Group's engineers and technicians are leveraging more than six decades of power electronics expertise and experience. Regardless of the application, the goal is always to provide the best, most reliable technology to meet the challenges of industrial-grade power users.

The Group's unique legacy, in terms of both technology and understanding mission-critical power requirements, explains its unrivaled market position – at the crossroads of renewable energy and energy efficiency solutions. It is thanks to 3W Power | AEG Power Solutions' long track record with traditional industrial power users that the Group has managed to expand into younger, renewable energy market segments so quickly and successfully.

LEVERAGING LEGACY FOR NEW GROWTH

Now more than ever, the technologies and experience gained by providing the world's most reliable, most efficient power solutions for infrastructure applications are enabling 3W Power | AEG Power Solutions to rapidly expand its profile within renewable energy and other high-growth markets. The fruits of this distinctive dual approach, this dynamic synergism between legacy and new power applications, became manifest in several different ways over the course of 2011.

For example, 3W Power | AEG Power Solutions power controllers, traditionally used in mission-critical industrial applications, are also now being integrated into systems to more efficiently store electrical energy from wind power generating plants. Last year, the Group was chosen to provide the power supply for the electrolysis unit that converts wind energy into hydrogen as part of Germany's innovative Enertrag project.

3W Power | AEG Power Solutions' approach to both traditional and newer power supply markets is firmly rooted in the Group's technological know-how.

The need to ensure power quality and reliability when renewable sources are introduced into the grid provides another example: 3W Power | AEG Power Solutions Protect family of Uninterruptible Power Source (UPS) systems, renowned for their reliability and efficiency, are now being used to provide back-up power for solar thermal power plants. Multiple 3W Power | AEG Power Solutions technologies, including traditional inverters and UPS systems, have been engineered into four off-grid solar generating plants in Mali which have a combined output of over 1.5 MW, making them Africa's largest off-grid renewable energy installation.

Innovations such as these provide the foundation for the Group's future development in both infrastructure and renewable energy markets. The unique combination of technology and industrial know-how positions 3W Power | AEG Power Solutions at the forefront of the so-called smart grid market, where the proven ability to provide innovative, reliable and efficient solutions is essential for success.

SOLAR FARMS IN ITALY

3W Power | AEG Power Solutions launched a strategic investment program in Italy in 2010 by building six solar farms in the region of Puglia. One goal was to demonstrate to the solar industry the Group's ability to design, install and service industrial-scale solar solutions. The project, which includes 3W Power | AEG Power Solutions' large solar inverters and monitoring systems from skytron, have helped the Group compete for projects worldwide by highlighting its expertise and reliability. The six solar farms have a combined peak output of 5,750 MW. Management decided to divest the solar farms with the completion of the solar farm construction; divestment is expected during the first half of 2012.

TKS-C Container: A completely integrated solution comprising solar inverters, metering and monitoring components as well as communications infrastructure.

NEW MARKETS GENERATING NEW GROWTH

RENEWABLE ENERGY MARKETS

3W Power | AEG Power Solutions is uniquely positioned to deliver utility-scale experience and field-proven reliability that the solar industry needs to fulfill its promise.

Nowhere is the Group's distinctive capability more sharply visible than in emerging renewable and alternative energy markets. By adapting its proven track record in energy efficiency and reliability, 3W Power | AEG Power Solutions has carved out a significant and growing global market share over a mere three years. Leveraging its strong technology base, 3W Power | AEG Power Solutions has positioned itself as a major player at both ends of the photovoltaic industry value chain.

At the upstream end of the solar energy market, the Group has established itself as the undisputed technology leader for the power control modules that are critical to the polysilicon manufacturing process. 3W Power | AEG Power Solutions supplies seven of the top ten polysilicon manufacturers worldwide.

The same efficient, dependable, industrial-grade technology that has powered the Group's ascendance among polysilicon manufacturers has also enabled 3W Power | AEG Power Solutions to build strong positions in the burgeoning markets for solar inverters as well as monitoring, control and supervision solutions for solar generating plants and grids. Revenues from solar inverters achieved record results, increasing 165% in 2011, driven by new business in India and Eastern Europe.

Thanks to its global footprint, 3W Power | AEG Power Solutions can capture solar market growth everywhere.

This leading position was reinforced in 2011 with the introduction of the high-capacity PV.500 solar inverter (see box). In addition to the proven appeal of the Group's solar inverter product portfolio, strong growth at the generation-end of the solar value chain is being fueled by 3W Power | AEG Power Solutions' ability to provide complete solutions, built around sophisticated, reliable monitoring and control systems.

LOWERING SOLAR ENERGY COSTS

The 2011 introduction of the Protect PV.500 solar power inverter significantly expands the Group's ability to respond to customer requirements for utility-scale, multi-megawatt solar power generating plants. Directly derived from the technology developed for the highly successful Protect PV.250 inverter, the PV.500 provides comparable efficiency and reliability. The certified efficiency of the PV. 500 – a remarkable 98.4% – enables operators of solar plants to lower the cost of each kilowatt produced.

COMPLETE SOLUTIONS

The growing need to maintain the quality of power grids as renewable energy sources expand is fueling demand for advanced measurement and supervision capabilities. The Group's skytron subsidiary has established itself as the industry leader in this arena, especially for utility-scale plants. From a control room in Berlin, skytron experts monitor plants producing a total of 1.8 GW of solar power worldwide, minutely measuring energy output at all levels and providing virtually instantaneous notification of irregularities or malfunctions.

With market demand shifting from Western Europe to emerging markets in Asia, Africa and Eastern Europe, 3W Power | AEG Power Solutions is allocating strategic resources to respond to these growth opportunities. In India, where authorities plan to increase solar power generation from 60 MW in 2009 to 20,000 MW by 2020, skytron has established itself as the market leader in its segment. In 2011, the Group inaugurated a new inverter plant capable of producing 400 MW per year. Another new plant, in South Africa, is scheduled to begin inverter production in 2012.

THE RIGHT FOOTPRINT TO SERVE A GLOBAL MARKET

Burgeoning solar market opportunities explain much of the Group's current geographic expansion. While initial growth in solar energy markets was driven by government subsidies in some Western European countries, future growth will be strongest in Asia, Eastern Europe, the U.S. and Africa.

With 25 group entities established worldwide and a global service and support network serving customers in more than 100 countries, 3W Power | AEG Power Solutions is well positioned to seize market opportunities wherever they arise.


FlexLine
AEG
Main Assembly
FlexLine
GG
F
E
DD
BB
Warehouse
and
Commissioning

The new facility in Bangalore was officially inaugurated by AEG Power Solutions CEO Horst J. Kayser, in the presence of Tarun Kapoor, Joint Secretary of India's Ministry of New and Renewable Energy, and NS Prasanna Kumar, Managing Director of Karnataka Renewable Energy Development Limited.

3W Power | AEG Power Solutions opened a large manufacturing facility in Bangalore, India in October 2011. The 80,000 square feet plant demonstrates the Group's firm commitment to the Indian subcontinent. Focused on production of PV.250 and PV.500 series solar inverters, the facility has the capacity to manufacture products generating 400 MW per year.

India, with plans to bring 1000 MW of solar power on line by 2013, offers huge potential. To benefit from the opportunity, 3W Power | AEG Power Solutions opened an 80,000 square feet manufacturing plant in Bangalore, India in 2011. With annual capacity of about 400 MW, initial production at the plant is focused on the Group's PV.250 and PV.500 solar inverters. In 2012, a similar solar inverter manufacturing facility will be opened in South Africa to serve customers throughout Africa.

Already well-established in Eastern Europe thanks to an ongoing 260 MW, 13-plant project in the Ukraine, 3W Power | AEG Power Solutions is focusing increasingly on bolstering its presence in the U.S. The Group hopes to win certification from the U.S. Underwriters Laboratory for a solar inverter product designed to U.S. specifications during the first half of 2012. This inverter line is designed to provide a spearhead into North American markets. The Group's skytron subsidiary, already active throughout Europe and in India, will also begin operations in the U.S. in 2012. At the same time, the Group continues to reinforce its positions in its key Western European markets.

GROWING SERVICES

As a solutions provider, 3W Power | AEG Power Solutions supports customers everywhere with a full complement of power services. The services portfolio represents a growing portion of the Group's overall revenue. This involves both solar energy clients and legacy activities, where a large installed base of industrial and utility customers continues to draw on 3W Power | AEG Power Solutions' operating and maintenance expertise.

KEY FIGURES

- More than 200 AEG field engineer experts and service engineers
- 20 service centers worldwide
- Customer support in more than 100 countries

Thanks to their full turn-key project capability, the Group's engineering teams can manage all aspects of a power supply and control project as well as its installation – both for a new site or an upgrade.

3W Power | AEG Power Solutions engineering teams are meeting tomorrow's energy supply and management challenges by improving energy efficiency, developing hybrid systems, and designing renewable energy storage solutions.

BUILDING UPON OUR STRENGTH

Regardless of the application or market sector, 3W Power | AEG Power Solutions is constantly seeking new ways to help customers enhance power efficiency, reduce equipment size, cut operating costs and optimize return on investment.

INNOVATIVE POWER

The drive towards innovation that has powered the Group since its inception continues to provide the impetus for its ongoing pledge to serve changing customer needs, in legacy and new applications, during the green energy revolution. In traditional markets, this commitment was demonstrated by the introduction of several important new product families in 2011.

One example is the Protect MIP (Modular Industrial Power) product range. Integrating a next-generation switch mode rectifier system, Protect MIP products provide a modular, scalable and easy-to-integrate solution for secure industrial power, and represent a simplification and optimization of the Group's older product line. Breakthroughs in infrastructure and industrial business segments enabled 3W Power | AEG Power Solutions to strengthen existing positions and enter new market niches. In power controllers for polysilicon production lines, where the Group already holds a strong position, the introduction in late 2010 of the Thyrobox PI confirmed 3W Power | AEG Power Solutions as the technology leader. With polysilicon suppliers facing severe price pressure, the Thyrobox PI helps customers compete by reducing polysilicon production costs.

In 2011, the Group's experts adapted the high-efficiency Thyrobox technology platform to a new application – the growing of sapphire crystals, which are used to produce light emitting diodes (LEDs). Two of the three major suppliers of sapphire crystals for the booming worldwide LED industry have selected 3W Power | AEG Power Solutions power controllers for their sapphire furnaces, opening a new, high-growth market opportunity.

R&D AND INNOVATION HISTORY

1969
Thyrotakt
First single phase power controller for transformer type loads

1995
Protect 3
First 100% digital UPS in the world

2002
Thyro A
First power controller with complete digital 16/24 bit scope

2007
Thyrobox™ MV-I
First ultra small medium voltage ignition system for polysilicon reactors and processes

2008
Protect MIP
Highly efficient and easily scalable rectifier system for the industrial market

2009
Protect PV.250/500
Ultra efficient inverters for photovoltaic power plants (eff. >98.7%)

2010
Thyrobox™ PI
Breakthrough in efficiency of polysilicon production (productivity increase of 10% to 20%)

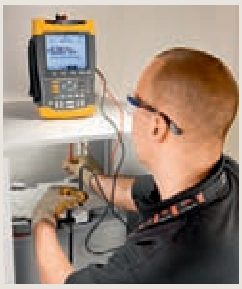
Smart Micro Grids systems/renewables

Today's products serve as building blocks for smart grid solutions. Products in our development pipeline are being designed to be "smart-grid ready."

R&D KEY FACTS AND FIGURES

- 3W Power | AEG Power Solutions has five R&D competence centers employing more than 150 engineers
- 2011 R&D investment: EUR 19.2 million (+15% over 2010)

KEY TECHNOLOGY PARTNERSHIPS



- University of Paderborn, Germany – High-efficiency industrial power supplies and intelligent power electronics
- Swiss Federal Institute of Technology Zurich – Ultra-high efficiency power electronics
- Fraunhofer Institutes – Solar technologies

The 2012 introductions of the Protect Blue UPS and ecopx hybrid systems will enable the Group to provide power solutions optimized for data centers, other IT applications and telecom power supply. The Protect Blue UPS offers power efficiency exceeding 96%, while the ecopx systems enable data telecom customers to reduce carbon emissions by managing diverse energy sources, including solar and wind.

ADVANCED STORAGE SOLUTIONS FOR RENEWABLE ENERGY

Over time, the future of power generation from renewable energy sources depends on the ability to store energy efficiently. Long familiar with energy storage requirements for large-scale industrial back-up power supplies, 3W Power | AEG Power Solutions is leveraging its expertise and experience to expand into renewable energy storage solutions.

The Group's storage technology won wide recognition when it was selected to provide the rectifier solution for the breakthrough hydrogen electrolysis unit of Enertrag's hybrid power generation plant in Germany. Through electrolysis, the wind-powered plant will convert electrical power to hydrogen for storage, re-injecting the stored energy back into the grid as needed.

In other renewable energy applications, 3W Power | AEG Power Solutions continues to develop new components for LED outdoor lighting and architectural applications, as well as innovative hybrid power solutions to integrate renewable energies into wireless telecom networks.

READY FOR SMART MICRO GRID APPLICATIONS

Utilities, governments and infrastructure experts worldwide are increasingly calling for the transformation of today's passive electricity grids into intelligent, multi-directional energy supply networks capable of accommodating a diverse array of power generating sources, including wind and solar. The development of these so-called smart grids has created a worldwide market totaling an estimated USD 28.7 billion in 2011 that will double to USD 58.5 billion by 2013, according to Frost & Sullivan.

3W POWER | AEG POWER SOLUTIONS SERVES THE SMART GRID MARKET WITH COMPONENT TECHNOLOGY, SYSTEM COMPONENTS AND TOTAL SOLUTIONS

System components for smart grid:

- Smart inverters
- Battery chargers/UPS
- FACTS
- Solar plants
- Storage systems (hydrogen, batteries)

Total smart grid solutions

- Systems combining components including local energy management

Few companies are as well positioned as 3W Power | AEG Power Solutions to respond to the burgeoning demand for smart grid products and solutions. Focusing on storage and medium-voltage grid intelligence, the Group will play a vital role by providing key building blocks. To generate revenue quickly, 3W Power | AEG Power Solutions product development teams are concentrating on live customer requirements, backed by tangible funding programs.

GRID STORAGE USING SMART INVERTERS

By building more intelligence into inverters, the Group's engineers are seeking ways to enable operators of smart grids to provide a fully reliable, high-quality flow of power around the clock. This involves providing sources of stored, back-up power not only for hours or days but also available instantaneously to eliminate the effects of transient grid disturbances.

Research and development teams are applying the Group's vast experience using battery storage to devise more efficient grid storage solutions. However, some of the most promising developments involve the use of gas as an energy storage vehicle. The selection of AEG Energy Solutions rectifier technology for Germany's innovative Enertrag program testifies to the Group's excellence in this field. In addition to this hydrogen-based energy storage system, 3W Power | AEG Power Solutions experts are working with other clients on methane-based solutions.

MEDIUM VOLTAGE SOLUTIONS

Smart grids draw their intelligence from bi-directional interaction between the power supplier and the power user. Hence, intelligence must be introduced into traditionally passive power substations where high voltages are stepped down to medium voltages as they approach the end user. The introduction of intelligence and interactivity of the medium voltage portion of electricity grids constitutes a natural and very large opportunity for 3W Power | AEG Power Solutions as operators face the technical challenge of grid stability.

As such, 3W Power | AEG Power Solutions engineers are currently developing a range of high-reliability, high-efficiency medium voltage grid solutions. Early recognition of the success of this effort came from a large Spanish utility provider in 2011, with the selection of 3W Power | AEG Power Solutions to supply smart UPS products for the customer's smart metering initiative.

3W Power | AEG Power Solutions has the fundamental building blocks: storage technologies, decentralized renewable generation and high power expertise.

POW

3W POWER | AEG POWER SOLUTIONS' VISION IS LEADING INNOVATIVE POWER MANAGEMENT IN THE GREEN ENERGY REVOLUTION. ALWAYS LEADING THROUGH INNOVATION, WE AIM TO CONTINUALLY DELIVER IMPROVEMENTS TO POWER SOLUTIONS ACROSS THE GLOBE.

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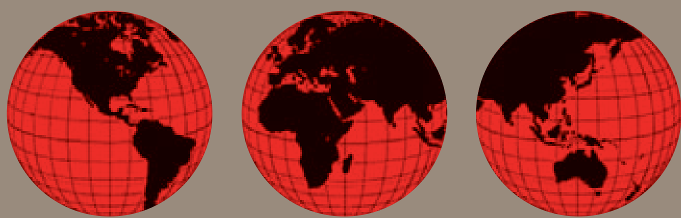


FUL

OUR STRATE

THE TEN PILLARS OF OUR SUCCESS

1 Heritage
3W Power | AEG Power Solutions has been building its understanding of the requirements and challenges of industrial-grade power users for more than 60 years, in order to best serve the needs of its customers with diverse applications and very reliable solutions.

2 Expertise
Expertise spanning the AC and DC worlds enables 3W Power | AEG Power Solutions to bring to market systems and solutions optimized for each customer application. Our broad technology platform enables us to adapt rapidly to changing market needs and enter new, high-growth markets.

3 Global footprint & perspective
The Company's long-standing global footprint enables 3W Power | AEG Power Solutions to understand global market trends while providing customers in local markets with the solutions they need to increase efficiency, enhance reliability, lower total cost of ownership and reduce carbon emissions.

4 Innovation
Innovation has been at the core of 3W Power | AEG Power Solutions since its founding. Our strong investments in advanced technology have grown our market leadership and profitability in power controller modules and polysilicon solutions and ensured a steep revenue growth in grid scale solar inverters and monitoring systems. We continue to build on this tradition by ensuring profitable growth with technology leadership and by focusing our investments in the growth markets of the renewable energy sector and Data/IT – to provide leading edge solutions to our customers.

5 Customer oriented
As a company focused solely on providing power, protection and control systems, our resources and priorities are fully dedicated to serving our customers' specific power solutions requirements. Our focus on targeted vertical market applications means that our industrial power supply solutions are tailored to our clients' needs.

GY

AGENDA 2012

6 Quality and reliability

Customers know they can trust the 3W Power | AEG Power Solutions brand for the finest engineering, highest quality products and systems and iron-clad reliability.

7 Service

As a solutions provider, we support customers with a full complement of power services. More than 200 AEG field engineer experts and service engineers with an average of 15 years of field know-how in 20 service centers worldwide support customers in more than 100 countries. Because our service includes full turn-key project capability, our engineering teams can manage all aspects of a power supply and control project as well as its installation – both for a new site or an upgrade.

8 Focus

Through a sharp strategic focus, an emphasis on operational excellence and a targeted approach to high-growth market segments, the Agenda 2012 transformation plan is positioning 3W Power | AEG Power Solutions for sustained growth and profitability, as demonstrated by its results in 2011.

9 Market position

3W Power | AEG Power Solutions' distinctive market position – at the crossroads of renewable energy and energy efficiency solutions – makes the Company uniquely qualified to help customers meet the energy challenges and opportunities of tomorrow. For instance, no one can match 3W Power | AEG Power Solutions' ability to deliver solutions for the burgeoning smart grid market.

10 Dedicated teams

3W Power | AEG Power Solutions is proud of its dedicated, highly qualified employees, committed to excellence, across all of its 17 facilities worldwide.

Bruce A. Brock, Chairman

FORMER CEO OF 3W POWER AND AEG POWER SOLUTIONS FROM 2005 TO 2010, BRUCE A. BROCK NOW SERVES THE COMPANY AS ITS CHAIRMAN.

CHAIRMAN'S REVIEW

DEAR SHAREHOLDERS,

2011 was an exciting and successful year for 3W Power | AEG Power Solutions. Our financial results were very satisfying and show that the rebound which was intended did in fact occur and that the changes undertaken worked out successfully. Under the leadership of Chief Executive Officer Dr. Horst J. Kayser, who has been in charge since August 2010, the Company was able to execute Agenda 2012 very effectively. Agenda 2012 set operating and financial objectives for the Group's two operating segments, including improving their market position, increasing sales, and enhancing profitability through targeted measures.

The Group succeeded in achieving its objectives. 3W Power | AEG Power Solutions returned to dynamic profitable growth in 2011 with record sales of EUR 428.2 million and a double-digit EBITDA margin of 12.4% against negative EBITDA in 2010. This turnaround is also the result of improved trading, with the Group capitalizing on its leading position within the growing field of renewable energy. Revenue growth in the Renewable Energy Solutions (RES) business segment was driven by both business units Power Controllers and Solar. The acquisition of the outstanding 25% of skytron concluded the successful cooperation started in 2010. skytron complements the Solar business perfectly with its product line and its international project experience.

In India, where solar power is strongly supported by the government, AEG Power Solutions built a factory in order to take full advantage of the opportunities arising there. In just eight months, an 80,000 square feet production site was set up in Bangalore, where the two successful solar inverter series PV.250 and PV.500 are produced. Additional product lines will follow.

The Company worked in 2011 to raise its public profile to turn its shares into an attractive and actively followed stock. Investors and financial analysts from different banks such as Bankhaus Lampe, Close Brothers Seydler, Montega and natureo finance followed the performance of 3W Power's shares. At the end of last year, the Board of Directors decided to delist 3W Power from NYSE Euronext in Amsterdam and focus on its presence on the Frankfurt Stock Exchange.

Despite the positive development of the financials of 3W Power | AEG Power Solutions, the success of Agenda 2012, the return to profitability and the increasing attention of the financial analysts, the share price has not responded positively, resulting in a 24% decline in the market capitalization of 3W Power over the course of the year, mainly due to the lack of liquidity in the shares.

On February 21, 2012, Andrem Power S.C.A. (Andrem), a company wholly owned by Nordic Capital Fund VII, announced its decision to make a voluntary public takeover offer for all the outstanding shares of 3W Power at EUR 4.35 per share. Andrem and 3W Power have entered into a transaction agreement, which governs their relationship with Andrem and 3W Power's support with regard to the offer.

According to the terms of the transaction agreement, the offer will be conditional upon the acquisition by Andrem Power of not less than 95% of the outstanding 3W shares, merger control clearance, non-occurrence of a material adverse change to certain of 3W's financial conditions and other customary conditions.

The offer will be made soon, following approval by the German Federal Financial Supervisory Authority (BaFin).

The Board of Directors will issue a reasoned opinion regarding the offer according to applicable takeover law as soon as Andrem has launched its takeover offer.

On January 12, 2012 Prof. Roland Berger stepped down as Chairman of 3W Power S.A.. Roland Berger served as Chairman of 3W Power and AEG Power Solutions for two years. During this period, the Group returned to profitability, enabling the Company to look forward to a prosperous future. The Board of Directors is grateful to him for his leadership.

On behalf of the Board of Directors, I would also like to thank all AEG Power Solutions employees who contributed to reaching an outstanding result in 2011. Agenda 2012 has well positioned the Company to achieve its goals and to address the challenges the volatile global economies present.

Yours sincerely

Bruce A. Brock
Chairman of the Board of Directors

THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE CORPORATE GOVERNANCE STRUCTURES, ADOPTING AND IMPLEMENTING STRATEGIES AND MORE GENERALLY THE DAY-TO-DAY MANAGEMENT OF THE COMPANY, DELEGATED TO THE CEO.

BOARD OF DIRECTORS

Bruce A. Brock, Chairman

Dr. Horst J. Kayser, CEO

Gerhard Henschel, CFO

The Board of Directors of 3W Power has been modified as follows since the 2010 Annual Report:

Bruce A. Brock: reappointed on May 19, 2011, appointed interim Chairman on January 13, 2012
Dr. Horst J. Kayser: reappointed on May 19, 2011
Gerhard Henschel: appointed on May 19, 2011
Keith Corbin, reappointed on May 19, 2011
Robert J. Huljak, reappointed on May 19, 2011
Lawrence Lavine, appointed on May 19, 2011
Thomas Middelhoff, reappointed on May 19, 2011
Christopher P. Minnetian, reappointed on May 19, 2011
Harris N. Williams, reappointed on May 19, 2011
Prof. Mark Wössner, reappointed on May 19, 2011
Prof. Dr. Roland Berger, reappointed on May 19, 2011, resigned on January 12, 2012

Bruce A. Brock, Interim Chairman of the Board of Directors
Former CEO of AEG Power Solutions from 2005 to 2010, he is the founder of the Brock Group, has served as Chairman of the International Consortium of Advanced Manufacturing; an Advisory Board Member for Intelligent Manufacturing for the United States Department of Commerce; a Board of Trustees member for the Dallas Science Place. Served as Chief Operating Officer of Lucent Power Systems (LPS) between 1997 and 2000.

Dr. Horst J. Kayser, Chief Executive Officer
Chief Executive Officer of 3W Power and AEG Power Solutions Group since August 1, 2010. Former Chief Executive Officer of Kuka AG, Dr. Horst J. Kayser filled a number of key roles at Siemens between 1995 and 2008, including CEO of Siemens Plc and North Europe Cluster; Chief Strategy Officer; President & CEO of Siemens Ltd. in Seoul, South Korea; and President of Siemens Industrial Automation Systems.

Gerhard Henschel, Chief Financial Officer
Chief Financial Officer of 3W Power and AEG Power Solutions Group since March 2011. Before joining the Group, Mr. Henschel was responsible for Corporate Controlling at MAN SE. Prior to that, he was with Infineon Technologie AG for about ten years as CFO and Group Vice President of the Automotive, Industrial and Multimarket Division and as Group Treasurer. In addition, he held various management positions at Siemens AG and HVB AG.

Keith Corbin, Non-Executive Director
Group Executive Chairman of Nerine International Holdings Limited. Member of the Audit Committee. Serves as an independent Director on the boards of various regulated financial services businesses. An Associate of the Chartered Institute of Bankers (A.C.I.B.); and a Member of the Society of Trust and Estate Practitioners (T.E.P.).

Robert J. Huljak, Non-Executive Director
Chief Strategic Officer of AEG Power Solutions from January 2005 to December 2010. Has served on the Board of Directors for PSMA; and the University of Texas-Arlington Advisory Board for Engineering. Founding partner of the Brock Group; served as Vice President of Development and Chief Technical Officer for Lucent Power Systems (LPS). Served as Director of Development at MagneTek's Lighting Group.

Lawrence Lavine, Non-Executive Director
Senior Managing Director of Ripplewood Holdings since 2004. Previously an MD in M&A at Credit Suisse First Boston and Donaldson, Lufkin & Jenrette. He started his career on Wall Street at Kidder Peabody & Co.

Thomas Middelhoff, Non-Executive Director
Chairman and founding partner of Pulse Capital Partners LLC; former Chairman and founding partner of BLM partners; former Chairman & CEO Arcandor AG; Head of Europe Investcorp Int. Ltd.; former CEO Bertelsmann AG; Board member The New York Times Company.

Christopher P. Minnetian, Non-Executive Director
Managing Director and General Counsel of Ripplewood Holdings L.L.C. since 2001. Joined the Board of Directors in February 2011. Previously served on the Supervisory Board of AEG Power Solutions from 2005 to 2009. Currently serves as a director of Gogo Inc; and Hostess Brands, all privately-held portfolio companies of Ripplewood Holdings L.L.C.

Harris N. Williams, Non-Executive Director
Managing Director of Ripplewood Holdings. Joined the Board of Directors in February 2011 and serves as Chairman of the Audit Committee. Also serves on the Board of Directors of Gogo Inc.

Prof. Mark Wössner, Non-Executive Director
Chairman of the Supervisory Board of Heidelberger Druckmaschinen AG; member of the Douglas AG Supervisory Board and the Supervisory Board of Loewe AG.

Dr. Horst J. Kayser, CEO

CHIEF EXECUTIVE OFFICER OF 3W POWER AND AEG POWER SOLUTIONS SINCE 2010, DR. HORST J. KAYSER SPEARHEADS THE DAY-TO-DAY MANAGEMENT OF THE COMPANY.

CHIEF EXECUTIVE OFFICER'S LETTER

DEAR SHAREHOLDERS,

2011 was a successful year for 3W Power | AEG Power Solutions with record sales of EUR 428.2 million and a return to profitable growth. The Group capitalized fully on the order backlog with which it began the year and benefited from the Agenda 2012 initiated in 2010. However, we have to note that economic sentiment has worsened over the last months and order intake momentum in the fourth quarter of 2011 slowed considerably.

3W Power | AEG Power Solutions finished the year 2011 with a double-digit EBITDA margin of 12.4% while EBITDA in 2010 was negative. We succeeded in returning to profitable growth in both segments: Renewable Energy Solutions (RES) and Energy Efficiency Solutions (EES).

Renewable Energy Solutions (RES) revenue came to EUR 224.0 million compared to EUR 110.2 million in 2010. At the upstream end of the solar energy market, the Group has established itself as the undisputed technology leader for the power control systems that are critical to the polysilicon manufacturing process. AEG Power Solutions supplies seven of the top ten polysilicon manufacturers worldwide. In the short to medium term there seems to be a risk of overcapacity in the polysilicon markets that could have a negative impact on our growth expectations in the Power Controller business.

In 2011, Power Controllers saw continued expansion in non-polysilicon applications such as high-end power systems for sapphire crystal growing equipment and for electrolysis for hydrogen production. Although only a small part of total Power Controller revenue, sales of such "non-poly" applications more than doubled last year.

EBITDA OF 53.1m

While initial growth in solar energy markets was driven by government subsidies in some Western European countries, future growth will be strongest in Asia, Eastern Europe, the U.S. and Africa. India, with plans to bring 1000 MW of solar power on line by 2013, offers good potential. To benefit from the opportunity, AEG Power Solutions opened an 80,000 square feet manufacturing plant in Bangalore, India, in 2011. With annual capacity of about 400 MW, initial production at the plant is focused on the Group's PV.250 and PV.500 solar inverters. In 2012, a similar solar inverter manufacturing facility will be opened in South Africa to serve customers throughout Africa.

For our Solar business, skytron proved to be an important component. On July 13, 2011 the Group acquired the remaining 25% minority interest it did not already own. skytron develops and sells monitoring systems for solar installations. From a control room in Berlin, skytron experts monitor plants producing a total of 1.8 GW of solar power worldwide, minutely measuring energy output at all levels and providing virtually instantaneous notification of irregularities or malfunctions.

On February 24, 2011 the Group acquired 100% of the equity of Fluxpower GmbH, a small services specialist in southern Germany. Fluxpower is reported within the EES segment and its acquisition is part of the strategy for growth in services. In 2011 Fluxpower contributed EUR 2.4 million to EES revenue.

In EES, the last quarter was, as anticipated, the strongest in terms of revenue. On a year-on-year basis, EES revenue was up 4% to EUR 204.2 million. EES recorded its third consecutive quarter of positive EBITDA and was EBITDA-positive for the financial year, aided by Agenda 2012 measures. EES EBITDA was EUR 5.7 million compared to 2010 negative EBITDA of -EUR 16.6 million, which, however, was impacted by one-time charges amounting to EUR 17.0 million. The telecoms business and, in particular, the converter activities remained difficult.

The Group's unique legacy, in terms of both technology and understanding mission-critical power requirements, explains its unique market position – at the crossroads of renewable energy and energy efficiency solutions. It is thanks to AEG Power Solutions' long track record with traditional industrial power users that the Group has managed to expand into younger, renewable energy market segments so quickly and successfully.

The investment company Nordic Capital recognized AEG Power Solutions' good position and, through Andrem Power, has made a voluntary public takeover offer for all outstanding shares of AEG Power Solution's Holding Company 3W Power, S.A., Luxembourg. The Management team together with the Board of Directors welcome this offer. It can provide 3W Power | AEG Power Solutions with additional resources and a stable financial background and support the continued transformation of the Company to become a viable and sustainable global supplier of power electronics solutions.

We do expect further growth for 2012 with expansion of the RES business footprint and sustained positive EBITDA for EES. Although the Group continues to anticipate growth in its key markets, the deterioration in economic conditions is impacting on our ambitious growth prospects. The overall market development will depend on the resolution of the sovereign debt crisis in the eurozone and the avoidance of further economic contraction.

2011 was a year that also saw a number of tough measures to restore profitability. Restructuring measures around the world had to be taken. They were impacting a number of our employees as workforce reductions were unavoidable. We managed to resolve the corresponding issues in a socially acceptable and amicable way with our labour representatives. I would like to thank all of our employees around the world and also all of our business partners for the hard and successful work to restore profitability and drive strong growth while always focusing on serving our customers in the best possible way.

And I also thank our customers for their continued trust! The global AEG Power Solutions team will continue to serve our markets with innovative and competitive solutions to make our customers successful.

Yours sincerely

Dr. Horst J. Kayser
CEO 3W Power | AEG Power Solutions

CORPORATE RESPONSIBILITY

PRODUCTS AND SERVICES FROM 3W POWER | AEG POWER SOLUTIONS HELP CUSTOMERS REDUCE ENERGY CONSUMPTION AND BENEFIT FROM RENEWABLE ENERGY SOURCES.

Committed to being a responsible corporate citizen, 3W Power | AEG Power Solutions continues to design and implement policies and practices that transform this commitment into daily life.

VALUES

3W Power | AEG Power Solutions' approach to its various stakeholders – from employees and customers, to business partners, investors and members of the local communities, wherever the Group does business – is rooted in five core values. These values (see box) provide the foundation for the day-to-day policies that guide all of our employees worldwide.

CODE OF CONDUCT

Revamped and enhanced during 2011, the 3W Power | AEG Power Solutions Code of Conduct is one of the ways we aim to ensure that every employee, at every level of the organization, in every Group function and site, behaves according to our ethical standards.

The Code provides an overview and sets out our standards for good business practices. It covers interactions with business, government and other stakeholders, as well as relationships in the workplace. Topic by topic, the Code briefly summarizes the main guidelines for behavior on the use of agents, gifts and entertaining, as well as our anti-corruption procedures and ensures compliance with external regulations, standards and legislation everywhere we do business. In addition, we have produced more detailed policy statements which supplement the Code.

HUMAN RIGHTS

As one of the cornerstones of the Group's commitment to corporate social responsibility, the Code of Conduct also includes policies and guidelines that protect human rights by preventing workplace intimidation, harassment and discrimination. The Group's policies forbid discrimination of any kind based on race, gender, beliefs, sexual orientation, age or disability, moral or sexual harassment, inflicting bodily harm, verbal or written abuse, as well as intimidation or threatening behavior.

In line with the principles laid down in the United Nations Global Compact, the Group supports and respects the protection of internationally recognized rights and ensures that it is not complicit in human rights abuses, such as forced, compulsory or child labor.

3W POWER | AEG POWER SOLUTIONS CORE VALUES

- **Innovation:** Innovation has been at the very core of 3W Power | AEG Power Solutions since it was founded. We continually seek new ways to serve customers and conduct business in a better fashion, in every facet of our professional lives, not just in terms of technology, products and services. We seek innovative ideas and solutions to invent and implement new benefits in all areas of our professional lives.
- **Respect:** We respect all our internal and external stakeholders as well as our professional partners and industry peers. Both internally and externally, we respect each individual's professional needs and aspirations, always taking into account such diverse considerations as culture, gender, job status and professional responsibilities as well as each stakeholder's health, safety and well-being.
- **Accountability:** We take responsibility for our actions and behavior, recognizing that we should be held accountable for everything we say and everything we do professionally. We are each accountable to all of our internal and external stakeholders, including co-workers, management, customers and business partners.
- **Reliability:** Beyond the reliability of our products, reliability infuses all of our business encounters, both inside and outside the Group. As reliable professionals, we always respect and deliver on our commitments. We do what we say we will do.
- **Ethical business behavior:** Every 3W Power | AEG Power Solutions employee commits to follow the highest standards for ethical behavior in all professional dealings. This involves understanding and committing to respect not only the letter but the spirit of the Group Code of Conduct. Also, it means we comply unfailingly with any and all external regulations, standards and legislation everywhere we do business.

Our Ethics and Compliance Hotline and related policies protect anyone who reports suspected wrongdoing from retribution. This is an integral part of making certain that we fulfill our individual and shared ethical responsibilities.

We provide each of our employees worldwide with a paper or electronic copy of the 3W Power | AEG Power Solutions Code of Conduct. In addition, we are in the process of revising and finalizing new procedures for ongoing corporate social responsibility training of employees.

HUMAN RESOURCES & POTENTIAL

A series of personnel and management initiatives were launched or continued in 2011 to reinforce the Group's management, attract and retain new talent, and ensure that the workforce is aligned with business imperatives.

A series of adjustments to the global workforce were made during 2011 as part of the ongoing effort to optimize the Group's human resources, enhance long-term profitability and increase the Group's ability to invest in growing market segments. The workforce was rebalanced, with reductions in some areas and new job creations in others. As a result, the full-time salaried workforce increased by nearly 15%, from1,522 at the end of 2010, to 1,748 one year later. The expansion of the workforce occurred mainly at Warstein-Belecke, Germany, which is the competence center for the growing renewable energy activity, and at the new plant in Bangalore, India, inaugurated in October 2011.

To restore profitability, we reviewed processes and operations to make them leaner and more effective. Restructuring and rationalization programs resulted in reduced employment at the Group's facilities in Tours, France and Penang, Malaysia. In Tours, a second round of restructuring during 2011 resulted in the elimination of 52 jobs.

The Group's management ensured that affected employees were provided with all possible personalized assistance. More than half of those affected accepted an offer of free outplacement services. Of these, all but three had created their own companies, found employment elsewhere or enlisted on training programs by the start of 2012.

STARTING FROM SCRATCH IN SOUTH AFRICA

The Group's decision to open a new facility in South Africa by mid-2012 constitutes a formidable human resources challenge. At the start of the year, a single salesperson represented the Group's total workforce in the country, with no legal entity established. By the end of the first quarter, plans called for hiring the members of a senior management team, as well as sufficient operations personnel to launch production.

The gradual winding-down of the facility in Penang, which began in October 2010, is expected to be complete by August 2012. By year-end, the workforce had been reduced from 245 to 149 people. Most of those affected rapidly found new employment in Penang's local economy. Here too, assistance to those affected will continue to be provided through the end of the process.

ONGOING PROGRAMS

Several key initiatives designed to enhance the Group's current and future human resources, launched in 2010 and brought forward substantially in 2011, are expected to come to fruition in 2012. Paramount among these are:

- **Performance management:** Designed to improve the quality of our performance management process and career development, the project will ensure that every employee benefits from an annual performance evaluation.

- **Job evaluation:** As part of an effort to enhance consistency across the Group's facilities, human resources specialists are creating a global employee framework, which includes job profiles by function and grading all positions according to a single, Group-wide method.

- **Compensation and benefits:** This program aims to align job grading with the local compensation and benefits policies at all 3W Power | AEG Power Solutions sites worldwide. Based on job profiles and grading, the program will enable management to benchmark compensation with market data; it will allow the Group to remain competitive while providing attractive compensation and benefits policies everywhere it does business.

Information gathered in all of the projects described above is entered into the Group's Human Resources Information System (HRIS). The newly-created HRIS is already proving to be an invaluable tool for managing the Group's workforce. The single, unified system will enable human resources specialists to define and implement the right programs to ensure that the Group has the skills it needs to succeed, with appropriate employee development, retention and reward programs.

As part of the Campus Project, the Company is initiating a smart micro grid program to improve energy efficiency and cost, reduce carbon emissions and demonstrate a working solution for some of the challenges of a renewable energy-driven grid.

ENVIRONMENTAL RESPONSIBILITY

3W Power | AEG Power Solutions contributes to environmental protection in two main ways. The largest impact comes from the Group's products and services, which enable industrial clients around the world to reduce their energy consumption. Internally, the Group is also committed to reducing its own carbon footprint. Analyzing our carbon emissions is one of the goals of this year's Agenda 2012 transformation plan. In addition, we have embarked on several initiatives to certify 3W Power | AEG Power Solutions' energy and environmental management systems. For example, we expect to complete an ISO 14001 and ISO 50001 audit at the Warstein-Belecke site by mid-2012.

3W Power | AEG Power Solutions products help clients reduce carbon emissions by making conventional power systems more efficient and by increasing use of renewable energy sources. The high efficiency of Thyro A power controllers and the Protect MIP switch mode rectifier system, for example, enable industrial customers to significantly reduce both power usage and physical footprint. Advanced measurement and control systems from the Group's skytron subsidiary, as well as our Protect PV-series inverters, help maximize output from solar electricity plants. Our Ecopx power systems for cellular phone network substations are designed to optimize use of renewable energies while decreasing diesel fuel consumption.

HIGH STANDARDS

Internally, 3W Power | AEG Power Solutions' policy is to meet the highest international standards in terms of environmental protection, and to favor renewable and high-efficiency energy usage wherever possible. At the Group's Warstein-Belecke site, for example, as part of the Campus Project, we replaced an outdated heating system during 2011 with an advanced 1 MW combined heat and power station. This significantly increased efficiency levels, both for heating and electric power generation (see box).

At the same site, a 250 kWp crystalline solar carport power plant was designed, built and commissioned during the fourth quarter of 2011, providing renewable feed-in power according to the German Renewable Energy law (EEG) for future energy storage systems. The solar installation balances 3W Power | AEG Power Solutions' load profile and reduces energy costs.

WARSTEIN-BELECKE CAMPUS PROJECT

The 3W Power | AEG Power Solutions site in Warstein-Belecke, Germany, by far the Group's largest facility, is being equipped with an energy system that will integrate solar-generated power into a campus-wide smart grid. Implementation of the multi-year project began in 2011 with installation of a combined heat and power system to replace the existing boiler. Work was also begun on installation of solar panels and inverters, as well as measurement, control and communications functions. A second combined heat and power system is planned for 2012, along with additional solar panels and inverters as well as a pair of energy storage systems – one to convert electrical power to gas and the other based on battery storage. When completed, the campus power network is expected to provide 60-70% of the power required to operate the site. The next step, set to be partially implemented in 2012, will involve installation of an innovative, large-scale industrial energy storage system, a critical smart micro grid component.

At the Group's new plant in Bangalore, India, an 80 kWp solar carport using crystalline and thin film technology is one of the first such applications in India. It generates electricity that is fed back into the grid. In addition, outdoor lighting is provided by energy-efficient LED bulbs with 3W Power | AEG Power Solutions drivers.

These initiatives follow the installation in past years of solar generating systems on the roofs of 3W Power | AEG Power Solutions facilities in Tours, France; Zwanenburg, the Netherlands; and Dallas, U.S. They are all part of an ongoing effort to make the Group a greener company while establishing 3W Power | AEG Power Solutions as a provider of solutions for the emerging smart micro grids market.

All 3W Power | AEG Power Solutions facilities comply with the ISO 9001 standard for quality, except for two small North American sites. Six of the Group's 16 facilities worldwide were certified as ISO 14001-compliant as of the end of February 2012.

The Group strictly adheres to all local, regional and international legislation and regulations, including European directives such as RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment).

RESU

LTS

EBITDA MARGIN OF 12.4%

WE HAVE MADE OUR FIRST STEPS TO OPERATIONAL AND FINANCIAL EXCELLENCE. OUR NEW MANAGEMENT TEAM HAS DELIVERED WITH AGENDA 2012.

2011 – A YEAR OF ACHIEVEMENTS

January
Inauguration of Africa's largest photovoltaic power plant, a 440 kW off-grid solar power generating plant in Oulébougou, Mali. Three additional plants, each capable of generating 384 kW, are also planned for 2012. Off-grid sites are one of the applications combining our renewable energy and energy efficiency expertise.

February
UK-based Moog, a world-leading manufacturer and supplier of innovative control solutions for the wind energy industry and 3W Power | AEG Power Solutions sign a frame agreement contract valued up to EUR 2 million for chargers delivery, offering new opportunities in the rapidly growing wind power market.

March
Gerhard Henschel joins the Group as Chief Financial Officer (CFO) of 3W Power.

A three-phase modular UPS joins the Protect 8 UPS family, which now includes heavy-duty, double-conversion, three-phase AC-output industrial UPS systems and stand-alone single-phase and three-phase DC-to-AC inverters.

April
The introduction of the Protect PV.500 inverter at the Hanover Fair expands the Group's product range of solutions for large, utility-scale solar power installations, enabling the Group to participate in larger projects.

Introduction of a new generation of Thyro A power controllers confirms the Group's position as technology leader in the power controller field.

May
Enertrag, a leading German independent renewable power generation company, selects 3W Power | AEG Power Solutions' Rectifier Solution for the breakthrough hydrogen electrolyser in its new hybrid wind generating plant. The contract signals the opening of a new market for 3W Power | AEG Power Solutions power controllers.

June
In New Caledonia, 3W Power | AEG Power Solutions commissions its first hybrid power ecopx installation for a cellular telecom relay station and is selected for a second site. The impressive savings from the hybrid system at Cap Sommet include 99% reductions in CO_2 emissions and operating costs (diesel fuel, fueling and maintenance) and a nearly 70% cut in total cost of ownership over ten years.

July
3W Power | AEG Power Solutions wins several key projects in the Indian solar market during the first half of the year, demonstrating the efficacy of its renewable energy market strategy. The projects include solutions equipment totaling 25 MW and monitoring systems worth 45 MW for the Group's skytron subsidiary.

August
Confirming its commitment to supply complete solar solutions, 3W Power | AEG Power Solutions acquires the remaining shares of its Berlin-based skytron subsidiary.

September
AEG Power Solutions expands its high-efficiency solar product range with the introduction of an 8kVA string inverter.

3W Power | AEG Power Solutions Protect PV.250 and Protect PV.500 solar inverters win certification from the German Association of Industry and Water (BDEW), a requirement for all new grid-connected solar inverters in Germany.

October
3W Power | AEG Power Solutions inaugurates its power electronics plant in Bangalore, India, with initial production at the 80,000 square feet site focused on the PV.250 and PV.500 solar inverter series. Annual factory capacity is about 400 MW. The investment in India's huge market marks a further milestone in 3W Power | AEG Power Solutions' global strategy for its Renewable Energy segment.

November
A client in Spain selects 3W Power | AEG Power Solutions Protect 3 and Protect 4 UPS to equip a pair of 49.9 MW solar thermal power plants, providing another milestone for the Group's complementary expertise in renewable energy and energy efficiency.

3W Power | AEG Power Solutions names Bob Roos as Vice President and General Manager of its Solar Business Unit, responsible for a worldwide activity that includes solar inverters, systems and monitoring tools for solar power plants.

December
3W Power | AEG Power Solutions extends its Protect MIP (Modular Industrial Power) product range with the introduction of the next generation Protect MIP 3 switch mode rectifier system, providing a modular, scalable and easy-to-integrate solution for secure industrial power.

OUR SHARES

SHAREHOLDER STRUCTURE

- 30.2% Ripplewood
- 15.2% Deutsche Bank*
- 8.2% Prof. Dr. h.c. Roland Berger
- 5.3% Brock and Brock Trust
- 2.7% Dr. Dr. h.c. Thomas Middelhoff
- 0.2% Other executive and non-executive board members and AEG PS managers
- 38.3% Other shareholders

As of December 31, 2011

* based on Deutsche Bank threshold filing dated November 29, 2011

Developments in our shareholder structure after year-end:

Dr. h.c. Carsten Maschmeyer, Germany, and Marcel J. Maschmeyer, Germany, have informed us on 26 January 2012 that their share of voting rights in 3W Power S.A. has exceeded the threshold of 5% on 26 January 2012 and has amounted to 5.06%. This is equivalent to 2,541,682 voting rights, of which Dr. h.c. Carsten Maschmeyer directly holds 700,000 voting rights (1.39%) and indirectly holds 1,741,682 voting rights (3.47%) as well as Marcel J. Maschmeyer directly holds 100,000 voting rights (0.20%).

Deutsche Bank, UK, has informed us on 5 March 2012 that their share of voting rights in 3W Power S.A. has fallen below the threshold of 15% on 22 February 2012 and has amounted to 13.90%. This is equivalent to 6,980,314 voting rights, of which Deutsche Bank directly holds 2,040,401 voting rights (4.06%) and indirectly holds 4,939,913 voting rights (9.83%).

SHARE PRICE DEVELOPMENT

Worldwide capital markets showed strong momentum during the first seven months of 2011. After reaching their highest level in April and overcoming a subsequent minor setback, they remained stable until late July. This changed fundamentally at the beginning of August, when markets were adversely affected by uncertainty as a result of the spiraling sovereign debt crisis in several European countries, as well as lower than anticipated 2012 growth prospects for the global economy. International stock markets reflected these developments with one of the worst slumps of the last two decades, marked by sharply declining stock prices.

The 3W Power share was not immune to these macro trends: after its price increased until May 2011 and reached its highest quotation for the reporting period at EUR 5.47 on May 25 on Xetra, it dropped considerably in the following months. The lowest price, recorded in the last week of December, was EUR 2.75, from which it recovered slightly to EUR 3.10 at year-end. Altogether, the share price on Xetra decreased 24.4% during the reporting period. While its performance was better than the TecDAX during most of the year, the 3W Power share fell behind the index during the final days of 2011.

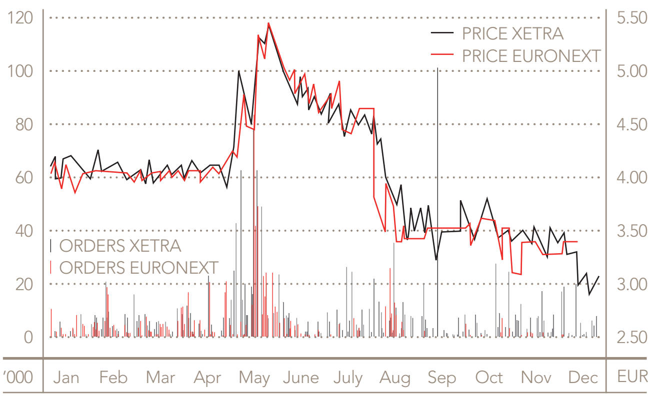
As announced previously, the listing of 3W Power's ordinary shares at Euronext Amsterdam was terminated on December 19, with December 16 the last trading day. It was the gradual shift of trading volumes throughout the reporting period to the Frankfurt stock exchange and its electronic trading system Xetra that made the delisting appropriate. The Company's shares have been admitted for trading on the Frankfurt Regulated Market (Prime Standard) since December 2010. In 2011, total trading volumes on Xetra amounted to 1,796,029 shares, compared to 823,686 shares on Euronext. For the fourth quarter of 2011, trading on Xetra was 318,778 shares, while Euronext traded only 30,346 shares. It was the Company's objective to increase liquidity in the share in order to make the placement of larger orders feasible. The Euronext delisting eliminates future price differences in the stock as a result of trading on different exchanges.

SHARE INFORMATION

ISIN	GG00B39QCR01
Stock exchanges	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main; NYSE Euronext, Amsterdam (delisted from Euronext on December 19, 2011)
Symbol	3W9 (Frankfurt Stock Exchange, Xetra); 3WP (Euronext)
Reuters symbol	GAQAu.DE (Frankfurt Stock Exchange, Xetra); 3WP.AS (Euronext)
Liquidity provider/designated sponsor	Close Brothers Seydler Bank (Frankfurt Stock Exchange, Xetra); The Royal Bank of Scotland (Euronext)
High in 2011	EUR 5.47 (May 25, 2011 Frankfurt Stock Exchange, Xetra); EUR 5.46 (May 26, 2011 Euronext)
Low in 2011	EUR 2.75 (December 27 & 28, 2011 Frankfurt Stock Exchange, Xetra); EUR 3.10 (November 02, 2011 Euronext)
Closing price on December 30, 2011	EUR 3.10 (Frankfurt Stock Exchange, Xetra)
Market capitalization on December 30, 2011	EUR 155.73 million (Frankfurt Stock Exchange, Xetra)
Number of shares	50,236,024

Source: Bloomberg

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



From January 1 to December 31, 2011

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

From January 1 to December 31, 2011

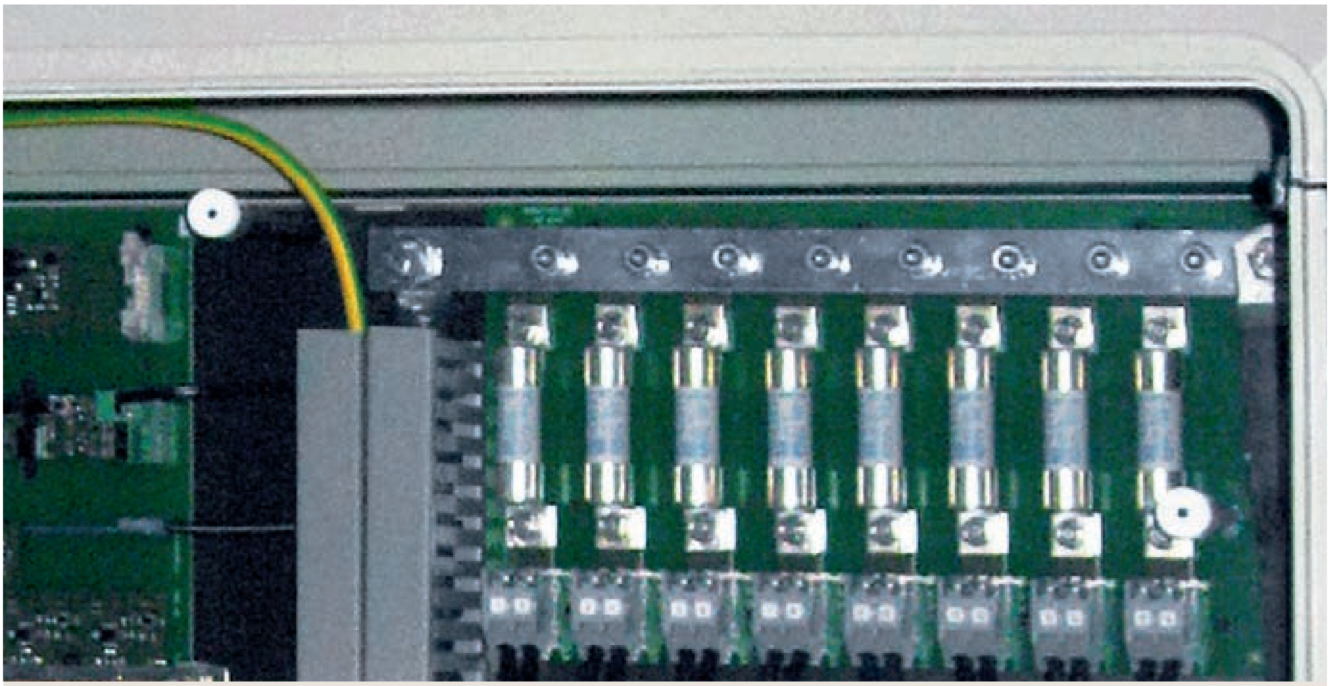
INVESTOR RELATIONS

3W Power | AEG Power Solutions seeks to nurture a continuous dialogue with its shareholders. Throughout 2011, the Company strengthened its presence in the capital markets and increased its awareness among institutional investors. 3W Power | AEG Power Solutions management and investor relations representatives held road shows in Dusseldorf, Frankfurt/Main, Hamburg, London, Luxembourg and Zurich during the year. In addition, presentations were given to the financial community and meetings were held with both existing and potential investors as well as analysts during capital markets or industry-specific conferences in Frankfurt/Main, Hamburg, Munich, Paris and Zurich.

3W Power | AEG Power Solutions is committed to keep its stakeholders informed of all key business and strategic developments. This annual report, as well as previously published interim financial reports, contain information beyond statutory disclosure requirements to provide interested parties with greater insight into the Group. On its website, 3W Power | AEG Power Solutions 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.

EQUITY RESEARCH

In 2011, the Company greatly advanced towards its goal of becoming an actively followed industrial stock of the German renewable energy sector. Analysts from Bankhaus Lampe, Montega Equity Research and natureo finance initiated coverage of 3W Power during the reporting period, thus raising to five the number of institutions commenting the stock. IBS Securities and Close Brothers Seydler Research had published studies already in 2010. Various other equity research houses have expressed interest in taking 3W Power under coverage in 2012.



DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS OF 3W POWER S.A. ("THE COMPANY") OR ("3W POWER") FOR THE YEAR ENDED DECEMBER 31, 2011. 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. The Company raised EUR 250 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. The principal activity of AEG PS is the design, development, manufacture, and sale of custom AC and DC power solutions for a wide variety of industrial and communication applications as well as for the renewable energy sector.

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

On December 1, 2010 the Company successfully placed EUR 100 million of unsubordinated loan notes (the "Notes") due in December 2015 at a coupon of 9.25%. The Notes are traded on the Bondm segment of the Stuttgart stock exchange as well as on the Open Market of the Frankfurt stock market.

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

On December 17, 2010 the Company's shares were admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. In conjunction with the FWB listing , the Company delisted its shares from NYSE Euronext (ticker 3WP) on December 19, 2011. Warrants in the Company remain listed on NYSE Euronext (ticker 3WPW).

TAKEOVER OFFER FROM ANDREM POWER S.C.A.

On February 21, 2012 the Company was informed by Andrem Power S.C.A ("Andrem") of its intention to launch a voluntary public takeover offer for all outstanding shares in 3W Power S.A. at a price of EUR 4.35 per share. Andrem (a partnership limited by shares and incorporated in Luxembourg) is a wholly owned subsidiary of Nordic Capital Fund VII ("Nordic"). Subject to review of the full offer document and its duties under applicable law, the Board of Directors of 3W Power S.A. has unanimously agreed to recommend the offer to shareholders.

The offer is subject to Andrem receiving acceptances from no less than 95% of the outstanding shares in the Company. Andrem has already entered into share purchase or tender agreements with certain core shareholders representing approximately 65% of shares in the Company, although these shareholders can terminate the agreements under certain conditions.

Andrem and the Company have entered into a transaction agreement which sets out the agreed key elements of the offer. This is summarised in note 36 of the consolidated financial statements.

The offer is subject to approval by the German Federal Financial Supervisory authority ("BaFin") and assuming all relevant conditions are met, it is expected to be completed in the second quarter of 2012. Under German public offer rules, the offer period will be four weeks from the date of commencement with a subsequent offer period of two weeks. The offer period may be extended in accordance with Sec. 16 para. 2 of the German Takeover Act so that Andrem can offer to acquire any remaining shares in the Company at the offer price.

OPERATING SEGMENTS

The Group operates in two segments, Renewable Energy Solutions ("RES") and Energy Efficiency Solutions ("EES"). RES comprises the Power Control and Solar (including skytron) product lines. EES includes Energy Management Solutions (EMS), Telecom and Converter product lines.

ACQUISITIONS

Acquisition of remaining 25% minority in skytron
On February 28, 2010 the Group acquired 75% of the equity of skytron energy GmbH & Co KG and transformed the Company into skytron energy GmbH ("skytron"). On July 13, 2011 the Group acquired the remaining 25% minority interest it did not already own. skytron develops and sells monitoring systems for solar installations. This complements the Group's inverter solutions and is a key part of the RES strategy of offering complete solutions to customers in the solar sector.

Acquisition of 100% of Fluxpower
On February 24, 2011 the Group acquired 100% of the equity of Fluxpower GmbH, a small services Company in Germany. Goodwill arising on the acquisition amounted to EUR 0.7 million. Fluxpower is reported within EES segment and its acquisition is part of the strategy for growth in services. In 2011 Fluxpower contributed EUR 2.4 million to EES revenue.

ENERGIE MEDITERRANEE S.R.L. ("EMED") AND ASSETS HELD FOR SALE

In February 2010 the Group acquired Energie Mediterranee S.R.L. (EMED). The only assets of EMED were licenses for the construction and operation of six solar farms in Italy. The licenses were valued at EUR 1.684 million and were included in intangible assets. Construction of the solar farms is complete and there is an active process in place to divest EMED. The assets and liabilities of EMED have accordingly been classified as held for sale.

GROUP AND SEGMENT FINANCIAL REVIEW

KEY FIGURES FOR THE YEAR ENDED DECEMBER 2011

	Orders		Revenue		EBITDA		Adjusted EBIT[1]		EBIT	
in millions of euros	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
RES	192.0	162.9	224.0	110.2	68.0	15.2	63.7	25.6	48.0	(34.5)
% of revenue					*30.4%*	*13.8%*	*28.4%*	*23.2%*	*21.4%*	*-31.3%*
EES	211.7	208.2	204.2	195.8	5.7	(16.6)	0.5	(4.0)	(12.8)	(67.5)
% of revenue					*2.8%*	*-8.5%*	*0.2%*	*-2.0%*	*-6.3%*	*-34.5%*
Unallocated	-	-	-	-	(20.6)	(22.5)	(21.1)	(16.5)	(21.3)	(24.6)
Total	**403.7**	**371.1**	**428.2**	**306.0**	**53.1**	**(23.9)**	**43.1**	**5.1**	**13.9**	**(126.6)**
% of revenue					*12.4%*	*-7.8%*	*10.1%*	*1.7%*	*3.2%*	*-41.4%*

[1] The Group has significant non-cash charges resulting from the amortization of intangible assets arising on the acquisition of AEG PS. Furthermore, in 2010 the Group incurred large one-time restructuring and other charges relating to Agenda 2012 as well as accelerated amortization and impairment charges on goodwill and intangibles. Therefore, in addition to EBIT and net income, the Group also reports adjusted EBIT and adjusted net income. Adjusted EBIT is EBIT adjusted for the effect of one-time items (principally relating to Agenda 2012) and for the amortization of intangibles on acquisition. Adjusted net income is net income adjusted for the effect of one-time items mentioned earlier, the amortization of intangibles on acquisition, the change in the value of warrants and the estimated tax effects of these (see Appendix I).

Revenue grows 40% to a record EUR 428.2 million with 12.4% EBITDA margin
AEG PS finished the year 2011 with record sales of EUR 428.2 million and double-digit EBITDA margin of 12.4% against negative EBITDA in 2010. The Group capitalized fully on the strong order backlog with which it entered 2011 and benefited from Agenda 2012 actions initiated in 2010.

Revenue growth was primarily driven by RES which reached EUR 224.0 million, up 103% year-on-year. Both the Power Controllers and Solar (including skytron) product lines recorded significant increases over 2010.

Power Controller revenue was up 68% on 2010 with sales of polysilicon systems performing well following good order intake in 2010 and early 2011. 2011 saw continued expansion into non-polysilicon applications such as high end power systems for sapphire crystal growing equipment and for electrolysis for hydrogen production. Although a small part of total Power Controller revenue, sales into such "non-poly" applications more than doubled in the year. Sales of power controller modules also continued on an upward trend and were up 34% year-on-year.

Solar sales in aggregate were up 165% in the year with growth coming from Eastern Europe and India where AEG PS booked major projects both in solar inverters and in monitoring systems. Sales into developing areas helped offset lower than anticipated performance in Western Europe where sovereign debt issues and concerns over government deficits held back growth and contributed to economic uncertainty. The newly introduced Protect PV.500 improved our competitiveness in central inverters and contributed to winning projects in important markets such as India. A new 400MW solar inverter facility was officially opened in India in October 2011 and contributed EUR 6.0 million to solar sales in the fourth quarter.

Revenue in EES was 4% higher than 2010 with EMS and Telecom both experiencing growth in revenue while Converter sales remained weak and were in fact lower than prior year due mainly to lower demand from a key customer.

Group EBITDA improved from a loss of EUR -23.9 million in 2010 to positive EBITDA of EUR 53.1 million in 2011. The improvement in EBITDA was primarily due to higher volumes and the fact that growth was largely in RES which enjoys higher margins than EES. It should be noted that in 2010 EBITDA was impacted by significant charges from Agenda 2012 actions (primarily restructuring and working capital provisions) and other one-time items totaling EUR 37.5 million. After adjusting for these, 2010 Group EBITDA was EUR 13.6 million.

RES EBITDA in 2011 came to EUR 68.0 million compared to EUR 15.2 million in the prior year, noting that 2010 included EUR 12.4 million of one-time working capital charges.

In 2011 EES EBITDA was EUR 5.7 million compared to 2010 EBITDA of EUR -16.6 million, again noting that 2010 was impacted by one-time charges at EUR 17.0 million.

The table below summarizes the effects on EBITDA of one-time items as referred to earlier and in our 2010 annual report:

	2011				2010			
in millions of euros	RES[1]	EES	Unallocated	Group[1]	RES[2]	EES	Unallocated	Group[2]
Reported EBITDA	68.0	5.7	(20.6)	53.1	15.2	(16.6)	(22.5)	(23.9)
One-time working capital charges/(income)	–	–	–	–	12.4	0.5	–	12.9
One-time restructuring charges/(income)	–	(1.0)	(0.1)	(1.1)	–	16.5	2.3	18.8
Other one-time charges/(income)	–	–	–	–	–	–	5.8	5.8
EBITDA after adjustment	**68.0**	**4.7**	**(20.7)**	**52.0**	**27.6**	**0.4**	**(14.4)**	**13.6**

[1] Includes EUR 8.5 million income from settlement of litigation against a customer.
[2] Includes EUR 5.6 million income from a contract amendment negotiated with a customer.

Gross margin improves by 5.4%

Group gross margin in 2011 was 29.6% compared to 24.2% in 2010. This was due to the higher volumes and a richer mix of RES sales (2011 RES sales were 52% of Group sales compared to 36% in 2010) and was achieved despite a small fall in EES gross margin, upward pressure on material costs and an increase in operating costs in RES (due to the higher volumes and investment in growth). As noted above, 2010 revenue and gross margin included EUR 5.6 million income from a contract amendment. Also, 2010 gross margin was impacted by EUR 12.9 million of one-time working capital provisions. Adjusting for these items, Group gross margin improvement in 2011 was 2.5%.

Research & Development (R&D) costs

R&D costs during 2011 were as follows:

in millions of euros	2011	2010
Gross R&D spending	20.0	18.0
% of revenue	*4.7%*	*5.9%*
Capitalized amounts (net of amortization)	(4.6)	(2.8)
Amortization of intangibles on acquisition	7.4	8.9
Net R&D cost	**22.8**	**24.1**

Gross R&D spending increased 11% year-on-year to EUR 20.0 million as the Group continued to invest in developing its product offering, including solutions for smart grid and energy storage applications. In RES, R&D continued to expand the power range, functionality and markets covered by AEG PS solar inverters (ongoing development of variants of the PV.500 inverter and modular inverters for the U.S. market) and skytron monitoring systems. In Power Controllers, a new Thyro-A module and new custom power control systems were developed and advances made on products which improve the efficiency of the polysilicon production process. In EES work continued in hybrid solutions for Telecom applications, modular Protect 8 UPS, efficient power solutions for data centers (protect Blue), high efficiency rectifiers and new LED power platforms.

Selling, general and administrative expenses (SG&A)

SG&A expenses increased 8% year-on-year mainly due to expansion in RES in Germany and Asia. This increase offset reductions achieved through Agenda 2012 restructuring.

Other expenses (net)

Other expenses fell 89% from EUR 104.0 million in 2010 to EUR 11.8 million in 2011, primarily driven by: a) a reduction in impairment and accelerated amortization charges for goodwill and intangibles which, in 2010 amounted to EUR 60.0 million, b) one-time restructuring charges of EUR 18.8 million in 2010 compared to net release of restructuring in 2011 of EUR 1.1 million and, c) EUR 8.5 million income from settlement of litigation against a customer in 2011.

Net financial cost

Net financial cost in 2011 was EUR 5.3 million compared to net financial income of EUR 22.6 million in 2010. The reversal from income in 2010 to net expense in 2011 is largely due to the reduction in the non-cash gain from the change in the fair value of warrants (2011: EUR 6.0 million gain compared to EUR 24.6 million gain in 2010) and an increase in interest expense. The change in the fair value of warrants is a non-cash item. An increase in the fair value of warrants results in financial expense; a decrease causes a financial gain. Each warrant entitles the holder to purchase one ordinary public share at a price of EUR 7.50. At the reporting date the market price of the warrants was EUR 0.005 per warrant (December 31, 2010: EUR 0.20 per warrant). The warrants expire in July 2012. In 2011 no warrants were exercised.

The increase in interest expense is due to the inclusion in 2011 of a whole year of interest charges on the Notes compared to only one month of charge in 2010 as the bond was raised in early December of 2010.

Taxation

The tax charge for the current year was EUR 9.2 million (2010: tax benefit EUR 20.2 million) of which EUR 15.2 million (2010: EUR 0.2 million) was due to current income tax charge. This was offset by EUR 6.0 million benefit (2010: EUR 20.4 million benefit) due to deferred tax. The tax benefit in 2010 was almost entirely due to significantly lower deferred taxes on intangibles on acquisition following amortization and impairment charges booked against the value of intangibles.

The higher income tax charge in 2011 is a result of the significant improvement in profitability compared to 2010 particularly at the Group's German subsidiaries.

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 and this contributes to a high effective tax rate.

Non-current assets

Expenditure on tangible fixed assets in the year amounted to EUR 11.9 million compared to EUR 22.1 million in 2010. The prior-year figure included EUR 18.1 million related to construction of solar power generation farms by EMED in Italy.

Construction of these farms was completed during 2011 and all farms are now grid-connected. As noted earlier there is an intention to divest these and therefore the assets and liabilities of EMED (including the capital expenditure) have been treated as held for sale and reclassified to current assets/liabilities.

Tangible capex included EUR 3.0 million on a new 400 MW solar inverter facility in India and EUR 6.2 million at the Group's largest subsidiary in Belecke, Germany, primarily for production, test and IT equipment.

Additions to intangible assets in the year amounted to EUR 11.4 million of which EUR 8.4 million related to capitalized R&D and EUR 2.0 million to capitalized ERP (SAP) implementation costs. A further EUR 0.8 million was added to goodwill as a result of the acquisition of Fluxpower (EUR 0.7 million) and an adjustment to skytron goodwill (EUR 0.1 million). After taking into account these additions, the net book value of intangible assets fell in the year as a result of amortization and impairment charges.

Non-current financial assets increased in the year due to a EUR 1.8 million investment made in a limited liability company (LLC) in the U.S. The LLC is a partnership between the Group and an experienced investor and manager of solar assets in the U.S. Under the partnership agreement, the Group will invest up to USD 5.0 million in the LLC under the stewardship of the partner. The money will be invested in solar projects in the U.S. In addition the Group will have the opportunity to sell its solar products in the U.S. through a separate supply agreement. No goods were supplied during 2011 under the supply agreement.

Current assets

Excluding cash, current assets increased by 20% to EUR 220.3 million year-on-year largely driven by higher receivables and inventory balances. Receivables increased due to high sales towards the end of the fourth quarter while inventories increased due to the ramp-up of production at the new Indian manufacturing facility and the delay of certain projects into 2012.

Cash reduced by EUR 40.1 million in 2011 of which EUR 32.5 million was due to financing activities and EUR 25.8 million due to investing activities. These outflows were partially offset by cash inflow of EUR 18.2 million from operating activities. The financing outflows included EUR 19.1 million used to pay down short-term debt, EUR 9.2 million for the first payment of interest on the Notes and EUR 4.3 million for the acquisition of the 25% minority interest in skytron. The Group paid down debt in order to reduce the total interest bill given the availability of funds through the fixed interest rate Notes. Investing activities included the additions to tangible and intangible assets referred to in the section on non-current assets above.

Current liabilities

Current liabilities reduced by EUR 4.7 million year-on-year with a number of offsetting movements. Loans and borrowings reduced by EUR 13.0 million as the Group paid down debt, warrants fell by EUR 6.0 million due to a reduction in the market value, provisions were EUR 9.9 million lower largely as a result of severance payments made under restructuring actions and liabilities held for sale reduced by EUR 3.4 million mainly due to the repayment of a loan. These reductions were largely offset by higher accounts payable and deferred income balances.

Non-current liabilities

Non-current liabilities fell by EUR 7.8 million in the year mainly due to lower deferred taxes on intangible assets.

Equity

Total equity at the end of 2011 stood at EUR 276.9 million, EUR 3.5 million lower than 2010. The reduction was due to the payment for the acquisition of the minority interest in skytron (taken through equity) and the net loss after tax of EUR 0.6 million. The net loss after tax includes the amortization of intangibles on acquisition (and related tax effects) and the change in value of warrants. Excluding these, the Group would have reported net income of EUR 13.0 million (see Appendix I).

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

OUTLOOK

AEG PS operates in global markets with good long-term characteristics due to the growing demand for energy and environmental considerations. Emerging countries are expected to lead demand as they continue to expand their power infrastructure while developed economies need to modernize their infrastructure and have generally committed to environmentally-friendly energy policies.

The renewable sector is particularly promising and the Group is already well established in this. Our RES segment has good positions in the whole solar value chain, from power control systems for polysilicon production to inverter systems for solar photovoltaic power generation.

The Group continues to have expectations of growth in the solar market. It has reinforced its presence in emerging countries as evidenced by the opening of its Indian solar inverter facility in October 2011 and is focused on utility scale and selected large commercial segments which have proved to be more resilient than general roof-top applications.

The Power Controller business is a key player in the polysilicon market for which the long-term fundamentals remain, by general consensus, positive. In the short to medium term it is possible that overcapacity in the polysilicon market may develop which could negatively impact our growth. At the same time continued effort is channeled into new efficiency-enhancing systems for the silicon industry as efficiency improvement is seen as key to the long-term development of the sector. It is also diversifying into other areas where its expertise in precise and efficient power supply can be put to good use while also developing solutions for smart grid applications such as energy storage and grid compensation.

Our EES business supports mission critical systems and infrastructure and our expectation is that this market will also grow as global demand for reliable energy continues to increase. Through its recognized position in this sector and new product developments, EES expects to benefit from this growth trend although the Telecom and, in particular, the Converter business continue to be difficult. The restructuring of EES operations (primarily in France and Malaysia with smaller adjustments at other locations) under Agenda 2012 has progressed on plan during 2011 and headcount at the affected locations has been reduced by a net 104 permanent staff (although on a group basis the reduction was offset by increases in headcount at other locations, to meet RES growth needs). We expect the long-term demand for reliable power and the benefits of restructuring to return EES to a position of sustained positive EBITDA despite the difficulties in Telecom and Converters.

At present our plans for 2012 assume top-line growth over 2011 due to our positioning in global growth areas. However we note that economic sentiment has worsened over the last six months and order intake momentum in the fourth quarter of 2011 slowed. Although we continue to anticipate growth in our key markets, the deterioration in economic conditions, the continuing debt crisis, price pressure in the inverter market and potential overcapacity in polysilicon are impacting our profitability for 2012.

RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2011 are shown in the consolidated income statement and the consolidated statement of financial position.

No dividend is proposed for the year.

PRINCIPAL RISKS

The principal risks that could have a material impact on the Group are set out in note 5 of the consolidated financial statements and are summarized below:

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.

As noted earlier, in 2010 the Company successfully raised a net EUR 96.8 million of loan capital through the placement of loan Notes. This capital ensures the Group has adequate liquidity in place to finance its activities and implement its restructuring and growth strategy.

At December 31, 2011, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- EUR 18.1 million in overdraft and short-term loans of which EUR 8.5 million was undrawn.
- EUR 30.9 million receivables financing of which EUR 22.3 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

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.

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.

In RES two customers accounted for 49.4% and 25.8% of segment and Group revenue respectively in 2011. 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.

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 which have both been reviewed by banks for the purposes of receivable factoring.

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. Payment and other terms are set commensurate with the level of risk perceived by the Group. 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.

Economic and market risk

We include in this risks arising 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 sovereign debt crisis in the Eurozone and government deficit reduction measures in Europe and the U.S. We mitigate some of this risk by investing in developing areas and we expect emerging markets to account for an increasing proportion of our total revenue as developing economies grow. Emerging markets generally may involve risks such as unfamiliar legal systems, cultural and business practice differences, exchange controls, etc.

The pace of development of the renewable energy sector is dependent on government support. Reduction or withdrawal of such support may reduce demand and prices in the sector despite the long-term growth fundamentals remaining intact.

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 fixed 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.

Details of the Group's exposure to currency risk are shown in note 32 of the consolidated financial statements. The main exposure is to the euro, the Group's functional currency. Exposure to other currencies is relatively limited but has increased compared to 2010 and may continue to do so as expansion in emerging countries continues. 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.

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.

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. Potential changes to Directors' interests as a result of the offer from Andrem are set out in note 36.

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.

AUDITORS

The Annual General Meeting held on May 19, 2011 approved the appointment of KPMG Luxembourg S.à r.l. as auditors of the Company for the year ended December 31, 2011.

CORPORATE GOVERNANCE

The following Governance section applies 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 EUR 37,560,018 consisting of 150,240,072 shares and an issued capital of EUR 12,520,006 consisting of 50,236,024 shares without an indication of a nominal value. As of the end of the 2011 financial year, the share capital consisted solely of ordinary shares which are listed on the Deutsche Börse Frankfurt. The Board of Directors of the Company decided to delist the ordinary shares from Euronext Amsterdam by resolution at the Board meeting of November 15, 2011. The delisting became effective on December 19, 2011.

During the 2011 financial year, the Company renewed its Board of Directors and changed its name to "3W Power S.A". The decision to change the Company name was made at an Extraordinary General Meeting of the shareholders of the Company on May 19, 2011. The Board of Directors was appointed at the Annual General Meeting on the same date.

As a Luxembourg company, we make every effort to fully comply with the letter and spirit of Luxembourg corporate requirements. In light of changes to Luxembourg corporate law included in the law of 24 May 2011, the Company will propose to its shareholders at its annual general meeting in May 2012 certain modifications of its articles of association to comply with the provisions of this law.

The Company is committed to maintaining the highest standards of governance and responsibility towards its shareholders, employees and all other outside parties in the jurisdictions within which it operates. Being a Luxembourg company listed solely on the German Deutsche Börse stock exchange, no specific mandatory corporate governance framework is applicable to the Company. Nevertheless, the Company strives to comply, when possible, with the Luxembourg corporate governance rules as set forth in the Ten Principles of Corporate Governance. In 2011, the Company implemented segregation of duties rules which clearly delineate Board of Directors and management functions and responsibilities. The Company, at all times, ensures the equal treatment of all shareholders and is continually improving its reporting and control frameworks to meet the market and stakeholder expectations.

During the 2011 financial year, the Company updated its company-wide code of conduct, issued 19 independent policy statements covering various areas of legal and regulatory compliance. Finally, the Company implemented an ethics and compliance hotline available to all employees of the Group in accordance with local legislation in each jurisdiction in which the Company operates.

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. Luxembourg law provides for general meetings of shareholders to be convened by

registered letter sent to each shareholder at least 30 days prior to the meeting. The Company will propose to the shareholders to modify the Articles of Association to increase this notice period to 30 days to comply with a recent modification to Luxembourg law. The Chairman of a shareholder meeting is a director or, in the absence of any director, a shareholder chosen by the general meeting.

Issuances of new shares within the Company's authorized share capital are decided by the Board of Directors of the Company. The authorized share capital of the Company is EUR 37,560,018. 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 are decided by the 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.

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 must 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 for ensuring that the Company complies with conditions 3 and 4 stated above. Shares purchased by the Company may be held as treasury shares. The Company may not exercise any right in respect of treasury shares it holds.

Board of Directors

Under the Articles of Association of the Company, the Board of Directors is made up 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; these Directors will hold office only until the next Annual General Meeting and then be eligible for election. At the 2012 Annual General Meeting, the entire Board will retire from office. A retiring Director is eligible for re-election.

The Board of Directors is responsible for the activity of the Company and the corporate governance structures, adopting and implementing strategies and, more generally, supervising 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 2011 financial year, the Board had eleven members including two Executive Directors holding the positions of Chief Executive Officer and Chief Financial Officer and nine non-executive members. The Executive Directors are entrusted by the Board of Directors with the management of the Company. In this regard, they are 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 Directors are employees of the Company in their capacities as CEO and CFO respectively.

The fees paid to Non-Executive Directors have been set at EUR 90,000 per annum in aggregate. 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.

Following the acquisition of AEG PS, the Board created two standing committees: the Audit Committee and the Compensation Committee. Each committee is made up of two Non-Executive Directors.

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.

The Compensation Committee worked on the long-term incentive plan which was presented to and approved by the shareholders at the Annual General Meeting on May 19, 2011. The long-term incentive plan has been implemented during 2011.

Termination benefits

Under their contracts of employment, executive Directors and certain key managers are provided with termination benefits in the event that their employment is terminated without cause or in case of change of control. Such benefits vary but are limited to a maximum of three years' remuneration.

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 2011, the Audit Committee assisted the management team with the implementation of a segregation of duties and delegation of authority framework and the adaptation of the Company's compliance framework.

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 May 19, 2011, approved the appointment of KPMG Luxembourg S.à r.l. as external auditor.

Rules and policies

During the year 2011, the Company reinforced its compliance framework to cover the key legal, financial, regulatory and business risks which the Company faces. The Company conducted a risk survey which resulted in a more thorough identification of the relevant risks. The Company also updated its internal rules, formalized internal rules for segregation of duties and redrafted its code of conduct and internal policies. This code and the internal rules set forth the fundamental principles to which all of the Group employees must adhere.

Finally, the Company implemented an ethics and compliance telephone and internet hotline to provide a useful and easily accessible solution for all Company employees to bring compliance issues to the attention of the executive team and the Board of Directors. Following the completion of the Business Combination, the Company adopted an insider regulation and stock market compliance program.

Risk management and internal control over financial reporting
The Company considers Integrated Risk Management (IRM) to be an integral 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.

IRM is a process, initiated and supported by the Board, and applied by management and other personnel, in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk within its risk appetite, to provide reasonable assurance regarding the achievement of objectives.

As part of its continuing evolution the Company aims to make continuous improvements in its risk management system. In 2011 a dedicated Group Risk manager was appointed and a Group wide survey of risks was undertaken covering all entities and business lines. Further, roles and responsibilities under IRM are being reviewed and risk workshops are planned. A Risk board is set up which will assist the executive management, the audit committee and the Board in the identification and management of risks.

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 risks which could have a material impact on the Company are discussed in the first section of the Directors' Report.

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:

Dr. Horst J. Kayser Gerhard Henschel

March 23, 2012

RESPONSIBILITY STATEMENT

We, Horst Kayser, Chief Executive Officer, and Gerhard Henschel, Chief Financial Officer, confirm, to the best of our 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.

Dr. Horst J. Kayser Gerhard Henschel

On behalf of the Board of Directors
March 23, 2012

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2011	2010
Assets			
Property, plant and equipment	14	39,831	33,590
Intangible assets	15	191,421	213,522
Goodwill	15	87,152	86,312
Other non-current financial assets	16	3,171	1,515
Total non-current assets		**321,575**	**334,939**
Inventories	18	77,043	65,199
Trade and other receivables	19	116,952	94,751
Prepayments	20	1,015	687
Cash and cash equivalents	21	82,489	122,555
Assets held for sale	7	25,268	22,176
Total current assets		**302,767**	**305,368**
Total assets		**624,342**	**640,307**
Equity			
Share capital	22	12,520	12,520
Share premium	22	383,836	383,836
Retained earnings		(96,108)	(92,542)
Reserve for own shares	22	(24,633)	(25,235)
Cumulative translation adjustment	22	1,317	1,094
Total equity attributable to equity holders of the Company		**276,932**	**279,673**
Non-controlling interest		–	731
Total equity		**276,932**	**280,404**
Liabilities			
Loans and borrowings	24	98,203	97,826
Employee benefits	25	23,497	23,982
Deferred tax liabilities	17	46,532	52,541
Provisions	26	7,788	9,451
Total non-current liabilities		**176,020**	**183,800**
Warrants	27	154	6,161
Loans and borrowings	24	9,785	22,797
Trade and other payables	28	105,301	86,756
Income tax liabilities		2,205	652
Deferred income	29	42,505	34,963
Provisions	26	8,578	18,550
Liabilities held for sale	7	2,862	6,224
Total current liabilities		**171,390**	**176,103**
Total liabilities		**347,410**	**359,903**
Total equity and liabilities		**624,342**	**640,307**

The consolidated financial statements on pages 52 to 90 were approved by the Board of Directors on March 23, 2012 and signed on its behalf by:

Dr. Horst J. Kayser Gerhard Henschel

The notes on pages 56 to 90 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME For the year ended December 31

in thousands of euros	Note	2011	2010
Revenue	6	428,199	306,037
Cost of sales		(301,476)	(232,008)
Gross profit		**126,723**	**74,029**
Selling, general and administrative expenses		(78,272)	(72,483)
Research and development expenses		(22,781)	(24,122)
Other income/(expenses)	9	(11,771)	(104,049)
Earnings/(loss) before interest and tax (EBIT)[1]		**13,899**	**(126,625)**
Finance income		6,895	25,398
Finance costs		(12,175)	(2,838)
Net finance (costs)/income	12	**(5,280)**	**22,560**
Profit/(loss) before income tax		**8,619**	**(104,065)**
Income tax (charge)/benefit	13	(9,178)	20,213
Net loss		**(559)**	**(83,852)**
Net profit (loss) attributable to:			
Owners of the Company		(1,006)	(84,503)
Non-controlling interest		447	651
Net loss		**(559)**	**(83,852)**
Earnings per share			
Basic (loss) per share (euro)	23	(0.02)	(1.78)
Diluted (loss) per share (euro)	23	(0.02)	(1.78)

[1] 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	2011	2010
Net loss for the year		**(559)**	**(83,852)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		213	1,008
Other comprehensive income for the year		**213**	**1,008**
Total comprehensive loss for the year		**(346)**	**(82,844)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(793)	(83,495)
Non-controlling interest		447	651
Total comprehensive loss for the year		**(346)**	**(82,844)**

The notes on pages 56 to 90 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners 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, 2010		**–**	**394,928**	**86**	**(24,375)**	**(8,211)**	**362,428**	**–**	**362,428**
Profit/(loss) for the year						(84,503)	(84,503)	651	(83,852)
Total other comprehensive income/(loss)		–	–	1,008	–	–	1,008		1,008
Total comprehensive income/(loss) for the year		**–**	**–**	**1,008**	**–**	**(84,503)**	**(83,495)**	**651**	**(82,844)**
Transfer to share capital from share premium	22	12,520	(12,520)	–	–	–	–	–	–
Exercised warrants (168,013 ordinary shares issued)	27	–	1,428	–	–	–	1,428	–	1,428
Increase in treasury shares	22	–	–	–	(2,150)	–	(2,150)	–	(2,150)
150,000 shares transferred from treasury shares	22	–	–	–	1,290	(1,290)	–	–	–
Share-based payments	33	–	–	–	–	1,462	1,462	–	1,462
Acquisition of non-controlling interest	8	–	–	–	–	–	–	80	80
Total contributions by and distributions to owners of the Company		**12,520**	**(11,092)**	**–**	**(860)**	**172**	**740**	**80**	**820**
Total transactions		**12,520**	**(11,092)**	**1,008**	**(860)**	**(84,331)**	**(82,755)**	**731**	**(82,024)**
Balance at December 31, 2010		**12,520**	**383,836**	**1,094**	**(25,235)**	**(92,542)**	**279,673**	**731**	**280,404**
Balance at January 1, 2011		**12,520**	**383,836**	**1,094**	**(25,235)**	**(92,542)**	**279,673**	**731**	**280,404**
Profit/(loss) for the year						(1,006)	(1,006)	447	(559)
Total other comprehensive income/(loss)		–	–	223	–	(10)	213	–	213
Total comprehensive income/(loss) for the year		**–**	**–**	**223**	**–**	**(1,016)**	**(793)**	**447**	**(346)**
70,000 shares transferred from treasury shares	22	–	–	–	602	(602)	–	–	–
Acquisition of non-controlling interest	8	–	–	–	–	(3,122)	(3,122)	(1,178)	(4,300)
Share-based payments/long-term incentive plan	33	–	–	–		1,174	1,174		1,174
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**602**	**(2,550)**	**(1,948)**	**(1,178)**	**(3,126)**
Total transactions		**–**	**–**	**223**	**602**	**(3,566)**	**(2,741)**	**(731)**	**(3,472)**
Balance at December 31, 2011		**12,520**	**383,836**	**1,317**	**(24,633)**	**(96,108)**	**276,932**	**–**	**276,932**

The notes on pages 56 to 90 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	2011	2010
Cash flows from operating activities			
Net loss for the year		(559)	(83,852)
Adjustments for non-cash items:			
Depreciation	14	5,397	4,216
Amortization and impairment of intangible assets and goodwill	15	33,774	96,990
Change in provisions	18,19, 26	(1,333)	36,120
Charge for share-based payments	10, 33	1,174	1,461
Change in other non-current financial assets	16	203	170
Finance (expense)/income (net)	12	5,280	(22,516)
Income tax credit	13	9,178	(20,213)
Cash flow from operations before changes in working capital		**53,114**	**12,376**
Change in inventories	18	(12,682)	(13,227)
Change in trade and other receivables	19	(30,420)	(14,103)
Change in prepayments	20	(328)	515
Change in trade and other payables	28	19,610	19,987
Change in employee benefits	25	(2,143)	(430)
Change in provisions	26	(8,765)	(7,605)
Change in deferred income	29	7,542	2,800
Cash (used in) operating activities		**(27,186)**	**(12,063)**
Income tax paid		(7,745)	(21,911)
Net cash from/(used in) operating activities		**18,183**	**(21,598)**
Cash flows from investing activities			
Acquisition of subsidiary and non-consolidated investment, net of cash acquired	8, 16	(2,639)	209
Acquisition of property, plant and equipment	14	(11,884)	(20,772)
Proceeds from sale of property, plant and equipment	14	118	59
Acquisition of intangible assets	15	(3,004)	(3,347)
Capitalized internal development expenditure	15	(8,387)	(4,692)
Net cash used in investing activities		**(25,796)**	**(28,543)**
Cash flows from financing activities			
Interest paid		(9,851)	(203)
Interest received		723	537
Acquisition of non-controlling interest	8	(4,300)	–
Proceeds from issue of share capital and warrants	22	–	1,260
Net proceeds of notes payable program	24	–	96,750
Change in other long and short-term debt	24	(19,080)	5,234
Proceeds from new short-term debt raised	24	–	10,000
Net cash from/(used in) financing activities		**(32,508)**	**113,578**
Effect of movement in exchange rates		312	474
Net (decrease)/increase in cash and cash equivalents		(39,809)	63,911
Cash and cash equivalents at beginning of year		122,146	58,235
Cash and cash equivalents at end of year	21	**82,337**	**122,146**

The notes on pages 56 to 90 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 Eugene Ruppert, L-2453 Luxembourg.

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

The Company's shares are listed on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB). As from December 19, 2011 the Company delisted its shares from the NYSE Euronext, Amsterdam. The Company's warrants are listed on the NYSE Euronext, Amsterdam and will upon conversion be converted to 3W Power Shares listed on the Prime Standard of the Frankfurt stock exchange (FWB).

The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a world provider of premium electronics. It offers comprehensive product and service portfolios in power conversion and control for customers spanning the infrastructure markets of energy, telecommunication, lighting, transportation and general industrial sectors. The Group has also developed a full range of products for the solar energy industry including solar inverters, monitoring systems and turn-key solutions and is investing in solutions that will enable 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 March 23, 2012.

B) BASIS OF MEASUREMENT

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

C) 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.

D) 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 15	impairment test procedures on goodwill and other intangible assets
Note 17	utilization of tax losses
Note 25	measurement of defined benefit obligations
Note 26, 30, 31	provisions, off-balance sheet commitments and contingencies

E) 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.

IFRS ACCOUNTING STANDARDS ADOPTED AS FROM 2011

The Company has adopted the following new and amended IFRSs as of January 1, 2011.

In May 2010, the IASB issued "improvements to IFRSs 2010", a collection of amendments to seven International Financial Reporting Standards, as part of its program of annual improvements to its standards, which was intended to make necessary, but non-urgent, amendments to standards that are not included as part of another major project. The amendments resulting from this standard mainly have effective dates for annual periods beginning on or after January 1, 2011. The improvements did not have a material impact on the Company's consolidated financial statements.

Revised IAS 24 "Related Parties Disclosures"
The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Company applies IAS 24 (revised) retrospectively from January 1, 2011. The change in accounting policy impacted disclosures only.

Amendment to IAS 32 "Classification of Rights Issues"
The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment was applied by the Company on January 1, 2011 and did not have a material impact on the Company's consolidated financial statements.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"
This amendment allows for the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions for defined benefit plans in respect of future service. The amendment to IFRIC 14 was adopted on January 1, 2011, was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
IFRIC 19 clarifies the accounting when the terms of debt are renegotiated with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap"). The interpretation requires a gain or loss to be recognized in Statement of income when a liability is settled through the issuance of the entity's own equity instruments. The reclassification of the carrying value of the existing financial liability into equity (with no gain or loss being recognized in Statement of income) is no longer permitted. IFRIC 19 was applied on January 1, 2011 and with retrospective effect. The application of this IFRIC did not have a material impact on the Company's 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 2E), those which address changes in accounting policies.

A) BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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 as 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 other than the euro (foreign) currencies 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 2011	Average rates 2011	Closing rates 2010	Average rates 2010
Canada	CAD	0.76	0.73	0.75	0.73
China	CNY	0.12	0.11	0.11	0.11
India	INR	0.01	0.02	0.02	0.02
Malaysia	MYR	0.24	0.24	0.24	0.23
Russia	RUB	0.02	0.02	0.02	0.02
Singapore	SGD	0.59	0.58	0.58	0.55
Ukraine	UAH	0.10	0.09	–	–
United Kingdom	GBP	1.20	1.16	1.16	1.17
United States	USD	0.77	0.72	0.75	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.

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.

Warrants

Warrants are initially recorded as liability at fair value in the statement of financial position. This liability is re-measured at fair value and changes therein are recognized in profit or loss.

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 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. 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 Groups of 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 Group, 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) 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 12 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.

The Group applies the corridor method to recognize in the profit of loss actuarial gains and losses over the expected average remaining working lives of employees in the plan. The corridor is 10% of the greater of the present value of the obligation and the fair value of the assets at the beginning of the period. The corridor is calculated and applied separately for each plan. The net cumulative unrecognized actuarial gain or loss at the beginning of the period in excess of the corridor is amortized on a straight-line basis over the expected remaining working lives of the employees in the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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 12 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.

K) 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.

L) 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.

For the recognition of revenue for solar projects the Group is applying the construction contract method. This is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function of their ultimate purpose of use.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that this is probable that they will result in revenue and can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion on the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is addressed by reference to surveys of work performed. When the outcome of a construction contract cannot be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

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.

M) 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.

N) 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.

O) 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.

P) 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.

Q) 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.

R) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Other than those adopted early as explained in note 2E), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, 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) will become effective as from 2015, 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.

- The main change resulting from the amendment to IAS 1, "Financial Statement Presentation" is a requirement to Group items presented in other comprehensive income on the basis of potential reclassification to profit or loss. The amendments as such do not address which items are presented in other comprehensive income. This change is effective for our 2013 financial statements. We do not expect that this will have a material impact.

- IFRS 10, "Consolidated Financial Statements" 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-factor" control), participating and protective rights and agent/principal relationships. This new standard will be applicable from January 1, 2013, but has not yet been endorsed by the EU. The Company is currently evaluating the impact that this new standard will have on the Company's consolidated financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities" contains the disclosure requirements for interests in subsidiaries, joint ventures, associates and other unconsolidated entities. This standard will be effective as from 2013. We do not expect that this new standard will have a material effect on the Company's consolidated financial statements.

- IFRS 13, "Fair Value Measurement" replaces the fair value measurement guidance contained in existing IFRS with a single source of fair value measurement guidance. This standard, which is effective as from 2013, is not expected to materially impact our consolidated financial statements.

- The amendment to IAS 19, "Employee Benefits" will become effective in 2013. It includes the requirement that actuarial gains and losses are recognized immediately in other comprehensive income, thus removing the corridor method which we currently apply. In addition, expected return on plan assets recognized in the statement of income is calculated based on the rate used to discount the defined benefit obligation. The impact of this standard on our consolidated financial statements for 2013 can be material, depending on the funded status of our defined benefit plans as at December 31, 2012, and by the difference between the discount rates and the expected return on plan assets rates at that moment.

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.

Warrants

The fair value of the outstanding warrants is measured at market price by applying the list price of these warrants at the end of the period as traded at the Euronext Amsterdam.

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.

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.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risks limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee is chartered to oversee how management monitors compliance with the Group's risk management policies and procedures, and to review the adequacy of the risk management framework in relation to the risks faced by the Group.

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 deteriorating economic circumstances.

In RES two customers accounted for 49.4% and 25.8% of segment and Group revenue respectively in 2011. 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.

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 which have both been reviewed by banks for the purposes of receivable factoring.

More than 50% percent 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. Payment and other terms are set commensurate with the level of risk perceived by the Group. 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 have been incurred but not yet identified. The collective loss allowance is determined 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 solid 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, 2011 the value of guarantees issued by the Group amounted to EUR 27.2 million (2010: EUR 13.5 million) net of those covered by cash collateral.

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 EUR 96.8 million of loan capital through the placement of loan Notes. This capital ensures the Group has adequate liquidity in place to finance its activities and implement its restructuring and growth strategy. At December 31, 2011, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- EUR 18.1 million in overdraft and short-term loans of which EUR 8.5 million was undrawn.

- EUR 30.9 million receivable financing of which EUR 22.3 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

C) ECONOMIC AND MARKET RISK

We include in this risks arising 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 sovereign debt crisis in the Eurozone and government deficit reduction measures in Europe and the U.S.. We mitigate some of this risk by investing in developing areas and we expect emerging markets to account for an increasing proportion of our total revenue as developing economies grow. Emerging markets generally may involve risks such as unfamiliar legal systems, cultural and business practice differences, exchange controls, etc.

The pace of development of the renewable energy sector is dependent on government support. Reduction or withdrawal of such support may reduce demand and prices in the sector despite the long-term growth fundamentals remaining intact.

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
- risk 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 carry a fixed 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.

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 but has increased compared to 2010 and may continue to do so as expansion in emerging countries continues. 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's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the development of the Group's EBITDA.

6. OPERATING SEGMENTS

The Group has two reportable segments, Renewable Energy Solutions (RES) which comprise the Power Control and Solar product lines and Energy Efficiency Solutions (EES) comprising Energy Management Solutions, Telecom, LED and Converter product lines. 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").

RESULTS BY OPERATING SEGMENT
for the year ended December 31, 2011

in thousands of euros	Renewable Energy Solutions (RES)	Energy Efficiency Solutions (EES)	Unallocated amounts	Total
Revenue	**223,951**	**204,248**	**–**	**428,199**
Segment operating income/(loss)[1]	**59,318**	**(1,230)**	**(1,595)**	**56,493**
Restructuring income/(costs)	–	1,052	107	1,159
Capitalized development costs (net of amortization)	4,324	309	–	4,633
Central overheads	–	–	(19,433)	(19,433)
Amortization of intangibles on acquisition[2]	(15,662)	(12,942)	(349)	(28,953)
Income/(loss) from operating activities	**47,980**	**(12,811)**	**(21,270)**	**13,899**

[1] RES operating income includes EUR 8.5 million following a settlement of court proceedings against a customer.
[2] Relates to intangibles identified on the acquisition of AEG PS in 2009.

Revenue comprises EUR 364.8 million for goods and EUR 63.4 million for services.

Two customers in RES accounted for 49.4% and 25.8% of RES and Group revenue respectively (2010: below 10%).

RESULTS BY OPERATING SEGMENT
for the year ended December 31, 2010

in thousands of euros	Renewable Energy Solutions (RES)	Energy Efficiency Solutions (EES)	Unallocated amounts	Total
Revenue[1]	**110,267**	**195,770**	**–**	**306,037**
Segment operating income/(loss)[1]	**9,762**	**(4,040)**	**(1,890)**	**3,832**
Restructuring costs	–	(16,456)	(2,315)	(18,771)
Capitalized development costs (net of amortization)	3,312	(492)	–	2,820
Central overheads[2]	–	–	(18,527)	(18,527)
Amortization of intangibles on acquisition[3]	(47,603)	(31,937)	(1,839)	(81,379)
Goodwill impairment	–	(14,600)	–	(14,600)
Loss from operating activities	**(34,529)**	**(67,525)**	**(24,571)**	**(126,625)**

[1] RES revenue and operating income include EUR 5.6 million from a contract amendment negotiated with a customer.
[2] Central overheads include a one-time charge of EUR 5.8 million for professional, consulting and other costs and are mainly due to expenses associated with the Company's listing on the Frankfurt market and the issue of the Notes, Agenda 2012 project costs and expenses related to acquisitions.
[3] Relates to intangibles identified on the acquisition of AEG PS in 2009.

Revenue comprises EUR 251.0 million for goods and EUR 55.1 million for services. In 2010, RES and EES operating income include charges of EUR 12.4 million and EUR 0.5 million respectively for one-time working capital provisions.

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.

For the year ended and as at December 31, 2011

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Revenue	99,729	108,772	186,410	33,288	–	428,199
Non-current assets[1]	130,695	85,666	10,344	4,547	20,009	251,261
Total assets	271,123	277,007	41,907	9,037	25,268	624,342
Total liabilities	106,796	217,214	17,839	2,699	2,862	347,410

For the year ended and as at December 31, 2010

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Revenue	72,732	122,622	70,182	40,501	–	306,037
Non-current assets[1]	139,472	94,250	8,949	4,441	19,937	267,049
Total assets	237,608	345,848	26,408	8,267	22,176	640,307
Total liabilities	83,415	250,737	15,008	4,519	6,224	359,903

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

7. NON-CURRENT ASSETS HELD FOR SALE

Energie Mediterranee S.R.L. ("EMED") assets and liabilities held for sale
EMED was acquired by the Group in February 2010 as a vehicle for the construction and operation of solar power generation farms in Italy. As at December 31, 2010 management has decided to divest these assets. Construction of the solar farms is complete and divestment is expected during the first half of 2012. Accordingly, the assets and liabilities of EMED have been classified as held for sale.

EMED's sole activity was the construction of the solar farms and its principal asset is tangible fixed assets represented by the construction-in-progress.

EMED's income statement is not material and is included within the consolidated statement of income (as part of other income and expenses).

ASSETS HELD FOR SALE

in thousands of euros	2011	2010
Intangible assets	1,684	1,684
Property, plant and equipment	18,325	18,253
Other non-current assets	–	–
Inventories	–	–
Trade and other receivables	4,572	2,237
Cash and cash equivalents	687	2
Total assets held for sale	**25,268**	**22,176**

LIABILITIES HELD FOR SALE

in thousands of euros	2011	2010
Short-term loan	–	5,000
Income tax liabilities	297	–
Trade and other payables	2,565	1,224
Total liabilities held for sale	**2,862**	**6,224**

The short-term loan was repaid in May 2011.

8. ACQUISITIONS

Acquisition of remaining 25% minority in skytron
On February 28, 2010 the Group acquired 75% of the equity of skytron energy GmbH & Co KG and transformed the company into skytron energy GmbH ("skytron"). On July 13, 2011 the Group acquired the remaining 25% minority interest it did not already own. skytron develops and sells monitoring systems for solar installations. This complements the Group's inverter solutions and is a key part of the RES strategy of offering complete solutions to customers in the solar sector.

Acquisition of 100% of Fluxpower
On February 24, 2011 the Group acquired 100% of the equity of Fluxpower GmbH, a small services company in Germany. Goodwill arising on the acquisition amounted to EUR 0.7 million. Fluxpower is reported within EES segment and its acquisition is part of the strategy for growth in services. In 2011 Fluxpower contributed EUR 2.4 million to EES revenue.

9. OTHER INCOME/(EXPENSES)

in thousands of euros	Note	2011	2010
Settlement of litigation	6	8,500	–
EMED Operating income (net)	7	128	–
Release of restructuring provision (net)	26	1,159	–
Other Income		**9,787**	**–**
Amortization of intangible assets	15	17,305	58,115
Impairment of intangible assets	15	4,253	12,563
Goodwill impairment	15	-	14,600
Restructuring costs (net)	26	-	18,771
Other expense		**21,558**	**104,049**
Total other (expense)		**(11,771)**	**(104,049)**

10. PERSONNEL EXPENSES

in thousands of euros	Note	2011	2010
Salaries and wages		88,074	75,150
Compulsory social security contributions		14,677	13,036
Contributions to defined contribution plans		2,469	1,581
Expenses related to defined benefit plans		(142)	601
Increase in liability for long-service leave		314	255
Share-based payments/long-term incentive payments	33	1,174	1,462
Total personnel expenses		**106,566**	**92,085**

11. HEADCOUNT BY REGION

The total average number of full-time equivalent (FTE) employees in the year to December 31, 2011 and comparative numbers for the year 2010 are as follows:

	Note	2011	2010
Germany		674	572
France		305	332
Rest of Europe		211	210
Asia Pacific		344	324
North America		45	51
Total average FTE		**1,579**	**1,489**

The total headcount at December 31, 2011 is 1,748 (2010: 1,522).

12. FINANCE INCOME AND COSTS

in thousands of euros	Note	2011	2010
Interest income on bank deposits		888	753
Net change in fair value of warrants		6,007	24,645
Finance income		**6,895**	**25,398**
Interest expense on loans and payables		622	522
Interest expense on notes payable		9,786	815
Pension related financial expenses		1,657	1,040
Other finance costs		110	461
Finance costs		**12,175**	**2,838**
Net finance (costs)/income		**(5,280)**	**22,560**

Outstanding warrants are shown as a liability on the statement of financial position valued at the market price of the warrants. Changes in the value of the liability are included in finance income and costs in the statement of income.

Interest on notes payable relates to interest accrued at 9.25% on the Notes placed in December 2010 (note 24) 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.

Pension-related financial expenses include EUR 592 thousand on "Altersteilzeitverträgen", a scheme in Germany under which employees can seek early retirement (note 25).

Other finance costs include factoring charges and net foreign exchange gains/losses.

13. INCOME TAX (CHARGE)/BENEFIT

in thousands of euros	Note	2011	2010
Current tax (expense)/benefit			
Income tax charge for the year		(15,197)	(166)
Deferred tax (expense)/benefit			
Origination and reversal of temporary differences		6,360	23,397
Recognition of current and prior year tax losses		(351)	(2,835)
Other		10	(183)
Deferred tax benefit		**6,019**	**20,379**
Total income tax (charge)/benefit		**(9,178)**	**20,213**

RECONCILIATION OF EFFECTIVE TAX RATE

in thousands of euros	Note	2011	2010
Loss for the period		(559)	(83,852)
Total income tax (charge) /benefit		(9,178)	20,213
Income/(loss) before income tax		**8,619**	**(104,065)**
Expected income tax benefit using the domestic tax rate of 28.8% (2010: 28.59%)		(2,483)	29,752
Effect of different local tax rates		(796)	974
Tax exempt income (change in fair value of warrants)		1,730	7,048
Tax exempt expense (impairment of goodwill)		–	(4,266)
Current year losses for which no deferred tax asset was set-up		(7,698)	(13,714)
Previously recognized tax losses		(669)	(286)
Others		738	705
Income tax (charge)/benefit		**(9,178)**	**20,213**

14. PROPERTY, PLANT AND EQUIPMENT

See table on next page.

TRANSFER TO/FROM ASSETS HELD FOR SALE

The assets transferred to assets held for sale relate to the fixed assets of solar farms of EMED which management has decided to divest and has accordingly classified them as assets held for sale (note 7). The assets transferred from assets held for sale in 2010 relate to the fixed assets of the Lannion Converter operations which in 2009 had been treated as a discontinued operation held for sale.

DEPRECIATION CHARGES

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

- Cost of sales: EUR 1,287 (2010: EUR 1,121) thousand
- Selling, general and administrative expenses: EUR 2,780 (2010: EUR 2,519) thousand
- Research and development expenses: EUR 591 (2010: EUR 576) thousand
- Other income and expense: EUR 738 (2010: nil) thousand

IMPAIRMENT CHARGES

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. There was no need to recognize an impairment charge.

ACQUISITION THROUGH BUSINESS COMBINATIONS

Acquisition through business combination reflects the addition of fixed assets following the acquisition of skytron in 2010 and a small services company in 2011.

LEASED PLANT AND MACHINERY

The Group has no material finance lease agreements.

CAPITALIZED BORROWING COSTS

For 2011 no costs were capitalized. Included in machinery and equipment additions are for 2010 EUR 97 thousand of interest costs incurred by EMED on loans to finance the construction of its solar farms.

in thousands of euros	Land	Building	Machinery and equipment	Other	Total
Cost					
Balance at January 1, 2010	**3,333**	**19,358**	**8,358**	**1,068**	**32,117**
Acquisition through business combinations	–	–	–	124	124
Additions	110	1,018	20,232	752	22,112
Transfer from assets held for sale	–	101	2,390	90	2,581
Disposals and others	–	595	(2,067)	1,348	(124)
Transfer to assets held for sale	(110)	–	(18,143)	–	(18,253)
Effect of movements in exchange rates	76	181	242	105	604
Balance at December 31, 2010	**3,409**	**21,253**	**11,012**	**3,487**	**39,161**
Balance at January 1, 2011	**3,409**	**21,253**	**11,012**	**3,487**	**39,161**
Acquisition through business combinations	–	–	18	23	41
Additions	–	2,002	6,836	3,046	11,884
Disposals and others	–	(46)	(543)	(392)	(981)
Transfer from assets held for sale	–	–	(810)	–	(810)
Other changes	–	–	18	(108)	(90)
Effect of movements in exchange rates	(1)	10	(72)	(37)	(100)
Balance at December 31, 2011	**3,408**	**23,219**	**16,459**	**6,019**	**49,105**
Depreciation					
Balance at January 1, 2010	**(3)**	**(341)**	**(771)**	**(91)**	**(1,206)**
Depreciation for the year	(10)	(996)	(1,867)	(1,343)	(4,216)
Transfer from assets held for sale	–	(2)	(109)	(1)	(112)
Disposals and others	–	(16)	118	(74)	28
Effect of movements in exchange rates	(1)	(17)	(34)	(13)	(65)
Balance at December 31, 2010	**(14)**	**(1,372)**	**(2,663)**	**(1,522)**	**(5,571)**
Balance at January 1, 2011	**(14)**	**(1,372)**	**(2,663)**	**(1,522)**	**(5,571)**
Depreciation for the year	(10)	(1,086)	(2,766)	(1,535)	(5,397)
Disposals and others	–	5	537	369	911
Transfer to assets held for sale	–	–	738	–	738
Other changes	–	(1)	(3)	87	83
Effect of movements in exchange rates	–	(16)	(21)	(1)	(38)
Balance at December 31, 2011	**(24)**	**(2,470)**	**(4,178)**	**(2,602)**	**(9,274)**
Carrying amounts					
At January 1, 2011	3,395	19,881	8,349	1,965	33,590
At December 31, 2011	**3,384**	**20,749**	**12,281**	**3,417**	**39,831**

15. INTANGIBLE ASSETS

in thousands of euros	Goodwill	Backlog	Customer relations	Technology	Research & Develop-ment costs	Other	Total
Cost							
Balance at January 1, 2010	**102,452**	**24,007**	**206,157**	**54,769**	**10,405**	**2,422**	**400,212**
Acquisition through business combinations	3,024	–	–	–	–	11	3,035
Transfer from assets held for sale	–	–	9,821	971	–	–	10,792
Transfer of founder shares	(2,150)	–	–	–	–	–	(2,150)
Settlement of tax escrow	(2,414)	–	–	–	–	–	(2,414)
Additions	–	–	–	–	–	3,358	3,358
Internally developed assets	–	–	–	–	4,692	–	4,692
Transfer to assets held for sale	–	–	–	–	–	(1,684)	(1,684)
Disposals and others	–	–	–	–	–	58	58
Effect of movements in exchange rates	–	–	–	–	–	62	62
Balance at December 31, 2010	**100,912**	**24,007**	**215,978**	**55,740**	**15,097**	**4,227**	**415,961**
Balance at January 1, 2011	**100,912**	**24,007**	**215,978**	**55,740**	**15,097**	**4,227**	**415,961**
Acquisition through business combinations	840	–	–	–	–	306	1,146
Additions	–	–	–	–	–	3,004	3,004
Internally developed assets	–	–	–	–	8,387	–	8,387
Disposals and others	–	–	–	–	–	24	24
Effect of movements in exchange rates	–	–	–	–	–	37	37
Balance at December 31, 2011	**101,752**	**24,007**	**215,978**	**55,740**	**23,484**	**7,598**	**428,559**
Amortization and impairment							
Balance at January 1, 2010	**–**	**(11,764)**	**(4,475)**	**(2,262)**	**(314)**	**(290)**	**(19,105)**
Amortization for the year	–	(12,221)	(45,794)	(7,825)	(1,872)	(978)	(68,690)
Impairment	(14,600)	–	(12,563)	(1,137)	–	–	(28,300)
Disposals and others	–	–	–	–	–	(24)	(24)
Effect of movements in exchange rates	–	–	–	–	–	(8)	(8)
Balance at December 31, 2010	**(14,600)**	**(23,985)**	**(62,832)**	**(11,224)**	**(2,186)**	**(1,300)**	**(116,127)**
Balance at January 1, 2011	**(14,600)**	**(23,985)**	**(62,832)**	**(11,224)**	**(2,186)**	**(1,300)**	**(116,127)**
Amortization for the year	–	(22)	(16,899)	(7,053)	(2,315)	(1,415)	(27,704)
Impairment	–	–	(4,253)	(378)	(1,439)	–	(6,070)
Disposals and others	–	–	–	–	–	(61)	(61)
Effect of movements in exchange rates	–	–	–	–	–	(24)	(24)
Balance at December 31, 2011	**(14,600)**	**(24,007)**	**(83,984)**	**(18,655)**	**(5,940)**	**(2,800)**	**(149,986)**
Carrying amounts							
At January 1, 2011	86,312	22	153,146	44,516	12,911	2,927	299,834
At December 31, 2011	**87,152**	**–**	**131,994**	**37,085**	**17,544**	**4,798**	**278,573**

On February 28, 2010 the Group acquired 75% of the equity of skytron energy GmbH. Goodwill arising on the acquisition amounted to EUR 3,024 thousand. Goodwill increased in 2011 due to EUR 700 thousand on acquisition of Fluxpower and EUR 140 thousand adjustment to goodwill on skytron. Included in 2010 additions, column other, are EUR 1,684 thousand for licenses purchased in Italy for the construction and operation of solar power generation farms. The licenses are held by a new Group company, Energie Mediterranee S.R.L. ("EMED"), established for the purpose. At December 31, 2010 and 2011 EMED's assets and liabilities are classified as held for sale (see below and note 7).

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.

During 2010 goodwill on acquisition of AEG PS was reduced by EUR 2,150 thousand representing the transfer to the Company of 250,000 founder shares in settlement of certain transaction-related expenses. Goodwill was further reduced by EUR 2,414 thousand following the determination of the tax audit of AEG Power Solutions GmbH, the Company's subsidiary in Germany. Under the agreement for the acquisition of AEG PS, 500,000 shares and EUR 5.0 million cash were held in escrow pending finalization of the tax audit. The audit has been concluded and the Company has received the cash released from the tax escrow. This represents a reduction in the price paid for the acquisition of AEG PS and accordingly goodwill has been reduced.

Transfer to/from assets held for sale
The assets transferred to assets held for sale relate to the solar licenses held by EMED which management has decided to divest and which have accordingly been classified as assets held for sale (note 7). The assets transferred from assets held for sale relate to the assets of the Lannion Converter operations which in 2009 had been treated as held for sale.

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 EUR 102.5 million of goodwill was generated in 2009 and subsequently reduced by EUR 19.1 million. Goodwill arising on the acquisition of skytron amounted to EUR 3.1 million while EUR 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 skytron and Fluxpower, the goodwill has been allocated directly to the business acquired which represents the CGU.

A summary of the results of the 2011 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, 2011	Additions	Reductions	Impairment charge	Net carrying amount of goodwill at December 31, 2011	Difference between value in use and the carrying amount of net assets
EMS	11.2	–	–	–	11.2	15.0
Power Controllers	72.1	–	–	–	72.1	150.0
Telecom	–	–	–	–	–	–
skytron	3.0	0.1	–	–	3.1	23.0
Fluxpower	–	0.7	–	–	0.7	1.0
Total	**86.3**	**0.8**	**–**	**–**	**87.1**	**189.0**

The recoverable amount of the cash-generating units was based on their value in use. No goodwill impairment was identified in 2011 for any CGU except Telecom. As no goodwill remained for Telecom, a charge of EUR 6.1 million was taken against intangibles such that all Telecom intangibles were written down to zero. Accelerated amortization charges of EUR 4.3 and EUR 0.7 million respectively were taken against customer intangibles for Power Controllers and EMS 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 the value in use 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.

In setting the five-year plans management took into account actual performance in 2011, prevailing economic conditions and the aims of the "Agenda 2012" initiative launched by the CEO which includes restructuring of the EES operating segment (comprising the EMS, Telecom and Converter CGUs).

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 renewable markets, changes in order backlog and introduction of new products.

An average pre-tax discount rate of 12.5% (2010: 13.8%) 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.

An increase in the discount rate of 1% would have resulted in a decrease of EUR 59.0 million in the combined value-in-use of Power Controllers (EUR 39.0 million), EMS (EUR 15.0 million), skytron (EUR 4.0 million) and Fluxpower (EUR 1.0 million). However this would not have resulted in impairment.

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: EUR 303 (2010: EUR 254) thousand
- Research and development expenses: EUR 11,324 (2010: EUR 10,965) thousand
- Other expenses: EUR 21,558 (2010: EUR 85,278) thousand
- Selling, general and administrative expenses: EUR 589 (2010: EUR 493) thousand

16. OTHER NON-CURRENT FINANCIAL ASSETS

in thousands of euros	2011	2010
Cash guarantee deposit	1,263	1,463
Non-consolidated investments	1,855	–
Others	53	52
Total other non-current financial assets	**3,171**	**1,515**

An investment of EUR 1,855 thousand was made in a limited liability company (LLC) in the U.S. and recognized at historical cost. The LLC is a partnership between the Group and an experienced investor and manager of solar assets in the U.S.. Under the partnership agreement, the Group will invest up to USD 5.0 million in the LLC under the stewardship of the partner. The money will be invested in solar projects in the U.S.. The Group will have the opportunity to sell its solar products in the U.S. through a separate supply agreement. No goods were supplied during 2011 under the supply agreement.

17. 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	2011	2010
Tax losses	26,338	16,580
Deductible temporary differences	3,190	2,591
Total unrecognized deferred tax assets	**29,528**	**19,171**

Of the total unrecognized deferred tax assets on tax losses, EUR 1.9 million expire within six to ten years, EUR 1.7 million expire after ten years and EUR 22.8 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 2011	Liabilities 2011	Assets 2010	Liabilities 2010
Property, plant and equipment	398	(4,210)	355	(4,562)
Intangible assets	–	(54,223)	–	(61,378)
Inventories	13	(197)	–	(292)
Employee benefits	2,595	–	2,928	–
Provisions	1,275	(453)	1,960	(95)
Other items	1,849	(412)	1,460	(101)
Sub-total	**6,130**	**(59,495)**	**6,703**	**(66,428)**
Tax loss carry-forwards	6,833	–	7,184	–
Tax assets/(liabilities)	**12,963**	**(59,495)**	**13,887**	**(66,428)**
Set-off of deferred tax positions	(12,963)	12,963	(13,887)	13,887
Net tax assets/ (liabilities)	**–**	**(46,532)**	**–**	**(52,541)**

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 2011 and 2010 respectively are as follows:

in thousands of euros	Balance Dec. 31, 2009	Asset previously held for sale	Recognized in profit or loss	Balance Dec. 31, 2010	Recognized in profit or loss	Balance Dec. 31, 2011
Property, plant and equipment	(4,131)	(467)	391	(4,207)	395	(3,812)
Intangible assets	(80,573)	(3,593)	22,788	(61,378)	7,155	(54,223)
Inventories	(563)	46	225	(292)	108	(184)
Employee benefits	2,360	399	169	2,928	(333)	2,595
Provisions	552	1,244	69	1,865	(1,043)	822
Other items	1,570	34	(245)	1,359	78	1,437
Sub-total	**(80,785)**	**(2,337)**	**23,397**	**(59,725)**	**6,360**	**(53,365)**
Tax loss carry forward	7,682	2,337	(2,835)	7,184	(351)	6,833
Total	**(73,103)**	**–**	**20,562**	**(52,541)**	**6,009**	**(46,532)**

An amount of EUR 10 thousand is recognized directly through equity as currency translation effects.

18. INVENTORIES

in thousands of euros	2011	2010
Raw materials and consumables	60,955	55,114
Work in progress	18,896	13,858
Finished goods	15,111	13,231
Inventory Gross	**94,962**	**82,203**
Reserve for slow-moving and obsolete inventories	(17,919)	(17,004)
Net inventory	**77,043**	**65,199**

Included in cost of sales is EUR 221.6 (2010: EUR 163.5) million of material costs and EUR 1.7 (2010: EUR 12.3) million of allowance for write-down of inventory. Group inventories are not pledged as security.

19. TRADE AND OTHER RECEIVABLES

in thousands of euros	2011	2010
Trade receivables	113,521	85,089
Income tax receivables	1,681	7,347
Other current assets	4,902	4,906
Allowance for doubtful accounts	(3,152)	(2,591)
Net trade and other receivables	**116,952**	**94,751**
Non-current	**–**	**–**
Current	**116,952**	**94,751**

The impairment charges for doubtful debts in 2011 amounted to EUR 923 (2010: EUR 1,405) thousand, 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 note 32.

20. PREPAYMENTS

Prepayments include an advance payment of EUR 182 thousand (2010: EUR 439 thousand) given to one of the Group's suppliers which is recoverable by December 2014 at the latest.

21. CASH AND CASH EQUIVALENTS

in thousands of euros	2011	2010
Bank balances	75,840	116,193
Restricted cash	6,649	6,362
Cash and cash equivalents	**82,489**	**122,555**
Bank overdrafts included in loans and borrowings	(839)	(413)
Other	–	2
Cash classified as held for sale	687	2
Cash and cash equivalents used in the statement of cash flows	**82,337**	**122,146**

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	2011	2010
Within 1 year	5.1	3.9
Between 2-3 years	0.9	1.9
After 4 years	0.6	0.6
Total	**6.6**	**6.4**

22. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Founding shares	Ordinary shares	Ordinary Class A shares	Ordinary Class B shares	Sub-total	Treasury shares	Total shares
Issued at December 31, 2009	**6,250,000**	**22,109,080**	**9,604,465**	**9,604,466**	**47,568,011**	**2,500,000**	**50,068,011**
Transfer to ordinary shares[1]	(6,000,000)	25,208,931	(9,604,465)	(9,604,466)	–	–	–
Treasury shares from Founders[2]	(250,000)	–	–	–	(250,000)	250,000	–
Transferred to executives on termination[3]	–	150,000	–	–	150,000	(150,000)	–
Issued on exercise of warrants	–	168,013	–	–	168,013	–	168,013
Adjustments on release of tax escrow shares	–	(5)	–	–	(5)	5	–
Issued at December 31, 2010	**–**	**47,636,019**	**–**	**–**	**47,636,019**	**2,600,005**	**50,236,024**
Transferred to managers and executive[4]	–	70,000	–	–	70,000	(70,000)	–
Issued at December 31, 2011	**–**	**47,706,019**	**–**	**–**	**47,706,019**	**2,530,005**	**50,236,024**

[1] The A and B shares were issued on the acquisition of AEG PS on September 10, 2009. Both classes were restricted for a period of 6 and 12 months respectively from the date of acquisition, during which time they could not be traded. The restrictions on the A and B shares were lifted in March and September 2010 respectively, and they were therefore transferred to ordinary shares. Following the first anniversary of the acquisition of AEG PS, the restrictions on the trading of the founding shares were lifted and accordingly these were also transferred to ordinary shares.
[2] The number of treasury shares increased through the transfer of 250,000 of shares from the Founders to the Company in settlement of certain acquisition-related expenses. The effect of the transfer was to reduce the purchase price consideration on the acquisition of AEG PS and to reduce equity by the same amount.
[3] In 2010 100,000 and 50,000 shares respectively were issued from treasury shares to Messrs. Brock and Huljak following termination of their employment contracts.
[4] During the year 30,000 shares were transferred to three managers and 40,000 shares were transferred to Dr. Horst Kayser, under the terms of their employment contracts. All transfers were from treasury shares held by the Company.

At the Extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at EUR 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 EUR 12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). The authorized share capital of the Company was set at 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 (Prime Standard) 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 are listed on the Euronext (ticker 3WPW) and will upon conversion be converted to 3W Power Shares listed on the Prime Standard of the Frankfurt stock exchange (FWB).

in thousands of euros	Share capital
January 1, 2010	**–**
Conversion of share premium into share capital 50,236,024 ordinary public shares	12,520
December 31, 2010	**12,520**
December 31, 2011	**12,520**

in thousands of euros	Share premium
January 1, 2010	**394,928**
Conversion of share premium into share capital	(12,520)
Issue of 168,013 shares in relation to exercised warrants	1,428
December 31, 2010	**383,836**
December 31, 2011	**383,836**

in thousands of euros	Reserve for own shares
January 1, 2010	**(24,375)**
Transfer of 250,000 Founder shares to the Company	(2,150)
150,000 shares issued to executives on termination	1,290
December 31, 2010	**(25,235)**
January 1, 2011	**(25,235)**
Transfer to managers	258
Transfer to executive	344
December 31, 2011	**(24,633)**

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, 2011 the Company held 2,530,005 (2010: 2,600,005) of its own shares with an aggregate cost of EUR 24,633 thousand (2010: EUR 25,235 thousand).

No dividends were declared or paid by the Company in 2011 and 2010.

Translation reserve

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

23. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

Loss/profit attributable to ordinary shareholders

in thousands of euros	2011	2010
Loss for the period attributable to ordinary shareholders	(1,006)	(84,503)

Weighted average number of ordinary shares

in number of shares	2011	2010
Issued ordinary shares at December 31	47,706,019	47,636,019
Effect of warrants issued	–	(40,915)
Effect of shares transferred to the Company	–	128,771
Effect of shares issued from treasury shares	(43,671)	(122,877)
Weighted average number of ordinary shares	**47,662,348**	**47,600,998**
Basic (loss)/ earnings per share (euro)	**(0.02)**	**(1.78)**

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 include the outstanding warrants (note 27) and 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). In both 2010 and 2011 the warrants 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. The effect of the instruments actually considered would have been to reduce the reported basic loss per share. Accordingly, under IAS 33 the diluted loss per share is deemed to be the same as the basic loss per share.

24. LOANS AND BORROWINGS

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

in thousands of euros	2011	2010
Non-current		
Notes payable	97,330	96,794
Unsecured government loans	601	664
Unsecured bank loans	227	368
Others	45	–
Total non-current	**98,203**	**97,826**
Current		
Unsecured government loans	109	62
Unsecured bank loans	142	98
Bank overdrafts	839	413
Obligations under receivable factoring arrangements	8,605	17,214
Short-term bridge loans	–	5,000
Others	90	10
Total current	**9,785**	**22,797**
Grand total of current and non-current	**107,988**	**120,623**

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 2011	Carrying Amount 2011	Nominal value 2010	Carrying Amount 2010
Notes payable[1]	EUR	9.250	2015	100,000	97,330	100,000	96,794
Unsecured government loans[2]	EUR	–	2021 & 2022	726	664	726	726
Unsecured government loans[3]	EUR	–	2022	46	46	–	–
Unsecured bank loan[4]	EUR	–	2013	166	100	200	166
Unsecured bank loan[4]	EUR	Euribor + 2.5	2015	300	269	300	300
Short-term bridge loans[5]	EUR	3.5	–	–	–	5,000	5,000
Bank overdrafts[6]	EUR	Euribor + 1.7 - 2.9	–	839	839	413	413
Obligations under receivable factoring arrangements[7]	EUR	Various	–	8,605	8,605	17,214	17,214
Others	EUR	–	–	135	135	10	10
Total				**110,817**	**107,988**	**123,863**	**120,623**

Non-current

[1] Unsubordinated Notes payable EUR 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 EUR 100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to EUR 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 % pa (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 Noteholders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company.
The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Other non-current loans

[2,3] Interest-free government loan repayable by annual installments of EUR 62 thousand.

[4] There are two unsecured bank loans with a nominal value of EUR 166 thousand (0% interest) and EUR 300 thousand (interest at Euribor + 2.5%). The carrying amounts at December 31, 2011 were EUR 100 thousand and EUR 269 thousand respectively. The loans are repayable by monthly installments over a period of three and five years respectively.

Current loans

[5] Bridging loans
In July 2010 the Group obtained two short-term bank bridge loans of EUR 5.0 million each for the purpose of funding the construction of the Group's solar power generation farms in Italy. One of the loans was included in liabilities held for sale in EMED and is therefore not shown in the table above. Both loans were repaid during 2011.

[6] Bank overdraft
The bank overdraft is held by one of the Group's subsidiaries. Interest on the overdraft is charged at rates between Euribor plus 1.70% and 2.90%.

[7] 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 EUR 30.9 million at December 31, 2011. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.65% and 3.05%.The facilities have no fixed expiry date but most are renewable annually.

25. EMPLOYEE BENEFITS

In accordance with the laws and customs of each country, the Group provides pension and retirement benefits to its employees. In France, the employees benefit from a retirement and indemnity plan. In other countries, the plans depend upon local legislation, the business and the historical practice of the subsidiary concerned.

In addition to state pension plans, the Group operates defined contribution and defined benefit plans. In the latter case, the plans are wholly or partially funded by assets solely to support such plans.

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

in thousands of euros	2011	2010
Defined contribution plans	2,469	1,581
Defined benefit plans	923	1,641
Other	313	255
Total pre-tax employee benefit costs	**3,705**	**3,477**

Defined contribution plans

In certain countries, notably in France and Italy, the Group participates in state plans for which contributions expensed correspond to the contributions due to the state organizations. State plans are considered to be defined contribution plans.

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.

Defined benefit plans

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. These plans have different characteristics:

- Perpetual annuity: the retirees benefit from the receipt of a pension during their retirement. These plans are to be found primarily in Germany and the Netherlands.

- Lump-sum payments on the employee's retirement or departure: these plans are to be found primarily in France and Italy.

Actuarial gains and losses are recognized as income or expense in accordance with "the corridor" method under which net cumulative gains and losses exceeding the greater of 10% of the present value of the defined benefit obligations and 10% of the fair value of the plan assets are amortized as income or expense over the expected average remaining working lives of the employees participating in those plans.

Assumptions

To determine actuarial valuations, 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, 2011 by the main geographical segments are as follows:

	Discount Rate %	Future Salary increases %	Future Pension increases %
France	4.50	1.75-3.00	–
Germany	5.00	2.00	2.00

Both pension schemes in France and Germany are unfunded.

The expected return on plan assets in the region with the most significant plan assets (Netherlands) is assumed to be equal to the discount rate 4.9% (2010:4.8%). The plan assets are invested in generic funds held by insurance companies and comprise equity securities, debt securities with fixed and variable interest rates and real estate.

The mortality tables used for the Group's major schemes are:

- France: INSEE F 2003-2005 and INSEE F 2004-2006
- Germany: Richttafeln 2005 G

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

in thousands of euros	2011	2010
Service costs	293	877
Interest costs	1,065	1,040
Expected return on plan assets	(63)	(81)
Actuarial (gain) / loss amortization	32	–
Curtailment and other costs	(404)	(195)
Total net costs	**923**	**1,641**

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

The change in the benefit obligation and the net amount recognized and recorded in the consolidated statement of financial position is as follows:

in thousands of euros	2011	2010
Total benefit obligation at January 1	21,736	20,009
Acquisition through business combinations	–	–
Transferred from assets held for sale	–	690
Service costs	293	877
Interest costs	1,065	1,040
Actuarial (gain)/loss	(626)	248
Contribution paid to the plan	42	–
Benefits paid	(792)	(933)
Curtailment	(447)	(195)
Total benefit obligation at December 31	**21,271**	**21,736**

The movement in the present value of plan assets is:

in thousands of euros	2011	2010
Fair value of plan assets at January 1	1,205	974
Contributions paid into the plan	977	1,168
Benefits paid by the plan	(807)	(933)
Expected return on plan assets	63	81
Actuarial gains/(loss)	27	(85)
Other costs	(41)	–
Fair value of plan assets at December 31	**1,424**	**1,205**

Reconciliation of funded status at December 31

in thousands of euros	2011	2010
Fair value of plan assets	1,424	1,205
Benefit obligation	(21,271)	(21,736)
Funded status (plan assets less benefit obligations)	(19,847)	(20,531)
Unrecognized net actuarial (gain)/loss	(326)	359
Accrued liability at December 31	**(20,173)**	**(20,172)**

At December 31, 2011, there are no unrecognized actuarial gains in excess of the greatest of either 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets.

The movement in the actuarial gains and losses is as follows:

in thousands of euros	2011	2010
Opening balance at January 1	359	26
Actuarial (gain)/loss associated with benefits	(626)	248
Actuarial (gain)/loss associated with assets	(27)	85
Actuarial (gain)/loss amortization	(32)	–
Total net actuarial (gain)/loss	**(326)**	**359**

Historical information

in thousands of euros	2011	2010	2009
Present value of the defined benefit obligation	(21,271)	(21,736)	(20,009)
Fair value of plan assets	1,424	1,205	974
Funded status (plan assets less benefit obligations)	**(19,847)**	**(20,531)**	**(19,035)**

The Group expects EUR 1,194 thousand in contributions to be paid to its defined benefit plans in 2012.

Other benefit plans

Employee benefits include EUR 3,324 thousand (2010: EUR 3,810 thousand) for other benefit plans. This includes EUR 2,206 thousand (2010: EUR 2,546 thousand) for "Altersteilzeitverträgen", a scheme in Germany under which employees can seek early retirement, and a further EUR 1,118 thousand (2010: EUR1,264 thousand) for long-service awards. Such awards are granted to employees on retirement based on their length of service, grade and salary and are determined by an independent actuarial calculation.

26. PROVISIONS

in thousands of euros	Warranty	Restructuring	Others	Total
Balance at January 1, 2010	**7,950**	**2,564**	**243**	**10,757**
Assumed in business combination	45	–	–	45
Transferred from liabilities held for sale	313	3,832	32	4,177
Provisions made during the year	2,897	18,771	14	21,682
Provisions used during the year	(1,806)	(7,089)	–	(8,895)
Other	52	183	–	235
Balance at December 31, 2010	**9,451**	**18,261**	**289**	**28,001**
Balance at January 1, 2011	**9,451**	**18,261**	**289**	**28,001**
Provisions net made/(released) during the year	719	(1,159)	13	(427)
Provisions used during the year	(2,387)	(8,766)	–	(11,153)
Other	5	(60)	–	(55)
Balance at December 31, 2011	**7,788**	**8,276**	**302**	**16,366**

Restructuring

Restructuring charges in 2010 related primarily to the estimated costs of implementing changes as part of the Agenda 2012 project. The charges were mainly for employee termination benefits and included EUR 3.4 million in respect of severance for Directors and other managers (note 33). The restructuring primarily affected EES activities in France and Malaysia with smaller adjustments also carried out at other locations. The restructuring includes downsizing of operations through outsourcing and transfer of activities. The restructuring has progressed on plan during 2011 and headcount at the affected locations has been reduced by a net 104 permanent staff. These reductions were offset by increases in headcount at other locations, primarily in India (new manufacturing facility) and Germany (higher manufacturing and sales activity) to meet RES growth needs.

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 due within one year with the exception of warranty. The Group's warranty terms exceed one year.

27. WARRANTS

The change in fair value of the warrants is recorded through the income statement as financial income or cost. The movement of the outstanding warrants was as follows:

in thousands of euros	Sponsor warrants	Public warrants	Total
Issued at January 1, 2010	**6,000**	**24,975**	**30,975**
Exercise of warrants	–	(168)	(168)
Issued at January 1, 2011	**6,000**	**24,807**	**30,807**
Exercise of warrants	–	–	–
Issued at December 31, 2011	**6,000**	**24,807**	**30,807**

Each warrant entitles the holder to purchase one ordinary public share at a price of EUR 7.50. The warrants are traded on Euronext Amsterdam under the symbol 3WPW. At the reporting date the market price of the warrants was EUR 0.005 per warrant (2010: EUR 0.20 per warrant). The warrants expire on July 21, 2012. No warrants were exercised in 2011.

During the year 2010, 168,013 warrants were exercised. In aggregate the warrant holders paid the Company EUR 1,260,098 in exchange for 168,013 ordinary public shares.

28. TRADE AND OTHER PAYABLES

in thousands of euros	2011	2010
Trade accounts payable	72,347	59,701
Accrued salaries and wages	17,322	12,885
Accrued taxes and VAT payable	2,207	1,326
Accrued social security charges	3,518	4,273
Accrued interest on notes payable	771	771
Others	9,136	7,800
Total	**105,301**	**86,756**

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 EUR 42.5 (2010: EUR 35.0) 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, 2011

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	4,528	4,139	2,433	1,031	12,131
Unconditional purchase obligations	1,533	–	–	–	1,533
Total	**6,061**	**4,139**	**2,433**	**1,031**	**13,664**

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 EUR 5.7 million in 2011 (EUR 5.5 million in 2010).

OTHER COMMITMENTS

December 31, 2011

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Guarantees	19,067	2,222	247	134	21,670

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

TRADEMARK LICENSE AGREEMENT

With effect from July 1, 2008, AEG PS entered into a trademark license agreement (the "AEG License") with AB Electrolux which granted the Company the right to use the AEG PS trademark for an initial term of ten years. An annual royalty is payable based on a percentage of the net selling price of the respective trademark product, subject to a minimum royalty of EUR 3.939 million for 2012, EUR 5.390 million for 2013 and EUR 6.723 million for 2014. AEG PS and Electrolux amended the AEG License on July 27, 2010 to expand the range of products covered by the license and to set sale and minimum royalty targets through 2014. For the years 2015 to 2018 the amended agreement provides that the sales targets and minimum annual royalty will be no less than the sales target and minimum royalty from year 2014. The term of the license was also extended until 2028.

31. CONTINGENCIES

Management believe 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.

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	2011	2010
Trade receivables net of allowance for doubtful accounts	**110,369**	**82,498**

The maximum exposure to credit risk at the reporting date by geographic region was:

in thousands of euros	2011	2010
Germany	47,304	21,601
France	19,178	16,589
Spain	9,111	10,839
Italy	19,302	23,296
United Kingdom	1,826	2,156
Netherlands	3,073	2,830
United States	510	162
Other regions	13,217	7,616
Total	**113,521**	**85,089**

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

in thousands of euros	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	**88,181**	**(144)**	**74,355**	**(839)**
Past due 0-30 days	16,172	(32)	5,849	(80)
Past due 31-120 days	4,449	(293)	2,646	(276)
Past due 121-180 days	2,601	(701)	598	(254)
Past due 181-360 days	2,118	(1,982)	1,641	(1,142)
Total	**113,521**	**(3,152)**	**85,089**	**(2,591)**

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

in thousands of euros	2011	2010
Balance at January 1	**2,591**	**2,153**
Acquisition through business combination	–	2
Transfer from assets held from sale	–	47
Utilisation of impairment reserve	(310)	(1,049)
Impairment loss recognized	923	1,405
Other	(52)	33
Balance at December 31	**3,152**	**2,591**

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 sufficient access to capital markets is assured 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	2011	2010
Trade and other payables	105,301	86,756
Current income tax liabilities	2,205	652
Short-term provisions	8,578	18,550
Total	**116,084**	**105,958**
Purchase commitments	32,254	26,060
Operating leases	4,528	4,869
Guarantees on customer contracts	19,067	43,242
Total	**55,849**	**74,171**
Total obligations	**171,933**	**180,129**
Financing resources		
Cash and cash equivalents, excluding restricted cash	75,840	116,192
Trade and other receivables	116,952	94,751
Loans and borrowings	(9,785)	(22,797)
Total	**183,007**	**188,146**
Net position	**11,074**	**8,017**

The table below summarizes the projected contractual cash flows based on the maturity profile of the Group's interest bearing loans and borrowings as at December 31, 2011:

in thousands of euros	Within 1 year	2-5 years	After 5 years	Total
Maturity profile				
Obligations under receivable factoring arrangements	(8,605)	–	–	(8,605)
Notes payable	(9,250)	(127,750)	–	(137,000)
Bank overdraft	(839)	–	–	(839)
Other debt	(341)	(454)	(419)	(1,214)
Total	**(19,035)**	**(128,204)**	**(419)**	**(147,658)**

CURRENCY RISK

The Group's exposure to foreign currency risk based on the following net amounts as at December 31, 2011 was:

in thousands of euros	EUR	USD	GBP	SGD	MYR	INR	CNY	Other
Cash	74,079	2,936	214	359	301	838	2,643	1,119
Trade receivables	99,555	7,815	103	1,561	212	4,955	2,092	659
Prepayments	311	59	–	5		603	35	2
Trade payables	(88,985)	(4,327)	(206)	(3,178)	(1,709)	(3,186)	(2,222)	(1,488)
Deferred income	(41,423)	(157)	–	(97)	(23)	(185)	(619)	(1)
Short- and long-term debt	(106,825)	(1,125)	–	–	–	–	–	(38)
Warrants	(154)	–	–	–	–	–	–	–
Total	**(63,442)**	**5,201**	**111**	**(1,350)**	**(1,219)**	**3,025**	**1,929**	**253**

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, MYR, INR and CNY. A change of 5% in any of these currencies would have a maximum impact of EUR 398 thousand on equity or statement of income.

FAIR VALUES

Fair values versus carrying amounts

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

in thousands of euros	Notes	Carrying amount 2011	Fair Value 2011	Carrying amount 2010	Fair Value 2010
Assets carried at amortized cost					
Trade and other receivables	19	116,952	116,952	94,751	94,751
Cash and cash equivalents	21	82,489	82,489	122,555	122,555
Total		**199,441**	**199,441**	**217,306**	**217,306**
Liabilities carried at amortized cost					
Trade and other payables	28	105,301	105,301	86,756	86,756
Loans and borrowings	24	10,658	10,658	23,829	23,829
Notes payable	24	97,330	89,900	96,794	96,950
Total		**213,289**	**205,859**	**207,379**	**207,535**
Liabilities at fair value through profit or loss					
Warrants	27	154	154	6,161	6,161

CUSTOMER CONCENTRATION RISK

In RES, two customers accounted for 49.4% and 25.8% of segment and Group revenue respectively in 2011. The Group monitors these customers closely and uses advance payments and written guarantees to lower the associated credit risk. Although customer concentration can vary from year to year, the Group tries to mitigate concentration risks by broadening the customer base as much as possible.

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, 2011

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (6 FTE)
Salary, bonuses and short-term benefits	1,406,829	–	1,406,829	1,617,878
Severance	–	–	–	540,000
Post-employment benefits	18,326	–	18,326	45,088
Other long-term benefits	–	–	–	–
Share-based payments	681,627	–	681,627	–
Awards under long-term incentive plan (LTIP)	265,374	–	265,374	226,879
Fees	-	60,000	60,000	-
Total	**2,372,156**	**60,000**	**2,432,156**	**2,429,863**

Year to December 31, 2010

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (7 FTE)
Salary, bonuses and short-term benefits	1,177,466	–	1,177,466	2,048,155
Severance	1,779,000	–	1,779,000	1,644,300
Post-employment benefits	29,660	–	29,660	271,359
Other long-term benefits	47,178	–	47,178	7,162
Share-based payments (including awards on severance)	1,461,832	–	1,461,832	–
Awards under long-term incentive plan (LTIP)	–	–	–	–
Fees	–	90,000	90,000	–
Total	**4,495,136**	**90,000**	**4,585,136**	**3,970,976**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Dr. H. Kayser, Mr. G. Henschel (2011 only) and Messrs. Brock and Huljak (2010 only). Fees relate to non-executive Directors Mr. K. Corbin, Prof. M. Wössner and Mr. L. Fischer (2010 only). Other Directors received no remuneration during either year.

In 2010, severance for Directors related to Messrs. Brock and Huljak.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

				Awards under long-term incentive plan (LTIP) [1]	
				Part A	Part B
	No. of shares	No. of warrants	Notes at nominal value (EUR)	No. of shares	No. of units
Prof. Dr. h.c. Roland Berger	4,104,667	4,000,000	–	–	–
Dr. Dr. h.c. Thomas Middelhoff	1,335,518	2,500,000	–	–	–
Brock and Brock Trust	2,637,427	–	–	–	–
Ripplewood	15,189,060	–	–	–	–
Prof. Mark Wössner	30,000	–	–	–	–
Dr. Horst J. Kayser	52,500	–	100,000	54,000	300,000
Mr. Gerhard Henschel	400	–	20,000	25,000	150,000
AEG PS managers	40,067	–	–	65,000	390,000
Total	**23,389,639**	**6,500,000**	**120,000**	**144,000**	**840,000**

[1] The awards under the LTIP are conditional on remaining in employment with the Group until vesting and are exercisable at different times. The awards under Part B are also conditional on the achievement of certain share price targets. The key features of the LTIP are set out later in this note.

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2011 were as in the table above.

Ripplewood is the former majority owner of AEG Power Solutions B.V. and refers to Ripplewood Power Systems I L.L.C. and Ripplewood Power Systems II L.L.C., U.S. Limited Liability Companies (LLCs). The LLCs are controlled by Ripplewood Holdings, in which Messrs. Lavine, Minnetian and Williams hold executive positions.

Brock Trust refers to a U.S. LLC controlled by Mr. Brock and in which Mr. Huljak has a minority holding. Included in the 2,637,427 shares under Brock and Brock Trust are shares held directly by Messrs. Brock (1,134,014 shares) and Huljak (200,240 shares).

AEG PS managers refer to key executives other than Directors.

Under their service agreements, Dr. Horst J. Kayser and Mr. G. Henschel are entitled to receive shares in the Company. Dr. Horst J. Kayser is entitled to receive 40,000, 30,000 and 30,000 shares in the Company on the first, second and third anniversary of his joining the Company respectively. The first tranche of 40,000 was transferred to Dr. Kayser in December 2011. Mr. G. Henschel is entitled to receive 50,000 shares on the first anniversary of joining.

2,500,000 shares are held in escrow by the Company on behalf of the former owners of AEG Power Solutions B.V. (including Ripplewood, Brock and Brock Trust and AEG Power Solutions managers). These relate to earn-out shares that will be distributed to the former AEG Power Solutions B.V. shareholders subject to the achievement of certain adjusted EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The earn-out targets were not met in any of the years and it is expected that the shares will be released from escrow in 2012. Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

EXECUTIVE LONG-TERM INCENTIVE PLAN

At the Company's Annual General Meeting (AGM) held in May 2011 shareholders approved the adoption of a long-term incentive plan (LTIP) for senior executives including Messrs. Kayser and Henschel. The aim of the LTIP is to act as a strong retention mechanism for key executives and to closely align their interests with those of the shareholders by linking executive rewards with the value delivered to shareholders.

The LTIP is supervised by the Compensation Committee of the Board and it comprises two parts. The key features of each part are as follows:

PART A

Under Part A participants will be 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 December 2011 a total of 144,000 shares were awarded as shown in the table above. After vesting the options are exercisable at any time between May 1, 2015 and April 30, 2021.

PART B

Under Part B participants will be allocated a number of units from a total pool of units. These units have 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 will be three measurements dates over a three year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

The value created for shareholders will be based on the average of the closing share prices over the 30 day period prior to the measurement date plus any dividends paid over the period multiplied by the number of shares in issue at the relevant measurement date, less the number of shares held by the Company.

At each measurement date participants will earn nil-cost options with a value linked to the share price in excess of the relevant annual targets. 50% of any options earned at each annual measurement date will become exercisable on the third anniversary of the date of grant, with the remainder being exercisable on the fourth anniversary of the date of grant. The exercise price of each option is EUR 0.25.The value of the units to each individual participant will be set by reference to the number of units held in proportion to the total number of units allocated and will be delivered in nil-cost options over 3W Power shares.

The pre-determined share price targets comprise two target share prices. For 2011, target 1 has been set at EUR 5.2 while target 2 is EUR 6.0. If the share price at the first measurement point exceeds target 1, the value of the pool will be the excess of the share price over target 1 multiplied by the number of issued shares (excluding shares held by the Company) multiplied by 5%. If the share price also exceeds target 2, the pool will be further enhanced by the excess of the share price over target 2 multiplied by the relevant number of shares in issue (as before) and multiplied by 10%.

Targets 1 and 2 will increase by 15% and 25% respectively above the actual share price at the previous measurement date, unless there was no payout from this part of the LTIP, in which case the previous targets will be carried over. In the period to December 2011 a total of 840,000 units were allocated in respect of Part B as shown in the table above.

On a change of control the performance period will end and there will be a new measurement date at the date of change of control. In determining the amount of value created at this new measurement date the return shall be calculated using the offer price per share rather than the 30 day average. Any nil-cost options which have not been exercised on a change of control must be exercised immediately.

The aggregate number of options granted and unexercised from time to time shall not exceed 10%, after issue, of the Company's issued share capital from time to time and the Company will continue to operate the LTIP and any other share plans within this limit.

OTHER TRANSACTIONS WITH RELATED PARTIES

During the period, the Group received consulting services from Roland Berger Strategy Consultants (RBSC), a firm in which Prof. Berger has a minority interest but holds no executive position. The value of the services was EUR 2.3 million. Prof. Berger has no influence over the selection of RBSC or the scope of the services or the price of the work.

AUDITORS' REMUNERATION

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

in thousands of euros	2011	2010
Audit services	730	800
Audit related services	–	437
Other services related to taxation	358	337
Other fees	1,079	34
Total	**2,167**	**1,608**

35. GROUP ENTITIES

SUBSIDIARIES

		Ownership interest	
	Country of incorporation	2011	2010
PSS Holdings (France) S.A.S.	France	100	100
AEG PS S.A.S	France	100	100
AEG PS (France) S.A.S.	France	100	100
AEG PS GmbH	Germany	100	100
skytron Energy GmbH	Germany	100	75
Fluxpower GmbH	Germany	100	–
AEG PS Ltd	United Kingdom	100	100
AEG PS Iberica SL	Spain	100	100
Opción Dos Energia Natural SL	Spain	100	–
AEG PS S.p.A.	Italy	100	100
Energie Mediterranee S.R.L.	Italy	100	100
AEG PS Pte Ltd	Singapore	100	100
AEG PS (Penang) SDN BHD	Malaysia	100	100
AEG PS SDN BHD	Malaysia	100	100
AEG PS USA, Inc.	USA	100	100
AEG PS Inc	Canada	100	100
AEG PS (Russia) LLC	Russia	100	100
AEG PS Co.	China	100	100
3W Power Ukraine TOV	Ukraine	100	–
AEG PS (India) PVT Ltd	India	100	100
3W Power Holdings B.V.	The Netherlands	100	100
AEG Power Solutions B.V.	The Netherlands	100	100
3W Power (South Africa) Pty Ltd	South Africa	100	–
AEG PS Aram. Kft.	Hungary	100	100
AEG PS Spol S.R.O.	Czech Republic	100	100

36. SUBSEQUENT EVENTS

On February 21, 2012 the Company was informed by Andrem Power S.C.A. ("Andrem") of its intention to launch a voluntary public takeover offer for all outstanding shares in 3W Power S.A. Andrem (a partnership limited by shares and incorporated in Luxembourg) is a wholly owned subsidiary of Nordic Capital Fund VII ("Nordic").

Subject to review of the full offer document and its duties under applicable law, the Board of Directors of 3W Power S.A. has unanimously agreed to recommend the offer to shareholders.

Andrem and the Company have entered into a transaction agreement which sets out the agreed key elements of the offer as follows:

1. The public offer price is EUR 4.35 per share in cash.

2. The offer is subject to the following material conditions:
   a. Andrem receiving acceptances from no less than 95% of the outstanding shares in the Company
   b. Merger control clearances
   c. Non-occurrence of a material adverse change in the Company's financial condition
   d. No defensive measures by 3W Power within the scope of Sec. 33 of the German Takeover Act.

3. The Company is to pay Andrem a break fee covering documented costs of Andrem up to and including EUR 1.5 million if, prior to the publication of the offer document, the transaction agreement has been terminated by Andrem or 3W Power for certain reasons, including:
   a. If the Board of 3W Power S.A. does not recommend the offer.
   b. If the Board of 3W Power S.A. takes any defensive measures within the scope of Sec. 33 of the German Takeover Act.

4. The Company is to pay Andrem a break fee covering documented costs of Andrem up to and including EUR 3.0 million if, following the publication of the offer document, the transaction agreement has been terminated by Andrem or 3W Power for certain reasons, including:
   a. If the Board of 3W Power S.A. does not recommend the offer or changes its recommendation of the offer
   b. If the Board of 3W Power S.A. takes any defensive measures within the scope of Sec. 33 of the German Takeover Act.
   c. If Andrem does not reach the 95% acceptance threshold.

5. The Board of the Company may withdraw its recommendation of the offer in compliance with its legal obligations and duties at any time during the offer period should an alternative superior offer be received by the Company.

6. Andrem has received a Funding Commitment from Nordic for the purpose of the acquisition of the Company's shares. Further, Nordic has also agreed to make funds available, if required, for repayment of the Notes should Noteholders exercise their option for repayment of the Notes in the event of a change of control (see note 24).

7. Warrants in the Company are excluded from the offer by Andrem. However the offer will apply to any shares issued by the Company on exercise of warrants (if any) prior to the expiration of the offer. Treasury shares held by the Company will also be tendered to Andrem as part of the offer.

8. Subject to certain conditions, the transaction agreement can be terminated by Andrem or the Company if the offer has not been settled by July 31, 2012.

Andrem has already entered into share purchase or tender agreements with certain core shareholders representing approximately 65% of shares in the Company, although these shareholders can terminate the agreements under certain conditions. Included in the 65% are the related parties shown in note 33 other than executive Directors and AEG PS managers.

The offer is subject to approval by the German Federal Financial Supervisory authority ("BaFin") and, assuming all relevant conditions are met, it is expected to be completed in the second quarter of 2012.

The offer will commence following approval by BaFin and publication of a Tender Offer document by Andrem. Under German public offer rules, the offer period will be four weeks from the date of commencement with a subsequent offer period of two weeks. The offer period may be extended in accordance with Sec. 16 para. 2 of the German Takeover Act so that Andrem can offer to acquire any remaining shares in the Company at the offer price.

The Company's long-term incentive plan ("LTIP") includes terms relating to a change of control of the Company. These terms are set out in note 33 of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
3W Power S.A.
(formerly 3W Power Holdings 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 May 19, 2011, we have audited the accompanying consolidated financial statements of 3W Power S.A. (formerly 3W Power Holdings S.A.), which comprise the consolidated statement of financial position as at December 31, 2011 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 52 to 90.

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 52 to 90 give a true and fair view of the consolidated financial position of 3W Power S.A. as of December 31, 2011, 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.

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, March 23, 2012
KPMG Luxembourg S.à r.l.
Cabinet de révision agréé
Ph. Meyer

KPMG Luxembourg S.à r.l.
9, allée Scheffer
L-2520 Luxembourg
Cabinet de révision agréé

R.C.S. Luxembourg B 149133
Capital social EUR 12,502
TVA LU LU24892177

COMPANY STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2011	2010
Assets			
Shares in affiliated undertakings	7	409,461	409,461
Loans to affiliated undertakings	8	86,500	10,000
Total non-current assets		**495,961**	**419,461**
Trade and other receivables	9	2,197	56
Cash and cash equivalents	10	563	83,876
Total current assets		**2,760**	**83,932**
Total assets		**498,721**	**503,393**
Liabilities			
Loans and borrowings	11	97,330	96,794
Total non-current liabilities		**97,330**	**96,794**
Trade and other payables	12	784	454
Loans and borrowings	11	771	895
Warrants	13	154	6,161
Total current liabilities		**1,709**	**7,510**
Total liabilities		**99,039**	**104,304**
Equity			
Share capital	14	12,520	12,520
Share premium	14	383,836	383,836
Reserve for own shares	14	(24,633)	(25,235)
Retained earnings		27,959	27,968
Total equity attributable to equity holders of the Company		**399,682**	**399,089**
Total equity and liabilities		**498,721**	**503,393**

The Company financial statements on pages 92 to 103 were approved by the Board of Directors on March 23, 2012 and signed on its behalf by:

Dr. Horst J. Kayser Gerhard Henschel

The notes on pages 96 to 103 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	2011	2010
Administrative expenses	5	(1,996)	(2,242)
Loss from operating activities		**(1,996)**	**(2,242)**
Finance income	6	11,206	24,718
Finance costs	6	(9,791)	(947)
Net finance income		**1,415**	**23,771**
(Loss)/profit before income tax for the year		**(581)**	**21,529**
Total comprehensive (loss)/income for the year		**(581)**	**21,529**

Income and expenses for the year are derived from continuing operations.

The notes on pages 96 to 103 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, 2010	**–**	**394,928**	**(24,375)**	**6,267**	**376,820**
Profit/(loss) for the year	–	–	–	21,529	21,529
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**21,529**	**21,529**
Transfer to share capital from share premium	12,520	(12,520)	–	–	–
Excercised warrants (168,013 ordinary shares issued)	–	1,428	–	–	1,428
Increase in treasury shares	–	–	(2,150)	–	(2,150)
150,000 shares transferred from treasury shares	–	–	1,290	(1,290)	–
Share-based payments	–	–	–	1,462	1,462
Total contributions by and distributions to owners of the Company	**12,520**	**(11,092)**	**(860)**	**172**	**740**
Total transactions	**12,520**	**(11,092)**	**(860)**	**21,701**	**22,269**
Balance at December 31, 2010	**12,520**	**383,836**	**(25,235)**	**27,968**	**399,089**
Balance at January 1, 2011	**12,520**	**383,836**	**(25,235)**	**27,968**	**399,089**
Profit/(loss) for the year	–	–	–	(581)	(581)
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(581)**	**(581)**
70,000 shares transferred from treasury shares	–	–	602	(602)	–
Share-based payments/ long-term incentive plan	–	–	–	1,174	1,174
Total contributions by and distributions to owners of the Company	**–**	**–**	**602**	**572**	**1,174**
Total transactions	**–**	**–**	**602**	**(9)**	**593**
Balance at December 31, 2011	**12,520**	**383,836**	**(24,633)**	**27,959**	**399,682**

The notes on pages 96 to 103 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	2011	2010[1]
Cash flows from operating activities			
(Loss)/profit for the period		(581)	21,529
Adjustments for non-cash items:			
Charge for share-based payments	5, 16	1,174	1,461
Finance (expense)/income (net)	6	(1,415)	(23,771)
Cash flow (used in) operations before changes in working capital		**(822)**	**(781)**
Change in trade and other receivables		14	1,096
Change in trade and other payables		330	(278)
Change in deferred expenses		–	(85)
Cash from operating activities		**344**	**733**
Net cash (used in) operating activities		**(478)**	**(48)**
Cash flows from investing activities			
Loan to AEG PS B.V.	8	**(76,500)**	(10,000)
Investment in subsidiary		–	2,414
Interest received		3,039	1
Net cash (used in) investing activities		**(73,461)**	**(7,585)**
Cash flows from financing activities			
Interest paid		(9,374)	–
Proceeds from issue of share capital and warrants		**–**	1,260
Net proceeds of notes payable	11		96,750
Loan from AEG PS B.V.	11	**–**	(7,100)
Net cash (used in)/from financing activities		**(9,374)**	**90,910**
Net (decrease)/increase in cash and cash equivalents		**(83,313)**	**83,277**
Cash and cash equivalents at beginning of year		83,876	599
Cash and cash equivalents at December 31, 2010	10	**563**	**83,876**

[1] The comparative figures have been represented to correspond to the current presentation.

The notes on pages 96 to 103 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 (Prime Standard) 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). Warrants are listed on the Euronext (ticker: 3WPW).

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

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) BASIS OF MEASUREMENT

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

C) 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.

D) USE OF ESTIMATES AND JUDGEMENTS

In the application of IFRS, the directors are required to make judgements, 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 uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

E) ADOPTION OF NEW AND REVISED IFRS

See note 2, section (E) of the consolidated financial statements in which the Company describes all standards and interpretations that were adopted as from January 1, 2011.

F) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

See note 3, section (R) 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 except for:

Investment in affiliated undertakings
Investments in affiliated undertakings are presented in the statement of financial position of the Company at acquisition costs less adjustment for impairment. Investment 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 undertaking for impairment according to IAS 36 requirements, by comparing the carrying amount of the shares in affiliated undertaking 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 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 receivables
The fair value of loans and 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.

Warrants
The fair value of the outstanding warrants is measured at market price by applying the list price of these warrants at the end of the period as traded at the Euronext Amsterdam.

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	2011	2010
Administration, accountancy and trustee fees	134	157
Audit, legal and professional fees	283	361
Directors' fees and expenses	195	125
Share-based payment expenses (including LTIP)	1,174	1,462
Other	210	137
Total administrative expenses	**1,996**	**2,242**

6. FINANCE INCOME AND FINANCE COSTS

in thousands of euros	2011	2010
Interest income on bank deposits	406	31
Interest income on loans	4,793	42
Net change in fair value of warrants	6,007	24,645
Finance income	**11,206**	**24,718**
Interest expense on loans and payables	–	124
Interest expense on notes payable	9,250	815
Other finance costs	541	8
Finance costs	**9,791**	**947**
Net finance income/(costs)	**1,415**	**23,771**

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	2011	2010
Total interest income on financial assets	5,199	73
Total interest expense on financial liabilities	9,250	939

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 premium power electronics. It offers comprehensive product and service portfolios in power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The Group has developed a full range of products for the solar energy industry, from solar inverters to turn-key solutions and is investing in solutions that will enable distributed power generation and smart micro grids.

The consideration transferred at the acquisition date for the purchase of AEG PS consisted of a mixture of cash and shares and is carried in the books of the Company at cost, as follows:

in thousands of euros	2011	2010
Total purchase price consideration	**409,461**	**409,461**

2,500,000 shares are held in escrow by the Company on behalf of the former owners of AEG Power Solutions B.V. (including Ripplewood, Brock and Brock Trust and AEG Power Solutions managers). These relate to earn-out shares that will be distributed to the former AEG Power Solutions B.V. shareholders subject to the achievement of certain adjusted EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The earn-out targets were not met in any of the years and it is expected that the shares will be released from escrow in 2012. Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

An impairment test was carried out on the investment in 3W Power B.V.. The recoverable amount of the affiliated undertaking has been estimated based on its value in use by measuring the cash flows of the underlying operations of the entity as a whole. The methodology and assumptions used (including the discount rate) were as described in note 15 of the consolidated financial statements. Management considers that no impairment is necessary as a result of the impairment test.

An increase in the discount rate of 1% would not have resulted in impairment.

8. LOANS TO AFFILIATED UNDERTAKINGS

in thousands of euros	2011	2010
Loan to subsidiary	**86,500**	**10,000**

The loan carries interest at 9.375 % and although contractually repayable on demand , is not expected to be settled within the next twelve months after reporting date.

9. TRADE AND OTHER RECEIVABLES

in thousands of euros	2011	2010
Due from affiliated undertakings and shareholders	2,160	42
Prepayments	37	14
Total trades and other receivables	**2,197**	**56**

All receivables are due within 1 year.

10. CASH AND CASH EQUIVALENTS

in thousands of euros	2011	2010
Current accounts	151	33
Fixed deposits	412	83,843
Total cash and cash equivalents	**563**	**83,876**

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	2011	2010
Non-current		
Notes payable	97,330	96,794
Total non-current	**97,330**	**96,794**
Current		
Accrued interest	771	895
Total current	**771**	**895**
Total loans and borrowings	**98,101**	**97,689**

On December 1, 2010 the Company issued loan notes (the "Notes") with a nominal value of EUR 100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to EUR 3,250,000. The Notes bear interest from and including December 2010 to, but excluding, December 1, 2015 at a rate of 9.25% pa (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 plus accrued interest. The terms and conditions further provide that the Noteholders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company. The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Loans are due as follows:

in thousands of euros	2011	2010
Within 1 year	771	895
Within 2-5 years	97,330	96,794
Total	**98,101**	**97,689**

12. TRADE AND OTHER PAYABLES

in thousands of euros	2011	2010
Trade payables	**784**	**454**

13. WARRANTS

The change in fair value of the warrants is recorded through the income statement as financial income or cost. The movement of the outstanding warrants was as follows:

in thousands of euros	Sponsor warrants	Public warrants	Total
Issued at January 1, 2010	**6,000**	**24,975**	**30,975**
Exercise of warrants	–	(168)	(168)
Issued at January 1, 2011	**6,000**	**24,807**	**30,807**
Exercise of warrants	–	–	–
Issued at December 31, 2011	**6,000**	**24,807**	**30,807**

Each warrant entitles the holder to purchase one ordinary public share at a price of EUR 7.50. The warrants are traded on Euronext Amsterdam under the symbol 3WPW. At the reporting date the market price of the warrants was EUR 0.005 per warrant (2010: EUR 0.20 per warrant). The warrants expire on July 21, 2012. No warrants were exercised in 2011.

During the year 2010, a total of 168,013 warrants were exercised. In aggregate the warrant holders paid the Company EUR 1,260,098 in exchange for 168,013 ordinary public shares.

14. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Founding shares	Ordinary shares	Ordinary Class A shares	Ordinary Class B shares	Sub-total	Treasury shares	Total shares
Issued at December 31, 2009	**6,250,000**	**22,109,080**	**9,604,465**	**9,604,466**	**47,568,011**	**2,500,000**	**50,068,011**
Transfer to ordinary shares[1]	(6,000,000)	25,208,931	(9,604,465)	(9,604,466)	–	–	–
Treasury shares from Founders[2]	(250,000)	–	–	–	(250,000)	250,000	–
Transferred to executives on termination[3]	–	150,000	–	–	150,000	(150,000)	–
Issued on exercise of warrants	–	168,013	–	–	168,013	–	168,013
Adjustments on release of tax escrow shares	–	(5)	–	–	(5)	5	–
Issued at December 31, 2010	**–**	**47,636,019**	**–**	**–**	**47,636,019**	**2,600,005**	**50,236,024**
Transferred to managers and executive[4]	–	70,000	–	–	70,000	(70,000)	–
Issued at December 31, 2011	**–**	**47,706,019**	**–**	**–**	**47,706,019**	**2,530,005**	**50,236,024**

[1] The A and B shares were issued on the acquisition of AEG PS on September 10, 2009. Both classes were restricted for a period of 6 and 12 months respectively from the date of acquisition, during which time they could not be traded. The restrictions on the A and B shares were lifted in March and September 2010 respectively, and they were therefore transferred to ordinary shares. Following the first anniversary of the acquisition of AEG, the restrictions on the trading of the founding shares were lifted and accordingly these were also transferred to ordinary shares.
[2] The number of treasury shares increased through the transfer of 250,000 of shares from the Founders to the Company in settlement of certain acquisition-related expenses. The effect of the transfer was to reduce the purchase price consideration on the acquisition of AEG PS and to reduce equity by the same amount.
[3] In 2010 100,000 and 50,000 shares respectively were issued from treasury shares to Messrs. Brock and Huljak following the termination of their employment contracts.
[4] During the year 30,000 shares were transferred to three managers and 40,000 shares were transferred to Dr. Horst Kayser, under the terms of their employment contracts. All transfers were from treasury shares held by the Company.

At the Extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at EUR 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 EUR 12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). The authorized share capital of the Company was set at 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 (Prime Standard) 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 are listed on the Euronext (ticker 3WPW) and will upon conversion be converted to 3W Power Shares listed on the Prime Standard of the Frankfurt stock exchange (FWB).

in thousands of euros	Share capital
January 1, 2010	**–**
Conversion of share premium into share capital 50,236,024 ordinary public shares	12,520
December 31, 2010	**12,520**
December 31, 2011	**12,520**

in thousands of euros	Share premium
January 1, 2010	**394,928**
Conversion of share premium into share capital	(12,520)
Issue of 168,013 shares in relation to exercised warrants	1,428
December 31, 2010	**383,836**
December 31, 2011	**383,836**

in thousands of euros	Reserve for own shares
January 1, 2010	**(24,375)**
Transfer of 250,000 founder shares to the Company	(2,150)
150,000 shares issued to executives on termination	1,290
December 31, 2010	**(25,235)**
January 1, 2011	**(25,235)**
Transfer of 30,000 shares to managers	258
Transfer of 40,000 shares to executive	344
December 31, 2011	**(24,633)**

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, 2011 the Company held 2,530,005 (2010: 2,600,005) of its own shares with an aggregate cost of EUR 24,633 thousand (2010:EUR 25,235 thousand).

No dividends were declared or paid by the Company in 2011 or 2010.

15. 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	2011	2010
Cash and cash equivalents	563	83,876
Loans and receivables	88,697	10,056
Total financial assets	**89,260**	**93,932**
Financial liabilities measured at amortized costs		
Trade and other payables	784	454
Borrowings	771	895
Notes payable	97,330	96,794
Total financial liabilities measured at amortized cost	**98,885**	**98,143**
Financial liabilities at fair value through profit or loss		
Warrants	154	6,161
Financial liabilities at fair value through profit or loss	**154**	**6,161**
Total financial liabilities	**99,039**	**104,304**

16. 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, 2011

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (6 FTE)
Salary, bonuses and short-term benefits	1,406,829	–	1,406,829	1,617,878
Severance	–	–	–	540,000
Post-employment benefits	18,326	–	18,326	45,088
Other long-term benefits	–	–	–	–
Share-based payments [1]	681,627	–	681,627	–
Awards under long-term incentive plan (LTIP) [1]	265,374	–	265,374	226,897
Fees	–	60,000	60,000	–
Total	**2,372,156**	**60,000**	**2,432,156**	**2,429,863**

Year to December 31, 2010

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (7 FTE)
Salary, bonuses and short-term benefits	1,177,466	–	1,177,466	2,048,155
Severance	1,779,000	–	1,779,000	1,644,300
Post-employment benefits	29,660	–	29,660	271,359
Other long-term benefits	47,178	–	47,178	7,162
Share-based payments (including awards on severance) [1]	1,461,832	–	1,461,832	–
Awards under long-term incentive plan (LTIP) [1]	-	–	-	-
Fees	–	90,000	90,000	–
Total	**4,495,136**	**90,000**	**4,585,136**	**3,970,976**

[1] Included in Company financial statements

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Dr. H. Kayser, Mr. G. Henschel (2011 only) and Messrs. Brock and Huljak (2010 only). Fees relate to non-executive Directors Mr. K. Corbin, Prof. M. Wössner and Mr. L. Fischer (2010 only). Other Directors received no remuneration during either year.

In 2010, severance for Directors related to Messrs. Brock and Huljak.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2011 were as follows:

				Awards under long-term incentive plan (LTIP)[1]	
				Part A	Part B
	No. of shares	No. of warrants	Notes at nominal value (EUR)	No. of shares	No. of units
Prof. Dr. h.c. Roland Berger	4,104,667	4,000,000	–	–	–
Dr. Dr. h.c. Thomas Middelhoff	1,335,518	2,500,000	–	–	–
Brock and Brock Trust	2,637,427	–	–	–	–
Ripplewood	15,189,060	–	–	–	–
Prof. Mark Wössner	30,000	–	–	–	–
Dr. Horst J. Kayser	52,500	–	100,000	54,000	300,000
Mr. Gerhard Henschel	400	–	20,000	25,000	150,000
AEG PS managers	40,067	–	–	65,000	390,000
Total	**23,389,639**	**6,500,000**	**120,000**	**144,000**	**840,000**

[1] The awards under the LTIP are conditional on remaining in employment with the Group until vesting and are exercisable at different times. The awards under Part B are also conditional on the achievement of certain share price targets. The key features of the LTIP are set out later in this note.

Ripplewood is the former majority owner of AEG Power Solutions B.V. and refers to Ripplewood Power Systems I L.L.C. and Ripplewood Power Systems II L.L.C., U.S. Limited Liability Companies (LLCs). The LLCs are owned by Ripplewood Holdings in which Messrs. Lavine, Minnetian and Williams hold executive positions.

Brock Trust refers to a U.S. LLC controlled by Mr. Brock and in which Mr. Huljak has a minority holding. Included in the 2,637,427 shares under Brock and Brock Trust are shares held directly by Messrs. Brock (1,134,014 shares) and Huljak (200,240 shares).

AEG PS managers refer to key executives other than Directors.

Under their service agreements, Dr. Horst J. Kayser and Mr. G. Henschel are entitled to receive shares in the Company. Dr. Horst J. Kayser is entitled to receive 40,000, 30,000 and 30,000 shares in the Company on the first, second and third anniversary of his joining the Company respectively. The first tranche of 40,000 was transferred to Dr. Kayser in December 2011. Mr. G. Henschel is entitled to receive 50,000 shares on the first anniversary of joining.

2,500,000 shares are held in escrow by the Company on behalf of the former owners of AEG Power Solutions B.V. (including Ripplewood, Brock and Brock Trust and AEG Power Solutions managers). These relate to earn-out shares that will be distributed to the former AEG Power Solutions B.V. shareholders subject to the achievement of certain adjusted EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The earn-out targets were not met in any of the years and it is expected that the shares will be released from escrow in 2012. Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

EXECUTIVE LONG-TERM INCENTIVE PLAN

At the Company's Annual General Meeting (AGM) held in May 2011 shareholders approved the adoption of a long-term incentive plan (LTIP) for senior executives including Messrs. Kayser and Henschel. The aim of the LTIP is to act as a strong retention mechanism for key executives and to closely align their interests with those of the shareholders by linking executive rewards with the value delivered to shareholders.

The LTIP is supervised by the Compensation Committee of the Board and it comprises two parts. The key features of each part are as follows:

PART A

Under Part A participants will be 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 December 2011 a total of 144,000 shares were awarded as shown in the table above. After vesting the options are exercisable at any time between May 1, 2015 and April 30, 2021.

PART B

Under Part B participants will be allocated a number of units from a total pool of units. These units have 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 will be three measurements dates over a three year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

The value created for shareholders will be based on the average of the closing share prices over the 30 day period prior to the measurement date plus any dividends paid over the period multiplied by the number of shares in issue at the relevant measurement date, less the number of shares held by the Company.

At each measurement date participants will earn nil-cost options with a value linked to the share price in excess of the relevant annual targets. 50% of any options earned at each annual measurement date will become exercisable on the third anniversary of the date of grant, with the remainder being exercisable on the fourth anniversary of the date of grant. The exercise price of each option is EUR 0.25. The value of the units to each individual participant will be set by reference to the number of units held in proportion to the total number of units allocated and will be delivered in nil-cost options over 3W Power shares.

The pre-determined share price targets comprise two target share prices. For 2011, target 1 has been set at EUR 5.2 while target 2 is EUR 6.0. If the share price at the first measurement point exceeds target 1, the value of the pool will be the excess of the share price over target 1 multiplied by the number of issued shares (excluding shares held by the Company) multiplied by 5%. If the share price also exceeds target 2, the pool will be further enhanced by the excess of the share price over target 2 multiplied by the relevant number of shares in issue (as before) and multiplied by 10%.

Targets 1 and 2 will increase by 15% and 25% respectively above the actual share price at the previous measurement date, unless there was no payout from this part of the LTIP, in which case the previous targets will be carried over. In the period to December 2011 a total of 840,000 units were allocated in respect of Part B as shown in the table above.

On a change of control the performance period will end and there will be a new measurement date at the date of change of control. In determining the amount of value created at this new measurement date the return shall be calculated using the offer price per share rather than the 30 day average. Any nil-cost options which have not been exercised on a change of control must be exercised immediately.

The aggregate number of options granted and unexercised from time to time shall not exceed 10%, after issue, of the Company's issued share capital from time to time and the Company will continue to operate the LTIP and any other share plans within this limit.

17. FINANCIAL RISKS

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the EUR 86.5 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.

The carrying value of the obligation under the warrants changes as the market value of the warrants varies. However this obligation is non-cash and does not lead to a use of cash resources.

An impairment risk exists in respect of the carrying amount of shares in affiliated undertakings. At December 31, 2011 the shares are stated at acquisition price and no impairment has been 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. Existing cash resources and sufficient access to capital markets ensure that the Company is able to finance its activities.

18. GUARANTEES AND COMMITMENTS

During the year under review, the Company granted a guarantee to WGZ Bank AG for a loan to AEG PS GmbH of EUR 15.0 million. The maximum liability for the Company amounts to EUR 5.2 million.

19. SUBSEQUENT EVENTS

On February 21, 2012 the Company was informed by Andrem Power S.C.A. ("Andrem") of its intention to launch a voluntary public takeover offer for all outstanding shares in 3W Power S.A. Andrem (a partnership limited by shares and incorporated in Luxembourg) is a wholly owned subsidiary of Nordic Capital Fund VII ("Nordic").

Subject to review of the full offer document and its duties under applicable law, the Board of Directors of 3W Power S.A. has unanimously agreed to recommend the offer to shareholders.

Andrem and the Company have entered into a transaction agreement which sets out the agreed key elements of the offer as follows:

1. The public offer price is EUR 4.35 per share in cash.

2. The offer is subject to the following material conditions:
   a. Andrem receiving acceptances from no less than 95% of the outstanding shares in the Company
   b. Merger control clearances
   c. Non-occurrence of a material adverse change in the Company's financial condition
   d. No defensive measures by 3W Power within the scope of Sec. 33 of the German Takeover Act.

3. The Company is to pay Andrem a break fee covering documented costs of Andrem up to and including EUR 1.5 million if, prior to the publication of the offer document, the transaction agreement has been terminated by Andrem or 3W Power for certain reasons, including:
   a. If the Board of 3W Power S.A. does not recommend the offer.
   b. If the Board of 3W Power S.A. takes any defensive measures within the scope of Sec. 33 of the German Takeover Act.

4. The Company is to pay Andrem a break fee covering documented costs of Andrem up to and including EUR 3.0 million if, following the publication of the offer document, the transaction agreement has been terminated by Andrem or 3W Power for certain reasons, including:
   a. If the Board of 3W Power S.A. does not recommend the offer or changes its recommendation of the offer.
   b. If the Board of 3W Power S.A. takes any defensive measures within the scope of Sec. 33 of the German Takeover Act.
   c. If Andrem does not reach the 95% acceptance threshold.

5. The Board of the Company may withdraw its recommendation of the offer in compliance with its legal obligations and duties at any time during the offer period should an alternative superior offer be received by the Company.

6. Andrem has received a Funding Commitment from Nordic for the purpose of the acquisition of the Company's shares. Further, Nordic has also agreed to make funds available, if required, for repayment of the Notes should Noteholders exercise their option for repayment of the Notes in the event of a change of control (see note 24 of the consolidated financial statements).

7. Warrants in the Company are excluded from the offer by Andrem. However the offer will apply to any shares issued by the Company on exercise of warrants (if any) prior to the expiration of the offer. Treasury shares held by the Company will also be tendered to Andrem as part of the offer.

8. Subject to certain conditions, the transaction agreement can be terminated by Andrem or the Company if the offer has not been settled by July 31, 2012.

Andrem has already entered into share purchase or tender agreements with certain core shareholders representing approximately 65% of shares in the Company, although these shareholders can terminate the agreements under certain conditions. Included in the 65% are the related parties shown in note 16 other than executive Directors and AEG PS managers.

The offer is subject to approval by the German Federal Financial Supervisory authority ("BaFin") and, assuming all relevant conditions are met, it is expected to be completed in the second quarter of 2012.

The offer will commence following approval by BaFin and publication of a Tender Offer document by Andrem. Under German public offer rules, the offer period will be four weeks from the date of commencement with a subsequent offer period of two weeks. The offer period may be extended in accordance with Sec. 16 para. 2 of the German Takeover Act so that Andrem can offer to acquire any remaining shares in the Company at the offer price.

The Company's long-term incentive plan ("LTIP") includes terms relating to a change of control of the Company. These terms are set out in note 33 of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON THE COMPANY FINANCIAL STATEMENTS

To the Shareholders of
3W Power S.A.
(formerly 3W Power Holdings 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 May 19, 2011, we have audited the accompanying financial statements of 3W Power S.A. (formerly 3W Power Holdings S.A.), which comprise the statement of financial position as at December 31, 2011 and the statement 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 92 to103.

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 92 to 103 give a true and fair view of the financial position of 3W Power S.A. as of December 31, 2011, 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.

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, March 23, 2012
KPMG Luxembourg S.à r.l.
Cabinet de révision agréé
Ph. Meyer

KPMG Luxembourg S.à r.l.
9, allée Scheffer
L-2520 Luxembourg
Cabinet de révision agréé

R.C.S. Luxembourg B 149133
Capital social EUR 12,502
TVA LU LU24892177

APPENDIX I

RECONCILIATION OF REPORTED EBIT TO ADJUSTED EBIT

in millions of euros	December 31, 2011	December 31, 2010
Reported EBIT	**13.9**	**(126.6)**
Adjustments		
Amortization of intangibles on acquisition	24.3	33.0
Impairment and accelerated amortization of intangibles	6.1	46.6
Goodwill impairment	–	14.6
Working capital provisions	–	12.9
Restructuring costs	(1.2)	18.8
Professional consultancy and other costs	–	5.8
Total adjustments	**29.2**	**131.7**
Adjusted	**43.1**	**5.1**

DERIVATION OF EBITDA

in millions of euros	December 31, 2011	December 31, 2010
Reported EBIT	**13.9**	**(126.6)**
Depreciation and amortization charges		
Amortization of intangibles on acquisition	24.3	33.0
Impairment and accelerated amortization of intangibles	6.1	46.6
Goodwill impairment	–	14.6
Depreciation charge on tangible assets	5.0	3.9
Depreciation charge on intangible assets	3.8	2.8
Other	–	1.8
Total depreciation and amortization charges	**39.2**	**102.7**
EBITDA	**53.1**	**(23.9)**

RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME

in millions of euros	December 31, 2011	December 31, 2010
Reported net income	**(0.6)**	**(83,9)**
Adjustments		
Change in fair value of warrants	(6.0)	(24.6)
Amortization of intangibles on acquisition	24.3	33.0
Impairment and accelerated amortization of intangibles on acquisition	6.1	46.6
Goodwill impairment	–	14.6
Working capital provisions	–	12.9
Restructuring (release)/charge	(1.2)	18.8
Professional consultancy and other costs	–	5.8
Estimate tax effect on the above	(9.6)	(23.3)
Total adjustments	**13.6**	**83.8**
Adjusted net income	**13.0**	**(0.1)**

KEY PERFORMANCE INDICATORS

AEGPS GROUP

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2011	Q4 2010	% change	2011	2010	% change
Backlog	156.5	179.4	-13%	156.5	179.4	-13%
Orders	79.5	127.7	-38%	403.7	371.1	9%
Revenue	125.9	94.9	33%	428.2	306.0	40%
Book to Bill	0.6	1.3	-53%	0.9	1.2	-22%
EBITDA	12.5	(24.4)	na	53.1	(23.9)	na
% of revenue	*9.9%*	*na*		*12.4%*	*na*	
Adjusted EBIT	9.4	(0.1)	na	43.1	5.1	745%
% of revenue	*7.5%*	*na*		*10.1%*	*1.7%*	
Reported EBIT	(6.5)	(94.1)	93%	13.9	(126.6)	na
% of revenue	*na*	*na*		*3.2%*	*na*	
Net income	(7.4)	(80.0)	91%	(0.6)	(83.9)	99%
Adjusted net income	2.6	(0.3)	na	13.0	(0.1)	na
Earnings per share (in EUR)	(0.15)	(1.68)	91%	(0.02)	(1.78)	99%
Adjusted earnings per share (in EUR)	0.05	(0.01)	na	0.26	(0.02)	na
Cash from operating activities	10.4	(19.3)	na	18.2	(21.6)	na
Cash used in investing activities	(12.0)	(4.3)	-179%	(25.8)	(28.5)	9%
Working capital	45.5	31.6	44%	45.5	31.6	44%
Cash	82.5	122.6	-33%	82.5	122.6	-33%
Net (debt)	(27.5)	(6.3)	-337%	(27.5)	(6.3)	-337%

AEG PS – RENEWABLE ENERGY SOLUTIONS (RES)

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2011	Q4 2010	% change	2011	2010	% change
Backlog	76.6	106.1	-28%	76.6	106.1	-28%
Orders	28.1	76.6	-63%	192.0	162.9	18%
Revenue	66.3	34.7	91%	224.0	110.2	103%
Book to bill	0.4	2.2	-81%	0.9	1.5	-42%
EBITDA	17.2	(1.5)	*na*	68.0	15.2	347%
% of revenue	*25.9%*	*na*		*30.4%*	*13.8%*	
Adjusted EBIT	15.4	5.0	208%	63.7	25.6	149%
% of revenue	*23.2%*	*14.5%*		*28.4%*	*23.2%*	
Reported EBIT	8.3	(30.3)	*na*	48.0	(34.5)	*na*
% of revenue	*12.5%*	*na*		*21.4%*	*na*	

AEG PS – ENERGY EFFICIENCY SOLUTIONS (EES)

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2011	Q4 2010	% change	2011	2010	% change
Backlog	79.9	73.3	9%	79.9	73.3	9%
Orders	51.4	51.1	1%	211.7	208.2	2%
Revenue	59.6	60.2	-1%	204.2	195.8	4%
Book to Bill	0.9	0.8	2%	1.0	1.1	-3%
EBITDA	2.6	(14.6)	*na*	5.7	(16.6)	*na*
% of revenue	*4.4%*	*na*	*na*	*2.8%*	*na*	*na*
Adjusted EBIT	1.7	1.4	21%	0.5	(4.1)	*na*
% of revenue	*2.9%*	*2.3%*	*na*	*0.2%*	*na*	*na*
Reported EBIT	(7.2)	(53.8)	87%	(12.8)	(67.5)	81%
% of revenue	*-12.1%*	*na*		*na*	*na*	

Group Key Performance Indicators (KPI) include the results of RES and EES and Corporate/Unallocated items. For derivation of EBITDA, Adjusted EBIT and Adjusted Net Income, reference is made to Appendix I. Percentages of revenue are not shown where negative. Percentage changes are also not shown if considered not to be helpful in the understanding of the KPIs.

Copy deadline:
March 26, 2012

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Note to the annual report: this is the English original of the annual report. The report is also translated into German. In case of deviations between these two the English version prevails.

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

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