ANNUAL REPORT 2012

INTELLIGENT POWER MANAGEMENT INSIDE

3W power | AEG POWER SOLUTIONS

YOU DON’T SEE THEM, BUT OUR SOLUTIONS MAKE THE WORLD GO ROUND.

OUR TECHNOLOGY PROVIDES THE POWER INDUSTRY NEEDS TO KEEP GOING

You may not see them, but our power management solutions provide the vital high-tech interface between the power source, the grid and industrial processes. Our solutions secure, convert and control power at the source or at the point of consumption – before power reaches the grid or when it flows to customer applications.

AEG Power Solutions offers a full range of reliable, cost-effective solutions, from power conversion modules and high-reliability uninterrupted power supply systems to industrial chargers and direct current systems. We serve many industries all over the world. Our strength: innovation backed up by a century of experience and customer service.

We have been able to withstand some of the turbulence thanks to our widespread and diversified business both geographically as well as across industries and markets. Our industrial business provides a solid, resilient base. At the same time, the geographical spread of our solar business strengthens our overall position compared to competitors more reliant on Western European markets.

RENEWABLE ENERGY SOLUTIONS (RES)

ENERGY EFFICIENCY SOLUTIONS (EES)

SOLAR SOLUTIONS

POWER CONTROLLER (POC)

PRODUCTS & SOLUTIONS

SERVICES

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

- 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

- 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

- 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 22 service centers worldwide

KEY PERFORMANCE INDICATORS (KPIs)

3W POWER | AEG POWER SOLUTIONS GROUP

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2012	Q4 2011[1]	% change	2012	2011[1]	% change
Backlog	126.9	150.3	-15.6%	126.9	150.3	-15.6%
Orders	111.0	73.9	50.3%	371.3	380.8	-2.5%
Revenue	113.4	120.0	-5.5%	368.0	402.5	-8.6%
Book to Bill	0.98	0.62	59.0%	1.01	0.95	6.6%
EBITDA	2.2	12.6	-82.3%	18.3	53.9	-66.0%
% of revenue	*2.0%*	*10.5%*		*5.0%*	*13.4%*	
Normalized EBITDA	7.4	12.7	-41.3%	27.0	52.7	-48.6%
% of revenue	*6.6%*	*10.6%*		*7.3%*	*13.1%*	
Adjusted EBIT	3.8	8.4	-54.8%	14.8	43.1	-65.7%
% of revenue	*3.3%*	*7.0%*		*4.0%*	*10.7%*	
Reported EBIT	(137.1)	(5.3)	na	(186.0)	16.3	na
% of revenue	*-120.9%*	*-4.4%*		*-50.6%*	*4.1%*	
Result from discontinued operations	(1.4)	(1.5)	-6.3%	(9.6)	(2.8)	250.0%
Net loss	(125.7)	(7.4)	na	(177.9)	(0.6)	na
Adjusted net loss	(3.3)	(0.4)	na	(14.0)	11.0	na
Earnings per share (in euros)	(2.63)	(0.15)	na	(3.72)	(0.02)	na
Adjusted earnings per share (in euros)	(0.07)	0.05	na	(0.29)	0.26	na
Cash from operating activities	(14.7)	10.4	na	(35.2)	18.2	na
Cash used in investing activities	(3.8)	(12.0)	68.3%	(12.5)	(25.8)	51.6%
Working capital	80.8	45.5	78.0%	80.8	45.5	78.0%
Cash	42.5	82.5	-48.5%	42.5	82.5	-48.5%
Net (debt)	(66.7)	(27.5)	na	(66.7)	(27.5)	na

3W POWER | AEG POWER SOLUTIONS – RENEWABLE ENERGY SOLUTIONS (RES)

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2012	Q4 2011[1]	% change	2012	2011[1]	% change
Backlog	57.2	79.2	-27.8%	57.2	79.2	-27.8%
Orders	70.5	28.1	151.0%	195.3	192.0	1.8%
Revenue	64.0	66.3	-3.4%	190.9	224.0	-14.8%
Book to bill	1.10	0.42	159.8%	1.02	0.86	19.4%
EBITDA	8.6	17.4	-50.5%	33.2	68.4	-51.5%
% of revenue	*13.4%*	*26.2%*		*17.4%*	*30.5%*	
Normalized EBITDA	8.6	17.4	-50.5%	33.2	68.4	-51.5%
% of revenue	*13.4%*	*26.2%*		*17.4%*	*30.5%*	
Adjusted EBIT	6.0	15.5	-61.1%	25.1	64.0	-60.7%
% of revenue	*9.4%*	*23.3%*		*13.2%*	*28.6%*	
Reported EBIT	(122.9)	8.3	na	(155.0)	48.3	na
% of revenue	*-192.0%*	*12.6%*		*-81.2%*	*21.6%*	
Results from discontinued operations	(0.1)	(0.1)	-39.2%	(0.3)	(0.4)	-25.9%
Net loss	(116.6)	8.2		(148.9)	48.0	

3W POWER | AEG POWER SOLUTIONS – ENERGY EFFICIENCY SOLUTIONS (EES)

	Quarter to December			January 1 to December 31		
in millions of euros	Q4 2012	Q4 2011[1]	% change	2012	2011[1]	% change
Backlog	69.8	71.2	-2.0%	69.8	71.2	-2.0%
Orders	40.5	45.8	-11.5%	176.0	188.8	-6.8%
Revenue	49.4	53.7	-8.0%	177.1	178.6	-0.8%
Book to bill	0.82	0.85	-3.8%	0.99	1.06	-6.1%
EBITDA	(1.5)	2.7		2.3	6.0	-62.5%
% of revenue	*-3.0%*	*5.0%*		*1.3%*	*3.4%*	
Normalized EBITDA	1.7	2.9	-42.2%	7.1	4.9	46.2%
% of revenue	*3.3%*	*5.3%*		*4.0%*	*2.7%*	
Adjusted EBIT	0.7	0.5	59.0%	3.5	(0.1)	
% of revenue	*1.5%*	*0.9%*		*2.0%*	*-0.1%*	
Reported EBIT	(9.1)	(6.0)	50.0%	(12.9)	(11.0)	17.8%
% of revenue	*-18.3%*	*-11.3%*		*-7.3%*	*-6.1%*	
Results from discontinued operations	(1.5)	(1.7)	-14.2%	(9.5)	(2.4)	289.5%
Net loss	(10.6)	(7.2)	48.8%	(22.5)	(12.8)	76.0%

[1] Historical numbers have been represented for comparative purposes to reflect the classification of the telecom converter business (CVT/LED) as a discontinued operation during Q3 2012.

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

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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CHIEF EXECUTIVE OFFICER'S LETTER

DEAR SHAREHOLDERS,

2012 was a difficult financial year for Power Electronics companies and 3W Power | AEG Power Solutions was no exception. We are confident that the strength of our robust products and market diversity allow us to position ourselves for expected growth and value creation.

In 2012, the failed takeover of the Company by Andrem Power adversely damaged the sentiment and thus shareholder value of our Company. Profit warnings and insolvency filings throughout the Power Electronics industry further magnified the situation. In this difficult environment, our share price fell from roughly €3.00 at the beginning of 2012 to end the year below €1.00.

The oversupply of polysilicon suppressed our market-leading Power Controller business's revenue down to the 2010 level. While the POC business remains profitable, the significant reduction in revenue impacted the overall Company negatively.

Our Solar business, despite a difficult financing environment, contributed substantially to the overall Company results for 2012. This business has maintained a strong competitive position, in this uncertain economic climate, and is continuously refining its market strategies to expand its global reach on the Solar Market outside Western Europe. The recent certification of our Protect PV.500-UL solar inverter allows us access to the expanding North and South American solar markets.

From an operations perspective the Company initiated a focused material cost reduction program, increased its drive to minimize product complexity across all products and instituted specific process improvements in all manufacturing locations. These initiatives helped maintain our financial performance.

3W Power | AEG Power Solutions' 2012 results were collectively disappointing. Orders slipped to €371.3 million (2011: €380.8 million), revenues were down to €368.0 million (2011: €402.5 million) and EBITDA margin reduced to 5.0%. However excluding the net effect of one-off costs and income, the Normalized EBITDA margin increased to 7.3%. We fell short of our 9% Normalized EBITDA guidance, as we decided to take a provision for a doubtful receivable of €8.5 million prior to the release of our results. The provision is held against receivables in relation to several solar projects.

From an accounting perspective, the Company has also adjusted downwards its three-year forecast for the Power Controller business due to the prolonged oversupply of polysilicon. Additionally we recorded an impairment charge on goodwill and intangibles of €127.0 million in Q4 2012.

While the overall world economy continues to show slow recovery, there appears to be exciting growth opportunities for Power Electronics companies with our capabilities. As the worldwide demand for resilient and secure distributed power for critical applications and missions grows, especially in the United States and regions where the grid is not dependable, the need for energy/load management accelerates. 3W Power | AEG Power Solutions has been developing products in all of our businesses that are perfectly positioned to meet this critical demand. Our EES business has proven products well positioned to secure uninterrupted power supply; our Power Controllers technology and products provide precise and reliable power control systems and modules for industrial processes; while our Solar business supplies high-efficiency solar inverters including our market leading skytron advanced monitoring and supervision systems for utility-scale photovoltaic power plants, to convert DC to AC more efficiently than competing offerings. All of our products and services enable 3W Power | AEG Power Solutions to capture this exciting new demand.

Bruce A. Brock, CEO

BRUCE A. BROCK RETURNS AS CHIEF EXECUTIVE OFFICER OF 3W POWER AND AEG POWER SOLUTIONS

Like many of our competitors we undertook several tough decisions in 2012 to manage our business for future growth and prosperity. Restructuring measures had to be taken around the world, and workforce reductions were unavoidable. However, we have managed to resolve the corresponding issues in a socially acceptable and amicable way with our labor representatives.

On June 2, 2012, Jeffrey Casper assumed the responsibilities of Chief Financial Officer of the Group, following the resignation of Gerhard Henschel. Jeffrey Casper was previously responsible for the Company's corporate finance, strategy and business development functions.

On April 18, 2013, Dr. Horst J. Kayser stepped down as Chief Executive Officer and member of the Board of Directors. Effective immediately, upon Horst Kayser's resignation, the Board of Directors appointed me as Chief Executive Officer of the Company, having previously held the post for six consecutive years up until my retirement in September 2010. I am honored and accept the challenge to guide the Company into the future to achieve sustained growth, profitability, and increased shareholder value. I will also continue to serve as Executive Chairman at least until the election of the Board of Directors at the Annual General Meeting.

Looking forward to 2013, the Company is fortunate to have such well-diversified businesses – both geographically and across markets. When combined with our talented people and sound strategic directions, we are well positioned to seize the opportunities of the future; though the difficult economic environment poses significant challenges for us. The Company must find ways in the near term to balance the growing Solar business and associated capital commitments together with cost improvement initiatives necessary to improve cash flows. Doing so will require careful planning and working capital management.

I would like to take this opportunity to ask you for your continued trust and support, which I will work tirelessly to earn from all of our stakeholders – our customers worldwide, our shareholders, our partners in business and our employees. The global 3W Power | AEG Power Solutions team will continue to serve our markets with innovative and competitive solutions to make our customers successful.

Yours sincerely,

Bruce A. Brock
CEO and Chairman of the Board of Directors

MANAGEMENT TEAM

BRUCE A. BROCK, CHIEF EXECUTIVE OFFICER AND CHAIRMAN, AND JEFFREY CASPER, CHIEF FINANCIAL OFFICER OF 3W POWER AND AEG POWER SOLUTIONS RUN THE DAY-TO-DAY MANAGEMENT OF THE COMPANY.

Bruce A. Brock, Chief Executive Officer and Chairman of the Board of Directors
Former CEO of AEG Power Solutions from 2005 to 2010, and Chairman since early 2012, Mr. Brock has over thirty years experience as an international executive and power systems industry expert. 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; serves on the Board of F Cubed LLC. Served as Chief Operating Officer of Lucent Power Systems (LPS) between 1997 and 2000.

Jeffrey Casper, Chief Financial Officer
Chief Financial Officer of 3W Power and AEG Power Solutions since June 2, 2012. Prior to his appointment as CFO, he was responsible for corporate finance, strategy and business development since he joined the Company in 2009. Prior to AEG Power Solutions he was a Director at UBS Investment Bank in the European Leveraged Finance and Financial Sponsors Group in London. Jeffrey Casper holds an MBA from Harvard Business School.

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.

Bruce A. Brock, Chief Executive Officer and Chairman of the Board of Directors

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. Began his career with IBM in 1970 and held multiple management positions prior to retiring from IBM in 1993 as Director of their Power Products Group.

Lawrence Lavine, Non-Executive Director
Senior Managing Director of Ripplewood Holdings since 2004. Serves on the Board of Directors of Gogo Inc. 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.

Dr. Dr. h.c. Thomas Middelhoff, Non-Executive Director
Chairman and founding partner of Pulse Capital Partners LLC. Member of the Compensation Committee. 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. Chairman of the Compensation Committee. Previously served on the Supervisory Board of AEG Power Solutions from 2005 to 2009. Currently serves as a director of Gogo Inc, a privately-held portfolio company of Ripplewood Holdings L.L.C.

Harris N. Williams, Non-Executive Director
Managing Director of Ripplewood Holdings. Chairman of the Audit Committee and member of the Compensation Committee. Also serves on the Board of Directors of Gogo Inc.

Dr. Mark Wössner, Non-Executive Director
Member of the Douglas AG Supervisory Board.

The Board of Directors of 3W Power has changed as follows since the 2011 Annual Report:

Bruce A. Brock: reappointed Chairman on May 16, 2012, appointed CEO on April 18, 2013
Dr. Horst J. Kayser: reappointed on May 16, 2012, resigned on April 18, 2013
Gerhard Henschel: reappointed on May 16, 2012, resigned on June 1, 2012
Keith Corbin: reappointed on May 16, 2012
Robert J. Huljak: reappointed on May 16, 2012
Lawrence Lavine: reappointed on May 16, 2012
Dr. Dr. h.c. Thomas Middelhoff: reappointed on May 16, 2012
Christopher P. Minnetian: reappointed on May 16, 2012
Harris N. Williams: reappointed on May 16, 2012
Dr. Mark Wössner: reappointed on May 16, 2012

OUR COMPETITIVE ADVANTAGE

The Company'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 AEG Power Solutions' long track record with traditional industrial power users that the Company has managed to expand into renewable energy market segments so quickly and successfully.

THE FOUNDATIONS OF OUR SUCCESS ARE …

1 A UNIQUE HERITAGE

AEG Power Solutions has been building its expertise and 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 IN-DEPTH EXPERTISE

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

3 A GLOBAL FOOTPRINT & PERSPECTIVE

The Company's global footprint enables 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. AEG Power Solutions' diversification both geographically as well as across industries and markets has helped to insulate the business in a challenging market environment in 2012.

4 PERMANENT INNOVATION

Innovation has been at the core of AEG Power Solutions since its inception. Our forward-looking investments in advanced technology have ensured a steep revenue growth in grid-scale solar inverters and monitoring systems and grown our market leadership and profitability in power supply dedicated systems for industrial heating and energy storage applications. We continue to build on this tradition by using technology leadership to drive profitable growth and by focusing on the growth markets of the renewable energy sector and Data & IT to provide leading edge solutions to our customers.

5 LONGSTANDING CUSTOMER ORIENTATION

As a company dedicated to providing power, protection and control systems, our resources and priorities are devoted entirely 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 customers' needs.

6 EXCEPTIONAL QUALITY AND RELIABILITY

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

7 COMPREHENSIVE SERVICE

As a solutions provider, we support customers with a full range of power services. More than 200 AEG Power Solutions field engineer experts and service engineers, with an average of 15 years of field know-how in 22 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 and an upgrade.

8 PERFORMANCE FOCUS

Through a sharp strategic focus on cash flow, an emphasis on operational excellence and a targeted approach to high-growth market segments, AEG Power Solutions is well positioned for sustained growth and profitability.

9 A STRONG MARKET POSITION

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 AEG Power Solutions' ability to deliver solutions for the burgeoning smart grid market.

10 DEDICATED TEAMS

AEG Power Solutions is proud of its dedicated, highly qualified employees, committed to excellence, across all of its 22 facilities worldwide.

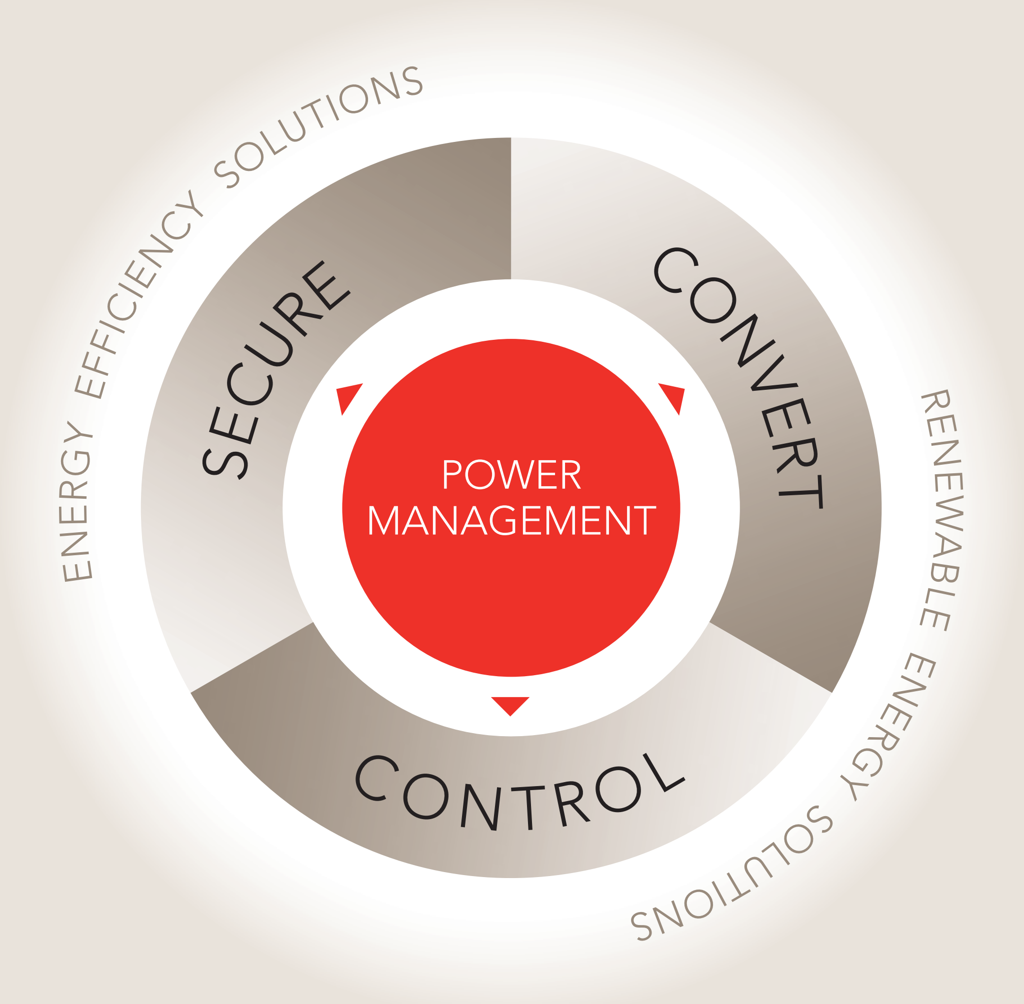
WE ENSURE THE LIFEBLOOD OF BUSINESS & INDUSTRY

Reliable, high-quality power is the lifeblood of today's world. Data centers, oil and gas monitoring platforms, utilities, telecommunications and innumerable industrial processes depend on a continuous flow of power – from both traditional and renewable energy sources.

We help make sure that all these industries get the power they need – efficiently, economically, and reliably – thanks to our innovative, intelligent power management systems.

Our job is to secure, convert and control power, to keep today's world moving.

Our business is not an option. It's a necessity.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CONVERT
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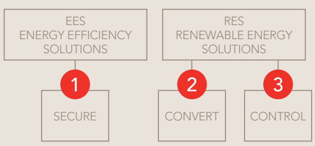
POWER MANAGEMENT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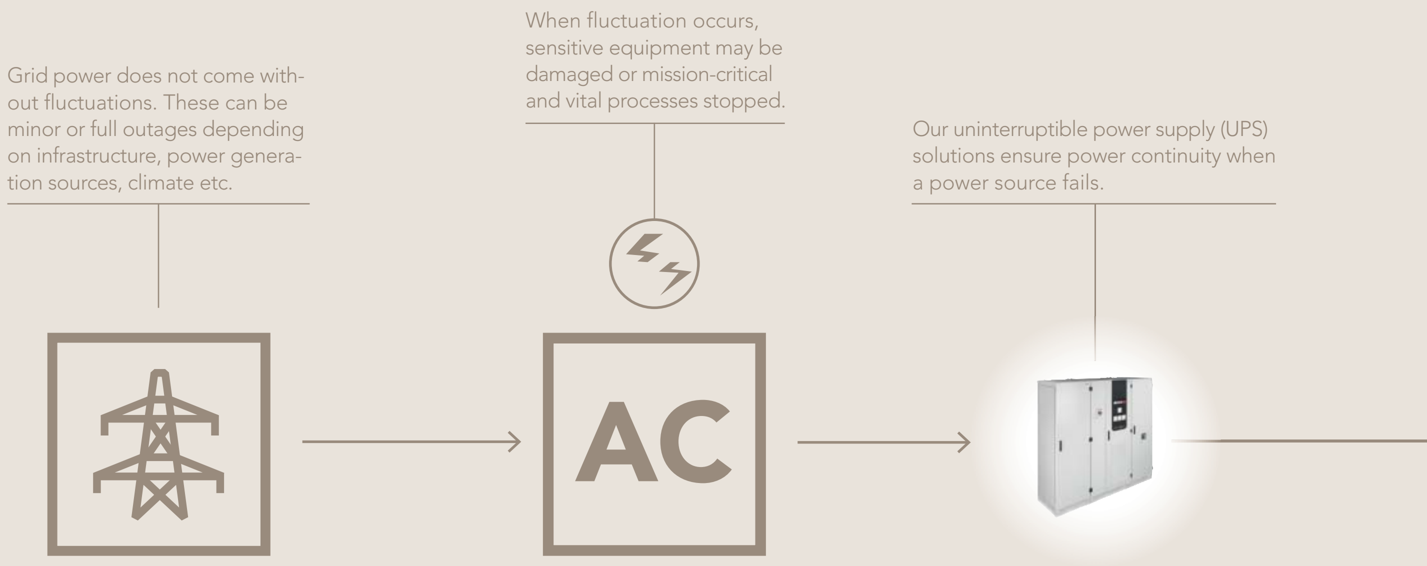


SECURE

INDUSTRIAL CUSTOMERS RUNNING CRITICAL PROCESSES COUNT ON AEG POWER SOLUTIONS' UNINTERRUPTIBLE POWER SUPPLIES (UPS) FOR RELIABLE, EFFICIENT SOLUTIONS DESIGNED TO MEET THEIR EXACTING REQUIREMENTS.

We are one of the world's two largest suppliers of uninterruptible power supply solutions to the transport and power generation industries and rank third worldwide in the oil & gas sector.

Our Protect™ range of uninterruptible power supplies (UPS) provides reliable power solutions tailored to the particular needs of specific markets. High-quality, high-efficiency AEG Power Solutions UPS products are especially prized among industrial customers running critical processes where power failures cannot be tolerated, including: nuclear power plants, oil & gas drilling and production facilities (both on- and off-shore), utilities and data centers.

Thanks to long-established relationships, AEG Power Solutions experts have gained genuine insight into the precise needs of specialized industrial customers. The Company leverages this understanding to provide solutions customized to these specific requirements. AEG Power

Constant power supply is guaranteed at any time – whether AC or DC.

Power supply solutions for oil & gas and petrochemical

UPS for power generation or distribution

Power supplies for transportation applications from signals to on-board

UPS to secure data centers and IT equipment

Reliable power for a variety of markets and industries

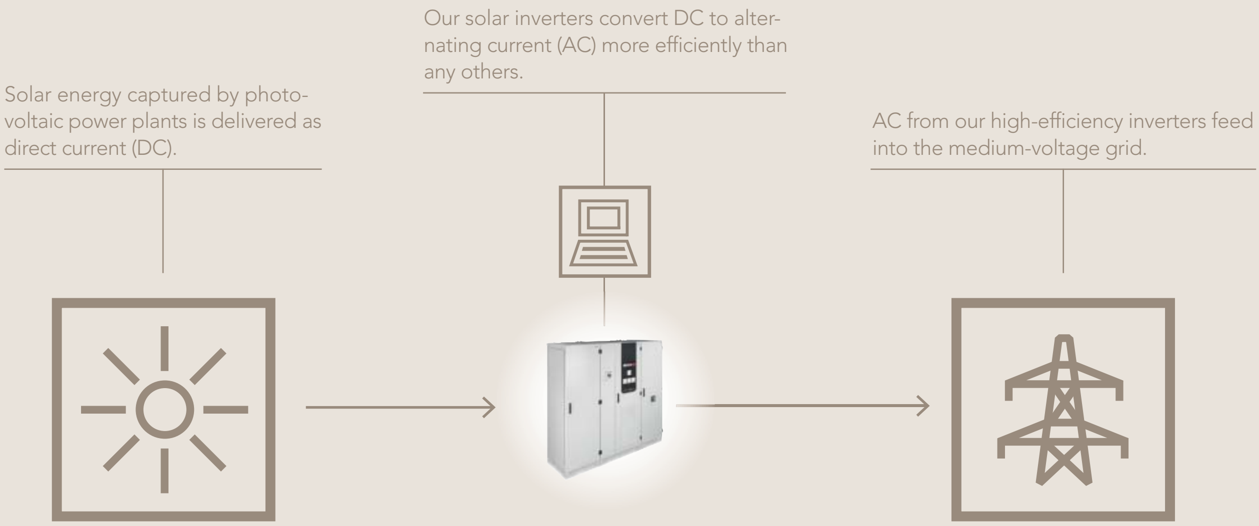
Reliable DC power for telecom

Solutions is among a handful of preferred providers to the nuclear power industry, capable of meeting the industry's stringent reliability standards.

As part of its secure power activity, AEG Power Solutions also supplies high-efficiency rectifiers as well as eco^{px} hybrid power solutions to telecom equipment manufacturers and service operators.

SECURITY DATA PROCESSING

To satisfy high power requirements for data center applications with the same reliability and efficiency as industrial ones, AEG Power Solutions has been reinforcing its range of commercial uninterruptible power suppliers. The Company has designed its new Protect Blue flagship UPS specifically to deliver market-leading performance for large data centers. It delivers unrivalled efficiency and improves total cost of ownership, by reducing CO_2 emissions and energy consumption.



CONVERT

AEG POWER SOLUTIONS HAS ESTABLISHED A STRONG FOOTHOLD IN THE MARKET FOR SOLAR INVERTERS BY BRINGING ITS UTILITY-SCALE SOLUTIONS TO CUSTOMERS IN RAPIDLY-GROWING MARKETS OUTSIDE WESTERN EUROPE.

Skytron is the market leader in monitoring solutions for utility scale photovoltaic power plants.

At the forefront of innovation within the renewable energy sector, AEG Power Solutions is uniquely positioned to deliver the utility-scale experience and field-proven reliability needed by the solar industry to fulfill its potential. Developers and operators of solar-powered generating plants require utility-scale inverters to transform the direct current (DC) produced by photovoltaic cells into grid-compatible alternating current (AC). Through its skytron subsidiary, the Company also supplies the monitoring and control solutions that help optimize the output and efficiency of renewable energy generating plants. An end-to-end approach, integrating all key components for solar power plants, provides customers with a one-stop solution.

Built to utility-scale standards with the highest quality materials and components, AEG Power Solutions solar inverters and complete containerized solutions help amortize project investments by ensuring long-term, care-free service. A relative newcomer to the solar inverter field, AEG Power Solutions has established strong positions by investing in rapidly growing markets, including India, South Africa and Eastern Europe. Recent UL

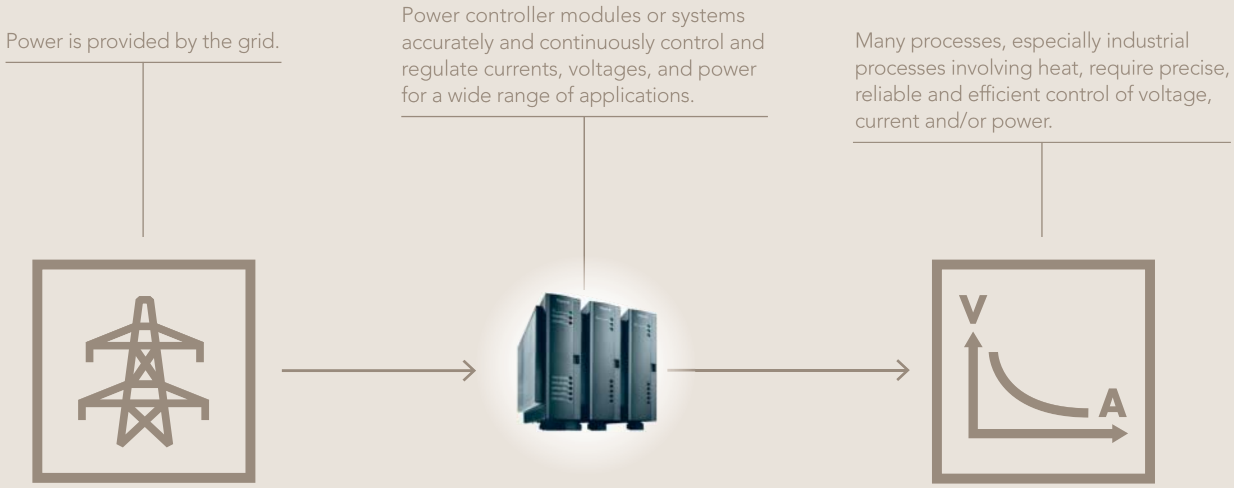
certification of the Protect PV.500 solar inverter opens additional opportunities in the U.S.

Across all solar markets, the AEG Power Solutions brand is recognized for premium quality and field-proven efficiency. For example, photovoltaic power plants equipped with AEG Power Solutions inverters in India's Gujarat Solar Park have proven to be 25% more efficient than others at the same location equipped with rival products.

AEG Power Solutions started financial year 2013 by announcing a major contract with a large Western European EPC. This deal is the third large solar contract in Eastern Europe that the group has been awarded. It covers photovoltaic utility scale equipment and services for 240 MW. AEG Power Solutions will provide complete electrical systems for nine photovoltaic power plants in Eastern Europe.

SUN RISES FROM THE EAST

AEG Power Solutions signed a major contract with Vienna-based Activ Solar in July 2012 for utility-scale photovoltaic equipment and services totaling at least 170 MW. The contract extended an initial 2010 agreement for complete electrical systems for 14 power plants in Eastern Europe, each of approximately 20 MW.
Both contracts require AEG Power Solutions to provide turnkey solutions including solar inverter stations and photovoltaic (PV) Guard, the industry's most comprehensive monitoring and supervision system, supplied by the Company's skytron subsidiary.



CONTROL

AEG POWER SOLUTIONS POWER-CONTROL SYSTEMS AND MODULES EQUIP CUSTOMERS TO CONTROL POWER WITH PRECISION AND RELIABILITY, AND REDUCE OPERATING COSTS IN INDUSTRIAL PROCESSES. THE POWER CONTROLLER TECHNOLOGY PLATFORM IS NOW CUSTOMIZED TO MORE AND MORE SPECIFIC APPLICATIONS, INCLUDING ENERGY STORAGE AND SMART MICRO GRIDS.

For industrial customers operating temperature-critical processes, such as polysilicon and float glass production, nothing is more vital than stable, reliable electrical power. As a long-established supplier of power controllers for industrial applications, AEG Power Solutions initially developed its Thyrobox power-control systems for the polysilicon production process. Thyrobox power-supply systems rapidly became synonymous with utmost reliability. This technology leadership has now been expanded to include power-control solutions for polysilicon ingot production (Thyrobox Si), sapphire-growing systems (Thyrobox Sa), voltage regulation (Thyrobox VR) as well as electrolysis processes (Thyrobox H2-developed for hydrogen electrolysis in energy-storage applications).

LEVERAGING EXPERTISE FOR ADVANCED APPLICATIONS

Integration of renewable energies into electrical grids creates demand for new solutions. These range from solutions for energy storage and prevention of voltage instability in the grid, to

solutions for complete micro grids supplying small and medium enterprises or communities. To take advantage of these opportunities, AEG Power Solutions has adapted its thyristor-based power control technology to storage applications and to grid-support applications like voltage regulation. Such advanced solutions set the groundwork for future renewable energy solutions and smart micro grid development.

CONTROLLING INPUT TO THE GRID TO SAFELY PREVENT VOLTAGE INSTABILITY

The feed-in of increasingly powerful photovoltaic (PV) systems into local grids presents utility providers with enormous challenges. Large PV systems are often installed in rural areas or suburbs and are connected via spur lines to the public power grid. With intense sunshine, high solar energy levels fed into the grid can cause excessive voltage levels. Until now, there have been few economical solutions to this problem. But AEG Power Solutions has developed an innovative solution to remedy this situation and at the same time prevent costly grid expansion: Thyrobox VR. The new product continuously controls the kind of voltage problems that arise in widely-branched local grid lines with PV feed-in.


AEG
SCAN & WIN!
1


3


Discover us at Hannover Messe, Hall 12, Stand D06. April 23 – 27, 2012
2
BEYOND COOL
NEW PROTECT BLUE UPS
Data center high power UPS:
• 96% double conversion efficiency
(98% in ECO mode)
• 0.9 output power factor; <3% input THDi
• Three level IGBT – rectifier and inverter
• Bi-directional rectifier bridge
• Smart grid ready
(IEC 61850 communication protocol incorporated)
For further information:
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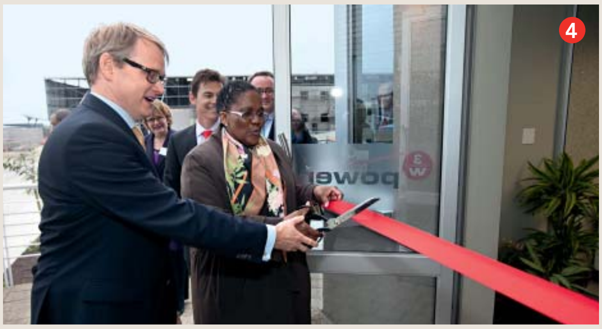
Telephone: +49 (0)2902 763610
mohammed.aggabi@aegps.com
www.aegps.com
AEG
POWER SOLUTIONS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5


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H2
ENERTRAG
7


8

2012
A YEAR OF INNOVATION & MARKET SUCCESS

1: March
AEG Power Solutions adds to its portfolio of solutions for the data & IT industry with a compact, energy-efficient, transformer-less UPS. The Protect 2.33 2.0 UPS responds to the need for cost-effective, high-reliability power supplies for data centers, telecommunications systems and IT networks.

AEG Power Solutions expands its range of rack-mounted UPS products for data and IT applications with the Protect D 6000 and 10000VA models. The new products exceed the power of other conventional UPS systems by 20%.

2: April
Launch of the Protect Blue UPS sets a new industry benchmark for high-power data center power solutions. Customers benefit from lower total cost of ownership, reduced CO_2 emissions and lower energy consumption thanks to the full rectifier and inverter three level technology, which provides an unrivalled 96% double conversion efficiency.

A contract for a hybrid power generation plant in northern Germany confirms AEG Power Solutions' technical leadership in powering the electrolysis process for power-to-gas energy storage. The contract calls for AEG Power Solutions to install its Thyrobox H2 power supply system for the plant's 6 MW electrolysis unit, which converts energy generated by a renewable source, such as solar or wind, into hydrogen.

3: May
Already 40 MW rated solar inverters have been installed since the beginning of operations in Bangalore, India seven months earlier. By year-end 2012, 78.6 MW power of solar inverters have been installed in India. The completed projects include several within the renowned Gujarat 500 MW Solar Park.

AEG Power Solutions achieves a major milestone among Chinese project developers thanks to a contract with SINOPEC LPEC for all the power system equipment for a Kazakhstan Refinery Project.

AEG Power Solutions expands its solar product portfolio with the Protect PV.630 central inverter. The inverter, which converts the DC generated by solar panels into utility grid-compatible AC, extends the capacity of the Company's inverter range up to 630 kW.

4: June
AEG Power Solutions becomes Africa's first local producer of utility-scale inverters for solar generating plants. The Company's manufacturing facility in South Africa, combined with the world-class monitoring and control solutions provided by the Company's skytron subsidiary, opens unique growth potential in South Africa and elsewhere. The 3,400 m^2 factory was built specifically to manufacture utility-scale solar inverters and skytron combiner boxes.

5: July
AEG Power Solutions helps telecom equipment manufacturers and service operators lower their costs and energy consumption with its ultra high-efficiency rectifier for DC applications. As part of AEG Power Solutions' ecopx range, the SMi2000FE is engineered for low environmental impact and to deliver a massive reduction in CO_2 emissions.

A major follow-up contract reinforces AEG Power Solutions' dominant position in the rapidly growing Eastern European solar market. The deal, with Vienna-based Activ Solar, covers photovoltaic utility-scale equipment and services for a minimum of 170 MW.

6: September
Underwriter Laboratory certification strengthens AEG Power Solutions' position in the U.S. market for solar inverters. The Protect PV.500-UL is among a handful of 1000V solar inverter units certified to meet product safety standards for connection to the U.S. power grid.

7: November
AEG Power Solutions further solidifies its dominant position in the Ukraine, thanks to a solar inverter contract with Portugal's Martifer Solar. The client selects the Company's solar inverters for its first foray into Ukraine's lucrative solar market.

An agreement is launched to open cooperation with U.K. energy storage and clean fuel specialist ITM Power. The two companies will work together to integrate ITM's electrolyzer technology with AEG Power Solutions' power control electronics.

8: December
Hydrogenics of Belgium selects AEG Power Solutions to provide high-efficiency rectifiers for the E.ON power-to-gas pilot plant. The rectifiers are used to help convert surplus wind-generated power at the plant in Germany into pure hydrogen via electrolysis.

As part of its strategy to seize solar market growth opportunities worldwide, AEG Power Solutions opens an office in Santiago de Chile.

INNOVATION

INNOVATING TO PROVIDE ENERGY THAT IS MORE SUSTAINABLE, SECURE AND EFFICIENT

AEG Power Solutions' expertise in controlling, securing and converting power forms the foundation for all of the Company's business. This distinctive expertise provides the technology base for the Company's ability to bring innovative power electronics products and solutions to customers. This is how AEG Power Solutions meets the most demanding standards, satisfies nascent market needs and continually enhances its solutions to make them as scalable and commercially attractive as possible.

Within the Company's labs, design and innovation focus on three main axes:

- STREAMLINING AND ENHANCING THE COMPANY'S PORTFOLIO OF UPS AND RECTIFIERS
- EXPANDING THE COMPANY'S PORTFOLIO OF INVERTERS FOR PHOTOVOLTAIC GENERATING PLANTS
- BROADENING THE RANGE OF APPLICATIONS FOR THE COMPANY'S THYRISTOR-BASED POWER CONTROL TECHNOLOGY PLATFORM

At the same time, AEG Power Solutions engineers and technicians are combining technology platforms from several product areas to develop innovative smart grid applications.

In this way, all of our segments benefit from a constant R&D focus, with new market potential developed in industrial power supplies and control systems, together with renewable energy production and monitoring, energy storage and smart grid applications. Our portfolio management initiatives keep our products aligned to changing market needs while providing constantly increasing operating efficiency, sustainability and security. These targets are maintained for 2013, with ambitious goals set for each segment.

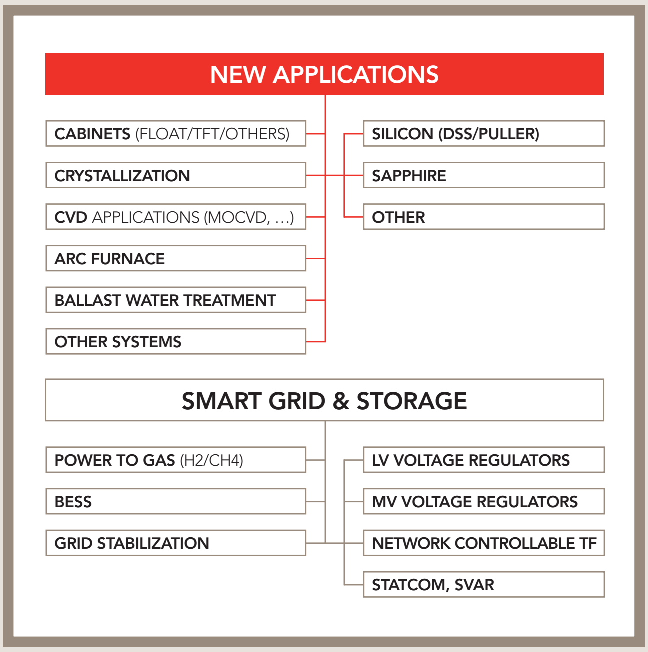
STREAMLINING AND ENHANCING THE COMPANY'S PORTFOLIO OF UPS AND RECTIFIERS

Thanks to streamlining in the Energy Efficiency Solutions (EES) segment, we have consolidated our portfolio of industrial uninterruptable power supplies (UPS) and rectifiers down to seven highly standardized products, ranging from 20kVA-to-120 kVA. This streamlining process, which enables us to serve the market more efficiently, will continue in 2013. In response to market demand for higher power density and lower line disturbances to reduce power supply size and avoid grid instability issues, the major innovation in 2013 will be the introduction of wide-range pulse rectifier front ends. These constitute an alternative to line-commutated thyristor rectifiers.

A major innovation in 2012 was the launch of Profitec SN1, which meets highly specific nuclear power generation industry needs for "software free" components. This fully analog rectifier opens new markets in the nuclear backup power sector and reinforces the Company's strong position in the nuclear power industry generally.

The launch and first project delivery of the ultra-high efficient, fully bi-directional Protect Blue commercial data center UPS was another major achievement in 2012. The product was a complete new design, started from scratch in 2009. Providing the highest efficiency in its category, Protect Blue improves overall total cost of ownership and reduces CO_2 emissions and energy consumption, both major concerns for data centers. Like all new-generation AEG Power Solutions products, Protect Blue is smart-grid ready and positioned for the future.

POC – Diversification beyond polysilicon applications



Developments in power control systems focus on customizing AEG Power Solutions' unique high efficiency, high power factor thyristor technology to very specific applications.

EXPANDING THE PORTFOLIO OF INVERTERS FOR PHOTOVOLTAIC GENERATING PLANTS

A series of new utility-scale solar inverters was developed and launched at a remarkable pace in 2012, rapidly broadening the Company's portfolio and matching market developments. Several important certifications were awarded for various versions of our Protect PV.630 indoor and Protect PV.500 indoor and outdoor inverters. In particular, U.S. certification of the Protect PV.500 indoor and Chinese certification of the Protect PV.500 constitute major achievements, opening access to rapidly growing solar markets. To broaden our portfolio in the U.S., special efforts were dedicated to the modular solar inverter product line.

Developments should continue at the same pace in 2013 as we focus on larger capacity inverters (Protect PV.800), more outdoor devices, and design of a low-cost, high-power system for worldwide outdoor applications.

In solar monitoring systems, the key achievements in 2012 included introductions of wireless communication and a web-based application, hardware voltage range increases and worldwide certification. In 2013 the focus will be on plant system control and smart-grid-related communication and control.

BROADENING APPLICATIONS FOR THYRISTOR-BASED POWER CONTROL TECHNOLOGY

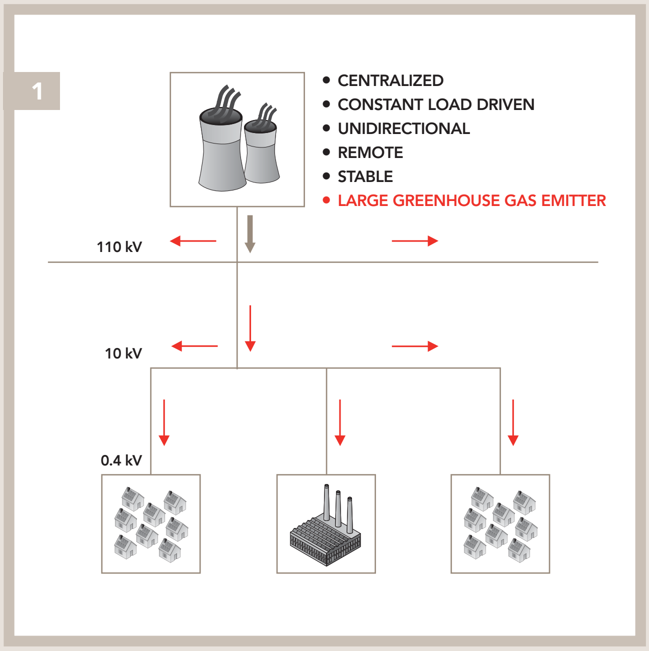
In the power controller business, the key R&D achievement in 2012 was the launch and first sales of the Thyro-AX intelligent power controller, which is setting new industry benchmarks. The fully digital Thyro AX offers numerous new features, including the industry's first touch-screen display with full graphic capability, enabling highly intuitive operations. Product power range expansion options will be completed in 2013 and redesign of the flagship Thyro-P product will begin.

Developments in power control systems focus on customizing AEG Power Solutions' unique high efficiency, high power factor thyristor technology to very specific applications. For polysilicon manufacturing for example, R&D teams finalized the medium frequency Thyrobox-PI power supply in 2012. The device enables customers to use both low- and medium-frequency current for the silicon growing process, resulting in lower energy consumption and better yields. A major Thyrobox-M2 innovation project will be executed in 2013 to increase power density, which lowers cost and enhances functionality.

The Thyrobox-HiCz power supply provides another example of how the Company's engineering team continues to develop dedicated systems. The product is specifically designed for a new crystal-puller generation series to produce polysilicon ingots. Similarly, the Thyrobox-CI, with currents up to 6,000 A, was specifically designed for chloride electrolysis. A new controller, the Thyrobox-SiC, powers silicon carbide ingot ovens for manufacturers of LEDs. All of these specific application areas open up new market opportunities.

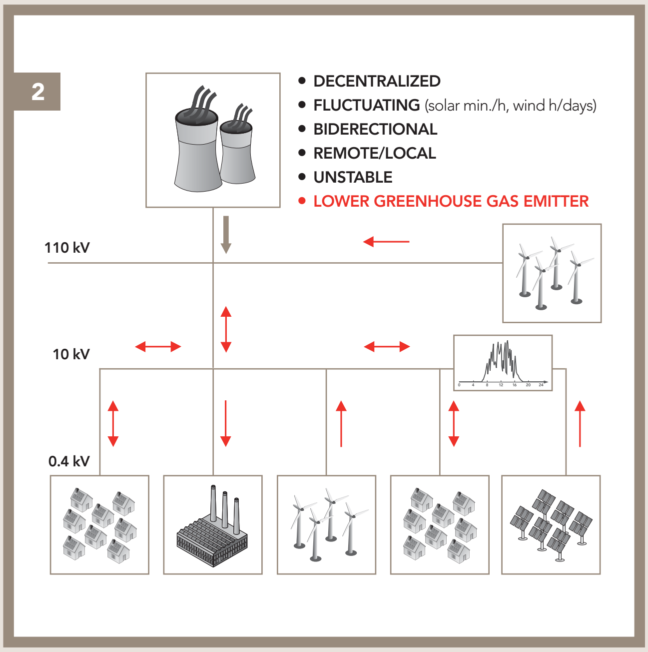
In the future, the power controller business will continue targeting those industrial heating and processing markets with high current applications (>40kA). Competition is less aggressive and project volumes higher than in low- and medium-current application markets. The component base for this sector is similar to the Thyrobox-M polysilicon product line, providing the Company with significant operating leverage.

Past energy systems did not use renewable sources



For many years, power generating stations and electricity grids were configured as simple pyramids. Electricity generated from a central power plant – coal-, oil-, gas-, or nuclear-driven – was distributed in a single direction, i.e. branching outward towards commercial and/or residential end-users. Power generating stations and grids were designed to respond to load requirements and performance was generally stable.

Integration of Renewable Sources cause grid stability issues and is limited without a change



The introduction of renewable energy sources, in the form of wind- and solar-driven generating plants, represents a major change. Instead of huge central power stations, generating plants using renewable energy sources are smaller and decentralized. In contrast to the stable performance of conventional fuel-burning plants, the output of electricity from renewable plants fluctuates with the intensity of the light or wind that supplies their primary energy. What is more, to accommodate energy generated from fluctuating, unstable renewable sources, electricity grids must be capable of distributing power in all directions. For example, a home or business with solar generating capability might feed energy into the grid during the day but draw energy from the grid at night.

LONG-TERM STORAGE AND GRID-STABILIZATION APPLICATIONS FOR THE SMART GRID

Integration of renewable energies into existing power sources opens new markets and creates demand for new solutions. AEG Power Solutions experts are focusing on:

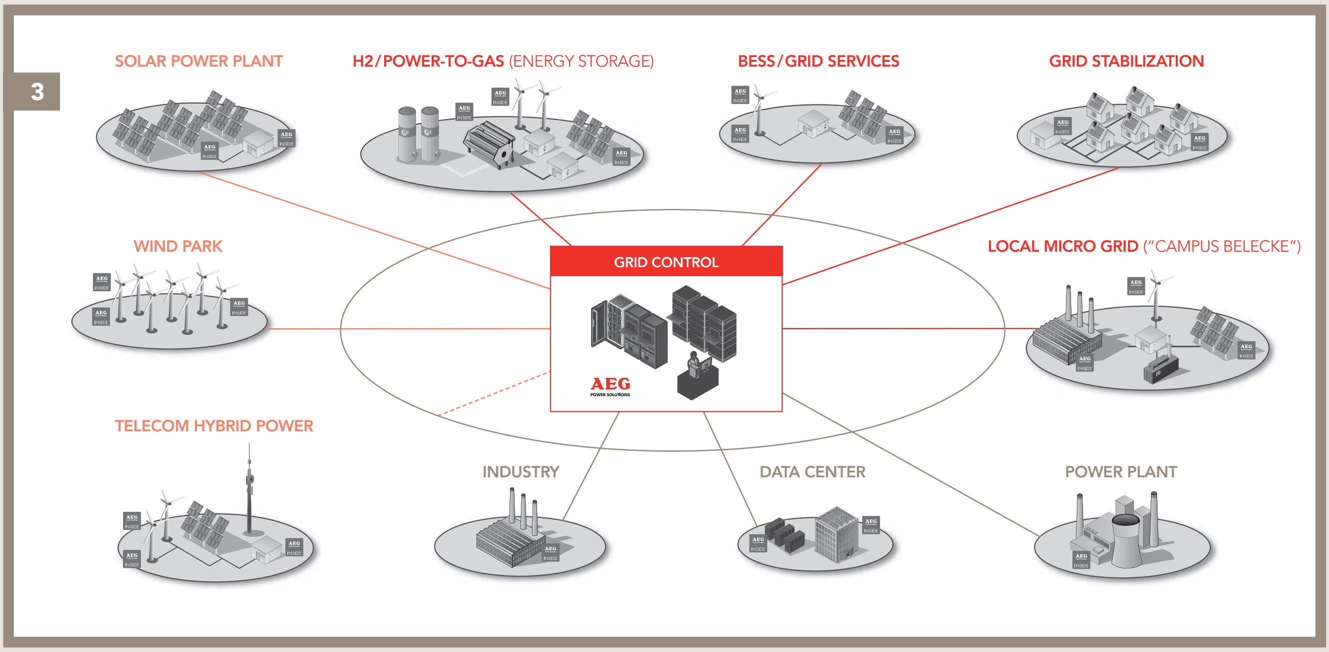
- SMART GRID AND STORAGE SOLUTIONS
- SMART GRID-READY TECHNOLOGY PLATFORMS, PRODUCTS, SYSTEMS AND COMPONENTS FOR INNOVATIVE POWER SUPPLY AND MANAGEMENT
- COMPLETE SMART MICRO GRID SOLUTIONS

Specific applications include energy storage systems, solutions to prevent voltage increases in the grid, and complete micro grid solutions for small and medium-sized enterprises or communities.

Most of our recent developments stem from the AEG Power Solutions thyristor technology platform initially developed for power controllers. In 2012, there was a strong focus on energy storage projects, especially in Germany. For example, we developed the thyristor-based Thyrobox-H2 rectifier to supply power to the hydrogen electrolyzer in hybrid power generation plants that use a power-to-gas process to store energy produced by wind or solar sources. The Thyrobox-H2 offers high efficiency, grid code compliance and very high power

Smart Grid Power Solutions

3



Smart grids combine various technologies, services and processes to make it possible to integrate power from renewable sources into electrical distribution networks. AEG Power Solutions is leveraging its expertise in controlling, securing and converting power to serve rapidly growing smart grid markets. Our power controllers provide vital grid stabilization as well as power management systems for smart micro grids. We have also adapted our power supply and control technologies to enable both long-term and short-term storage systems, another critical ingredient for grid systems that integrate power from renewable sources.

— SMART GRID SOLUTIONS — RENEWABLE SOLUTIONS — POWER SUPPLY

density. In addition, a battery energy storage system (BESS) was designed for shorter term energy storage. The system will enable AEG Power Solutions to contribute to large reference projects with storage capacity of up to 5 MWh.

Launched in the second half of 2012, the Thyrobox-VR prevents voltage increase issues. Based, like the Thyrobox-H2, on the AEG Power Solutions thyristor platform, the product is winning market acceptance as an excellent, cost efficient grid stabilization component. Shipments started during Q1 2013. Solutions such as the Thyrobox-VR provide the foundations for future renewable energy solutions and smart micro grid development. These areas will be developed further in 2013 and beyond.

POWER-TO-GAS: A BREAKTHROUGH IN ENERGY STORAGE

Power-to-gas is a solution to transform large amounts of electrical energy in periods of over-production and store it as chemical energy, in the form of hydrogen. The hydrogen can then be transformed into methane gas that is either supplied to regular gas pipelines or used in gas power plants. The hydrogen can also be used directly by mixing it into the gas grid or as a fuel component in combined heat and power units. The production of hydrogen is achieved by a highly efficient electrolysis process in the power plant during which electrical energy is converted into hydrogen. AEG Power Solutions' Thyrobox H2 powers this critical electrolysis process. Our water-cooled rectifier, which benefits from a unique design, ensures a precise, highly dynamic response, providing reliable power delivery to the electrolyzer, optimizing its efficiency with maximum power factor at its input. This process fully complies with grid technical requirements.

CORPORATE RESPONSIBILITY

AEG POWER SOLUTIONS IS COMMITTED TO ACT IN A RESPONSIBLE MANNER IN ALL OF ITS BUSINESS RELATIONSHIPS, WITH ALL INTERNAL AND EXTERNAL STAKEHOLDERS.

VALUES

Our core values underlie everything we do. They provide the principles that guide all of our business relationships, both internally and with our numerous stakeholders.

- **Innovation:** Innovation has been at the very core of 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 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 Company. As reliable professionals, we always respect and deliver on our commitments. We do what we say we will do.

- **Ethical business behavior:** Every 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 also the spirit of the Company Code of Conduct. Also, it means we comply unfailingly with any and all external regulations, standards and legislation everywhere we do business.

CODE OF CONDUCT

The AEG Power Solutions Code of Conduct helps ensure that every employee, at every level of the organization, understands and fully observes our ethical standards. The Code sets out our standards for good business practices. It covers interactions with business, government and other stakeholders, as well as relationships in the workplace. All employees worldwide receive a paper or electronic copy of the Code of Conduct.

The Code includes policies and guidelines designed to safeguard human rights by preventing workplace intimidation, harassment and discrimination. These cover such issues as discrimination 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.

ENVIRONMENT

AEG Power Solutions fulfills its commitment to protect the environment both internally and by providing products and services that enable clients to reduce their consumption of energy.

The Company has taken several initiatives to reduce its carbon footprint. Beyond the "Campus" initiative at the Warstein-Belecke site, Germany (see box), the Company completed an ISO 14001 audit of the environmental management system and an ISO 50001 audit of the energy management system in March 2012. Implementation of the environmental and energy management systems helped achieve a 19.2% reduction in primary energy consumption of gas and electricity at the Warstein-Belecke site, compared to 2011.

Additional economies were achieved through a variety of initiatives. These included installation of energy-recovery systems and improved compensation filters, enhanced insulation and replacements of bulbs, heating pumps and valves. The Warstein-Belecke site energy-management system is expected to reduce energy consumption still further during 2013.

All AEG Power Solutions facilities comply with the ISO 9001 standard for quality, except for our North America and Ukraine sites. More than half of the Company's production facilities worldwide were certified according to ISO 14001. In December 2012, the Company also received OHSAS 18001 occupational health and safety certification for Singapore, Beijing and Warstein-Belecke.

The Company 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).

HUMAN RESOURCES

AEG Power Solutions' human resources management programs and policies aim to continually reinforce management skills, while attracting and retaining new talent and ensuring tight workforce alignment to the Company's immediate and longer-term business goals. Ongoing initiatives in 2012 included a range of human resource management and development areas, such as performance evaluation and management, compensation and benefits and information systems.

Challenging market conditions led to the announcement of workforce reductions in the fourth quarter of 2012. As part of a multi-faceted cost-improvement initiative designed to increase continued structural profitability, AEG Power Solutions launched a global headcount reduction program within the Energy Efficiency Solutions (EES) Division. The reduction affects more than 100 employees, principally at the Warstein-Belecke facility.

The Company's worldwide workforce totaled 1,522 as of 31 December 2012, compared to 1,646 one year earlier. The relatively stable consolidated figure masks AEG Power Solutions' changing geographical footprint. The Penang, Malaysia facility, dedicated primarily to telecom equipment, was shut down in 2012. Meanwhile, a new manufacturing site focusing on solar inverters and monitoring & supervision equipment was inaugurated in Cape Town, South Africa in September. Additionally, a new branch office was opened in Chile at year-end to support Latin America's growing renewable-energy market.

ONGOING PROGRESS AT THE WARSTEIN-BELECKE CAMPUS

Work continued in 2012 on the multi-year program to equip the Company's largest facility with an energy system that will integrate solar-generated power into a campus-wide smart grid. Solar panels and inverters were installed in 2012, along with measurement, control and communications functions and a 250 kW energy storage system based on batteries (BESS). The BESS system helps optimize energy flow and reduce fluctuation of energy peaks to provide more efficient, more effective energy usage. An advanced 1 MW combined-heat-and-power station installed as part of the Campus project saves 1,900 tons of CO_2 annually. The station converts gas into electrical and thermal power at an efficiency rate of 90%. The 250 kWp solar carport, which provides up to 25% of the energy for the facility, also improves environmental performance.

A second combined-heat-and-power system is planned for 2014, 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 site's required power. The next step, set to be partially implemented in 2013, involves installation of a second, innovative, industrial-scale energy storage system, a critical smart micro grid component.

OUR SHARES

SHAREHOLDER STRUCTURE

- 30.2% Ripplewood
- 13.9% Deutsche Bank
- 8.2% Prof. Dr. h.c. Roland Berger
- 5.1% Dr. h.c. Carsten Maschmeyer / Marcel J. Maschmeyer
- 4.8% Treasury shares held by AEG PS
- 3.3% Bruce A. Brock*
- 2.6% Dr. Dr. h.c. Thomas Middelhoff
- 1.0% Dr. Horst J. Kayser
- 0.7% Mr. Robert Huljak
- 0.2% AEG PS managers
- 0.1% Dr. Mark Wössner
- 29.9% Other shareholders

As of March 13, 2013/according to last available information

* Mr. Bruce A. Brock, USA, informed the group of share distributions of all the shares held by the Brock Trust LLC, a legal entity under his control and, as a result, his Voting Rights on 3W Power S.A., Luxembourg, have fallen below the 5% threshold of the Voting Rights.

SHARE INFORMATION

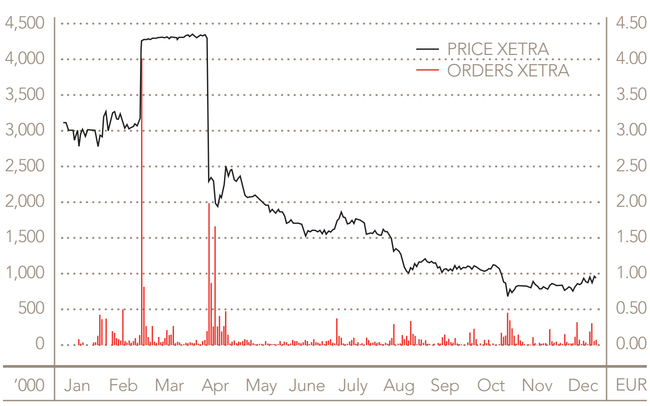
ISIN	GG00B39QCR01
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main
Symbol	3W9
Reuters symbol	GAQAu.DE
Designated sponsor	Close Brothers Seydler Bank
High in 2012	€4.34 (March 28, 2012)
Low in 2012	€0.67 (October 26, 2012)
Closing price on December 28, 2012	€0.92
Market capitalization on December 28, 2012	€43.99 million
Number of shares	47,816,019

Source: Deutsche Börse

SHARE PRICE DEVELOPMENT

Capital markets worldwide remained volatile in 2012. After equity markets rallied in the first quarter of the year, anxiety over Europe's sovereign debt crises and sluggish economic growth triggered a correction between March and early June, during which most major stock indices lost some of their earlier gains. However, this trough represented the low point and capital markets recovered steadily for the rest of the year, despite a trend of downgrades in earnings guidance and forecasts by issuers and research houses alike. At the end of 2012, the DAX index, comprising Germany's leading 30 stocks, closed at 7,600 points, up 29% from the start of the year.

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



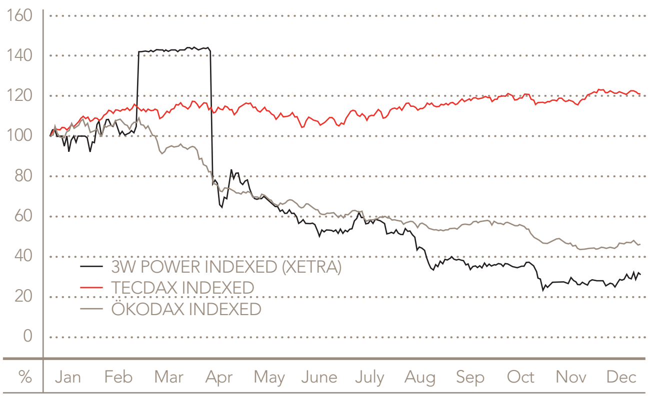
From January 1 to December 31, 2012

The renewable energy sector did not follow this general positive trend with the ÖkoDAX dropping 54.1% in the year. Challenges that hurt trading and sentiment included polysilicon price deterioration and increased competition from Asian vendors. In this difficult environment, the 3W Power share price fell from €3.00 at the beginning of the year to €0.92 at the end of 2012.

Beyond the sector's generally negative sentiment in which 3W Power too experienced lower revenues and profitability as compared to the prior year, Andrem Power's discontinued takeover of 3W Power put considerable pressure on the 3W Power share price. BaFin's prohibition of the publication of Andrem Power's offer document led many short-term, event-driven market participants – who had bought shares in the hope of profiting from the proposed takeover – to sell their shares regardless of the Company's long-term fundamentals.

Trading volumes in 3W Power's stock increased significantly in 2012, enhancing liquidity and making the placement of large orders more feasible. With 28.5 million shares traded on Xetra, order book turnover was substantially higher than the 2.6 million shares traded (Xetra and Euronext) in the previous year. While Andrem Power's proposed offer was a major factor in the higher trading volume, the underlying trend is rising.

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



From January 1 to December 31, 2012

INVESTOR RELATIONS

3W Power nurtures a continuous dialogue with its shareholders. The Company aims to strengthen its presence in the capital markets and to enhance institutional investor awareness. In 2012, 3W Power management and investor relations representatives met with existing and potential investors at numerous road shows and investor conferences in Dusseldorf, Frankfurt/Main, Hamburg, London, Munich and Zurich. The Company will maintain its efforts of meeting investors during road shows and at capital market conferences throughout 2013.

3W Power is committed to keeping its stakeholders informed of all key business and strategic developments. This annual report, as well as previously published financial reports, contains information beyond statutory disclosure requirements to provide interested parties with greater insight into the Company. On its website, 3W Power provides detailed, up-to-date information including investor news, current and historic financial reports, stock and bond market data, presentations and analyst information. The investor relations section is available online at http://www.aegps.com/en/3w-power-aeg-ps-investor-relations.

EQUITY RESEARCH

3W Power is currently covered by Bankhaus Lampe, Close Brothers Seydler Research and natureo finance. Montega Equity Research also published comments about the Company during the reporting period, but discontinued its coverage in the third quarter of 2012. It remains one of 3W Power's objectives to increase analyst coverage, and to make itself a more actively followed industrial stock in the German renewable energy sector. In 2012, most of the aforementioned institutions issued buy recommendations for the 3W Power stock, anticipating substantial upside potential for the share price.

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS OF 3W POWER S.A. ("THE COMPANY") FOR THE YEAR ENDED DECEMBER 31, 2012. THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE GROUP.

CORPORATE EVENTS

3W Power S.A. was incorporated on May 21, 2008 in Guernsey as Germany1 Acquisition Ltd. The Company raised €250 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 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, transportation, Data/IT 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 is investing in solutions that will enable distributed power generation, smart grids and storage solutions.

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

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

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

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

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) business units. EES includes the Energy Management Solutions ("EMS") and Telecom.

ENERGIE MEDITERRANEE S.R.L. (EMED) – ASSET HELD FOR SALE

On August 7, 2012 the Group signed a Share Purchase Agreement to sell its 100% stake in Energie Mediterranee S.r.l. ("EMED") and its solar farms in southern Italy for a total consideration of up to €24.3 million including the assumption of €17.4 million of debt. The actual closing took place on November 5, 2012.

AEG POWER SOLUTIONS (FRANCE) S.A.S. AT LANNION IN FRANCE – ASSETS AND LIABILITIES HELD FOR SALE/ DISCONTINUED OPERATION

During Q3 2012, management decided to divest the assets of AEG Power Solutions (France) S.A.S. at Lannion in France ("Lannion"). Accordingly the assets and liabilities of Lannion have been classified as held for sale per December 31, 2012 and the net operating loss is presented as result from discontinued operations. The comparative figures in the consolidated statement of income have been represented accordingly.

The decision is consistent with the Company's ongoing effort to reduce complexity within the Group by reducing its exposure to telecommunications. The principal business activity from Lannion is Telecom converters and LED (the "Converter" business). The converter activity is suffering from the reduction in prices which is believed to be an ongoing trend. Year-to-date December 2012 order input was 44% lower than in the previous year. LED activity has not taken off to the extent that was anticipated.

In these consolidated financial statements, the Converter business unit is excluded from the EES segment and 2011 comparative numbers have been presented as discontinued operations.

GROUP AND SEGMENT FINANCIAL REVIEW

KEY FIGURES FOR THE YEAR ENDED DECEMBER 2012

	Orders		Revenue		EBITDA		Adjusted EBIT[1]		EBIT	
in millions of euros	2012	2011[2]	2012	2011[2]	2012	2011[2]	2012	2011[2]	2012	2011[2]
RES	195.3	192.0	190.9	224.0	33.2	68.4	25.1	64.0	(155.0)	48.3
% of revenue	–	–	–	–	*17.4%*	*30.5%*	*13.2%*	*28.6%*	*-81,2%*	*21.6%*
EES	176.0	188.8	177.1	178.6	2.3	6.0	3.5	(0.1)	(12.9)	(11.0)
% of revenue	–	–	–	–	*1.3%*	*3.4%*	*2.0%*	*-0.1%*	*-7.3%*	*-6.1%*
Unallocated	–	–	–	–	(17.2)	(20.5)	(13.8)	(20.8)	(18.0)	(21.0)
Total	**371.3**	**380.8**	**368.0**	**402.5**	**18.3**	**53.9**	**14.8**	**43.1**	**(186.0)**	**16.3**
% of revenue	–	–	–	–	*5.0%*	*13.4%*	*4.0%*	*10.7%*	*-50.6%*	*4.1%*

1 The Group has significant non-cash charges resulting from the amortization of intangible assets arising on the acquisition of AEG PS. Furthermore in 2012 the Group incurred large one-time restructuring charges, charges relating to the Andrem takeover 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 and for the impairment and amortization charges 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 page 97).

2 2011 numbers have been represented for comparative purposes to reflect the classification of the telecom converter business (CVT/LED) as a discontinued operation during Q3 2012.

AEG PS finished fiscal 2012 with orders of €371.3 million, revenue of €368.0 million and EBITDA margin of 5.0%. Compared to 2011, orders were slightly lower by 2.5%, revenue was down 8.6% and EBITDA fell substantially by 66.0%.

EBITDA in 2012 is impacted by lower volume, change in product mix, a provision for bad debt and the multi-faceted cost improvement initiative that the Company initiated to increase structural profitability.

The Company launched a global EES headcount reduction of more than 100 employees, principally in Warstein-Belecke, Germany. This initiative, together with the effects of product clinics, purchasing initiatives to reduce material costs and structural efficiency programs undertaken in 2012, is expected to achieve run-rate cost savings of approximately €7 million. In addition, the Company has further focused on reducing its central overhead costs and is targeting an annual run-rate of its central overhead costs of approximately €10 million. Restructuring provisions and one-off costs for all of the initiatives were €9.0 million for 2012. In addition, the Group incurred one-off costs, mainly fees, related to the initiated Andrem takeover and reported a capital gain on the sale of premises in Malaysia. Excluding the net effect of the one-off costs/income, the 2012 EBITDA normalized margin for 2012 is at 7.3%.

RES

Solar business contributed substantially to the 2012 result. Orders were up 70.3% and sales increased by 12.6%. The Company maintained its strong presence in Eastern Europe, is positioned in India and South Africa and benefitted from the mid-year upturn in project financing. Solar backlog at year-end increased by more than 300% compared to 2011.

Orders for Power controllers dropped by 61.5% and sales fell by 38.7%. Backlog from end of 2011 has been fully utilized. Significant overcapacity and corresponding investment reluctance of our customers signals the weak situation in the polysilicon market. This trend started in Q4 2011 and no improvement was reported during 2012.

RES EBITDA in 2012 came to €33.2 million compared to €68.4 million in the prior year. The drop in EBITDA is primarily due to a lower volume, a change in the product mix and a provision for bad debt. The bad debt provision is held against overdue receivables in relation to several solar projects.

RES EBITDA for 2012 includes €10.1 million of order cancellation settlements with customers. This positive effect is offset by additional inventory reserve charges of €4.5 million and €10.5 million of bad debt reserve charges. In 2011, RES EBITDA included €8.5 million income from settlement of litigation against a customer.

EES

Orders for 2012 were €176.0 million, down 6.8% compared to 2011. Sales for 2012 at €177.1 million were nearly even with €178.6 million for 2011. EES is experiencing continuing drop in prices with constant margin pressure. Orders and sales in Telecom were substantially lower in 2012 compared to 2011. The overall economic situation and market conditions (continuing drop in prices) are seen as the main contributors to the decreasing telecom business.

EES EBITDA in 2012 came to €2.3 million compared to €6.0 million in the prior year. EES EBITDA for 2012 includes €3.1 million order cancellation settlement with customers and €4.7 million for restructuring charges. In 2011, EBITDA included €1.2 million of income from a restructuring charge reversal.

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

	2012				2011			
in millions of euros	RES [1]	EES [2]	Unallocated	Group [1, 2]	RES [3]	EES	Unallocated	Group [3]
Reported EBITDA	33.2	2.3	(17.2)	18.3	68.4	6.0	(20.5)	53.9
Capital gain (sale of building)	–	–	(1.4)	(1.4)	–	–	–	–
One-time restructuring charges/(income)	–	4.7	2.7	7.4	–	(1.1)	(0.1)	(1.2)
Other one-time charges/(income)	–	0.2	2.5	2.7	–	–	–	–
EBITDA after adjustment	**33.2**	**7.2**	**(13.4)**	**27.0**	**68.4**	**4.9**	**(20.6)**	**52.7**

[1] Includes €10.1 million income following order cancellation settlement with a customer.
[2] Includes €3.1 million income following order cancellation settlement with a customer.
[3] Includes €8.5 million income from settlement of litigation against a customer.

Gross margin fell to 22.3%

Group gross margin in 2012 was 22.3% compared to 30.4% in 2011. This reduction is primarily related to the change in product mix, €4.5 million inventory reserve charges and €10.5 bad debt reserve charges.

Research & Development (R&D) costs

R&D costs during 2012 were as follows:

in millions of euros	2012 [1]	2011 [1]
Gross R&D spending	17.8	16.3
% of revenue	*4.8%*	*4.0%*
Capitalized amounts (net of amortization)	(2.8)	(4.2)
Amortization and impairment of intangibles on acquisition	21.4	7.4
Net R&D costs	**36.4**	**19.5**

[1] Excluding Lannion, presented as Asset held for sale/discontinued operations.

Gross R&D spending increased 9% year-on-year to €17.8 million as the Group continued to invest in developing its products. Included in amortization of intangibles on acquisition is an impairment charge of €14.9 million (2011: €0.4 million).

The Group continued to invest in further 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.630 inverter as indoor and outdoor versions and modular inverters for the U.S. market) and skytron monitoring systems. In Power Controllers, the power range of the new Thyro-AX module generation was extended. New custom designed power control systems were developed for new applications, especially for power to gas and grid stabilization. In EES, R&D efforts focused on streamlining the AC and DC product platforms and on the finalization and mass production launch of the 96% efficient data center UPS (Protect Blue) and the new 2kW 96% efficient rectifier module G6.

Selling, general and administrative expenses (SG&A)

SG&A expenses were reduced by 6.5% year-on-year mainly due to the closing of offices in Malaysia and North America and a lower cost basis for the central functions.

Other expenses (net)

Other expenses increased from €10.8 million in 2011 to €160.9 million in 2012. The principal reasons for this were:

a) the impairment charges for goodwill and Customer Relations which in 2011 amounted to €3.4 million compared to €112.1 million in 2012,
b) amortization and accelerated amortization charges on intangible assets in 2011 charges of €17.2 million compared to charges of €58.4 million in 2012,
c) one-time restructuring charges, a net release of the restructuring provision of €1.2 million in 2011 compared to a net restructuring charge in 2012 of €7.4 million,
d) the realization in 2012 of €1.4 million capital gain from sale of building,
e) increased amount in settlement of litigations/cancellation fee, €8.5 million in 2011 compared to €13.9 million in 2012 and,
f) effect of net operating income EMED, €0.1 million in 2011 compared to €2.0 million in 2012.

Net financial cost

Net financial cost in 2012 was €13.6 million compared to €4.7 million in 2011. The net increase of €8.9 million in 2012 is largely due to the reduction in non-cash gain from the change in the value of warrants (2012: €0.2 million gain compared to €6.0 million gain in 2011), a net increase of €2.1 million in financial foreign exchange losses and a net increase of €0.7 million in interest expense.

The change in the value of warrants is a non-cash item. An increase in the value of warrants results in financial expense; a decrease causes a financial gain. Each warrant entitled the holder to purchase one ordinary public share at a price of €7.50. The warrants expired in July 2012. During the period to December 31, 2012 no warrants were exercised. At December 31, 2011 the market price of the warrants was €0.005 per warrant.

The Company has no foreign currency instruments in place to mitigate exposure to foreign currency. Our main exposure is to the euro. The change in value in foreign exchange losses is a non-cash item. It relates primarily to the revaluation of a euro denominated loan from AEG PS Holding B.V. to AEG PS (India) PVT Ltd.

Included in the net increase in interest income/expense is €0.6 million which relates to EMED. On May 29, 2012 EMED entered into six long-term loan agreements for a total of €17.4 million. Interest was fixed at 7.22% for a five-year period. EMED was sold on November 5, 2012. Interest income of €0.9 million in 2011 fell by €0.4 million to €0.5 million in 2012.

Taxation

The tax benefit for 2012 of €31.4 million (2011: tax charge of €9.5 million) is comprised of a €4.3 million (2011: €15.3 million) income tax charge offset by a €35.7 million benefit (2011: €5.8 million benefit) due to deferred tax. The tax benefit in 2012 was almost entirely due to the origination and reversal of temporary differences.

The higher income tax charge in 2011 was a result of the significant improvement in profitability, in particular 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 which impacted its high effective tax rate.

Non-current assets

Expenditure on tangible fixed assets (capex) in the year decreased to €7.5 million compared to €11.9 million in 2011. Tangible capex included €1.8 million on a new 200MW solar inverter facility in South Africa, €3.3 million at the Group's largest subsidiary in Warstein-Belecke, Germany, primarily for production & test equipment and building improvements, €0.6 million on additions to the India solar inverter facility that was commissioned in 2011. The remainder of €1.9 million was primarily used for R&D (test and measuring equipment) and production equipment. Additions to intangible assets in the year amounted to €8.6 million of which €7.4 million related to capitalized R&D and €1.2 million to software costs. As a result of the weak polysilicon market, the Company impaired €72.0 million on goodwill and €55.0 million on intangible assets. In addition we recorded an accelerated amortization charge on Customer Relations for POC and EMS of €43.3 million and €5.0 million respectively. Given these non-cash charges, the net book value of goodwill and intangible assets fell significantly in 2012.

Non-current financial assets increased to €5.3 million at year-end mainly due to a €1.9 million investment made during the year 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 US$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 2012 under the supply agreement.

Current assets

Excluding cash and assets held for sale, current assets decreased €10.8 million to €184.2 million due to changes in receivables and inventory. Receivables increased due to high sales towards the end of the fourth quarter and the extended payment terms granted to a large customer in the solar business. This increase is offset by an €10.5 million effect of bad debt reserve charge. Inventories decreased due to the combination of overall reduced gross inventory volume, Lannion classified as asset held for sale, the cease in production in the Malaysian factory, and a significant increase in inventory reserves.

Cash decreased by €39.4 million of which €35.1 million was relating to cash outflow from operations. €12.5 million relates to net cash used in investment activities (includes €5.6 million from the disposal of assets).

The Company paid €9.7 million interest, including €9.2 million for the second annual payment of interest on the Notes. Interest income amounted to €0.4 million. On May 29, 2012 EMED entered into six long-term loan agreements for a total of €17.4 million. EMED was sold on November 5, 2012 for €24.3 million including the assumption of the aforementioned debt.

At December 31, 2011 EMED was presented as asset held for sale at €25.3 million. The assets of EMED relate primarily to property, plant and equipment (€8.3 million). During Q3 2012, management decided to divest Lannion. Total net asset held for sale value of €7.3 million with main assets in inventory (€3.5 million) and trade receivables (€3.2 million).

Current liabilities

Current liabilities decreased by €47.9 million year-on-year. Warrants fell by €0.2 million due to expiration in July 2012, trade and other payables decreased by €23.7 due to the combination of a) lower sales volume, b) the production stop in the Malaysian factory and c) presenting Lannion as asset held for sale. Deferred income (advance payment received from customers) decreased €25.8 million which is mainly due to the weak polysilicon market (this includes a €13.9 million non-cash effect of customer cancellation settlements).

Provisions were €2.0 million lower due to the net effect of €9.4 million of severance payments during 2012 and the newly created restructuring reserves of €7.4 million. Loans and borrowing and corporate income tax provision in total decreased by €2.0 million.

Non-current liabilities

Non-current liabilities fell €35.4 million in the year mainly due to lower deferred taxes on intangible assets.

Equity

Total equity at the end of 2012 was €99.9 million, €177.0 million lower than 2011. The reduction was mainly due to the net loss after tax of €177.9 million. The net loss after tax includes the impairment and amortization of intangibles on acquisition (and related tax effects) and the effect of one-off costs. Excluding these, the Group would have reported an estimated net loss of €14.0 million (see Appendix page 97).

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

OUTLOOK

In 2013, the Company will continue focusing its RES business on developing new systems and applications for POC and driving growth in key Solar end markets of Asia, Africa, USA and Eastern Europe. In EES the Company will continue the tedious process of continuous improvement of profitability within its industrial UPS business and will seek ways to reduce continued exposure to Telecommunications.

While AEG PS is positioned to serve the opportunities of the future, the outlook for the group is challenging especially with respect to our cash flow. Cash used in operating activities was €35.2 million in 2012 and our cash balance was €42.9 million as of December 31, 2012. The most significant change in our business in the past year was the total lack of any new polysilicon capacity expansion in the industry. We do not foresee a return of this lucrative cash flow generative business for the foreseeable future. POC however will continue to be profitable but at much lower revenue levels. Although there are many new advanced power systems in early stages of trial and adoption, these will not contribute meaningfully to revenues or cash flows in the coming year.

Conversely our Solar business has continued to grow and we have managed to maintain healthy margins. However, the growth has also required sizeable investments in working capital and we have a significant customer concentration. Continued future growth and development in the Solar business must be carefully planned and working capital managed so that the Company can sustainably fund its existing operations as well as growth. Failure to collect on outstanding receivables for some of the large solar projects could result in financial hardship for the Group.

In EES, we expect EMS to grow moderately and with incremental improvements in margin given our 2012 restructuring business improvement initiatives (provision of €9.0 million in 2012). Profitability in all of our telecommunications activities will remain challenging.

RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2012 are shown in the consolidated income statement and the consolidated statement of financial position.

No dividend is proposed for the year.

DIRECTORS' INTERESTS

The interests of Directors and related parties in the share capital of the Company are shown in note 34 of the consolidated financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITORS

The Annual General Meeting held on May 16, 2012 approved the appointment of KPMG Luxembourg S.à r.l as auditors of the Company for the year ended December 31, 2012.

CORPORATE GOVERNANCE

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

3W Power S.A. (formerly 3W Power Holdings S.A.) is a limited Company organized under the laws of Luxembourg. The Company has an authorized share capital of €37,560,018 consisting of 150,240,072 shares and an issued capital of €12,520,006 consisting of 50,236,024 shares without an indication of a nominal value. As of the end of the 2012 financial year, the share capital consisted solely of ordinary shares which are listed on the Deutsche Börse Frankfurt. The shares have no par value.

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 of May 24, 2011, the Company modified its articles of association to comply with the provisions of this law.

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 and the appointment of the Board of Directors was made at the Annual General Meeting on the same date.

The Company remains 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 applied 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 2012, the Company built on its 2011 activities and focused its efforts on promoting the new compliance structures internally and implementing an online learning system which will be rolled out in 2013. The Company also issued additional policy statements and updated its Group segregation of duties document.

Shareholders

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

Issuance of new shares within the Company's authorized share capital are decided by the Board of Directors of the Company. The authorized share capital of the Company is €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 will be passed by a majority of two-thirds of the votes validly cast at the meeting, regardless of the portion of capital present or represented at the meeting. Abstention and nil votes will not be taken into account.

Purchase of own shares by the Company

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

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

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

Board of Directors

Under the Articles of Association of the Company, the Board of Directors 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 who will hold office only until the next Annual General Meeting and then be eligible for election. At the 2013 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, 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 2012 financial year, the Board was comprised of nine members including one Executive Director holding the position of Chief Executive Officer and eight 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 Director is an employee of the Company in his capacity as CEO.

The fees paid to Non-Executive Directors have been set at €170,000 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 completion of the Business Combination, the Board created two standing committees: the Audit Committee and the Compensation Committee. The Audit committee is made up of two and the Compensation Committee is made up of three 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, 2012.

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 2012, the Audit Committee met regularly with the management and the Company's auditors and assisted the management team with the transition to a new CFO, the updating of the Company's segregation of duties and internal rules and monitoring 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 16, 2012, approved the appointment of KPMG Luxembourg S.à r.l as external auditor.

Rules and policies

During the year 2012, the Company continued to reinforce its compliance framework to cover the key legal, financial, regulatory and business risks which the Company faces and formalized in an internal risk assessment review. The Company also updated its internal rules to adapt to the changing business environment and began implementing Company-wide online learning to reinforce and communicate its compliance message.

RISK

Risk management and 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. A key element of the Company's approach to risk is that line and staff manager bear primary responsibility for identifying and controlling all risks within their field of activity. The Management Board regularly discusses the operational and financial results, including related risks.

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

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

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

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

The Company and individual entity financial statements are subject to external audit which acts as an independent check and monitoring mechanism of the accounting systems and their output. The principal risks that could have a material impact on the Group are set out in note 5 and 33 of the consolidated financial statements and are summarized below:

Credit and customer concentration risk

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

Economic and market risk

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

Liquidity risk

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

Interest rate and currency risk

The majority of the Group's debt is in the form of the Notes which are long-term and carry a 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.

SUBSEQUENT EVENTS

The Company's major solar customer has productively worked through payment delays exacerbated by the banking situation and the associated challenges presented by the financial situation in Cyprus and re-started their payment cycles. Throughout April the situation has been largely rectified. From January 1, 2013 until the date of publication we have received 32.4 million in cash for old and new projects started in 2013. As of April 22, the total receivable outstanding was €43.7 million of which €4.8 million were overdue.

On April 18, 2013, 3W Power announced that the Company and Dr. Horst J. Kayser have agreed by mutual consent to terminate Dr. Kayser's employment effective June 30, 2013. As part of the agreement, Dr. Kayser also stepped down from his position as member of the Board of Directors of the Company. Mr. Bruce A. Brock, currently Chairman of the Board of Directors, has been appointed CEO of the Company by the Board of Directors effective immediately. Mr. Brock will continue serving as Chairman of the Company's Board of Directors until the election of the Board of Directors at the Company's upcoming Annual General Meeting.

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:

Bruce A. Brock

April 23, 2013

RESPONSIBILITY STATEMENT

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

Bruce A. Brock

On behalf of the Board of Directors
April 23, 2013

FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2012	2011
Assets			
Property, plant and equipment	15	36,617	39,831
Intangible assets	16	72,956	191,421
Goodwill	16	15,052	87,152
Other non-current financial assets	17	5,304	3,171
Total non-current assets		**129,929**	**321,575**
Inventories	19	56,883	77,043
Trade and other receivables	20	126,629	116,952
Prepayments	21	722	1,015
Cash and cash equivalents	22	42,500	82,489
Assets held for sale	7	7,310	25,268
Total current assets		**234,044**	**302,767**
Total assets		**363,973**	**624,342**
Equity			
Share capital	23	12,520	12,520
Share premium	23	383,836	383,836
Retained earnings		(274,585)	(96,108)
Reserve for own shares	23	(23,596)	(24,633)
Cumulative translation adjustment	23	1,730	1,317
Total equity attributable to equity holders of the Company		**99,905**	**276,932**
Liabilities			
Loans and borrowings	25	98,879	98,203
Employee benefits	26	23,022	23,497
Deferred tax liabilities	18	10,600	46,532
Provisions	27	8,089	7,788
Total non-current liabilities		**140,590**	**176,020**
Warrants	28	–	154
Loans and borrowings	25	8,795	9,785
Trade and other payables	29	81,553	105,301
Income tax liabilities		1,825	2,205
Deferred income	30	16,736	42,505
Provisions	27	6,605	8,578
Liabilities held for sale	7	7,964	2,862
Total current liabilities		**123,478**	**171,390**
Total liabilities		**264,068**	**347,410**
Total equity and liabilities		**363,973**	**624,342**

The consolidated financial statements on pages 40 to 82 were approved by the Board of Directors on April 23, 2013 and signed on its behalf by:

Bruce A. Brock

The notes on pages 44 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME For the year ended December 31

in thousands of euros	Note	2012	2011[1]
Continuing operations			
Revenue	6	367,992	402,510
Cost of sales	9	(285,957)	(280,193)
Gross profit		**82,035**	**122,317**
Selling, general and administrative expenses		(70,783)	(75,691)
Research and development expenses		(36,416)	(19,476)
Other income/(expenses)	10	(160,858)	(10,824)
Earnings/(loss) before interest and tax (EBIT)[2]		**(186,022)**	**16,326**
Finance income		1,678	9,477
Finance costs		(15,275)	(14,146)
Net finance (costs)/income	13	**(13,597)**	**(4,669)**
(Loss)/profit before income tax		**(199,619)**	**11,657**
Income tax (charge)/benefit	14	31,391	(9,460)
(Loss)/profit from continuing operations		**(168,228)**	**2,197**
Discontinued operations			
Loss from discontinued operations, net of tax	7	**(9,644)**	**(2,756)**
Net loss		**(177,872)**	**(559)**
Net (loss)/profit attributable to:			
Owners of the Company		(177,872)	(1,006)
Non-controlling interest		–	447
Net loss		**(177,872)**	**(559)**
Earnings per share			
Basic (loss) per share (euro)	24	(3.72)	(0.02)
Continuing operations			
Basic (loss) per share (euro)	24	(3.52)	0.04
Discontinued operations			
Basic (loss) per share (euro)	24	(0.20)	(0.06)

[1] 2011 numbers have been represented for comparative purposes to reflect the classification of the telecom converter business (CVT/LED) as a discontinued operation in 2012.
[2] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended December 31

in thousands of euros	Note	2012	2011
Net loss for the year		**(177,872)**	**(559)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		413	213
Other comprehensive income for the year		**413**	**213**
Total comprehensive loss for the year		**(177,459)**	**(346)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(177,459)	(793)
Non-controlling interest		–	447
Total comprehensive loss for the year		**(177,459)**	**(346)**

The notes on pages 44 to 82 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, 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	23	–	–	–	602	(602)	–	–	–
Acquisition of non-controlling interest	8	–	–	–	–	(3,122)	(3,122)	(1,178)	(4,300)
Share-based payments/ long-term incentive plan	34	–	–	–		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**
Balance at January 1, 2012		**12,520**	**383,836**	**1,317**	**(24,633)**	**(96,108)**	**276,932**	**–**	**276,932**
Profit/(loss) for the year		–	–	–	–	(177,872)	(177,872)	–	(177,872)
Total other comprehensive income/(loss)		–	–	413	–	–	413	–	413
Total comprehensive income/ (loss) for the year		–	–	**413**	–	**(177,872)**	**(177,459)**	–	**(177,459)**
110,000 shares transferred from treasury shares	23	–	–	–	1,037	(1,037)	–	–	–
Share-based payments/ long-term incentive plan	34	–	–	–	–	432	432	–	432
Total contributions by and distributions to owners of the Company		–	–	–	**1,037**	**(605)**	**432**	–	**432**
Total transactions		–	–	**413**	**1,037**	**(178,477)**	**(177,027)**	–	**(177,027)**
Balance at December 31, 2012		**12,520**	**383,836**	**1,730**	**(23,596)**	**(274,585)**	**99,905**	–	**99,905**

The notes on pages 44 to 82 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	2012	2011
Cash flows from operating activities			
Net loss for the year		(177,872)	(559)
Adjustments for non-cash items:			
Depreciation and impairment	15	8,279	5,397
Amortization and impairment of intangible assets and goodwill	16	198,980	33,774
Change in provisions	19, 20, 27	32,457	(1,333)
Charge for share-based payments	11, 34	432	1,174
Change in other non-cash transactions	10	(13,874)	–
Change in other non-current financial assets	17	(226)	203
Finance (expense)/income (net)	13	13,640	5,280
Income tax	14	(31,801)	9,178
Cash flow from operations before changes in working capital		**30,015**	**53,114**
Change in inventories	19	8,049	(12,682)
Change in trade and other receivables	20	(17,848)	(30,420)
Change in prepayments	21	257	(328)
Change in trade and other payables	29	(27,058)	19,610
Change in employee benefits	26	2,245	(2,143)
Change in provisions	27	(10,644)	(8,765)
Change in deferred income	30	(11,899)	7,542
Cash used in operating activities		**(56,898)**	**(27,186)**
Income tax paid		(8,270)	(7,745)
Net cash (used in)/from operating activities		**(35,153)**	**18,183**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	8	–	(784)
Increase in non-consolidated investment	17	(1,943)	(1,855)
Acquisition of property, plant and equipment	15	(7,530)	(11,884)
Proceeds from sale of property, plant and equipment	15	5,577	118
Acquisition of intangible assets	16	(1,170)	(3,004)
Capitalized internal development expenditure	16	(7,389)	(8,387)
Net cash used in investing activities		**(12,455)**	**(25,796)**
Cash flows from financing activities			
Interest paid		(9,694)	(9,851)
Interest received		436	723
Acquisition of non-controlling interest	8	–	(4,300)
Change in other long and short-term debt	25	(875)	(19,080)
Proceeds from new short-term debt raised	7	17,554	–
Net cash from/(used in) financing activities		**7,421**	**(32,508)**
Effect of movement in exchange rates		742	312
Net (decrease)/increase in cash and cash equivalents		(39,445)	(39,809)
Cash and cash equivalents at beginning of year		82,337	122,146
Cash and cash equivalents at end of year	22	**42,892**	**82,337**

The notes on pages 44 to 82 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2012 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 April 23, 2013.

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 euros 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 16	Impairment test procedures on goodwill and other intangible assets
Note 18	Utilization of tax losses
Note 26	Measurement of defined benefit obligations
Note 27, 31, 32	Provisions, off-balance sheet commitments and contingencies
Note 33	Financial instruments

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.

Change in treatment of Lannion.
During Q3 2012 management decided to divest the assets of Lannion. Accordingly the assets and liabilities of Lannion have been classified as held for sale and the net operating loss is presented as loss from discontinued operations. 2011 numbers have been represented in the statement of income for comparative purposes.

IFRS ACCOUNTING STANDARDS ADOPTED AS FROM 2012

During the year no new IFRS accounting standards were adopted which have an effect on the Company's 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 2012	Average rates 2012	Closing rates 2011	Average rates 2011
Canada	CAD	0.76	0.78	0.76	0.73
China	CNY	0.12	0.12	0.12	0.11
India	INR	0.01	0.01	0.01	0.02
Malaysia	MYR	0.25	0.25	0.24	0.24
Russia	RUB	0.02	0.03	0.02	0.02
Singapore	SGD	0.62	0.62	0.59	0.58
Ukraine	UAH	0.09	0.10	0.10	0.09
United Kingdom	GBP	1.23	1.23	1.20	1.16
United States	USD	0.76	0.78	0.77	0.72

C) STATEMENT OF CASH FLOWS

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

D) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

Non-derivative financial liabilities

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

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

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

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

Financial Guarantees

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

Share capital

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

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

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 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) DISCONTINUED OPERATIONS

Discontinued operations

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

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

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

K) EMPLOYEE BENEFITS

Defined contribution plans

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

L) PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

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

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

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

P) INCOME TAX

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

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

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

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

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

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

Q) EARNINGS PER SHARE

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

R) SEGMENT REPORTING

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

S) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The main standards that might affect the Group are:

- IFRS 9, "Financial Instruments" (replacement of IAS 39) is not yet EU endorsed and will become effective as from 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 is endorsed by the EU in Q4 2012 and is effective from January 1, 2014. The Company is currently evaluating the impact that this new standard will have on the Company's consolidated financial statements.

- IFRS 11, "Joint Arrangements" addresses the accounting of joint arrangements and eliminates proportionate consolidation. This standard is endorsed by the EU in Q4 2012 and is effective as from January 1, 2014. As we do not have joint arrangements there is no impact on our consolidated financial statements from this elimination.

- 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 is endorsed by the EU in Q4 2012 and is effective as from January 1, 2014. 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, endorsed by the EU in Q4 2012 and effective as from January 1, 2013, is not expected to materially impact our consolidated financial statements.

- The amendment to IAS 19, "Employee Benefits" will become effective as from January 1, 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 outcome of this assessment is disclosed in Note 26.

The amendment to IAS 27, "Separate Financial Statements" addresses the requirements for separate financial statements. This standard is endorsed by the EU and is effective as from January 1, 2014. We will assess the effect of this standard on our Company financial statements in 2013.

The amendment to IAS 32, "Financial Instruments, Presentation - offsetting Financial Assets and Financial Liabilities" clarifies that the right to offset must not be contingent on a future event; and must be legally enforceable. This standard is endorsed by the EU in Q4 2012 and is effective as from January 1, 2014. We will assess the effect of this standard on our consolidated financial statements in 2013.

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. The Company's framework on Risk Management is described in the Directors' report.

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

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

In RES two customers accounted for 55.0% and 28.5% of segment and Group revenue respectively in 2012 (2011: 35.5% and 19.7%). 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.

One customer in RES represents 37.5% of the Group's gross trade receivable balance at December 31, 2012 (2011: 10.8%). For 2012 the total trade receivables was €46.6 million and an allowance of €8.5 million was recorded.

The RES business operating model includes intensive relationship with Private Equity Funds and Engineering Procurement and Construction ("EPC") contractors on development of large-scale solar projects which may require project financing to build utility-scale solar plants. Project financing has different financing sources and requires timely draw of funds upon completion of construction phases. Logistics and administration are key elements for a timely and successful draw. Local regulations regarding import deadlines and timely application to the feed-in tariff may cause high concentration of deliveries of goods and services (trading volume) during a specific period. The payment terms applied are project related and cover the different stages: payment upon signing contract, delivery of goods, commissioning and completion of works. The payment terms applied to the completion stage exceed our Group practiced average, however are standard for this type of business and are secured by a parent guarantee which is exercisable on conditional terms. When payment terms cannot be met, close coordination between SBU management and client is crucial to obtain transparency and cooperation for any project to continue.

This risk is closely managed and requires mitigation in the form of amended payment terms, additional/extended guarantees and strict compliance of deliveries upon receipt of payments.

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that 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, 2012 the value of guarantees issued by the Group amounted to €10.0 million (2011: €27.2 million) net of those covered by cash collateral. These guarantees are only provided to subsidiaries.

B) LIQUIDITY RISK

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

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

In November 2010 the Company successfully raised a net €96.8 million of loan capital through the placement of loan Notes due December 1, 2015. This capital provided the Group with liquidity to finance its activities and implement a restructuring program and solar growth strategy. As of December 31, 2012, the Group does not believe it will generate sufficient cash flow from operations to be able to fully repay the loan notes due December 1, 2015 and will therefore need to refinance its long term borrowing obligations. Refinancing will require the Group to access credit markets. At December 31, 2012, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €5.1 million in overdraft and short-term loans of which €3.8 million was undrawn.

- €21.9 million receivable financing of which €13.6 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

Customer concentration and the above average applied payment terms for large-scale solar projects may result in falling beneath the minimum level of required liquidity to manage adequately our operations over the coming quarters. The Company is working to secure additional working capital facilities to finance these trade receivables and to enable the company to expand working capital as Solar growth continues. The inability of the company either to secure the necessary working capital financing or manage its trade receivables may inhibit the Company's ability to achieve its growth objectives and strain its liquidity position. Failure to collect on outstanding receivables could place the Group in financial difficulty. The Group is monitoring its liquidity by modeling payment scenarios and resulting cash flows that may trigger a liquidity problem. Possible mitigation actions are continuously identified to safeguard the company's existence. Based on the cash flow projections and the mitigation actions we believe that there is no material uncertainty about the ability of the Group to continue as a going concern in the coming twelve months.

At December 31, 2012 the Company's cash was €42.9 million compared to €82.3 million at December 31, 2011.

C) ECONOMIC AND MARKET RISK

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

Our business is affected by the economic and political conditions particularly in the current macroeconomic environment characterized by the 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
- 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 33. The main exposure is to the euro, the Group's functional currency. Exposure to other currencies is relatively limited but has increased compared to 2011 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 on a monthly basis the development of the Group's EBITDA, liquidity and net debt. Net debt is defined as the net of total borrowings, less cash and cash equivalents.

The Group monitors, on a weekly basis, the placement of excess cash, the draw on existing credit facilities and the cash flow development. Exchange risks are closely managed and during 2012 the Group did not enter into any major currency hedge transaction. For EMED, see note 7, the Group entered into an interest rate SWAP for a five year period.

The Group is seeking to source additional working capital credit facilities to finance the trade receivables which have above average payment terms and relate to the large scale solar projects as discussed in the section credit and customer concentration risk.

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

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"). The LED and Converter activity are presented as discontinued operations and 2011 numbers have been represented for comparative purposes. These results were previously mostly included in the EES segment.

For 2012 and 2011 no intra-segment transactions occurred and intercompany transactions within the segment are eliminated.

RESULTS BY OPERATING SEGMENT
for the year ended December 31, 2012

in thousands of euros	Renewable Energy Solutions (RES)	Energy Efficiency Solutions (EES)	Unallocated amounts	Total
Revenue	**190,908**	**177,084**	**–**	**367,992**
Segment operating income/(loss)[1]	**23,393**	**2,271**	**(1,589)**	**24,075**
Restructuring costs	–	(4,669)	(2,737)	(7,406)
Capitalized development costs (net of amortization)	1,736	1,019	–	2,755
Central overheads			(14,659)	(14,659)
Capital gain (net)[2]	–	–	1,261	1,261
Impairment & amortization of intangibles & goodwill on acquisition[3]	(180,178)	(11,542)	(328)	(192,048)
Income/(loss) before interest and tax (EBIT)[4]	**(155,049)**	**(12,921)**	**(18,052)**	**(186,022)**

[1] RES operating income includes a receipt of €10.1 million following an order cancellation settlement with a customer. EES operating income includes a receipt of €3.1 million following an order cancellation settlement with a customer. RES operating income also includes €2.0 million of revenues from EMED.
[2] Includes €1.4 million capital gain as a result of sale of building in Malaysia.
[3] Relates to intangibles identified on the acquisition of AEG PS in 2009.
[4] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €310.1 million for goods and €57.9 million for services (2011: €339.1 million and €63.4 million respectively).

Two customers in RES accounted for 55.0% and 28.5% of RES and Group revenue respectively (2011: 35.5% and 19.7%).

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

in thousands of euros	Renewable Energy Solutions (RES)[4]	Energy Efficiency Solutions (EES)[4]	Unallocated amounts[4]	Total[4]
Revenue	**223,951**	**178,559**	**–**	**402,510**
Segment operating income/(loss)[1]	**59,681**	**79**	**(1,560)**	**58,200**
Restructuring income/(costs)	–	1,036	107	1,143
Capitalized development costs (net of amortization)	4,324	(160)	–	4,164
Central overheads	–	–	(19,252)	(19,252)
Capital gain (net)	–	–	–	–
Impairment and amortization of intangibles on acquisition[2]	(15,662)	(11,919)	(348)	(27,929)
Income/(loss) before interest and tax (EBIT)[3]	**48,343**	**(10,964)**	**(21,053)**	**16,326**

[1] RES operating income includes €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.
[3] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.
[4] 2011 comparative numbers have been represented.

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, 2012

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia[2]	Americas	Held for sale	Total
Revenue	78,285	86,778	187,869	15,060	–	367,992
Non-current assets[1]	43,814	58,319	6,192	1,248	–	109,573
Total assets	167,417	145,646	37,997	5,603	7,310	363,973
Total liabilities	93,894	148,110	13,121	979	7,964	264,068

For the year ended and as at December 31, 2011

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia[2]	Americas	Held for sale	Total[3]
Revenue	99,729	83,083	186,410	33,288	–	402,510
Non-current assets[1]	130,695	85,666	10,344	4,547	–	231,252
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

[1] Non-current assets exclude goodwill and non-current financial assets.
[2] Includes the Cyprus-based solar customer with its major operation in Eastern Europe.
[3] 2011 comparative numbers have been represented.

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

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

On August 7, 2012 the Group signed a Share Purchase Agreement to sell its 100% stake in EMED and its solar farms in southern Italy for a total consideration of up to €24.3 million including the assumption of €17.4 million of debt. The actual closing took place on November 5, 2012.

EMED's sole activity was the construction of the solar farms and its principal asset is tangible fixed assets represented by Property, plant and equipment.

EMED's operating income including the result upon disposal is included within the consolidated statement of income as part of Other income/(expense).

ASSETS HELD FOR SALE

in thousands of euros	2012	2011
Intangible assets	–	1,684
Property, plant and equipment	–	18,325
Inventories	–	–
Trade and other receivables	–	4,572
Cash and cash equivalents	–	687
Total assets held for sale	**–**	**25,268**

LIABILITIES HELD FOR SALE

in thousands of euros	2012	2011
Short-term loan	–	–
Income tax liabilities	–	297
Trade and other payables	–	2,565
Total liabilities held for sale	**–**	**2,862**

7.2 AEG POWER SOLUTIONS S.A.S AT LANNION IN FRANCE ASSET AND LIABILITIES HELD FOR SALE/DISCONTINUED OPERATION

During Q3 2012 Management decided to divest the assets of AEG Power Solutions S.A.S at Lannion in France ("Lannion").

The decision is consistent with the Company's ongoing effort to reduce complexity within the Group by reducing its exposure to telecommunications. The principal business activity from Lannion is Telecom converters and LED. These were included in the EES segment.

Its assets are operating assets. Provisions include a restructuring provision of €1.2 million.

Accordingly the assets and liabilities of Lannion have been classified as held for sale and the net operating loss is presented as result from discontinued operations.

Based on the current discussions with potential buyer we estimate that an additional loss upon disposal may occur in the range of €5.0 - €7.0 million and that the Group will continue to work with Lannion for a limited period.

ASSETS HELD FOR SALE

in thousands of euros	2012	2011
Property, plant and equipment	44	–
Other non current assets	18	–
Inventories	3,498	–
Trade and other receivables	3,165	–
Cash and cash equivalents	585	–
Total assets held for sale	**7,310**	**–**

LIABILITIES HELD FOR SALE

in thousands of euros	2012	2011
Employee benefits	1,316	–
Provisions	1,274	–
Trade and other payables	5,374	–
Total liabilities held for sale	**7,964**	**–**

RESULT OF DISCONTINUED OPERATIONS

in thousands of euros	2012	2011
Revenue	15,101	25,689
Expenses	(25,155)	(28,727)
Result from operating activities	**(10,054)**	**(3,038)**
Income tax	410	282
Loss for the year	**(9,644)**	**(2,756)**
Earnings per share		
Basic (loss) per share (euro)	(0.20)	(0.06)

CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS

in thousands of euros	2012	2011
Net cash used in operating activities	(3,483)	(666)
Net cash used in investing activities	(123)	(286)
Net cash used in financing activities	(2,364)	(2,020)
Net cash flows for the year	(5,970)	(2,972)

8. ACQUISITIONS

No acquisitions occurred during 2012.

2011:

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 €0.7 million. Fluxpower is reported within EES segment and its acquisition is part of the strategy for growth in services. In 2012 Fluxpower contributed €4.0 million (2011: €2.4 million) to EES revenue.

9. COST OF SALES

in millions of euros	2012	2011[1]
Material costs	193,1	209,8
Employee costs	53,4	51,1
Other costs [2]	18,0	14,3
Inventory reserve	7,4	1,5
Bad debt reserve	11,1	0,9
Tangible depreciation costs	3,0	2,5
Intangible depreciation costs	–	0,1
Total cost of sales	**286,0**	**280,2**

[1] 2011 comparative numbers have been represented.
[2] Other costs include warranty reserve and other variable costs.

10. OTHER INCOME/(EXPENSES)

in thousands of euros	Note	2012	2011[1]
Settlement of litigation	6	–	8,500
Cancellation fee	6	13,874	–
EMED Operating income (net)	7	1,960	128
Capital gain	6	1,261	–
Release of restructuring provision (net)	27	–	1,143
Other income		**17,095**	**9,771**
Amortization of intangible assets	16	58,447	17,206
Impairment of intangible assets	16	40,000	3,389
Goodwill impairment	16	72,100	–
Restructuring costs (net)	27	7,406	–
Other expense		**177,953**	**20,595**
Total other (expense)		**(160,858)**	**(10,824)**

[1] 2011 comparative numbers have been represented.

11. PERSONNEL EXPENSES

in thousands of euros	Note	2012	2011[1]
Wages and salaries		80,622	82,918
Compulsory social security contributions		15,410	12,759
Contributions to defined contribution plans	26	2,443	2,469
Expenses related to defined benefit plans		322	(186)
Increase in liability for long-service leave		1,990	917
Share-based payments/long-term incentive payments	34	432	1,174
Total personnel expenses		**101,219**	**100,051**

[1] 2011 comparative numbers have been represented.

12. HEADCOUNT BY REGION

The total average number of full-time equivalent (FTE) employees (excluding Lannion) in the year to December 31, 2012 and comparative numbers for the year 2011 are as follows:

	2012	2011
Germany	773	674
France	184	205
Rest of Europe and Africa	237	211
Asia Pacific	337	343
North America	35	45
Total average FTE	**1,566**	**1,478**

The total headcount excluding Lannion at December 31, 2012 is 1,522 (2011: 1,646). For Lannion the headcount at December 31, 2012 is 100 (2011: 102).

13. FINANCE INCOME AND COSTS

in thousands of euros	Note	2012	2011[1]
Interest income on bank deposits		469	888
Net change in fair value of warrants	28	154	6,007
Foreign exchange income	33	1,055	2,582
Finance income		**1,678**	**9,477**
Interest expense on loans and payables		887	567
Interest expense on notes payable	25	9,840	9,786
Pension related financial expenses	26	1,155	1,018
Foreign exchange costs	33	2,728	2,087
Other finance costs	7	665	688
Finance costs		**15,275**	**14,146**
Net finance (costs)/income		**(13,597)**	**(4,669)**

[1] 2011 comparative numbers have been represented.

Interest on notes payable relates to interest accrued at 9.25% on the Notes placed in December 2010 (note 25) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

Other finance costs include factoring charges.

14. INCOME TAX (CHARGE)/BENEFIT

The total tax benefit/(charge) including discontinued operations was €31,801 thousand (2011: (9,178). The net tax charges related to continuing operations are included in the statement of income as follows:

in thousands of euros	2012	2011[1]
Current tax (expense)/benefit		
Income tax charge for the year	(4,340)	(15,334)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	33,789	6,215
Recognition of current year tax losses	1,943	(351)
Other	(1)	10
Deferred tax benefit	**35,731**	**5,874**
Total income tax benefit/(charge)	**31,391**	**(9,460)**

[1] 2011 comparative numbers have been represented.

RECONCILIATION OF EFFECTIVE TAX RATE

in thousands of euros	2012	2011
Loss for the period	(168,228)	2,197
Total income tax benefit/(charge)	31,391	(9,460)
(Loss)/Income before income tax	**(199,619)**	**11,657**
Expected income tax benefit using the Company's domestic tax rate of 28.8% (2011: 28.8%)	57,490	(3,358)
Effect of different local tax rates	168	(966)
Tax exempt income (change in fair value of warrants)	44	1,730
Tax exempt expense (impairment of goodwill)	(20,765)	–
Current year losses for which no deferred tax asset was set up	(5,368)	(6,849)
Previously recognized tax losses	-	(669)
Other	(178)	652
Income tax benefit/(charge)	**31,391**	**(9,460)**

15. PROPERTY, PLANT AND EQUIPMENT

See table on next page.

TRANSFER TO/FROM ASSETS HELD FOR SALE
The assets transferred to assets held for sale for the period 2011 relate to the fixed assets of solar farms of EMED and for the period 2012 to the Lannion Telecom converter and LED operations, which management has decided to divest and has accordingly classified them as assets held for sale (note 7).

DEPRECIATION CHARGES
The depreciation charge recognized in the consolidated statement of income is as follows:
- Cost of sales: €2,971 (2011: €2,471) thousand
- Selling, general and administrative expenses: €2,435 (2011: €1,939) thousand
- Research and development expenses: €692 (2011: €495) thousand

DISPOSAL AND OTHERS
Included in disposal and others for the period 2012 is the sale of the building in Malaysia.

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. For the period 2012 the Company recognized an impairment charge of €1,700 thousand relating to Lannion (subsequently transferred under asset held for sale).

ACQUISITION THROUGH BUSINESS COMBINATIONS
Acquisition through business combination reflects the addition of fixed assets following the acquisition of Fluxpower in 2011.

LEASED PLANT AND MACHINERY
The Group has no material finance lease agreements.

CAPITALIZED BORROWING COSTS
For 2012 and 2011 no costs were capitalized.

in thousands of euros	Land	Building	Machinery and equipment	Other	Total
Cost					
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 to 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**
Balance at January 1, 2012	**3,408**	**23,219**	**16,459**	**6,019**	**49,105**
Acquisition through business combinations	–	–	–	–	–
Additions	–	1,569	3,032	2,929	7,530
Disposals and others	(467)	(2,964)	(1,270)	(388)	(5,089)
Transfer to assets held for sale	–	(110)	(3,031)	(169)	(3,310)
Other changes	–	–	–	–	–
Effect of movements in exchange rates	16	29	(153)	(96)	(204)
Balance at December 31, 2012	**2,957**	**21,743**	**15,037**	**8,295**	**48,032**
Depreciation and impairment					
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)**
Balance at January 1, 2012	**(24)**	**(2,470)**	**(4,178)**	**(2,602)**	**(9,274)**
Depreciation for the year	(1)	(1,322)	(3,601)	(1,655)	(6,579)
Impairment	–	–	(1,700)	–	(1,700)
Disposals and others	26	710	891	369	1,996
Transfer to assets held for sale	–	24	3,160	82	3,266
Other changes	–	(1,073)	1,240	687	854
Effect of movements in exchange rates	(1)	(14)	25	12	22
Balance at December 31, 2012	**–**	**(4,145)**	**(4,163)**	**(3,107)**	**(11,415)**
Carrying amounts					
At January 1, 2012	3,384	20,749	12,281	3,417	39,831
At December 31, 2012	**2,957**	**17,598**	**10,874**	**5,188**	**36,617**

16. INTANGIBLE ASSETS

in thousands of euros	Goodwill	Backlog	Customer relations	Technology	Research & Develop-ment costs	Other	Total
Cost							
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**
Balance at January 1, 2012	**101,752**	**24,007**	**215,978**	**55,740**	**23,484**	**7,598**	**428,559**
Acquisition through business combinations	–	–	–	–	–	–	–
Additions	–	–	–	–	–	1,170	1,170
Internally developed assets	–	–	–	–	7,389	–	7,389
Disposals and others	–	–	–	–	(876)	(832)	(1,708)
Transfer to assets held for sale	–	–	–	–	–	(14)	(14)
Effect of movements in exchange rates	–	–	–	–	–	1	1
Balance at December 31, 2012	**101,752**	**24,007**	**215,978**	**55,740**	**29,997**	**7,923**	**435,397**
Amortization and impairment							
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)**
Balance at January 1, 2012	**(14,600)**	**(24,007)**	**(83,984)**	**(18,655)**	**(5,940)**	**(2,800)**	**(149,986)**
Amortization for the year	–	–	(58,208)	(6,513)	(5,371)	(1,888)	(71,980)
Impairment	(72,100)	–	(40,000)	(14,900)	–	–	(127,000)
Disposals and others	–	–	–	–	876	684	1,560
Transfer to assets held for sale	–	–	–	–	–	14	14
Effect of movements in exchange rates	–	–	–	–	–	3	3
Balance at December 31, 2012	**(86,700)**	**(24,007)**	**(182,192)**	**(40,068)**	**(10,435)**	**(3,987)**	**(347,389)**
Carrying amounts							
At January 1, 2012	87,152	–	131,994	37,085	17,544	4,798	278,573
At December 31, 2012	**15,052**	–	**33,786**	**15,672**	**19,562**	**3,936**	**88,008**

On February 28, 2010 the Group acquired 75% of the equity of skytron energy GmbH. Goodwill arising on the acquisition amounted to €3,024 thousand. Goodwill increased in 2011 due to €700 thousand on acquisition of Fluxpower and €140 thousand adjustment to goodwill on skytron.

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.

Transfer to/from assets held for sale

The assets transferred to assets held for sale relate to software licenses held by Lannion which management has decided to divest and which have accordingly been classified as assets held for sale (note 7).

Research and development costs

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

Goodwill and intangibles on acquisition

As a result of the acquisition of AEG Power Solutions €102.5 million of goodwill was generated in 2009 and subsequently reduced by €19.1 million. Goodwill arising on the acquisition of skytron amounted to €3.1 million while €0.7 million of goodwill arose in 2011 on the acquisition of Fluxpower.

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

A summary of the results of the 2012 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, 2012	Additions	Reductions	Impairment charge	Net carrying amount of goodwill at December 31, 2012	Difference between value in use and the carrying amount of net assets
EMS	11.2				11.2	11.1
Power Controllers	72.1			(72.1)	–	–
Telecom	–				–	–
skytron	3.1				3.1	23.0
Fluxpower	0.7				0.7	1.0
Total	**87.1**			**(72.1)**	**15.0**	**35.1**

The recoverable amount of the cash-generating units was based on their value in use. In 2012 an impairment charge of €127.0 million was identified for POC, goodwill was written off for the full amount of €72.1 million, the remainder charge of €54.9 million was taken against intangible assets, €40.0 million on Customer Relations and €14.9 million on Technology. In addition accelerated amortization charges of €43.3 and €5.0 million respectively were taken against Customer Relations 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 2012, prevailing economic conditions and the multi-faceted cost improvement initiative that was initiated during 2012 to increase structural profitability. In addition there is an effect of product clinics and purchasing initiatives to reduce material costs. The projections for the five-year plans have been based on the expectation of successful completion of the current restructuring and some recovery in the economy adjusted for factors expected to influence the units' activities such as growth in renewable markets, changes in order backlog and introduction of new products. The CVT CGU was excluded from the five-years plans. The ongoing weak situation in the Polysilicon market resulted in a business plan with a lower operating profit.

An average pre-tax discount rate of 11.63% (2011: 12.5%) was applied in determining the recoverable amount of the CGUs. The discount rate was estimated using the market rate for risk free returns and risk premium and by benchmarking against the cost of equity, capital structure and credit spreads of a peer Group of companies operating in sectors similar to those of AEG PS's operations.

New initiatives started in 2012 and are included in the POC business plan to diversify POC into non-poly applications such as sapphire, hydrogen generation and power-to-gas market. For impairment testing we considered a 50% risk factor to these new initiatives.

An increase in the pre-tax discount rate of 1% would have resulted in a decrease of €9.5 million in the headroom for CGU EMS and CGU POC leading to an additional impairment as there is no headroom.

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: €49 (2011: €60) thousand
- Research and development expenses: €26,513 (2011: €11,033) thousand
- Other expenses: €170,547 (2011: €20,595) thousand
- Selling, general and administrative expenses: €1,859 (2011: €2,083) thousand

Amortization and impairment charges related to assets held for sale: €12 thousand.

17. OTHER NON-CURRENT FINANCIAL ASSETS

in thousands of euros	2012	2011
Cash guarantee deposit	1,426	1,263
Non-consolidated investments	3,782	1,855
Others	96	53
Total other non-current financial assets	**5,304**	**3,171**

In 2012 an additional net investment of €1,927 thousand was made in the limited liability company (LLC) in the U.S. The LLC is a partnership between the Group and an experienced investor and manager of solar assets in the United States. Under the partnership agreement, the Group 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 2012 under the supply agreement.

18. DEFERRED TAX ASSETS AND LIABILITIES

UNRECOGNIZED DEFERRED TAX ASSETS

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

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

in thousands of euros	2012	2011
Tax losses	32,710	26,338
Deductible temporary differences	3,916	3,190
Total unrecognized deferred tax assets	**36,626**	**29,528**

Of the total unrecognized deferred tax assets on tax losses, €3.8 million expire within six to ten years, €1.6 million expire after ten years and €27.1 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 2012	Liabilities 2012	Assets 2011	Liabilities 2011
Property, plant and equipment	29	(3,337)	398	(4,210)
Intangible assets	–	(19,225)	–	(54,223)
Inventories	19	(129)	13	(197)
Employee benefits	2,444	(327)	2,595	–
Provisions	922	(230)	1,275	(453)
Other items	610	(152)	1,849	(412)
Sub-total	**4,024**	**(23,400)**	**6,130**	**(59,495)**
Tax loss carry-forwards	8,776	–	6,833	–
Tax assets/(liabilities)	**12,800**	**(23,400)**	**12,963**	**(59,495)**
Set-off of deferred tax positions	(12,800)	12,800	(12,963)	12,963
Net tax assets/ (liabilities)	–	**(10,600)**	**–**	**(46,532)**

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 2012 and 2011 respectively are as follows:

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2010	Recognized in profit or loss	Balance Dec. 31, 2011	Recognized in profit or loss	Transferred to held for sale	Balance Dec. 31, 2012
Property, plant and equipment	(4,207)	395	(3,812)	10	494	(3,308)
Intangible assets	(61,378)	7,155	(54,223)	34,810	188	(19,225)
Inventories	(292)	108	(184)	74	–	(110)
Employee benefits	2,928	(333)	2,595	16	(494)	2,117
Provisions	1,865	(1,043)	822	(129)	–	693
Other items	1,359	78	1,437	(980)	–	457
Sub-total	**(59,725)**	**6,360**	**(53,365)**	**33,801**	**188**	**(19,376)**
Tax loss carry forward	7,184	(351)	6,833	1,943	–	8,776
Total	**(52,541)**	**6,009**	**(46,532)**	**35,744**	**188**	**(10,600)**

An amount of €12 thousand is recognized directly through equity as currency translation effects.

19. INVENTORIES

in thousands of euros	2012	2011
Raw materials and consumables	53,096	60,955
Work in progress	13,894	18,896
Finished goods	12,949	15,111
Gross inventory	**79,939**	**94,962**
Reserve for slow-moving and obsolete inventories	(23,056)	(17,919)
Net inventory	**56,883**	**77,043**

Included in cost of sales is €193.1 (2011: €209.8) million of material costs and € 7.4 (2011: €1.5) million of allowance for write-down of inventory. Group inventories are not pledged as security.

20. TRADE AND OTHER RECEIVABLES

in thousands of euros	2012	2011
Trade receivables	124,483	113,521
Income tax receivables	5,175	1,681
Other current assets	9,360	4,902
Allowance for doubtful accounts	(12,389)	(3,152)
Net trade and other receivables	**126,629**	**116,952**
Non-current	–	–
Current	**126,629**	**116,952**

The increase in trade receivables and allowance for doubtful-debt relates to growth in large scale utility solar projects. The impairment charges for doubtful debts in 2012 amounted €11.1 million (2011: €0.9) million, 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 5 and 33.

21. PREPAYMENTS

For 2011 prepayments included an advance payment of €182 thousand given to one of the Group's suppliers. This amount was repaid during 2012.

22. CASH AND CASH EQUIVALENTS

in thousands of euros	2012	2011
Bank balances	39,668	75,840
Restricted cash	2,832	6,649
Cash and cash equivalents	**42,500**	**82,489**
Bank overdrafts included in loans and borrowings	(193)	(839)
Other	–	–
Cash classified as held for sale	585	687
Cash and cash equivalents used in the statement of cash flows	**42,892**	**82,337**

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	2012	2011
Within 1 year	2.0	5.1
Between 2-3 years	0.5	0.9
After 4 years	0.3	0.6
Total	**2.8**	**6.6**

23. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares [1]	Total shares
Issued at December 31, 2010	**47,636,019**	**2,600,005**	**50,236,024**
Transferred to managers and executive [2]	70,000	(70,000)	–
Issued at December 31, 2011	**47,706,019**	**2,530,005**	**50,236,024**
Transferred to (former) executives [3]	110,000	(110,000)	–
Issued at December 31, 2012	**47,816,019**	**2,420,005**	**50,236,024**

[1] Included in Treasury shares are 2,500,000 shares previously held in escrow for the purpose of an earn-out agreement with the former AEG Power Solutions B.V. shareholders. The earn-out was based on the achievement of certain EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The targets have not been met and under the terms of the earn-out agreement the shares were released from escrow to the Company in September 2012.
[2] During the year 2011 30,000 shares were transferred to three managers and 40,000 shares were transferred to Dr. Horst J. Kayser, under the terms of their employment contracts.
[3] During the year 2012 60,000 shares were transferred to Dr. Horst J. Kayser (tranche 2 and 3, see note 34) and 50,000 shares were transferred to Gerhard Henschel under the terms of their employment contracts.

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

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

On December 17, 2010 the Company's shares were admitted to trading on the Regulated Market (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 were listed on the Euronext, Amsterdam (ticker 3WPW) and expired on July 24, 2012 and were delisted on the same date.

in thousands of euros	Share capital
January 1, 2011	**12,520**
December 31, 2011	**12,520**
December 31, 2012	**12,520**

in thousands of euros	Share premium
January 1, 2011	**383,836**
December 31, 2011	**383,836**
December 31, 2012	**383,836**

in thousands of euros	Reserve for own shares
January 1, 2011	**(25,235)**
Transfer to managers	258
Transfer to executive	344
December 31, 2011	**(24,633)**
January 1, 2012	**(24,633)**
Transfer to (former) executives	1,037
December 31, 2012	**(23,596)**

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, 2012 the Company held 2,420,005 (2011: 2,530,005) of its own shares with an aggregate cost of €23,596 thousand (2011: €24,633 thousand).

No dividends were declared or paid by the Company in 2012 and 2011.

Translation reserve

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

24. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

Loss/profit attributable to ordinary shareholders

in thousands of euros	2012	2011
Loss for the period attributable to ordinary shareholders	(177,872)	(1,006)

Weighted average number of ordinary shares

in number of shares	2012	2011
Issued ordinary shares at December 31	47,816,019	47,706,019
Effect of warrants issued	–	–
Effect of shares transferred to the Company	–	–
Effect of shares issued from treasury shares	(63,014)	(43,671)
Weighted average number of ordinary shares	**47,753,005**	**47,662,348**
Basic (loss)/ earnings per share (euro)	**(3.72)**	**(0.02)**

DILUTED EARNINGS PER SHARE

In evaluating diluted earnings per share, the effects of instruments that could potentially dilute basic earnings per share should be considered. Such instruments included the shares awarded (but not yet vested) to Directors and other executives (note 34) under service agreements and long-term incentive plan (LTIP, note 34) and the warrants. In both 2011 and 2012 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.

25. LOANS AND BORROWINGS

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

in thousands of euros	2012	2011
Non-current		
Notes payable	97,920	97,330
Unsecured government loans	653	601
Unsecured bank loans	306	227
Others	–	45
Total non-current	**98,879**	**98,203**
Current		
Unsecured government loans	56	109
Unsecured bank loans	171	142
Bank overdrafts	193	839
Obligations under receivable factoring arrangements	8,327	8,605
Others	48	90
Total current	**8,795**	**9,785**
Grand total of current and non-current	**107,674**	**107,988**

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 2012	Carrying amount 2012	Nominal value 2011	Carrying amount 2011
Notes payable [1]	EUR	9.250	2015	100,000	97,920	100,000	97,330
Government loans [2]	EUR	–	2021-2022	709	709	710	710
Bank loans [3]	EUR	Euribor +1.5-2.75	2016	477	477	369	369
Bank overdraft [4]	EUR	Euribor +2.5-5.75	–	193	193	839	839
Obligations under receivable factoring arrangements [5]	EUR	Euribor +0.8-4.7	–	8,327	8,327	8,605	8,605
Other	EUR	–	–	48	48	135	135
Total				**109,754**	**107,674**	**110,658**	**107,988**

Non-current

[1] Unsubordinated Notes payable €100,000,000, effective interest 10.11%, due December 1, 2015.
On December 1, 2010 the Company issued loan notes (the "Notes") with a nominal value of €100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to €3,250,000. The Notes bear interest from and including December 1, 2010 to, but excluding December 1, 2015 at a rate of 9.25% 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 Note holders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company.
The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Other non-current loans

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

[3] There are two unsecured bank loans with an initial nominal value of €166 thousand (0% interest) and €300 thousand (interest at Euribor plus 1.5%). There is one secured bank loan with a nominal value of €250 thousand (interest at Euribor plus 2.75%). The carrying amounts at December 31, 2012 were €34 thousand, €193 thousand and €250 thousand respectively. The loans are repayable by monthly installments over a period of three and five years respectively.

Current loans

[4] Bank overdraft
The bank overdraft is held by one of the Group's subsidiaries. Interest on the overdraft is charged at rates between Euribor plus 2.5% and 5.75%.

[5] Obligations under receivable factoring arrangements
The Group has entered into financing agreements which provide for trade receivable financing facilities in France, Italy and Spain, up to a maximum of €21.9 million at December 31, 2012. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.8% and 4.7%.The facilities have no fixed expiry date but most are renewable annually.

26. EMPLOYEE BENEFITS

Employee benefits comprises the following elements:

in thousands of euros	2012	2011
Accrued liability, funded status	(19,266)	(20,173)
ATZ (Altersteilzeitverträge)	(2,699)	(2,206)
Long Service Awards	(1,057)	(1,118)
Total Employee Benefits	**(23,022)**	**(23,497)**

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	2012	2011
Defined contribution plans	2,443	2,469
Defined benefit plans	1,328	923
Other	1,415	313
Total pre-tax employee benefit costs	**5,186**	**3,705**

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, 2012 by the main geographical segments are as follows:

	Discount Rate %	Future Salary increases %	Future Pension increases %
France	3.0	1.75-3.00	–
Germany	3.25	0.0	2.0

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 3.3% (2011:4.9%). 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 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	2012	2011
Service costs	269	293
Interest costs	1,004	1,065
Expected return on plan assets	(91)	(63)
Actuarial (gain)/loss amortization	19	32
Curtailment and other costs	125	(404)
Total net costs	**1,326**	**923**

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	2012	2011
Total benefit obligation at January 1	21,271	21,736
Other costs	37	–
Transferred to liabilities held for sale	(1,096)	–
Service costs	269	293
Interest costs	1,004	1,065
Actuarial (gain)/loss	4,845	(626)
Contribution paid to the plan	72	42
Benefits paid	(975)	(792)
Curtailment	16	(447)
Total benefit obligation at December 31	**25,443**	**21,271**

The movement in the present value of plan assets is:

in thousands of euros	2012	2011
Fair value of plan assets at January 1	1,424	1,205
Contributions paid into the plan	199	977
Benefits paid by the plan	(35)	(807)
Expected return on plan assets	91	63
Actuarial gains/(loss)	122	27
Other costs	(72)	(41)
Fair value of plan assets at December 31	**1,729**	**1,424**

Reconciliation of funded status at December 31:

in thousands of euros	2012	2011
Fair value of plan assets	1,729	1,424
Benefit obligation	(25,443)	(21,271)
Funded status (plan assets less benefit obligations)	(23,714)	(19,847)
Unrecognized net actuarial (gain)/loss	4,448	(326)
Accrued liability at December 31	**(19,266)**	**(20,173)**

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

in thousands of euros	2012	2011
Opening balance at January 1	(326)	359
Transferred to liabilities held for sale	71	–
Actuarial (gain)/loss associated with benefits	4,845	(626)
Actuarial (gain)/loss associated with assets	(122)	(27)
Actuarial (gain)/loss amortization	(20)	(32)
Total net actuarial (gain)/loss	**4,448**	**(326)**

Historical information

in thousands of euros	2012	2011	2010
Present value of the defined benefit obligation	(25,443)	(21,271)	(21,736)
Fair value of plan assets	1,729	1,424	1,205
Funded status (plan assets less benefit obligations)	**(23,714)**	**(19,847)**	**(20,531)**

The Group expects €989 thousand in contributions to be paid to its defined benefit plans in 2013.

In 2013 the amendment to IAS19, ‘Employee benefits’ will become effective. This includes the requirement that actuarial gains and losses are recognized immediately in other comprehensive income, thus removing the corridor method which we currently apply. The effect of this change is as follows:

in thousands of euros	2012	2012 restated
Consolidated statement of position		
Employee benefits	23,022	27,470
Shareholders’ equity	99,905	96,800
Deferred tax liabilities	10,600	9,257
Consolidated statement of comprehensive income		
Actuarial gains and losses relating to post-retirement benefits	–	(4,448)
Income tax benefit	–	1,343
Other comprehensive income for the year	413	(2,692)
Attributable to Owners of the Company	(177,459)	(180,151)

Other benefit plans

Employee benefits include €3,756 thousand (2011: €3,324 thousand) for other benefit plans. This includes €2,699 thousand (2011: €2,206 thousand) for "Altersteilzeitverträge", a scheme in Germany under which employees can seek early retirement, and a further €1,057 thousand (2011: €1,118 thousand) for long-service awards. Such awards are granted to employees on retirement based on their length of service, grade and salary and are determined by an independent actuarial calculation.

27. PROVISIONS

in thousands of euros	Warranty	Restructuring	Others	Total
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**
Balance at January 1, 2012	**7,788**	**8,276**	**302**	**16,366**
Provisions net made/(released) during the year	3,987	8,998	(12)	12,973
Provisions used during the year	(3,562)	(9,815)	–	(13,377)
Transfer to liabilities held for sale	(118)	(1,040)	(116)	(1,274)
Other	(6)	12	–	6
Balance at December 31, 2012	**8,089**	**6,431**	**174**	**14,694**

Restructuring

Restructuring charges in 2012 related primarily to the estimated costs of implementing changes as part of the lower volume and the multi-faceted cost improvement initiative that the Company has initiated to increase structural profitability. The Company has launched a global EES headcount reduction of more than 100 employees, principally in Warstein-Belecke, Germany. In addition, the Company has further focused on reducing its central overhead costs. Additions to the Restructuring for all of the initiatives are €9.0 million, of which €4.7 million relates to EES, €2.7 million relates to central overhead and €1.6 million relates to Lannion.

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

Warranty

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

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

28. 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, 2011	**6,000**	**24,807**	**30,807**
Exercise of warrants	–	–	–
Issued at January 1, 2012	**6,000**	**24,807**	**30,807**
Delisting on July 24, 2012	(6,000)	(24,807)	(30,807)
Issued at December 31, 2012	–	–	–

The warrants were traded on Euronext Amsterdam under the symbol 3WPW. The warrants expired on July 24, 2012 and were delisted on the same date. During 2012 and 2011 no warrants were exercised.

At December 31, 2011, the market price of the warrants was €0.005 per warrant and 30,806,487 warrants were outstanding.

29. TRADE AND OTHER PAYABLES

in thousands of euros	2012	2011[1]
Trade accounts payable	56,870	71,993
Accrued salaries and wages	12,593	17,322
Accrued taxes and VAT payable	2,026	2,207
Accrued social security charges	2,768	3,518
Accrued interest on notes payable	771	771
Others	6,525	9,490
Total	**81,553**	**105,301**

[1] 2011 comparative numbers have been represented.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 33.

30. DEFERRED INCOME

Deferred income relates mainly to customer deposits and advances of €16.7 (2011: €42.5) million in connection with projects in progress.

31. 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, 2012

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	4,101	5,012	2,328	756	12,197
Unconditional purchase obligations	928	–	–	–	928
Total	**5,029**	**5,012**	**2,328**	**756**	**13,125**

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 €5.7 million in 2012 (€5.5 million in 2011).

OTHER COMMITMENTS

December 31, 2012

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Guarantees	6,050	5,414	1,088	167	12,719

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

TRADEMARK LICENSE AGREEMENT

With effect from July 1, 2008, AEG PS entered into a trademark license agreement (the "AEG License") with AB Electrolux which granted the Company the right to use the AEG PS trademark for an initial term of ten years. An annual royalty is payable based on a percentage of the net selling price of the respective trademark product, subject to a minimum royalty of €5.390 million for 2013 and €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.

32. 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.

33. 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	2012	2011
Trade receivables net of allowance for doubtful accounts	**112,094**	**110,369**

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

in thousands of euros	2012	2011
Germany[1]	74,172	47,304
France	10,123	19,178
Spain	6,357	9,111
Italy	14,507	19,302
United Kingdom	1,486	1,826
Netherlands	2,988	3,073
United States	467	510
Other regions	14,383	13,217
Total	**124,483**	**113,521**

[1] The exposure presented on Germany includes one customer with a balance of €46.6 million with its major operations in Eastern Europe.

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

in thousands of euros	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	**92,565**	**(1,608)**	**88,181**	**(144)**
Past due 0-30 days	11,278	(3,610)	16,172	(32)
Past due 31-120 days	14,409	(3,590)	4,449	(293)
Past due 121-180 days	1,914	(211)	2,601	(701)
Past due 181-360 days	4,317	(3,370)	2,118	(1,982)
Total	**124,483**	**(12,389)**	**113,521**	**(3,152)**

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

in thousands of euros	2012	2011
Balance at January 1	**3,152**	**2,591**
Acquisition through business combination	–	–
Transfer to assets held for sale	(171)	–
Utilization of impairment reserve	(1,306)	(310)
Impairment loss recognized	11,031	923
Other	(317)	(52)
Balance at December 31	**12,389**	**3,152**

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

LIQUIDITY RISK

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

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

in thousands of euros	2012	2011
Trade and other payables	81,553	105,301
Current income tax liabilities	1,825	2,205
Short-term provisions	6,605	8,578
Total	**89,983**	**116,084**
Purchase commitments[1]	18,333	32,254
Operating leases	4,101	4,528
Guarantees on customer contracts	6,050	19,067
Total	**28,484**	**55,849**
Total obligations	**118,467**	**171,933**
Financing resources		
Cash and cash equivalents, excluding restricted cash	39,668	75,840
Trade and other receivables	126,629	116,952
Loans and borrowings	(8,795)	(9,785)
Total	**157,502**	**183,007**
Net position	**39,035**	**11,074**

[1] Purchase commitments includes unconditional purchase obligations as referred to in note 31 (firm commitment of tangible and intangible assets, €928 thousand) and the unconditional purchase obligations related to the firm commitments for recurring operating expenses (€17,405 thousand)

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, 2012:

in thousands of euros	Within 1 year	2-5 years	After 5 years	Total
Maturity profile				
Obligations under receivable factoring arrangements	(8,327)	–	–	(8,327)
Notes payable	(9,250)	(118,500)	–	(127,750)
Bank overdraft	(193)	–	–	(193)
Other debt	(298)	(573)	(363)	(1,234)
Total	**(18,068)**	**(119,073)**	**(363)**	**(137,504)**

CURRENCY RISK

The Group's exposure to foreign currency risk based on the following net amounts as at December 31, 2012 was:

in thousands of euros	EUR	USD	GBP	SGD	MYR	INR	CNY	Other
Cash	37,012	1,525	834	235	307	504	1,788	295
Trade and other receivables	110,758	3,029	1,599	2,118	896	5,516	1,844	869
Prepayments	598	4	–	7	–	76	2	35
Trade and other payables	(68,941)	(3,499)	(840)	(3,361)	(391)	(2,192)	(1,952)	(377)
Deferred income	(14,805)	(148)	(15)	(102)	(14)	(933)	(700)	(19)
Short- and long-term debt	(107,674)	–	–	–	–	–	–	–
Warrants	–	–	–	–	–	–	–	–
Total	**(43,052)**	**911**	**1,578**	**(1,103)**	**798**	**2,971**	**982**	**803**

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 €327 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 2012	Fair Value 2012	Carrying amount 2011	Fair Value 2011
Assets carried at amortized cost					
Trade and other receivables	20	126,629	126,629	116,952	116,952
Cash and cash equivalents	22	42,500	42,500	82,489	82,489
Total		**169,129**	**169,129**	**199,441**	**199,441**
Liabilities carried at amortized cost					
Trade and other payables	29	81,553	81,553	105,301	105,301
Loans and borrowings	25	9,754	9,754	10,658	10,658
Notes payable	25	97,920	91,950	97,330	89,900
Total		**189,227**	**183,257**	**213,289**	**205,859**
Liabilities at fair value through profit or loss					
Warrants	28	–	–	154	154

CUSTOMER CONCENTRATION RISK

In RES, two customers accounted for 55.0% and 28.5% of segment and Group revenue respectively in 2012 (2011: 35.5% and 19.7%). 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.

CREDIT RISK

One customer in RES represents 37.5% of the gross trade receivable balance at December 31, 2012 (2011: 10.8%). For 2012 the total trade receivables was €46.6 million and an allowance of €8.5 million was recorded.

34. 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, 2012

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (6 FTE)
Salary, bonuses and short-term benefits	1,287,399	–	1,287,399	2,106,032
Severance	112,292	–	112,292	494,062
Post-employment benefits	10,000	–	10,000	38,172
Other long-term benefits	–	–	–	–
Share-based payments	48,000	–	48,000	25,000
Awards under long-term incentive plan (LTIP)	54,000	–	54,000	305,000
Fees	–	120,000	120,000	–
Total	**1,511,691**	**120,000**	**1,631,691**	**2,968,266**

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	226,897
Fees	–	60,000	60,000	–
Total	**2,372,156**	**60,000**	**2,432,156**	**2,429,863**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Dr. H. J. Kayser and Mr. G. Henschel (until the first half of 2012). Fees relate to Non-Executive Directors Mr. Bruce A. Brock, Mr. K. Corbin, Mr. R. J. Huljak and Prof. M. Wössner. Mr. Jeffrey Casper (second half of 2012) is included in other managers.

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	Notes at nominal value (€)	No. of shares	No. of units
Dr. Dr. h.c. Thomas Middelhoff	1,325,518	–	–	–
Brock and Brock Trust[2]	2,637,427	–	–	–
Ripplewood	15,189,060	–	–	–
Prof. Mark Wössner	30,000	–	–	–
Dr. Horst J. Kayser	454,000	–	108,000	300,000
AEG PS managers	136,434	–	100,000	270,000
Total	**19,772,439**	**–**	**208,000**	**570,000**

[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.
[2] In 2013, Mr. Bruce A. Brock, USA, informed the Group of share distributions of all the shares held by the Brock Trust LLC, a legal entity under his control and, as a result, his Voting Rights on 3W Power S.A., Luxembourg, have fallen below the 5% threshold of the Voting Rights.

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2012 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 (1,662,902 shares) and Huljak (200,240 shares).

AEG PS managers refer to key executives other than Directors. Mr. Jeffrey Casper was appointed as Chief Financial Officer (CFO) of the Company effective June 1, 2012 and his interest in the shares of the Company are included within those of AEG PS managers. On his appointment as CFO Mr. Casper received a new contract of employment under which he can be awarded €50,000 in shares on June 1, 2013. This award is at the discretion of the Chief Executive Officer and the Compensation Committee of the Board of Directors.

Under his service agreement, Dr. Horst J. Kayser is 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. During the period tranche two and three of 30,000 shares each were transferred.

On June 1, 2012 the Company and Mr. Gerhard Henschel, CFO and Executive Director, agreed to terminate his contract of employment by mutual consent. On June 15, 2012 Mr. Henschel left the Company having also stepped down from the Board of Directors. Mr. Henschel's awards under the LTIP all lapsed on leaving the Company. Mr. Henschel was entitled to 50,000 shares under his contract of employment and these were transferred to him in July 2012.

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 2012 a total of 154,000 shares (2011: 154,000) were awarded and 90,000 shares (2011:10,000) were forfeited. 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 measurement 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 €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 €5.20 while target 2 is €6.00. 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 2012 no shares were awarded (2011: 840,000) and 270,000 shares were forfeited (2011: none).

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.

	2012	2011
LTIP A		
Outstanding at the beginning of the period	**144,000**	–
Granted during the period	154,000	154,000
Forfeited during the period	(90,000)	(10,000)
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period and exercisable	**208,000**	**144,000**
LTIP B		
Outstanding at the beginning of the period	**840,000**	–
Granted during the period	–	840,000
Forfeited during the period	(270,000)	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period and exercisable	**570,000**	**840,000**

AUDITORS' REMUNERATION

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

in thousands of euros	2012	2011
Audit services	731	730
Audit related services	25	–
Other services related to taxation	90	358
Other fees	83	1,079
Total	**929**	**2,167**

35. GROUP ENTITIES

SUBSIDIARIES

		Ownership interest	
	Country of incorporation	2012	2011
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 Power Holding GmbH	Germany	100	–
AEG PS GmbH	Germany	100	100
Skytron Energy GmbH	Germany	100	100
Fluxpower GmbH	Germany	100	100
AEG PS Ltd	United Kingdom	100	100
AEG PS Iberica SL	Spain	100	100
Opción Dos Energia Natural SL[1]	Spain	100	100
AEG PS S.p.A.	Italy	100	100
Energie Mediterranee S.R.L.[2]	Italy	–	100
AEG PS Pte Ltd	Singapore	100	100
AEG PS (Penang) SDN BHD[1]	Malaysia	100	100
AEG PS SDN BHD	Malaysia	100	100
AEG PS USA, Inc.	USA	100	100
AEG PS Inc[1]	Canada	100	100
AEG PS (Russia) LLC	Russia	100	100
AEG PS Co.	China	100	100
3W Power Ukraine TOV	Ukraine	100	100
AEG PS (India) PVT Ltd	India	100	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	100
AEG PS Aram. Kft.	Hungary	100	100
AEG PS Spol S.R.O.	Czech Republic	100	100

[1] AEG Power Solutions (Penang) SDN BHD, AEG Power Solutions Inc. (Canada) and Opcion Dos Energia Natural SL are currently being wound down
[2] Energie Mediterranee S.R.L. was sold on November 5, 2012

36. SUBSEQUENT EVENTS

The Company's major solar customer has productively worked through payment delays exacerbated by the banking situation and the associated challenges presented by the financial situation in Cyprus and re-started their payment cycles. Throughout April the situation has been largely rectified. From January 1, 2013 until the date of publication we have received 32.4 million in cash for old and new projects started in 2013. As of April 22, the total receivable outstanding was €43.7 million of which €4.8 million were overdue.

On April 18, 2013, 3W Power announced that the Company and Dr. Horst J. Kayser have agreed by mutual consent to terminate Dr. Kayser's employment effective June 30, 2013. As part of the agreement, Dr. Kayser also stepped down from his position as member of the Board of Directors of the Company. Mr. Bruce A. Brock, currently Chairman of the Board of Directors, has been appointed CEO of the Company by the Board of Directors effective immediately. Mr. Brock will continue serving as Chairman of the Company's Board of Directors until the election of the Board of Directors at the Company's upcoming Annual General Meeting.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated May 16, 2012, we have audited the accompanying consolidated financial statements of 3W Power S.A., which comprise the consolidated statement of financial position as at December 31, 2012 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 40 to 82.

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 40 to 82 give a true and fair view of the consolidated financial position of 3W Power S.A. as of December 31, 2012, 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, April 23, 2013
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	2012	2011
Assets			
Shares in affiliated undertakings	7	235,000	409,461
Loans to affiliated undertakings	8	85,000	86,500
Total non-current assets		**320,000**	**495,961**
Trade and other receivables	9	2,609	2,197
Cash and cash equivalents	10	295	563
Total current assets		**2,904**	**2,760**
Total assets		**322,904**	**498,721**
Liabilities			
Loans and borrowings	11	97,920	97,330
Total non-current liabilities		**97,920**	**97,330**
Trade and other payables	12	615	784
Loans and borrowings	11	771	771
Warrants	13	–	154
Total current liabilities		**1,386**	**1,709**
Total liabilities		**99,306**	**99,039**
Equity			
Share capital	14	12,520	12,520
Share premium	14	383,836	383,836
Reserve for own shares	14	(23,596)	(24,633)
Retained earnings		(149,162)	27,959
Total equity attributable to equity holders of the Company		**223,598**	**399,682**
Total equity and liabilities		**322,904**	**498,721**

The Company financial statements on pages 84 to 95 were approved by the Board of Directors on April 23, 2013 and signed on its behalf by:

Bruce A. Brock

The notes on pages 88 to 95 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	2012	2011
Administrative expenses	5	(777)	(1,996)
Impairment of investments in subsidiaries	7	(174,461)	–
Loss before interest and tax		**(175,238)**	**(1,996)**
Finance income	6	8,577	11,206
Finance costs	6	(9,855)	(9,791)
Net finance (costs)/income		**(1,278)**	**1,415**
(Loss) before income tax for the year		**(176,516)**	**(581)**
Total comprehensive (loss) for the year		**(176,516)**	**(581)**

The notes on pages 88 to 95 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, 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**
Balance at January 1, 2012	**12,520**	**383,836**	**(24,633)**	**27,959**	**399,682**
Profit/(loss) for the year	–	–	–	(176,516)	(176,516)
Total comprehensive income/ (loss) for the year	–	–	–	**(176,516)**	**(176,516)**
110,000 shares transferred from treasury shares	–	–	1,037	(1,037)	–
Share-based payments/ long-term incentive plan	–	–	–	432	432
Total contributions by and distributions to owners of the Company	–	–	**1,037**	**(605)**	**432**
Total transactions	–	–	**1,037**	**(177,121)**	**(176,084)**
Balance at December 31, 2012	**12,520**	**383,836**	**(23,596)**	**(149,162)**	**223,598**

The notes on pages 88 to 95 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	2012	2011
Cash flows from operating activities			
(Loss)/profit for the period		(176,516)	(581)
Adjustments for non-cash items:			
Impairment of investment		174,461	–
Charge for share-based payments	5, 16	432	1,174
Finance (expense)/income (net)	6	1,278	(1,415)
Cash flow used in operations before changes in working capital		**(345)**	**(822)**
Change in trade and other receivables		(396)	14
Change in trade and other payables		(182)	330
Change in deferred expenses		–	–
Cash from operating activities		**(578)**	**344**
Net cash used in operating activities		**(923)**	**(478)**
Cash flows from investing activities			
Loan to AEG PS B.V.	8	–	(76,500)
Repayment of loan from AEG PS B.V.		1,500	–
Interest received		8,405	3,039
Net cash from/(used in) investing activities		**9,905**	**(73,461)**
Cash flows from financing activities			
Interest paid		(9,250)	(9,374)
Net cash used in financing activities		**(9,250)**	**(9,374)**
Net decrease in cash and cash equivalents		**(268)**	**(83,313)**
Cash and cash equivalents at beginning of year		563	83,876
Cash and cash equivalents at end of year	10	**295**	**563**

The notes on pages 88 to 95 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). As from December 19, 2011 the Company delisted its shares from the NYSE Euronext, Amsterdam.

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

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

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

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

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, 2012.

F) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. DETERMINATION OF FAIR VALUES

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

Loans and other receivables

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

Non-derivative financial liabilities

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

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. The warrants were delisted on July 21, 2012.

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	2012	2011
Administration, accountancy and trustee fees	70	134
Audit, legal and professional fees	306	283
Directors' fees and expenses	258	195
Share-based payment expenses (including LTIP)	432	1,174
Other	221	210
Recharge of administrative expenses	(510)	–
Total administrative expenses	**777**	**1,996**

6. FINANCE INCOME AND FINANCE COSTS

in thousands of euros	2012	2011
Interest income on bank deposits	2	406
Interest income on loans	8,421	4,793
Net change in fair value of warrants	154	6,007
Finance income	**8,577**	**11,206**
Interest expense on notes payable	9,250	9,250
Other finance costs	605	541
Finance costs	**9,855**	**9,791**
Net finance income/(costs)	**(1,278)**	**1,415**

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	2012	2011
Total interest income on financial assets	8,423	5,199
Total interest expense on financial liabilities	9,250	9,250

7. SHARES IN AFFILIATED UNDERTAKINGS

Shares in affiliated undertakings represent the Company's 100% interest in 3W Power Holdings B.V. which in turn holds 100% of AEG Power Solutions B.V. ("AEG PS") acquired on September 10, 2009. AEG PS is a world provider of 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.

Movement in carrying amount is as follows:

in thousands of euros	2012	2011
Total purchase price consideration at January 1	**409,461**	**409,461**
Impairment charge	(174,461)	–
Carrying amount at December 31	**235,000**	**409,461**

Management has considered the significant and prolonged decrease in the 3W Power S.A. share price and the drop in power controller orders and sales and the significant over-capacity in the polysilicon market as an impairment trigger as per IAS 39. Thus an impairment test was carried out on the investment in 3W Power Holdings B.V. as at December 31, 2012.

The recoverable amount of the affiliated undertaking has been estimated based on its value in use by measuring the cash flows of the underlying cash generating units ("CGU") of the entity as a whole.

The methodology and assumptions used (including five-year forecasts and discount rate) were as described in note 16 of the consolidated financial statements, except for the Solar CGU. The solar CGU has been mainly created post acquisition, and with exception of goodwill allocated directly to skytron business, no goodwill or intangible assets with indefinite useful lives have been allocated to this CGU, and therefore no impairment test is performed except for the skytron unit included in this CGU.

For the purpose of the impairment test of 3W Power Holdings B.V., the value in use for the solar CGU was determined by discounting the future cash flows generated from the continuing use of the CGU. The calculation of the value in use was based on the key assumptions described below.

Cash flows were projected based on management five-year business plans. The anticipated revenue growth included in the cash flow projections for the years 2013 to 2017 was based on average growth level projected in the industry forecast.

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.

An average pre-tax discount rate of 11.97% (2011: 12.2%) was applied in determining the recoverable amount of the CGU.

The discount rate was estimated using the market rate for risk free returns and risk premium and by benchmarking against the cost of equity, capital structure and credit spreads of a peer group of companies operating in sectors similar to those of 3W Power Holdings B.V. solar CGU's operations.

The carrying amount of the investment was determined to be higher than the recoverable amount of the combined underlying CGUs, and impairment loss of €174.5 million was recognized to record the carrying amount at the level of its recoverable amount. Any adverse movement in a key assumption would lead to a further impairment.

8. LOANS TO AFFILIATED UNDERTAKINGS

in thousands of euros	2012	2011
Loan to subsidiary	**85,000**	**86,500**

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	2012	2011
Due from affiliated undertakings and shareholders	2,589	2,160
Prepayments	20	37
Total trades and other receivables	**2,609**	**2,197**

All receivables are due within 1 year.

10. CASH AND CASH EQUIVALENTS

in thousands of euros	2012	2011
Current accounts	295	151
Fixed deposits	–	412
Total cash and cash equivalents	**295**	**563**

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	2012	2011
Non-current		
Notes payable	97,920	97,330
Total non-current	**97,920**	**97,330**
Current		
Accrued interest	771	771
Total current	**771**	**771**
Total loans and borrowings	**98,691**	**98,101**

On December 1, 2010 the Company issued loan notes (the "Notes") with a nominal value of €100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to

€3,250,000. The Notes bear interest from and including December 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 Note holders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company. The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Loans are due as follows:

in thousands of euros	2012	2011
Within 1 year	771	771
Within 2-5 years	97,920	97,330
Total	**98,691**	**98,101**

12. TRADE AND OTHER PAYABLES

in thousands of euros	2012	2011
Trade payables	**615**	**784**

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, 2011	**6,000**	**24,807**	**30,807**
Exercise of warrants	–	–	–
Issued at January 1, 2012	**6,000**	**24,807**	**30,807**
Delisting on July 24,	(6,000)	(24,807)	(30,807)
Issued at December 31, 2012	–	–	–

The warrants were traded on Euronext Amsterdam under the symbol 3WPW. The warrants expired on July 24, 2012 and were delisted on the same date. During 2012 and 2011 no warrants were exercised.

At December 31, 2011, the market price of the warrants was €0.005 per warrant and 30,806,487 warrants were outstanding.

14. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares	Total shares
Issued at December 31, 2010	**47,636,019**	**2,600,005**	**50,236,024**
Transferred to managers and executives[1]	70,000	(70,000)	–
Issued at December 31, 2011	**47,706,019**	**2,530,005**	**50,236,024**
Transferred to (former) executives[2]	110,000	(110,000)	–
Issued at December 31, 2012[3]	**47,816,019**	**2,420,005**	**50,236,024**

[1] During the year 2011 30,000 shares were transferred to three managers and 40,000 shares were transferred to Dr. Horst J. Kayser, under the terms of their employment contracts.
[2] During the year 2012 60,000 shares were transferred to Dr. Horst J. Kayser (tranche 2 and 3, see note 16) and 50,000 shares were transferred to Gerhard Henschel under the terms of their employment contracts.
[3] Included in treasury shares are 2,500,000 shares previously held in escrow for the purpose of an earn-out agreement with the former AEG Power Solutions B.V. shareholders. The earn-out was based on the achievement of certain EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The targets have not been met and under the terms of the earn-out agreement the shares were released from escrow to the Company in September 2012.

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

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

On December 17, 2010 the Company's shares were admitted to trading on the Regulated Market (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 were listed on the Euronext Amsterdam (ticker 3WPW) and expired on July 24, 2012 and were delisted on the same date.

in thousands of euros	Share capital
January 1, 2011	**12,520**
December 31, 2011	**12,520**
December 31, 2012	**12,520**

in thousands of euros	Share premium
January 1, 2011	**383,836**
December 31, 2011	**383,836**
December 31, 2012	**383,836**

in thousands of euros	Reserve for own shares
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)**
January 1, 2012	**(24,633)**
Transfer of 110,000 shares to (former) executives	1,037
December 31, 2012	**(23,596)**

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, 2012 the Company held 2,420,005 (2011: 2,530,005) of its own shares with an aggregate cost of €23,596 thousand (2011: €24,633 thousand).

No dividends were declared or paid by the Company in 2012 or 2011.

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	2012	2011
Cash and cash equivalents	295	563
Loans and receivables	87,609	88,697
Total financial assets	**87,904**	**89,260**
Financial liabilities measured at amortized costs		
Trade and other payables	615	784
Borrowings	771	771
Notes payable	97,920	97,330
Total financial liabilities measured at amortized cost	**99,306**	**98,885**
Financial liabilities at fair value through profit or loss		
Warrants	–	154
Total financial liabilities at fair value through profit or loss	**–**	**154**
Total financial liabilities	**99,306**	**99,039**

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, 2012

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (6 FTE)
Salary, bonuses and short-term benefits	1,287,399	–	1,287,399	2,106,032
Severance	112,292	–	112,292	494,062
Post-employment benefits	10,000	–	10,000	38,172
Other long-term benefits	–	–	–	–
Share-based payments [1]	48,000	–	48,000	25,000
Awards under long-term incentive plan (LTIP) [1]	54,000	–	54,000	305,000
Fees	–	120,000	120,000	–
Total	**1,511,691**	**120,000**	**1,631,691**	**2,968,266**

[1] Included in Company financial statements

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**

[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. J. Kayser and Mr. G. Henschel (until the first half of 2012). Fees relate to Non-Executive Directors Mr. Bruce A. Brock, Mr. K. Corbin, Mr. R. J. Huljak and Prof. M. Wössner. Mr. Jeffrey Casper (second half of 2012) is included in other managers.

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, 2012 were as follows:

			Awards under long-term incentive plan (LTIP)[1]	
			Part A	Part B
	No. of shares	Notes at nominal value (€)	No. of shares	No. of units
Dr. Dr. h.c. Thomas Middelhoff	1,325,518	–	–	–
Brock and Brock Trust	2,637,427	–	–	–
Ripplewood	15,189,060	–	–	–
Prof. Mark Wössner	30,000	–	–	–
Dr. Horst J. Kayser	454,000	–	108,000	300,000
AEG PS managers	136,434	–	100,000	270,000
Total	**19,772,439**	**–**	**208,000**	**570,000**

[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 in the consolidated financial statements as at and for the year ended December 31, 2012.

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 (1,662,902 shares) and Huljak (200,240 shares).

AEG PS managers refer to key executives other than Directors. Mr. Jeffrey Casper was appointed as Chief Financial Officer (CFO) of the Company effective June 1, 2012 and his interest in the shares of the Company are included within those of AEG PS managers. On his appointment as CFO, Mr. Casper received a new contract of employment under which he can be awarded €50,000 in shares on June 1, 2013. This award is at the discretion of the Chief Executive Officer and the Compensation Committee of the Board of Directors.

Under his service agreement, Dr. Horst J. Kayser is 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. During the period tranche two and three of 30,000 shares each were transferred.

On June 1, 2012 the Company and Mr. Gerhard Henschel, CFO and Executive Director, agreed to terminate his contract of employment by mutual consent. On June 15, 2012 Mr. Henschel left the Company having also stepped down from the Board of Directors. Mr. Henschel's awards under the LTIP all lapsed on leaving the Company. Mr. Henschel was entitled to 50,000 shares under his contract of employment and these were transferred to him in July 2012.

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 2012 a total of 154,000 shares (2011: 154,000) were awarded and 90,000 shares (2011:10,000) were forfeited. 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 measurement 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 €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 €5.20 while target 2 is €6.00. 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 2012 no shares were awarded (2011: 840,000) and 270,000 shares were forfeited (2011: none).

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.

	2012	2011
LTIP A		
Outstanding at the beginning of the period	**144,000**	
Granted during the period	154,000	154,000
Forfeited during the period	(90,000)	(10,000)
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period and exercisable	**208,000**	**144,000**
LTIP B		
Outstanding at the beginning of the period	**840,000**	
Granted during the period	–	840,000
Forfeited during the period	(270,000)	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period and exercisable	**570,000**	**840,000**

17. FINANCIAL RISKS

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the €85.0 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.

A risk of valuation exists in respect of the carrying amount of shares in affiliated undertakings. At December 31, 2012 the shares are stated at acquisition price less the impairment that was identified. Should there be objective evidence that one or more events have a negative effect on the estimated future cash flows from the shares then an impairment test will be carried out in addition to the yearly impairment test.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 €15.0 million. The maximum liability for the Company amounts to €0.7 million.

19. SUBSEQUENT EVENTS

On April 18, 2013, 3W Power announced that the Company and Dr. Horst J. Kayser have agreed by mutual consent to terminate Dr. Kayser's employment effective June 30, 2013. As part of the agreement, Dr. Kayser also stepped down from his position as member of the Board of Directors of the Company. Mr. Bruce A. Brock, currently Chairman of the Board of Directors, has been appointed CEO of the Company by the Board of Directors effective immediately. Mr. Brock will continue serving as Chairman of the Company's Board of Directors until the election of the Board of Directors at the Company's upcoming Annual General Meeting.

INDEPENDENT AUDITOR'S REPORT ON THE COMPANY FINANCIAL STATEMENTS

KPMG

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

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated May 16, 2012, we have audited the accompanying separate financial statements of 3W Power S.A., which comprise the statement of financial position as at December 31, 2012 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 84 to 95.

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 84 to 95 give a true and fair view of the financial position of 3W Power S.A. as of December 31, 2012, 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, April 23, 2013
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

RECONCILIATION OF REPORTED EBIT TO ADJUSTED EBIT

For the period ended December 31

in millions of euros	December 31		Quarter to December	
	2012	2011	Q4 2012	Q4 2011
Reported EBIT	**(186.0)**	**16.3**	**(137.1)**	**(5.3)**
Adjustments				
Amortization of intangibles on acquisition	16.7	23.3	3.6	8.9
Accelerated amortization of intangibles on acquisition	48.3	4.6	5.0	4.6
Goodwill impairment	127.0	0.0	127.0	0.0
Restructuring charge/(release)	7.4	(1.1)	4.8	0.1
Capital gain on sale of building	(1.4)	–	0.0	–
Professional consultancy and other costs	2.7	–	0.4	–
Total adjustments	**200.8**	**26.9**	**140.9**	**13.7**
Adjusted EBIT	**14.8**	**43.1**	**3.8**	**8.4**

DERIVATION OF EBITDA

For the period ended December 31

in millions of euros	December 31		Quarter to December	
	2012	2011	Q4 2012	Q4 2011
Reported EBIT	**(186.0)**	**16.3**	**(137.1)**	**(5.3)**
Depreciation and amortization charges				
Amortization of intangibles on acquisition	192.0	27.9	135.6	13.5
Depreciation charge on tangible assets	5.8	4.6	1.6	2.0
Depreciation charge on intangible assets	1.9	1.4	0.5	0.4
Other	4.6	3.6	1.6	1.9
Total depreciation and amortization charges	**204.3**	**37.5**	**139.3**	**17.8**
EBITDA	**18.3**	**53.9**	**2.2**	**12.6**

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

DERIVATION OF NORMALIZED EBITDA

For the period ended December 31

in millions of euros	December 31		Quarter to December	
	2012	2011	Q4 2012	Q4 2011
Adjusted EBIT	**14.8**	**43.1**	**3.8**	**8.4**
Depreciation and amortization charges				
Depreciation charge on tangible assets	5.8	4.6	1.5	2.0
Depreciation charge on intangible assets	1.9	1.4	0.5	0.4
Other	4.6	3.6	1.6	1.9
Total depreciation and amortization charges	**12.2**	**9.6**	**3.6**	**4.3**
Normalized EBITDA	**27.0**	**52.7**	**7.4**	**12.7**

RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME

For the period ended December 31

in millions of euros	December 31		Quarter to December	
	2012	2011	Q4 2012	Q4 2011
Reported net income	**(177.9)**	**(0.6)**	**(125.7)**	**(7.4)**
Adjustments				
Change in fair value of warrants	(0.2)	(6.0)	–	(0.7)
Regular amortization of intangibles on acquisition	16.7	23.3	3.6	8.9
Accelerated amortization of intangibles on acquisition	48.3	4.6	5.0	4.6
Goodwill impairment	127.0	0.0	127.0	0.0
Restructuring charge/(release)	7.4	(1.1)	4.8	0.0
Capital gain on sale of building	(1.4)	–	–	–
Professional consultancy and other costs	2.7	0.0	0.4	0.0
Estimate tax effect on the above	(36.6)	(9.2)	(18.4)	(5.8)
Total adjustments	**163.9**	**11.6**	**122.4**	**7.0**
Adjusted net income	**(14.0)**	**11.0**	**(3.3)**	**(0.4)**

GLOSSARY OF TERMS

Alternating Current (AC)
A type of current that alternates from positive to negative at regular intervals. AC is the standard type.

Arc furnace
A furnace that melts charged material by means of an electric arc.

Charger
Device associated with the rectifier and used to supply the battery with the electrical power (DC current) required to recharge and/or float charge the battery, thus ensuring the rated backup time.

Converter
A device that changes direct current (DC) to alternating current (AC), or a device that changes AC to DC.

Current
The flow of electricity in a circuit as expressed in amperes.

Direct current (DC)
A type of electricity where current flows in one direction, without reversal such as from a battery. Among other sources, DC is produced by photovoltaic cells.

eco^{px} hybrid power solutions
A solution manufactured by AEG Power Solutions for providing reliable direct current (DC) power to telecom equipment manufacturers and service operators provided from different renewable sources, fuel driven generators and the grid.

Electrolyzer technology
Electrolyzers passage direct electric current through an ionic substance that is either molten or dissolved in a suitable solvent, resulting in chemical reactions at the electrodes and separation of materials.

EPC
An acronym that stands for Engineering, Procurement and Construction. Under an EPC contract, the contractor designs the installation, procures the necessary materials and builds the project, either directly or by subcontracting part of the work.

Float glass
A sheet of glass made by floating molten glass on a bed of molten metal. This method gives the sheet uniform thickness and very flat surfaces.

High-efficiency rectifier
Electrical device that converts alternating current (AC) to direct current (DC) at very high efficiency level (close to 100%).

Hybrid power generation plant
An installation that allows a demand driven usage of renewable energy like wind or solar using an electrolysis process for long term storage converting electrical energy into hydrogen or gas in order to store it for later use.

International Organization for Standardization (ISO)
An international standard-setting body composed of representatives from various national standards organizations. The organization develops and issues worldwide proprietary, industrial, and commercial standards.

Inverter
A UPS (explanation see below) subassembly that recomposes a sine-wave output (regulated and without breaks) using the direct current (DC) supplied by the rectifier-charger or the battery. The primary elements of the inverter are the DC/AC converter, a regulation system and an output filter.

KVA
An acronym that stands for kilovolt amperes. This is a unit of measure of apparent power. 1 kVA = 1000 VA.

kW
An acronym that stands for kilowatt (a unit of measurement of real power). 1 kW = 1000 watts.

MWh
An acronym that stands for megawatt hour.
1 MWh = 1,000,000 Wh. It is a unit to measure real energy.

Off-grid systems
Power systems used in power generation plants that are not connected to a grid network but stand alone to supply a given area. Such plants tend to rely more and more on renewable sources of energies (wind, photovoltaic, etc.). Their power system includes storage solutions such as batteries or power-to-gas technology to bridge periods of low or no renewable energy availability.

OHSAS 18001
A British standard for occupational health and safety management systems.

On-grid systems
Systems that only generate power when the power grid is available and interface with the grid to send excess power out.

Polysilicon or **polycrystalline silicon**
A material consisting of small silicon crystals. It is a key component of solar panel construction.

Power controllers
Systems that manage electric power in a very precise and highly efficient way.

Profitec SN1
A fully analog rectifier (explanation see above) produced by AEG Power Solutions especially for requirements in the nuclear backup power sector.

Protect Blue
An uninterruptible power supply (explanation see below) device produced by AEG Power Solutions. The solution is characterized by low total cost of ownership, reduced CO_2 emissions and low energy consumption.

Protect PV
A series of various inverters for indoor and outdoor use with different capacities.

Pulse rectifier
A pulse rectifier uses high frequency switched mode technology to convert AC into DC current. Pulse rectifiers have a sinusoidal input current and only take real power from the grid.

PV Guard
The industry's most comprehensive monitoring and supervision system for photovoltaic equipment, supplied by AEG Power Solutions' skytron subsidiary.

PV power
Photovoltaic power.

skytron combiner boxes
A monitoring and control solution produced by AEG Power Solutions' subsidiary skytron.

Smart grid
The combination of technologies, services and processes to allow utility scale integration of renewable energy sources as primary source of electrical energy to stop the climate change.

Solar inverter or **PV inverter**
A type of electrical inverter that is made to change the direct current (DC) electricity from a photovoltaic array into alternating current (AC) to feed into the grid or an AC load.

Thyristor
A solid-state semiconductor device, acting as bistable switches in power control technology.

Thyro-AX
An intelligent power controller introduced by AEG Power Solutions in 2012. It is fully digital and offers numerous new features, including the industry's first touch-screen display with full graphic capability, enabling highly intuitive operations.

Thyro-P
The flagship power controller manufactured by AEG Power Solutions. With best-in-class precision and several operating and control modes to choose from, the Thyro-P sets the standard for digital SCR Power Controllers.

Thyrobox
A power-control system manufactured by AEG Power Solutions for the high power industrial production process that offers utmost reliability. The Thyrobox product family includes solutions for polysilicon ingot production (Thyrobox Si), sapphire-growing systems (Thyrobox Sa), Metal Melting Processes in Arc-Furnaces (Thyrobox-AF), voltage regulation (Thyrobox VR) and electrolysis processes (Thyrobox H2/CL).

UL
An acronym that stands for Underwriter Labatories. UL certification is a safety standard for electrical devices and components.

Uninterruptible Power Supply (UPS)
An electrical device providing an interface between the main power supply and sensitive loads (computer systems, instrumentation, etc.). The UPS supplies sinusoidal AC power free of disturbances and within strict amplitude and frequency tolerances. It is generally made up of a rectifier/charger and an inverter together with a battery for backup power in the event of a mains failure. A UPS may consist of several parallel-connected UPS units with equal output ratings (P) and each equipped with its own battery. If one unit fails, one or several of the others pick up the resulting excess load. If a UPS has a rated output n x P and is made up of n + k units, k is the level of redundancy for the entire set of n + k units.

Voltage (float)
DC voltage applied to the battery to maintain its charge level. This voltage depends on the type of battery, the number of cells and the manufacturer's recommendations.

Watt
A unit of measure for true power consumption.
Watts = VA divided by Power Factor.

May 15
Publication of Q1 2013 results

June 10
Annual General Meeting 2013

August 14
Publication of Q2 2013 results

November 12
Publication of Q3 2013 results

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

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

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

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