ANNUAL REPORT 2016

PERFORMANCE MEASUREMENT

3w power | AEG POWER SOLUTIONS

KEY PERFORMANCE INDICATORS (KPIs)

3W POWER | AEG POWER SOLUTIONS – GROUP

	December 31 (unaudited pro forma) [1]			December 31 (reported) [1]		
in millions of euros	2016*	2015	% change	2016	2015	% change
Backlog [2]	86.6	83.3	4.0%	88.1	83.3	5.7%
Orders	172.7	178.6	-3.3%	168.6	178.6	-5.6%
Revenue	165.1	177.4	-6.9%	157.8	177.4	-11.1%
Book to Bill	1.05	1.01	3.9%	1.07	1.01	6.1%
EBITDA [3]	(1.1)	(9.8)	89.0%	(0.8)	(9.8)	91.9%
% of revenue	*-0.7%*	*-5.6%*		*-0.5%*	*-5.6%*	
Normalized EBITDA	(2.9)	(4.1)	29.2%	(2.5)	(4.1)	38.8%
% of revenue	*-1.8%*	*-2.3%*		*-1.6%*	*-2.3%*	
Adjusted EBIT [4]	(8.4)	(10.3)	18.4%	(7.7)	(10.3)	25.3%
% of revenue	*-5.1%*	*-5.8%*		*-4.9%*	*-5.8%*	
Reported EBIT	(17.3)	(37.2)	53.3%	(11.9)	(37.2)	68.0%
% of revenue	*-10.5%*	*-20.9%*		*-7.5%*	*-20.9%*	
Net income	(23.2)	(41.6)	44.2%	(57.4)	(41.6)	-38.1%
Adjusted net loss	(15.3)	(17.3)	11.6%	(15.5)	(17.3)	10.4%
Results from discontinued operations	(0.1)	(0.5)	80.0%	(38.9)	(0.5)	
Earnings per share (in euros)	(0.28)	(0.50)	44.0%	(0.69)	(0.50)	38.0%
Adjusted earnings per share (in euros)	(0.18)	(0.20)	10.0%	(0.19)	(0.20)	5.0%
Cash used in operating activities	(10.5)	(9.6)		(17.8)	(9.6)	
Cash (used in)/from investing activities	5.6	(0.9)		5.7	(0.9)	
Working capital	17.4	23.3		11.6	23.3	
Cash	21.7	30.3		14.4	30.3	
Net (debt) [5]	(44.7)	(35.7)		(57.2)	(35.7)	

[1] "unaudited pro forma" includes full consolidation of AEG PS GmbH for 2016; "reported" includes consolidation of AEG PS GmbH until November 22, 2016.
[2] Backlog represents the total value of signed customer contracts on which no revenue was recognized.
[3] Earnings before interest, tax, depreciation and amortization "EBITDA"
[4] Earnings before interest and tax "EBIT"
[5] Net (debt) represents the total of cash and cash equivalents, overdrafts and short/long-term borrowings at nominal value.

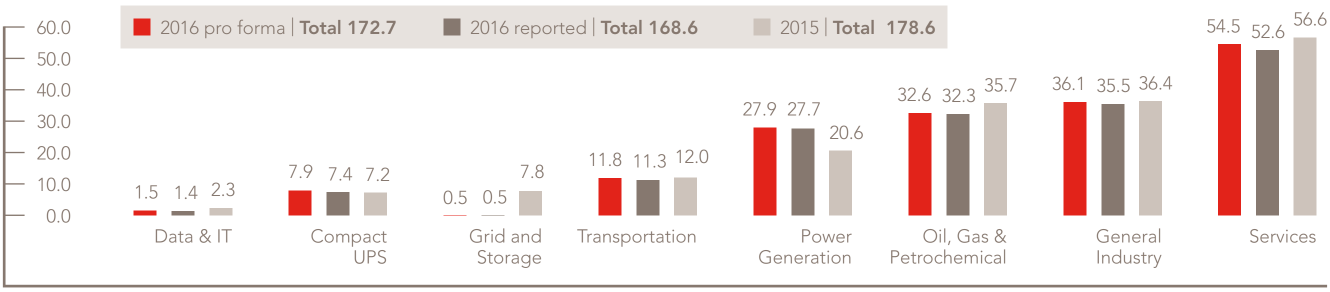
3W POWER | AEG POWER SOLUTIONS – INDUSTRIAL PRODUCTS AND SERVICES (IPS)

	December 31 (unaudited pro forma)			December 31 (reported)		
in millions of euros	2016*	2015	% change	2016	2015	% change
Backlog	86.6	83.3	4.0%	88.1	83.3	5.7%
Orders	172.7	178.6	-3.3%	168.6	178.6	-5.6%
Revenue	165.1	177.4	-6.9%	157.8	177.4	-11.1%
Book to bill	1.05	1.01	3.9%	1.07	1.01	6.1%
EBITDA	3.6	(7.1)		3.8	(7.1)	
% of revenue	*2.2%*	*-4.0%*		*2.4%*	*-4.0%*	
Normalized EBITDA	1.1	(0.5)		1.4	(0.5)	
% of revenue	*0.7%*	*-0.3%*		*0.9%*	*-0.3%*	
Reported EBIT	(7.5)	(33.9)	77.9%	(6.9)	(33.9)	79.5%
% of revenue	*-4.5%*	*-19.1%*		*-4.4%*	*-19.1%*	

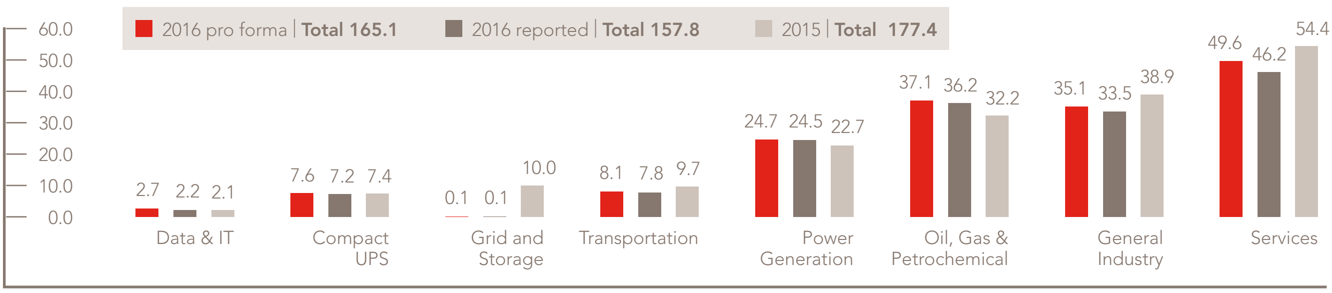
3W POWER | AEG POWER SOLUTIONS – ORDERS AND REVENUE BY GEOGRAPHICAL AREA (IPS)

	December 31 (unaudited pro forma)				December 31 (reported)			
	Orders		Revenue		Orders		Revenue	
in millions of euros	2016*	2015	2016*	2015	2016	2015	2016	2015
Europe excluding Germany	77.5	69.3	67.8	64.8	76.8	69.3	66.1	64.8
Germany	37.6	41.2	35.2	45.4	34.5	41.2	30.8	45.4
Asia	32.4	37.1	34.3	33.4	32.4	37.1	34.0	33.4
Africa/Middle East	21.2	26.1	23.0	29.0	21.0	26.1	22.8	29.0
Rest of the world	4.0	4.9	4.8	4.8	3.9	4.9	4.1	4.8
Total	**172.7**	**178.6**	**165.1**	**177.4**	**168.6**	**178.6**	**157.8**	**177.4**
Of which Products	118.2	122.0	115.5	123.0	116.0	122.0	111.6	123.0
Of which Services	54.5	56.6	49.6	54.4	52.6	56.6	46.2	54.4

ORDERS BY VERTICAL/PRODUCT GROUP in millions of euros



REVENUE BY VERTICAL/PRODUCT GROUP in millions of euros



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

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CHAIRMAN'S REVIEW

FROM KLAUS SCHULZE, CHAIRMAN OF THE BOARD OF DIRECTORS OF 3W POWER | AEG POWER SOLUTIONS.

DEAR STAKEHOLDERS IN
3W POWER | AEG POWER SOLUTIONS,

As a member of the Board of Directors since December 2013, and as its Chairman since November 2016, I look back on three challenging years of which 2016 again required strong actions throughout the Company.

We set up and empowered a highly capable operational leadership team and we enacted measures which should enable the Company to become more competitive and successful again.

Key activities focused on further enhancements to our product portfolio and to the reduction of product costs. We want to be a company that is easy to deal with for our customers and provides added-value solutions for them. This, along with a strong focus on our Services business, and together with our positioning in strong growth areas builds the opportunity for future growth beyond the market.

Unfortunately, our fixed cost structure was not yet at a level to enable profitable growth.

Therefore, in the second half of 2016, 3W Power took another major step in its restructuring process. In November 2016, the Board of 3W Power S.A. filed for a protective shield procedure for the largest subsidiary, AEG Power Solutions GmbH, Warstein-Belecke, Germany. This was done to further streamline operations, increase profitability and more closely align global Group functions with the intent to improve the work processes from the customer to production and vice versa.

This was possible thanks to the continued financial support of our biggest share- and bondholders. The Board and the majority of the employees viewed that as a sign of continued faith and trust to make the targeted turnaround happen.

We are fully aware that we still have a tough way to go before we enter into a more stable situation for the good of all share- and bondholders, employees, customers and suppliers.

Klaus Schulze, Chairman of the Board of Directors of 3W Power | AEG Power Solutions, leads the Company with his extensive experience and a strong focus on regaining profitability.

As the Chairman of this Company I will continue to put emphasis on getting back to a sustainable profitability. In addition, we will focus on new products and businesses by building on the comprehensive expertise of all our engineers and experts.

As the Board of Directors, we actively and constructively monitor and support all strategic and operational steps and measures. We are convinced that, with the support of everyone now on board 3W Power | AEG Power Solutions will succeed in achieving its goals. I am positive about our Company's future. The entire team, from management to every single employee, is united in order to achieve sustainable and profitable growth. This forms a sound basis from which we can create a brighter future.

I would like to thank you, our stakeholders, for your support and commitment. I would be delighted if you would continue to place your trust in us and join us on our future course.

Yours faithfully,

Klaus Schulze
Chairman of the Board of Directors

LETTER TO STAKEHOLDERS

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

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

Over the past three years, AEG PS has made great progress on its path to becoming a sustainably profitable and growing enterprise. Despite numerous difficulties, the Company has continued to reduce its fixed costs, improve and upgrade talent, fill many positions in its top management team and build its order book. We reduced our headcount and improved efficiency from 992 employees (end of 2015) to 811 at the end of 2016.

In the year under report, the Company took two key steps to strengthen the position of 3W Power in the long term. In February 2016, we successfully sold two non-core assets, namely Fluxpower GmbH and Primetech s.r.l. This sale enabled us to offer a repurchase invitation of €4.7 million to bondholders, enabling us to reduce our principal debt to approximately €45 million.

In the second half of 2016, we were confronted with a lack of working capital at our 3W Power subsidiary in Warstein-Belecke, Germany. In view of this, the Board of 3W Power S.A. decided in November 2016 to file for protective shield and debt-or-in-possession proceedings for its loss-making subsidiary AEG Power Solutions GmbH, Warstein-Belecke, Germany. The protective shield proceedings should enable additional restructuring measures to be completed at the German subsidiary. These are intended in particular to further streamline the subsidiary's operations, increase its profitability, and restructure its assets and liabilities. Our business activities at AEG Power Solutions and the German subsidiary have continued and will continue as usual.

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

I believe that the protective shield will bring positive results – and am convinced by the Company as a whole and by our products. Our core business of Uninterruptable Power Supply (UPS) is a crucial application for critical infrastructure: it protects lives, data, and the environment. Very few other companies have the legacy, reputation and track record which AEG PS can point to. Not only that, we have continuously and successfully worked on our service activities and will be focusing even more closely on this part of the business.

Cultures sit deep and performance takes time to change. This will remain the case for some time to come. Having said this, 2016 marked a fundamental break with the past. Progress is never fast enough, and we can certainly do better and achieve more.

Group financial results for 2016 on a pro forma unaudited basis

By rationalizing its business focus, the Group reduced its orders and revenue but increased its EBITDA by 89% in 2016. Orders decreased by 3.3% to €172.6 million (2015: €176.6 million) and revenue declined by 6.9% to €165.1 million (2015: €177.4 million).

While still negative (-€2.9 million), normalized EBITDA increased by 29.2% (2015: -€4.1 million). Even though this development was partly cyclical, it nevertheless shows that we are heading in the right direction.

As stated in previous statements, normalized EBITDA improved throughout the year as our costs continued to fall and the order book turned to revenue. This way, we moved closer to our goal of sustainably improving the Company's performance in its core business. We continue to see tremendous potential in energy storage applications and expect to see growth in related services.

Outlook

We are far from satisfied with our results for the year under report and still have some way to go to achieve our stated goals. The protective shield proceedings, which solely relate to the German subsidiary, were completed on May 2, 2017.

We expect to see further improvements. Revenue should end in the range of €160 million in 2017 and move towards €180 million in the following year. This assumes that the planned cost savings are implemented. To effect these changes, up to €15 million of new financing will be required. Of these funds, €7.5 million is already in place in the form of a new revolving credit facility at Group level, while €7.5 million of additional financing for the German subsidiary was recently finalized.

I would like to thank all stakeholders for sharing my ongoing confidence in 3W Power | AEG Power Solutions. In a nutshell, we have substantially reduced our risk and simplified and improved our core operations. All this marks a turning point and we can now expect to improve our business performance and then offer a far brighter outlook in future.

Yours faithfully,

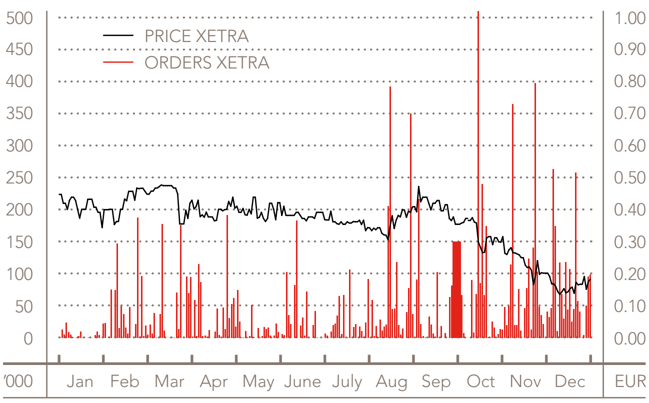
Jeffrey Casper
CEO

OUR SHARES

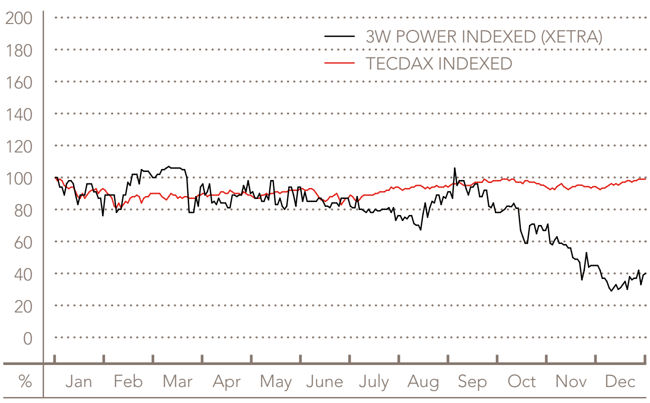
SHARE PRICE PERFORMANCE

Global stock markets were volatile in the year under report and the German capital markets were no exception. The DAX, Germany's lead index, fell by more than 7.0% in the first quarter of 2016. It then benefited in the second quarter from a turnaround supported by central banks. European stock markets came under pressure due to two factors in particular – falling crude oil prices and the great uncertainty surrounding global economic developments. The fall in crude oil prices exerted pressure on all producer countries, leading to fears that this would reduce Germany's exports to numerous emerging economies. Market players were concerned in particular by weak growth in the Chinese economy, where gross domestic product grew by only 7.0% in the second quarter of 2016. Alongside this factor, geopolitical risks have also increased worldwide. The conflicts in the Middle East, the UK referendum in June 2016, which led investors to withdraw and await further developments, terrorist attacks in Paris, Brussels, and Istanbul, further negotiations on the solvency of Greece and the stability of the European Union in the wake of the refugee crisis – all these factors increased insecurity among capital market players in the first two quarters.

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



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



From January 1 to December 31, 2016

At the beginning of the third quarter, the share market was affected by the uncertainty surrounding the Italian banking system and posted a decline. Assisted by loose monetary policy on the part of the Japanese and US central banks, the market recovered slightly as the quarter progressed. The last quarter of 2016 also brought share price volatility, in this case resulting from the uncertainty about the US presidential election in November and the Italian referendum on constitutional amendments. Despite these developments, the DAX closed the year at 11,481 points, corresponding to a substantial increase of 6.9 percent. Among other factors, this growth was driven by positive economic data from the US and Europe and by the ongoing climate of low interest rates. The TecDAX, which includes Germany's 30 largest listed high-tech companies, performed roughly in line with the DAX through to the summer, but did not suffer any comparable prolonged period of decline through the summer months.

The 3W Power share performed in line with the developments outlined above in the first half 2016, albeit with greater volatility. In the second half of 2016, the share price did not perform in line with the overall market and reached its period low at €0.13 on December 9. The share price recovered at least some of its losses in the final days of the year and was listed at €0.18 on December 30. The rapid fall in the share price in the second half of 2016 was mainly triggered by investors reacting to the Company's decision to file for protective shield and debtor-in-possession proceedings for its loss-making subsidiary AEG Power Solutions GmbH, Warstein-Belecke, Germany.

Xetra trading volumes in 3W Power shares totaled around 11.2 million in 2016, corresponding to an average daily turnover of more than 44,000 shares. This level of liquidity is important, especially for institutional investors who need high turnover volumes to facilitate the placement of large orders.

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

3W Power sold two non-core assets in February 2016 (Fluxpower GmbH and Primetech s.r.l.). Of the net proceeds, an amount of €5.0 million was used to redeem long-term debt. By way of a prorated tender offer in March 2016, the principal amount of the corporate bond (senior bond) was reduced from €50.0 million to €45.0 million. In addition, 3W Power reduced its interest charge by up to €1.7 million through to 2019. This disposal further improved the balance sheet, while also reducing operating risks due to the ongoing process of simplifying business activities and enhancing the Company's focus. All in all, the Group has reduced its debt and gained added momentum to build a successful business in its core markets of critical infrastructure. This is confirmed in the guidance issued by the Group in its 2016 business outlook.

SHARE INFORMATION

ISIN	LU1072910919
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main, Germany
Symbol	3W9K
Reuters symbol	3W9K.F
Designated sponsor	ODDO SEYDLER BANK AG
High in 2016	€0.48 (March 11, 2016)
Low in 2016	€0.13 (December 9, 2016)
Closing price on December 30, 2016	€0.18
Market capitalization on December 30, 2016	€15.07 million
Number of shares outstanding	83,703,703

Source: Deutsche Börse

FILE FOR PROTECTIVE SHIELD

In the second half of 2016, 3W Power/AEG PS was confronted with a lack of working capital at its 3W Power subsidiary in Warstein-Belecke, Germany. This shortage led to decreasing order volumes as the Company was unable to take advantage of new opportunities and accept new contracts within the market. In view of this, the Board of 3W Power S.A. decided in November 2016 to file for protective shield and debtor-in-possession proceedings for its loss-making subsidiary AEG Power Solutions GmbH, Warstein-Belecke, Germany. The protective shield proceedings should enable additional restructuring measures to be completed at the German subsidiary. These are intended in particular to further streamline the subsidiary's operations, increase its profitability, and restructure its assets and liabilities. In addition, this approach should accelerate the process already begun in 2014 of refocusing all of the subsidiary's activities on its core industrial business. To support this restructuring program, the Board invited holders of the 2014/2019 (ISIN DE000A1ZJZB9) and 2015/2020 (ISIN DE000A1Z9U50) bonds to vote on amending the terms and conditions of the respective bonds. The bondholders voted in favor of these amendments and thus supported the process of leveraging the potential harbored by AEG Power Solutions Group.

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

INVESTOR RELATIONS

3W Power maintains an ongoing dialog with its shareholders and the capital markets. The Company's investor relations activities ensure that the general public is kept informed at all times of financially relevant developments and that all necessary information is provided to institutional and retail investors alike. As 3W Power is committed to informing its stakeholders of all key developments in its performance and strategy, investor relations staff are at all times available to assist any interested parties. This way, investor relations acts as an essential link between the Company's management and the capital markets. Like the financial reports published in the past, this report also contains information that goes beyond statutory disclosure requirements.

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

CORPORATE EVENTS

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

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

AEG PS is a world provider of power electronics. It offers product and services portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of oil and gas, transportation, power generation, data and IT, grid and storage solutions and general industrial sectors.

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

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

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

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

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

On August 26, 2014, the Company:

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

On August 29, 2014, the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the Notes exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bondholders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJZB9/WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term, up to the maximum of 12.0%.

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

On November 18, 2014, the Board of Directors announced the appointment of Jeffrey Casper as Chief Executive Officer of the Group.

At the extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On October 5, 2015, the bondholders approved a change in the terms and conditions of the €50.0 million corporate bond (DE000A1ZJZB9) with a majority of 99.97 percent to enable the issuance on November 9, 2015, of a €14.0 million convertible bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

On April 15, 2016, the Company repurchased €4.7 million of the corporate bonds, reducing the the bond payable to €45.3 million.

On November 23, 2016, the main shareholders, the bondholders of the convertible bond and the main bondholders of the 2014/2019 bond entered into a restructuring agreement. This restructuring agreement requires principal shareholders and bondholders to be supportive to amendments to the terms and conditions of 3W Power's 2014/2019 bonds and the 2015/2020 convertible bond.

On December 21, 2016, the noteholders of the 2015/2020 convertible bond (ISIN: DE000A1Z9U50) have agreed with the required majority to the amendments proposed by the Company to the bond's terms and conditions. Requests included (i) interest payments at the end of maturity date, (ii) approval of fresh capital, and (iii) other changes inclusive the increase in interest to 9.5% as from November 2016 onwards.

The noteholders of the 3W Power's 2014/2019 bonds will meet on January 5, 2017, to approve the above-mentioned amendments.

On December 23, 2016, the Company entered into a working capital Facility agreement of €7.5 million with Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. This is a fully secured, super senior debt, short-term, interest is at 9.5% and is in arears monthly payable.

OPERATING SEGMENTS

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

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2017.

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

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

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

NON CURRENT ASSETS HELD FOR SALE/ DISCONTINUED OPERATIONS

Included in results of discontinued operations is the subsequent loss resulting from the liquidation of AEG Power Solutions (France) S.A.S. (July 16, 2014), the closing down of Richardson (April 2014) and the sale of the Indian subsidiary to TMEIC.

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

Assets and liabilities of these two referred affiliates have been presented as assets and liabilities held for sale as at December 31, 2015.

On November 22, 2016, the German subsidiary AEG PS GmbH at Warstein-Belecke entered into a protective shield proceedings in self-administration to reorganize, streamline its operation, and restructure legacy liabilities.

Through the protective shield proceedings the control for AEG PS GmbH went to the Credit Committee, however Group Management, together with local management, remained responsible for the day-to-day business. Any important decisions, resulting in cash outflows or decreasing the financial position should be approved by the Credit Committee. As such the control was ceased, but significant influence remained. The Group owns 100% of the shares in AEG PS GmbH.

As per November 22, 2016, the German entity was deconsolidated and reported as "associate". The investment was re-measured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying value for the purpose of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities.

On May 2, 2017, the local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceeding. Following this expected positive court verdict, the Group re-obtained full control of the 100% shares in AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards.

This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss (see also note 7).

The income for the period November 23 until December 31, 2016 has been recognized in the share of net profit of associates for using the equity method.

All other assets and liabilities which are directly related to the German business activity have been deconsolidated and were included in the loss from discontinued operations.

GROUP AND SEGMENT FINANCIAL REVIEW

KEY FIGURES FOR THE YEAR ENDED DECEMBER 2016 (UNAUDITED PRO FORMA)[1]

	Orders		Revenue		Adjusted EBIT[2, 3]		EBITDA[4]		Normalized EBITDA	
in millions of euros	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Industrial Products and Services (IPS)	172.7	178.6	165.1	177.4	(4.4)	(6.5)	3.6	(7.1)	1.1	(0.5)
% of revenue					*-2.6%*	*-3.7%*	*2.2%*	*-4.0%*	*0.7%*	*-0.3%*
Unallocated	–	–	–	–	(4.1)	(3.8)	(4.7)	(2.7)	(4.0)	(3.6)
Total	**172.7**	**178.6**	**165.1**	**177.4**	**(8.4)**	**(10.3)**	**(1.1)**	**(9.8)**	**(2.9)**	**(4.1)**
% of revenue					*-5.1%*	*-5.8%*	*-0.7%*	*-5.6%*	*-1.8%*	*-2.3%*

1 "unaudited pro forma" includes full consolidation of AEG PS GmbH for 2016.
2 Earnings before interest and tax "EBIT"
3 The Group has significant non-cash charges resulting from the amortization of intangible assets arising on the acquisition of AEG PS. Therefore, in addition to EBIT and net income, the Group also reports adjusted EBIT and adjusted net income. Adjusted EBIT is EBIT adjusted for the amortization of intangibles on acquisition. Adjusted net income is net income adjusted for the amortization of intangibles on acquisition, the change in the value of warrants and the estimated tax effects of these (see Appendix page 90).
4 Earnings before interest, tax, depreciation and amortization "EBITDA"

KEY FIGURES FOR THE YEAR ENDED DECEMBER 2016 (REPORTED)[1]

	Orders		Revenue		Adjusted EBIT[2, 3]		EBITDA[4]		Normalized EBITDA	
in millions of euros	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Industrial Products and Services (IPS)	168.6	178.6	157.8	177.4	(3.7)	(6.5)	3.8	(7.1)	1.4	(0.5)
% of revenue					*-2.4%*	*-3.7%*	*2.4%*	*-4.0%*	*0.9%*	*-0.3%*
Unallocated	–	–	–	–	(4.0)	(3.8)	(4.6)	(2.7)	(3.9)	(3.6)
Total	**168.8**	**178.6**	**157.8**	**177.4**	**(7.7)**	**(10.3)**	**(0.8)**	**(9.8)**	**(2.5)**	**(4.1)**
% of revenue					*-4.9%*	*-5.8%*	*-0.5%*	*-5.6%*	*-1.6%*	*-2.3%*

1 "reported" includes consolidation of AEG PS GmbH until November 22, 2016.
2 Earnings before interest and tax "EBIT"
3 The Group has significant non-cash charges resulting from the amortization of intangible assets arising on the acquisition of AEG PS. Therefore, in addition to EBIT and net income, the Group also reports adjusted EBIT and adjusted net income. Adjusted EBIT is EBIT adjusted for the amortization of intangibles on acquisition. Adjusted net income is net income adjusted for the amortization of intangibles on acquisition, the change in the value of warrants and the estimated tax effects of these (see Appendix page 90).
4 Earnings before interest, tax, depreciation and amortization "EBITDA"

The Company ended the year with a reported revenue of €157.8 million, on a pro forma basis €165.1 million, and on a pro forma, like-for-like basis (excluding Primetech s.r.l. and Fluxpower GmbH) at €164.7 million (2015: €168.7 million).

The Group's core industrial business revenue was on a pro forma basis €95.1 million, which was close to last year revenue of €95.3 million. However, compared to 2015, we noticed a remarkable change in the product mix. More systems sold to end customers in the Power Generation segment and less products sold to end customers in the Oil & Gas segment.

On a pro forma and like-for-like basis:

- revenue for POC and Solar activities fell by €5.5 million to a total of €10.2 million compared to €15.7 million in 2015;
- revenue for Compact/Data & IT increased in 2016 to €10.2 million compared to €8.7million in 2015;
- revenue for Services remained stable at €49.3 million in 2016 compared to €49.1 million in 2015.

In reference to the revenue in the reported financials, Industrial core business ended 2016 at €92.2 million (2015: €95.3 million), Compact/Data & IT business at €9.5 million (2015: €12.0 million), Legacy business at €10.0 million (2015: €15.7 million), and Services at €46.2 million (2015: €54.4 million).

Orders for the year 2016 ended at €168.6 million (pro forma €172.7 million), and on a pro forma like-for-like basis at €171.9 million (2015: €169.9 million).

Orders in the Group's core industrial business (pro forma and on a-like-for-like basis) increased in 2016 with €4.7 million to €100.8 million compared to €96.1 million in 2015. The aforementioned effect of more end customer business in the Power Generation segment attributed to this growth.

On a similar measurement orders in the Compact/Data & IT business remained stable at €9.4 million, and orders in grid and Storage business reported a drop of €5.5 million.

Services reported an increase of €2.7 million to €53.9 million, compared to €51.2 million in 2015.

In reference to the order intake in the reported financials, the industrial business ended 2016 at €99.4 million (2015: €96.2 million), Compact/Data & IT business at €9.1 million (2015: €12.6 million), Legacy business at €7.6 million (2015: €13.2 million), and Services at €52.6 million (2015: €56.6 million).

Approximately 31.5% of 2016 (2015: 31.7%) total order and 30.0% (2015: 30.7%) of revenue value is generated in the vertical Services. Services is concentrated across Germany and the rest of Europe. In Asia Pacific and Africa/Middle East the Group is re-enforcing its presence.

Oil and Gas, Power Generation and Transportation are by far our largest vertical segments. In 2016 these segments accounted for in orders 41.9% (2015: 38.2.%) and in revenue 42.3% (2015: 36.5%) of our total business.

The verticals General industry, Grid & Storage and Compact/ Data & IT account for the remaining 26.6% (2015: 30.1%) in orders and 27.7% (2015: 32.9%) in revenue. Included in General Industry are legacy businesses (POC, Solar and DCT). These businesses show a declining order intake and revenue recognition compared to previous years.

The order intake by region revealed an increase in business in Europe excluding Germany, all other regions reported a decrease in orders compared to 2015. Europe excluding Germany, and Asia reported an increase in revenue, all other regions reported a drop in revenue compared to 2015. This pattern was influenced by the Germany business activity and the resulting protective shield proceedings.

The total of restructuring measures taken resulted into a lower operating expense and therefore contributed to a significant reduction in EBITDA loss. The capital gain following the sale of Fluxpower GmbH and Primetech s.r.l. offset this reduction. Total Group EBITDA of negative €1.1 million adjusted to negative €2.9 million on a pro forma basis, and negative €0.8 million adjusted to negative €2.5 million on a reported basis compared to negative €4.1 million in 2015.

EBITDA for IPS includes for 2015 some upsides due to release of prior-year provisions:

- Reversal of €0.6 million bad debt allowance on its historic major customer in Polysilicon;
- Reversal of €2.4 million in inventory provision due to the sale of slow moving/obsolete products (mainly Solar).

EBITDA for IPS was in 2016 positively affected by the Capital gain of €4.9 million resulting from the sale of Fluxpower GmbH and Primetech s.r.l. to Legrand and negatively impacted by restructuring measures (pro forma €1.6 million; reported €1.7 million) and the bad debt provision for a receivable on our South African partner caused by an irregular liquidity problem of an intermediate trading bank.

In 2015, EBITDA for IPS was positively affected by the €1.0 million capital gain resulting from the completion of the earn-out condition following the sale of the POC Modules business to Advanced Energies Industries, and was negatively impacted by €7.5 million restructuring measures.

EBITDA for Unallocated was negative €4.7 million, compared to negative €2.7 million in 2015, which is on a normalized basis a small increase of €0.4 million and is explained by the increase in costs of the executive management team.

One-time charges represent payments made to outside parties which were based on dubious instructions received through scam e-mails in our Singapore offices. Management is pursuing different actions to recover the funds.

For 2016, the Group reports on a pro forma basis an adjusted EBITDA of negative €2.9 million, a €2.1 million reduction in losses compared to 2015. Change in product mix, significant reduction in operating expenses, offset by one-time proceeds and restructuring cost are the main drivers.

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

UNAUDITED PRO FORMA	2016			2015		
in millions of euros	IPS	Unallocated	Group	IPS	Unallocated	Group
Reported EBITDA	3.6	(4.7)	(1.1)	(7.1)	(2.7)	(9.8)
Capital gain	(4.9)	–	(4.9)	(1.0)	–	(1.0)
One-time restructuring charges	1.6	–	1.6	7.5	(0.8)	6.7
Other one-time charges	0.8	0.7	1.5	0.1	(0.1)	–
EBITDA after adjustment	**1.1**	**(4.0)**	**(2.9)**	**(0.5)**	**(3.6)**	**(4.1)**

REPORTED	2016			2015		
in millions of euros	IPS	Unallocated	Group	IPS	Unallocated	Group
Reported EBITDA	3.8	(4.5)	(0.8)	(7.1)	(2.7)	(9.8)
Capital gain	(4.9)	–	(4.9)	(1.0)	–	(1.0)
One-time restructuring charges	1.7	–	1.7	7.5	(0.8)	6.7
Other one-time charges	0.8	0.7	1.5	0.1	(0.1)	–
EBITDA after adjustment	**1.4**	**(3.9)**	**(2.5)**	**(0.5)**	**(3.6)**	**(4.1)**

The following table reports the 2016 operational results as if AEG PS GmbH would have been consolidated for the full year 2016 ("pro forma") and the effect of included in the consolidated numbers until November 22, 2016 ("reported").

CONSOLIDATED STATEMENT OF INCOME

in thousands of euros	2016 unaudited pro forma	2016 reported	2015 actual
Revenue	165,112	157,789	177,391
Cost of sales	(132,599)	(126,308)	(141,869)
Gross profit	**32,513**	**31,481**	**35,522**
% of revenue	*19.7%*	*20.0%*	*20.0%*
SG&A expenses	(34,868)	(33,637)	(40,057)
R&D expenses	(9,816)	(9,308)	(9,007)
Other income/(expense)	(5,166)	(408)	(23,609)
EBIT	**(17,337)**	**(11,872)**	**(37,151)**
Net finance (costs)/income	(10,098)	(10,050)	(7,177)
Share of net profit of the associate	–	357	–
(Loss)/income before tax	**(27,435)**	**(21,565)**	**(44,328)**
Income tax (charge)/benefit	4,321	3,027	3,200
(Loss)/income from continued operations	**(23,114)**	**(18,538)**	**(41,128)**
Loss from discontinued operations and deconsolidation of AEG PS GmbH	(96)	(38,892)	(467)
Net (loss)/income	**(23,210)**	**(57,430)**	**(41,595)**

Gross margin
Group gross margin in 2016 was 19.7%, compared to 20.0% in 2015.

The Group margin was impacted by the business mix. As earlier referred to, the Group had a significant increase in products sold to end customers in the Power Generation segment which contain a high battery content at lower margins. In general we do conclude that business in Middle East is quite suffering from price reductions following the heavy competition on critical infrastructure projects.

In 2016, fixed costs of operations reduced with approximately €2.1 million compared to 2015, the restructuring measures taken in France and Germany were by far the largest contributor.

In 2016, the sum of bad debt, warranty- and inventory provisions was negative €1.1 million compared to positive €0.2 million in 2015. In 2015, bad debt and warranty provisions had a positive effect of one-time reversal (the €0.6 million bad debt allowance on the historic main RES customer), in total these provisions represent less than 1.0% of total revenue.

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

UNAUDITED PRO FORMA

in millions of euros	2016	2015
Gross R&D spending	5.7	5.2
% of revenue	*3.5%*	*2.9%*
Capitalized amounts	(0.7)	(1.2)
Amortization and impairment on capitalized amounts	2.2	2.3
Amortization and impairment of intangibles on acquisition	2.6	2.7
Net R&D costs	**9.8**	**9.0**

REPORTED

in millions of euros	2016	2015
Gross R&D spending	5.4	5.2
% of revenue	*3.4%*	*2.9%*
Capitalized amounts	(0.7)	(1.2)
Amortization and impairment on capitalized amounts	2.0	2.3
Amortization and impairment of intangibles on acquisition	2.6	2.7
Net R&D costs	**9.3**	**9.0**

The main focus was on the extension of the existing technology platforms in the industrial and Data and IT market as well as on the required cost reduction in our overall product portfolio. In order to achieve these objectives, the Group increased the number of product management functions.

R&D efforts have been made on functions and features of the Protect Blue Data IT UPS, standardization and upgrade of the Protect 8 UPS and the Protect-RCS platforms, the high-power chargers and the UL certification of key products.

Selling, general and administrative expenses (SG&A)
SG&A expenses were reduced by €5.2 million on a pro forma basis, down 12.9% year-on-year, through sale of assets, restructuring measures in the German subsidiary in Warstein-Belecke and the French subsidiary in Tours, elimination of central functions, adverse impacts of exchange rates, lower bonuses and related social charges and savings from tariff negotiations with the unions in Warstein-Belecke.

Other expenses (net)
Other expenses decreased from negative €23.6 million in 2015 to negative €5.2 million on a pro forma basis in 2016. In 2016, a capital gain was recorded of €4.9 million following the sale of Fluxpower GmbH and Primetech s.r.l. to Legrand. In 2015, the related cash earn-out of €1.0 million was recognized for the sale of the POC Modules business to Advanced Energies.

Net restructuring costs in 2016 amounted to €1.6 million on a pro forma basis, (2015: €6.7 million).

In 2016, restructuring measures were taken across all affiliates. The French restructuring measures announced in 2015 took longer as expected and costs were differently than planned. In the net 2016 restructuring expense a total release of €0.8 million is included in the pro forma results (reported €0.5 million).

Following the deconsolidation of Germany, an accelerated amortization charge of €4.9 million was recorded on the building in Germany at Warstein-Belecke. This charge is only included in the 2016 pro forma results.

Amortization charges and accelerated amortization charges on intangibles from the acquisition of AEG PS in 2009 were €2.0 million and €0.2 million respectively (2015: €2.9 million and €4.0 million). Upon the completion of the sale of Fluxpower GmbH an impairment charge of €0.7 million for goodwill was recognized (2015: included in assets held for sale).

At December 31, 2016 goodwill is fully impaired (2015: €11.2 million impairment charge for goodwill was recognized).

Net financial income/(cost)
In 2016, the Company reported a net financial loss of €10.0 million compared to €7.2 million loss in 2015.

The increase of €2.8 million loss in 2016 relates to €2.3 million increase in interest expense on notes payable following the 2% increase in the interest on the €45.3 million bond loan, and the full year effect of €0.8 million interest expense on the €14.0 million convertible bond loan.

The Company has no foreign currency instruments in place to mitigate exposure to exchange rates. The change in value in foreign exchange income/losses is a non-cash item. It relates primarily to the revaluation of euro-denominated loan and non-trade intercompany balances between AEG Holding B.V. and non-euro affiliates. For 2016, the Group had a €0.4 million temporary exchange loss on transactions (2015: gain of €0.2 million).

Taxation
The tax benefit for 2016 of €3.0 million (2015: tax benefit of €3.2 million) comprises of a €0.4 million tax benefit (2015: charge of €0.3 million) and a €2.6 million benefit (2015: €3.5 million) in deferred tax. The tax benefit in 2016 is based on the reduction in deferred tax assets.

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.

Impact of deconsolidation of AEG PS GmbH
The following tables report the deconsolidation effect of AEG PS GmbH in the consolidated statement of financial position.

STATEMENT OF FINANCIAL POSITION
AEG PS GMBH

In thousands of euros	2016 Nov 22	2015 Dec 31
Property, plant and equipment	12,315	13,722
Intangible assets	891	1,858
Other financial assets	1,548	1,130
Deferred tax assets	10,415	7,986
Total non-current assets	**25,169**	**24,696**
Inventories	16,149	13,956
Trade and other receivables	10,471	14,262
Loans	5,150	5,250
Other current assets	23,916	23,827
Prepayments	530	174
Cash and cash equivalents	5,285	8,803
Total current assets	**61,501**	**66,272**
Total assets	**86,670**	**90,968**
Equity	**33,884**	**36,818**
Retirement benefit obligation	26,534	24,542
Provisions	3,097	4,124
Deferred tax liabilities	2,151	1,733
Total non-current liabilities	**31,782**	**30,399**
Trade and other payables	5,971	5,762
Other liabilities	12,424	9,102
Deferred income	875	2,236
Provisions	1,734	6,651
Total current liabilities	**21,004**	**23,751**
Total liabilities	**52,786**	**54,150**
Total equity and liabilities	**86,670**	**90,968**

On Group level the following assets and liabilities were included in the deconsolidation effect of AEG PS GmbH.

In thousands of euros		
Property, plant and equipment	1,067	–
Intangible assets	10,606	–
Deferred tax liabilities	(2,398)	–
Total non-curent assets and liabilities	**9,275**	**–**

Non-current assets
Expenditure on tangible fixed assets (capex) in the year 2016 was €0.8 million, which is similar to 2015 level. The 2016 depreciation charge was €2.8 million. On Group level a net book value of €1.1 million in property, plant and equipment was deconsolidated following the deconsolidation of AEG PS GmbH.

Additions to intangible assets in the year amounted to €0.8 million (2015: €1.7 million) of which €0.7 million related to capitalized R&D (2015: €1.2 million) and €0.1 million to software costs (2015: €0.5 million).

On Group level, a net book value of €10.6 million in intangible assets was deconsolidated following the deconsolidation of AEG PS GmbH.

The 2016 amortization charge on intangibles acquired on acquisition of AEG PS was €4.9 million. Goodwill was amortized by €0.7 million following the sale of Fluxpower GmbH.

Amortization charges of €2.0 million were recognized on the Group's Capitalized R&D projects.

Net deferred tax assets decreased from €4.8 million to €1.6 million following the regular amortization charges and the deconsolidation effect of Germany related to PPA intangibles (customers, technology and real estate), and the deconsolidation of AEG PS GmbH (real estate and retirement benefit obligations).

AEG PS GmbH was recognized at year-end for a consideration value of €11.1 million through the recognition of an investment accounted for using the equity method.

Current assets
Excluding cash, current assets decreased from €81.9 million to €58.8 million. Included in 2016 current assets are the year-end 2016 receivable balances with AEG PS GmbH for an amount of €6.8 million. Besides the deconsolidation effect of €27.1 million on AEG PS GmbH, the lower gross volume and the sale of Fluxpower GmbH and Primetech s.r.l. were the main driver for this reduction.

Cash and cash equivalents including overdrafts reduced by €16.8 million to €14.4 million. Adjusted for the deconsolidation of AEG PS GmbH, cash reduced by €9.5 million to €21.7 million. The corresponding reported free cash flow from operations was €16.0 million negative, (on a pro forma basis €8.6 million negative), (2015: €12.3 million negative). During 2016, €3.7 million interest was paid on the bonds (2015: €1.5 million). The cash includes the proceeds of the €3.5 million super senior secured debt (Facility agreement) and the €4.7 million repayment on the €50.0 million bond loan. The Group increased its other short-term debt by €0.4 million.

Current liabilities
Current liabilities increased from €70.8 million to €123.7 million. The notes payable of €39.9 million (nominal €45.3 million) have been reported as per December 31, 2016, as short-term, following the breach of the covenants, resulting from the protective shield proceedings. A waiver was obtained as per January 5, 2017, for this covenant and as such the Notes will be classified as non-current as from that date again.

Besides the net deconsolidation effect of €14.7 million on AEG PS GmbH, short-term debt increased by €3.5 million following the Facility agreement, discounted receivables (factoring) increased by €0.7 million. These increases were offset by a €2.7 million reduction in the overdraft position. Deferred income (advance payments received) reduced by €2.8 million.

Provisions reduced by €7.9 million due to the net effect of €8.5 million of severance payments during 2016, and the newly created net restructuring reserves of €1.7 million and the €1.7 million deconsolidation effect of on AEG PS GmbH.

Total liability held for sale was reduced to zero due to the completed sale of Fluxpower GmbH and Primetech s.r.l.

Non-current liabilities
Non-current liabilities reduced by €69.1 million in the year. Adjusted for the deconsolidation effect of €29.6 million (mainly in retirement benefit obligation and IT provisions) and the reclass of the €39.9 million note payable, a net decrease occurred of €0.4 million.

Equity
Total equity at the end of 2016 was negative €44.5 million; a decrease of €52.1 million compared to 2015. Net loss after tax amounts to €57.4 million and includes the impairment and amortization of intangibles on acquisition (and related tax effects) and the effect of one-off costs. Excluding these, the Group would have reported an estimated net loss of €15.5 million (see Appendix page 90).

€4.9 million is directly recognized in other equity as an element of the €14.0 million convertible bond loan and is not subject to further re-measurement.

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

OUTLOOK

We are far from satisfied with our results for the year under report and still have some way to go to achieve our stated goals. The protective shield proceedings, which solely relate to the German subsidiary, were completed on May 2, 2017. We expect to see further improvements. Revenue should end in the range of €160 million in 2017 and move towards €180 million in the following year. This assumes that the planned cost savings are implemented. To effect these changes, up to €15 million of new financing will be required. Of these funds, €7.5 million is already in place in the form of a new revolving credit facility at Group level, while €7.5 million of additional financing for the German subsidiary was recently finalized.

RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2016, 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 32 of the consolidated financial statements.

CORPORATE GOVERNANCE

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

3W Power S.A. (formerly 3W Power Holdings S.A.) is a limited Company organized under the laws of Luxembourg. The Company has an authorized share capital of €1,500,000.00 consisting of 150,000,000.00 shares and an issued share capital of €837,037.03 consisting of 83,703,703.00 shares without a nominal value of €0.01 each. As of the end of the 2016 financial year, the share capital consisted solely of ordinary shares which are listed on the Deutsche Börse Frankfurt.

As a Luxembourg company, we make every effort to fully comply with the letter and spirit of Luxembourg corporate requirements, including standards of governance and responsibility towards all its stakeholders.

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 the Board of Directors and published in the Mémorial C, Recueil des Sociétés et Associations and in a Luxembourg newspaper. The Chairman of a shareholder meeting is a Director or, in the absence of any Director, a shareholder chosen by the general meeting.

Issuance of new shares within the Company's authorized share capital is decided by the Board of Directors of the Company. The authorized share capital of the Company is €1,500,000.00. During a period of five years from the publication of the Articles of Association, the Board of Directors is authorized to issue shares within the authorized share capital of the Company subject to the conditions set out in the Articles of Association.

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

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

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

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

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

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

Board of Directors
Under the Articles of Association of the Company, the Board of Directors consists of at least four members, with no maximum number. The members of the Board are appointed and revoked by ordinary resolution of the shareholders. The Board of Directors may also appoint Directors to fill vacancies on the Board who will hold office only until the next Annual General Meeting and then be eligible for election. During the 2016 financial year, Messrs. Dr. D. Wolfertz, W. Loose, K. Schulze, K. Corbin, B. Luft and J. Casper were appointed to the Board of Directors. To rotate the burden and privilege of chairmanship in challenging times, the Board, in a meeting on November 21, 2016, voted that Klaus Schulze assume chairmanship of the board from Dr. Dirk Wolfertz. Dr. Dirk Wolfertz remains as one of the members of the board and the second largest shareholder to date.

The Board of Directors is responsible for the activity of the Company, the corporate governance structures, approving strategies and, more generally, the day-to-day management of the Company. However, under the Articles of Association, the Company's daily management may be delegated to an Executive Director acting alone. Shareholder approval is required only in limited situations including approving the annual accounts of the Company, amending the articles of association or winding up the Company's business.

At the end of the 2016 financial year, the Board comprised six members, five of them Non-Executive members. As of January 7, 2014, Mr. J. Casper was appointed as Executive Director to the Board of Directors. The Executive Director is entrusted by the Board of Directors with the Management of the Company. In this regard, he is responsible for implementing the strategy of the Company to achieve its objectives in line with its risk profile, setting and applying corporate policies and adhering to the rules of corporate social responsibility. The Executive Director is an employee of the Company in his capacity as CEO.

The fees paid to Non-Executive Directors have been set at €100,000 per annum in total by resolution of the shareholders at the Annual General Meeting held on May 19, 2016. Board members are also entitled to reimbursement of their reasonable costs associated with the performance of their duties as Directors. Members of the Board of Directors must report and provide all relevant information regarding any conflict of interest to the Board.

The Board has two standing committees and one ad hoc committee: the Audit Committee, the Compensation Committee and the Restructuring Committee. The Audit Committee is made up of two Non-Executive Directors, the Compensation Committee is made up of three Non-Executive Directors. The Restructuring Committee of the Board was constituted in 2014 and unwounded at December 19, 2016. The members of this committee were Dr. D. Wolfertz, Mr. W. Loose and Mr. J. Casper.

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

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

In 2016, the Audit Committee met regularly with the Management and the Company's auditors and assisted the Board of Directors in fulfilling its duties.

Independent Auditors
The independent 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 independent auditors is agreed upon by the Board of Directors. The Annual General Meeting of May 19, 2016, approved the appointment of Pricewaterhouse Coopers (PwC), Société coopérative, 2, rue Gerhard Mercator, L-2182 Luxembourg, as external auditor.

RISK

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

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

In December 2016, our Singapore-based affiliate was subject to multiple scam (fraud-related) e-mails and accidently processed payments for a total of €0.9 million to bank accounts of criminal organizations. The Group managed to secure €0.2 million and subsequently recognized a loss of €0.7 million. Measures have been taken to strengthen the internal control with the objective that this will not happen again.

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 notes 5 and 32 of the consolidated financial statements and are summarized below:

Credit and customer concentration risk

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

Economic and market risk

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

Liquidity risk

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

Interest rate and currency risk

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

For further details we refer to notes 4 and 31 of these consolidated financial statements.

GOING CONCERN ASSUMPTION

2016 Performance

The Group ended 2016 with an order intake of €168.6 million and revenue of €157.8 million. Compared to 2015 and on a like-for-like basis, orders were lower than last year. Normalized EBITDA of negative €2.5 million was considerably better than the negative €4.1 million of last year. The drop in revenue was largely offset by reduced operating expenses.

On November 22, 2016, our German subsidiary AEG PS GmbH at Warstein-Belecke entered into a protective shield proceeding in self-administration to reorganize, streamline its operation, and restructure legacy liabilities. On April 6, 2017, the Credit Committee, comprising of the following representatives: Bundesagentur für Arbeit, Elektro Müller GmbH, Pensions-Sicherungs-Verein, Works council AEG PS GmbH and Team Treuhand GmbH, approved the proposed restructuring plan.

The local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee on May 2, 2017. This formally ended the protective shield proceedings, and as such the Company continues to operate under normal business principles. Following the positive court verdict, the Group re-obtained full control of AEG PS GmbH and includes the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards.

The German restructuring plan will reduce headcount by 89 full-time equivalent employees to 260 full-time equivalent employees and operating expenses will reduce by €6.6 million on an annual basis. As part of the restructuring plan the Group has committed to make a capital contribution of €1.5 million, to provide financing to settle the legal proceedings costs and the total settlement of the quota payment, which includes the Pensions-Sicherungs-Verein, who is the main creditor. With a one-time settlement payment, all legacy liabilities in the order of €25 million will be settled.

Forecast for year-end 2017

First quarter of 2017 reports a pro forma order intake of €46.5 million which provides a solid basis for the remainder of the year. Furthermore, we believe that short-term commercial opportunities as reported by the sales organization is also indicating this continuing growth in opportunities. The detailed data is captured and analyzed in our customer relationship management system ("CRM").

The order book as per March 2017 is near €100.0 million. For 2017, Management expects revenue to end in the range of €160 million. Both numbers include AEG PS GmbH and therefore on an unaudited pro forma basis.

Top-line development is justified by opportunities reported from the sales organization which relies on the core industrial business activities and in particular DC system sales (including batteries) and services. Another opportunity is growth in critical infrastructure markets (Middle East) where we compete aggressively on price and reinforce the after-sales of services. Meanwhile we have participated on outstanding bids for several large projects which will be awarded during Q2. In response to changing demands in certain end markets, we are in the final stage of the process of introducing lower-cost DC chargers, and the light industrial UPS has been introduced. Both initiatives improve our ability to compete in key end markets of power generation, transportation and industrial processes.

In the next two quarters we expect another €2.0 million to €5.0 million in solar projects (Ukraine). The fact that the IMF has recently approved the first tranche of funding for Ukraine will positively influence the expected staging of these projects.

We expect positive normalized EBITDA for full year 2017. As from Q2 on, normalized EBITDA should be breakeven and slowly increasing to profitability. In three years of reorganization and restructuring, including closing down of non-profitable organizations, sale of non-core activities and focus on a lean central and local operations structure, Management succeeded in reducing fixed operating expenses by over 50%, resulting in a cost structure of approximately €60 million. In 2017, Management expects further restructuring savings up to €10.0 million on an annual basis.

A major delay in execution will require more cash and alternative measures including savings to compensate. This depends on the expectation of a timely execution.

The envisaged restructuring in Germany, that is part of our forecast, will contribute €6.0 million savings on an annual basis as from June 2017 onwards. Further restructuring in Singapore, Italy and other Group establishments contributes the remaining €4.0 million. Several restructuring actions have been secured as where others have been initiated. Management expects completion of these restructurings at end of June 2017.

Profitability is dependent on realizing revenue growth, margins and the efficiency to which we are able to fulfill customer orders. In 2017, our margin structure is positively affected by continued cost reductions in Germany and Singapore. In addition, a new function has been created to improve the process from order intake to customer delivery. We have aggregated activities into the function "Shared Services" which comprises procurement, supply chain management, project management, order intake, third-party outsourcing and logistics. Improved coordination, communication and efficiency should reduce cost of rework, cost of one-time effects and improve margin expectations.

We will continue to focus on cost optimization, in particular in the finance, sales, service and engineering support organizations throughout the remainder of 2017. Further improvement will come from the subcontracting of the PCBA (Print Circuit Boards Assembly) activities in Germany and in a continued optimization of the operating footprint. The assumptions are for an anticipated growth in service with the full implementation of a global service scheduling and billing tool, harmonized processing for provision of spare parts, higher margins on core offerings, and the recruitment of service sales engineers during end 2016 and Q1 2017. A new service leader has been appointed to execute and coordinate these actions which are expected to lead to increased margins and volume.

With the realization of these assumptions, we expect normalized EBITDA to be positive for the full year 2017.

Cash position and financing

At year-end, the Group's cash position fell to €14.4 million (€21.7 million unaudited pro forma) which was in line with expectations. This cash was used to finance the operational loss and restructuring programs. The one-time cash received for the sale of Fluxpower and Primetech was used to repay €4.7 million and pay €3.9 million interest to the €50.0 million bond loan and €0.8 million interest to the €14.0 million convertible bond loan. The Group entered into a super senior secured debt agreement of €7.5 million (in March 2017 amended to €15.0 million), of which €3.5 million was drawn at year-end 2016. A further €1.8 million was drawn by end of March 2017.

The "insolvency" of AEG PS GmbH triggered an event of default under the secured bonds and convertible bonds, which was waived respectively on January 5, 2017 and December 20, 2016.

Furthermore, in order to obtain this super senior secured debt facility of €7.5 million (in March 2017 amended to €15.0 million), holders of the remaining €45.3 million bond agreed the following:

– delay of interest payments to end of maturity date (August 2019)
– unwinding of pledge of shares
– for period 6, March 1, 2017, to August 2017 a 4% incentive is levied on the 8% interest trench
– approval of new super senior debt of maximum €20.0 million of which €15.0 million has been secured as per March 2017 (9.5% interest).

The holders of the €14.0 million convertible bond also agreed to deferral of interest payments to the end of maturity date (November 2020). Interest will increase to 9.5% for the period November 2016 to November 2020.

During the first half of 2017, the Group will draw the remaining funds from the available €15.0 million facility; €9.7 million to finance the Group restructuring and the Germany related "out of insolvency obligations". Besides the restructuring costs, this comprises the legal proceedings fees and the one-time quota payment.

For the full year 2017, we expect lower cash utilized for financing operating losses, revenue will be slightly lower than 2016 and will contribute positively to a more stable working capital utilization. Starting as from Q3 onwards, we expect positive impacts on normalized terms and conditions with working capital stakeholders. The remainder of cash is utilized for capex and restructuring payments. No interest will be paid on both the €45.3 million and the €14.0 million convertible bond, interest will only be paid on a monthly basis on the drawn facility arisen from the new super senior secured debt raised through the Facility agreement. We expect that by June 2017 the Group will have fully drawn the available facility of €15.0 million.

It is anticipated that the net available cash within the business remains stable in the range of €11 million to €18 million in 2017, however there is a minimum operational cash need of approximately €10 million. Due to anticipated growth, the forecasted liquidity headroom is critical towards the end of the second quarter in 2018. We expect that at that time sufficient measures will be in place to prevent a liquidity shortage. Cash collateral will be reduced upon the total settlement of the €4.9 million quota payment. Other measures relate to opportunities to fully use existing factoring limits and a (to be negotiated) working capital facility to finance the anticipated growth. The resulting simplification of the operating business model and the focus on four key business areas has greatly reduced the volatility in the business. This allows the business to operate with a lower level of cash. Looking forward, cash generation from the operating business and from additional cash management measures are undertaken to ensure sufficient liquidity to meet the ongoing operating needs. Management has identified actions which they can use to reduce further deterioration in the cash position.

Management is also engaged in preliminary discussions to address the long-term liabilities of the Group.

An improved operating result, lower financial interest expense and additional financial flexibility will provide for a stable financial basis to invest in growth and development medium-term.

As from December 2015, Mr. Casper addressed the financial situation with the Board of Directors including the long-term outlook. In May 2016, it was agreed between Mr. Casper and the Restructuring Committee of the Board of Directors that the Group develop strategic alternatives to the current plans of the business. This may include the retention of a professional advisor or other actions to consider the best approach to long-term financing, strategic partnerships, or alternative to further facilitate the growth and development of the Group. The external options are still in process and will continue in earnest to address the long-term needs of the Group.

These activities are all designed to bring the business activities of the Group into an acceptable financial position, to restore bankability and obtain normalized credit conditions.

If the above assumptions hold from both a business plan (including the measures to prevent a liquidity shortage in May 2018) and financing perspective (no events of default), Management believes that, based on the liquidity forecast of the Group, there is sufficient liquidity available to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

Risk on the realization of the budget and forecast
Realization of our business plan and as a result our forecast liquidity headroom largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters, to be read in conjunction with all matters disclosed in this paragraph, are essential to take into consideration:

- Full realization of the liquidity forecast is achieved including order intake and timely conversion to revenue and timely and successful execution of restructuring (particularly in Germany) (taking into account the local labor laws and obligatory involvement of works councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital objectives.

- Restructuring measures may not succeed as originally scheduled, due to amongst others the labor laws in certain countries and the obligatory involvement of works councils and unions, differences in timing and amount of forecast cost savings which could require more time and cash as anticipated.

- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €45.3 million and €14.0 million bond loan) will entitle each noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

- Our budget and forecast has minimal liquidity headroom to cover for shortfall, realizing forecast is therefore essential.

- Growth ambitions put additional pressure on the working capital requirements (investments), especially in the second quarter of 2018.

- Market conditions should not develop unfavorably for the Group to realize the top-line development.

- Available supplier credit insurance is limited. There is a risk that withdrawn of this credit limit will lead to further unfavorable supplier payment conditions and subsequently pressure on trade working capital. Furthermore, this could lead to customers requesting for additional guarantees and less willingness to fund work in progress again negatively affecting working capital and/or revenue. This requires a stable operating environment, any turmoil could affect realization of the liquidity forecast.

- Any shortfall of interest payment on the drawn funds of the €15.0 million Facility agreement will bring the Company in default, both under the Facility agreement as well as the secured bond and convertible bond.

- Insolvency of an affiliate will result into an effect of default and allows the investors to execute upon the security obtained. Security comprised buildings in France, Germany and Spain, pledge on shares in affiliates, pledge on receivables and inventory.

- A cross default clause exists in all financing agreements (finance agreement and noteholder agreements). An event of default of one of the agreements would also trigger an event of default on the other financing agreements.

Besides the risks on the 2017 budget and forecast, Management has identified the following non-current risks, which could affect the Group's liquidity position:

- In 2014, the Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimers.

- The Company's €45.3 million bond matures in 2019 and has currently an escalating interest rate beginning with 8.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the payment of the principal amount and the accrued interest for the next two and half years in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.

There is a risk that if the forecast is not fully realized, or because of an event of default under our existing financing arrangements, the Company needs additional liquidity on Group level in the near future that has not been secured. There is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding.

Going concern assumption
The above described matters and risks related to the realization of the budget and forecast indicate the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern, and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal cause of business.

In light of the above the Group has assessed the going concern assumption on the basis of which the December 2016 financial statements have been prepared. Based on the first quarter 2017 performance of the Group and other measures as described above, Management concludes that the application of the going concern assumptions for the 2016 financial statements is therefore appropriate.

Article 100
As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholders' Meeting to decide on the continuation of the activities of the Group.

LUXEMBOURG LAW ON TAKEOVER BIDS

The following disclosures are made in accordance with article 11 of the Luxembourg Law on Takeover Bids of May 19, 2006.

a) Share capital structure
3W Power S.A. has issued one class of shares which is admitted to trading on the Frankfurt Stock Exchange. No other securities have been issued. The issued share capital as at December 31, 2015, amounts to €837,037.03 represented by 83,703,703 shares with no-par value, each fully paid-up.

b) Transfer restrictions
At the date of this report, the 3W Power S.A. shares are freely transferable but shall be subject to the provisions of the applicable Luxembourg insider dealing and market manipulation laws, which prevent anyone who has material non-public information about a company from dealing in its shares and from committing market manipulations. A detailed Dealing in Shares Code contains restrictions on dealings by Directors and certain employees of 3W Power S.A. and its subsidiaries.

c) Major shareholding
The major shareholding structure of 3W Power S.A. as at December 31, 2016, is as follows:

Coltrane Master Fund, ODDO & Cie SCA, Intec Beteiligungsgesellschaft GmbH and other Board members (including Executive Board member), control approximately 40% of the total issued shares. The remaining 60% is spread amongst smaller investors.

d) Special control rights
At the issued and outstanding shares of 3W Power S.A. have equal voting rights and with no special control rights attached.

e) Control system in employee share scheme
3W Power's Board of Directors is not aware of any issue regarding section e) of article 11 of the Luxembourg Law on Takeover Bids of May 19, 2006.

f) Voting rights
Each share issued and outstanding in 3W Power S.A. represents one vote. The Articles of Association do not provide for any voting restrictions. In accordance with the Articles of Association, any shareholder who holds one or more share(s) of the Company at 24:00 o'clock (Luxembourg time) on the date falling fourteen (14) days prior to (and excluding) the date of the General Meeting (the "Record Date") shall be admitted to the relevant General Meeting of shareholders. Additional provisions may apply under Luxembourg law.

g) Shareholder's agreement with transfer restriction
3W Power S.A.'s Board of Directors has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

h) Appointment of Board members, amendments of the Articles of Association
The appointment and replacement of Board members and the amendments of the Articles of Association are governed by Luxembourg Law and the Articles of Association. The Articles of Association are published under the Investor Relations/ Governance & Compliance Section on www.aegps.com.

i) Powers of the Board of Directors
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, delegated to an Executive Director of the Company.

j) Significant agreements
The Board of Directors is not aware of any significant agreements to which 3W Power S.A. is party and which take effect, alter or terminate upon a change of control of 3W Power S.A. following a takeover bid.

k) Agreements with Directors and employees
The Executive Committee members are entitled to contractual severance payments in case of dismissal, to the exception of dismissal for serious reasons.

SUBSEQUENT EVENTS

On January 5, 2017, the holders of the €45.3 million bond agreed to the following changes in the terms and conditions:

- delay of interest payments to end of maturity date (August 2019)
- unwinding of pledge of shares
- for period 6, March 1, 2017, to August 2017 a 4% incentive is levied on the 8% interest trench
- approval of new super senior debt of max €20.0 million.

During March 2017, the conditions (mainly additional security) of the super senior secured debt were amended to extend the credit line to €15.0 million of which €7.5 million is directly available to our German affiliate.

On May 2, 2017 the local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceeding. Following this expected positive court verdict, the Group re-obtained full control of the 100% shares in AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards. In accordance with IFRS 3, "Business Combinations", paragraph B66, due to the limited time, the Group cannot disclose more information on the considered fair value on the acquisition date in these consolidated financial statements, but will fulfill this requirement at the time of the filing of the June interim consolidated financial statements.

Article 100
As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholders' Meeting to decide on the continuation of the activities of the Group.

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

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

Jeffrey Casper
May 17, 2017

RESPONSIBILITY STATEMENT

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

Jeffrey Casper

On behalf of the Board of Directors
May 17, 2017

2016 FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2016	2015
Assets			
Property, plant and equipment	14	8,330	23,857
Intangible assets	15	5,078	22,521
Other financial assets	16	116	1,650
Deferred tax assets	17	1,622	4,833
Investments accounted for using the equity method	7	11,056	–
Total non-current assets		**26,202**	**52,861**
Inventories	18	14,461	29,087
Trade and other receivables	19	36,554	47,014
Trade and other receivables from associates	7	6,763	–
Prepayments	20	1,050	1,390
Prepayments from associates		25	–
Cash and cash equivalents	21	14,875	33,548
Assets held for sale	6	–	4,379
Total current assets		**73,728**	**115,418**
Total assets		**99,930**	**168,279**
Equity			
Share capital	22	837	837
Share premium	22	418,822	418,822
Retained earnings	22	(447,730)	(395,594)
Reserve for own shares	22	(22,870)	(22,870)
Other equity	22	4,883	4,883
Translation reserve	22	1,586	1,597
Total equity attributable to equity holders of the Company		**(44,472)**	**7,675**
Liabilities			
Loans and borrowings	24	10,042	50,109
Retirement benefit obligation	25	2,711	27,695
Provisions	26	7,940	12,000
Total non-current liabilities		**20,693**	**89,804**
Loans and borrowings	24	47,167	5,772
Loans and borrowings to associates		5,150	–
Trade and other payables	27	36,765	47,801
Trade and other payables to associates	7	29,727	–
Income tax liabilities		318	330
Deferred income	28	2,680	5,555
Provisions	26	1,902	9,853
Liabilities held for sale	6	–	1,489
Total current liabilities		**123,709**	**70,800**
Total liabilities		**144,402**	**160,604**
Total equity and liabilities		**99,930**	**168,279**

The consolidated financial statements on pages 26 to 29 were approved by the Board of Directors on May 17, 2017 and signed on its behalf by:

J. Casper

The notes on pages 30 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME For the year ended December 31

in thousands of euros	Note	2016	2015
Continuing operations			
Revenue	5	157,789	177,391
Cost of sales	8	(126,308)	(141,869)
Gross profit		**31,481**	**35,522**
Selling, general and administrative expenses		(33,637)	(40,057)
Research and development expenses		(9,308)	(9,007)
Other (expenses)	9	(408)	(23,609)
Loss before interest and tax (EBIT)[1]		(11,872)	(37,151)
Finance income		1,529	4,306
Finance costs		(11,579)	(11,483)
Net finance costs	12	**(10,050)**	**(7,177)**
Share of net profit of associate accounted for using the equity method	7	357	–
Loss before income tax		**(21,565)**	**(44,328)**
Income tax benefit	13	3,027	3,200
Loss from continuing operations		**(18,538)**	**(41,128)**
Discontinued operations			
Loss from discontinued operations and deconsolidation of AEG PS GmbH, net of tax	7	(38,892)	(467)
Net loss		**(57,430)**	**(41,595)**
Net loss attributable to:			
Owners of the Company		(57,430)	(41,595)
Non-controlling interest		–	–
Net loss		**(57,430)**	**(41,595)**
Earnings per share			
Basic loss per share (euro)	23	(0.69)	(0.50)
Diluted loss per share (euro)		(0.52)	(0.48)

[1] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended December 31

in thousands of euros	Note	2016	2015
Loss for the year		**(57,430)**	**(41,595)**
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(11)	(115)
Subtotal		**(11)**	**(115)**
Items that will not be reclassified to profit or loss:			
Unrealized gains and losses on pension liabilities		6,241	534
Income tax benefit on other comprehensive income		(947)	(51)
Subtotal		**5,294**	**483**
Other comprehensive income for the year		**5,283**	**368**
Total comprehensive loss for the year		**(52,147)**	**(41,227)**
Total comprehensive loss attributable to:			
Owners of the Company		(52,147)	(41,227)
Total comprehensive loss for the year		**(52,147)**	**(41,227)**

The notes on pages 30 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to holders of the Company

in thousands of euros	Note	Share capital	Share premium	Translation reserve	Reserve for own shares	Other equity	Retained earnings	Total Group equity	Non-controlling interest	Total equity
Balance at January 1, 2015		**837**	**418,822**	**1,712**	**(22,870)**	**–**	**(354,482)**	**44,019**	**–**	**44,019**
Profit/(loss) for the year		–	–	–	–	–	(41,595)	(41,595)	–	(41,595)
Total other comprehensive income/(loss)		–	–	(115)	–	–	483	368	–	368
Total comprehensive income/(loss) for the year		**–**	**–**	**(115)**	**–**	**–**	**(41,112)**	**(41,227)**	**–**	**(41,227)**
Value of conversion rights on convertible notes	22	–	–	–	–	4,883	–	4,883	–	4,883
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**–**	**4,883**	**–**	**4,883**	**–**	**4,883**
Total transactions		**–**	**–**	**(115)**	**–**	**4,883**	**(41,112)**	**(36,344)**	**–**	**(36,344)**
Balance at December 31, 2015		**837**	**418,822**	**1,597**	**(22,870)**	**4,883**	**(395,594)**	**7,675**	**–**	**7,675**
Balance at January 1, 2016		**837**	**418,822**	**1,597**	**(22,870)**	**4,883**	**(395,594)**	**7,675**	**–**	**7,675**
Profit/(loss) for the year		–	–	–	–	–	(57,430)	(57,430)	–	(57,430)
Total other comprehensive income/(loss)		–	–	(11)	–	–	5,294	5,283	–	5,283
Total comprehensive income/(loss) for the year		–	–	**(11)**	–	–	**(52,136)**	**(52,147)**	–	**(52,147)**
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions		–	–	**(11)**	–	–	**(52,136)**	**(52,147)**	–	**(52,147)**
Balance at December 31, 2016		**837**	**418,822**	**1,586**	**(22,870)**	**4,883**	**(447,730)**	**(44,472)**	–	**(44,472)**

The notes on pages 30 to 69 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	2016	2015
Cash flows from operating activities			
Net loss from continuing operations for the year		(18,538)	(41,128)
Loss from discontinued operations and deconsolidation of AEG PS GmbH		(38,892)	(467)
Adjustments for non-cash items:			
Depreciation and impairment	14	2,827	3,230
Amortization and impairment of intangible assets and goodwill	15	8,248	24,072
Change in provisions	18, 19, 26	2,465	6,473
Other non-cash items related to general risks	26	(278)	1,800
Effect of deconsolidation AEG PS GmbH		38,796	–
Change in other financial assets	16	50	124
Result from associate accounted for using the equity method	7	(357)	–
Result on divestments Fluxpower GmbH, Primetech s.r.l. and POC Modules business	4	(4,897)	(1,000)
Net finance costs	12	10,050	7,177
Income tax loss/(benefit)	13	(3,027)	(3,200)
Cash flow from operations before changes in working capital		**(3,553)**	**(2,919)**
Change in inventories	18	(1,049)	4,934
Change in trade and other receivables	19	(12,962)	5,684
Change in prepayments	20	(220)	1,400
Change in trade and other payables	27	9,932	(13,391)
Change in employee benefits	25	248	1,028
Change in provisions	26	(8,425)	(6,116)
Change in deferred income	28	(1,946)	(119)
Cash used in operating activities		**(14,422)**	**(6,580)**
Income tax received/(paid)		154	(72)
Net cash used in operating activities		**(17,821)**	**(9,571)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(757)	(808)
Proceeds from sale of property, plant and equipment	14	121	584
Acquisition of intangible assets	15	(70)	(514)
Proceeds from divestment Fluxpower GmbH, Primetech s.r.l. and POC Modules business	4	7,111	1,000
Capitalized internal development expenditure	15	(718)	(1,170)
Net cash from/(used in) investing activities		**5,687**	**(908)**
Cash flows from financing activities			
Repayment of notes payable program	22	(4,696)	–
Interest (paid) (net)		(3,821)	(1,832)
Net proceeds of convertible notes payable	24	–	13,578
Change in other long- and short-term debt	24	3,861	370
Net cash (used in)/from financing activities		**(4,656)**	**12,116**
Effect of movement in exchange rates		(57)	261
Net (decrease)/increase in cash and cash equivalents		(16,847)	1,898
Cash and cash equivalents (including held for sale and overdrafts) at beginning of year		31,204	29,306
Cash and cash equivalents (including held for sale and overdrafts) at end of year	21	**14,357**	**31,204**

The notes on pages 30 to 69 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2016, comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has one investment which is the acquisition of AEG Power Solutions B.V. ("AEG PS") in September 2009. The Group is a world provider of power electronics and it offers product and services portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The Group developed a range of products for the solar energy industry, from solar central inverters, software monitoring, turn-key electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"). The consolidated financial statements were authorized for issue by the Board of Directors on May 17, 2017.

B) GOING CONCERN ASSUMPTION

2016 Performance and forecast for year-end 2017

The Group ended 2016 with an order intake of €168.6 million and revenue of €157.8 million. Compared to 2015 and on a like-for-like basis, orders were lower than last year. Normalized EBITDA of negative €2.5 million was considerably better than the negative €4.1 million of last year. The drop in revenue was largely offset by reduced operating expenses.

The 2017 forecast depends on a timely execution of the German and other restructuring plans. A major delay in execution will require more cash and alternative measures including savings to compensate.

The envisaged restructuring in Germany, that is part of our forecast, will contribute €6.0 million savings on an annual basis as from June 2017 onwards. Further restructuring in Singapore, Italy and other Group establishments contributes the remaining €4.0 million. Several restructuring actions have been secured as where others have been initiated. Management expects completion of these restructurings at end of June 2017.

Profitability is dependent on realizing revenue growth, margins and the efficiency to which we are able to fulfill customer orders. In 2017, our margin structure is positively affected by continued cost reductions in Germany and Singapore. In addition, a new function has been created to improve the process from order intake to customer delivery. We have aggregated activities into the function "Shared Services" which comprises procurement, supply chain management, project management, order intake, third-party outsourcing and logistics. Improved coordination, communication and efficiency should reduce cost of rework, cost of one-time effects and improve margin expectations.

We will continue to focus on cost optimization, in particular in the finance, sales, services and engineering support organizations throughout the remainder of 2017. Further improvement will come from the subcontracting of the PCBA (Print Circuit Boards Assembly) activities in Germany and in a continued optimization of the operating footprint. The assumptions are for an anticipated growth in services with the full implementation of a global service scheduling and billing tool, harmonized processing for provision of spare parts, higher margins on core offerings, and the recruitment of service sales engineers during end 2016 and Q1 2017. A new service leader has been appointed to execute and coordinate these actions which are expected to lead to increased margins and volume.

With the realization of these assumptions, we expect normalized EBITDA to be positive for the full year 2017.

Cash position and financing

At year-end, the Group's cash position fell to €14.4 million (€21.7 million unaudited pro forma) which was in line with expectations. This cash was used to finance the operational loss and restructuring programs. The one-time cash received for the sale of Fluxpower and Primetech was used to repay €4.7 million and pay €3.9 million interest to the €50.0 million bond loan and €0.8 million interest to the €14.0 million convertible bond loan. The Group entered into a super senior secured debt agreement of €7.5 million (in March 2017 amended to €15.0 million), of which €3.5 million was drawn at year-end 2016. A further €1.8 million was drawn by end of March 2017.

The "insolvency" of AEG PS GmbH triggered an event of default under the secured bonds and convertible bonds, which was waived respectively on January 5, 2017 and December 20, 2016.

Furthermore, in order to obtain this super senior secured debt facility of €7.5 million (in March 2017 amended to €15.0 million), holders of the remaining €45.3 million bond agreed the following:

- delay of interest payments to end of maturity date (August 2019)
- unwinding of pledge of shares
- for period 6, March 1, 2017, to August 2017 a 4% incentive is levied on the 8% interest trench
- approval of new super senior debt of max €20.0 million of which €15.0 million has been secured as per March 2017 (9.5% interest).

The holders of the €14.0 million convertible bond also agreed to deferral of interest payments to the end of maturity date (November 2020). Interest will increase to 9.5% for the period November 2016 to November 2020.

During the first half of 2017, the Group will draw the remaining funds from the available €15.0 million facility; €9.7 million to finance the Group restructuring and the Germany related "out of insolvency obligations". Besides the restructuring costs, this comprises the legal proceedings fees and the one-time quota payment.

For the full year 2017, we expect lower cash utilized for financing operating losses, revenue will be slightly lower than 2016 and will contribute positively to a more stable working capital utilization. Starting as from Q3 onwards, we expect positive impacts on normalized terms and conditions with working capital stakeholders. The remainder of cash is utilized for capex and restructuring payments. No interest will be paid on both the €45.3 million and the €14.0 million convertible bond, interest will only be paid on a monthly basis on the drawn facility arisen from the new super senior secured debt raised through the Facility agreement. We expect that by June 2017 the Group will have fully drawn the available facility of €15.0 million.

It is anticipated that the net available cash within the business remains stable in the range of €11 million to €18 million in 2017, however there is a minimum operational cash need of approximately €10 million. Due to anticipated growth, the forecasted liquidity headroom is critical towards the end of the second quarter in 2018. We expect that at that time sufficient measures will be in place to prevent a liquidity shortage. Cash collateral will be reduced upon the total settlement of the €4.9 million quota payment. Other measures relate to opportunities to fully use existing factoring limits and a (to be negotiated) working capital facility to finance the anticipated growth. The resulting simplification of the operating business model and the focus on four key business areas has greatly reduced the volatility in the business. This allows the business to operate with a lower level of cash. Looking forward, cash generation from the operating business and from additional cash management measures are undertaken to ensure sufficient liquidity to meet the ongoing operating needs. Management has identified actions which they can use to reduce further deterioration in the cash position.

Management is also engaged in preliminary discussions to address the long-term liabilities of the Group.

An improved operating result, lower financial interest expense and additional financial flexibility will provide for a stable financial basis to invest in growth and development medium-term.

As from December 2015 Mr. Casper addressed the financial situation with the Board of Directors including the long-term outlook. In May 2016, it was agreed between Mr. Casper and the restructuring committee of the Board of Directors that the Group develop strategic alternatives to the current plans of the business. This may include the retention of a professional advisor or other actions to consider the best approach to long-term financing, strategic partnerships, or alternative to further facilitate the growth and development of the Group. The external options are still in process and will continue in earnest to address the long-term needs of the Group.

These activities are all designed to bring the business activities of the Group into an acceptable financial position, to restore bankability and obtain normalized credit conditions.

If the above assumptions hold from both a business plan (including the measures to prevent a liquidity shortage in May 2018) and financing perspective (no events of default), Management believes that, based on the liquidity forecast of the Group, there is sufficient liquidity available to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

Risk on the realization of the budget and forecast
Realization of our business plan and as a result our forecast liquidity headroom largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters, to be read in conjunction with all matters disclosed in this paragraph, are essential to take into consideration:

- Full realization of the liquidity forecast is achieved including order intake and timely conversion to revenue and timely and successful execution of restructuring (particularly in Germany) (taking into account the local labor laws and obligatory involvement of works councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital objectives.

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

- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €45.3 million and €14.0 million bond loan) will entitle each noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

- Our budget and forecast has minimal liquidity headroom to cover for shortfall, realizing forecast is therefore essential.

- Growth ambitions put additional pressure on the working capital requirements (investments), especially in the second quarter of 2018.

- Market conditions should not develop unfavorably for the Group to realize the top-line development.

- Available supplier credit insurance is limited. There is a risk that withdrawn of this credit limit will lead to further unfavorable supplier payment conditions and subsequently pressure on trade working capital. Furthermore, this could lead to customers requesting for additional guarantees and less willingness to fund work in progress again negatively affecting working capital and/or revenue. This requires a stable operating environment, any turmoil could affect realization of the liquidity forecast.

- Any shortfall of interest payment on the drawn funds of the €15.0 million Facility agreement will bring the Company in default, both under the Facility agreement as well as the secured bond and convertible bond.

- Insolvency of an affiliate will result into an effect of default and allows the investors to execute upon the security obtained. Security comprised buildings in France, Germany and Spain, pledge on shares in affiliates, pledge on receivables and inventory.

- A cross default clause exists in all financing agreements (finance agreement and noteholder agreements). An event of default of one of the agreements would also trigger an event of default on the other financing agreements.

Besides the risks on the 2017 budget and forecast, Management has identified the following non-current risks, which could affect the Group's liquidity position:

- in 2014, the Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimers.

- The Company's €45.3 million bond matures in 2019 and has currently an escalating interest rate beginning with 8.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the payment of the principal amount and the accrued interest for the next two and half years in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.

There is a risk that if the forecast is not fully realized, or because of an event of default under our existing financing arrangements, the Company needs additional liquidity on Group level in the near future that has not been secured. There is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding.

Going concern assumption
The above described matters and risks related to the realization of the budget and forecast indicate the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern, and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal cause of business.

In light of the above the Group has assessed the going concern assumption on the basis of which the December 2016 financial statements have been prepared. Based on the first quarter 2017 performance of the Group and other measures as described above, Management concludes that the application of the going concern assumptions for the 2016 financial statements is therefore appropriate.

Article 100
As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholders' Meeting to decide on the continuation of the activities of the Group.

C) BASIS OF MEASUREMENT
The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated.

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

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

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

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

Note 2B	Going concern assumptions
Note 15	Impairment test procedures on goodwill and other intangible assets
Note 17	Utilization of tax losses
Note 24	Loans and borrowings
Note 25	Measurement of defined benefit obligations
Notes 26, 29, 30	Provisions, off-balance sheet commitments and contingencies
Note 31	Financial instruments

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.

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

Business combinations
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.

Investments in associates
Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20.0% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

Cease of control
The investment is re-measured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying value for the purpose of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless the Group has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

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

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

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.

The convertible bond entered into on November 9, 2015, consists of a liability (including interest and notional amount) and a conversion option that is classified as equity. The equity portion is a financial asset at fair value reported in equity.

Receivables
Trade and other receivables are initially stated at fair value. Subsequent measurement is at amortized cost using the effective interest method less provision for impairment.

A provision for impairment of trade and other receivables is established when it is more likely than not that the Group will not be able to collect the amounts receivable. The provision for impairment of trade receivables is based on the trade receivable portfolio experience of subsidiaries, as well as on individual assessments of expected non-recoverable receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization, and serious default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is equal to the difference between the carrying amount of the asset and the present value of estimated future cash flows.

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 not disclosed in the consolidated financial statements.

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

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

E) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

F) INTANGIBLE ASSETS

Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For acquisitions 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.

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

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
Software and licenses	3– 5 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 receivables takes into account credit risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country.

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

Non-financial assets

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

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

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

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

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

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

J) DISCONTINUED OPERATIONS

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

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

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

K) EMPLOYEE BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

N) LEASE PAYMENTS

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

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

O) FINANCE INCOME AND FINANCE COSTS

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

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

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

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

P) INCOME TAX

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

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

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

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

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

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

Q) EARNINGS PER SHARE

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

R) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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 one reportable segment, Industrial Products and Services (IPS), in combination with a reportable unallocated segment (unallocated) that represents non-business related expenses.

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2017.

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, 2016, 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 endorsed on November 22, 2016, and will become effective as from 2018, with earlier adoption permitted. IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities. This standard encompasses an overall change of accounting principles for financial instruments and will eventually replace IAS 39 – the current standard on financial instruments. As its scope will be further expanded during the next year(s), we will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate as the scope of IFRS 9 is already final except the part regarding hedging. In 2015, we started the assessment of the impact of IFRS 9 on our consolidated financial statements and continued in 2016. Based on the assessment performed, we do not expect this new standard to have a significant impact on our consolidated financial statements.

- IFRS 15, "Revenue from contracts with customers" is endorsed on September 22, 2016, and will become effective as from January 1, 2018. IFRS 15 replaces existing revenue recognition guidance in IFRS. It introduces a five-step model to determine when to recognize revenue and at what amount, based on transfer of control over goods or services to the customer. New qualitative and quantitative disclosures will also be required. In 2015, we started the assessment of the impact of IFRS 15 on our consolidated financial statements and continued in 2016. Based on the assessment performed, we do not expect this new standard to have a significant impact on our consolidated financial statements.

- IFRS 16, "Leases" is not yet EU-endorsed and will become effective as from January 1, 2019, with earlier adoption permitted if above-mentioned IFRS 15 has also been applied.

  IFRS 16 supersedes IAS 17 "Leases" and related interpretations. IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged, and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognized a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, and the liability accrues interest. As with current IAS 17, under IFRS 16 lessors clarify leases as operating or finance in nature. The Company is currently assessing the impact of the new standard.

4. 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.

The top 30 customers represented 36.4% of the Group revenue (2015: 36.9%) with the top 5 customers representing 14.5% of the Group revenue (2015: 14.9%). The Group monitors its 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. The concentration by customer can vary from year to year.

More than 50.0% of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently. The Group's operating subsidiaries analyze new customers individually for creditworthiness before orders are accepted. Credit risk is also covered where possible by request for collateral such as advance payments, guarantees and the use of retention of title clauses. Credit reviews are carried out which include external ratings, when available, and bank references.

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

Guarantees
The Group provides guarantees and performance bonds when required for specific projects and such guarantees are approved by Group Management. At December 31, 2016, the value of guarantees issued by the Group amounted to €9.0 million (2015: €12.0 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. As of December 31, 2013, the Group did not believe it would generate sufficient cash flow from operations to be able to fully repay the loan notes due December 1, 2015, and therefore initiated a financial restructuring program. In August 2014, the Company successfully converted half of its €100.0 million debt into equity and exchanged the other half against a new bond of €50.0 million at a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term, up to the maximum of 12.0%.

On November 9, 2015, the Company issued a €14.0 million convertible bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

On April 15, 2016, the Company repurchased €4.7 million of the corporate bonds, reducing the bond payable to €45.3 million.

On November 23, 2016, the main shareholders, the bondholders of the convertible bond and the main bondholders of the 2014/2019 bond entered into a restructuring agreement. This restructuring agreement requires principal shareholders and bondholders to be supportive to amendments to the terms and conditions of 3W Power's 2014/2019 bonds and the 2015/2020 convertible bond.

On December 21, 2016, the noteholders of the 2015/2020 convertible bond (ISIN: DE000A1Z9U50) have agreed with the required majority to the amendments proposed by the Company to the bond's terms and conditions. Requests included (i) interest payments at the end of maturity date, (ii) approval of fresh capital, and (iii) other changes inclusive the increase in interest to 9.5% as from November 2016 onwards.

On December 23, 2016, the Company entered into a working capital Facility agreement of €7.5 million with Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. This is a fully secured, super senior debt, short-term, interest is at 9.5% and is in arears monthly payable. At December 31, 2016, €3.5 million was drawn.

At January 5, 2017, the bondholders of the €45.3 million bond loan approved the proposed changes in the terms and conditions.

Refinancing will require the Group to access credit markets. At December 31, 2016, in addition to the liquidity raised through the loan notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €1.7 million in overdraft and short-term loans of which €0.7 million was undrawn.
- €12.4 million receivable financing of which €9.3 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

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

Taking into account these variables and based on present circumstances, including reasonable assumptions about the probability of certain outcomes, Management believes there will be sufficient liquidity to continue as a going concern throughout the coming twelve months. At December 31, 2016, the Company's cash was €21.7 million (including AEG PS GmbH) compared to €30.3 million at December 31, 2015.

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

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

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

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

D) OPERATIONAL RISK

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

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

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

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

E) INTEREST RATE AND CURRENCY RISK

The majority of the Group's debt is in the form of the Notes which are long-term and have an escalating interest rate, currently at 8.0% and accumulating to 12.0%.

The interest rate on the convertible bond and the Facility agreement are fixed at 9.5% per annum.

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

Capital management

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

The Group monitors, on a weekly basis, the placement of excess cash, the draw on existing credit facilities and the cash flow development. Exchange risks are closely managed and during 2016 the Group did not enter into any major currency hedge transaction.

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

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

F) CHANGES TO THE GROUP

In the third quarter of 2015, the Board of Directors approved the divestment of two small services companies: Fluxpower GmbH and Primetech s.r.l. On February 4, 2016, the Group completed the sale and purchase agreement with Legrand. At December 31, 2015, assets and liabilities of these affiliates have been presented as assets and liabilities held for sale.

On November 22, 2016, the German subsidiary AEG PS GmbH at Warstein-Belecke entered into a protective shield proceeding in self-administrion to reorganize, streamline its operation, and restructure legacy liabilities.

Through the protective shield proceedings the control for AEG PS GmbH went to the Credit Committee, however Group Management, together with local management, remained responsible for the day-to-day business. Any important decisions, resulting in cash outflows or decreasing the financial position should be approved by the Credit Committee. As such the control was ceased, but significant influence remained. The Group owns 100% of the shares in AEG PS GmbH.

The following tables present the 2016 and 2015 trading results as continued operations from legal entities/business activities that were sold or have been identified for sale for the next year.

in thousands of euros	Total Revenue[1] 2016	Total Revenue[1] 2015	External Revenue 2016	External Revenue 2015
POC Modules business[2]	3,427	4,208	3,427	4,208
Fluxpower GmbH	254	5,523	254	5,503
Primetech s.r.l.	196	3,182	196	3,182

[1] Including intra-Group transactions
[2] The Group has entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries, which resulted into a reduction in revenue, gross margin and EBIT. The agreement ended on December 31, 2016.

5. OPERATING SEGMENTS

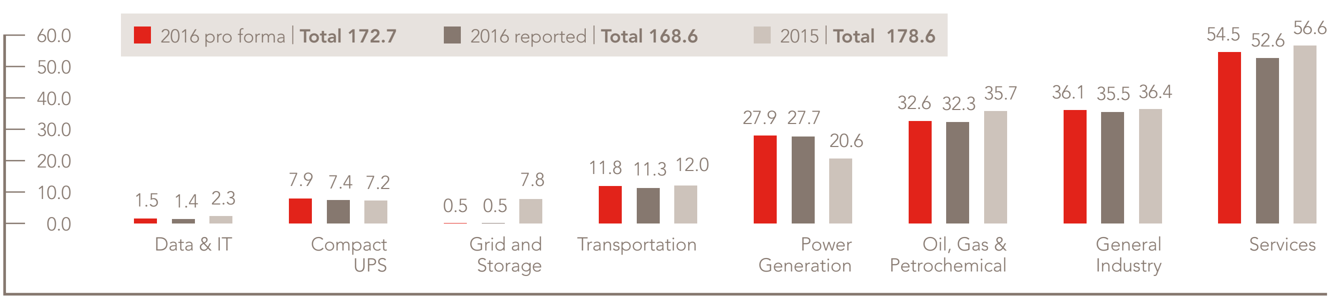
The Group has one reportable segment, Industrial Products and Services (IPS), in combination with a reportable unallocated segment (unallocated) that represents non-business related expenses. Accordingly, the results of the Group are presented in these two segments which also reflect the presentation of information to the Group's Executive Management, who have been identified as the Chief Operating Decision Maker ("CODM").

in thousands of euros	Gross margin[1] 2016	Gross margin[1] 2015	Income/(loss) before interest and tax (EBIT)[1] 2016	Income/(loss) before interest and tax (EBIT)[1] 2015
POC Modules business[2]	119	(391)	51	(430)
Fluxpower GmbH	46	1,779	(47)	434
Primetech s.r.l.	44	1,104	(42)	129

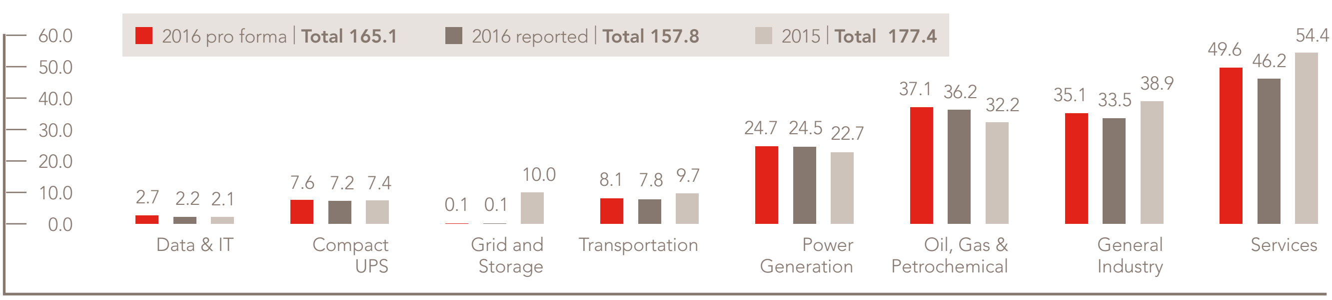
[1] Including intra-Group transactions
[2] The Group has entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries, which resulted into a reduction in revenue, gross margin and EBIT.

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2017. We have included the information for the new vertical segments in the table below.

ORDERS BY VERTICAL/PRODUCT GROUP in millions of euros



REVENUE BY VERTICAL/PRODUCT GROUP in millions of euros



RESULTS BY OPERATING SEGMENT
For the year ended December 31, 2016

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
Revenue	**157,789**	**–**	**157,789**
Segment operating income/(loss)	**(3,247)**	**(658)**	**(3,905)**
Restructuring income/(costs)	(1,701)	–	(1,701)
Capitalized development costs (net of amortization and impairment)	(1,311)	–	(1,311)
Central overheads	–	(4,012)	(4,012)
Result on divestments	4,898	–	4,898
Capital loss	25	–	25
Amortization and impairment of intangibles & goodwill on acquisition [1]	(5,599)	(267)	(5,866)
Income/(loss) before interest and tax (EBIT) [2]	**(6,935)**	**(4,937)**	**(11,872)**

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

Revenue comprises €111.6 million for goods and €46.2 million for services (2015: €123.0 million and €54.4 million respectively).

RESULTS BY OPERATING SEGMENT
For the year ended December 31, 2015

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
Revenue	**177,391**	**–**	**177,391**
Segment operating income/(loss)	**(5,372)**	**225**	**(5,147)**
Restructuring income/(costs)	(7,469)	800	(6,669)
Capitalized development costs (net of amortization and impairment)	(1,132)	–	(1,132)
Central overheads	–	(4,035)	(4,035)
Result on divestments	900	–	900
Capital loss	(2)	–	(2)
Amortization and impairment of intangibles & goodwill on acquisition [1]	(20,799)	(267)	(21,066)
Income/(loss) before interest and tax (EBIT) [2]	**(33,874)**	**(3,277)**	**(37,151)**

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

SEGMENT ASSETS AND REVENUE BY GEOGRAPHY
The Group monitors assets at country level rather than by operating segment. Therefore, information on assets is disclosed below on a geographical basis.

MATERIAL INFORMATION ABOUT GEOGRAPHICAL SEGMENTS
In presenting information on the basis of geographical segments, segment revenue is based on the location of customers. Segment assets and liabilities are based on the location of the assets and liabilities.

The country of domicile of the Company (Luxembourg) is included in the rest of Europe.

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia [1]	Americas	Held for sale	Total
Revenue for the period ended December 31, 2016	30,837	66,050	56,822	4,080	–	**157,789**
Revenue for the period ended December 31, 2015	45,446	64,783	62,383	4,779	–	**177,391**

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

For the year ended and as at December 31, 2016

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets[1]	11,269	13,090	1,727	–	–	**26,086**
Total assets	12,304	63,282	23,564	780	–	**99,930**
Total liabilities	19,191	106,189	12,720	6,302	–	**144,402**

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

For the year ended and as at December 31, 2015

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

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

6. NON-CURRENT ASSETS HELD FOR SALE

In the third quarter of 2015, the Board of Directors approved the divestment of two small services companies: Fluxpower GmbH and Primetech s.r.l. On February 4, 2016, the Group completed the sale and purchase agreement with Legrand. As at December 31, 2015, assets and liabilities of these affiliates have been presented as assets and liabilities held for sale.

ASSETS HELD FOR SALE

For the year ended and as at December 31, 2015

in thousands of euros	Fluxpower GmbH	Primetech s.r.l.	Total
Intangible assets	99	13	**112**
Goodwill	700	–	**700**
Property, plant and equipment	25	103	**128**
Inventories	219	251	**470**
Trade and other receivables	1,088	927	**2,015**
Cash and cash equivalents	717	237	**954**
Total assets held for sale	**2,848**	**1,531**	**4,379**

LIABILITIES HELD FOR SALE

For the year ended and as at December 31, 2015

in thousands of euros	Fluxpower GmbH	Primetech s.r.l.	Total
Employee benefits	–	180	**180**
Income tax liabilities	137	40	**177**
Trade and other payables	539	593	**1,132**
Total liabilities held for sale	**676**	**813**	**1,489**

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On November 22, 2016, the German subsidiary AEG PS GmbH at Warstein-Belecke entered into a protective shield proceeding in self-administration to reorganize, streamline its operation, and restructure legacy liabilities.

Through the protective shield proceedings the control for AEG PS GmbH went to the Credit Committee, however Group Management, together with local management, remained responsible for the day-to-day business. Any important decisions, resulting in cash outflows or decreasing the financial position should be approved by the Credit Committee. As such the control was ceased, but significant influence remained. The Group owns 100% of the shares in AEG PS GmbH.

As per November 22, 2016, the German entity is deconsolidated and reported as "associate". The investment was re-measured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

On May 2, 2017, the local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceeding. Following this expected positive court verdict, the Group re-obtained full control of AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards.

The income for the period November 23 until December 31, 2016, has been recognized in the share of net profit of associates for using the equity method.

INTEREST IN ASSOCIATES

Set out below are the associates of the Group as at December 31, 2016 which, in the opinion of the Directors, are material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation on registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest 2016 %	% of ownership interest 2015 %	Nature of relationship	Measurement method	Carrying amount 2016 thousands of euros	Carrying amount 2015 thousands of euros
AEGPS GmbH	Germany	100%	–	Associate	Equity method	11,056	–

Following table reports the financial information of AEG PS GmbH in the consolidated statement of financial position. The information disclosed reflects the amounts presented in the financial statements of the associate and not value 3W Power S.A.'s share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

SUMMARIZED STATEMENT OF FINANCIAL POSITION AEG PS GMBH

In thousands of euros	2016 December 31
Total non-current assets	23,775
Total current assets	35,129
Total assets	**58,904**
Equity	**11,056**
Total non-current liabilities	29,960
Total current liabilities	17,888
Total liabilities	**47,848**
Total equity and liabilities	**58,904**

RECONCILIATION TO CARRYING AMOUNTS

in thousands of euros	2016	2015
Operating net assets January 1	–	–
Initial recognition	10,699	–
Profit/(loss) for the period	357	–
Closing net assets	**11,056**	**–**
Group's shares in %	100.0	–
Group's shares in thousands of euros	11,056	–
Carrying amount	11,056	–

BUSINESS ACQUISITIONS

On May 2, 2017, the insolvency court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceedings. Following this expected postive court verdict, the Group re-obtained full control of the 100% shares in AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards. In April 2017, the Group paid €1.5 million to acquire 100% of the new issued shares.

8. COST OF SALES

in millions of euros	2016	2015
Material costs	(85.4)	(95.6)
Employee costs	(32.7)	(36.3)
Other costs[1]	(7.3)	(9.3)
Net inventory income/(expense)	0.5	1.7
Bad debt allowance	(0.2)	(0.7)
Tangible depreciation costs	(1.1)	(1.6)
Intangible depreciation costs	(0.1)	(0.1)
Total cost of sales	**(126.3)**	**(141.9)**

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

9. OTHER INCOME/(EXPENSES)

in thousands of euros	Note	2016	2015
Result on divestments Fluxpower GmbH, Primetech s.r.l. and POC Modules business	4	4,897	1,000
Capital gain		26	–
Other income		–	211
Other income		**4,923**	**1,211**
Amortization of intangible assets	15	(2,043)	(2,896)
Impairment of intangible assets	15	(207)	(4,003)
Amortization/Impairment of goodwill	15	(700)	(11,252)
One-time expenses		(680)	–
Restructuring costs (net)	26	(1,701)	(6,669)
Other expense		**(5,331)**	**(24,820)**
Total other income/(expense)		**(408)**	**(23,609)**

10. PERSONNEL EXPENSES

in thousands of euros	Note	2016	2015
Wages and salaries		(47,345)	(58,517)
Compulsory social security contributions		(5,041)	(5,992)
Contributions to defined contribution plans	25	(517)	(589)
Expenses related to defined benefit plans		(57)	–
Increase/(decrease) in liability for long-service leave		(708)	(1,152)
Total personnel expenses		**(53,668)**	**(66,250)**

11. FULL-TIME EQUIVALENTS BY REGION

The total average number of full-time equivalent (FTE) employees in the year to December 31, 2016, and comparative numbers for the year 2015 are as follows:

number	2016	2015
Germany	326	446
France	137	161
Rest of Europe and Africa	194	221
Asia Pacific	139	140
Total average FTE	**796**	**968**

The total headcount at December 31, 2016, is 449 (2015: 992).

12. FINANCE INCOME AND COSTS

in thousands of euros	Note	2016	2015
Interest income on bank deposits		160	542
Foreign exchange income		1,369	3,764
Finance income		**1,529**	**4,306**
Interest expense on loans and payables		(260)	(406)
Interest expense on notes payable	24	(8,531)	(6,161)
Pension related financial expenses	25	(578)	(746)
Foreign exchange costs		(1,714)	(3,549)
Other finance costs	6	(496)	(621)
Finance costs		**(11,579)**	**(11,483)**
Net finance income/(costs)		**(10,050)**	**(7,177)**

Interest on notes payable relates to interest accrued at 6.0% (January to July) and 8.0% (August to December) on the Notes placed in August 2014 of €50.0 million (meanwhile €45.3 million) and 5.5% on the convertible bond of €14.0 million which was issued in November 2015 (2014: 4.0% (January to July) and 6.0% (August to December) on the Notes placed in August 2014 of €50.0 million) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method. Other finance costs include factoring charges.

13. INCOME TAX (CHARGE)/BENEFIT

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

in thousands of euros	2016	2015
Current tax (expense)/benefit		
Income tax benefit/(charge) for the year	368	(295)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	114	63
Recognition of prior-year losses	–	3,432
Reduction in deferred tax assets	2,545	–
Deferred tax benefit	**2,659**	**3,495**
Total income tax benefit	**3,027**	**3,200**

RECONCILIATION OF EFFECTIVE TAX RATE

in thousands of euros	2016	2015
(Loss)/income from continuing operations for the period	(18,538)	(41,128)
Total income tax (charge)/benefit	3,027	3,200
Loss from continuing operations before income tax	**(21,565)**	**(44,328)**
Expected income tax benefit using the Company's domestic tax rate of 29.22% (2015: 29.22%)	6,301	12,952
Effect of different local tax rates	31	68
Tax exempt expense (impairment of goodwill)	(195)	(3,288)
Current-year losses for which no deferred tax asset was set up	(5,655)	(9,964)
Recognition of prior-year losses	–	3,432
Reduction in deferred tax assets	2,545	–
Income tax benefit	**3,027**	**3,200**

14. PROPERTY, PLANT AND EQUIPMENT

See table on next page.

DEPRECIATION AND IMPAIRMENT CHARGES

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

- Cost of sales: €1,090 (2015: €1,630) thousand
- Selling, general and administrative expenses: €1,547 (2015: €1,412) thousand
- Research and development expenses: €189 (2015: €188) thousand

In assessing whether property, plant and equipment have to be impaired, the carrying amount of the assets is compared with the recoverable amount of the cash-generating unit. For the period 2016, an impairment charge was recognized of €4.9 million on the premises in Germany.

DISPOSAL AND OTHERS

Included in disposal and others for the period 2016 are the effects of the sale of Fluxpower GmbH and Primetech s.r.l.

ACQUISITION THROUGH BUSINESS COMBINATIONS

No acquisition through business combinations occurred in 2015 and 2016.

TRANSFER TO ASSETS HELD FOR SALE

Relates to the sale of Fluxpower GmbH and Primetech s.r.l.

LEASED PLANT AND MACHINERY

The Group has no material finance lease agreements.

CAPITALIZED BORROWING COSTS

For 2015 and 2016 no costs were capitalized.

in thousands of euros	Land	Building	Machinery and equipment	Furniture, IT and office equipment	Total
Cost					
Balance at January 1, 2015	**2,957**	**21,572**	**12,151**	**4,612**	**41,292**
Additions	–	48	191	569	808
Disposals and others	–	(693)	(598)	(818)	(2,109)
Transfer to assets held for sale	–	–	(32)	(375)	(407)
Effect of movements in exchange rates	–	19	96	32	147
Balance at December 31, 2015	**2,957**	**20,946**	**11,808**	**4,020**	**39,731**
Balance at January 1, 2016	**2,957**	**20,946**	**11,808**	**4,020**	**39,731**
Additions	–	73	371	314	758
Disposals and others	–	(8)	(567)	(915)	(1,490)
Effect of deconsolidation AEG PS GmbH	(477)	(12,732)	(7,119)	(1,957)	(22,285)
Effect of movements in exchange rates	–	(14)	(57)	(21)	(92)
Balance at December 31, 2016	**2,480**	**8,265**	**4,436**	**1,441**	**16,622**
Depreciation and impairment					
Balance at January 1, 2015	**–**	**(6,542)**	**(5,107)**	**(2,852)**	**(14,501)**
Depreciation for the year	–	(1,198)	(1,262)	(770)	(3,230)
Disposals and others	–	467	506	681	1,654
Transfer to assets held for sale	–	–	23	256	279
Effect of movements in exchange rates	–	(17)	(35)	(24)	(76)
Balance at December 31, 2015	**–**	**(7,290)**	**(5,875)**	**(2,709)**	**(15,874)**
Balance at January 1, 2016	**–**	**(7,290)**	**(5,875)**	**(2,709)**	**(15,874)**
Depreciation for the year	–	(947)	(1,379)	(501)	(2,827)
Disposals and others	–	1	515	929	1,445
Effect of deconsolidation AEG PS GmbH	–	3,213	4,444	1,247	8,904
Effect of movements in exchange rates	–	15	28	17	60
Balance at December 31, 2016	**–**	**(5,008)**	**(2,267)**	**(1,017)**	**(8,292)**
Carrying amounts					
At January 1, 2016	2,957	13,656	5,933	1,311	23,857
At December 31, 2016	**2,480**	**3,257**	**2,169**	**424**	**8,330**

15. INTANGIBLE ASSETS

in thousands of euros	Goodwill	Backlog	Customer relations	Technology	Capitalized develop-ment	Software and licenses	Total
Cost							
Balance at January 1, 2015	**102,232**	**24,007**	**215,978**	**55,740**	**24,044**	**7,405**	**429,406**
Additions	–	–	–	–	–	514	514
Internally developed assets	–	–	–	–	1,170	–	1,170
Disposals and others	–	–	–	–	–	(758)	(758)
Transfer to assets held for sale	(700)	–	–	–	–	(208)	(908)
Effect of movements in exchange rates	–	–	–	–	–	66	66
Balance at December 31, 2015	**101,532**	**24,007**	**215,978**	**55,740**	**25,214**	**7,019**	**429,490**
Balance at January 1, 2016	**101,532**	**24,007**	**215,978**	**55,740**	**25,214**	**7,019**	**429,490**
Additions	–	–	–	–	–	70	70
Internally developed assets	–	–	–	–	718	–	718
Disposals and others	700	–	–	–	–	(696)	4
Effect of deconsolidation AEG PS GmbH	–	–	–	–	–	(809)	(809)
Effect of movements in exchange rates	–	–	–	–	–	(99)	(99)
Balance at December 31, 2016	**102,232**	**24,007**	**215,978**	**55,740**	**25,932**	**5,485**	**429,374**
Amortization and impairment							
Balance at January 1, 2015	**(90,280)**	**(24,007)**	**(199,490)**	**(48,603)**	**(15,753)**	**(5,427)**	**(383,560)**
Amortization for the year	–	–	(6,899)	(2,649)	(2,302)	(970)	(12,820)
Impairment	(11,252)	–	–	–	–	–	(11,252)
Disposals and others	–	–	–	–	–	629	629
Transfer to assets held for sale	–	–	–	–	–	95	95
Effect of movements in exchange rates	–	–	–	–	–	(61)	(61)
Balance at December 31, 2015	**(101,532)**	**(24,007)**	**(206,389)**	**(51,252)**	**(18,055)**	**(5,734)**	**(406,969)**
Balance at January 1, 2016	**(101,532)**	**(24,007)**	**(206,389)**	**(51,252)**	**(18,055)**	**(5,734)**	**(406,969)**
Amortization for the year	–	–	(2,043)	(2,649)	(2,029)	(620)	(7,341)
Impairment	(700)	–	(207)	–	–	–	(907)
Disposals and others	–	–	–	–	–	697	697
Effect of deconsolidation AEG PS GmbH	–	–	(4,509)	(778)	(5,319)	731	(9,875)
Effect of movements in exchange rates	–	–	–	–	–	99	99
Balance at December 31, 2016	**(102,232)**	**(24,007)**	**(213,148)**	**(54,679)**	**(25,403)**	**(4,827)**	**424,296**
Carrying amounts							
At January 1, 2016	–	–	9,589	4,488	7,159	1,285	22,521
At December 31, 2016	–	–	**2,830**	**1,061**	**529**	**658**	**5,078**

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

In assessing whether intangible assets have to be impaired, the carrying amount of the intangible assets is compared with the recoverable amount of the cash-generating unit (“CGU”). For the period 2015, the Company recognized an impairment charge of €11.2 million which is fully attributable to goodwill.

DISPOSAL AND OTHERS

Included in disposal and others for the period 2016 are the effects of the sale of Fluxpower GmbH and Primetech s.r.l.

TRANSFER TO ASSETS HELD FOR SALE

Relates to the sale of Fluxpower GmbH and Primetech s.r.l.

ACQUISITION THROUGH BUSINESS COMBINATIONS

No acquisition through business combinations occurred in 2015 and 2016.

CAPITALIZED 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 following the impairment charge in 2015 of €11.2 million the full amount was amortized. Goodwill arising on the acquisition of skytron amounted to €3.1 million and was fully amortized in 2014. The €0.7 million goodwill arose in 2011 on the acquisition of Fluxpower GmbH is reported in assets held for sale at December 31, 2015 and was subsequentely amortized in 2016.

Until the end of 2015, goodwill was tested annually for impairment. In the case of AEG PS, the goodwill generated has been allocated to CGUs. In the case of Fluxpower GmbH, the goodwill has been allocated directly to the business acquired which represents the CGU.

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 0.5% (prevailing years at 1.0%), the Company applied a 0.5% reduction attributable to risks in areas in which the Company expects further growth development.

The Company completed the annual testing of goodwill and review of intangibles. In prior years, the methodology used for the testing was based on the determination of the value in use ("ViU") which is then compared to the carrying value ("CV") of each cash-generating unit ("CGU") in order to assess the impairment or otherwise of the goodwill. In addition, a review was carried out of the useful life of intangibles ascribed to customer relations, which represent the largest intangible carried on the consolidated balance sheet of the Company. The input for the goodwill impairment valuation fair value hierarchy is classified as Level 3 fair value, due to the use of unobservable inputs.

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

- Cost of sales: €117 (2015: €120) thousand
- Research and development expenses: €4,733 (2015: €5,051) thousand
- Other expenses: €2,950 (2015: €18,150) thousand
- Selling, general and administrative expenses: €449 (2015: €750) thousand

16. OTHER FINANCIAL ASSETS

in thousands of euros	2016	2015
Cash guarantee deposit for employees in case of insolvency (Germany)	–	1,502
Others	116	148
Total other financial assets	**116**	**1,650**

17. DEFERRED TAX ASSETS

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	2016	2015
Tax losses	36,175	36,428
Deductible temporary differences	10,477	8,563
Total unrecognized deferred tax assets	**46,652**	**44,991**

Of the total unrecognized deferred tax assets on tax losses, €4.5 million (2015: €5.1 million) will expire within ten years, €1.8 million (2015: nil) will expire after ten years and €29.9 million (2015: €31.3 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 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Property, plant and equipment	146	(335)	–	(2,367)
Intangible assets	–	(1,239)	–	(4,464)
Inventories	–	–	378	–
Employee benefits	184	–	4,137	–
Provisions	94	–	94	–
Other items	67	(4)	371	(297)
Sub-total	**491**	**(1,578)**	**4,980**	**(7,128)**
Tax loss carry-forwards	2,708	–	6,981	
Tax assets/(liabilities)	**3,199**	**(1,578)**	**11,961**	**(7,128)**
Set-off of deferred tax positions	(1,578)	1,578	(7,128)	7,128
Net tax assets/(liabilities) at December 31	**1,622**	**–**	**4,833**	**–**

Net deferred tax assets are not expected to be recovered within the next twelve months, but Management is of the opinion that it is probable that these losses will be compensated by future taxable profits. 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 2016 and 2015 respectively are as follows:

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Balance Dec. 31, 2015	Recognized in profit or loss	Discontinued	Balance Dec. 31, 2016
Property, plant and equipment	(3,360)	993	–	(2,367)	116	2,062	(189)
Intangible assets	(6,685)	2,221	–	(4,464)	1,642	1,583	(1,239)
Inventories	96	282	–	378	(378)	–	–
Employee benefits	4,079	109	(51)	4,137	(572)	(3,381)	184
Provisions	833	(739)	–	94	380	(380)	94
Other items	(30)	104	–	74	(705)	695	64
Sub-total	**(5,067)**	**2,970**	**(51)**	**(2,148)**	**482**	580	**(1,086)**
Tax loss carry-forwards	6,450	531	–	6,981	2,545	(6,818)	2,708
Total	**1,383**	**3,501**	**(51)**	**4,833**	**3,027**	(6,238)	**1,622**

18. INVENTORIES

in thousands of euros	2016	2015
Raw materials and consumables	10,930	25,625
Work in progress	4,393	10,192
Finished goods	7,677	12,063
Gross inventory	**23,000**	**47,880**
Reserve for slow-moving and obsolete inventories	(8,539)	(18,793)
Net inventory	**14,461**	**29,087**

Included in cost of sales is €85.4 (2015: €95.5) million of material costs and €0.5 income (2015: €1.7) million of allowance for write-down of inventory.

Inventory in France is pledged as security following the signed facility agreement of €7.5 million.

19. TRADE AND OTHER RECEIVABLES

in thousands of euros	2016	2015
Trade receivables	35,894	47,790
Income tax receivables	1,049	797
Other current assets	1,900	3,623
Allowance for doubtful accounts	(2,289)	(5,196)
Net trade and other receivables	**36,554**	**47,014**
Current	**36,554**	**47,014**

For 2016 and 2015, trade receivables and allowance for doubtful accounts were based on normal trading activities. The impairment charges for doubtful debts in 2016 amounted to €0.2 million, (2015: €0.7 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 notes 4 and 31.

20. PREPAYMENTS

For 2016 and 2015, this relates to regular advance payments to Group suppliers.

21. CASH AND CASH EQUIVALENTS

in thousands of euros	2016	2015
Bank balances	11,263	25,695
Restricted cash	3,612	7,853
Cash and cash equivalents	**14,875**	**33,548**
Bank overdrafts included in loans and borrowings	(518)	(3,298)
Cash classified as held for sale	–	954
Cash and cash equivalents used in the statement of cash flows	**14,357**	**31,204**

RESTRICTED CASH

Restricted cash comprises 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	2016	2015
Within 1 year	1.0	5.9
Between 2–3 years	1.9	1.0
After 4 years	0.7	0.9
Total	**3.6**	**7.8**

22. CAPITAL AND RESERVES

SHARE CAPITAL

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

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

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

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

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

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

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

On August 26, 2014, the Company:

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

On August 29, 2014, the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014, to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bondholders who elected not to subscribe to the new debt and equity increase.

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

At the extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On November 9, 2015, the Company issued the €14.0 million convertible bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

On December 21, 2016, the interest on the convertible bond was adjusted to 9.5%.

Management analyzed the relevant terms of the contract that impacted the accounting of the convertible bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional amount classify as liability. Furthermore Management concluded that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity.

in thousands of euros	Share capital
January 1, 2015	**837**
December 31, 2015	**837**
December 31, 2016	**837**

in thousands of euros	Share premium
January 1, 2015	**418,822**
December 31, 2015	**418,822**
December 31, 2016	**418,822**

in thousands of euros	Reserve for own shares
January 1, 2015	**(22,870)**
December 31, 2015	**(22,870)**
January 1, 2016	**(22,870)**
December 31, 2016	**(22,870)**

in thousands of euros	Other equity
January 1, 2015	**–**
Value of conversion rights on convertible notes	4,883
December 31, 2015	**4,883**
January 1, 2016	**4,883**
December 31, 2016	**4,883**

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, 2016, the Company held 235,462 (2015: 235,462) of its own shares with an aggregate cost of €22,870 thousand (2015: €22,870 thousand).

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

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

23. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

(Loss)/income attributable to ordinary shareholders

in thousands of euros	2016	2015
(Loss)/income for the period	(57,430)	(41,595)
Continuing operations	(18,538)	(41,128)
Discontinued operations	(38,892)	(467)

Weighted average number of ordinary shares

in number of shares	2016	2015
Issued ordinary shares at December 31	83,469,137	83,469,137
Effect of new shares issued	–	–
Weighted average number of ordinary shares	**83,469,137**	**83,469,137**
Basic (loss)/income per share (euro)	**(0.69)**	**(0.50)**
Continuing operations (loss)/income per share (euro)	**(0.22)**	**(0.49)**
Discontinued operations loss per share (euro)	**(0.47)**	**(0.01)**

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 32) under service agreements and long-term incentive plan (LTIP, note 32) and the MIP (note 32). In both 2016 and 2015 the MIP awards 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. Following the issuance of the convertible bond on November 9, 2015, a diluted effect was taken into consideration.

Loss/income adjusted for convertible bond attributable to ordinary shareholders

in thousands of euros	2016	2015
(Loss)/income for the period	(17,463)	(41,448)

Weighted average number of ordinary shares

in number of shares	2016	2015
Issued ordinary shares at December 31	83,469,137	83,469,137
Effect of new shares issued	–	–
Effect of convertible bond issued	23,333,333	3,278,237
Weighted average number of ordinary shares	**106,802,470**	**86,747,374**
Diluted basic (loss)/income per share (euro)	**(0.52)**	**(0.48)**
Continuing operations (loss)/income diluted per share (euro)	**(0.16)**	**(0.47)**
Discontinued operations loss diluted per share (euro)	**(0.36)**	**(0.01)**

24. LOANS AND BORROWINGS

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

in thousands of euros	2016	2015
Non-current		
Notes payable	9,679	49,670
Unsecured government loans	363	439
Total non-current	**10,042**	**50,109**
Current		
Notes payable	39,949	–
Unsecured government loans	76	76
Bank overdrafts	518	3,298
Obligations under receivable factoring arrangements	3,124	2,398
Facility agreement	3,500	–
Total current	**47,167**	**5,772**
Total loans and borrowings	**57,209**	**55,881**

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 2016	Carrying amount 2016	Nominal value 2015	Carrying amount 2015
Notes payable [1]	EUR	Escalating annual interest rate from 4.0% to 12.0%	2019	45,305	39,949	50,000	40,872
Notes payable [2]	EUR	5.5%	2020	14,000	9,679	14,000	8,798
Government loans [3]	EUR	–	2021–2022	439	439	515	515
Bank overdraft [4]	EUR	Euribor +3.25%–5.75%	–	518	518	–	–
Facility agreement [5]	EUR	9.5%	2018	3,500	3,500	3,298	3,298
Obligations under receivable factoring arrangements [6]	EUR	Euribor +0.8%–3.65%	–	3,124	3,124	2,398	2,398
Total				**66,886**	**57,209**	**70,211**	**55,881**

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

The notes payable of €45.3 million has been reported as per December 31, 2016, as short-term, following the breach of the covenants, resulting from the protective shield proceedings. A waiver was obtained as per January 5, 2017, for this covenant and as such the Notes will be classified as non-current as from that date again.

The fair value of the €45.3 million notes payable amount to €17,374 thousand as at December 31, 2016 (December 31, 2015: €35,005 thousand).
The fair value of the €14.0 million notes payable amount to €2,257 thousand as at December 31, 2016 (December 31, 2015: €9,117 thousand). The fair value of all other financial assets and liabilities are considered to be equal to their carrying values.

[1] **Unsubordinated notes payable €45.3 million effective interest 15.96%, due August 29, 2019.**
On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019, at an escalating interest rate starting at 4.0% and on an annual basis increased with 2.0% p.a. (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the issuer is entitled to redeem all outstanding Notes in the amount of 20.0% of the initial principle amount of a Note (i.e. in each interest period in the amount of EUR 100.00 per note). The issuer is free to choose the interest periods in which it wishes to make a partial redemption. The issuer is entitled at any time to redeem the outstanding Notes in whole, but not in part, at 101.0% of the outstanding principal amount of the Notes together with accrued interest. If a change of control occurs, each noteholder shall have the right to require the issuer to redeem or, at the issuer's option, purchase (or procure the purchase by a third party of) in whole or in part his Notes at 100.0% of the outstanding principal amount (the "Put Option"). An exercise of the Put Option shall, however, only become valid if during the put period noteholders of Notes with a principal amount of at least 50.0% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option. On April 16, 2015, the Company repayed €4.7 million reducing the net nominal value to €45.3 million. Management judgment is that the Notes will be held until maturity.

[2] **Unsubordinated notes payable €14,000,000, five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5% (effective interest 17.47%), due November 11, 2020.**
Costs of issuing the Notes amounted to €422,023.63. The Notes bear interest from and including November 11, 2015, to, but excluding November 11, 2016, at a rate of 5.50% p.a. (17.47% effective interest), payable annually in arrears on November 11 of each year. The first interest payment will be made on November 11, 2016. The Notes are redeemable at par on November 11, 2020. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. Management analyzed the relevant terms of the contract that impacted the accounting of the convertible bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional amount classify as liability. Furthermore Management concluded that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity. On December 21, 2016 the majority of the bondholders approved the increase of interest to 9.5% as from November 2016 onwards and that future interest payments are due on the loan maturity date.

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

[4] **Bank overdraft**
The bank overdraft is held by one of the Group's subsidiaries. Interest on the overdraft is charged at rates between Euribor +3.25% and 5.75%.

[5] **Facility agreement, unsubordinated super senior secured debt of €7,500,000, one-year period with one year extension. Interest 9.5%, due December 23, 2017**
from Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. The facility agreement has been entered as from December 23, 2016. The loan is fully secured by pledge on shares, inventory and building in Tours, France.

[6] **Obligations under receivable factoring arrangements**
The Group has entered into financing agreements which provide for trade receivable financing facilities in France, Italy and Spain, up to a maximum of €12.9 million at December 31, 2016. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.8% and 3.65%. The facilities have no fixed expiry date, but most are renewable annually.

25. RETIREMENT BENEFIT OBLIGATION

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

Defined benefit plans

The benefits provided by the defined benefit plans are based on employees' years of service and compensation levels. The largest defined benefit pension plans are in Germany (which has been deconsolidated as per December 31, 2016) and France. Together these plans account for more than 95.0% of the total net defined benefit obligation. Other countries include Netherlands, France and Italy.

The plans have different characteristics:

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

- In Netherlands, the retirees benefit from the receipt of a pension during their retirement (perpetual annuity). As per January 1, 2014, the Company changed its defined benefit plan in the Netherlands into a defined contribution plan. The defined benefit plan is still in place, however there are no active members.

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

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

The assets are determined as the present value of the expected future cash flows of the accrued benefits.

Defined contribution plans

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

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

Employee benefit expenses

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

in thousands of euros	2016	2015
Defined contribution plans	(295)	(476)
Defined benefit plans	(517)	(589)
Other	(57)	–
Total pre-tax employee benefit costs	**(869)**	**(1,065)**

Employee benefits/liabilities comprise the following elements:

in thousands of euros	2016	2015
Accrued liability	2,346	25,475
ATZ (Altersteilzeitverträge)	–	1,065
Long-service awards	365	1,155
Total employee benefits	**2,711**	**27,695**

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

MOVEMENT IN DEFINED BENEFIT OBLIGATION AND FAIR VALUE OF PLAN ASSETS

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset)/liability	
in thousands of euros	2016	2015	2016	2015	2016	2015
Balance at January 1 *	**28,231**	**29,410**	**(2,448)**	**(2,852)**	**25,783**	**26,558**
Included in statement of income						
Current service cost	136	274	–	–	136	274
Past service credit	–	–	–	–	–	–
Interest costs/(income)	610	601	(53)	(48)	557	553
Other costs/(income)	–	–	–	40	–	40
Curtailment	(176)	(278)	–	–	(176)	(278)
	570	**597**	**(53)**	**(8)**	**517**	**589**
Included in OCI						
Re-measurement loss (gain):						
Actuarial loss (gain) from:						
– demographic assumptions	10	–	–	–	10	–
– financial assumptions	296	(121)	–	–	296	(121)
– experience adjustment	(24)	(409)	12	–	(12)	(409)
– Return on plan assets excluding interest income	–	–	(165)	(4)	(165)	(4)
	282	**(530)**	**(153)**	**(4)**	**129**	**(534)**
Other						
Other	1,662	–	–	417	1,662	417
Benefits paid	(896)	(1,066)	10	(1)	(886)	(1,067)
	766	**(1,066)**	**10**	416	**776**	**(650)**
Deconsolidation AEG PS GmbH	**(24,859)**	**–**	**–**	**–**	**(24,859)**	**–**
Transfer to liabilities held for sale	–	**(180)**	–	**–**	–	**(180)**
Balance at December 31	**4,990**	**28,231**	**(2,644)**	**(2,448)**	**2,346**	**25,783**

* The opening balance sheet has been adjusted to conform with current presentation

The Group expects €34 thousand in benefits to be paid to its defined benefit plans in 2017.

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

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

Assumptions

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

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

in %	2016		2015	
	Germany	France	Germany	France
Discount rate	n/a	1.50	2.20	2.20
Future salary growth	n/a	1.80–3.00	n/a	1.75–3.00
Future pension increases	n/a	–	2.0	–

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

- France: INSEE F 2008-2010

At December 31, 2016, the weighted average duration of the defined benefit obligation was 21.2 years (2015: 13.8 years).

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

in thousands of euros	2016	2015
Service costs	136	274
Interest costs	610	593
Expected return on plan assets	(53)	(40)
Curtailment and other costs	(176)	(238)
Total net costs	**517**	**589**

Sensitivity analysis

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

Effect in thousands of euros	2016		2015	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	212	(194)	748	(932)
Future mortality (+1 year)	95	n/a	1,194	n/a

Other benefit plans

Employee benefits include €365 thousand for long-service awards (2015: €1,155 thousand). 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.

Other benefits last year also includes €1,065 thousand for "Altersteilzeitverträge", a scheme in Germany under which employees can seek early retirement (2016: nil).

26. PROVISIONS

in thousands of euros	Warranty	Restruc-turing	General Risks	Total
Balance at January 1, 2015	**6,939**	**8,259**	**4,531**	**19,729**
Provisions net made/(released) during the year	256	6,669	1,800	8,725
Provisions used during the year	(1,399)	(4,672)	(691)	(6,762)
Disposal/discontinued	–	–	–	–
Other	25	(1)	137	161
Balance at December 31, 2015	**5,821**	**10,255**	**5,777**	**21,853**
Balance at January 1, 2016	**5,821**	**10,255**	**5,777**	**21,853**
Provisions net made/(released) during the year	875	1,701	(291)	2,285
Provisions used during the year	(1,515)	(7,909)	–	(9,424)
Disposal/discontinued	(3,067)	(1,734)	–	(4,801)
Other	(62)	(9)	–	(71)
Balance at December 31, 2016	**2,052**	**2,304**	**5,486**	**9,842**

Restructuring

Restructuring charges in 2016 related to the estimated costs of the Group's operational restructuring program. Cash outflow is expected during 2017.

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 (two to three years maximum).

General risks

Comprises provisions related to claims or identified risks other than warranty claims. The 2015 increase of €1,109 thousand mainly relates to the liquidation of Lannion and the ceasing of operational activities in Dallas. No cash outflow expected within the next one to two years.

Disposal/discontinued

Relates to the deconsolidation effect of Germany.

27. TRADE AND OTHER PAYABLES

in thousands of euros	2016	2015
Trade accounts payable	23,784	28,480
Accrued salaries and wages	4,439	7,541
Accrued taxes and VAT payable	819	1,179
Accrued social security charges	1,424	2,471
Accrued trademark royalty	(95)	408
Accrued interest on notes payable	1,313	1,105
Others	5,081	6,617
Total	**36,765**	**47,801**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

28. DEFERRED INCOME

Deferred income relates mainly to customer deposits and advances of €2.7 (2015: €5.6) million in connection with projects in progress.

29. 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, 2016

in thousands of euros	Within 1 year	2–3 years	4–5 years	After 5 years	Total
Operating leases	1,759	1,131	232	–	3,122
Unconditional purchase obligations	5	–	–	–	5
Total	**1,764**	**1,131**	**232**	–	**3,127**

The unconditional purchase obligations are related to the requirements to place firm commitments for tangible and intangible assets. Rental expenses under operating leases amounted to €3.3million in 2016 (€3.5 million in 2015).

OTHER COMMITMENTS

December 31, 2016

in thousands of euros	Within 1 year	2–3 years	4–5 years	After 5 years	Total
Guarantees	4,452	2,914	1,425	218	9,009

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

TRADEMARK LICENSE AGREEMENT

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

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

– The minimum annual royalty for 2014, 2015 and 2016 will be based on actual sales;
– The parties shall meet and agree on sales targets and minimum annual royalty for 2017;
– For the years 2017 to 2019 the amended agreement stipulates that the sales targets and minimum annual royalty will not be lower than those applying for the last year of the proceeding three-year period (for the first three-year period 2017 to 2019, compared to year 2016), unless otherwise specifically agreed due to extraordinary circumstances.

30. CONTINGENCIES

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

31. 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	2016	2015
Trade receivables net of allowance for doubtful accounts	33,605	42,594

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

in thousands of euros	2016	2015
Europe excluding Germany	25,701	26,880
Germany	–	8,593
Asia	6,516	10,370
Africa/Middle East	3,309	1,584
Rest of the world	368	363
Total	**35,894**	**47,790**

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the consolidated balance sheet. Trade receivables are presented net of a provision bad debt, which is based on individually significant exposures, and a collective loss component for groups of trade receivables in respect of losses that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of aging analysis. Next to aging analysis additional circumstances, like the recent impact of the credit crisis on the financial situation of customers are being evaluated continuously. When necessary, additional impairment allowances were recognized. The collective loss component allowance is determined based on historical data of payment statistics for similar financial assets.

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

in thousands of euros	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	**27,502**	**(1,465)**	**37,195**	**(1,305)**
Past due 0–30 days	2,964	–	3,801	(14)
Past due 31–120 days	2,503	(27)	1,872	(439)
Past due 121–180 days	1,078	–	426	(12)
Past due 181–360 days	1,847	(797)	4,496	(3,426)
Total	**35,894**	**(2,289)**	**47,790**	**(5,196)**

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations. For the movement schedule for the allowance of impairment of trade receivables see note 19.

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

in thousands of euros	2016	2015
Balance at January 1	**5,196**	**6,101**
Transfer to assets held for sale	–	(66)
Utilization of impairment reserve	(1,526)	(1,599)
Impairment loss recognized	225	729
Disposal/discontinued	(1,601)	–
Other	(5)	31
Balance at December 31	**2,289**	**5,196**

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

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	2016	2015
Trade and other payables	36,765	47,801
Trade and other payables to associates	29,727	–
Current income tax liabilities	318	330
Short-term provisions	1,902	9,853
Total	**68,712**	**57,984**
Purchase commitments[1]	342	6,690
Operating leases	1,759	2,694
Guarantees on customer contracts	4,452	7,729
Total	**6,553**	**17,113**
Total obligations	**75,265**	**75,097**
Financing resources		
Cash and cash equivalents, excluding restricted cash > 1 year	12,300	32,555
Net proceeds sale Fluxpower GmbH and Primetech s.r.l.	–	2,000
Trade and other receivables	36,554	47,014
Trade and other receivables from associates	6,763	–
Notes payable	(39,949)	–
Loans and borrowings	(7,218)	(5,772)
Loans and borrowings from associates	(5,150)	–
Total	**3,300**	**75,797**
Net position	**(71,965)**	**700**

[1] Purchase commitments include unconditional purchase obligations as referred to in note 29 (firm commitment of tangible and intangible assets, €5 thousand, 2015 €76 thousand) and the unconditional purchase obligations related to the firm commitments for recurring operating expenses (2015: €4,961 thousand).

In August 2014, the Company successfully converted its €100.0 million of nominal loan through the exchange offer. In essence €50.0 million was converted into equity and €50.0 million were repaid to the old bondholders. The exchange offer improves the Company's short-term liquidity and reduces the Company's indebtedness. Meanwhile €4.7 million was repayed.

In November 2015, the Company issued a €14.0 million convertible bond, a five-year unsubordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%.

On December 23, 2016, the Company entered into a working capital facility agreement of €7.5 million with Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. This is a fully secured, super senior debt, short-term, interest is at 9.5% and is in arears monthly payable. At December 31, 2016, €3.5 million was undrawn.

- €1.7 million in overdraft and short-term loans of which €0.7 million was undrawn
- €12.4 million receivable financing of which €9.3 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

Persistent operating losses, the effect of unfavorable credit terms given by our suppliers, and continued loss of business volume resulted in falling beneath the minimum level of required liquidity to adequately finance our operations over the coming quarters. The Company addressed and continues addressing its operating costs through a business process redesign and with an emphasis on cash generation. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and reduction in interest burden through restructuring of the Group's financial commitments were all designed to bring the activities of the Group into a stable financial position. The occurrence of other, remote, risks, such as the lawsuits received in relation to Lannion, insufficient growth of business and margin improvements for securing the future interest payments in the range of 8.0% to 12.0%, could place the Group into further financial distress and may result in an insolvency.

The table below summarizes the projected contractual cash flows based on the maturity profile of the Group's interest bearing loans and borrowings (including interest) as at December 31, 2016:

in thousands of euros	Within 1 year	2–5 years	After 5 years	Total
Maturity profile				
Obligations under receivable factoring arrangements	(3,124)	–	–	(3,124)
Notes payable	–	(76,897)	–	(76,897)
Facility agreement	(3,832)	–	–	(3,832)
Other debt	(76)	(306)	(57)	(439)
Total	**(7,032)**	**(77,203)**	**(57)**	**(84,292)**

CURRENCY RISK

The Group's exposure to foreign currency risk based on the following net amounts as at December 31, 2016, was:

in thousands of euros	EUR	USD	GBP	SGD	CNY	Other
Cash	8,419	2,881	91	1,022	1,610	852
Trade and other receivables	35,210	2,334	1,301	1,578	2,259	634
Prepayments	449	538	–	18	65	5
Trade and other payables	(53,384)	(7,116)	(1,128)	(2,262)	(2,138)	(464)
Deferred income	(1,524)	(447)	(6)	(132)	(495)	(76)
Short- and long-term debt	(62,359)	–	–	–	–	–
Total	**(73,189)**	**(1,810)**	**258**	**224**	**1,301**	**951**

The Group is primarily exposed to the euro because of its principal operations in the Eurozone. Other currencies to which the Group is exposed include the USD, GBP, SGD and CNY. A change of 5.0% in any of these currencies would have a maximum impact of €0.1 million 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 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Assets carried at amortized cost					
Trade and other receivables	19	36,554	36,554	47,014	47,014
Cash and cash equivalents	21	14,875	14,875	33,548	33,548
Total		**51,429**	**51,429**	**80,562**	**80,562**
Liabilities carried at amortized cost					
Trade and other payables	27	36,765	36,765	47,801	47,801
Loans and borrowings	24	7,581	7,581	6,211	6,211
Notes payable	24	49,628	19,631	49,670	44,122
Total		**93,974**	**63,977**	**103,682**	**98,134**

Fair value hierarchy

As at December 31, 2016, there are no financial instruments which are carried at fair value. The fair value of the notes payable is disclosed below. The Group uses three levels of valuation method as follows:

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

December 31, 2016	Level 1	Level 2	Level 3
Notes payable	19,631	–	–

December 31, 2015	Level 1	Level 2	Level 3
Notes payable	35,005	9,117	–

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

CUSTOMER CONCENTRATION RISK

The top 30 customers represented 36.4% of the Group revenue (2015: 36.9%) with the top 5 customers representing 14.5% of the Group revenue (2015: 14.9%). The Group monitors its 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. The concentration by customer can vary from year to year.

CREDIT RISK

At the end of Q3 2016, the Group concluded that the remaining receivable of €0.8 million on their South African subsidiary required a full provision of bad debt allowance. An involved trading bank who provided pre-financing on a letter of credit facility went into economic distress and therefore was not able to meet its liabilities.

At the end of 2014, our major operation in Germany, Warstein-Belecke, was informed that one of their major customers, filed for chapter 11 (anticipated bankruptcy), following a financial dispute with an American multinational corporation in consumer electronics. A bad debt allowance charge of €1.3 million was recorded. In March 2015, the Group sold these receivables for a consideration of €0.6 million in cash (without recourse).

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

32. 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, 2016

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	489,687	–	489,687	1,100,490
Severance	–	–	–	391,693
Post-employment benefits	48,506	–	48,506	80,646
Fees	–	100,000	100,000	–
Total	**538,193**	**100,000**	**638,193**	**1,572,829**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Directors; Dr. D. Wolfertz, Mr. W. Loose, Mr. K. Schulze, Mr. B. Luft and Mr. K. Corbin. Other managers include Messrs. C. Roth (COO), K. Coulton (VP Global sales until April 2016), J. Ferriman (VP Global sales) and R. de Vries (CFO).

Year to December 31, 2015

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	656,273	–	656,273	515,967
Severance	–	–	–	–
Post-employment benefits	54,764	–	54,764	21,591
Share-based payments (MIP)	–	–	–	–
Fees	–	100,000	100,000	–
Total	**711,037**	**100,000**	**811,037**	**537,558**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Director Mr. K. Corbin. Other managers include Mr. D. Ehrmanntraut (COO) for the period January to October 2015. For Messrs C. Roth (COO), K. Coulton (VP Global sales) and R. de Vries (CFO), the period December was included.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

As at December 31, 2016	No. of shares	50.0 million bonds at nominal value (€)	14.0 million convertible bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000	100,000
Mr. W. Loose	1,664,000	–	100,000
Mr. B. Luft	4,175,644	248,500	100,000
Mr. K. Schulze	2,077,066	–	100,000
Mr. J. Casper	2,635,904	–	–
AEG PS managers	19,000	–	–
Total	**16,643,694**	**348,500**	**400,000**

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2016, were as in the table above.

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

AEG PS managers refer to key executives other than Directors.

MANAGEMENT INCENTIVE PROGRAM

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

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

- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 50.0 million ("Tranche 1");
- 50.0% of the MIP shares in the case of a market capitalization of the Company of EUR 95.0 million ("Tranche 2"); and
- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 139.0 million ("Tranche 3").

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

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

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

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

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

(ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Company to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100.0% of the voting rights of the Company own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the new bond and is or becomes a subsidiary of the Company. If not all MIP shares are released and transferred by CBSB to the Beneficiaries pursuant to the above-mentioned rules upon the lapse of ten years starting from the day of the subscription and acquisition of the MIP shares by CBSB, CBSB shall, subject to applicable law, release and transfer to the Company those MIP shares which have not been released and transferred to the Beneficiaries at that point of time together with any dividends accrued on the respective MIP shares so released and transferred, less any taxes paid by CBSB on such dividends, and the Company shall then cancel such MIP shares.

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

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

At December 31, 2016 no shares were vested.

33. AUDITORS' REMUNERATION

The 2016 fees of the independent auditor of the Group, PwC, were as follows:

in thousands of euros	2016	2015
Audit services	663	489
Audit-related services	90	185
Total	**753**	**674**

34. GROUP ENTITIES

SUBSIDIARIES

	Country of incorporation	Ownership interest 2016	Ownership interest 2015
PSS Holdings (France) S.A.S.	France	100	100
AEG PS S.A.S (Tours)	France	100	100
ATEM ENERGY S.A.R.L.	France	100	100
3WPower Holding GmbH	Germany	100	100
AEG PS GmbH [1]	Germany	100	100
Fluxpower GmbH	Germany	–	100
AEG PS Ltd	United Kingdom	100	100
AEG PS Iberica SL	Spain	100	100
3W Power S.p.A.	Italy	100	100
Primetech s.r.l.	Italy	–	100
AEG PS Pte Ltd	Singapore	100	100
AEG PS SDN BHD	Malaysia	100	100
3W Power USA, Inc.	USA	100	100
AEG PS (Russia) LLC	Russia	100	100
AEG PS Co.	China	100	100
3W Power Ukraine TOV	Ukraine	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 [2]	South Africa	51	51
3W Power (South Africa) [2]	South Africa	25	25
AEG PS Aram. Kft.	Hungary	100	100
AEG PS spol s.r.o.	Czech Republic	100	100

[1] AEG PS GmbH is fully consolidated up until 22 November 2016, as from 23 November 2016, equity accounted and reported as an associate.
[2] 3W Power Pty Ltd (South Africa) and 3W Power (South Africa) are not included in the 2014 and 2015 consolidated results.

35. SUBSEQUENT EVENTS

On January 5, 2017, the holders of the €45.3 million bond agreed to the following changes in the terms and conditions:

– delay of interest payments to end of maturity date (August 2019)
– unwinding of pledge of shares
– for period 6, March 1, 2017, to August 2017, a 4% incentive is levied on the 8% interest trench.
– approval of new super senior debt of max €20.0 million.

During March 2017, the conditions (mainly additional security) of the super senior secured debt were amended to extend the credit line to €15.0 million of which €7.5 million is directly available to our German affiliate.

On May 2, 2017 the local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceeding. Following this expected positive court verdict, the Group re-obtained full control of the 100% shares in AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards. In accordance with IFRS 3, "Business Combinations", paragraph B66, due to the limited time, the Group cannot disclose more information on the considered fair value on the acquisition date in these consolidated financial statements, but will fulfill this requirement at the time of the filing of the June interim consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

pwc

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of 3W Power S.A. and its subsidiaries (the "Group"), which comprise consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Director's 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 give a true and fair view of the consolidated financial position of 3W Power S.A. and its subsidiaries as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter with regard to going concern

We draw attention to the going concern paragraph in the note 2 of the consolidated financial statements which indicates that the Group essentially depends on the full realization of its liquidity forecast, the willingness of stakeholders to continue their financing and in the case of a liquidity shortfall, that additional funding is secured. These conditions, along with other matters as set forth in the note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matters
We draw attention to the following. As at December 31, 2016, the retained earnings of 3W Power S.A. are negative and they exceed three quarters of the subscribed capital of the Company. Therefore, in accordance with article 100 of the Luxembourg Law on Commercial Companies, the Board of Directors will have to submit for consideration to a General Meeting of Shareholders, the question of the possible liquidation of the Company. We have informed that such meeting will be convened by the Board of Directors. Our opinion is not modified in respect of this matter.

The Corporate Governance Statement includes the information required by Article 68bis Paragraph (1) of the Law of December 19, 2002, on the commercial companies register and on the accounting records and annual accounts of undertakings, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Directors´ report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis Paragraph (1) Letters c) and d) of the Law of December 19, 2002 on the commercial companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statement and has been prepared in accordance with applicable legal requirements.

Luxembourg, May 18, 2017
PricewaterhouseCoopers
Société coopérative
Represented by

Marc Minet

PricewaterhouseCoopers
Société coopérative
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L-1014 Luxembourg

Cabinet de révision agréé
Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477
TVA LU25482518

COMPANY STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2016	2015
Assets			
Shares in affiliated undertakings	7	–	12,332
Loans to affiliated undertakings	8	33,004	46,620
Trade and other receivables	9	11,318	7,727
Total non-current assets		**44,322**	**66,679**
Loans to affiliated undertakings	8	3,203	5,400
Trade and other receivables	9	379	240
Cash and cash equivalents	10	559	10,584
Total current assets		**4,141**	**16,224**
Total assets		**48,463**	**82,903**
Liabilities			
Loans and borrowings	11	9,679	49,670
Total non-current liabilities		**9,679**	**49,670**
Trade and other payables	12	1,056	1,784
Loans and borrowings	11	44,762	1,105
Total current liabilities		**45,818**	**2,889**
Total liabilities		**55,497**	**52,559**
Equity			
Share capital	13	837	837
Share premium	13	418,822	418,822
Reserve for own shares	13	(22,870)	(22,870)
Other equity	13	4,883	4,883
Retained earnings		(408,706)	(371,328)
Total equity attributable to equity holders of the Company		**(7,034)**	**30,344**
Total equity and liabilities		**48,463**	**82,903**

The Company financial statements on pages 72 to 75 were approved by the Board of Directors on May 17, 2017 and signed on its behalf by:

J. Casper

The notes on pages 76 to 87 are an integral part of these Company financial statements.

STATEMENT OF THE CEO IN RELATION TO THE STAND ALONE-ACCOUNTS

I, Jeffrey Casper, Chief Executive Officer of 3W Power S.A., hereby confirm, to the best of my knowledge, that the Company 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.

Jeffrey Casper

On behalf of the Board of Directors
May 17, 2017

COMPANY STATEMENT OF COMPREHENSIVE INCOME For the year ended December 31

in thousands of euros	Note	2016	2015
Administrative expenses	5	(1,200)	(1,258)
Impairment of investments in subsidiaries and of loans to affilated undertakings	7	(31,098)	(25,842)
Loss before interest and tax		**(32,298)**	**(27,100)**
Finance income	6	3,591	3,594
Finance costs	6	(8,668)	(6,173)
Net finance costs		**(5,077)**	**(2,579)**
Loss before income tax for the year		**(37,375)**	**(29,679)**
Income tax		(3)	(3)
Total comprehensive loss for the year		**(37,378)**	**(29,682)**

The notes on pages 76 to 87 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	Other equity	Retained earnings	Total equity
Balance at January 1, 2015	**837**	**418,822**	**(22,870)**	**–**	**(341,646)**	**55,143**
Loss for the year	–	–	–	–	(29,682)	(29,682)
Value of conversion rights on convertible notes	–	–	–	4,883	–	4,883
Total comprehensive profit for the year	**–**	**–**	**–**	**4,883**	**(29,682)**	**(24,799)**
Total transactions	**–**	**–**	**–**	**4,883**	**(29,682)**	**(24,799)**
Balance at December 31, 2015	**837**	**418,822**	**(22,870)**	**4,883**	**(371,328)**	**30,344**
Balance at January 1, 2016	**837**	**418,822**	**(22,870)**	**4,883**	**(371,328)**	**30,344**
Loss for the year	–	–	–	–	(37,378)	(37,378)
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**(37,378)**	**(37,378)**
Total transactions	**–**	**–**	**–**	**–**	**(37,378)**	**(37,378)**
Balance at December 31, 2016	**837**	**418,822**	**(22,870)**	**4,883**	**(408,706)**	**(7,034)**

The notes on pages 76 to 87 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	2016	2015
Cash flows from operating activities			
Profit/(loss) for the year		(37,378)	(29,682)
Adjustments for non-cash items:			
Shares in affiliated undertakings		31,098	25,842
Finance expense (net)	6	5,077	2,579
Income tax		3	3
Cash flow used in operations before changes in working capital		**(1,200)**	**(1,258)**
Change in trade and other receivables		2	–
Change in trade and other payables		(742)	221
Cash from operating activities		**(1,940)**	**221**
Income tax paid		-	(3)
Net cash from/(used in) operating activities		**(1,940)**	**(1,040)**
Cash flows from investing activities			
Net loan to AEG PS B.V.	8	250	(2,800)
Net loan to AEG PS (France) S.A.S.		(3,203)	
Interest received		–	2,828
Net cash from investing activities		**(2,953)**	**28**
Cash flows from financing activities			
Proceeds Facility agreement less fees		3,278	–
Proceeds convertible bonds		–	13,578
Repurchase of Notes		(4,742)	
Interest paid		(3,668)	(2,000)
Net cash used in financing activities		**(5,132)**	**11,578**
Net decrease in cash and cash equivalents		**(10,025)**	**10,566**
Cash and cash equivalents at beginning of year		10,584	18
Cash and cash equivalents at end of year	10	**559**	**10,584**

The notes on pages 76 to 87 are an integral part of these Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

On June 8, 2010, 3W Power S.A. (formerly 3W Power Holdings S.A.), (the "Company") transferred the place of its registered office and its principal place of business from Guernsey to Luxembourg, adopted the Luxembourg nationality and changed its name from Germany1 Acquisition Limited to 3W Power Holdings S.A. On May 19, 2011, the Company changed its name to its current name of 3W Power S.A. The registered office of the Company is at 19, rue Eugène Ruppert, L-2453 Luxembourg.

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

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

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

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

On August 26, 2014, the Company:

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

On August 29, 2014 the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014, to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bondholders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJZB9/WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term, up to the maximum of 12.0%.

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

At the extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On October 5, 2015, bondholders approved a change in the terms and conditions of its €50.0 million corporate bond (DE000A1ZJZB9) with a majority of 99.97 percent.

On November 9, 2015, the Company issued the €14.0 million convertible bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

On April 15, 2016, the Company repurchased €4.7 million corporate bonds, reducing the bond payable to €45.3 million.

On November 22, 2016, the German subsidiary entered into a protective shield proceeding in self-administration to reorganize, streamline its operation, and restructure legacy liabilities.

On November 23, 2016, the main shareholders, the bondholders of the convertible bond and the main bondholders of the 2014/2019 bond entered into a restructuring agreement. This restructuring agreement requires principal shareholders and bondholders to be supportive to amendments to the terms and conditions of 3W Power's 2014/2019 bonds and the 2015/2020 convertible bond.

On December 21, 2016, the noteholders of the 2015/2020 convertible bond (ISIN: DE000A1Z9U50) have agreed with the required majority to the amendments proposed by the Company to the bond's terms and conditions. Requests included (i) interest payments at the end of maturity date, (ii) approval of fresh capital, and (iii) other changes inclusive the increase of interest to 9.5% as from November 2016 onwards.

The noteholders of the 3W Power's 2014/2019 bonds will meet on January 5, 2017, to approve the above-mentioned amendments.

On December 23, 2016, the Company entered into a working capital Facility agreement of €7.5 million with Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. This is a fully secured, super senior debt, short-term, interest is at 9.5% and is in arears monthly payable.

As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholders' meeting to decide on the continuation of the activities of the Company.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

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

B) GOING CONCERN ASSUMPTION

2016 Performance and forecast for year-end 2017

The Group ended 2016 with an order intake of €168.6 million and revenue of €157.8 million. Compared to 2015 and on a like-for-like basis, orders were lower than last year. Normalized EBITDA of negative €2.5 million was considerably better than the negative €4.1 million of last year. The drop in revenue was largely offset by reduced operating expenses.

The 2017 forecast depends on a timely execution of the German and other restructuring plans. A major delay in execution will require more cash and alternative measures including savings to compensate.

The envisaged restructuring in Germany, that is part of our forecast, will contribute €6.0 million savings on an annual basis as from June 2017 onwards. Further restructuring in Singapore, Italy and other Group establishments contributes the remaining €4.0 million. Several restructuring actions have been secured as where others have been initiated. Management expects completion of these restructurings at end of June 2017.

Profitability is dependent on realizing revenue growth, margins and the efficiency to which we are able to fulfill customer orders. In 2017, our margin structure is positively affected by continued cost reductions in Germany and Singapore. In addition, a new function has been created to improve the process from order intake to customer delivery. We have aggregated activities into the function "Shared Services" which comprises procurement, supply chain management, project management, order intake, third-party outsourcing and logistics. Improved coordination, communication and efficiency should reduce cost of rework, cost of one-time effects and improve margin expectations.

We will continue to focus on cost optimization, in particular in the finance, sales, service and engineering support organizations throughout the remainder of 2017. Further improvement will come from the subcontracting of the PCBA (Print Circuit Boards Assembly) activities in Germany and in a continued optimization of the operating footprint. The assumptions are for an anticipated growth in services with the full implementation of a global service scheduling and billing tool, harmonized processing for provision of spare parts, higher margins on core offerings, and the recruitment of service sales engineers during end 2016 and Q1 2017. A new service leader has been appointed to execute and coordinate these actions which are expected to lead to increased margins and volume.

With the realization of these assumptions, we expect normalized EBITDA to be positive for the full year 2017.

Cash position and financing

At year-end, the Group's cash position fell to €14.4 million (€21.7 million unaudited pro forma) which was in line with expectations. This cash was used to finance the operational loss and restructuring programs. The one-time cash received for the sale of Fluxpower and Primetech was used to repay €4.7 million and pay €3.9 million interest to the €50.0 million bond loan and €0.8 million interest to the €14.0 million convertible bond loan. The Group entered into a super senior secured debt agreement of €7.5 million (in March 2017 amended to €15.0 million), of which €3.5 million was drawn at year-end 2016. A further €1.8 million was drawn by end of March 2017.

The "insolvency" of AEG PS GmbH triggered an event of default under the secured bonds and convertible bonds, which was waived respectively on January 5, 2017, and December 20, 2016.

Furthermore, in order to obtain this super senior secured debt facility of €7.5 million (in March 2017 amended to €15.0 million), holders of the remaining €45.3 million bond agreed the following:

- delay of interest payments to end of maturity date (August 2019)
- unwinding of pledge of shares
- for period 6, March 1, 2017, to August 2017, a 4% incentive is levied on the 8% interest trench
- approval of new super senior debt of max €20.0 million of which €15.0 million has been secured as per March 2017 (9.5% interest).

The holders of the €14.0 million convertible bond also agreed to deferral of interest payments to the end of maturity date (November 2020). Interest will increase to 9.5% for the period November 2016 to November 2020.

During the first half of 2017, the Group will draw the remaining funds from the available €15.0 million facility; €9.7 million to finance the Group restructuring and the Germany related "out of insolvency obligations". Besides the restructuring costs, this comprises the legal proceedings fees and the one-time quota payment.

For the full year 2017, we expect lower cash utilized for financing operating losses, revenue will be slightly lower than 2016 and will contribute positively to a more stable working capital utilization. Starting as from Q3 onwards, we expect positive impacts on normalized terms and conditions with working capital stakeholders. The remainder of cash is utilized for capex and restructuring payments. No interest will be paid on both the €45.3 million and the €14.0 million convertible bond, interest will only be paid on a monthly basis on the drawn facility arisen from the new super senior secured debt raised through the Facility agreement. We expect that by June 2017 the Group will have fully drawn the available facility of €15.0 million.

It is anticipated that the net available cash within the business remains stable in the range of €11 million to €18 million in 2017, however there is a minimum operational cash need of approximately €10 million. Due to anticipated growth, the forecasted liquidity headroom is critical towards the end of the second quarter in 2018. We expect that at that time sufficient measures will be in place to prevent a liquidity shortage. Cash collateral will be reduced upon the total settlement of the €4.9 million quota payment. Other measures relate to opportunities to fully use existing factoring limits and a (to be negotiated) working capital facility to finance the anticipated growth. The resulting simplification of the operating business model and the focus on four key business areas has greatly reduced the volatility in the business. This allows the business to operate with a lower level of cash. Looking forward, cash generation from the operating business and from additional cash management measures are undertaken to ensure sufficient liquidity to meet the ongoing operating needs. Management has identified actions which they can use to reduce further deterioration in the cash position.

Management is also engaged in preliminary discussions to address the long-term liabilities of the Group.

An improved operating result, lower financial interest expense and additional financial flexibility will provide for a stable financial basis to invest in growth and development medium-term.

As from December 2015 Mr. Casper addressed the financial situation with the Board of Directors including the long-term outlook. In May 2016, it was agreed between Mr. Casper and the Restructuring Committee of the Board of Directors that the Group develop strategic alternatives to the current plans of the business. This may include the retention of a professional advisor or other actions to consider the best approach to long-term financing, strategic partnerships, or alternative to further facilitate the growth and development of the Group. The external options are still in process and will continue in earnest to address the long-term needs of the Group.

These activities are all designed to bring the business activities of the Group into an acceptable financial position, to restore bankability and obtain normalized credit conditions.

If the above assumptions hold from both a business plan (including the measures to prevent a liquidity shortage in May 2018) and financing perspective (no events of default), Management believes that, based on the liquidity forecast of the Group, there is sufficient liquidity available to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

Risk on the realization of the budget and forecast
Realization of our business plan and as a result our forecast liquidity headroom largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters, to be read in conjunction with all matters disclosed in this paragraph, are essential to take into consideration:

- Full realization of the liquidity forecast is achieved including order intake and timely conversion to revenue and timely and successful execution of restructuring (particularly in Germany) (taking into account the local labor laws and obligatory involvement of works councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital objectives.

- Restructuring measures may not succeed as originally scheduled, due to amongst others the labor laws in certain countries and the obligatory involvement of works councils and unions, differences in timing and amount of forecast cost savings which could require more time and cash as anticipated.

- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €45.3 million and €14.0 million bond loan) will entitle each noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

- Our budget and forecast has minimal liquidity headroom to cover for shortfall, realizing forecast is therefore essential.
- Growth ambitions put additional pressure on the working capital requirements (investments), especially in the second quarter of 2018.
- Market conditions should not develop unfavorably for the Group to realize the top-line development.
- Available supplier credit insurance is limited. There is a risk that withdrawn of this credit limit will lead to further unfavorable supplier payment conditions and subsequently pressure on trade working capital. Furthermore, this could lead to customers requesting for additional guarantees and less willingness to fund work in progress again negatively affecting working capital and/or revenue. This requires a stable operating environment, any turmoil could affect realization of the liquidity forecast.
- Any shortfall of interest payment on the drawn funds of the €15.0 million Facility agreement will bring the Company in default, both under the Facility agreement as well as the secured bond and convertible bond.
- Insolvency of an affiliate will result into an effect of default and allows the investors to execute upon the security obtained. Security comprised buildings in France, Germany and Spain, pledge on shares in affiliates, pledge on receivables and inventory.
- A cross default clause exists in all financing agreements (finance agreement and noteholder agreements). An event of default of one of the agreements would also trigger an event of default on the other financing agreements.

Besides the risks on the 2017 budget and forecast, Management has identified the following non-current risks, which could affect the Group's liquidity position:

- In 2014, the Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimers.
- The Company's €45.3 million bond matures in 2019 and has currently an escalating interest rate beginning with 8.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the payment of the principal amount and the accrued interest for the next two and a half years in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.

There is a risk that if the forecast is not fully realized, or because of an event of default under our existing financing arrangements, the Company needs additional liquidity on Group level in the near future that has not been secured. There is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding.

Going concern assumption

The above described matters and risks related to the realization of the budget and forecast indicate the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern, and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal cause of business.

In light of the above the Group has assessed the going concern assumption on the basis of which the December 2016 financial statements have been prepared. Management concludes that the application of the going concern assumptions for the 2016 financial statements is therefore appropriate.

Article 100

As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholders' Meeting to decide on the continuation of the activities of the Group.

C) BASIS OF MEASUREMENT

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

D) FUNCTIONAL AND PRESENTATION CURRENCY

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

E) USE OF ESTIMATES AND JUDGMENTS

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

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

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

F) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. DETERMINATION OF FAIR VALUES

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

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

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

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

5. ADMINISTRATIVE EXPENSES

Included in administrative expenses are:

in thousands of euros	2016	2015
Administration, accountancy and trustee fees	(371)	(305)
Audit, legal and professional fees	(480)	(452)
One-time professional fees	(158)	–
Directors' fees and expenses	(78)	(132)
Other	(113)	(369)
Total administrative expenses	**(1,200)**	**(1,258)**

One-time professional fee relates to the restructuring agreement.

6. FINANCE INCOME AND FINANCE COSTS

in thousands of euros	2016	2015
Interest income on loans	3,591	3,594
Finance income	**3,591**	**3,594**
Interest expense on notes payable	(8,531)	(6,162)
Other finance costs	(137)	(11)
Finance costs	**(8,668)**	**(6,173)**
Net finance income/(costs)	**(5,077)**	**(2,579)**

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	2016	2015
Total interest income on financial assets	3,591	3,594
Total interest expense on financial liabilities	(8,531)	(6,162)

Interest on notes payable relates to interest accrued at 6.0% (January to July) and 8.0% (August to December) on the Notes placed in August 2014 of €50.0 million and reduced to €45.3 million and 5.5% on the convertible bond of €14.0 million which was issued in November 2015, (2015: 4.0% and 6.0% on the Notes placed in August 2014 of €50.0 million) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

7. SHARES IN AFFILIATED UNDERTAKINGS

Shares in affiliated undertakings represent the Company's 100% interest in 3W Power Holdings B.V. which in turn holds 100% of AEG Power Solutions B.V. ("AEG PS") acquired on September 10, 2009. AEG PS is a world provider of power electronics. It offers product and services portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors.

The Group developed a range of products for the solar energy industry, from solar central inverters, software monitoring, turn-key electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

Movement in carrying amount is as follows:

in thousands of euros	2016	2015
Carrying amount at January 1	**12,332**	**2,674**
Debt-to-equity conversion through share premium	–	35,500
Impairment charge	(12,332)	(25,842)
Carrying amount at December 31	**–**	**12,332**

Management identified a triggering event according to IAS 39 in analyzing the significant and prolonged decline of the fair value of the Company's shares, and accordingly of the Company's sole investment in an affiliated undertaking and recognized an impairment charge of €31.1 million. The impairment charge was recognized for €12.3 million against the remaining carrying value of the investment, the remaining impairment charge of €18.8 million was recognized against the loan of affiliate undertakings. The amount of the investment recoverable amount of the affiliated undertaking has been estimated based on the value derived from the Companies market capitalization at year-end 2016.

8. LOANS TO AFFILIATED UNDERTAKINGS

in thousands of euros	2016	2015
Loan to subsidiary (long-term portion)	51,773	46,620
Impairment charge	(18,766)	–
Loan to subsidiary (short-term portion)	3,203	5,400
Total loans to subsidiary	**36,207**	**52,020**

The long-term portion of the loan is with its AEG Power Solutions B.V., the majority of the loan carries interest at 8.25% and a small portion at 5.75%, although contractually repayable on demand, is not expected to be settled within the next twelve months after reporting date. The interest increased from 6.25% to 8.25% following the change in the interest conditions on the Notes. The 5.5% relates to the convertible bond with a mark-up of 0.25%.

Management of the Company entered for 2016 into an agreement with the affiliate undertaking that there will be no claim on full reimbursement

On December 30, 2016, the Company entered into a €3.0 million loan agreement with AEG PS S.A.S. (Tours), France. The interest is at 9.625% and monthly payable in arears.

See note 14 for the fair value of the loans at the end of 2016.

9. TRADE AND OTHER RECEIVABLES

in thousands of euros	2016	2015
Due from affiliated undertakings and shareholders (long-term portion)	11,318	7,727
Prepayments and other receivables	379	240
Total trades and other receivables	**11,697**	**7,967**

Although receivables are formally due within 1 year, Management of the Company entered for 2016 into an agreement with the affiliate undertaking that there will be no claim on full reimbursement within the next twelve months. See note 14 for the fair value of the loans. Trade and other receivables were not impaired during the year.

10. CASH AND CASH EQUIVALENTS

in thousands of euros	2016	2015
Current accounts	559	10,584
Total cash and cash equivalents	**559**	**10,584**

11. LOANS AND BORROWINGS

in thousands of euros	2016	2015
Non-current		
Notes payable [1]	–	40,872
Notes payable [2]	9,679	8,798
Total non-current	**9,679**	**49,670**
Current		
Accrued interest	1,313	1,105
Notes payable [1]	39,949	–
Facility agreement	3,500	–
Total current	**44,762**	**1,105**
Total loans and borrowings	**54,441**	**50,775**

[1] **Unsubordinated notes payable €45,300,000 effective interest 15.96%, due August 29, 2019.**
On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014, to, but excluding August 29, 2019, at an escalating interest rate starting at 4.0% and on an annual basis increased with 2.0% pa (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of an unconditional and irrevocable guarantee by certain subsidiaries of the issuer. Once per interest period the issuer is entitled to redeem all outstanding Notes in the amount of 20.0% of the initial principle amount of a Note (i.e. in each interest period in the amount of €100.00 per note). The issuer is free to choose the interest periods in which it wishes to make a partial redemption. The issuer is entitled at any time to redeem the outstanding Notes in whole, but not in part, at 101.0% of the outstanding principal amount of the Notes together with accrued interest. If a change of

control occurs, each noteholder shall have the right to require the issuer to redeem or, at the issuer's option, purchase (or procure the purchase by a third party of) in whole or in part his Notes at 100.0% of the outstanding principal amount (the "Put Option"). An exercise of the Put Option shall, however, only become valid if during the put period noteholders of Notes with a principal amount of at least 50.0% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option. On April 15, 2016, the Company repurchased €4.7 million bonds. Management judgment is that the Notes will be held until maturity.
The notes payable of €45.3 million has been reported as per December 31, 2016, as short-term, following the breach of the covenants, resulting from the protective shield proceedings. A waiver was obtained as per January 5, 2017, for this covenant and as such the Notes will be classified as non-current as from that date again.

[2] **Unsubordinated notes payable €14,000,000, five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5% (effective interest 17.47%), due November 11, 2020.**
The Notes bear interest from and including November 11, 2015, to, but excluding November 11, 2016, at a rate of 5.50% p.a. (17.47% effective interest), payable annually in arrears on November 11 of each year. The first interest payment will be made on November 11, 2016. The Notes are redeemable at par on November 11, 2020. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. Management analyzed the relevant terms of the contract that can impact the accounting of the convertible bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional classify as liability. Furthermore, Management concluded that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity. On December 21, 2016, the majority of the bondholders approved the increase of interest to 9.5% as from November 2016 onwards and that future interest payments are due on the loan maturity date.

[3] **Facility agreement, unsubordinated super senior secured debt of €7,500,000, one-year period with one year extension. Interest 9.5%, due December 23, 2017** from Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund. The Facility agreement has been entered as from December 23, 2016. The loan is fully secured by pledge on shares, inventory and building in Tours, France.

See note 14 for the fair value of the loans at the end of 2016.

Loans are due as follows:

in thousands of euros	2016	2015
Within 1 year	3,500	1,105
Within 2–5 years	49,628	49,670
Total	**53,128**	**50,775**

12. TRADE AND OTHER PAYABLES

in thousands of euros	2016	2015
Trade payables	**1,056**	**1,784**

13. CAPITAL AND RESERVES

SHARE CAPITAL

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

[1] Included in treasury shares are 2,500,000 shares previously held in escrow for the purpose of an earn-out agreement with the former AEG Power Solutions B.V. shareholders. The earn-out was based on the achievement of certain EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The targets have not been met and under the terms of the earn-out agreement the shares were released from escrow to the Company in September 2012.
[2] Included in the ordinary shares are 8,370,370 shares for the Management Incentive Program ("MIP") . The MIP has been created on July 21, 2014, to transfer, under certain conditions, the MIP shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries").

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

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

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

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

On August 26, 2014, the Company:

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

On August 29, 2014, the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014, to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bondholders who elected not to subscribe to the new debt and equity increase.

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

At the extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On November 9, 2015, the Company issued the €14.0 million convertible bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

On December 21, 2016, the interest on the convertible bond was adjusted to 9.5%.

in thousands of euros	Share capital
January 1, 2015	**837**
December 31, 2015	**837**
December 31, 2016	**837**

in thousands of euros	Share premium
January 1, 2015	**418,822**
December 31, 2015	**418,822**
December 31, 2016	**418,822**

in thousands of euros	Reserve for own shares
January 1, 2015	**(22,870)**
December 31, 2015	**(22,870)**
January 1, 2016	**(22,870)**
December 31, 2016	**(22,870)**

in thousands of euros	Other Equity
January 1, 2015	**–**
Value of conversion rights on convertible notes	4,883
December 31, 2015	**4,883**
January 1, 2016	**4,883**
December 31, 2016	**4,883**

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, 2016, the Company held 235,462 (2015: 235,462) of its own shares with an aggregate cost of €22,870 thousand (2015: €22,870 thousand).

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

Article 100

As at December 31, 2016, losses exceeded 75% of the Company's subscribed capital. In accordance with the Luxembourg law, the Board of Directors will convene a Shareholder's Meeting to decide on the continuation of the activities of the Group.

14. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

in thousands of euros	2016	2015
Cash and cash equivalents	559	10,584
Loans and receivables	47,904	59,987
Total financial assets	**48,463**	**70,571**
Financial liabilities measured at amortized costs		
Trade and other payables	1,056	1,784
Interest on notes payable	1,313	1,105
Facility agreement	3,500	–
Notes payable	49,628	49,670
Total financial liabilities measured at amortized cost	**55,497**	**52,559**
Total net financial assets/(liabilities)	**(7,034)**	**18,012**

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 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Assets carried at amortized cost					
Cash and cash equivalents		559	559	10,584	10,584
Loans and receivables		47,904	47,904	59,987	59,987
Total		**48,463**	**48,463**	**70,571**	**70,571**
Liabilities carried at amortized cost					
Trade and other payables		1,056	1,056	1,784	1,784
Borrowings		1,313	1,313	1,105	1,105
Facility agreement		3,500	3,500	–	–
Notes payable		49,628	19,631	49,670	44,122
Total		**55,497**	**25,500**	**52,559**	**47,011**

Fair value hierarchy

As at December 31, 2016, there are no financial instruments which are carried at fair value. The fair value of the notes payable is disclosed below. The Group uses three levels of valuation method as follows:

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

December 31, 2016	Level 1	Level 2	Level 3
Notes payable	19,631	–	–

December 31, 2015	Level 1	Level 2	Level 3
Notes payable	35,005	9,117	–

15. RELATED PARTIES

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

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

BOARD AND KEY MANAGEMENT REMUNERATION

The total remuneration of Board members and Group senior managers are included in the following amounts:

Year to December 31, 2016

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	489,687	–	489,687	1,100,490
Severance	–	–	–	391,693
Post-employment benefits	48,506	–	48,506	80,646
Fees	–	100,000	100,000	–
Total	**538,193**	**100,000**	**638,193**	**1,572,829**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Directors; Dr. D. Wolfertz, Mr. W. Loose, Mr. K. Schulze, Mr. B. Luft and Mr. K. Corbin. Other managers include Messrs. C. Roth (COO), K. Coulton (VP Global sales until April 2016), J. Ferriman (VP Global sales) and R. de Vries (CFO).

Year to December 31, 2015

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	656,273	–	656,273	515,967
Severance	–	–	–	–
Post-employment benefits	54,764	–	54,764	21,591
Share-based payments (MIP)	–	–	–	–
Fees	–	100,000	100,000	–
Total	**711,037**	**100,000**	**811,037**	**537,558**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Director Mr. K. Corbin. Other managers include Mr. D. Ehrmanntraut (COO) for the period January to October 2015. For Messrs C. Roth (COO), K. Coulton (VP Global sales) and R. de Vries (CFO), the period December was included.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

As at December 31, 2016	No. of shares	50.0 million bonds at nominal value (€)	14.0 million convertible bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000	100,000
Mr. W. Loose	1,664,000	–	100,000
Mr. B. Luft	4,175,644	248,500	100,000
Mr. K. Schulze	2,077,066	–	100,000
Mr. J. Casper	2,635,904	–	–
AEG PS managers	19,000	–	–
Total	**16,643,694**	**348,500**	**400,000**

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2016, were as in the table above.

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

MANAGEMENT INCENTIVE PROGRAM

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

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

– 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 50.0 million ("Tranche 1");
– 50.0% of the MIP shares in the case of a market capitalization of the Company of EUR 95.0 million ("Tranche 2"); and
– 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 139.0 million ("Tranche 3").

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

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

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

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

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

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

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

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

At December 31, 2016, no shares were vested.

16. FINANCIAL RISKS

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the €33.0 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.

A risk of valuation exists in respect of the carrying amount of loans and other receivables. At December 31, 2016, the loans and receivables are stated at carrying value 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 these receivables then an impairment test will be carried out in addition to the yearly impairment test.

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

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

17. GUARANTEES AND COMMITMENTS

On July 6, 2016, 3W Power S.A. entered into a guarantee agreement of EUR 90K in favor of Lufthansa Airplus Servicekarten GmbH.

On October 8, 2014, an account pledge agreement entered between 3W Power S.A. and ABB Treuhand GmbH creating a pledge on the Société Générale bank account of 3W Power S.A.

The super senior secured debt with Coltrane Master Fund L.P. and Prime Capital Debt SCS, SICAV-FIS-Robus Recovery Sub-Fund, is fully secured by pledge on shares, inventory and building in Tours, France.

18. SUBSEQUENT EVENTS

On January 5, 2017, the holders of the €45.3 million bond agreed to the following changes in the terms and conditions:

- delay of interest payments to end of maturity date (August 2019)
- unwinding of pledge of shares
- for period 6, March 1, 2017, to August 2017, a 4% incentive is levied on the 8% interest trench
- approval of new super senior debt of max €20.0 million.

During March 2017, the conditions (mainly additional security) of the super senior secured debt were amended to extend the credit line to €15.0 million of which €7.5 million is directly available to our German affiliate.

On May 2, 2017, the local court of Arnsberg adapted the restructuring plan as approved by the Credit Committee and formally ended the protective shield proceeding. Following this expected positive court verdict, the Group re-obtained full control of the 100% shares in AEG PS GmbH and will include the results of AEG PS GmbH in the consolidated numbers as from May 1, 2017 onwards. In accordance with IFRS 3, "Business Combinations", paragraph B66, due to the limited time, the Group cannot disclose more information on the considered fair value on the acquisition date in these consolidated financial statements, but will fulfill this requirement at the time of the filing of the June interim consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON THE COMPANY FINANCIAL STATEMENTS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 3W Power S.A. (the "Company"), which comprise statement of financial position as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 give a true and fair view of the financial position of 3W Power S.A. as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter with regard to going concern
We draw attention to the going concern paragraph in the note 2 of the financial statements which indicates that the Company essentially depends on the full realization of its liquidity forecast, the willingness of stakeholders to continue their financing and in the case of a liquidity shortfall, that additional funding is secured. These conditions, along with other matters, as set forth in the note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Company`s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report and the Corporate Governance Statement but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matters
We draw attention to the following. As at December 31, 2016, the retained earnings are negative and they exceed three quarters of the subscribed capital of the Company. Therefore, in accordance with article 100 of the Luxembourg Law on Commercial Companies, the Board of Directors will have to submit for consideration to a General Meeting of Shareholders, the question of the possible liquidation of the Company. We have informed that such meeting will be convened by the Board of Directors. Our opinion is not modified in respect of this matter.

The Corporate Governance Statement includes the information required by Article 68bis Paragraph (1) of the Law of December 19, 2002, on the commercial companies register and on the accounting records and annual accounts of undertakings, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Directors´ report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis Paragraph (1) Letters c) and d) of the Law of December 19, 2002 on the commercial companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the financial statement and has been prepared in accordance with applicable legal requirements.

Luxembourg, May 18, 2017
PricewaterhouseCoopers
Société coopérative
Represented by

Marc Minet

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Expert-comptable (autorisation gouvernementale n°10028256)
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APPENDIX

RECONCILIATION FROM REPORTED EBIT TO ADJUSTED EBIT

For the period ended

in millions of euros	December 31 (unaudited pro forma) 2016	December 31 (unaudited pro forma) 2015	December 31 (reported) 2016	December 31 (reported) 2015
Reported EBIT	**(17.3)**	**(37.2)**	**(11.9)**	**(37.2)**
Adjustments				
Amortization of intangibles on acquisition	5.0	5.8	5.0	5.8
Accelerated amortization of intangibles on acquisition	0.2	4.0	0.2	4.0
Amortization/impairment of goodwill	0.7	11.3	0.7	11.3
Impairment of tangible assets	4.9	–	–	–
Restructuring charge/(release)	1.6	6.7	1.7	6.7
Capital gain on divestments	(4.9)	(0.9)	(4.9)	(0.9)
One-time expenses	1.5	–	1.5	–
Total adjustments	**8.9**	**26.9**	**4.2**	**26.9**
Adjusted EBIT	**(8.4)**	**(10.3)**	**(7.7)**	**(10.3)**

DERIVATION OF EBITDA

For the period ended

in millions of euros	December 31 (unaudited pro forma) 2016	December 31 (unaudited pro forma) 2015	December 31 (reported) 2016	December 31 (reported) 2015
Reported EBIT	**(17.3)**	**(37.2)**	**(11.9)**	**(37.2)**
Depreciation and amortization charges				
Amortization and impairment of intangibles on acquisition	5.9	21.1	5.9	21.1
Depreciation charge on tangible assets	7.6	3.0	2.6	3.0
Amortization charge on intangible assets	0.6	1.0	0.6	1.0
Other	2.1	2.2	2.0	2.2
Total depreciation and amortization charges	**16.2**	**27.4**	**11.1**	**27.4**
EBITDA	**(1.1)**	**(9.8)**	**(0.8**	**(9.8)**

DERIVATION OF NORMALIZED EBITDA

For the period ended

in millions of euros	December 31 (unaudited pro forma) 2016	December 31 (unaudited pro forma) 2015	December 31 (reported) 2016	December 31 (reported) 2015
Adjusted EBIT	**(8.4)**	**(10.3)**	**(7.7)**	**(10.3)**
Depreciation and amortization charges				
Depreciation charge on tangible assets	2.7	3.0	2.6	3.0
Amortization charge on intangible assets	0.6	1.0	0.6	1.0
Other	2.2	2.2	2.0	2.2
Total depreciation and amortization charges	**5.5**	**6.2**	**5.2**	**6.2**
Normalized EBITDA	**(2.9)**	**(4.1)**	**(2.5)**	**(4.1)**

RECONCILIATION FROM REPORTED NET LOSS TO ADJUSTED NET LOSS

For the period ended

in millions of euros	December 31 (unaudited pro forma) 2016	December 31 (unaudited pro forma) 2015	December 31 (reported) 2016	December 31 (reported) 2015
Reported net loss	**(23.2)**	**(41.6)**	**(57.4)**	**(41.6)**
Adjustments				
Regular amortization of intangibles on acquisition	5.0	5.8	5.0	5.8
Accelerated amortization of intangibles on acquisition	0.2	4.0	0.2	4.0
Amortization/impairment of goodwill	0.7	11.3	0.7	11.3
Impairment of tangible assets	4.9	–	–	–
Restructuring charge/(release)	1.6	6.7	1.7	6.7
Capital gain on divestments	(4.9)	(0.9)	(4.9)	(0.9)
One-time expenses	1.5	–	1.5	–
Result on deconsolidation AEG PS GmbH	–	–	38.8	–
Estimated tax effect on the above	(1.1)	(2.6)	(1.1)	(2.6)
Total adjustments	**7.9**	**24.3**	**41.9**	**24.3**
Adjusted net loss	**(15.3)**	**(17.3)**	**(15.5)**	**(17.3)**

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.

May 18
Publication of Q1 2017 results

August 17
Publication of Q2 2017 results

November 16
Publication of Q3 2017 results

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Concept and design:
HGB Hamburger Geschäftsberichte, Hamburg

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

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

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