TE WIND S.A.

Société Anonyme

CONSOLIDATED FINANCIAL STATEMENTS

Interim results for the six months ended June 30, 2014

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DIRECTORS' REPORT

The Board of Directors of TE Wind S.A. ("TE Wind") announces its unaudited consolidated results for the six months period ended June 30, 2014.

General Statement

TE Wind was incorporated on May 3, 2013 under Luxembourg law as a "Société Anonyme" by Iris Fund SICAV SIF (the "Fund"), its sole shareholder. The main purpose of TE Wind is the acquisition of ownership interests, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever operating in the renewable energy field and particularly in the energy production from eolic sources. On October 11, 2013, the Company was successfully listed on AIM Italia, the Alternative Capital Market of the Borsa Italiana, reaching 8,1 Million Euro of collection.

The negative result of the first semester 2014 (consolidated loss for Eur 1,019,267) is expected as a result of the investment strategy in place that has for the first two years a strong program of investments in order to maximize the number of producing plants by the end of 2015, generating full income as expected from 2015 and 2016.
In the same circumstances a loss is also expected for 2014. The Board assesses that the Company could restore its profitability starting 2015.

In order to consolidate its competitive position on the market, TE Wind will continue to focus on the development of its production capacity of renewable energy through the expected installation of mini-Eolic plants with a nominal power of 50/60 kW and acquisition company with already existing plant recently installed, located in Sardinia and in the South of Italy. However, in line with the diversification strategy, the company has signed an engagement letter for the potential acquisition of n.5 200Kw turbines.

The company is also scouting opportunity in UK, one of the main market for mini-eolic, in order to diversify the country risk in its portfolio. By the end of 2014, TE Wind is going to have a portfolio of turbines close to 100 with an installed power of 5 MW adding additional 2 MW during 2015.

The strategy approved by the company is aimed to move towards the signature of turn-key power plant contract in order to reduce the development risk, operating with industrial partners massively present in the territory with a proven capacity, strong balance sheet and significant know -how developed through the experience of wind production. These actors bring mini-wind projects of high standing already at an advanced stage of development as the Company will be responsible for financially structuring the project and to coordinate their operations. In order to find the necessary financial resources to support that development plan the Company will perform a capital increase and / or the issuance of additional convertible bonds, parallel to the structuring of leveraged financial instruments through the support of its financial advisor Keystone Srl.

Financial Highlights

In comparison of the same semester of 2013, the current financial performance can be highlighted as follows:

- Revenues increased by 125.8% amounting to Eur 103,005 (June 2013: Eur 45,616).
- Gross profit grew by 126% to Eur 80,272 (June 2013: Eur 35,496).
- Net finance loss net of Eur 662,224 compared to net finance income of Eur 217,283 as at June 2013, difference mainly due to interest on loans and fair value valuations on financial instruments according to Ifrs principles.
- Net loss before tax of Eur 1,165,172 and Net Result showing a loss of Eur 1,019,267.
- Tangible and Intangible Fixed Assets of Eur 10.6 million increased by 120.8% (June 2013: Eur 4.8 million).
- Cash balances at 30 June 2014 of Eur 1.6 million.
- Cash flow shows Eur 3 million invested on PPE, while Eur 700,000 used in operating activities.
- Loss per share at half year of Eur 0.14 attributable to shareholders of the parent.

The company is still in a start-up phase and Windmill Srl is currently the subsidiary having plants installed and working. The other plants owned by the other subsidiaries are in part under construction and in part under connection; consequently the operative revenues in this interim period were still affected by this start-up phase.

The minor revenues, combined with the listing maintenance costs and finance costs, bring to a result in a loss for the period. In particular the major finance or administrative expenses and costs affecting the final results of the company are represented by:

- Maturity interests on borrowings from third parties and parent (loans, corporate bonds) of Eur 245,835;
- Adjusted fair value of the bonds and warrants issued together with actualization on long-term loans, according to the accounting policy requested by the IFRS, for a total amount of Eur 416,342;
- Services for listing maintenance costs of around Eur 104,000.

As at June 30, 2014 the Net Debt amounts to Eur 9.1 million and the Gearing ratio results 77.4%. This value represents a structure of debts/equity of 77/23% in line with the practice of the market for investments in renewable energy and in line with the target of the company. The main variations that have determined the increase of Net Debt are related to the investments for the construction of the plants (over 3 million eur) and movements in working capital (mainly related to higher credit for VAT already paid and the dynamics of purchases).

In March 3, 2014 the company has issued n. 2,800 convertible bonds in the context of a private placement for a nominal amount of Eur 280,000. This issue is the same structure as that of last October ("Convertible Bond TE Wind S.A. 6% 2013-2018") bringing the nominal value of the convertible loan to Eur 4,645,000.

Activity report

Here below the main activities of the company up to June 2014.

Windmill Srl is the only operationally active subsidiary of the Company with 44 small wind turbines in production. The other subsidiaries, Gea Energy Srl, Windmill 60 S.r.l. and REIA Wind S.r.l. completed their process of site selection for the installation of 15 turbines for GEA, 15 Turbines for Windmill 60 and 16 turbines for REIA in order to complete the installation in the second semester of 2014.

Within the first 6 month of 2014 the scouting activities for sites selection have been intensified in order to activate the installation plan during the summer period as well as the process of turbines delivery to the deposits (ready for installation) was completed, been able to start the work in July. Windmill Srl has almost completed the connection to the network ENEL reaching the 44 plants starting with the invoicing process to the GSE for the energy production. For the connection of the remaining turbines we are waiting for the activation intervention by ENEL SpA, that represents a delaying factor in some part of Italy.

In addition of the existing suppliers of turbines, additional turbine technology has been explored to reduce the risk of technology concentration in the portfolio. VESTAS turbines are currently under technical due-diligence for next acquisitions.

Regarding the project REIA Wind Srl, , the surface rights were already acquired and the first works for the concrete basements has been initiated on almost all the sites.

The financing process concluded by Gea Energy Srl and Raiffeisen Bank International AG (the "Ex-Im Loan Agreement") has been reviewed for a total amount of roughly EUR 4,240,000 , focusing on the first 15 plants to be completed in the 2014. It’s a result of the new strategy of the company that is going to enter in the investment in a later stage to avoid development risk. The definition and signing of the Ex-Im Loan Agreement is expected during the second semester of 2014.

Regulatory framework and risk mitigation

The regulatory framework now in place is ensuring a stable FIT (Feed In Tariff) value until the end of the year 2015: all plants connected within December 2015 can benefit of a Feed In Tariff equal to 268 Eur/Mwh, valid for 20 years after the “Commercial Operation Date” fixed upon signature of the GSE Convention.

The only risk for obtaining the above FIT is associated to GSE maximum value of total cumulative yearly incentives available for renewable energies. Art.3 of D.M.6/7/2012 states that GSE will not accept to grant further incentives when the maximum value of total cumulative yearly incentives has reached a value of Eur 5,8 billion per year.

The present forecasts are expecting that such value will be reached by end of June 2015; TEW is closely monitoring the updated forecast of the above value and is considering that the 2015 programs will be based for the time being on projects with guaranteed completion before April 2015.

Events subsequent to the end of the reporting period

On July 23, 2014 the Company issued n. 3,651 bonds named “TE WIND S.A. 2014-2020 6%” to professional investors for Eur 990.00 each, of which n. 500 bonds have been subscribed by Iris Fund Sicav, the parent company. The nominal value of the bonds is Eur 1,000 each for a total amount of Eur 3,651,000 and the interest rate is 6% payable annually on July 25th of each year.

During the month of July the acquisition of 15 sites for GEA Energy has been completed and in August the installation of 10 plants for 60 Kw each started to be finally installed by the end of September.

During the period July-September 9 sites for WINDMILL 60 Srl have been acquired with the starting of the works on 5 of them. Completed installation of plants with a power of 60 Kw each is expected for the end of November.

A Letter of Intent was signed for the acquisition of 5 plants already built with a power of 200 Kw each (total 1MW) and the acquisition process is expected for the end of October.

The portfolio of REIA WIND Srl has been reduced to 8 plants due to unsustainable delays for authorizations related to 2 of them. The installation of the 8 plants are currently in place and the termination is expected for the end of October 2014.

A negotiation to acquire two operating plants of 60 Kw from F.lli Franchini Impianti in Sardinia has been completed and the acquisition is expected by the end of November 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

	(Unaudited) - 6m **As at June 30, 2014**	*(Audited) - 12m* **As at December 31, 2013**		*(Audited) - 6m* **As at June 30, 2013**
Assets				
Non-current assets				
Intangible assets	386,637	277,318		13,444
Property, plant and equipment	10,272,523	7,447,068		4,813,106
Deferred income tax assets	349,176	203,454		0
Derivative financial instruments	0	51		0
Other non-current financial assets	106,395	106,395		1,186,530
Trade and other receivables	1,884,600	904,764		568,452
	12,999,331	8,939,050		6,581,532
Current assets				
Trade and other receivables	236,032	1,750,586		635,464
Cash and cash equivalents	1,638,925	5,335,751		430,121
	1,874,957	7,086,337		1,065,585
Total assets	**14,874,288**	**16,025,387**		**7,647,117**
Equity				
Equity attributable to owners of the Parent				
Share capital	3,566,250	3,566,250	(*)	1,000,000
Share premium	1,250,241	1,250,241	(*)	0
Other reserves	127,230	2,244		323,018
Retained earnings	(2,257,880)	(1,276,390)		118,681
	2,685,841	3,542,345		1,441,699
Non-controlling interests	(32,510)	(16,459)		2,203
Total equity	**2,653,331**	**3,525,886**		**1,443,902**
Liabilities				
Non-current liabilities				
Derivative financial instruments	573,873	457,497		0
Borrowings	6,553,064	6,664,894		2,424,692
Trade and other payables	2,481,872	2,355,715		2,572,474
Deferred income tax liabilities	88,154	91,548		122,524
	9,696,963	9,569,654		5,119,690
Current liabilities				
Borrowings	563,348	328,649		283,573
Trade and other payables	1,954,225	2,597,988		798,347
Current income tax liabilities	6,420	3,210		1,605
	2,523,993	2,929,847		1,083,525
Total liabilities	**12,220,957**	**12,499,501**		**6,203,215**
Total liabilities and equity	**14,874,288**	**16,025,387**		**7,647,117**

(*) Listing costs reclassified from Share Capital to Share Premium Reserve.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the six months ended June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

	(Unaudited) - 6m Period ended June 30, 2014	*(Audited) - 12m* Period ended December 31, 2013	*(Audited) - 6m* Period ended June 30, 2013
Revenue	103,005	125,822	45,616
Cost of sales	(22,733)	(44,285)	(10,120)
Gross profit	**80,272**	**81,537**	**35,496**
Depreciation and amortisation expense	(113,605)	(132,548)	(11,803)
Net investment income	**(33,333)**	**(51,011)**	**23,693**
Administrative expenses	(359,379)	(500,397)	(96,773)
Other operating expenses	(80,910)	(12,762)	0
Formation expenses	0	(93,307)	(16,488)
Other expenses	(35,512)	(167,341)	(14,121)
Other income	6,187	27,533	5,467
Operating profit/ (loss)	**(502,948)**	**(746,274)**	**(121,915)**
Finance income	37	116,284	280,076
Finance costs	(662,261)	(668,964)	(62,793)
Finance income, net	**(662,224)**	**(552,680)**	**217,283**
Net loss before income tax	**(1,165,172)**	**(1,349,965)**	**119,061**
Income tax	145,905	108,696	(1,605)
Loss for the period	**(1,019,267)**	**(1,241,269)**	**117,456**
Loss attributable to:			
Owners of the parent	(991,974)	(1,224,893)	118,681
Non-controlling interests	(27,292)	(16,376)	(1,225)

Earnings per share (basic and diluted)	**Period ended June 30, 2014**	**Period ended December 31, 2013**	**Period ended June 30, 2013**
Ordinary shares	(0.14)	(0.31)	11.87

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

	Period ended June 30, 2014	Period ended December 31, 2013	Period ended June 30, 2013
Loss for the period	**(1,019,267)**	**(1,241,269)**	**117,456**
Other comprehensive income			
Items that will not be reclassified subsequently to p&l			
Loss on revaluation of property, plant and equipment	0	0	445,542
Income tax on items that will not be reclassified	0	0	(122,524)
Total items that will not be reclassified to p&l	0	0	323,018
Other comprehensive income for the period, net of tax	**0**	**0**	**323,018**
Total comprehensive income for the period, net of tax	**(1,019,267)**	**(1,241,269)**	**440,474**
Total comprehensive income, net of tax, attributable to:			
Owners of the parent	(991,974)	(1,224,893)	441,699
Non-controlling interests	(27,292)	(16,376)	(1,225)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Share capital (*)	**Share premium** (*)	**Other reserves**	**Convertible Bond reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance as at date of incorporation								
Proceeds from shares issued	3,566,250	1,250,241	2,244		(51,498)	4,767,237		4,767,237
Non-controlling interests arising on taking control of a subsidiary						0	(83)	(83)
Profit/ (loss) for the period					*(1,224,893)*	*(1,224,893)*	*(16,376)*	*(1,241,269)*
Other comprehensive income for the period					*0*	*0*	*0*	*0*
Total comprehensive income	0	0	0	0	(1,224,893)	(1,224,893)	(16,376)	(1,241,269)
Balance as at December 31, 2013	**3,566,250**	**1,250,241**	**2,244**	**0**	**(1,276,391)**	**3,542,344**	**(16,459)**	**3,525,885**
Transactions with equity participants :								
Reclassifications of opening reserves and other movements			(2,244)		10,485	8,241		8,241
Convertible Bond equity reserve				127,230		127,230		127,230
Non-controlling interests arising on taking control of a subsidiary						0	11,241	11,241
Profit/ (loss) for the period					*(991,974)*	*(991,974)*	*(27,292)*	*(1,019,267)*
Other comprehensive income for the period					0	*0*	0	*0*
Balance as at June 30, 2014	**3,566,250**	**1,250,241**	**0**	**127,230**	**(2,257,880)**	**2,685,841**	**(32,510)**	**2,653,331**
(*) Listing costs reclassified from Share Capital to Share Premium Reserve.								

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

	Period ended June 30, 2014	Period ended December 31, 2013	Period ended June 30, 2013
Cash flows from operating activities			
Loss before income tax	(1,165,172)	(1,349,965)	119,061
Adjustments for:			
Depreciation and amortisation expense	113,606	132,548	11,803
Loss on property, plant and equipment	0	89,176	0
Finance income	0	(114,784)	(280,076)
Finance costs			
Loss of actuarial gains on receivables and payables	299,915	67,781	51,389
Other finance costs	116,427	457,497	11,404
Changes in working capital			
(Increase)/Decrease in trade and other receivables	393,162	(905,776)	(61,589)
Increase/(decrease) in trade and other payables	(474,302)	1,926,226	(452,718)
Net cash used in operating activities	**(716,364)**	**302,703**	**(600,726)**
Cash flows from investing activities			
Non-controlling interests arising on taking control of a subsidiary			3,428
Net inflow of cash and cash equivalents on acquisition	0	24,806	24,806
Purchase of intangible assets	(112,282)	(272,186)	0
Purchase of property, plant and equipment (incl. prepayments)	(2,950,111)	(3,205,417)	(568,452)
Net cash used in investing activities	**(3,062,393)**	**(3,452,797)**	**(540,218)**
Cash flows from financing activities			
Proceeds from issue of shares	0	3,629,500	1,000,000
Proceeds from borrowings	280,000	4,998,249	600,600
Repayment of borrowings	(198,069)	(141,904)	(30,334)
Net cash provided by financing activities	**81,931**	**8,485,845**	**1,570,266**
Net increase in cash and cash equivalents	**(3,696,826)**	**5,335,751**	**429,322**
Cash and cash equivalents at the beginning of the period	5,335,751	0	0
Cash and cash equivalents at the end of the period	**1,638,925**	**5,335,751**	**429,322**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU"). The consolidated financial statements are prepared in Euro ("EUR"). The preparation of consolidated financial statements in conformity with IFRS required the use of certain critical accounting estimates and it also required the Directors to exercise their judgement in the process of applying the Group's accounting policies.

The list of consolidated entities under the control of the Group as at June 30, 2014 is as follows:

Company name	Country of incorporation	Equity %	% of voting rights	Consolidation method
REIA Wind S.r.l.	Italy	90.00%	90.00%	Full consolidation
Windmill 60 S.r.l.	Italy	90.00%	90.00%	Full consolidation
GEA Energy S.r.l.	Italy	90.00%	90.00%	Full consolidation
Windmill S.r.l.	Italy	100.00%	100.00%	Full consolidation

1.2. Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue its business for the foreseeable future. Therefore, the consolidated financial statements were prepared on a going concern basis.

1.3. Estimates and assumptions

Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Under IFRS, those assets and liabilities are analysed by using a fair value hierarchy that reflects the significance of inputs.

The fair value hierarchy has the followings levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 2014:

	Level 1	Level 2	Level 3	Total balance as at June 30, 2014
Assets				
Property, plant and equipment				
Operating wind turbines	0	0	10,272,523	**10,272,523**
Available-for-sale financial assets				
Unquoted equity investment	0	0	106,395	**106,395**
Derivative financial instruments				
Interest Rate Option	0	0	0	**0**
Liabilities				
Borrowings				
Convertible bonds	0	4,517,770	0	**4,517,770**
Derivative financial instruments				
Warrants	0	573,873	0	**573,873**

Valuation of property, plant and equipment

PPE mainly consist of wind turbines and are accounted for under the revaluation model within IAS 16. Therefore, as at December 31, 2013, these assets have been carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation (useful life 20 years) and impairment.

The fair value of fully operating plants at June 30, 2014 and the fair value of plants under development have been confirmed and not newly assessed.

Valuation of derivative and non-derivative instruments

The interest rate option contract is calculated at the present value of the estimated future cash flows based on observable yield curves.

The warrants and the convertible bonds are valued based on the last quoted price available in an active market. In case of inactive market the warrants are valued taking into consideration the average weighted prices of the period, and the convertible bonds are valued at the weighted interest rate from a basket of similar bonds of other companies in the energy sector applying the DCF method and deducting the equity value related to the conversion right that is accrued in the equity reserve.

Provisions and contingencies

The assessment undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. The evaluation of the likelihood of the contingent events has required best judgment by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

As of June 30, 2014 no provision for decommissioning costs (i.e. costs of dismantling and removing the wind turbines and restoring the site on which they are located) was recognised as the Group entered into agreements by which only the decommissioning costs in excess of the estimated scrap value of the wind turbines will be billed to the Group and the management considers this billing immaterial.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

The company believes that its accruals for tax assets and liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

2. FINANCIAL RISK MANAGEMENT

The objective of the Group is to seek current income and capital appreciation through renewable energy investments.

The Group is exposed to a variety of financial risks, including market risk, credit risk, liquidity risk and other risks associated with investments in renewable energy.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

2.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk arises from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity securities classified as "available-for-sale".

Foreign exchange risk

Foreign exchange risk arises in respect of monetary financial assets and liabilities that are not in the functional currency of the respective group entities.

At the reporting date, the Group's investments are located in the Euro zone hence limiting the exposure to currency risk.

Interest rate risk

Interest rate risk arises from the Group's exposure, due to its financial obligations, to adverse movements in interest rates. This risk is not considered for the debts instruments represented by the bonds for which the interest rate is fix.

The Group's interest rate risk principally arises from long-term borrowings.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

For the purpose of reducing its exposure to interest rate fluctuations, the Group entered into a interest rate option so as to cap the floating rate paid by the Group. The swap economically hedges cash flow interest rate risk of floating rate borrowings.

Price risk

The Group is exposed to equity securities price risk because of the investment held by the Group in Jonica Impianti S.r.l. and classified in the consolidated statement of financial position as available-for-sale. Due to the amount at stake, the risk is deemed very limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

2.2. Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables (including prepayments).

As far as banks and financial institutions are concerned, the Group minimizes credit risk by dealing exclusively with high credit rating counterparties.

In respect of trade and other receivables, the Group's exposure to credit risk is limited as the Group primarily deals with Gestore Servizi Energetici ("GSE"), a state-owned company which promotes and supports renewable energy sources in Italy.

Credit quality and acceptance of other customers are assessed based on their financial position, credit history and other factors.

2.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest dates the Group can be required to pay:

As at June 30, 2014	**On demand**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Borrowings						
Principal		(362,532)	(287,866)	(611,245)	(1,136,183)	**(2,397,827)**
Interests		(163,009)	(137,296)	(315,787)	(238,337)	**(854,430)**
Convertible bonds issued						
Principal				(4,645,000)		**(4,645,000)**
Interests		(278,700)	(278,700)	(836,100)		**(1,393,500)**
Trade and other payables	(240,445)	(1,713,780)	(607,351)	(1,442,910)	0	**(4,004,486)**
Total	**(240,445)**	**(2,518,021)**	**(1,311,213)**	**(7,851,042)**	**(1,374,521)**	**(13,295,242)**

2.4. Risks associated with investments in renewable energy

The Group is exposed to risks other than those in respect of financial instruments, such as commodity price risk.

The main risks the Group is exposed to in that respect include:

- Availability of renewable resources;
- Risks deriving from domestic and international policies in support of renewable energy;
- Volatility of market prices of electricity and changes in subsidised pricing schemes (i.e. feed-in tariff);
- Equipment performance/ failure and risks associated with changes in technology;
- Capital intensive business/ financial risks;
- Business model/ entrepreneurial risks;
- Concentration of investments in some geographical areas or categories of assets;
- Legal and regulatory framework in Italy;
- Impact of environmental laws, regulations and administrative rulings; and
- Operational risks associated with the acquisition and management of investments.

The Group's main measures to minimise potential adverse effects of such a risk on the Group's financial performance include the following:

- Use of asset managers and experts with extensive experience in the energy sector;
- Evaluation of the investment opportunities in accordance with the investment objectives of the Group;
- Substantial due diligence investigation prior to acquisition or contracting with a third party supplier;
- Evaluation of prospective investments through on-site visits of the property, review of environmental assessments and appraisal reports and retention of local consultants and advisors;
- Plant acquisitions from the market leader with certified curve of power and contractual guarantee on productivity;
- Long-term maintenance arrangements with penalty conditions in connection with loss of production;
- Insurance to cover the damage for unforeseeable natural causes and related loss of production; and
- Diversification of locations within Italy and search for sites in Europe for future developments.

2.5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Except for "thin capitalisation" rules imposed by tax authorities and loan covenants, the Group is not subject to any externally imposed capital requirements.

The Board of Directors regularly follows up on compliance with the rules and covenants referred to above and monitor capital using a gearing ratio. The Group targets a gearing ratio between 75% and 80%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including payables to related parties and warrants) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

The gearing ratio as at June 30, 2014 is as follows:

	As at June 30, 2014
Financial liabilities	
Non-Current	
Borrowings	2,035,294
Corporate Bonds	4,517,770
Payables to related parties	2,481,872
Warrants	573,873
	9,608,809
Current	
Borrowings	362,531
Payables to related parties	565,837
Corporate Bonds - maturity interests	200,817
	1,129,185
Total financial liabilities	**10,737,995**
Financial assets	
Current	
Cash and short term deposits	1,638,925
Total financial assets	**1,638,925**
Net debt	**9,099,070**
Equity	2,653,331
Equity and net debt	**11,752,401**
Gearing ratio	**77.42%**

3. SEGMENT INFORMATION

As the Group operates in one geographical sector being Italy and in one industry sector being the wind energy industry, no break-down of revenues by products and by geographical sector are disclosed.

In terms of concentration, revenues for sales of energy for the period ended June 30, 2014 amounting to Eur 103,005 are derived from a single customer, being GSE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

4. FINANCIAL INSTRUMENTS CLASSIFIED BY CATEGORY (IAS 39)

As at June 30, 2014	**Loans and receivables (including cash and cash equivalents)**	**Available-for-sale financial assets**	**Financial assets at fair value through profit and loss**	**Total**
Financial assets as per statement of financial position				
Non-current assets				
Derivative financial instrument (interest rate option)			0	**0**
Other non-current financial assets		106,395		**106,395**
Trade and other receivables (excl. tax receivables)	763,208			**763,208**
Current assets				
Trade and other receivables (excl. tax receivables)	231,301			**231,301**
Cash and cash equivalents	1,638,925			**1,638,925**

As at June 30, 2014	**Other financial liabilities at amortised cost**	**Financial liabilities at fair value through profit and loss**	**Total**
Financial liabilities as per statement of financial position			
Non-current liabilities			
Derivative financial instrument (warrants)		573,873	**573,873**
Borrowings	2,035,294	4,517,770 (*)	**6,553,064**
Trade and other payables (exc. tax payables)	2,481,872		**2,481,872**
Current liabilities			
Borrowings	563,348		**563,348**
Trade and other payables (excl. tax payables)	1,788,245		**1,788,245**

(*) corresponds to the convertible bond issued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

5. INTANGIBLE ASSET

Gross amount	**As at June 30, 2014**
Acquisition through share deals	13,500
Additions	272,186
Disposals	0
Revaluation increase/ (decrease)	0
Other	0
Balance as at December 31, 2013	**285,686**
Additions	112,282
Disposals	0
Revaluation increase/ (decrease)	0
Other	(2,968)
Balance as at June 30, 2014	**395,000**

Accumulated depreciation and impairment	
Depreciation charge for the period	(8,368)
Other	0
Balance as at December 31, 2013	**(8,368)**
Depreciation charge for the period	(2,963)
Other	2,968
Balance as at June 30, 2014	**(8,363)**
Carrying amount as at June 30, 2014	**386,637**

6. PROPERTY PLANT AND EQUIPMENT

Gross amount	**As at June 30, 2014**
Acquisition through share deals	4,379,311
Additions	3,205,415
Disposals	0
Revaluation increase/ (decrease)	(89,176)
Other	75,697
Balance as at December 31, 2013	**7,571,248**
Additions	2,950,111
Disposals	0
Revaluation increase/ (decrease)	0
Other	(14,013)
Balance as at June 30, 2014	**10,507,346**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

Accumulated depreciation and impairment

Depreciation charge for the period	(124,180)
Other	0
Balance as at December 31, 2013	**(124,180)**
Depreciation charge for the period	(110,643)
Other	0
Balance as at June 30, 2014	**(234,823)**
Carrying amount as at June 30, 2014	**10,272,523**

7. OTHER NON-CURRENT FINANCIAL ASSETS

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2013
Available-for-sale financial assets			
Shares held in Jonica Impianti SRL	106,395	106,395	104,780
Loans and receivables			
Receivable from True Energy Solar			1,081,750
Total	**106,395**	**106,395**	**1,186,530**

The Group holds 3% of the share capital of Jonica Impianti S.r.l., an Italian company main activity of which is to manufacture, to sell and to maintain wind turbines.

8. TRADE AND OTHER RECEIVABLES

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2013
Non-current			
Prepayments			568,452
Receivable from True Energy Solar SA	763,208	904,764	
VAT receivable	1,121,392		
Trade receivables	0		
	1,884,600	**904,764**	**568,452**
Current			
Receivable from True Energy Solar	109,206	109,206	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

SA			
Trade receivables	122,095	947,311	212,913
VAT receivables	0	690,852	418,178
Other	4,731	3,218	4,373
	236,032	**1,750,586**	**635,464**
Total	**2,120,632**	**2,655,350**	**1,203,916**

9. INTEREST BEARING BORROWINGS

The policy of the Group is to finance its investment activities from a combination of equity and debt sources. The main forms of debt financing utilised by the Group as at June 30, 2014 are the following:

Counterparty	**Nominal interest rate**	**Maturity**	**Principal amount outstanding as at June 30, 2014**
Loans			
Mediocredito Italiano S.p.A.	3-M EURIBOR + 7.50%	31-Mar-2027	1,322,533
Mediocredito Italiano S.p.A.	3-M EURIBOR + 6.95%	30-Sep-2026	832,392
Intensa Sanpaolo (*)	3-M EURIBOR + 7.50%	31-Dec-2015	242,900
Total Loans			**2,397,826**
Convertible Bonds			
Convertible bonds	6%	11-Oct-2018	4,365,000
Proceeds from borrowings	6%	11-Oct-2018	280,000
Total Convertible Bonds (**)			**4,645,000**
			7,042,826

(*) Subject to an interest rate cap agreement limiting the increase of the variable portion of the interest rate to 1%

(**) The balance carrying amount of convertible bonds is Eur 4,517,770 that is at net of the equity conversion reserve of Eur 127.230. The convertible bonds are listed on the Alternative Investment Market (AIM) Italia (Isin code IT0006727934)

The borrowings are subject to bank covenants at the entity level including minimum equity requirements presence during the loans life as reported below:

Windmill Srl - Loan of initial amount of 1,638,000 has a requirement of 702,000 euro

Windmill Srl - Loan of initial amount of 1,092,000 has a requirement of Debt/Equity ratio over 2.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

Movements in interest bearing borrowings

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2013
Balance at the beginning of the period	**6,993,543**		
Borrowings assumed through acquisition of subsidiary	0	2,137,200	2,137,200
Proceeds from borrowings	0	600,600	600,600
Repayments of borrowings	(198,069)	(141,904)	(30,334)
Convertible bonds issued	280,000	4,365,000	0
Interest maturity on bonds	141,979	58,837	0
Fair Value adjustments / equity reserve	(101,040)	(26,190)	0
Bank overdrafts	0	0	799
Balance at the end of the period	**7,116,413**	**6,993,543**	**2,708,265**

10. TRADE AND OTHER PAYABLES

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2013
Non-current			
Payables to related parties	2,481,872	2,355,715	2,572,474
Other	0		
	2,481,872	**2,355,715**	**2,572,474**
Current			
Trade payables	1,095,744	958,312	678,497
Payables to related parties	565,837	629,073	104,780
Other tax payables	165,980	253	2,034
Accruals	126,175	904,285	7,388
Other	489	106,065	5,648
	1,954,225	**2,597,988**	**798,347**
Total	**4,436,097**	**4,953,703**	**3,370,821**

11. TAXATION

Breakdown of income tax expense

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2013
Current income tax			
Current income tax expense	(3,210)	(3,210)	(1,605)
Deferred income tax			
Deferred income tax assets	145,722	203,454	
Deferred income tax liabilities	3,393	(91,548)	
Income tax expense reported in the consolidated statement of comprehensive income	**145,905**	**108,696**	**(1,605)**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

Tax reconciliation

	Period ended June 30, 2014
Accounting profit/ (loss) before income tax	(1,165,172)
Tax calculated at domestic rate	(340,463)
Tax effect of:	
Non-deductible expenses	
Income not subject to taxation	
Tax losses reversed/ (utilised)	5,045
Tax losses for which deferred tax assets were not recognised	169,601
Other	19,912
Tax expense/ (credit) at an effective tax rate of 12,5%	**(145,905)**

Deferred income tax analysis

	Period ended June 30, 2014
Deferred tax assets	
Opening balance	203,454
Recognised in profit or loss:	
Effect of capitalisation of borrowing costs	88,636
Other	57,086
Movements on deferred tax assets	**145,722**
Closing balance	**349,176**

	Period ended June 30, 2014
Deferred tax liabilities	
Opening balance	**(91,547)**
Recognised in comprehensive income:	
Effect of revaluation of property, plant and equipment	3,393
Other Deferred tax liabilities	
Movements on deferred tax liabilities	**3,393**
Closing balance	**(88,154)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

12. FINANCE INCOME AND COST

Finance Income	**Period ended June 30, 2014**	**Period ended December 31, 2013**	**Period ended June 30, 2013**
Actuarial gains on debt		88,525	280,074
Revaluation convertible bonds		26,190	
Revaluation of interest rate options		51	
Other finance income	37	1,518	2
Total	**37**	**116,284**	**280,076**

Finance Cost			
Actuarial loss on receivables and reversal gains on debts	299,966	67,781	8,600
Interest expenses	245,835	141,304	51,389
Revaluation of warrants	116,376	457,497	
Other financial expenses	84	2,382	2,804
Total	**662,261**	**668,964**	**62,793**

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the period.

	As at June 30, 2014
Profit or loss attributable to the owners of the parent	(991,974)
Earnings used in the calculation of basic earnings per share	
Weighted average number of ordinary shares in issue	
Basic	7,132,500
Earnings per share	
Basic - ordinary shares	(0.14)

The Company is not exposed to potential dilutive effect on the ordinary shares. The diluted earnings per share are equal the basic earnings per share.

14. TRANSACTIONS WITH 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.

Related party nominal values and period-end balances as at June 30, 2014 consist of the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

Period-end balances

	Principal amount outstanding as at June 30, 2014	Balance as at June 30, 2014
Receivable from True Energy Solar SA	1,081,751	872,414
Payable to True Energy Solar SA	(2,415,454)	(1,917,545)
Payable to Iris Fund nominal value	(1,105,000)	(1,064,622)
Payable to Iris Fund interest maturity	(68,188)	(65,542)
Warrant granted to the directors	(573,873)	(573,873)
Director fees	(108,000)	(108,000)
Total	**(3,188,764)**	**(2,857,168)**

15. CONTIGENCIES AND COMMITMENTS

Contingent liabilities

As at June 30, 2014 there is no material contingent liability outstanding identified as such by the Board of Directors.

Purchase commitments

TE Wind S.A. and the company's subsidiaries at the date of June 30, 2014 came into agreements with suppliers for which has commitments for Eur 2,753,792 , of which Eur 2,573,792 are related to purchases related to property, plant and equipment while Eur 180,000 are related to services. These payments are expected to be done within 1 year.

Operating lease commitments (rentals)

The Company's subsidiaries have entered into long-term lease agreements for the use, or option to use, of land in connection with the operation of their wind turbines.
Future minimum payments under these non-cancellable leases are as follows:

	As at June 30, 2014
Within 1 year	68,711
Between 1 and 5 years	261,242
5 years and more	911,735
Total	**1,241,688**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2014

(Unless otherwise stated all amounts are expressed in EUR)

Turbine maintenance agreements

The Group has entered into wind turbine maintenance service agreements covering the turbines in operation on various sites. The contracts provide for maintenance and require annual minimum payments over a period of 5 years since the commissioning of the wind turbines, with an option to extend the maintenance program at agreed upon conditions.

The 5-years commitment as of June 30, 2014 represents minimum payments of EUR 385,000.

Loan covenants

The borrowings are subject to bank covenants at the entity level including minimum equity requirements presence during the loans life as reported below:

- Windmill Srl – Loan of initial amount of Eur 1,638,000 has a requirement of Eur 702,000
- Windmill Srl – Loan of initial amount of Eur 1,092,000 has a requirement of Debt/Equity ratio over 2.33

As at June 30, 2014 the loan covenants are respected.