

Windar Photonics plc
(the "Company" or "Windar Photonics")

Unaudited interim report for the six months ended 30 June 2015

Chairman's Statement

Windar Photonics PLC (AIM:WPHO), the technology group that has developed a cost efficient and innovative Lidar wind sensor for use on electricity generating wind turbines announces its unaudited interim results for the six months ended 30 June 2015.

In the period the Group incurred a loss before tax of €1.56 million (six months ended 30 June 2014: €1.00 million) on revenue of €145,000 (2014: €432,000). The revenue in the period is lower than expected primarily due to a delay in developing the Asian market. The loss for the period primarily arose due to lower revenue than expected and the planned investments in personnel and increased sales and marketing activities.

The Group's cash position at the end of the period of €2.8 million reflects the investment in the stock of finished goods in anticipation of a higher level of sales during the period. As a result, the Directors have taken the decision not to commence paying down the Growth Fund Loan of €0.8 million. The Group has the option to not start repaying this loan until full repayment is required in June 2020.

In June 2015 the Group announced a delay in developing the Asian market due to installation issues on the initial deployments of its systems in China. These issues have now been resolved and the Group has further established an in-house commercial and technical organisation based in Shanghai and Beijing. However, this delay will have a material effect on sales in the region for 2015. Currently, the Group has an exclusive distribution agreement in place for the Chinese market which is dependent on certain sales levels being achieved in 2015. As the Directors expect that the necessary sales level target will not be achieved, the Directors are considering the Company's options for capitalising on the high levels of interest from Chinese wind park operators and Original Equipment Manufacturers (OEMs).

Orders from the rest of the world are likely to be in line with our expectations for 2015, but some have come in later than planned and as a result some of these deliveries will now take place in 2016. The Group is pleased to announce that it has received its first volume order for retrofitting an entire wind park with our Wind*Eye™ Lidar and our new Turbine Control System from a US utility company. The contract value is approximately US\$ 900,000 with delivery in 2016. This is an important milestone for the Company.

In the first half of 2015 the technical development programme has performed well and expanded the Group's product offering. These include:

- The WindTIMIZER™ (previously known as the WindSwitch switchbox)
- The new Turbine Control System for certain turbine models
- The new 4-beam Lidar System for OEM integration

The WindTIMIZER™ enables direct turbine integration for existing wind turbines fitted with certain wind sensors. The Turbine integration enables us to optimise the efficiency of existing wind turbines using the Wind*Eye™ Lidar system and thereby provide an improved Annual Energy Production due to an optimisation of the yaw alignment of the Wind Turbine.

The new Turbine Control System which operates on the Vestas V47 platform and the Bonus 1.3MW platform, two widely used platforms, is an alternative turbine integration platform to the WindTIMIZER™ solution. When retrofitting not only the Wind*Eye™ Lidar system but also the Turbine Control System, we are able to not only optimise the yaw alignment of existing Wind Turbines but also to improve pitch control to further enhance power optimisation, reduce fatigue load, reduce maintenance costs and not least increase the life time expectancy of existing wind turbines. The Group has seen significant market interest for this solution, as evidenced by the above mentioned first volume order in the US, and this new product offering means the Company can now demonstrate strong business cases for retrofitting our solution in smaller wind turbines sizes, whereas the WindTIMIZER™ solution has been targeting wind turbines of 1.5MW and above.

The Group recently installed its first 4-beam Lidar System on a 3.6MW Siemens turbine in Denmark and it has already received other orders for testing the 4-beam Lidar System., The 4-beam Lidar system will be tested at the Danish Technical University in Denmark to measure and validate actual load reductions.

Currently the Group has a significant number of trial installations with utility companies in Asia, Europe and North America which are providing good results confirming the attractive business case for the installation of the Wind*Eye™ Lidar system for the utility companies. In addition, the Group has continued to focus on building interest with the OEM turbine manufacturers both in relation to the Wind*Eye™ Lidar system and the new 4-beam Lidar System. We have experienced good levels of interest from several of the leading turbine manufacturers and

several turbine manufactures have now successfully tested our system and entered the development stage of direct turbine integration.

The Directors believe the delayed build-up in sales will not have a long term impact, but it will however mean that expected revenue for 2015 will be of the order of that achieved in 2014. The Directors are confident that the significant interest shown by current customers, including both utility companies and OEMs, will enable the Company to increase revenue substantially in 2016, although given the delays encountered in 2015, not to the levels previously expected.

The Directors remain confident that the Group has an attractive range of innovative products with strong market interest which bodes well for future success.

John Weston
Chairman

For further information:

Windar Photonics plc	Martin Rambusch, CEO Jørgen Korsgaard Jensen, COO	+45 2168 9476
Sanlam Securities UK Limited (Nomad and Broker)	David Worlidge	+44 (0)20 7628 2200

<http://investor.windarphotonics.com>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015 (unaudited) €	Six months ended 30 June 2014 (unaudited) €	Year ended 31 December 2014 (audited) €
Note			
Revenue	145,075	431,574	1,038,673
Cost of Goods Sold	(11,548)	(302,919)	(678,150)
Gross profit	133,527	128,655	360,523
Administrative expenses	(1,766,455)	(1,037,533)	(2,201,401)
Administrative expenses - Cost in respect of the Introduction and Listing on AIM	(216,637)	-	(668,724)
Loss from operations	(1,849,565)	(908,878)	(2,509,602)
Finance income	338,435	84,978	84,985
Finance expenses	(46,729)	(174,632)	(259,554)
Loss before taxation	(1,557,859)	(998,532)	(2,684,171)
Taxation	51,750	35,156	70,312
Loss for the period	(1,506,109)	(963,376)	(2,613,859)
Other comprehensive income			
Items that will or maybe reclassified to profit or loss:			
Exchange losses arising on translation of foreign operations	(2,197)	(594)	(8,440)
Total comprehensive loss for the period	(1,508,306)	(963,970)	(2,622,299)
Loss per share for loss attributable to the ordinary equity holders of Windar Photonics plc			
Basic, cents per share	(3.95c)	(2.99c)	(7.85c)
Diluted, cents per share	(3.95c)	(2.99c)	(7.85c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	As at 30 June 2015 (unaudited) €	As at 30 June 2014 (unaudited) €	As at 31 December 2014 (audited) €
Assets				
Non-current assets				
Intangible assets		1,078,900	1,132,554	1,147,510
Property, plant & equipment		130,615	17,387	31,989
Deposits		74,033	10,874	15,161
Total non-current assets		1,283,548	1,160,815	1,194,660
Current assets				
Inventory	3	849,702	253,531	248,113
Trade receivables	4	313,124	313,836	493,283
Other receivables	4	605,106	35,569	352,092
Prepayments		26,030	-	13,671
Cash and cash equivalents		2,777,947	171,190	5,548,596
Total current assets		4,571,909	774,126	6,655,755
Total assets		5,855,457	1,934,941	7,850,415
Equity				
Share capital	5	487,688	411,245	487,688
Share premium		6,994,646	-	6,994,646
Merger reserve		2,910,866	2,910,866	2,910,866
Foreign currency reserve		(13,089)	(3,046)	(10,892)
Accumulated loss		(5,671,833)	(2,735,114)	(4,282,490)
Total equity		4,708,278	583,951	6,099,818
Non-current liabilities				
Growth fund loan	6	759,364	677,978	717,064
Total non-current liabilities		759,364	677,978	717,064
Current liabilities				
Trade and other payables	7	253,227	294,051	913,283
Other liabilities		134,588	378,961	120,250
Total current liabilities		387,815	673,012	1,033,533
Total liabilities		1,147,179	1,350,989	1,750,597
Total equity and liabilities		5,855,457	1,934,941	7,850,415

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Six months ended 30 June 2015 (unaudited) €	Six months ended 30 June 2014 (unaudited) €	Year ended 31 December 2014 (audited) €
Loss for the period before tax		(1,557,859)	(998,532)	(2,684,171)
Adjustments for:				
Finance income		(338,435)	(84,978)	(84,985)
Finance expenses		46,729	174,632	259,554
Amortisation		164,200	156,446	319,323
Depreciation		52,434	3,933	7,882
Received tax credit		-	-	118,480
Foreign exchange difference		(2,197)	2,453	(7,643)
Warrants expense		116,766	-	103,107
		(1,518,362)	(746,046)	(1,968,453)
<i>Movements in working capital</i>				
Changes in inventory		(601,589)	(106,507)	(101,089)
Changes in receivables, prepayments and deposits		(92,336)	(69,636)	(666,871)
Changes in trade payables		(660,056)	128,503	247,960
Changes in other payables		14,338	224,177	465,241
Cash flow (used in) operations		(1,339,643)	(569,509)	(2,023,212)
<i>Investing activities</i>				
Payments for intangible assets		(97,992)	(32,062)	(207,733)
Payments for tangible assets		(151,130)	(3,895)	(22,387)
Cash flow (used in) investing activities		(249,122)	(35,957)	(230,120)
<i>Financing activities</i>				
Proceeds from issue of share capital		-	-	7,643,977
Costs associated with the issue of share capital		-	-	(572,889)
Issue of convertible debt		-	737,779	737,779
Costs associated with the issue and conversion of bonds		-	(183,933)	(183,933)
Non-cash effects on the conversion of Bonds		-	24,768	24,768
Net change in long term borrowing		42,300	38,368	77,454
Finance expenses		(46,729)	(174,632)	(259,554)
Finance income		338,435	84,978	84,985
Cash flow from financing activities		334,006	527,328	7,552,587
Net (decrease)/increase in cash and cash equivalents		(2,773,121)	(78,138)	5,299,255
Exchange differences		2,472	(594)	(581)
Cash and cash equivalents at the beginning of the period		5,548,596	249,922	249,922
Cash and cash equivalents at the end of the period		2,777,947	171,190	5,548,596

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS
ENDED 30 JUNE 2015

	Share Capital	Share Premium	Merger reserve	Foreign currency reserve	Accumulated Losses	Total
	€	€	€	€	€	€
At 1 January 2014	411,245	-	1,551,502	(2,452)	(1,789,865)	170,430
Effects of bonds conversion in subsidiary	-	-	1,359,364	-	18,127	1,377,491
Comprehensive loss for the period	-	-	-	-	(963,376)	(963,376)
Other comprehensive loss	-	-	-	(594)	-	(594)
At 30 June 2014	411,245	-	2,910,866	(3,046)	(2,735,114)	583,951
Issue of shares on incorporation	3	-	-	-	-	3
New shares issued	75,518	7,476,233	-	-	-	7,551,751
Costs associated with capital raise	-	(572,889)	-	-	-	(572,889)
New shares issued in respect of services rendered	922	91,302	-	-	-	92,224
Share option and warrant costs	-	-	-	-	103,107	103,107
Comprehensive loss for the period	-	-	-	-	(1,650,483)	(1,650,483)
Other comprehensive loss	-	-	-	(7,846)	-	(7,846)
At 31 December 2014	487,688	6,994,646	2,910,866	(10,892)	(4,282,490)	6,099,818
Share option and warrant costs	-	-	-	-	116,766	116,766
Comprehensive loss for the year	-	-	-	-	(1,506,109)	(1,506,109)
Other comprehensive loss	-	-	-	(2,197)	-	(2,197)
At 30 June 2015	487,688	6,994,646	2,910,866	(13,089)	(5,671,833)	4,708,278

1. BASIS OF PREPARATION

The financial information for the six months ended 30 June 2015 and 30 June 2014 does not constitute the Group's statutory financial statements for those periods with the meaning of Section 434(3) of the Companies Act 2006 and has neither been audited or reviewed pursuant to guidance issued by the Auditing Practices Board. The annual financial statements of Windar Photonics Plc are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"). The principal accounting policies used in preparing the Interim financial statements are those that the Group expects to apply in its financial statements for the year ending 31 December 2015 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2014.

The comparative financial information for the year ended 31 December 2014 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2014 was unqualified, did not include references to any matters which the auditors drew attention to by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-498(3) of the Companies Act 2006.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed consolidated financial statements.

This interim report was approved by the directors.

2. Loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Six months ended 30 June 2015 €	Six months ended 30 June 2014 €	Year ended 31 December 2014 €
Loss for the period	(1,506,109)	(963,376)	(2,613,859)
Weighted average number of ordinary shares for the purpose of basic earnings per share	38,166,377	32,184,002	33,317,654
Basic loss, cents per share	(3.95c)	(2.99c)	(7.85c)
Diluted loss, cents per share	(3.95c)	(2.99c)	(7.85c)

There is no dilutive effect of the warrants as the dilution would be negative.

3. Inventory

	As at 30 June 2015 €	As at 30 June 2014 €	As at 31 December 2014 €
Raw material	365,226	34,632	10,992
Goods in progress	252,396	-	93,578
Finished goods	232,080	218,899	143,543
Inventory	849,702	253,531	248,113

4. Trade and other receivables

	As at 30 June 2015 €	As at 30 June 2014 €	As at 31 December 2014 €
Trade receivables	313,124	313,836	493,283
Less: provision for impairment of trade receivables	-	-	-
Trade receivables – net	313,124	313,836	493,283
Tax receivables	122,157	-	70,407
Other receivables	482,949	35,569	281,685
Total other receivables	605,106	35,569	352,092
Total trade and other receivables	918,230	349,405	845,375

5. Share capital

At the date of incorporation, the issued share capital of the Company was £2.00 divided into 2 ordinary shares of £1.00 each in the capital of the Company, both of which were fully paid or credited as fully paid to their subscribers.

On 29 July 2014, the 2 ordinary shares of £1.00 each (being all the issued capital in the Company) were subdivided into 200 ordinary shares of 1 pence each.

Between 29 August 2014 and 12 December 2014 (inclusive), the Company issued 38,166,177 Ordinary Shares as follows:

32,184,002 Ordinary Shares in consideration for the transfer to the Company of the entire issued share capital in the Windar Photonics A/S pursuant to the terms of the Share Swap Agreement;

5,910,000 Ordinary Shares in consideration for cash received by the Company; and

72,175 Ordinary Shares in consideration for the satisfaction of fees payable to West Hill Capital LLP.

	Number of shares	€
On incorporation shares of £1	2	3
29 July 2014 subdivided into shares of 1p	200	3
Issue of shares in respect of transfer of shares of Windar Photonics A/S	32,184,002	411,245
Issue of shares for cash	5,910,000	75,518
Issue of shares for the satisfaction of fees	72,175	922
Shares at 31 December 2014 and 30 June 2015	38,166,377	487,688

At 31 December 2014 and 30 June 2015 the share capital comprises 38,166,377 shares of 1 pence each.

6. Borrowings

The carrying value and fair value of Group's borrowings are as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	€	€	€
Growth Fund (including accrued interest)	759,364	677,978	717,064
Total financial assets other than cash and cash equivalents classified as loans and receivables	759,364	677,978	717,064

The Growth Fund borrowing from the Danish public institution, Vækstfonden, bears interest at a rate of 12 per cent. The borrowing is a bullet loan with maturity in June 2020. The Group may at any point in time either repay the loan in part or in full or initiate an annuity repayment scheme over four years. If an annuity repayment scheme is initiated, the interest rate will be reduced to 8 per cent in the repayment period.

7. Trade and other payables

	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
	€	€	€
Trade payables	253,227	294,051	913,283
Other payables	134,588	378,961	120,250
Total financial liabilities classified as financial liabilities measured at amortised cost	387,815	673,012	1,033,533

There is no material difference between the net book value and the fair values of current trade and other payables due to their short term nature.

8. Availability of Interim Report

Copies of the Interim Report will not be sent to shareholders but will be available from the Company's website www.investor.windarphotonics.com.