



2020 Interim Financial Report

(Translation from the Italian original which remains the definitive version)

2020 INTERIM FINANCIAL
REPORT

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CORPORATE BODIES

Board of directors*

Josef Gostner	Chairman and chief executive officer ¹
Georg Vaja	Deputy chairman and chief executive officer ¹
Patrick Pircher	Director and chief executive officer ¹
Elmar Zwick	Director ⁴
Nadia Dapoz	Director ^{2 3}
Giorgia Daprà	Director ^{2 4}
Elisabetta Salvani	Director ²
Germana Cassar	Director ^{3 4}
Flavia Mazzarella	Director ³
Stefano D'Apolito	Director

¹ Directors with operating powers

² Members of the control, risks and sustainability committee

³ Members of the remuneration and appointments committee

⁴ Members of the committee for related party transactions

Board of statutory auditors

Francesco Schiavone Panni	Chairman
Loredana Conidi	Standing statutory auditor
Michele Aprile	Standing statutory auditor
Stefano Tellarini	Alternate statutory auditor
Mariassunta Pica	Alternate statutory auditor

Manager in charge of financial reporting (Law no. 262/05)

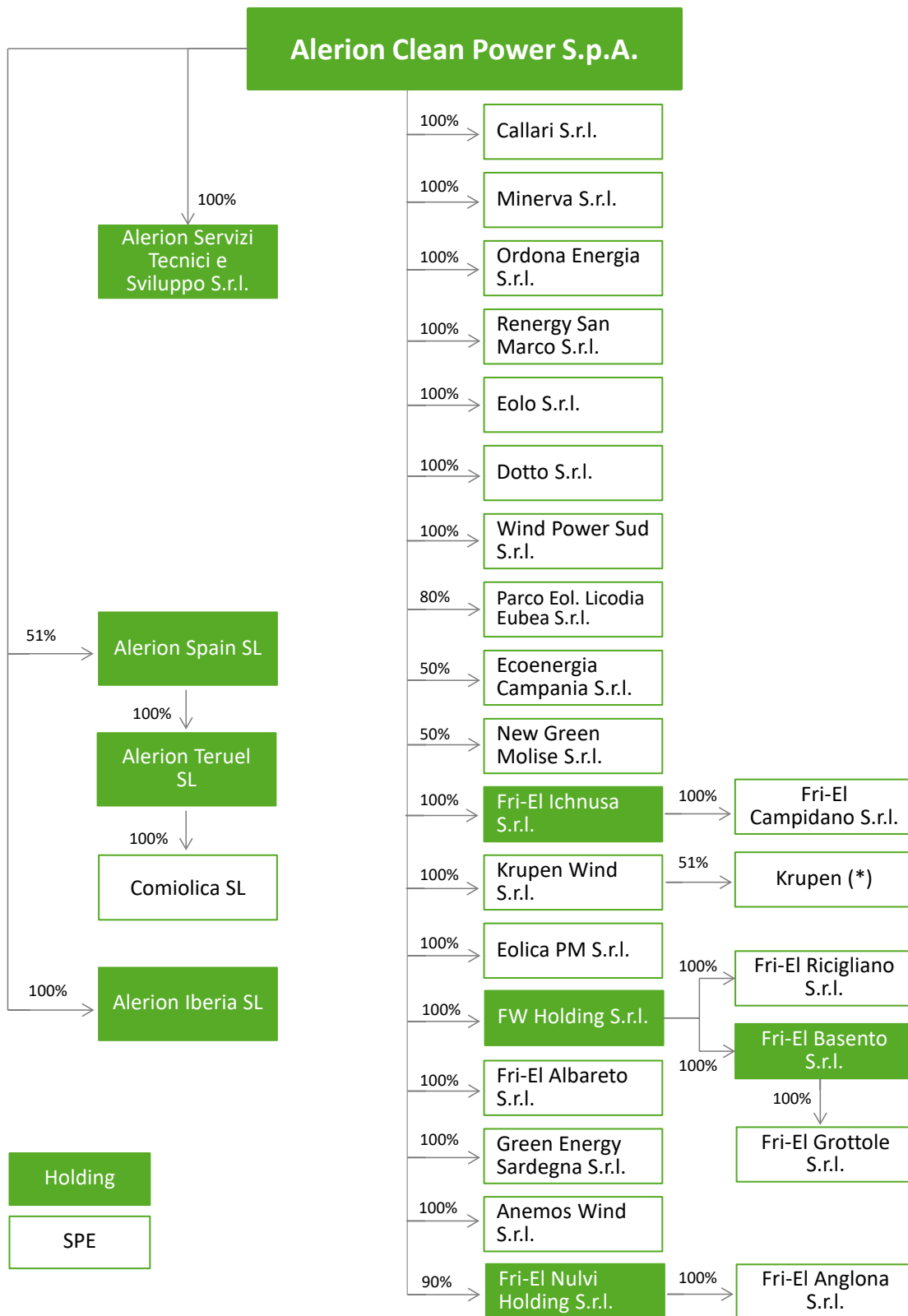
Stefano Francavilla

Independent auditors

KPMG S.p.A.
Via Vittor Pisani 25
20124 Milan

* in office since 30 January 2020

GROUP STRUCTURE



(*) The Krupen wind farm comprises four companies: Wind Energy EOOD, Wind Stream EOOD, Wind System EOOD e Wind Power 2 EOOD

DIRECTORS' REPORT

ALERION CLEAN POWER

THE WIND ENERGY COMPANY



● Operating wind farms

INTRODUCTION

The parent, Alerion Clean Power S.p.A. (the “parent” or “Alerion”) is a legal entity subject to Italian law. Its ordinary shares are listed on the MTA segment of the Italian stock exchange. The Alerion Group’s (the “group”) headquarters are at Viale Luigi Majno 17 in Milan.

This 2020 Interim Financial Report has been prepared in accordance with article 154-ter of Legislative decree no. 58 of 24 February 1998 and Consob (the Italian commission for listed companies and the stock exchange) regulation no. 11971 of 14 May 1999 (as subsequently amended).

It includes the condensed interim consolidated financial statements prepared pursuant to IAS 34. It also comprises additional disclosures deemed useful to provide a better understanding of the group’s financial position at 30 June 2020 and its financial performance and cash flows for the six months then ended. It does not, however, include all the disclosures required for annual consolidated financial statements and should be read in conjunction with the group’s consolidated financial statements at 31 December 2019.

On 30 July 2020, the parent’s board of directors approved the publication of the condensed interim consolidated financial statements at 30 June 2020.

KEY EVENTS OF THE PERIOD

The main events that took place during the period are described below.

ACQUISITIONS OF FW AND NULVI

On 27 February 2020, the parent approved and completed its acquisitions of:

- (i) 100% of FW Holding S.r.l. (“FW”), which owns two operating wind farms with total installed capacity of 90 MW in the municipalities of Ricigliano (SA) and Grottole (MT) (the “FW acquisition”). The transaction involved Alerion’s acquisition of the 50% investments held by both Winco Energreen S.p.A. (“Winco”) and Fri-El in FW;
- (ii) 90% of Fri-El Nulvi Holding S.r.l. (“Nulvi”), which owns an operating wind farm with total installed capacity of 29.75 WM located in the municipalities of Nulvi and Tergu (SS). Specifically, Alerion acquired 60% from Fri-El and 30% from BBL S.r.l..

The acquirees’ enterprise value is €85 million for FW and around €19.1 million for the 90% investment of Nulvi and reflects their net financial positions shown in their financial statements at 31 December 2019. The consideration transferred was €70 million for FW and €19.8 million for Nulvi.

AWARD OF 51 MW IN THE GSE AUCTION

On 29 May 2020, through its subsidiary Enermac S.r.l., the parent was awarded new renewable capacity of 51 MW for two wind projects of 27.2 MW and 23.8 MW, respectively, for total forecast production of approximately 130 GWh/year by the Italian energy services operator (GSE) in the FER (renewable energy sources) auction.

Specifically, Enermac S.r.l. will benefit from a feed-in tariff of €68.25/MWh for Alerion's plants for 20 years.

The two new wind farms will be located in Orta Nova, Puglia (Località La Ficora and Località Tre Confini) and should be operational by the end of 2021.

ALTERNATIVE PERFORMANCE INDICATORS

The group uses certain alternative performance indicators to (i) monitor its financial performance; (ii) anticipate any business trends in order to take prompt corrective action; and (iii) define investment and management strategies and the most effective allocation of resources. Alternative performance indicators are considered an important additional parameter for assessing the group's performance, as they enable more analytical monitoring of its financial performance. For a correct reading of the alternative performance indicators presented in this Interim Financial Report, it should be noted that:

- determination of the alternative performance indicators used by the parent is not governed by the IFRS. They must not be regarded as alternative measures to those provided in the group's consolidated financial statements to evaluate its financial performance and position;
- the alternative performance indicators must be read in conjunction with the group's consolidated financial statements;
- the alternative performance indicators are determined on the basis of (or derived from) the group's historical data, as indicated in the consolidated financial statements, the general ledger and management accounts, and on the basis of actual calculations by management, in accordance with the recommendations contained in ESMA's guidelines no. 1415 of 2015, as implemented by Consob communication no. 0092543 of 3 December 2015;
- the alternative performance indicators have not been audited and must not be construed as indicators of the group's future performance;
- the method of determining the alternative performance indicators, as indicated above, is not governed by the IFRS referred to in the preparation of the consolidated financial statements. Therefore, the determination criterion applied by the group may not be the same as that used by other groups, and the alternative performance indicators presented by the parent may not be comparable to those presented by other groups.

The alternative performance indicators presented in this report are described below.

EBITDA is the operating income before depreciation and amortisation. EBITDA thus defined is a measure used by management to monitor and assess the group's operating performance.

Net financial debt (as per Consob communication no. DEM/6064293/2006) is calculated as the sum of cash and cash equivalents, current financial assets, current and non-current financial liabilities, the fair value of hedging financial instruments and other non-current financial assets, net of the financial debt resulting from assets held for sale.

Net financial debt (net of derivatives) is calculated as net financial debt net of the fair value of current and non-current hedging financial instruments.

Financial debt for reporting purposes is calculated as the sum of cash and cash equivalents, current and non-current financial assets, loan assets and other non-current financial assets, current and non-current financial liabilities, the fair value of hedging financial instruments and other non-current financial assets, net of the financial debt resulting from assets held for sale.

Financial debt for reporting purposes (net of derivatives) is calculated as financial debt for reporting purposes net of the fair value of current and non-current hedging financial instruments. It should also be noted that net financial debt (net of derivatives and lease liabilities) is also reported as it is relevant for determining the financial parameters required for the 2019-2025 green bonds.

Financial debt for reporting purposes (net of derivatives and lease liabilities) is calculated as financial debt for reporting purposes net of the fair value of current and non-current hedging financial instruments and lease liabilities recognised after adoption of IFRS 16. It should also be noted that financial debt for reporting purposes (net of derivatives and lease liabilities) is also reported as it is relevant for determining the financial parameters required for the 2018-2024 green bonds.

Net invested capital is calculated as the algebraic sum of non-current assets and non-financial assets and liabilities.

KEY RESULTS

Statement of profit or loss (€m)	First half 2020	First half 2019
Revenue	55.2	30.9
Gross operating profit	40.4	25.2
Profit for the period	5.3	6.3
Profit attributable to the owners of the parent	4.9	6.1
Statement of financial position (€m)	30.06.2020	31.12.2019
Equity attributable to the owners of the parent	147.9	158.1
Net financial debt*	496.2	407.2
Net financial debt (excluding derivatives)	483.8	395.8
Operating figures	First half 2020	First half 2019
Gross capacity (MW)	684.1	444.3
Electricity production (MWh) ⁽¹⁾	570,462	290,731
Electricity production (MWh) - Consolidated plants	537,085	248,715

⁽¹⁾ Consolidated plants and plants owned by joint ventures

(*) Consob Communication no. DEM/6064293/2006

BASIS OF PREPARATION OF THE RECLASSIFIED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

This section describes the criteria used to prepare the reclassified statement of financial position at 30 June 2020 and the reclassified statement of profit or loss for the six months then ended, included and commented on, respectively, in the subsequent section entitled "The group's performance".

Reclassified statement of financial position at 30 June 2020

The captions have been reclassified and combined as follows:

Non-current assets, this caption has been broken down into the following sub-captions:

Intangible assets: this sub-caption comprises i) licences and concessions of €190.2 million; ii) development costs of €10.3 million; and iii) patents and intellectual property rights and other assets of €0.2 million (note 5);

Property, plant and equipment: this sub-caption comprises i) land of €21.5 million; ii) buildings of €0.9 million; iii) plant and machinery of €443.5 million; iv) other assets of €0.2 million; and v) assets under construction of €0.1 million, related to investments in wind farms (note 7);

Financial assets: this sub-caption comprises the equity investments recognised under non-current financial assets in "Equity-accounted investments in joint ventures" (note 8);

Non-current loans: this sub-caption includes loans and other non-current financial assets of €4.2 thousand (note 10).

Other non-financial assets and liabilities, this caption includes i) trade receivables from associates and other companies of €5.2 million (note 11); ii) deferred tax assets of €21.5 million (note 33); iii) tax assets (note 12) and other current assets (note 13) of €34.7 million; iv) trade payables of €11.1 million (note 23); v) post-employment benefits and other employee benefits of €0.5 million (note 19); vi) deferred tax liabilities of €45.4 million (note 33); vii) provisions for future risks and charges of €20.8 million (note 20); viii) other non-current liabilities of €13.9 million (note 21); ix) tax liabilities of €2.3 million (note 24); and x) other current liabilities of €8.1 million (note 25);

Cash and cash equivalents, this caption includes cash and cash equivalents of €149.6 million (note 15);

Other financial assets and liabilities, this caption includes i) loans and other current financial assets of €1.5 million (note 14); ii) non-current financial liabilities of €577.4 million (note 17); iii) current financial liabilities of €57.6 million (note 22); and iv) derivatives, classified under current and non-current liabilities, of €12.3 million (note 18).

Reclassified statement of profit or loss, the captions have been reclassified and combined as follows:

Revenue, this caption includes i) revenue from electricity sales and feed-in tariffs of €52.7 million; and ii) other revenue and income of €2.5 million (notes 27 and 28).

THE GROUP'S PERFORMANCE

The group's operating performance in the first half of 2020 included the consolidated plants which produced 537.1 GWh of electricity, more than double the production of 248.7 GWh in the corresponding period of the previous year. This upturn was achieved despite the fact that the first half of the year was significantly less windy than the seasonal averages. The increase is mostly due to the change in the number of operating wind farms compared to the same period of 2019, which led to greater total installed capacity of 684.1 MW compared to 444.3 MW for the first six months of 2019. In the second half of 2019, the group acquired the Spanish Comiolica wind farm and the Italian Campidano and Regalbuto wind farms, while it acquired the Grottole, Anglona and Ricigliano wind farms in the first quarter of 2020.

ALERION Group - Reclassified statement of profit or loss

(€m)	First half 2020	First half 2019
Revenue	52.7	30.1
Other revenue and income	2.5	0.8
Total revenue and income	55.2	30.9
Personnel expenses	(1.1)	(1.1)
Other operating costs	(14.6)	(6.7)
Accruals to provisions for risks	(0.1)	0.0
Operating costs	(15.8)	(7.8)
Share of profit of joint ventures	1.0	2.1
Gross operating profit	40.4	25.2
Amortisation, depreciation and impairment losses	(20.6)	(11.6)
Operating profit	19.8	13.6
Net financial expense	(11.8)	(5.3)
Profit before tax	8.0	8.3
Income taxes	(2.7)	(2.0)
Profit for the period	5.3	6.3
Profit attributable to non-controlling interests	0.4	0.2
Profit attributable to the owners of the parent	4.9	6.1

Total revenue and income amount to €55.2 million (€30.9 million in the first half of 2019). Specifically, revenue jumped roughly 75% from €30.1 million in the first six months of 2019 to €52.7 million for the period. This increase was mainly driven by the upturn in electricity production described earlier even though the first six months of 2020 were considerably less windy than the seasonal average and the electricity selling price decreased.

In the first half of 2020, the average selling price of electricity from wind plants under the feed-in tariff (FIP, formerly "green certificates") schemes is €129.5/MWh, compared to €143.6/MWh in the first six months of 2019. Specifically:

- the average selling price of electricity price is €30.4/MWh compared to €51.5/MWh in the corresponding period of 2019;
- the average feed-in tariff for the period is €99.1/MWh (€92.1/MWh in the corresponding period of 2019).

The Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit from a minimum guaranteed auction price (pursuant to the Ministerial decree of 23 June 2016) of €66/MWh.

Other revenue and income of €2.5 million (€0.8 million in the first half of 2019) mostly relate to administrative and technical consultancy services provided to third party companies and joint ventures.

The following table shows the electricity production figures of the group's operating wind farms:

Site	Total capacity (MW)	Investment (%)	Consolidated capacity (MW)	Year of entry into production	Last year of incentives	Consolidated production (MWh)	
						30 June 2019	30 June 2020
Subsidiaries' wind farms (consolidated)							
Operating wind farms - Italy							
Albanella (SA)	8.5	100%	8.5	2004	2016	5,750	5,511
Albareto (PR)	19.8	100%	19.8	2019	2039	1,065	20,742
Agrigento (AG)	33.2	100%	33.2	2007	2019	27,309	26,396
Callari (CT)	36.0	100%	36.0	2009	2023	31,988	24,087
Castel di Lucio (ME)	23.0	100%	23.0	2010	2025	20,615	16,862
Ciorlano (CE)	20.0	100%	20.0	2008	2023	11,801	8,834
Fri-El Campidano (VS)	70.0	100%	70.0	2008	2023	-	55,460
Grottole (MT)	54.0	100%	54.0	2009	2024	-	56,369
Licodia (CT)	22.1	80%	22.1	2010	2025	19,140	14,446
Morcone-Pontelandolfo (BN)	51.8	100%	51.8	2019	2039	820	69,721
Nulvi-Tergu (SS)	29.8	90%	29.8	2008	2023	-	26,753
Ordonia (FG)	34.0	100%	34.0	2009	2024	39,007	33,750
San Marco in Lamis (FG)	44.2	100%	44.2	2011	2026	38,641	30,985
Regalbuto (EN)	50.0	100%	50.0	2010	2025	-	29,245
Ricigliano (SA)	36.0	100%	36.0	2007	2019	-	32,340
Villacidro (VS)	30.8	100%	30.8	2019	2039	39,273	34,107
Total	563.1		563.1			235,407	485,610
Operating wind farms - abroad							
Comiolicca (Spain)	36.0	100%	36.0	2012	2032	-	35,738
Krupen (1,2,3,4) (Bulgaria)	12.0	51%	12.0	2010	2025	13,308	15,737
Total	48.0		48.0			13,308	51,475
Total subsidiaries' wind farms	611.1		611.1			248,715	537,085
Wind farms of joint ventures ⁽¹⁾							
Operating wind farms - Italy							
Lacedonia (AV)	15.0	50%	7.5	2008	2023	7,848	5,770
San Martino in Pensilis (CB)	58.0	50%	29.0	2010	2025	34,168	27,608
Total	73.0		36.5			42,016	33,377
Total	684.1		647.6			290,731	570,462

(1) Wind farms owned by joint ventures consolidated using the equity method as a result of the application of IFRS 11

The **gross operating profit** amounts to €40.4 million, up 60.3% on the corresponding period of 2019 (€25.2 million), reflecting the increase in revenue in the first six months of 2020 as described earlier, driven by the change in the number of wind farms included in the consolidation scope starting from the second half of 2019 through to the start of

2020, partly offset by the lesser windiness in 2020 and the effect of the reduction in electricity selling prices. Operating costs increased from €7.8 million in the first half of 2019 to €15.8 million due to the above-mentioned change in the consolidation scope. In addition, the **gross operating profit** includes transaction costs of around €0.4 million related to the non-recurring transactions performed during the six months and the group's share of the profit of the joint ventures (€1 million compared to €1.1 million in the first half of 2019, due to the drop in windiness in the first six months of 2020).

The **operating profit** amounts to €19.8 million (€13.6 million in the first half of 2019) after amortisation, depreciation and impairment losses of €20.6 million.

The **profit before tax** of €8 million shows a decrease on the €8.3 million for the corresponding period of the previous year. It includes financial expense and net losses on equity investments and other financial assets of around €11.8 million (€5.3 million in the first half of 2019). The difference is mostly due to the higher interest expense accrued during the period on the new 2019-2025 green bonds issued at the end of 2019 with a total nominal amount of €200 million.

The **profit for the period** amounts to €5.3 million compared to €6.3 million for the first half of 2019. It includes income taxes of roughly €2.7 million.

The **profit attributable to the owners of the parent** amounts to €4.9 million compared to €6.1 million for the first half of 2019, while **that attributable to non-controlling interests** comes to €0.4 million (€0.2 million for the first half of 2019).

Financial position and cash flows

ALERION GROUP - Reclassified statement of financial position

(€m)

	30.06.2020	31.12.2019
<i>Intangible assets</i>	200.8	148.5
<i>Property, plant and equipment</i>	466.2	415.3
<i>Financial assets</i>	17.3	18.5
<i>Non-current loans</i>	4.2	4.1
Non-current assets	688.4	586.4
Net non-current assets held for sale	0.0	0.0
Other non-financial liabilities, net	(40.0)	(18.4)
NET INVESTED CAPITAL	648.4	568.0
Equity attributable to the owners of the parent	147.9	158.1
Equity attributable to non-controlling interests	4.3	2.7
Equity	152.2	160.8
Cash and cash equivalents	149.6	238.4
Other financial liabilities, net	(645.8)	(645.5)
Net financial debt	(496.2)	(407.2)
EQUITY + NET FINANCIAL DEBT	648.4	568.0

Change in the consolidation scope

Changes in the group's financial position at 30 June 2020 compared to 31 December 2019 are mostly due to the change in the consolidation scope after the acquisition of FW Holding S.r.l. ("FW"), which owns two operating wind farms with total installed capacity of 90 MW located in the municipalities of Ricigliano (SA) and Grottole (MT), and Fri-El Nulvi Holding S.r.l. ("Nulvi"), owner of an operating wind farm with total installed capacity of 29.75 MW in the municipalities of Nulvi and Tergu (SS).

At 30 December 2020, **property, plant and equipment** and **intangible assets** amount to €667 million (€563.8 million at 31 December 2019). The €103.2 million increase, net of amortisation and depreciation of €20.6 million, is mainly due to the change in the consolidation scope described earlier.

Other non-financial liabilities, net include trade receivables for the sale of electricity and amounts due under feed-in tariff schemes totalling €15.3 million compared to €17.3 million at 31 December 2019. Specifically, amounts due under feed-in tariff schemes from GSE total €11.3 million (€13.2 million at 31 December 2019).

Equity attributable to the owners of the parent decreased by €10.2 million to €147.9 million at 30 June 2020. This reduction is mostly a result of: i) the profit for the period attributable to the owners of the parent of €4.9 million; ii) the fair value losses on derivatives hedging bank project financing of €0.4 million, net of the related tax;

and iii) the distribution of dividends of €10 million as per the shareholders' resolution of 27 April 2020.

Net financial debt amounts to €496.2 million at period end, up €89 million on 31 December 2019. This increase is due to investments of €105 million made to acquire three operating wind farms with total installed capacity of 119.75 MW (described in the section on the change in the consolidation scope).

ALERION GROUP - Net financial debt
(€m)

	30.06.2020	31.12.2019
Cash and cash equivalents		
- Cash	149.6	238.3
Total cash and cash equivalents	149.6	238.3
Loans and other current financial assets	1.5	0.5
Current financial liabilities		
- Loans and borrowings	(48.7)	(47.4)
- Accrued interest on bonds	(3.4)	(3.1)
- Lease liabilities	(5.5)	(5.4)
- Derivatives	(3.1)	(3.3)
Total current financial liabilities	(60.7)	(59.2)
CURRENT FINANCIAL POSITION	90.4	179.6
Non-current financial liabilities		
- Other loans and borrowings	(12.0)	(12.0)
- Bank loans and borrowings	(174.2)	(175.2)
- Bonds issued	(345.3)	(345.1)
- Lease liabilities	(45.9)	(46.4)
- Derivatives	(9.2)	(8.1)
NON-CURRENT FINANCIAL DEBT	(586.6)	(586.8)
NET FINANCIAL DEBT*	(496.2)	(407.2)
NET FINANCIAL DEBT (excluding derivatives)	(483.8)	(395.8)
Loans and other non-current financial assets	4.2	4.1
FINANCIAL DEBT FOR REPORTING PURPOSES	(492.0)	(403.1)

(*) Consob communication no. DEM/6064293/2006

Therefore, the increase in net financial debt is principally due to: i) cash flows of approximately €39.6 million generated by operating activities; ii) cash flows of approximately €89.8 million used in investing activities, mostly for the recent Nulvi and FW acquisitions, net of cash acquired; iii) the effects of the change in the consolidation scope for €32.2 million; iv) net financial expense and the fair value losses on derivatives of €13.1 million; and v) dividends distributed of €10 million.

The following table shows the group's cash inflows and outflows and their effect on net financial debt:

(€m)	First half 2020	First half 2019
Cash flows generated by operating activities	39.6	18.3
Cash flows used in investing activities		(50.1)
Cash flows used in acquisitions	(89.8)	(41.1)
Cash held by the acquirees at the acquisition date	16.6	4.8
Effects of the change in the consolidation scope	(32.3)	(5.6)
Net financial expense and net fair value losses on derivatives	(13.1)	(8.4)
Effect of IFRS 16	(2.5)	(15.1)
Dividends received from joint ventures	2.5	0.0
Dividends distributed	(10.0)	(1.7)
Increase in net financial debt	(89.0)	(98.9)
Opening net financial debt	(407.2)	(226.9)
CLOSING NET FINANCIAL DEBT	(496.2)	(325.8)

Leverage, which is the ratio of net financial debt to net invested capital, is 76.5% at 30 June 2020 (71.7% at 31 December 2019).

Net financial debt (excluding derivatives) amounts to €483.8 million at 30 June 2020 compared to €395.8 million at the end of the previous year.

Cash and cash equivalents decreased by €88.7 million to €149.6 million at 30 June 2020. The main reasons for this reduction are the use of cash to acquire the three operating wind farms with total installed capacity of 119.75 MW on 27 February 2020 as described earlier, which led to a change in the consolidation scope.

Current financial liabilities amount to €60.7 million at the reporting date showing a slight increase on 31 December 2019 (€59.2 million). This increase is mostly due to: i) reclassification of part of the project financing of €1.9 million taken out by the Bulgarian subsidiaries (Krupen) to non-current after they obtained the related waiver from the lending banks on 14 March 2020; ii) recognition of the current portion of €7.4 million of the loan agreed by Grottolo, included in the consolidation scope from the first quarter of 2020; iii) less resort to the credit lines used by the parent for €2.2 million; and iv) repayment of the VAT facility of the project financing of €4.2 million by the subsidiary Eolica PM.

Non-current financial liabilities amount to €577.4 million at the reporting date (€586.8 million at 31 December 2019). They include: (i) €345.3 million due to the bondholders for the new 2019-2025 bonds of €200 million, net of transaction costs of €2.7 million, subscribed on 12 December 2019 and the 2018-2024 bonds of €150 million, net of transaction costs of €2 million, subscribed on 29 June 2018; (ii) the non-current portion of project financing, decreased by the repayments made during the period; (iii) the non-current portion of two project financing loans of Nulvi and FW, included in the consolidation scope after their acquisition (see earlier); and (iv) the non-current portion of lease liabilities of €45.9 million recognised in accordance with IFRS 16 "Leases".

Interest of €2.9 million accrued on the 2018-2024 bonds at 31 December 2019, and recognised as current financial liabilities at that date, was paid on 30 June 2020.

Loan and other non-current financial assets increased to €4.2 million at 30 June 2020 and refer to loans given to joint ventures.

Reference should be made to the note to “Related party and intragroup transactions” for information on the relevant terms and conditions.

LEGISLATIVE FRAMEWORK

The most important measures affecting the legislative framework for the sector in the first half of 2020 are shown below.

Feed-in tariff (formerly “green certificates”)

With resolution 17/2020/R/efr of 28 January 2020, the Italian regulatory authority for energy, networks and the environment (“Arera”) announced, for the purposes of determining the 2020 feed-in tariff, that the average annual selling price of electricity was €53.01/MWh in 2019. Accordingly, the 2020 feed-in tariff, which is 78% of the difference between €180/MWh and the average annual selling price of electricity for the previous year, is €99.05/MWh. According to GSE’s procedures, these incentives are paid by GSE on a monthly basis by the end of the second month following the reference month.

Europe’s new 2030 targets for renewable energy and energy efficiency

The new European renewable energy and energy efficiency targets for 2030 were set in 2018. These principles, which are to be transposed into new Community directives, will set a target of 32% for final consumption of renewable energy by 2030 (compared with the 27% originally proposed by the European Commission), with an annual obligation of 1.3% for thermal renewables and a 14% obligation in the transport sector. The new 2030 target for energy efficiency was set at 32.5%. There will be a revision clause for both directives by 2023.

MAIN RISKS AND UNCERTAINTIES

The “Financial risks management policy” section in the notes to the condensed interim consolidated financial statements provides information about how the group manages its financial risks. This report does not include all the disclosures required of annual reports and, therefore, reference is made to the 2019 Annual Report for a more complete description of the main risks and uncertainties.

The Covid-19 pandemic

Since January 2020, there has been a growing and progressive spread at international and national level of the public health emergency due to the outbreak of the novel coronavirus Covid-19. On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organisation declared that the outbreak constituted a Public Health Emergency of International Concern (PHEIC) and subsequently classified the outbreak as a “pandemic” in March 2020. This public health

emergency led the Italian government to declare a state of emergency, currently in place until 15 October 2020, and to introduce increasingly restrictive measures to curb and contain the spread of Covid-19 in Italy. These measures firstly affected Lombardy and northern Italy to then be applied to the rest of the country. In addition, at the end of March 2020, the government brought in additional measures shuttering industrial production activities except for essential services, which include the production of electricity, classified as a public utility service, which was, therefore, allowed to continue.

In accordance with the ministerial provisions issued in March 2020 and to ensure the safety and health of its employees and consultants, the group promptly introduced remote working for as many resources as possible and this is still in place.

Throughout the period and up until the date of preparation of this report, the group's operations have not been discontinued proving the effectiveness of the group's timely measures. Specifically, the wind farms' operations are guaranteed by asset management and plant maintenance activities continued thanks to the fact that the group's suppliers have also managed to remain operational. Group management monitors the situation constantly to pre-empt any repercussions on its business and introduce all the measures needed to ensure regular operations.

The great uncertainty about the economic and social fallout of Covid-19 has had a significant adverse effect on the financial markets and estimates about global economic growth. It is not yet possible to foresee the length and intensity of the economic stagnation that could affect 2020, which depends in part on the outcome of the measures adopted and to be adopted by governments to support the economy.

During the year, the group carefully monitored developments in the countries where it operates. It issued guidelines about the most suitable procedures to adopt to prevent and/or mitigate the effects of contagion in the workplace in order to protect the health and safety of its employees and those of its suppliers and customers while allowing operations to continue.

The group carefully analysed the situation in the countries where it operates based on the analyses set out in the "Events after the reporting date" section of the notes to the 2019 consolidated financial statements in order to assess the impact of Covid-19 on its operations, financial position and financial performance at the date of preparation of this report in line with ESMA's most recent recommendations in its public statements ESMA 71-99-1290 of 11 March 2020, ESMA 32-63-951 of 25 March 2020 and ESMA 31-67-742 of 27 March 2020. It also considered Consob's guidelines in warning notice no. 6/20 of 20 April 2021.

Specifically and to comply with the guidance issued by Consob in warning notice no. 8/20 "Covid-19 – Warning notice about financial reporting" on 16 July 2020 and ESMA's public statement "Implications of the Covid-19 outbreak on the half-yearly financial reports" issued on 20 May 2020, the group's main considerations about the effects of Covid-19 on its business are set out below.

As noted earlier, the impact of Covid-19 on the group's business and operations is tied to the reduction in electricity prices and the group does not expect there to be other

significant effects. Its analyses identified a contraction in prices throughout the period with the average selling price for wind farms that qualify for the feed-in tariff at €129.5/MWh compared to €143.6/MWh in the first half of 2019. The average selling price for the period was €30.4/MWh while it was €51.5/MWh in the corresponding period of 2019 due to the impact of the pandemic and fluctuations in the energy sector's macroeconomic context. This downturn in price was partly offset by the increase in the unit value of the feed-in tariff paid in the first half of the year (€99.1/MWh compared to €92.1/MWh in the same period of 2019). No price issues affected the Villacidro, Morcone-Pontelandolfo and Albareto wind farms as they benefit from the auction-guaranteed minimum price (as per the Ministerial decree of 23 June 2016) of €66/MWh.

In addition to the electricity price factor, the group identified the following considerations about the Covid-19 pandemic:

- as electricity production is classified as a public utility service, the related power plants were not shuttered or partly shut down. The wind farms' operations are guaranteed by asset management and plant maintenance activities that have continued, thanks also to the fact that the group's suppliers also managed to remain operational;
- the sensitivity analysis of the recoverability of non-current assets (see note 5 for details of the impairment test) considered the worsened economic climate caused partly by Covid-19;
- the reduction in electricity prices will be partly mitigated in 2021 when GSE recalculates its feed-in tariff and increases it, where provided for;
- the uncertainties caused by Covid-19 do not affect the measurement of the group's financial assets or estimation of expected credit losses, given the nature of such assets, which mainly consist of cash and cash equivalents, the amounts due under feed-in tariff schemes from GSE and VAT assets.

Moreover, none of the group's employees caught the virus during the first half of 2020. The group has not nor does it intend to apply for the social security shock absorbers and/or personnel lay-off procedures.

CORPORATE EVENTS

On 27 February 2020, Fri-El Green Power S.p.A. and Winco Energreen S.p.A. sold the parent their 50% stakes in FW Holding S.p.A., registered office in Piazza del Grano 3, Bolzano, share capital of €100,000, tax code and Bolzano company registration no. 02475910218 and REA no. BZ-1881152.

On the same date, Fri-El Green Power S.p.A. and BBL S.r.l. sold their investments (60% and 30%, respectively) in Fri El Nulvi Holding S.r.l., registered office in Piazza del Grano 3, Bolzano, quota capital €3,000,000, tax code and Bolzano company registration no. 02415150214 and REA no. BZ-177083.

On 29 April 2020, the parent incorporated Alerion Iberia S.L. with a share capital of €50,000 and domiciled at Calle Angli 31, 3º 2º, Barcelona.

RELATED PARTY AND INTRAGROUP TRANSACTIONS

The information on related party transactions required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the relevant sections of this report.

In accordance with the Consob communications of 20 February 1997, 27 February 1998, 31 December 1998, 31 December 2002 and 27 July 2006, as well as subsequent Regulation no. 17221 on related party transactions of 12 March 2010, as amended, it is noted the group's related party transactions were not atypical, unusual, unrelated to normal business operations or detrimental to the group's financial position, financial performance and cash flows.

Terms and conditions of intragroup transactions

As part of its holding company activities, Alerion coordinates the administrative, management and commercial activities of the group companies and optimises their financial resources. It provides services to the subsidiaries and associates as part of these activities. These transactions with subsidiaries are eliminated in the consolidation process. Financial transactions are also carried out between the group companies. Transactions with subsidiaries and investees are regulated at arm's length, taking into account the nature of the services provided. Significant transactions with subsidiaries or investees that affect the group's consolidated financial statements include the subsidiaries' participation in the domestic tax consolidation scheme.

The parent is the tax consolidator. The scheme enables the participating group companies to offset their taxable profits or tax losses with a clear benefit not only for themselves, but also for the group as a whole.

Companies participating in the domestic tax consolidation scheme have signed an agreement governing and specifying the requirements, obligations and responsibilities to which they mutually agree when they join the scheme. In particular, specific provisions are designed to ensure that participation is not disadvantageous economically or financially compared to their position had they not joined the scheme, or if (where applicable) they had opted for group taxation with their own subsidiaries.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Events after the reporting period

On 30 July 2020, Alerion, a subsidiary of and managed and coordinated by Fri-El Green Power S.p.A., signed two collaboration agreements for the development of wind farms with Fri-El S.p.A. (covering southern Italy) and Green Energy Sardegna 2 S.r.l. (covering Sardinia). These agreements provide for the free concession to Alerion by the

counterparties of the right to (i) assess the potential acquisition of wind sector projects under development on an exclusive basis; and (ii) the option as per article 1331 of the Italian Civil Code to acquire such projects or the entire share capital of the SPEs to which the projects may be transferred.

Outlook

The parent will continue the ongoing actions to improve the group's operating efficiency and financial strength during the second half of the year.

It will also pursue extending its footprint through targeted organic and inorganic growth in order to increase the installed capacity of its wind farms in Italy and abroad.

OTHER INFORMATION

Corporate governance

The Alerion Group is a signatory of, and complies with the Code of Conduct for Listed Companies approved in December 2011 and most recently updated in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., integrated and amended to reflect its characteristics.

The corporate governance report includes a general description of the group's corporate governance system, information about its ownership structure and compliance with the Code of Conduct. It also describes the main corporate governance practices applied and the characteristics of the internal controls over financial reporting and the risk management system. This report is available on the website www.alerion.it.

Dividend distribution

At their meeting of 27 April 2020, the parent's shareholders approved the proposed distribution of a dividend from available reserves of €0.2 per outstanding ordinary share (net of treasury shares), net or gross of tax, depending on the applicable tax regime, with payment as of 24 June 2020 and detachment date of coupon 9 on 22 June 2020. The parent distributed the dividend of €10 million in compliance with the terms established by the shareholders.

Management and coordination

The parent is managed and coordinated by Fri-el Green Power S.p.A. as per article 2497 of the Italian Civil Code.

It complies with the requirements of article 37.a)/b)c).i) of Consob regulation no. 16191/2007 (as per article 2.6.2.9 of the regulation of the markets organised and managed by Borsa Italiana S.p.A.).

Consolidated non-financial statement

The parent is exempt from the requirement to disclose non-financial and diversity information as per Legislative decree no. 254 of 30 December 2016 which transposed Directive 2014/95/EU on the disclosure of non-financial and diversity information into Italian law. This is because at individual and group level, the average number of

employees is less than 500 and therefore it does not qualify by size as a listed public interest entity, a bank or insurance company which are required to prepare and publish an individual or consolidated non-financial statement that provides disclosures on environmental, social, human resources, human rights and anti-corruption topics.

Treasury shares and shares of parents

At 30 June 2020, the parent has 864,445 treasury shares (844,445 at 31 December 2019), equal to 1.68805% of its share capital. With respect to the shareholders' resolution of 27 April 2020 authorising repurchases of treasury shares, at 30 July 2020, it had not repurchased additional treasury shares.

Investments held by directors, statutory auditors, COOs and key management personnel

Following Consob resolution no. 18079 of 20 January 2012, which repealed Appendix 3C, information on the investments held by the directors, statutory auditors, COOs and other key management personnel is contained in the Remuneration report prepared pursuant to article 123-ter of the Consolidated Finance Act (TUF).

Exercise of option to waive the disclosure obligations about significant non-recurring transactions

On 30 January 2013, the parent's board of directors resolved to avail of the option not to publish the information documents required for significant mergers, demergers and capital increases through the contribution of assets in kind, acquisitions and disposals.

Workforce

The group has 31 employees at the reporting date, broken down as follows:

	31.12.2019	Increases	Decreases	30.06.2020	Average
Managers	2	0	0	2	2.0
Junior managers and white collars	27	5	(3)	29	33.0
Total employees	29	5	(3)	31	35.0

The employees' average age and education are as follows:

	Average age		University graduates	
	31.12.2019	30.06.2020	31.12.2019	30.06.2020
Managers	53	53	2	2
Junior managers and white collars	43	43	11	13
Average	48.0	42.0	13	15

Branches

Alerion Clean Power S.p.A. has its registered office at Viale Majno 17, Milan and a branch at Via del Gallitello 221, Potenza (PZ).

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at and for the six months ended 30 June 2020

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STATEMENT OF FINANCIAL POSITION

ASSETS

(€'000)	Note	30.06.2020	including: related parties	31.12.2019	including: related parties
NON-CURRENT ASSETS:					
Intangible assets with a finite useful life	5	200,773		148,504	
Property, plant and equipment	7	466,215		415,325	
Equity-accounted investments in joint ventures	8	17,247		18,447	
Equity-accounted investments in associates	9	-		-	
Loans and other non-current financial assets	10	4,150	3,847	4,079	3,773
Other current assets		806		10	
Deferred tax assets	33	21,537		19,885	
TOTAL NON-CURRENT ASSETS		710,728		606,250	
CURRENT ASSETS:					
Trade receivables	11	5,174	754	4,815	861
Tax assets	12	2,986		2,352	
Other current assets	13	31,688	822	28,577	844
Loans and other current financial assets	14	1,547	-	548	
Cash and cash equivalents	15	149,632		238,348	
TOTAL CURRENT ASSETS		191,027		274,640	
TOTAL ASSETS		901,755		880,890	

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

(€'000)	Note	30.06.2020	including: related parties	31.12.2019	including: related parties
EQUITY ATTRIBUTABLE TO THE OWNER OF THE PARENT	16	147,934		158,064	
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16	4,309		2,752	
NON-CURRENT LIABILITIES:					
Financial liabilities	17	577,417		578,756	
Derivatives	18	9,202		8,113	
Post-employment benefits and other employee benefits	19	532		690	
Deferred tax liabilities	33	45,422		29,506	
Provisions for future risks and charges	20	20,860	18	16,531	18
Other non-current liabilities	21	13,868		8,549	
TOTAL NON-CURRENT LIABILITIES		667,301		642,145	
CURRENT LIABILITIES:					
Financial liabilities	22	57,576		55,875	
Derivatives	18	3,137		3,309	
Trade payables	23	11,104	1,418	9,819	1,422
Tax liabilities	24	2,336		3,971	
Other current liabilities	25	8,058	412	4,955	-
TOTAL CURRENT LIABILITIES		82,211		77,929	
TOTAL LIABILITIES		749,512		720,074	
TOTAL EQUITY AND LIABILITIES		901,755		880,890	

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	First half 2020	including: related parties	First half 2019	including: related parties
Electricity sales		17,249	1,892	13,610	2,597
Feed-in tariff		35,468		16,525	
Revenue	27	52,717	1,892	30,135	2,597
Other revenue and income	28	2,446	2,758	775	332
Total revenue and income		55,163		30,910	
Operating costs					
Personnel expenses		1,110		1,118	
Other operating costs		14,679	2,349	6,638	1,521
Accruals to provisions for risks		74	-	39	39
Total operating costs	29	15,863		7,795	
Share of profit of equity-accounted joint ventures		1,040		2,089	
Amortisation and depreciation		20,575		11,583	
Impairment losses/reversals of impairment losses				-	
Total amortisation, depreciation and impairment losses/reversals of impairment losses	30	20,575		11,583	
OPERATING PROFIT		19,765		13,621	
Financial income		101		125	
Financial expense		(11,676)		(5,430)	
Net financial expense	31	(11,575)	-	(5,305)	
Net gains (losses) on equity investments and other financial assets	32	(187)	71	18	70
Profit before tax		8,003		8,334	
Current		(2,313)		(2,275)	
Deferred		(396)		227	
Income taxes	33	(2,709)		(2,048)	
PROFIT FOR THE PERIOD		5,294		6,286	
Attributable to:					
Owners of the parent	34	4,926		6,116	
Non-controlling interests		368		170	
EARNINGS PER SHARE					
- Basic, considering the profit for the period attributable to the owners of the parent		0.10		0.12	
EARNINGS PER SHARE FROM CONTINUING OPERATIONS					
- Basic, considering the profit from continuing operations attributable to the owners of the parent		0.10		0.12	

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	First half 2020	First half 2019
PROFIT FOR THE PERIOD (A)	5,294	6,286
Net hedging losses	(828)	(3,408)
<i>Related tax</i>	200	817
Net fair value gains on cash flow hedges relating to joint ventures	261	95
<i>Related tax</i>	(62)	(23)
Post-tax other comprehensive expense that can be reclassified subsequently to profit or loss (b1)	(429)	(2,519)
<i>Net actuarial losses on defined benefit plans (IAS 19)</i>	(40)	(94)
<i>Related tax</i>	11	26
Post-tax other comprehensive expense that will not be reclassified to profit or loss (b2)	(29)	(68)
Total post-tax other comprehensive expense (b1) + (b2) = (B)	(458)	(2,587)
COMPREHENSIVE INCOME (A) + (B)	4,836	3,699
Attributable to owners of the parent	4,468	3,529
Attributable to non-controlling interests	368	170
COMPREHENSIVE INCOME	4,836	3,699

STATEMENT OF CASH FLOWS

(€'000)	Note	First half 2020	including: related parties	First half 2019	including: related parties
A. Cash flows from operating activities					
Profit attributable to:					
Owners of the parent		4,926		6,116	
Non-controlling interests		368		170	
Adjustments for:					
Amortisation, depreciation and impairment losses/reversals of impairment losses	30	20,575		11,583	
Financial (income)/expense and (gains)/losses on equity investments	31 - 32	11,762		5,287	
Current taxes	33	2,313		2,275	
Share of profit of equity-accounted joint ventures		(1,040)		(2,089)	
Increase (decrease) in post-employment benefits	19	(198)		(63)	
Increase (decrease) in provisions for risks and charges	20	696		473	
Increase (decrease) in deferred tax liabilities	33	(176)		(236)	
Total cash flows from current operations		39,226		23,516	
(Increase) decrease in trade receivables and other assets	11 - 12 - 13	8,281	130	(3,626)	(2,847)
Increase (decrease) in trade payables and other liabilities	21 - 23 - 25	(7,164)	408	(1,301)	702
Taxes paid	24	(718)		-	
Total cash flows from changes in working capital		399		(4,927)	
Total cash flows generated by operating activities		39,625		18,589	
B. Cash flows from investing activities					
Cash acquired as part of business combinations		16,568		4,822	
Consideration transferred in business combinations		(89,800)		(41,131)	
Loans and borrowings assumed as part of business combinations		-	-	-	-
(Investments) disposals of intangible assets	5	(674)		(1,443)	
(Investments) disposals of property, plant and equipment	7	(696)		(48,687)	
Change in financial liabilities for investing activities		-		-	
Dividends received from equity-accounted investees	8	2,468		-	
Total cash flows used in investing activities		(72,134)		(86,439)	
C. Cash flows from financing activities					
Net change in financial liabilities/assets	10 - 14	(2,223)		60	
Net change in lease liabilities	17 - 22	(2,421)		(313)	
Increase (decrease) in bank loans and borrowings	17 - 22	(30,791)		48,107	
Increase (decrease) in bonds issued		452		-	
Repurchase of treasury shares		(96)		(19)	
Dividends distributed	16	(10,069)		(1,713)	
Financial expense paid		(11,059)		(7,915)	
Total cash flows generated by (used in) financing activities		(56,207)		38,207	
D. Cash flows for the period (A+B+C)		(88,716)		(29,643)	
E. Opening cash and cash equivalents	15	238,348		63,933	
F. Closing cash and cash equivalents (D+D1+E)	15	149,632		34,290	

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY - Six months ended 30 June 2020

(€'000)	Share capital	Treasury share reserve	Share premium	Income-related reserves	Hedging reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 December 2019	140,000	(1,660)	21,400	8,438	(10,114)	158,064	2,752	160,816
Profit for the period	-	-	-	4,926	-	4,926	368	5,294
Other comprehensive expense	-	-	-	(29)	(628)	(657)	-	(657)
Other comprehensive income relating to equity-accounted joint ventures					199	199	-	199
Comprehensive income	-	-	-	4,897	(429)	4,468	368	4,836
Dividends approved and/or distributed	-	-	-	(10,069)	-	(10,069)	-	(10,069)
Repurchase of treasury shares	-	(96)	-	-	-	(96)	-	(96)
Other changes	-	-	-	(4,433)	-	(4,433)	1,189	(3,244)
30 June 2020	140,000	(1,756)	21,400	(1,167)	(10,543)	147,934	4,309	152,243

Reference should be made to note 15 "EQUITY" for details of the individual captions.

STATEMENT OF CHANGES IN EQUITY - Six months ended 30 June 2019

(€'000)	Share capital	Treasury share reserve	Share premium	Income-related reserves	Hedging reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 December 2018	186,042	(1,575)	21,400	(58,049)	(9,060)	138,758	2,453	141,211
Profit for the period	-	-	-	6,116	-	6,116	170	6,286
Other comprehensive expense	-	-	-	(68)	(2,591)	(2,659)	-	(2,659)
Other comprehensive income relating to equity-accounted investees					72	72	-	72
Comprehensive income	-	-	-	6,048	(2,519)	3,529	170	3,699
Dividends approved and/or distributed	-	-	-	(1,713)	-	(1,713)	-	(1,713)
Repurchase of treasury shares	-	(85)	-	-	-	(19)	-	(19)
Other changes	-	-	-	(3)	-	(3)	2	(1)
30 June 2019	186,042	(1,594)	21,400	(53,717)	(11,579)	140,552	2,625	143,177

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The parent, Alerion Clean Power S.p.A. (the "parent" or "Alerion") is a legal entity subject to Italian law. Its ordinary shares are listed on the MTA segment of the Italian stock exchange. The Alerion Group's (the "group") headquarters are at Viale Majno 17 in Milan.

The Covid-19 pandemic

Since January 2020, there has been a growing and progressive spread at international and national level of the public health emergency due to the outbreak of the novel coronavirus Covid-19.

The great uncertainty about the economic and social fallout of Covid-19 has had a significant adverse effect on the financial markets and estimates about global economic growth. It is not yet possible to foresee the length and intensity of the economic stagnation that could affect 2020, which depends in part on the outcome of the measures adopted and to be adopted by governments to support the economy.

The group monitors the situation continuously to pre-empt repercussions on its business, readying all the measures necessary to ensure its normal operations:

- as electricity production is classified as a public utility service, the related power plants were neither shuttered nor partly shut down. The wind farms' operations are guaranteed by asset management and plant maintenance activities that have continued, thanks also to the fact that the group's suppliers also managed to remain operational;
- the sensitivity analysis of the recoverability of non-current assets (see note 5 for details of the impairment test) considered the worsened economic climate caused by Covid-19 in addition to the pandemic's impact on the group's results;
- the reduction in electricity prices will be partly mitigated in 2021 when the GSE recalculates its feed-in tariff and increases it, where provided for;
- the uncertainties caused by Covid-19 do not affect the measurement of the group's financial assets or estimation of expected credit losses, given the nature of such assets, which mainly consist of cash and cash equivalents, the amounts due under feed-in tariff schemes from GSE and VAT assets.

The Covid-19 pandemic did not significantly impact the group except for the reduction in electricity prices, described in the directors' report.

The condensed interim consolidated financial statements have been prepared pursuant to IAS 34. They include additional disclosures deemed useful to provide a better understanding of the group's financial position at 30 June 2020 and its financial

performance and cash flows for the six months then ended. They do not, however, include all the disclosures required for annual consolidated financial statements and should be read in conjunction with the group's consolidated financial statements at 31 December 2019.

The group specialises in electricity production from renewable sources, particularly in the wind power sector.

On 30 July 2020, the parent's board of directors approved the publication of the condensed interim consolidated financial statements at 30 June 2020.

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements have been drawn up on a going concern basis. Indeed, despite the general uncertain situation and volatile financial markets caused by the spread of Covid-19, which the World Health Organisation classified as a pandemic on 11 March 2020, the group believes that there are no material uncertainties (as defined by IAS 1.24 that may cast significant doubt upon the group's ability to continue as a going concern. Since electricity production is a service of public interest, the group's operations have not been reduced or affected by the pandemic.

The group usually only makes certain assessments and judgements, especially the more complex ones such as impairment testing of non-current assets, during preparation of the annual consolidated financial statements when all the relevant information is available. However, if there are indicators of impairment, it tests the related assets immediately. The condensed interim consolidated financial statements are presented as follows:

- the statement of financial position presents current and non-current assets and current and non-current liabilities separately;
- the statement of profit or loss presents costs based on their nature rather than their function, as the group deems that this classification is more representative;
- the statement of cash flows is based on the indirect method.

As required by Consob (the Italian commission for listed companies and the stock exchange) resolution no. 15519 of 27 July 2006, the group has included additional tables showing the significant effects of related party transactions.

Unless otherwise indicated, amounts are expressed in thousands of Euros.

JUDGEMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

Directors make judgements, estimates and assumptions in preparing the condensed interim consolidated financial statements, which affect the carrying amount of assets

and liabilities as well as the disclosures about contingent assets and liabilities at the reporting date. Actual results may differ from these estimates. Estimates are used to determine accruals to provisions for risks, impairment losses on assets, current and deferred taxes, other accruals and provisions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are immediately recognised in profit or loss. More information about the main judgements and assumptions is provided in the "Judgements and significant accounting estimates" section of the notes to the consolidated financial statements at 31 December 2019.

Assumptions about future changes in the current macroeconomic and financial situations due to Covid-19 are subject to great uncertainty, which could affect the judgements and estimates made by management about the carrying amount of assets and liabilities that are subject to greater volatility.

Specifically, adverse trends in electricity prices that are worse than expected when measuring the intangible assets and property, plant and equipment recognised at 30 June 2020 could decrease their recoverable amounts. Moreover, a reduction in electricity prices should be mitigated when GSE recalculates its feed-in tariff and increases it, where provided for.

The uncertainties defined above do not affect the measurement of the group's financial assets or estimation of expected credit losses, given the nature of such assets, which mainly consist of cash and cash equivalents, the amounts due under feed-in tariff schemes from GSE and VAT assets.

The accounting policies adopted for the preparation of these condensed interim consolidated financial statements at 30 June 2020 are consistent with those used for the consolidated financial statements at 31 December 2019, except for those affected by the standards, amendments and interpretations that the group applied for the first time as of 1 January 2020, which are described below.

AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF 1 JANUARY 2020

- Amendments to IAS 1 and IAS 8 – Definition of material:

The IASB published "Definition of material (Amendments to IAS 1 and IAS 8)", which clarify the definition of material to assist entities assess the materiality of the information to be disclosed in the financial statements.

Under the previous definition, an entity could mistakenly understand that any omission could affect the users based on the size of the information disclosed in the financial statements. The new definition clarifies that only omitted information that could reasonably influence users' economic decisions is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform:**

The IASB amended IAS 39 and IFRS 9 to allow entities not to discontinue hedge accounting until the interest rate benchmark reform has been completed.

Specifically, the IASB has introduced exceptions to the general hedge accounting model of IAS 39 and IFRS 9 to be applied mandatorily to all hedging relationships that could be affected by the interest rate benchmark reform with respect to the following aspects:

- “Highly probable”: an entity shall not consider the potential effects of the interest rate benchmark reform when assessing whether a planned transaction is highly probable;
- “Prospective assessment”: the economic relationship between the hedged item and the hedging element shall be determined prospectively without considering the potential effects of the interest rate benchmark reform;
- “Retrospective assessment”: (solely applicable for IAS 39): an entity shall not discontinue a hedging relationship if during the uncertain period caused by the interest rate benchmark reform, the retrospective assessment of this hedging relationship falls outside the 80%-125% range.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

- **Amendments to IFRS 3 - Definition of a business:**

In October 2018, the IASB published “Definition of a business (Amendments to IFRS 3)” to facilitate understanding whether a transaction is an acquisition of a business or a group of assets that does not meet the IFRS 3 definition of a business.

The amendments clarify that an integrated set of activities and assets satisfies the definition of a business, even when it does not include all the inputs and processes necessary to create output. The assessment shall be made from the market participant’s prospective and, therefore, is not relevant whether:

- before the acquisition, the seller operated the set as a business; or
- the acquirer intends to operate the set as a business after the acquisition.

The acquisition of a business must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments have been applied to acquisitions made after 1 January 2020. Earlier application is permitted.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the reporting date, the competent bodies of the European Union have not yet completed the endorsement process for the adoption of the amendments and standards described below:

- amendments to IFRS 16 “COVID-19-related rent concessions”. This document was issued in May 2020 and should become effective for annual reporting periods beginning on or after 1 January 2020;
- amendments to IAS 37 “Onerous contracts - Cost of fulfilling a contract” - the expected effective date is 1 January 2022;
- amendments to IAS 16 “Property, plant and equipment: Proceeds before intended use” - the expected effective date is 1 January 2022;

- amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 "Annual Improvements to IFRS Standards 2018 – 2020 Cycle" - the expected effective date is 1 January 2022;
- amendments to IFRS 3 – "Reference to the Conceptual Framework" - the expected effective date is 1 January 2022;
- amendments to IFRS 4 "Insurance contracts - deferral of IFRS 19" - issued on 25 June 2020 and the expected effective date is 1 January 2021;
- IFRS 17 "Insurance Contracts" - the expected effective date is 1 January 2023;
- amendments to IAS 1 "Presentation of financial statements" for the classification of liabilities - the expected effective date is 1 January 2023.

2.1 FINANCIAL RISK MANAGEMENT

This section provides an update to the disclosure on interest rate risk provided in the 2019 consolidated financial statements:

Interest rate risk

The group is primarily exposed to the risk of fluctuations in interest rates. This arises from its financial liabilities bearing variable interest rates (project financing), which expose the group to variable cash flows linked to the volatility of the Euribor curve.

This risk is managed in order to limit variations in borrowing costs that affect profit or loss, by containing the risk of a potential increase in interest rates. To this end, the group enters into interest rate swaps with third parties, intended to establish or limit changes in cash flows due to market variations in the interest rates applied to the group's non-current loans and borrowings. The use of these instruments is governed by established practices which are in line with the group's risk management strategies.

The group applies hedge accounting when it signs the derivative agreement up to its extinguishment or termination, formally documenting the hedging relationship, the hedged risk and hedging objective. It also assesses the hedging instrument's effectiveness on a regular basis.

Specifically, it applies the requirements for cash flow hedges provided for by IFRS 9. As described in the "Accounting policies" section, the standard requires that the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge be recognised in equity (hedging reserve), offsetting the interest income or expense on the hedged item recognised in profit or loss.

If a group company has entered into hedging derivatives before being acquired by the group, those derivatives are recognised at the acquisition-date fair value, as required by IFRS 3, and the effective portion of the fair value gain or loss to be recognised in equity is measured by deducting the subsequent fair value gain or loss from the acquisition-date fair value (designation).

If a hedging derivative is modified (as a result of changes in the future plans provided for the underlying liability or in the group's hedging objectives), the amount that has been accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. The new (modified) transaction generates the recognition of a new reserve, which is measured by deducting the subsequent fair value gain or loss on the derivative's fair value at the modification date.

The fair value of interest rate swaps is measured by discounting cash flows, estimated on the basis of the differential between the contractually established fixed and variable rates. The aim of the effectiveness assessment is to demonstrate the close link between the technical and financial characteristics of the hedged item (maturity, amount, etc.)

and those of the hedging instrument by carrying out appropriate retrospective and prospective tests, using the dollar offset and curve shift methods, respectively.

Specifically, these tests are carried out by identifying a hedging derivative which replicates the use and repayment plan of the hedged liability, in relation to both actual and future uses, provided that it is highly probable (updating the figures at each reporting date on the basis of new information available), and bears, with reference to the same maturities, a fixed rate in line with the market rates applicable to the group at the designation date.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or the qualifying criteria are no longer met. From that date, the portion for the year of the gain or loss on the hedging instrument accumulated in equity is reclassified to profit or loss, while the remainder will be reclassified as the cash flows of the hedged items affect profit or loss, or they are immediately reclassified to profit or loss if the cash flows of the hedged item are no longer highly probable.

Fair value gains or losses on derivatives that do not qualify for hedge accounting are immediately recognised in profit or loss. All the group's derivatives at 30 June 2020 are classified as hedging instruments, although they sometimes generate ineffective portions for the reasons described above (IFRS 3, modifications, smaller use, etc.). The group does not enter into derivatives for trading purposes.

At 30 June 2020, the group's exposure to interest rate risk, mainly arising from bank loans and borrowings and relating to the volatility of the Euribor curve, is limited as a result of the 2018 bond issue at a fixed rate of 3.75% and the 2019-2025 green bonds.

Derivatives: cash flow hedges

As mentioned in the interest rate risk section, the group enters into interest rate swaps to hedge interest rate risk on bank loans and borrowings, thereby converting most of these financial liabilities' interest rates from variable to fixed.

At 30 June 2020, the group's derivatives qualifying for hedge accounting are as follows:

Counterparty (*) 30 June 2020 (€'000)	Notional	Fair value at 30 June 2020	Inception date	Effective date	Termination date	Fixed rate	Variable rate
GE Capital (Ordonia)	23.457	(3.109)	24 April 2008	30 April 2008	30 June 2025	4,84%	6M Euribor
Monte dei Paschi di Siena (Callari)	18.142	(1.851)	24 June 2008	01 July 2008	31 December 2023	4,85%	6M Euribor
Banco BPM (Campidano)	11.093	(44)	15 November 2019	19 November 2019	31 December 2023	-0,17%	6M Euribor
Unicredit (Green Energy Sardegna)	21.117	(2.243)	30 October 2018	31 December 2018	29 June 2035	1.23%	6M Euribor
Banco BPM (Campidano) #2	8.320	(35)	17 January 2020	31 December 2019	31 December 2023	-0,16%	6M Euribor
Unicredit (Eolica PM)	34.909	(3.462)	21 December 2018	21 December 2018	29 June 2035	1,11%	6M Euribor
Sabadell (Teruel)	2.234	(4)	26 June 2019	26 June 2019	30 June 2021	0,21%	6M Euribor
Sabadell (Comiolicca)	13.419	(200)	26 June 2019	26 June 2019	30 June 2026	0,44%	6M Euribor
Unicredit (Grottolo)	16.193	(159)	24 November 2017	31 December 2019	30 June 2023	0,19%	6M Euribor
Unicredit (Fri-el Albareto)	14.164	(1.232)	15 February 2019	28 June 2019	29 June 2035	0,95%	6M Euribor
Derivatives	163.047	(12.339)					
BBVA (Ecoenergia Campania)		0	26 June 2008	1 July 2008	Reimbursed	5,05%	6M Euribor
B.I.I.S. (New Green Molise)	16.762	(1.774)	12 May 2010	31 December 2010	30 June 2025	3,50%	6M Euribor
Derivatives relating to investments in joint ventures	16.762	(1.774)					

(*) When the financing is granted by a bank syndicate, the "counterparty" is the agent bank.

The reporting-date fair value of the consolidated companies' interest rate swaps is €12,339 thousand (€11,422 thousand at 31 December 2019).

The group's post-tax hedging reserve amounts to €10,114 thousand and €10,543 thousand at 31 December 2019 and 30 June 2020, respectively.

	Hedging reserve at 30.06.2020	Hedging reserve at 31.12.2019	Changes in hedging reserve IRS differential settlement	Net fair value loss
GE Capital (Ordonia)	(3,001)	(3,632)	693	(62)
Monte dei Paschi di Siena (Callari)	(1,850)	(2,276)	467	(41)
Banco BPM (Fri-el Campidano)	(44)	(19)	-	(25)
Banco BPM (Fri-el Campidano # 2)	(35)	-	-	(35)
Unicredit (Green Energy Sardegna)	(2,243)	(1,736)	83	(590)
(*) B.I.I.S. (New Green Molise)	(1,774)	(2,035)	351	(90)
Unicredit (Eolica PM)	(3,462)	(2,576)	-	(886)
Sabadell (Alerion Teruel)	(4)	(7)	2	1
Sabadell (Comiolicca)	(200)	(163)	15	(52)
Unicredit (Grottolo)	(31)	-	50	(81)
Unicredit (Fri-el Albareto)	(1,232)	(864)	94	(462)
Pre-tax hedging reserve	(13,876)	(13,308)	1,755	(2,323)
Deferred tax liabilities	3,333	3,194	(418)	557
Net hedging reserve	(10,543)	(10,114)	1,337	(1,766)

(*) investments in joint ventures measured in accordance with IFRS 11

At 30 June 2020, the hedging reserve increased by €429 thousand compared to 31 December 2019 due to the recognition of a new derivative hedging Grottolo's project financing from Unicredit and the fair value loss determined using the downwards rate curve compared to that used in previous measurements of the fair value of derivatives at 31 December 2019 despite the positive effect of settlement of the IRS coupons that matured during the period.

Unhedged financial assets and liabilities

The group has not hedged the following types of financial instruments:

- financial liabilities used to fund the group's operating activities, mostly consisting of the four Bulgarian companies' (Krupen entities) liabilities with DEG (the German Development Finance Institution) of €2,404 thousand;
- demand and short-term bank deposits (with a maximum maturity of three months), used to temporarily invest liquidity.

3. CONSOLIDATION SCOPE

The consolidation scope at 30 June 2020 is detailed below:

☒	Registered office	Share/quota capital ('000)	Investment %		Indirect investor
			Direct	Indirect	
Consolidated subsidiaries					
- Alerion Cleanpower S.p.A.	Milan - Viale Majno 17	140,000	-		
- Alerion Real Estate S.r.l. in liquidation	Milan - Viale Majno 17	90	100.00		
- Alerion Servizi Tecnici e Sviluppo S.r.l.	Milan - Viale Majno 17	100	100.00		
- Alerion Bioenergy S.r.l. in liquidation	Milan - Viale Majno 17	19	100.00		
- Frie-el Albareto S.r.l.	Bolzano - Piazza del Grano 3	10	100.00		
- Eolica PM S.r.l.	Bolzano - Piazza del Grano 3	20	100.00		
- Green Energy Sardegna S.r.l.	Bolzano - Piazza del Grano 3	10	100.00		
- Alerion Spain S.L.	Barcelona - Carrer Car Ràbia 3-5, 4° planta	100	51.00		
- Alerion Teruel	Barcelona - Carrer Car Ràbia 3-5, 4° planta	10		100.00	Alerion Spain S.L.
- Comiolica	Zaragoza - Paseo de la Independencia 27, 5, 50001	2,500		100.00	Alerion Teruel S.L.
- Alerion Iberia SL	Zaragoza - Paseo de la Independencia 27, 5, 50001	50	100.00		
- Fri-el Ichnusa S.r.l.	Bolzano - Piazza del Grano 3	10	100.00		
- Fri-el Campidano S.r.l.	Bolzano - Piazza del Grano 3	100		100	- Fri-el Ichnusa S.r.l.
FRI-EL NULVI HOLDING S.r.l.	Bolzano - Piazza del Grano 3	3,000	90.00		
Fri-El Anglona S.r.l.	Bolzano - Piazza del Grano 3	100		100.00	FRI-EL NULVI HOLDING S.r.l.
FW HOLDING S.r.l.	Bolzano - Piazza del Grano 3	100	100.00		
FRI-EL BASENTO S.r.l.	Bolzano - Piazza del Grano 3	10		100.00	FW HOLDING S.r.l.
FRI-EL RICIGLIANO S.r.l.	Bolzano - Piazza del Grano 3	10		100.00	FW HOLDING S.r.l.
FRI-EL GROTTOLE S.r.l.	Bolzano - Piazza del Grano 3	50		100.00	FRI-EL BASENTO S.r.l.
- Anemos wind S.r.l.	Milan - Viale Majno 17	100	100.00		
- Ordonia Energia S.r.l.	Milan - Viale Majno 17	435	100.00		
- Callari S.r.l.	Milan - Viale Majno 17	1,000	100.00		
- Minerva S.r.l.	Milan - Viale Majno 17	14	100.00		
- Eolo S.r.l.	Milan - Viale Majno 17	750	100.00		
- Parco Eolico Licodia Eubea S.r.l.	Milan - Viale Majno 17	100	80.00		
- Dotto S.r.l.	Milan - Viale Majno 17	10	100.00		
- Wind Power Sud S.r.l.	Milan - Viale Majno 17	10	100.00		
- Eneges Biccari S.r.l. in liquidation	Milan - Viale Majno 17	100		75.00	Alerion Servizi Tecnici e
- Renergy San Marco S.r.l.	Milan - Viale Majno 17	108	100.00		
- Krupen Wind S.r.l.	Milan - Viale Majno 17	10	100.00		
- Enermac S.r.l.	Milan - Viale Majno 17	40		100.00	Alerion Servizi Tecnici e
- Auseu-Borod Wind Farm S.r.l. in liquidation	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	0.2 RON		100.00	Alerion Romania S.A.
- Alerion Romania S.A. in liquidation	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	100 RON	95.00		Alerion Cleanpower S.p.A.
				5.00	Alerion Bioenergy S.r.l. in liquidation
- Draghiescu Partners S.r.l.	Oras Bragadiru, strada PRIMAVERII, nr.13D, Camera 5, Judet Ilfov	300 RON	100.00		
- Alerion Bulgaria OOD	Sofia - 6th Septemvri Str., 6A, Sredetz Region	50 LEV	92.50		
- Wind Energy EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2.4 LEV		51.00	Krupen Wind S.r.l.
- Wind Stream EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
- Wind Systems EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
- Wind Power 2 EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
Equity-accounted joint ventures					
- Ecoenergia Campania S.r.l.	Cervinara (AV) - Via Cardito, 14	100	50.00		
- New Green Molise S.r.l.	Napoli - Via Diocleziano, 107	10	50.00		
Equity-accounted associates					
- Giava Uno S.r.l. in liquidation	Milan - Via Donizetti 1	1,600	31.00		
- S.C. Compania Eoliana S.A.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	501 RON	49.75		
- Jimbolia Wind Farm S.r.l.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	1 RON		49.25	S.C. Compania Eoliana S.A.

The changes in the consolidation scope are due to the acquisition of 100% of FW Holding S.r.l. ("FW"), which owns two operating wind farms with total installed capacity of 90 MW located in the municipalities of Ricigliano (SA) and Grottole (MT) and of 90% of Fri-EI Nulvi Holding S.r.l. ("Nulvi"), owner of an operating wind farm with total installed capacity of 29.75% MW located in the municipalities of Nulvi and Tergu (SS). On 29 April 2020, the parent also incorporated Alerion Iberia S.L. with a share capital of €50,000 domiciled at Calle Angli 31, 3º 2º, Barcelona.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. IMPAIRMENT TEST

Consob's warning notice no. 8/20 "Covid-19 - Warning notice about financial reporting" on 16 July 2020 and ESMA's public statement "Implications of the Covid-19 outbreak on the half-yearly financial reports" issued on 20 May 2020 urge company directors to carefully evaluate whether the Covid-19 pandemic is an indicator of impairment such to require specific tests of the recoverability of recognised assets. In order to check whether its property, plant and equipment and intangible assets are impaired, the group checks for impairment indicators at each reporting date. If these indicators exist, it estimates the relevant assets' recoverable amount again. The impairment test performed on 18 March 2020 during the preparation of the 2019 consolidated financial statements led to the recognition of an impairment loss of €1.8 million on the wind farms in Albanella and Ciorlano. The impairment test had also identified significant headroom between the carrying amounts and value in use of the cash-generating units (CGUs). Given the above-mentioned guidance from the national and European regulators, the group revisited its assessments about the existence of impairment losses, especially in the light of the reduction in electricity prices compared to those used to perform the impairment test at 31 December 2019, partly due to the repercussions of Covid-19 on electricity demand and, hence, prices. The group also checked the rates at 30 June 2020 compared to those used during the impairment test at 31 December 2019 without identifying any significant differences.

As it deemed that the other assumptions underpinning the impairment test at 31 December 2019 were still valid, the group simulated the application of the new prices in the impairment test at 31 December 2019 using the electricity price projections of the main market provider in its quarterly reports for the years covered by the plan after the third year and the future price of the electricity market the for the first three years.

This simulation showed that the recoverable amounts were substantially in line with those determined during the impairment test at 31 December 2019, thus confirming the lack of any significant critical issues about the recoverable amount of the property, plant and equipment and intangible assets recognised in the condensed interim consolidated financial statements.

5. INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The following table shows changes in intangible assets with a finite useful life during the six months:

(€'000)	Licences and concessions	Development costs	Patents and intellectual property rights	Other intangible assets	Total
Carrying amount at 01.01.2019	78,659	4,409	29	79	83,176
Gross carrying amount					
Business combinations	67,839	-	217	1,966	70,022
Increases	920	6,409	54	-	7,383
Decreases	(1,805)	-	(12)	(479)	(2,296)
Total change in gross carrying amount	66,954	6,409	259	1,487	75,109
Accumulated amortisation					
Change in consolidation scope	(2,407)	(13)	(3)	(1,950)	(4,373)
Amortisation	(5,458)	(359)	(21)	(44)	(5,882)
Elimination of acc. amortisation of transferred assets	-	-	12	462	474
Total change in accumulated amortisation	(7,865)	(372)	(12)	(1,532)	(9,781)
Gross carrying amount at 31.12.2019	178,394	13,707	493	1,893	194,487
Accumulated amortisation	(40,646)	(3,261)	(217)	(1,859)	(45,983)
Carrying amount at 01.01.2020	137,748	10,446	276	34	148,504
Gross carrying amount					
Change in consolidation scope	143	-	-	-	143
Business combinations	58,417				58,417
Increases		161			161
Decreases		(2)			(2)
Total change in gross carrying amount	58,560	159	-	-	58,719
Accumulated amortisation					
Change in consolidation scope	(745)	-	-	-	(745)
Business combinations					-
Amortisation	(5,314)	(273)	(10)	(75)	(5,672)
Elimination of acc. amortisation of transferred assets	-		-		-
Other reclassifications (to property, plant and equipment)	(33)	-	-	-	(33)
Total change in accumulated amortisation	(6,092)	(273)	(10)	(75)	(6,450)
Gross carrying amount at 30.06.2020	236,954	13,866	493	1,893	253,206
Accumulated amortisation	(46,738)	(3,534)	(227)	(1,934)	(52,433)
Carrying amount at 30.06.2020	190,216	10,332	266	(41)	200,773

Licences and concessions amount to €190,216 thousand (€137,748 thousand at 31 December 2019) and relate to permits and concessions to operate wind farms, obtained through the acquisition of equity investments in special purpose entities. The increase for the period is due to the change in the consolidation scope following the acquisition of an investment in FW Holding S.r.l..

Development costs amount to €10,332 thousand (€10,446 thousand at 31 December 2019) and mainly relate to costs incurred in connection with feasibility and design

studies, anemometric analyses and other costs relating to wind power projects under development and implementation. The group has capitalised these costs in accordance with IAS 38 and it will commence amortising them when the related plant enters production over the useful life of the relevant project.

Management did not identify any impairment indicators during preparation of the condensed interim consolidated financial statements and, therefore, it did not perform an impairment test.

6. BUSINESS COMBINATIONS

6.1 Acquisition of FW

On 27 February 2020, Alerion approved and completed the acquisition of 100% of FW Holding S.r.l. ("FW"), which owns two operating wind farms with total installed capacity of 90 MW in the municipalities of Ricigliano (SA) and Grottole (MT) (the "FW acquisition"). The transaction involved Alerion's acquisition of the 50% investments held by both Winco Energreen S.p.A. ("Winco") and Fri-El in FW.

Alerion paid roughly €70 million to acquire FW and around €19.8 million for Fri-El Nulvi Holding S.r.l.. It financed the acquisition by issuing 2019-2025 green bonds with a nominal amount of €200 million subscribed on 12 December 2019.

Alerion paid the consideration for the quotas and to settle the loans that the vendors had granted to the former investees in full to the vendors when the related contracts were signed, without adjusting the price for changes in the investees' net financial position or the occurrence of significant events that affected the acquirees' fair value at the signing date.

The business combination was recognised on a provisional basis as the estimates and measurement of the assets acquired and liabilities assumed had not been completed at the reporting date.

As required by IFRS 3, after identifying and measuring the net assets acquired, the business combination's value will be defined within 12 months and, therefore, before the publication of the interim financial report at 30 June 2021.

Entities participating in the business combination

The entities participating in the transaction are Alerion, as the acquirer, and FW, which owns two wind farms with total installed capacity of 90 MW located in the municipalities of Ricigliano (SA) and Grottole (MT), as the holding company of the acquired group. After the acquisition, the Alerion Group obtained control over FW, Fri-El Basento S.r.l., Fri-El Ricigliano S.r.l. and Fri-El Grottole S.r.l., acquiring the following percentages:

☐	Share capital (€/000)	Investment (%)	Indirect investor
FW Holding S.r.l.	100	100%	Alerion Cleanpower S.p.A.
FRI-EL Basento S.r.l.	10	100%	FW Holding S.r.l.
FRI-EL Grottole S.r.l.	50	100%	FRI-EL Basento S.r.l.
FRI-EL Ricigliano S.r.l.	10	100%	FW Holding S.r.l.

Consideration transferred in the business combination

The consideration transferred in the business combination totals €70,000 thousand and is detailed below:

Consideration transferred	
Equity investment acquired	(70,000)
Loans with the vendor	0
Consideration transferred	(70,000)
Consideration transferred	(70,000)
<i>Consideration paid on 27 November 2020</i>	<i>(70,000)</i>
<i>Cash and cash equivalents at the acquisition date</i>	<i>10,656</i>

Allocation of assets acquired and liabilities assumed identified in the business combination

The acquisition-date fair value of the above assets and liabilities is as follows:

	Net assets at the acquisition date	Allocated fair value at the acquisition date	Fair value of net assets acquired
Net assets at the date of acquisition of control			
Intangible assets - concessions	213	56,948	57,161
Property, plant and equipment	43,059	0	43,059
Trade receivables and other assets	9,530	0	9,530
Current financial assets	12,189	0	12,189
Deferred tax assets	1,677	0	1,677
Cash and cash equivalents	11,186	0	11,186
Deferred tax liabilities	(1,024)	(15,194)	(16,218)
Provision for risks	(668)	0	(668)
Quotaholder loans	0	0	0
Bank loans and borrowings	(26,142)	0	(26,142)
Trade payables	(950)	0	(950)
Other current and non-current financial liabilities	(20,824)	0	(20,824)
Non-controlling interests	-	-	-
Fair value of net assets acquired	28,246	41,754	70,000

The group also recognised deferred tax assets and liabilities in relation to each asset or liability provisionally recognised at fair value.

Since the acquisition of control over FW was completed around the start of 2020, the acquiree contributed to the group's consolidated profit or loss for the entire year.

As noted earlier, the fair value of the net assets acquired has been determined on a provisional basis. Therefore, it may change when determined on a definitive basis.

The acquiree's statement of profit or loss figures calculated as if the acquisition had taken place on 1 January 2020 are provided below:

(€'000)	2019
Revenue	8,798
Personnel expenses	0
Other operating costs	(2,143)
Operating costs	(2,143)
Gross operating profit	6,655
Amortisation, depreciation and impairment losses	(3,268)
Operating profit	3,387
Net financial expense	(283)
Profit before tax	3,104
Income taxes	(822)
Profit for the year	2,282
Profit attributable to the owners of the parent	2,282

6.2 Acquisition of Nulvi in a common control transaction

Again on 27 February 2020, Alerion also approved and completed the acquisition of 90% of Fri-El Nulvi Holding S.r.l. ("Nulvi"), which owns an operating wind farm with installed capacity of 29.75 MW located in the municipalities of Nulvi and Tergu (SS). Specifically, Alerion acquired 60% from Fri-El and 30% from BBL S.r.l..

Being a related party transaction, the acquisition required the approval of the parent's related party transaction committee, which approved it on the basis of a number of factors including its economic substance and a fairness opinion issued by an independent expert on 27 August 2020.

Entities participating in the common control transaction

The entities participating in the transaction are Alerion, as the acquirer, and Nulvi, which held 100% of Fri-El Anglona S.r.l..

☐	Quota capital (€'000)	Investment (%)	Indirect investor
Fri-El Nulvi Holding S.r.l.	100	90%	Alerion Clean Power S.p.A.
Fri-el Anglona S.r.l..	10	100%	Fri-El Nulvi Holding S.r.l.

Consideration transferred in the common control transaction

The consideration transferred totals €19,800 thousand and was paid in full to the vendors when the related contracts were signed. It may be broken down as follows:

Consideration transferred	
Equity investment acquired	(19,800)
Loans with the vendor	0
Consideration transferred	(19,800)
Consideration transferred	(19,800)
<i>Consideration paid on 27 February 2020</i>	<i>(19,800)</i>
<i>Cash and cash equivalents at the acquisition date</i>	<i>5,382</i>

The transaction is an acquisition under common control and was recognised using the carrying amounts recognised in the consolidated financial statements of the parent Fi-El Green Power S.p.A. at the acquisition date. The difference of €16,660 thousand between the consideration transferred and the net assets acquired was directly offset against equity.

Allocation of assets acquired and liabilities assumed

The acquisition-date fair value of the above assets and liabilities is as follows:

Net assets at the date of acquisition of control	Net assets at the acquisition date
Intangible assets - concessions	106
Property, plant and equipment	17,612
Trade receivables and other assets	2,482
Current financial assets	0
Deferred tax assets	197
Cash and cash equivalents	5,369
Deferred tax liabilities	(100)
Provision for risks	(409)
Quotaholder loans	0
Bank loans and borrowings	(4,645)
Trade payables	(3,952)
Other current and non-current financial liabilities	0
Fair value of net assets acquired	16,660
Non-controlling interests	(1,666)
Consideration transferred	(19,800)

As Alerion acquired control over Nulvi at the beginning of the year, the acquiree contributed to the group's consolidated profit or loss for the entire year.

The acquiree's statement of profit or loss figures included in these condensed interim consolidated financial statements starting from 1 January 2020 are as follows:

(€'000)	2,020
Revenue	3,705
Personnel expenses	0
Other operating costs	(755)
Operating costs	(755)
Gross operating profit	2,950
Amortisation, depreciation and impairment losses	(683)
Operating profit	2,267
Net financial expense	(256)
Profit before tax	2,011
Income taxes	(538)
Profit for the year	1,473
Profit attributable to the owners of the parent	1,473

7. PROPERTY, PLANT AND EQUIPMENT

The following table shows changes in property, plant and equipment:

(€'000)	Land	Buildings	Plant and equipment	Other assets	Assets under construction	Total
Carrying amount at 01.01.2019	13,651	1,070	177,257	207	98,611	290,796
Gross carrying amount						
Change in consolidation scope	1,323	-	148,062	-	-	149,385
Other reclassifications	-	-	98,570	-	(98,570)	-
Increases for IFRS 16	4,727	-	40,860	81	-	45,668
Increases	117	-	19,137	124	-	19,378
Decreases	-	-	(94)	(35)	-	(129)
Total change in gross carrying amount	6,167	-	306,535	170	(98,570)	214,302
Accumulated depreciation						
Change in consolidation scope	-	-	(71,322)	(62)	-	(71,384)
Depreciation	(1,001)	(122)	(17,218)	(147)	-	(18,488)
Elimination of acc. depreciation of transferred assets	-	-	99	-	-	99
Total change in accumulated depreciation	(1,001)	(122)	(88,441)	(209)	-	(89,773)
Gross carrying amount at 31.12.2019	19,818	1,075	650,876	1,210	41	673,020
Accumulated depreciation	(1,001)	(127)	(255,525)	(1,042)	-	(257,695)
Carrying amount at 01.01.2020	18,817	948	395,351	168	41	415,325
Gross carrying amount						
Change in consolidation scope	3,703	-	39,650	-	-	43,353
Business combinations	-	-	120,643	-	-	120,643
Increases for IFRS 16	-	-	-	-	-	-
Increases	-	-	23	63	82	168
Decreases	-	-	(1,179)	-	-	(1,179)
Total change in gross carrying amount	3,703	-	159,137	63	82	162,985
Accumulated depreciation						
Change in consolidation scope	(248)	-	(22,217)	-	-	(22,465)
Business combinations	-	-	(76,009)	-	-	(76,009)
Depreciation	(740)	(61)	(14,097)	(12)	-	(14,910)
Elimination of acc. depreciation of transferred assets	-	-	1,289	-	-	1,289
Total change in accumulated depreciation	(988)	(61)	(111,034)	(12)	-	(112,095)
Gross carrying amount at 30.06.2020	23,521	1,075	810,013	1,273	123	836,005
Accumulated depreciation	(1,989)	(188)	(366,559)	(1,054)	-	(369,790)
Carrying amount at 30.06.2020	21,532	887	443,454	219	123	466,215

Land amounts to €21,532 thousand and the increase is entirely due to the change in the consolidation scope.

Buildings amount to €887 thousand, in line with the balance at 31 December 2019.

Plant and equipment amount to €443,454 thousand (€395,351 thousand at 31 December 2019) and include the estimated costs to restore the sites. The increase for the period is mostly due to the change in the consolidation scope in accordance with IFRS 3 "Business combinations", which entailed the recognition of the net carrying amount of the wind farms of the three operating companies (Ricigliano - €43,912 thousand; Anglona - €39,645 thousand; and Grottole - €76,713 thousand).

Other assets amount to €219 thousand (€168 thousand at 31 December 2019) and mainly consist of office fixtures, fittings and electronic equipment.

Assets under construction amount to €123 thousand (€41 thousand at 31 December 2019).

8. EQUITY-ACCOUNTED INVESTMENTS IN JOINT VENTURES

At 30 June 2020, the parent's investments in joint ventures, held through Alerion Energie Rinnovabili, relate to Ecoenergia Campania S.r.l. and New Green Molise S.r.l..

Under the governance structure and contractual arrangements, the parent cannot exercise sole control over these investees, which it owns at 50%. Decisions about relevant activities require the unanimous consent of the investors.

Accordingly, these entities are considered and classified as joint ventures.

(€'000)	30.06.2020	31.12.2019	Change
Ecoenergia Campania S.r.l.	3,748	4,064	(316)
New Green Molise S.r.l.	13,499	14,383	(884)
Equity-accounted investments in joint ventures	17,247	18,447	(1,200)

Ecoenergia Campania S.r.l.

The current and non-current assets and liabilities, costs and revenue of the joint venture Ecoenergia Campania S.r.l., which owns a wind farm in Lacedonia in the province of Avellino, recognised using the equity method in these condensed interim consolidated financial statements, are summarised below:

Ecoenergia Campania S.r.l. (€'000)

	30.06.2020	31.12.2019
Non-current assets	9,057	9,604
Current assets	1,171	1,112
<i>including: cash and cash equivalents</i>	<i>450</i>	<i>462</i>
Total assets	10,228	10,716
Equity	7,495	8,128
Non-current liabilities	500	500
<i>including: financial liabilities</i>	<i>-</i>	<i>-</i>
Current liabilities	2,233	2,088
<i>including: financial liabilities</i>	<i>(66)</i>	<i>73</i>
Liabilities and equity	10,228	10,716

	First half 2020	First half 2019
Revenue	1,622	2,351
Costs	(1,174)	(1,374)
<i>including: impairment losses, amortisation and depreciation</i>	<i>(405)</i>	<i>(548)</i>
<i>including: interest expense</i>	<i>(129)</i>	<i>(98)</i>
<i>including: income taxes</i>	<i>(252)</i>	<i>(282)</i>
Profit for the period	448	977

Statement of comprehensive income

Effective portion of net fair value gains on cash flow hedges of joint ventures	-	62
<i>Related tax</i>	<i>-</i>	<i>(15)</i>
Post-tax other comprehensive income that can be reclassified subsequently to profit or loss	-	47

Dividends distributed	(1,080)	(1,218)
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	30.06.2020	31.12.2019
Net assets	7,495	8,128
Investment percentage	50%	50%
Carrying amount of the investment	3,748	4,064

New Green Molise S.r.l.

New Green Molise S.r.l. owns a wind farm in San Martino in Pensilis in the province of Campobasso, with installed capacity of 58 MW. Its current and non-current assets and liabilities, costs and revenue, recognised in these condensed interim consolidated financial statements using the equity method, are summarised below:

New Green Molise S.r.l. (€'000)

	30.06.2020	31.12.2019
Non-current assets	65,365	67,635
Current assets	16,744	19,425
<i>including: cash and cash equivalents</i>	<i>13,260</i>	<i>14,794</i>
Total assets	82,109	87,060
Equity	26,999	28,765
Non-current liabilities	42,270	45,547
<i>including: financial liabilities</i>	<i>41,226</i>	<i>44,255</i>
Current liabilities	12,840	12,748
<i>including: financial liabilities</i>	<i>8,853</i>	<i>8,771</i>
Liabilities and equity	82,109	87,060

	First half 2020	First half 2019
Revenue	7,293	9,648
Costs	(5,661)	(6,446)
<i>including: impairment losses, amortisation and depreciation</i>	<i>(2,034)</i>	<i>(2,557)</i>
<i>including: interest income</i>	<i>2</i>	<i>2</i>
<i>including: interest expense</i>	<i>(1,512)</i>	<i>(1,625)</i>
<i>including: income taxes</i>	<i>(970)</i>	<i>(1,126)</i>
Profit for the period	1,632	3,202
Statement of comprehensive income		

Effective portion of net fair value gains on cash flow hedges of joint ventures	522	126
<i>Related tax</i>	<i>(125)</i>	<i>(30)</i>
Post-tax other comprehensive income that can be reclassified subsequently to profit or loss	397	96
Dividends distributed	(3,796)	(3,210)
	30.06.2020	31.12.2019
Net assets	26,999	28,765
Investment percentage	50%	50.00%
Carrying amount of the investment	13,499	14,383

At the date of preparation of these condensed interim consolidated financial statements, the joint venture had complied with the financial covenants provided for by the project financing agreement.

9. EQUITY-ACCOUNTED INVESTMENTS IN ASSOCIATES

At 30 June 2020, the parent has investments in the following associates held through Alerion Energie Rinnovabili: Giava Uno S.r.l. in liquidation and S.C. Compagnia Eoliana S.A.. The latter, in turn, owns 99% of Jimbolia Wind Farm S.r.l..

Giava Uno S.r.l.

Giava Uno S.r.l. in liquidation, of which the parent holds 31%, was in charge of a project to construct and operate a biomass plant with a short supply chain of 5.5 MW in Fontanella, in the province of Bergamo. The parent had already fully impaired its

investment in the associate in 2014, as construction of the plant became infeasible and the SPE was consequently placed into liquidation. The liquidation process has not yet been completed.

Compania Eoliana S.A.

Compania Eoliana S.A., of which the parent holds 49.75%, was in charge of projects in Romania deemed no longer feasible. Accordingly, the parent fully impaired its investment in the associate, as well as the loan it granted thereto, in 2016.

10. LOANS AND OTHER NON-CURRENT FINANCIAL ASSETS

Loans and other non-current financial assets total €4,150 thousand (€4,079 thousand at 31 December 2019) and mainly comprise loans granted to joint ventures.

The group's exposure to credit risk is entirely related to its sales of electricity. Given the market's characteristics, its exposure is heavily concentrated with a few customers with a high credit rating and the group regularly checks compliance with payment terms. The trade receivables are usually secured by collateral and, should the customer become insolvent, the maximum risk is equal to the asset's carrying amount.

CURRENT ASSETS

11. TRADE RECEIVABLES

Trade receivables amount to €5,174 thousand (€4,815 thousand at 31 December 2019) and mainly relate to sales of the energy produced in June 2020.

Trade receivables are generally due within 30-45 days.

12. TAX ASSETS

Tax assets amount to €2,986 thousand (€2,352 thousand at 31 December 2019) and mainly relate to IRES (corporate income tax) claimed for reimbursement and paid on account (€1,813 thousand and €760 thousand, respectively) and IRAP (tax on production activities) claimed for reimbursement and paid on account (€173 thousand and €239 thousand, respectively).

13. OTHER CURRENT ASSETS

Other current assets are broken down in the following table:

(€'000)	30.06.2020	31.12.2019	Change
Tax assets	13,832	11,901	1,931
Other assets	17,856	16,676	1,180
Total other current assets	31,688	28,577	3,111

Tax assets mostly comprise the portion of withholdings and VAT deemed to be recoverable within one year.

Other assets amount to €17,856 thousand (€16,676 thousand at 31 December 2019), net of a loss allowance of €353 thousand, and mainly relate to amounts due under feed-in tariff schemes of €11,313 thousand (€13,185 thousand at 31 December 2019), prepayments of €3,075 thousand and sundry assets for dividends of the joint venture New Green Molise (€249 thousand).

Amounts due under feed-in tariff schemes are mostly due within 60 days.

14. LOANS AND OTHER CURRENT FINANCIAL ASSETS

Loans and other current financial assets amount to €1,547 thousand (€548 thousand at 31 December 2019). The caption includes term deposits of Alerion Spain SL and bonds of €509 thousand received as part of the consideration for the 2013 acquisition of photovoltaic companies (after collection of 50% of the consideration in June 2016).

15. CASH AND CASH EQUIVALENTS

(€'000)	30.06.2020	31.12.2019	Change
Demand deposits	149,612	238,329	(88,717)
Cash and cash equivalents on hand	20	19	1
Total cash and cash equivalents	149,632	238,348	(88,716)

Bank demand deposits amount to €149,632 thousand (€238,348 thousand at 31 December 2019).

At the reporting date, the bank deposits relating to group companies that are not parties to project financing agreements amount to €94,765 thousand (€180,928 thousand at 31 December 2019). Cash and cash equivalents of group companies funded through project financing amount to €54,847 thousand (€46,171 thousand at 31 December 2019) and mainly comprise bank current account balances, which are to be used in accordance with the related project financing agreements.

Reference should be made to the statement of cash flows for further details.

16. EQUITY

Equity attributable to the owners of the parent decreased by €10,130 thousand to €147,934 thousand from €158,064 thousand at 31 December 2019. The decrease includes:

- the profit attributable to the owners of the parent of €4,926 thousand;
- net actuarial losses on defined benefit plans (IAS 19) of €29 thousand, recognised in OCI net of tax;
- the repurchase of treasury shares of €96 thousand;
- net fair value losses of €429 thousand on derivatives hedging project financing, net of tax;
- the partial distribution of available reserves (€10,069 thousand);
- a reduction of €4,433 thousand in other changes due mostly to the acquisition of Nulvi.

At their meeting of 27 April 2020, the parent's shareholders approved the proposed distribution of a dividend from available reserves of €0.2 per outstanding ordinary share (net of treasury shares), net or gross of tax, depending on the applicable tax regime, with payment as of 24 June 2020 and detachment date of coupon 9 on 22 June 2020. The parent distributed the dividend in compliance with the terms established by the shareholders.

The changes in equity during the first half of 2020 are presented in the statement of changes in equity.

Equity captions are commented on below:

The parent's share capital of €140,000 thousand (unchanged from 31 December 2019) is made up of 51,209,773 ordinary shares. The treasury share reserve has a negative balance of €1,756 thousand (negative €1,660 thousand at 31 December 2019) and shows the price paid to repurchase 864,445 treasury shares. The increase in the reserve is due to the repurchase of treasury shares for €96 thousand during the six months.

The share premium amounts to €21,400 thousand, unchanged from 31 December 2019, and includes: i) the premium of €0.02 per share for the increase carried out in 2003; ii) the premium of €0.55 per share for the increase carried out in 2008, net of transaction costs; and iii) the difference between the repurchase price of treasury shares cancelled in 2012 and their nominal amount, in addition to the related commissions.

The income-related reserves amount to a negative €1,167 thousand (positive €8,438 thousand at 31 December 2019) and include retained earnings less dividends distributed.

The hedging reserve is negative by €10,543 thousand (negative by €10,114 thousand at 31 December 2019) and includes the post-tax net fair value losses on the effective portion of hedging derivatives. The net fair value losses of €429 thousand accumulated during the period include gains of €199 thousand relating to equity-accounted investments in joint ventures. Reference should be made to section 2.1. "FINANCIAL RISK MANAGEMENT" for the related changes.

Equity attributable to non-controlling interests amounts to €4,309 thousand (€2,752 thousand at 31 December 2019).

The disclosure required by IFRS 12 "Disclosure of interests in other entities" is set out below:

(€'000)	Operating office	Investment percentage		Profit (loss) attributable to non-controlling interests		Equity attributable to non-controlling interests	
		30.06.2020	31.12.2019	First half	First half	30.06.2020	31.12.2019
				2020	2019		
Alerion Bulgaria AD	Bulgaria	92.50%	92.50%	(1)	0	(6)	(7)
Parco Eolico Licodia Eubea	Italy	80.00%	80.00%	14	118	766	918
Energes Biccari	Italy	75.00%	75.00%	(1)	(1)	(32)	(31)
Wind Energy EOOD	Bulgaria	51.00%	51.00%	58	17	601	543
Wind Stream EOOD	Bulgaria	51.00%	51.00%	42	7	419	379
Wind Systems EOOD	Bulgaria	51.00%	51.00%	51	10	499	448
Wind Power 2 EOOD	Bulgaria	51.00%	51.00%	60	19	564	502
FRI-EL Anglona	Italy	90.00%	0.00%	147	0	24	0
Draghiescu Partners	Romania	90.00%	0.00%	(1)	0	(2)	0
FRI-EL Nulvi Holding	Italy	90.00%	0.00%	(1)	0	1,476	0
Total				368	170	4,309	2,752

NON-CURRENT LIABILITIES

17. NON-CURRENT FINANCIAL LIABILITIES

(€'000)	30.06.2020	31.12.2019	Change
Bonds issued	345,279	345,107	172
Bank loans and borrowings	174,175	175,174	(999)
Lease liabilities	45,893	46,440	(547)
Shareholder loans - non-controlling investors	12,070	12,035	35
Total non-current financial liabilities	577,417	578,756	(1,339)

Bonds issued at 30 June 2020 comprise i) the 2018-2024 bonds subscribed on 29 June 2018 for €150,000 thousand, net of transaction costs of €2,042 thousand, with annual accrued interest paid on 30 June 2020; and ii) the 2019-2025 bonds subscribed on 12 December 2019 for €200,000 thousand, net of transaction costs of €2,679 thousand.

Bank loans and borrowings amount to €174,175 thousand (€175,174 thousand at 31 December 2019) and include the non-current portions of i) the project financing taken out to construct the Villacidro, Albareto and Ponte Gandolfo wind farms by the subsidiaries Green Energy Sardegna S.r.l. (€25,254 thousand), Fri-el Albareto S.r.l. (€17,421 thousand) and Eolica PM S.r.l. (€42,764 thousand), respectively, net of transaction costs; ii) the project financing arising from the 2019 acquisitions of Comiolica S.L. (€17,288 thousand), Alerion Teruel (€1,672 thousand) and Fri-el Campidano S.r.l. (€19,716 thousand), net of transaction costs; iii) the bank loan taken out by Alerion Clean Power S.p.A. in May 2019 (€2,299 thousand); iv) the project financing relating to the Ordonà and Callari plants (€18,725 thousand and €13,469 thousand, respectively); and v) the project financing for the Krupen wind farms (€1,437 thousand; and vi) the project financing relating to the acquisitions performed in 2020, such as Grottole S.r.l. (€14,134 thousand).

A breakdown of current and non-current financial liabilities, the related interest rates and maturities is as follows:

(€'000)	31.12.2019	Increase	Decrease	30.06.2020	Interest rate	IRS	Maturity
Project financing - Callari	21,099	-	3,734	17,365	6M Euribor + 1.20%	4.85%	2023
Project financing - Ordonà	27,061	-	3,305	23,756	6M Euribor + 1.20%	4.84%	2025
2018-2024 bonds	150,600	-	2,619	147,981	3.75%	n.a.	2024
Project financing - Albareto	19,935	-	532	19,403	6M Euribor + 2.05%	0.91%	2035
Project financing - Alerion Teruel	4,116	-	1,229	2,887	6M Euribor + 2.75%	0.21%	2021
Bankinter loan	3,462	-	378	3,084	6M Euribor + 2.32%	n.a.	2024
2019-2025 green bonds	197,582	3,070	-	200,652	3.125%	n.a.	2025
Project financing - Campidano	30,833	-	3,595	27,238	6M Euribor + 1.75%	-0.17%	2023
Project financing - Comiolica	17,293	-	5	17,288	6M Euribor + 2.75%	0.43%	2026
Project financing - Eolica PM	52,136	-	4,946	47,190	6M Euribor + 2.05%	1.11%	2035
Project financing - Green Energy Sardegna	28,108	-	666	27,442	6M Euribor + 2.05%	1.23%	2035
Project financing - Renergy San Marco	-	-	-	-	6M Euribor + 4.00%	2.84%	2027
Project financing - W.Energy Eood	721	-	120	601	DEG Base + 4.75%	n.a.	2022
Project financing - W.Power Eood	721	-	120	601	DEG Base + 4.75%	n.a.	2022
Project financing - W.Stream Eood	721	-	120	601	DEG Base + 4.75%	n.a.	2022
Project financing - W.System Eood	721	-	120	601	DEG Base + 4.75%	n.a.	2022
Project financing - Grottole	-	21,373	-	21,373	6M Euribor + 1.10%	0.19%	2023
Lease liabilities	51,802	-	377	51,425	Incremental borrowing rate 3.71%	n.a.	
Bank loans and borrowings	15,539	-	2,142	13,397	1M Euribor + 1.0%	n.a.	on demand
Loan from non-controlling investors	12,182	-	74	12,108			
Other financial liabilities	-	-	-	-			
Total financial liabilities	634,632	24,443	(24,082)	634,993			
<i>including:</i>							
Current	55,875			57,576			
Non-current	578,757			577,417			

A breakdown of the above financing by individual project, residual liability, type, maturity, commitments, guarantees provided and significant covenants is set out below:

(€'000)				Associated financial liability				
Plant	Company	Installed capacity (consolidated) (MW)	Carrying amount of assets	Carrying amount of financial liabilities	Type	Maturity	Commitments and guarantees given to financial backers	Significant covenants
Callari (CT)	Callari S.r.l.	36.00	30,409	17,365	Proj. financing	2023	(*)	(**)
Ordonà (FG)	Ordonà S.r.l.	34.00	34,010	23,756	Proj. financing	2025	(*)	(**)
Castel di Lucio (ME)	Minerva S.r.l.	23.00	24,640	-	Quotaholder loan	2022	(Itg)	(Itg)
Licodia Eubea (CT)	Parco Eolico Licodia Eubea S.r.l.	22.10	26,518	-	Quotaholder loan	2022	(Itg)	(Itg)
San Marco in Lamis (FG)	Renergy San Marco S.r.l.	44.20	41,295	-	Quotaholder loan	2022	(Itg)	(Itg)
Agrigento (AG)	Wind Power Sud S.r.l.	33.20	38,769	-	Quotaholder loan	2022	(Itg)	(Itg)
Albanella (SA)	Eolo S.r.l.	8.50	4,412	-	Quotaholder loan	2022	(Itg)	(Itg)
Ciorlano (CE)	Dotto S.r.l.	20.00	13,145	-	Quotaholder loan	2022	(Itg)	(Itg)
Morcone and Pontelandolfo	Eolica PM S.r.l.	51.80	73,974	47,190	Proj. financing	2035	(*)	(**)
Villa Cidro (SU)	Green Energy Sardegna S.r.l.	30.80	41,502	27,442	Proj. financing	2035	(*)	(**)
Comiolicca (Spain)	Comiolicca S.L.	36.00	50,167	17,288	Proj. financing	2035	(*)	(**)
Albareto	Fri-El Albareto S.r.l.	19.80	28,557	19,403	Proj. financing	2035	(*)	(**)
Campidiano	Fri-El Campidiano S.r.l.	70.00	51,272	27,238	Proj. financing	2023	(*)	(**)
Regalbuto	Anemos Wind S.r.l.	50.00	39,924	32,521	Lease	2023	(*)	(**)
Grottole	Fri-el Grottole	54.00	35,697	21,373	Proj. financing	2023	(*)	(**)
Ricigliano	Fri-el Ricigliano	36.00	10,104	-	Proj. financing			
Nulvi-Tergu	Fri-el Anglona	29.75	17,785	-	Proj. financing			
Krupen (1) (Bulgaria)	W.Energy Eood	3.00	2,514	601	Proj. financing	n.a.	(*)	(**)
Krupen (2) (Bulgaria)	W.Power Eood	3.00	2,490	601	Proj. financing	n.a.	(*)	(**)
Krupen (3) (Bulgaria)	W.Stream Eood	3.00	2,514	601	Proj. financing	n.a.	(*)	(**)
Krupen (4) (Bulgaria)	W.System Eood	3.00	2,514	601	Proj. financing	n.a.	(*)	(**)
		611.2	572,212	235,980				

(*) Main commitments and guarantees given: pledge on the shares/quotas, pledge on bank current accounts, mortgage and lien

(**) Debt service cover ratio and debt to equity ratio

(Itg) The parent purchased the SPE's project financing at the bonds' issue date.

The project financing agreements provide for the compliance with covenants typical of financial markets, in line with the market practice for similar agreements. Collateral given mainly relates to: i) liens on movable property; ii) first-degree mortgages on buildings; iii) pledges on loans, receivables and current accounts; and iv) pledges on the entire share capital.

The reporting-date current assets of the group companies participating in project financing schemes are set out below:

(€'000)	30.06.2020	Amounts relating to group companies that are parties to project financing
Trade receivables	5,174	2,934
Tax assets	2,986	17
Other current assets	31,688	15,143
<i>including: feed-in tariff</i>	<i>11,313</i>	<i>7,544</i>
Loans and other current financial assets	1,547	2
Cash and cash equivalents	149,632	43,227
CURRENT ASSETS	191,027	61,323

Under the financing agreements, borrowers are required to comply with the following **affirmative** and **negative covenants**:

- the **affirmative covenants** include opening the project and VAT accounts, having own funds, signing an agreement with the national grid operator, signing insurance policies, appointing a project manager, safeguarding the plant, reporting any nullifying, terminating or withdrawing event, complying with the feed-in tariff decree in full, complying with the minimum level and granting the right of refusal to the lending bank in the event of refinancing;
- the **negative covenants** comprise a ban on repaying shareholder loans (subject to the prior approval of the lending bank, should this prevent the entity from maintaining a debt to equity ratio at least equal to the contractually-defined ratio), discontinuing or changing the nature of business activities, pledging any of the project's assets and earmarking assets for a specific purpose.

The following table shows the **financial ratios** provided for in the project financing agreements, with which compliance was already required at the reporting date. They principally relate to the debt service cover minimum amount, which cannot fall below the sum of the principal repayments, fees and interest expense accruing between the various half-yearly calculation dates:

	DSCR (debt service cover ratio)
- Project financing - Grottole	1.05
- Project financing - Ortona	1.05
- Project financing - New Green Molise	1.10
- Project financing - Green Energy Sardegna	1.05
- Project financing - Eolica PM (*)	1.05
- Project financing - Fri-el Albareto	1.05
- Project financing - Alerion Teruel	1.05
- Project financing - Comiolica	1.05
- Project financing - Campidano	1.05
- Project financing - Krupen	1.10

(*) DSCR calculation date as of 30 June 2020

The above covenants had been complied with at 30 June 2020, the most recent calculation date. Specifically, the historical DSCR related to the Krupen financing had not been complied with based on financial statements figures at 31 December 2019, the related financial liability was reclassified as current in its entirety and the group obtained the waiver on 16 March 2020. Moreover, Ecoenergia Campania repaid its financing prior to its due date of 15 October 2020.

With reference to the **2018-2024 bonds**, if, on each calculation date, the ratio of the financial debt for reporting purposes net of derivatives to equity net of derivatives is higher than 2.5, the parent undertakes not to take on additional financial debt for reporting purposes net of derivatives, unless this ratio is equal to or less than 2.5 at the next calculation date. The calculation date is 31 December of each year until the bonds mature, starting from 31 December 2018. The financial debt for reporting

purposes net of derivatives and equity net of derivatives shall be defined and calculated using the IFRS applicable at the date of the bond issue and already applied to prepare the 2018 annual financial report, which do not include IFRS 16 "Leases".

With reference to the **2019-2025 bonds**, if, on each calculation date, the ratio of the financial debt for reporting purposes net of derivatives to equity net of derivatives is higher than 2.5, the parent undertakes not to take on additional financial debt for reporting purposes net of derivatives, unless this ratio is equal to or less than 2.5 at the next calculation date. The calculation date is 31 December of each year until the bonds mature, starting from 31 December 2019. The financial debt for reporting purposes net of derivatives and equity net of derivatives shall be defined and calculated using the IFRS applicable at the date of the bond issue and already applied to prepare the 2019 annual financial report.

Lease liabilities show the present value of the lease payments due after one year, recognised using the treatment required by IFRS 16. They include finance lease liabilities of €28,029 thousand related to the Regalbuto plant. **Shareholder loans - non-controlling investors** are those granted in connection with wind farm development projects.

18. DERIVATIVES

The group's derivatives amount to €12,339 thousand (€11,422 thousand at 31 December 2019). Their current portion of €3,137 thousand shows the cash flows due within one year and their non-current portion of €9,202 thousand shows future cash flows until the repayment of the project financing.

At 30 June 2020, the group's financing whose cash flows have been hedged is as follows:

Counterparty (group company) (€'000)	Hedged project financing	IRS notional amount	IRS fair value at 30 June 2020	Through OCI	Through equity	Through profit or loss	IRS fair value at 31 December 2019
GE Capital (Ordonia)	23,668	23,457	(3,109)	632		35	(3,776)
Monte dei Paschi di Siena (Callari)	17,363	18,142	(1,851)	426		4	(2,281)
Banco BPM (Campidano)	27,238	11,093	(44)	(25)		-	(19)
Banco BPM (Campidano # 2)		8,320	(35)	(35)		-	-
Unicredit (Green Energy Sardegna)	27,442	20,616	(2,243)	(507)		-	(1,736)
Unicredit (Eolica)	47,190	34,909	(3,462)	(886)		-	(2,576)
Sabadel (Alerion Teruel)	2,887	2,234	(4)	3		-	(7)
Sabadel (Comiolica)	17,251	13,419	(200)	(37)		-	(163)
Unicredit (Grottole)	21,373	16,193	(159)	(31)	(128)	-	-
Unicredit (Fri-el Albareto)	19,403	14,164	(1,232)	(368)		-	(864)
Derivatives relating to investments in consolidated companies	203,815	162,546	(12,339)	(828)	(128)	39	(11,422)
<i>Related tax</i>			2,967	200	31	(9)	2,745
Derivatives relating to investments in consolidated companies, net of related tax			(9,372)	(628)	(97)	30	(8,677)
BBVA (Ecoenergia Campania)*	-	-	-	-	-	-	-
B.I.I.S. (New Green Molise)*	21,457	16,762	(1,774)	261	-	-	(2,035)
Derivatives relating to investments in joint ventures	21,457	16,762	(1,774)	261	-	-	(2,035)
<i>Related tax</i>			424	(62)	-	-	486
Derivatives relating to investments in joint ventures net of related tax			(1,350)	199	-	-	(1,549)

(*) investments in joint ventures measured in accordance with IFRS 11

The group enters into interest rate swaps to manage the risk arising from changes in interest rates on its project financing agreed with several bank syndicates and, at the latter's request (a condition precedent of the project financing agreements), to convert the related interest rates from variable to fixed. At the reporting date, the group has agreed derivatives with a notional amount of approximately €162,546 thousand, setting interest at an average IRS rate of approximately 4% over an average period of 15 years. The net fair value loss on the derivatives recognised during the period is primarily due to the effect of new hedges associated with project financing agreed during the past 12 months for the construction of wind farms, but it is also due to the ongoing situation on the financial markets, which continue to adversely affect the fair value of derivatives, impacted by the negative difference between the IRS rate curve and the forward rate curve.

However, the group recognised a fair value gain of €199 thousand, net of tax, in OCI on the derivatives entered into by joint ventures. The derivative liabilities of the two joint ventures totalled €1,774 thousand at the reporting date, compared to €2,035 thousand at 31 December 2019.

The consolidated companies' interest rate swaps' fair value amounts to €12,339 thousand (€11,422 thousand at 31 December 2019). The group measured their fair value using the discounted cash flow model. These derivatives are designed as cash flow hedges and their hedging relationship is effective. Therefore, their net fair value

loss has been accumulated in equity. Any ineffective portion has been recognised in profit or loss.

19. POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS

These amount to €532 thousand (€690 thousand at 31 December 2019) and are measured using actuarial techniques as the group's actual liability to all employees in accordance with IAS 19.

The underlying actuarial assumptions are as follows:

<i>Actuarial and economic assumptions</i>	
<i>Calculation date</i>	30/06/2020
<i>Mortality rate</i>	IPS55 tables
<i>Disability rate</i>	INPS-2000 tables
<i>Turnover rate</i>	2.00%
<i>Discount rate*</i>	0.74%
<i>Salary increase rate</i>	1.00%
<i>Advance payment rate</i>	1.00%
<i>Inflation rate</i>	0.80%

The group has 31 employees at the reporting date, broken down as follows:

	31.12.2019	Increases	Decreases	30.06.2020	Average
Managers	2	0	0	2	2.0
Junior managers and white collars	27	5	(3)	29	33.0
Total employees	29	5	(3)	31	35.0

The employees' average age and education are as follows:

	Average age		University graduates	
	31.12.2019	30.06.2020	31.12.2019	30.06.2020
Managers	53	53	2	2
Junior managers and white collars	43	43	11	13
Average	48.0	42.0	13	15

20. PROVISIONS FOR FUTURE RISKS AND CHARGES

(€'000)	30.06.2020	31.12.2019	Change
Provision for taxes and tax disputes	5,579	3,972	1,607
Provision for legal disputes	139	160	(21)
Provisions for other risks	15,142	12,399	2,743
Total provisions for future risks and charges	20,860	16,531	4,329

Changes in the **provisions for future risks and charges** are set out below:

(€'000)	Provision for tax and tax disputes	Provision for legal disputes	Provision for other risks	Total
31 December 2019	3,972	160	12,399	16,531
Change in consolidation scope	153	-	823	976
Business combinations	650		1,755	2,405
Accruals	820	-	258	1,078
Utilisations/releases	(16)	(21)	(93)	(130)
30 June 2020	5,579	139	15,142	20,860

The **provision for taxes and tax disputes** covers the increase in the local property tax (ICI/IMU) as recalculated by the local tax authorities mainly on the basis of their redetermination of property income.

The **provision for legal disputes** covers the legal costs of pending disputes, based on risk estimates updated at the reporting date.

The **provision for other risks** mainly covers:

- plant decommissioning costs of €12,806 thousand (€10,189 thousand at 31 December 2019). The increase relates to the change in consolidation scope (€2,578 thousand) after acquisition of 100% of FW, which owns two operating wind farms with installed capacity of 90 MW located in the municipalities of Ricigliano (SA) and Grottole (MT), and of 90% of Nulvi, owner of an operating wind farm with installed capacity of 29.75 MW located in the municipalities of Nulvi and Tergu (SS). In accordance with IAS 16 and IAS 37, the provision for the restoration of the site where the wind farms operate has been adjusted against property, plant and equipment;
- a provision of €1,018 thousand recognised for Comiolica SL with the business combination, as agreed, for the sale of electricity in line with the Spanish wind sector's incentive regulations;
- a probable price adjustment on the sale of three photovoltaic companies for the enforcement of certain guarantees provided for in the sale agreement (€509 thousand);

- other sundry provisions for probable future risks of €809 thousand.

21. OTHER NON-CURRENT LIABILITIES

These amount to €13,868 thousand (€8,549 thousand at 31 December 2019) and include the deferred grants received under Law no. 488/92 and the regional operational programme for the construction of the Albanella, Agrigento and Campidano wind farms, respectively.

The increase in the caption is due to the change in the consolidation scope following the acquisitions of Fri-El Ricigliano S.r.l., Fri-El Basento S.r.l., Fri-El Grottole S.r.l. and Fri-El Anglona S.r.l. and the resulting consolidation of their deferred grants under Law no. 488/92.

(€'000)	30.06.2020	31.12.2019	Change
Sundry liabilities	13,868	8,549	5,319
Total other non-current liabilities	13,868	8,549	5,319

CURRENT LIABILITIES

22. CURRENT FINANCIAL LIABILITIES

(€'000)	30.06.2020	31.12.2019	Change
Loans and borrowings and bank facilities	48,690	47,439	1,251
Accrued interest on bonds	3,354	3,074	280
Lease liabilities	5,532	5,362	170
Shareholder loans - non-controlling investors	-	-	-
Total current financial liabilities	57,576	55,875	1,701

Loans and borrowings and bank facilities amount to €48,690 thousand and mostly relate to the current portion of project financing associated with the plants owned by: i) Eolica PM (€4,426 thousand); ii) Fri-El Campidano (€7,522 thousand); iii) Ordona (€5,031 thousand), iv) Callari (€3,896 thousand); v) Krupen (€966 thousand for the entire project financing); vi) Green Energy Sardegna (€2,188 thousand); vii) Fri-El Albareto (€1,982 thousand); viii) Alerion Teruel and Alerion Spain (€1,257 thousand); and ix) Grottole (€7,239 thousand). The caption also includes the current portion of the parent's corporate loans with Bankinter (€785 thousand) and its drawn-down credit lines (€13,396 thousand).

Accrued interest on bonds amounts to €3,354 thousand and shows the unpaid interest on the 2018-2024 and 2019-2025 bonds not yet due.

Lease liabilities of €5,532 thousand show the present value of the lease payments due within one year, recognised using the treatment required by IFRS 16. Finance lease liabilities of €4,470 thousand relate to the Regalbuto plant.

23. CURRENT TRADE PAYABLES

Trade payables amount to €11,104 thousand (€9,819 thousand at 31 December 2019) and are due to suppliers. They do not bear interest and are usually settled within 60 days. The increase is due to smaller amounts due to third party suppliers.

24. TAX LIABILITIES

Tax liabilities amount to €2,336 thousand (€3,971 thousand at 31 December 2019) and mainly relate to corporate income taxes.

(€'000)	30.06.2020	31.12.2019	Change
IRAP	590	219	371
IRES	1,746	3,752	(2,006)
Total tax liabilities	2,336	3,971	(1,635)

25. OTHER CURRENT LIABILITIES

(€'000)	30.06.2020	31.12.2019	Change
Employees and directors	305	333	(28)
Taxes	1,004	388	616
Social security charges payable	176	191	(15)
Sundry liabilities	6,573	4,043	2,530
Total other current liabilities	8,058	4,955	3,103

Sundry liabilities mainly relate to:

- agreements with municipal authorities (€2,307 thousand);
- the deferred grants related to assets recognised by the subsidiaries Eolo S.r.l. and WPS received as per Law no. 488/92 "Government assistance for production activities" pertaining to subsequent years.

Sundry liabilities do not bear interest and are usually settled every 12 months.

Reference should be made to the note to "Related party and intragroup transactions" for information on the relevant terms and conditions.

26. FINANCIAL DEBT FOR REPORTING PURPOSES OF CONTINUING OPERATIONS

(€'000)		30.06.2020	31.12.2019
Cash and cash equivalents			
Cash		149,632	238,348
Total cash and cash equivalents	15	149,632	238,348
Loans and other current financial assets			
- Other loans and borrowings		-	-
Loans and borrowings	22	(48,690)	(47,439)
Accrued interest on bonds	22	(3,354)	(3,074)
Lease liabilities	22	(5,532)	(5,362)
Derivatives	18	(3,137)	(3,309)
Total current financial liabilities		(60,713)	(59,184)
CURRENT FINANCIAL POSITION		90,466	179,712
Other loans and borrowings			
Other loans and borrowings	17	(12,070)	(12,035)
Bank loans and borrowings	17	(174,175)	(175,174)
Bonds issued	17	(345,279)	(345,107)
Lease liabilities	17	(45,893)	(46,440)
Derivatives	18	(9,202)	(8,113)
NON-CURRENT FINANCIAL DEBT		(586,619)	(586,869)
NET FINANCIAL DEBT*		(496,153)	(407,157)
NET FINANCIAL DEBT (excluding derivatives)		(483,814)	(395,735)
Loans and other non-current financial assets	10	4,150	4,079
FINANCIAL DEBT FOR REPORTING PURPOSES		(492,003)	(403,078)

* Consob communication no. DEM/6064293/2006

Reference should be made to the relevant notes for comments on the individual captions.

STATEMENT OF PROFIT OR LOSS

27. REVENUE

Revenue for the first half of 2020 amounts to €52,717 thousand (€30,135 thousand in the first half of 2019) and mostly refers to:

- electricity sales: €17,249 thousand (€13,610 thousand in the first half of 2019);
- feed-in tariff: €35,468 thousand (€16,525 thousand in the first half of 2019).

In the first half of 2020, the average selling price of electricity from wind plants under the feed-in tariff (FIP, formerly "green certificates") schemes is €129.5/MWh, compared to €143.6/MWh in the first six months of 2019. Specifically:

- the average selling price of electricity price is €30.4/MWh compared to €51.5/MWh in the corresponding period of 2019;
- the average feed-in tariff for the period is €99.1/MWh (€92.1/MWh in the corresponding period of 2019);
- the Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit from a minimum guaranteed auction price (pursuant to the Ministerial decree of 23 June 2016) of €66/MWh;
- the average selling price for the period of the Krupen plant in Bulgaria was approximately €90.8/MWh. In particular, in Bulgaria, the feed-in premium scheme changed from a fixed price to a variable price scheme in June 2019. Electricity generated is sold on the open market via traders at the best trading price and the regulator subsequently pays an additional premium (calculated at 30 June of each year) for each MWh generated.

28. OTHER REVENUE AND INCOME

Other revenue and income for the first half of 2020 amount to €2,445 thousand (€775 thousand in the corresponding period of 2019) and mainly relate to:

- transfer of guarantees of origin (GOs) to third parties (€289 thousand);
- administrative and technical consultancy services to joint ventures and associates (€188 thousand);
- insurance compensation for non-production (€289 thousand);
- grants received under Law no. 488/92 and the regional operational programme for the construction of the Albanella and Agrigento wind farms (€210 thousand).

29. OPERATING COSTS

(€'000)	First half 2020	First half 2019	Change
Operating costs			
Personnel expenses	1,110	1,118	(8)
BoD and corporate costs	499	556	(57)
Consultancies	1,952	958	994
Insurance	1,262	493	769
Maintenance	7,352	2,891	4,461
Royalties and leases	852	425	427
IMU	503	267	236
Other production and unbalancing costs	263	238	25
Other costs	1,996	810	1,186
Intragroup costs	-	-	-
Income taxes	-	-	-
Other intragroup costs and leases	-	-	-
Other operating costs (net of accrual for IMU)	14,679	6,638	8,041
Accrual for IMU	-	-	-
Other operating costs	14,679	6,638	8,041
Accruals to provisions for risks for the availability bonus	30	39	(9)
Accruals to provisions for risks	44	-	44
Accruals to provisions for risks	74	39	35
Total operating costs	15,863	7,795	8,068

Personnel expenses are broken down below:

(€'000)	First half 2020	First half 2019	Change
Wages and salaries	809	745	64
Social security contributions	266	249	17
Post-employment benefits	(8)	54	(62)
Other personnel expenses	43	70	(27)
Total personnel expenses	1,110	1,118	(8)

The increase in operating costs is due to the new acquisitions completed in the second half of 2019 and the first half of 2020, which also made it necessary to commence maintenance and asset management services for the newly-acquired plants.

BoD and corporate costs decreased to €499 thousand from €556 thousand in the first half of 2019.

Consultancies increased by approximately €958 thousand to €1,952 thousand. This increase is mostly due to the change in the consolidation scope and includes the related transaction costs.

Maintenance costs of €7,352 thousand (€4,461 thousand in the first half of 2019) mostly refer to the operating plants. The increase is principally due to the Comiolica, Campidano and Regalbuto wind farms after their acquisition in the second half of 2019 and the Grottole, Anglona and Ricigliano wind farms acquired in the first quarter of 2020.

Accruals to provisions for risks amount to €74 thousand compared to €39 thousand for the first half of 2019.

30. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES/REVERSALS OF IMPAIRMENT LOSSES

The following table provides a breakdown of this caption:

(€'000)	First half 2020	First half 2019	Change
Amortisation	5,672	1,997	3,675
Depreciation	14,903	9,586	5,317
Impairment losses/reversals of impairment losses	-	-	-
Total amortisation, depreciation and impairment losses/reversals of impairment losses	20,575	11,583	8,992

The increase on the corresponding period of 2019 is mostly due to the fact that the Comiolica, Campidano and Regalbuto wind farms acquired in the second half of 2019 became operational as did the Grottole, Anglona and Ricigliano wind farms acquired in the first quarter of 2020.

Depreciation of right-of-use assets recognised in accordance with IFRS 16 amounts to €1,921 thousand for the period.

31. FINANCIAL INCOME (EXPENSE)

This caption is broken down in the following table:

(€'000)	First half 2020	First half 2019	Change
Financial income:			
- bank interest	23	-	23
- fair value gains on derivatives	32	116	(84)
- financial income from third parties	46	9	37
Total financial income	101	125	(24)
Financial expense:			
- interest on bonds	(6,421)	(2,989)	(3,432)
- short-term bank interest and charges	(5,249)	(2,420)	(2,829)
- fair value losses on derivatives	-	-	-
- other financial expense	(6)	(21)	15
Total financial expense:	(11,676)	(5,430)	(6,246)
Net financial expense	(11,575)	(5,305)	(6,270)

Financial income

“**Fair value gains on derivatives**” show the fair value gains on derivatives that do not qualify for hedge accounting at the reporting date. This risk is managed in order to limit variations in borrowing costs that affect profit or loss, by containing the risk of a potential increase in interest rates. To this end, the group enters into interest rate swaps with third parties, intended to establish or limit changes in cash flows due to market variations in the interest rates applied to the group’s non-current loans and borrowings. At each reporting date, the group assesses the effectiveness of its hedges.

Financial expense

Financial expense amounts to €11,676 thousand (€5,430 thousand in the first half of 2019) and includes **short-term bank interest and charges** of €5,249 thousand, which mainly consist of interest accrued on the use of project financing, and **interest on bonds** of €6,421 thousand. The increase in the latter item is due to the greater interest expense accrued on the new 2019-2025 green bonds subscribed on 12 December 2019. The **other financial expense** comprises lease interest expense of €6 thousand recognised in accordance with IFRS 16.

32. NET LOSSES ON EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

Net losses on equity investments of €187 thousand mostly relate to the loans agreed with the non-controlling investors of companies that the group does not have full control over.

33. INCOME TAXES

Income taxes are broken down in the following table:

(€'000)	First half 2020	First half 2019	Change
Current taxes	(2,313)	(2,275)	(38)
Change in deferred tax assets due to the occurrence and reversal of temporary differences	(969)	(110)	(859)
Change in deferred tax liabilities due to the occurrence and reversal of temporary differences	573	337	236
Income taxes	(2,709)	(2,048)	(661)

Deferred taxes

A breakdown of deferred taxes is set out below:

€'000	Statement of financial position			Profit or loss	Change in consolidation scope	OCI and other changes	Profit or loss
	30/06/2020	31/12/2019	Change				
Deferred tax liabilities							
Discounting of post-employment benefits	12	15	(3)	0	0	(3)	0
Non-taxable dividends and amortisation and depreciation	(1,106)	(2,003)	897	(71)	968	0	0
Initial application of IFRS 16 to finance leases	(1,270)	(1,081)	(189)	(189)	0	0	0
Intragroup eliminations	(175)	(126)	(49)	(49)	0	0	(38)
Business combination (IFRS 3)	(41,075)	(24,750)	(16,325)	877	(17,201)	0	346
Derivatives	1,233	1,495	(262)	(9)	0	(253)	(12)
Adjustments for compliance with group accounting policies	(3,042)	(3,056)	15	15	0	0	41
Total (A)	(45,422)	(29,506)	(15,916)	573	(16,233)	(256)	337
Deferred tax assets							
Accruals to provisions for risks, impairment losses on goodwill, amortisation and depreciation	4,327	2,944	1,383	(380)	1,763	0	(3)
Derivatives	1,791	1,322	469	16	0	453	(16)
Consolidation adjustments to comply with the group's accounting policies	1,447	1,396	51	30	0	21	(10)
Non-deductible portion of net interest expense	12,423	12,774	(351)	(735)	384	0	(181)
Initial application of IFRS 16 to operating leases	138	69	69	69	0	0	0
Intragroup eliminations	1,343	1,312	31	31	0	0	100
Unused tax losses offsettable against future taxable profits	57	57	0	0	0	0	0
Reversal of capitalised start up and capital costs	11	11	0	0	0	0	0
Total (B)	21,537	19,885	1,652	(969)	2,147	474	(110)
Net deferred tax assets	(23,885)	(9,621)	(14,264)	(396)	(14,086)	218	227
Current taxes				(2,313)			(4,121)
Total income taxes				(2,709)			(3,894)

Deferred tax assets and liabilities

The increase in net deferred tax assets of €14,264 thousand has been recognised in equity (€218 thousand) as a change in the consolidation scope due to the above-mentioned acquisitions of FW and Nulvi (€14,086 thousand) and in profit or loss (€396 thousand).

Deferred tax liabilities principally relate to intangible assets acquired as part of business combinations and derivatives.

Deferred tax assets mainly relate to:

- temporary differences arising from the recognition of provisions for risks (Alerion Clean Power S.p.A. and Alerion Real Estate S.r.l. in liquidation);
- the non-deductible portion of net interest expense which the group is reasonably certain will be recovered in future years under article 96 of the Italian consolidated income tax act;

- temporary differences arising from intragroup eliminations and mainly relating to borrowing costs on intragroup loans that the subsidiaries have capitalised in their financial statements.

Current taxes

The reconciliation between the theoretical and effective tax expense is presented below:

(€'000)	IRES		IRAP		TOTAL	
	Tax	%	Tax	%	Tax	%
First half 2020						
Profit before tax	8,003		12,765			
Theoretical tax	(1,921)	24.0%	(771)	3.9%	2,692	27.9%
Non-deductible permanent differences	51	(0.6%)	(192)	1.0%	(141)	0.3%
Other temporary differences	467	(6.2%)		0.0%	497	(6.2%)
Use of carryforward tax losses	34	(0.4%)			34	(0.4%)
Change in tax rate			(11)	0.1%	(11)	0.1%
Effective current tax	(1,339)	16.7%	974	4.9%	(213)	21.7%

First half 2019	IRES		IRAP		TOTAL	
	Tax	%	Tax	%	Tax	%
Profit before tax	8,334		13,621			
Theoretical tax	(2,000)	24.0%	(531)	3.9%	(2,531)	27.9%
Non-deductible permanent differences	(308)	3.7%	(38)	0.3%	(346)	4.0%
Other temporary differences	581	(7.0%)			581	(7.0%)
ACE benefit	49	(0.6%)			49	(0.6%)
Change in tax rate			(28)	0.2%	(28)	0.2%
Effective current tax	(1,678)	20.1%	(597)	4.4%	(2,275)	24.5%

34. 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 shares outstanding during the period, net of the treasury shares repurchased by the parent during the period.

The information used to calculate basic and diluted earnings per share is as follows:

Results		
(€'000)	First half 2020	First half 2019
Profit from continuing activities attributable to the holders of ordinary shares	5,294	6,286
Profit attributable to non-controlling interests	368	170
Profit attributable to the owners of the parent	4,926	6,116

Number of outstanding shares		
	First half 2020	First half 2019
Number of outstanding shares	51,209,773	43,579,004
Treasury shares at the reporting date	844,445	813,685
Newly-issued shares reserved for capital increase	0	7,630,769
Weighted average of outstanding shares	50,365,328	47,576,923
Warrants servicing incentive plans	0	0
Total shares	50,365,328	47,576,923

Earnings per share		
(€)	First half 2020	First half 2019
Earnings per share	0.10	0.13

35. SEGMENT REPORTING

IFRS 8 requires the identification of reportable operating segments, on the basis of information regularly used by managers to allocate resources to and assess the performance of the operating segments. The group's activities are concentrated in the wind power segment.

Including on the basis of management reporting, the information on the identified business segments, **operating** and **holding**, is presented below.

Like in previous years, a breakdown by geographical segment is not provided as all the operating wind farms are located in Italy except for the Krupen plant (in Bulgaria), deemed immaterial.

Statement of financial position

(€'000)	Operating business segment		Holding business segment		Consolidated figures	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
NON-CURRENT ASSETS						
Intangible assets	200,773	148,504	0	0	200,773	148,504
Property, plant and equipment	464,859	413,937	1,356	1,388	466,215	415,325
Loans, equity investments and other non-current financial assets	21,397	18,750	0	3,776	21,397	22,526
Other non-current assets	21,245	19,047	1,098	848	22,343	19,895
TOTAL NON-CURRENT ASSETS	708,274	600,238	2,454	6,012	710,728	0 606,250
CURRENT ASSETS						
Loans, equity investments and other current financial assets	2	16	1,545	532	1,547	548
Other current assets	37,464	33,833	2,384	1,911	39,848	35,744
Cash and cash equivalents	59,919	60,051	89,713	178,297	149,632	238,348
TOTAL CURRENT ASSETS	97,385	93,900	93,642	180,740	191,027	274,640
TOTAL ASSETS	805,659	694,138	96,096	186,752	901,755	880,890
EQUITY	104,135	114,924	48,108	45,892	152,243	160,817
NON-CURRENT LIABILITIES						
Financial liabilities	226,722	225,530	359,897	361,339	586,619	586,869
Other non-current liabilities	79,025	53,559	1,657	1,717	80,682	55,276
TOTAL NON-CURRENT LIABILITIES	305,747	279,089	361,554	363,056	667,301	642,145
CURRENT LIABILITIES						
Financial liabilities	41,804	38,168	18,910	21,017	60,713	59,184
Other current liabilities	18,539	14,946	2,959	3,798	21,498	18,744
TOTAL CURRENT LIABILITIES	60,343	53,114	21,869	24,815	82,211	77,928
Intra-segment financing	335,434	247,011	(335,434)	(247,011)	0	0
TOTAL LIABILITIES	701,524	579,214	47,989	140,860	749,512	720,073
TOTAL EQUITY AND LIABILITIES	805,659	694,138	96,096	186,752	901,755	880,890

Statement of profit or loss

	Operating business segment		Holding business segment		Consolidated figures	
	First half 2020	First half 2019	First half 2020	First half 2019	First half 2020	First half 2019
(€'000)						
Revenue	52,717	30,135	0	0	52,717	30,135
Other revenue and income	2,154	382	292	393	2,446	775
TOTAL REVENUE AND INCOME	54,871	30,517	292	393	55,163	30,910
Operating costs	12,877	6,942	2,986	2,974	15,863	7,795
Share of profit of equity-accounted joint ventures	1,040	2,089	0	0	1,040	2,089
Amortisation, depreciation and impairment losses/reversals of impairment losses	20,233	11,470	342	113	20,575	11,583
OPERATING PROFIT (LOSS)	22,801	14,195	(3,036)	(2,694)	19,765	13,621
Financial income (expense) and gains (losses) c	(4,782)	(6,299)	(6,980)	1,012	(11,762)	(5,287)
PROFIT (LOSS) BEFORE TAX	18,019	7,896	(10,016)	(1,682)	8,003	8,334
Income taxes					(2,709)	(2,048)
PROFIT FROM CONTINUING OPERATIONS					5,294	6,286
PROFIT FOR THE PERIOD					5,294	6,286
Profit attributable to non-controlling interests					368	170
PROFIT ATTRIBUTABLE TO THE GROUP					4,926	6,116

Operating business segment:

Revenue for the first half of 2020 amounts to €52,717 thousand (€30,135 thousand in the first half of 2019) and mostly refers to:

- electricity sales: €17,249 thousand (€13,610 thousand in the first half of 2019);
- feed-in tariff: €35,468 thousand (€16,525 thousand in the first half of 2019).

In the first half of 2020, the average selling price of electricity from wind plants under the feed-in tariff (FIP, formerly "green certificates") schemes is €129.5/MWh, compared to €143.6/MWh in the first six months of 2019. Specifically:

- the average selling price of electricity is €30.4/MWh compared to €51.5/MWh in the corresponding period of 2019;
- the average feed-in tariff for the period is €99.1/MWh (€92.1/MWh in the corresponding period of 2019).

the Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit from a minimum guaranteed auction price (pursuant to the Ministerial decree of 23 June 2016) of €66/MWh.

The **operating profit** amounts to €22,801 thousand (€14,195 thousand in the first half of 2019) after amortisation, depreciation and impairment losses of €20,233 thousand (€11,470 thousand in the first half of 2019).

Property, plant and equipment and **intangible assets** amount to €665,632 thousand. The €103,191 thousand increase on 31 December 2019, net of depreciation and amortisation for the period, is mostly due to the change in the consolidation scope after the acquisition of FW.

Holding business segment:

At 30 June 2020, the holding business segment mainly comprises holding company advisory service activities, which are considered marginal compared to the electricity production business.

36. RELATED PARTY AND INTRAGROUP TRANSACTIONS

In accordance with the Consob communications of 20 February 1997, 27 February 1998, 31 December 1998, 31 December 2002 and 27 July 2006, as well as subsequent Regulation no. 17221 on related party transactions of 12 March 2010, as amended, it is noted the group's related party transactions were not atypical, unusual, unrelated to normal business operations or detrimental to the group's financial position, financial performance and cash flows.

The related party transactions carried out fall within ordinary operations, as part of each party's core business, and are governed by market conditions.

All intragroup balances and material intragroup transactions have been eliminated when preparing the condensed interim consolidated financial statements at 30 June 2020, as have profits and losses arising from trading and financial intragroup transactions not yet been realised with third parties.

The related party disclosures required by IAS 24 and Consob communication no. 6064293 of 28 July 2006 are provided below:

<i>(€'000)</i>	Revenue	Costs	Assets	Liabilities
Existence of significant influence:				
Equity-accounted investees:				
Ecoenergia Campania S.r.l.	600	-	302	-
New Green Molise S.r.l.	2,084	-	3,917	-
Equity-accounted investees	2,684	-	4,219	-
Related parties:				
FRI-EL Green Power Group	2,037	2,337	1,204	1,843
Heliopolis Energia S.p.A.	-	12	-	5
Total related parties	2,037	2,349	1,204	1,848
Total	4,271	2,349	5,423	1,848

Revenue of €2,037 thousand on transactions with the FRI-EL Group mostly relates to: i) sales of electricity by some of the group's operating companies; and ii) recharges for employees of Alerion Servizi Tecnici e Sviluppo S.r.l..

Costs of €2,337 thousand on transactions with the FRI-EL Group principally relate to: i) ordinary plant maintenance as per the contracts agreed in June 2018 (€1,232 thousand); and ii) asset management services (€369 thousand). Contracts for the latter services were signed in the first half of 2019 and provide for the management of commercial services and the sale of electricity, routine technical management of the wind farms, and remote control and analysis of data sent by the wind farms and security assistance.

	Joint ventures		Related parties		Total
	New Green Molise S.r.l.	Ecoenergia Campania S.r.l.	FRI-EL Green Power Group	Heliopolis S.p.A.	
(€'000)					
Trade receivables	70	53	631	-	754
<i>total trade receivables</i>	5.174	5.174	5.174	5.174	5.174
percentage	1,4%	1,0%	12,2%	0,0%	14,6%
Other assets	-	249	573	-	822
<i>total other current assets</i>	31.688	31.688	31.688	31.688	31.688
percentage	0,0%	0,8%	1,8%	0,0%	2,6%
Current loans	-	-	-	-	-
<i>total current loans</i>	1.547	1.547	1.547	1.547	1.547
percentage	0,0%	0,0%	0,0%	0,0%	0,0%
Non-current loans	3.847	-	-	-	3.847
<i>total non-current loans</i>	4.150	4.150	4.150	4.150	4.150
percentage	92,7%	0,0%	0,0%	0,0%	92,7%
Current trade payables	-	-	1.413	5	1.418
<i>total current trade payables</i>	11.104	11.104	11.104	11.104	11.104
percentage	0,0%	0,0%	12,7%	0,0%	12,8%
Other current liabilities	-	-	412	-	412
<i>total other current liabilities</i>	8.058	8.058	8.058	8.058	8.058
percentage	0,0%	0,0%	5,1%	0,0%	5,1%
Provisions for future risks and charges	-	-	18	-	18
<i>total provisions for future risks and charges</i>	20.860	20.860	20.860	20.860	20.860
percentage	0,0%	0,0%	0,1%	0,0%	0,1%
Electricity sales	-	-	1.892	-	1.892
<i>total sales of electricity</i>	17.249	17.249	17.249	17.249	17.249
percentage	0,0%	0,0%	11,0%	0,0%	11,0%
Other revenue and income	2.013	600	145	-	2.758
<i>total net gains on equity investments</i>	2.446	2.446	2.446	2.446	2.446
percentage	82,3%	24,5%	5,9%	0,0%	112,8%
Other operating costs	-	-	2.337	12	2.349
<i>total other operating costs</i>	14.679	14.679	14.679	14.679	14.679
percentage	0,0%	0,0%	15,9%	0,1%	16,0%
Net financial expense	-	-	-	-	-
<i>total net financial expense</i>	-11.575	-11.575	-11.575	-11.575	-11.575
percentage	0,0%	0,0%	0,0%	0,0%	0,0%
Net gains on equity investments	71	-	-	-	71
<i>total net losses on equity investments</i>	-187	-187	-187	-187	-187
percentage	-38,0%	0,0%	0,0%	0,0%	-38,0%

37. REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BODIES, COOs AND OTHER KEY MANAGEMENT PERSONNEL

Following Consob resolution no. 18079 of 20 January 2012, which repealed Appendix 3C, information on the remuneration paid to the board of directors and supervisory bodies, COOs and other key management personnel is contained in the Remuneration report prepared pursuant to article 123-ter of the Consolidated Finance Act (TUF).

38. LEGAL DISPUTES

The disputes pending at the reporting date are summarised below:

Disputes involving the parent

SIC - Società Italiana Cauzioni S.p.A.

The parent and its subsidiary Alerion Real Estate S.r.l. in liquidation ("Alerion Real Estate") have been called as joined defendants by SIC - Società Italiana Cauzioni S.p.A. (at the date of the Registration Document named ATRADIUS Credit Insurance, assignee of the SIC business unit) - in their capacity as policy co-obligors in the civil proceedings brought before the Rome court by AGIED S.r.l. against INPDAP and SIC.

The policies were issued to guarantee the obligations incumbent on AGIED S.r.l. for the compensation of monetary losses that INPDAP could have suffered as a result of the malicious actions of AGIED S.r.l. when performing its duties provided for in the agreement between AGIED and INPDAP, for the management of part of INPDAP's property.

The purpose of this case is to assess the said surety policies and have them declared lapsed due to expiry of the time limit. In particular, AGIED S.r.l. asked the Court to declare that INPDAP has no right to enforce the policies and that, therefore, SIC is not required to pay anything to INPDAP.

The parent and Alerion Real Estate were co-obligors with SIC for the fulfilment of the obligations under the policies as quotaholders of AGIED. These quotas were sold by means of a deed dated 24 May 1999, following which SIC, in a letter dated 9 June 1999, stated that Alerion and Alerion Real Estate were released from their joint obligation due to events that occurred after the date of the sale of the quotas.

SIC, which concurred with AGIED's conclusions, nevertheless summonsed the parent and Alerion Real Estate as a precautionary measure, as, due to the generic nature of the claims, liability for the alleged damages claimed by INPDAP could not be placed in terms of time.

With regard to the policies referred to by ATRADIUS, the then SIC had, in a specific letter, released the co-obligors Alerion and Alerion Real Estate from liability for events occurring after the date of sale of the company shares on 24 May 1999. This confirms the fact that the parent and its subsidiaries have absolutely no connection to the proceedings, as they were released from any co-obligation by SIC (ATRADIUS at the

date of the Registration Document) and, therefore, that there is no risk for either company.

On 1 December 2014, the first instance judge ordered just SIC (ATRADIUS at the date of the Registration Document) to pay the damages and concluded that the defaults took place after 31 December 2000, i.e., following the release from the co-obligations, thereby implicitly ruling out the company and Alerion Real Estate being summonsed as defendants. Accordingly, any further evolutions in the proceedings will not affect the parent.

AGIED and ATRADIUS (formerly SIC) separately appealed the first instance ruling to the court of appeal. As proceedings were pending for appeals of the same ruling, Alerion Real Estate S.r.l. in liquidation and Alerion S.p.A. obtained the joining of the proceedings.

As the proceedings were pending for appeals of the same ruling, Alerion Real Estate S.r.l. in liquidation and Alerion S.p.A. obtained the joining of the proceedings and, at the hearing of 7 February 2017, the court reserved its judgement on some aspects concerning the notices and the adversarial process.

At a hearing of 5 April 2019, the court rejected a petition to suspend the first instance judgement which ATRADIUS has appealed.

The hearing for the closing arguments was scheduled for 25 September 2020. The group deems the risk of an unfavourable outcome to be remote.

Bocchi

Mr. Renato Bocchi commenced civil proceedings before the Rome court against Banca di Roma and the parent. Mr. Bocchi requested that Banca di Roma and Alerion Clean Power S.p.A. (formerly Fincasa 44 S.p.A.) return a guarantee issued in a personal capacity in the interest of Fincasa 44 S.p.A. to secure all obligations assumed by it, which are now extinguished. With its ruling filed on 25 October 2012, the Rome court rejected Mr Bocchi's petition in full. Mr. Bocchi appealed the ruling to the Rome court of appeal and the parent entered an appearance requesting confirmation of the first instance ruling. At the hearing of 20 January 2020, the case was reserved for judgement and a deadline was set for final statements and replies. The judgement is pending. The group deems the risk of an unfavourable outcome to be remote.

Census consortium

As part of an action for contractual fulfilment brought about by the Census consortium (in which Fincasa 44, and subsequently, as of the date of the Registration Document, the parent, holds a share of approximately 10%) against the Rome municipal authorities, the Rome court, on the one hand, allowed some of the consortium's claims (payment to the consortium of approximately €0.24 million) and, on the other, upheld one of the counterclaims of the Rome municipal authorities (payment of approximately €4.4 million plus interest) in relation to the works carried out by Fintecna S.p.A. and Engie Servizi S.p.A., which respectively hold 12% and 30% stakes in the consortium.

The court of appeal rejected the consortium's appeal filed in July 2015 and confirmed the first instance ruling.

The Rome municipal authorities did not notify the appeal ruling against Census of last July.

The consortium appealed to the court of cassation against the court of appeal ruling, with a petition to suspend the effects of the ruling.

As a result of the internal agreements among the consortium members, the financial consequences of the ruling would fall exclusively on the parties responsible for the work carried out, except in the event of their insolvency, in which case the other consortium members would be held liable on the basis of their respective stakes.

With regard to the payment of the amount indicated in the counterclaims made by the municipal authorities, on 13 February 2018, the management board of the Census consortium concluded that liability for any payment rests with the consortium members that performed the related works. Accordingly, the outcome of the proceedings is mainly a matter for the parties concerned. This assessment was reflected in the 2017 financial statements of the Census consortium, which, with their approval on 27 February 2018, allocated any costs to be borne among the individual consortium members that carried out the work. The resolution was not challenged by the deadline established by law, making the allocation of payments demanded by the Rome municipal authorities final. Accordingly, the provision recognised in the consolidated financial statements was released in 2018. The directors deem that the risk is remote.

Legal disputes involving other group companies

The Agrigento provincial tax office notified Wind Power Sud S.r.l. ("WPS") of four separate assessment notices totalling €1.3 million, plus interest and fines, for 2008, 2009, 2010 and 2011, contesting the deductibility of interest expense accrued on a loan taken out following a merger leveraged buyout.

The Agrigento provincial tax court rejected WPS's petitions against these notices in August 2015.

WPS subsequently filed an appeal on the basis that the rulings of the Agrigento provincial tax court were unlawful due to the failure to state the reasons for and groundlessness of the claim. The Palermo regional tax court rejected the appeal in April 2016.

In December 2016, the Agrigento provincial tax office carried out an internal review, which only partially decreased the assessed taxes from the originally claimed €1.3 million to €0.7 million, plus fines and legal interest.

The Agrigento provincial tax office's decision is based on the fact that it considered the economic reasons for the MLBO, which resulted in the parent holding an equity investment in WPS through a reverse merger with a special purpose newco, only partially valid.

According to the subsidiary's legal advisors, albeit partial, the outcome of the internal review would reinforce WPS' position in the appeal before the court of cassation. WPS, therefore, decided to appeal. The appeal was lodged with the court of cassation on 5 December 2016.

Moreover, Equitalia (the Italian tax collection agency): i) in May 2017, accepted the application for the payment of two tax bills totalling €0.4 million relating to 2010 and 2011 in 48 instalments and ii) in December 2017, accepted the application for the payment of two tax bills totalling €0.9 million for 2008 and 2009 in 72 instalments. In February 2020, the subsidiary applied for the inclusion of the €0.12 million claimed by and paid to Equitalia in January 2017 in the rescheduling plans.

In the event of an unsuccessful outcome, Alerion's exposure would in any case be limited to 50%, since, at the time of the sale of the equity investment, the vendors, Moncada and Campione, committed to bearing 50% of the risk.

The legal advisors consider the risk of losing the case only possible but not probable. Accordingly, the group has not made any provision in this respect. It has recognised the payments made up to the reporting date as other assets and considers them to be recoverable.

Tax dispute relating to the depreciation rates of the operating companies

In early 2017, the audit unit of the Milan provincial tax office notified Renergy San Marco S.r.l., Minerva S.r.l., Callari S.r.l., Ordonia Energia S.r.l. and Parco Eolico Licodia Eubea S.r.l. of preliminary assessment reports relating to 2013, challenging the depreciation rate applied to the wind farms, which was higher than the fiscally-acceptable rate of 4%. During the year, the tax authorities notified the assessment notices to the five companies, disallowing the portion of depreciation exceeding that resulting from the application of a 4% depreciation rate, which was deducted for the purposes of calculating the IRES and IRAP tax bases for 2013, 2014, 2015 and, solely for Callari, 2016.

Based on the above, the tax authorities assessed higher IRES and IRAP of €1.8 million and €0.2 million, respectively, plus fines and interest.

All the assessments were duly appealed; following the hearing of 29 January 2018, the Milan provincial tax court, Section XIII, annulled the IRES and IRAP assessments for 2013 for all five companies, the 2014 IRES assessments for Ordonia Energia S.r.l., Parco Eolico Licodia S.r.l., Renergy San Marco S.r.l. and Callari S.r.l. and the 2014 IRAP assessment for Renergy San Marco.

Subsequently, the tax authorities appealed the first instance judgement before the Lombardy tax court - Section 24, which disallowed the appeal with a ruling filed in June 2019. Finally, in January 2020, the State Attorney filed an appeal with the court of cassation and the group companies filed their counter-appeal within the legal terms.

With reference to the assessment notice of Minerva S.r.l. relating to the 2014 IRES, on 13 May 2019, the tax authorities appealed the first instance ruling. The related hearing took place on 16 December 2019, and the decision is pending.

On 30 December 2019, the Lombardy regional tax court - Section 13 disallowed the appeal filed by the tax authorities against the first instance ruling which annulled the assessment notice served to Ordon Energia S.r.l. relating to the 2015 IRES.

With reference to Callari S.r.l., on 31 December 2019, the tax authorities filed an appeal to reverse the ruling of the Milan provincial tax court - Section 11, filed on 26 June 2019, which annulled the IRES and IRAP assessment notices relating to the 2015 and 2016 IRES and IRAP. The date for the hearing has not yet been fixed.

With regard to the assessment notice served to Renergy San Marco S.r.l. for the 2015 IRES, on 22 October 2019, the tax authorities appealed the ruling issued by the Milan provincial tax court - Section 5 filed on 1 April 2019. The date for the hearing has not yet been fixed.

With regard to the assessment notice served to Parco Eolico Licodia Eubea S.r.l. for the 2015 IRES, on 13 May 2019, the tax authorities appealed the first instance ruling. The Lombardy regional tax court - Section 17 disallowed the appeal with its ruling filed on 19 February 2020.

On 23 January 2020, Milan provincial tax court - Section 7 annulled the assessment notice served to Minerva S.r.l. relating to the 2015 IRES.

The proceedings related to the 2014 IRAP (Callari) and the 2014 and 2015 IRAP (Minerva, Ordon Energia and Parco Eolico Licodia Eubea) have been completed with the *res judicata* first level rulings.

On the basis of the assessment of its tax advisors and supported by the first ruling handed down to the parties, the group company decided not to change its tax treatment for the years where depreciation was applied and subsequent years, and to appeal the assessment notices received, initiating litigation. Since the directors consider the risk of losing the proceeding to be only possible, but not probable, no provisions have been made in the consolidated financial statements.

Tax dispute relating to the local property tax (IMU) of operating companies

In 2016, the group's operating companies filed documents updating property registry records for wind turbines pursuant to article 1.21/22 of Law no. 208/2015 (2016

stability law). Accordingly, as of 2016, they have calculated IMU on the basis of the revised property income.

In early 2017, the property registry authority served assessment notices to some of the group companies whereby it increased the property income of their wind turbines by including the tower and other components in the calculation. The companies challenged the notices.

At 31 December 2019, Eolo S.r.l.'s petition is pending with a favourable first instance ruling. Those filed by Callari S.r.l., Minerva S.r.l., Parco Eolico Licodia Eubea S.r.l. and Wind Power Sud S.r.l. are pending before the court of appeal.

Only Dotto S.r.l. and Ordonia Energia S.r.l. were notified IMU assessment notices based on the property income recalculated by the tax authorities. The Caserta provincial tax court disallowed the notices issued to Dotto S.r.l. by the Ciorlano (CE) municipal authorities, pending the decision on the property income dispute. Ordonia Energia S.r.l. filed a petition against the assessment issued by the Ordonia (FG) municipal authorities within the legal terms.

Despite the land registry authority's assessments being in contrast with applicable legislation, following the opinion expressed by the ministry, the companies' tax advisors believe that the outcome of the proceedings is uncertain. Therefore, since 2017, the group has increased the related provision for risks by the assessed IMU to cover the probable risk of losing the disputes.

Moreover, in 2019, where appropriate, it increased the provisions for risks for land registry assessments covering years prior to 2016.

COSAP dispute

In November 2018, the Foggia provincial authorities approved a new regulation imposing a fee for the occupation of public spaces and areas (COSAP), contextually repealing the regulation for the occupation of public spaces and areas and for the application of the related tax (TOSAP).

Accordingly, the authorities notified COSAP payment notices for 2019 to Renergy San Marco S.r.l. and Ordonia Energia S.r.l., calculated on the subsoil occupation of the provincial roads with their cable ducts. Unlike the previous TOSAP regulation, which provided for the payment of a tax per linear kilometre, the new COSAP regulation applies a fee for the occupied surface, which is considerably higher than the TOSAP tax.

Ordonia Energia S.r.l. and Renergy San Marco S.r.l. challenged the notices and the underlying provincial regulation before the Puglia regional tax court. They also commenced civil proceedings before the Foggia court challenging the legitimacy of the unilateral increase in the occupation fee and the correct calculation of the amount due.

The preliminary hearing before the Puglia regional administrative court was held on 24 July 2019 to discuss the precautionary suspension of the payment notices. The court disallowed the precautionary measure, on the grounds that there was no serious and irreparable damage, but also ordered the provincial authorities not to take any action until the dispute on the legitimacy of the regulation is settled. With its sentence of 4 February 2020, the regional administrative court disallowed the companies' petitions. They challenged this decision before the council of state.

At the first hearing of the civil proceeding before the Foggia court, the judge deferred the case to 21 October 2020 for the presentation of any preliminary evidence.

Since the regional administrative court decided in favour of the provincial authorities, it is highly probable that the latter will claim the fees. Accordingly, the companies accrued €0.3 million.

Other minor disputes

The parent decided to make the necessary provisions for other minor pending disputes involving the group companies.

Considering the progress of the disputes and the opinions of the relevant advisors, the provisions for risks recognised in the condensed interim consolidated financial statements are believed to be appropriate.

39. COMMITMENTS AND GUARANTEES

- Sureties to third parties of €85,251 thousand are made up as follows:
 - environmental restoration obligations (€6,474 thousand);
 - participation in auctions (€2,811 thousand issued to GSE);
 - other obligations (€66,184 thousand).
- Pledge on the quotas of Callari S.r.l., Ordonia Energia S.r.l., New Green Molise S.r.l., Fri-El Albareto S.r.l., Green Energy Sardegna S.r.l., Eolica PM S.r.l. and FRI-EL Grottole S.r.l. securing project financing and of Anemos Wind S.r.l. securing leases.
- Warranties in equity investments sale agreements covering any contingent liabilities or non-existent assets compared to the relevant assets and liabilities at the time of the sale.

Commitments and guarantees received from third parties include:

- guarantees for the collection of the consideration of electricity sales (€9,125 thousand);
- guarantees from FGP and Fri-El on behalf of the SPEs for environmental restoration obligations and other obligations (€1,652 thousand and €316 thousand, respectively).

Statement on the condensed interim consolidated financial statements at 30 June 2020

pursuant to article 154-bis.5 of Legislative decree no. 58 of 24 February 1998 and article 81-ter of Consob regulation no. 11971 of 14 May 1999

1. The undersigned, Josef Gostner, as managing director, and Stefano Francavilla, as manager in charge of financial reporting, also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state:
 - that the administrative and accounting procedures are adequate given the group's characteristics;
 - that they were actually applied during the first half of 2020 to prepare the condensed interim consolidated financial statements.
2. Moreover, they state that:
 - 2.1 the condensed interim consolidated financial statements at 30 June 2020:
 - have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
 - are consistent with the accounting records and entries;
 - are suitable to give a true and fair view of the parent's and the consolidated companies' financial position, financial performance and cash flows;
 - 2.2 the directors' report includes a reliable analysis of the key events of the first six months of 2020 and their impact on the condensed interim consolidated financial statements, together with information about the key risks and uncertainties for the second half of the year. It also includes a reliable analysis of significant related party transactions.

Milan, 30 July 2020

Chief executive officer

Josef Gostner

Manager in charge of financial reporting

Stefano Francavilla



KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Alerion Clean Power S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Alerion Clean Power Group comprising the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2020. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.



Alerion Clean Power Group

*Report on review of condensed interim consolidated financial statements
30 June 2020*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Alerion Clean Power Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 31 July 2020

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit