Half-Year Financial Report 2019

ALERIONCLEANPOWER

THE WIND ENERGY COMPANY

ALERION CLEAN POWER

THE WIND ENERGY COMPANY

HALF-YEAR FINANCIAL REPORT

2019

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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]
Paolo Signoretti	Director
Elmar Zwick	Director[2]*
Nadia Dapoz	Director [2,3,4]
Victoria Giustiniani	Director[4]
Paola Bruno	Director[2,3,4]

1 Members with operational powers
2 Members of the Control and Risk Committee
3 Members of the Remuneration and Appointments Committee
4 Members of the Related Party Transactions Committee

Board of Statutory Auditors

Francesco Schiavone Panni	**Chairman***
Michele Aprile	**Standing Auditor***
Loredana Conidi	**Standing Auditor***
Stefano Tellarini	**Alternate Auditor***
Mariassunta Pica	**Alternate Auditor***

Financial Reporting Officer (Law 262/05)

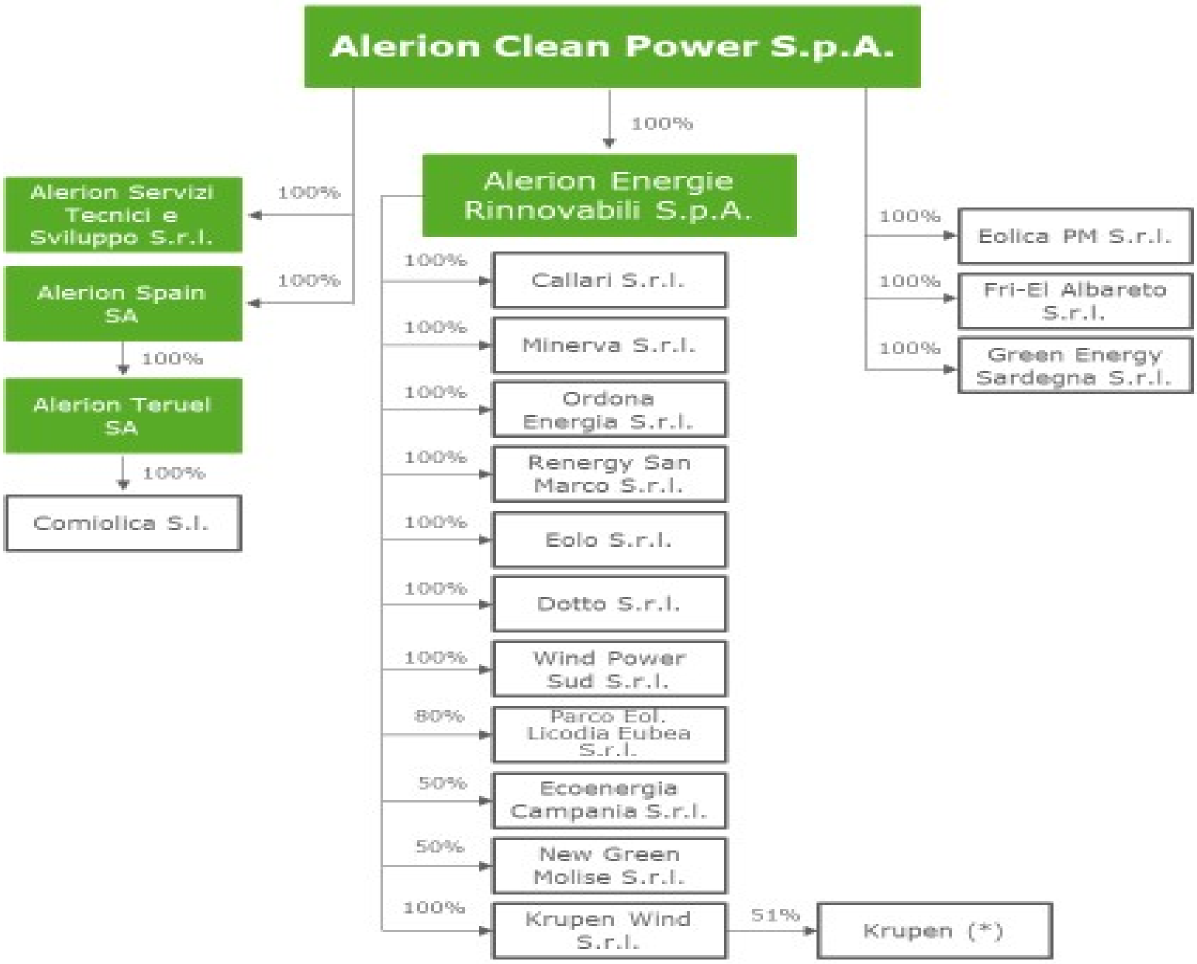
Stefano Francavilla

Independent auditors

Deloitte & Touche S.p.A.

*Appointed by the Shareholders' Meeting of 6 April 2018.

STRUCTURE OF THE ALERION GROUP



(*) The Krupen plant consists of four companies: Wind Energy EOOD, Wind Stream EOOD, Wind System EOOD and Wind Power 2 EOOD.

INTERIM REPORT ON OPERATIONS

ALERIONCLEANPOWER
THE WIND ENERGY COMPANY

INTRODUCTION

Parent Company Alerion Clean Power S.p.A. (hereinafter the "Parent Company" or "Alerion") is a legal entity organised under the laws of the Italian Republic. The ordinary shares of Alerion are listed on the electronic circuit of the Milan Stock Exchange - MTA. The registered office of the Alerion Group (hereinafter the "Group" or the "Alerion Group") is at Viale Majno 17, Milan.

This consolidated half-year financial report has been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS" or "International Accounting Standards") approved by the European Commission, in force as at 30 June 2019, pursuant to Article 154-*ter* of Legislative Decree 58 of 24/02/98 and in accordance with Consob Regulation 11971 of 14 May 1999, as amended.

This consolidated half-year financial report includes the condensed consolidated half-year financial statements, prepared pursuant to IAS 34 with additional disclosure considered useful for a clearer understanding of the consolidated half-year statement of financial position as at 30 June 2019 and the consolidated half-year income statement for the first half of 2019. For this reason, this report does not include all the additional information required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018.

The publication of the condensed consolidated half-year financial statements as at 30 June 2019 was authorised by resolution of the directors on 26 July 2019.

SIGNIFICANT EVENTS DURING THE HALF-YEAR

The following are the main significant events that took place in the first half of 2019:

On **29 May 2019**, the Fri-El Albareto S.r.l. wind farm, located in the municipalities of Albareto and Tornolo (in the province of Parma), with installed capacity of 19.8 MW, entered into operation ahead of schedule. The wind farm consists of six Vestas V117 aerogenerators of 3.3 MW and was financed through a project financing agreement for €22.9 million (€14.2 million of which had been disbursed as of 30 June 2019), signed with Unicredit S.p.A. and Natixis – Milan Branch, which acted as structuring MLAs and hedging banks, and UniCredit, also as an agent bank.

On **26 June 2019**, Alerion Clean Power S.p.A. acquired, through its subsidiaries Alerion Spain SL and Alerion Teruel SL, 100% of Comiolica SL, a company that owns an operating wind farm in Spain (in the municipality of Aliaga in the province of Teruel) with installed power of 36 MW (12 turbines of 3 MW).

The consideration for the transaction was approximately €41 million, of which €25.4 million was used to purchase the shares and the remainder to repay the shareholder loan. The transaction was partly financed from own resources and partly through a project financing loan agreement of €23.5 million, signed with a pool of Spanish banks composed of Banco Sabadell and Abanca.

On **27 June 2019**, the wind farm of Eolica PM S.r.l., located in the municipalities of Morcone and Pontelandolfo (in the province of Benevento), with installed power of 51.75 MW, entered into operation ahead of schedule. The wind farm consists of 15 Vestas V117 aerogenerators of 3.45 MW. Its expected annual output when fully operational will be approximately 140 GWh.

ALTERNATIVE PERFORMANCE INDICATORS

In accordance with Consob Communication DEM/6064293 of 28/7/2006 and 0092543 of 3/12/2015, the alternative performance indicators used to illustrate the Group's economic performance and financial position are defined below.

EBITDA consists of operating income before depreciation and amortisation. EBITDA thus defined is a measure used by the Company’s management to monitor and assess its operating performance. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure for assessing the performance of the Group's operating result. Since the composition of EBITDA is not regulated by the reference accounting standards, the measurement criterion applied by the Group may not be the same as that used by others and may therefore not be comparable. It should be noted that the EBITDA calculated at 30 June 2019 includes the effects of the adoption of IFRS 16 – Leases, not included in the calculation at 30 June 2018, and therefore the data are not fully comparable. The main impact on the indicator deriving from the application of IFRS 16 relates to lower operating costs arising from the elimination of lease payments.

Net financial indebtedness (book value) is calculated as the sum of cash and cash equivalents, current and 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. Net financial indebtedness (book value) is not identified as an accounting measure under IFRS. The determination criterion applied by Alerion may not be the same as that used by other groups, and therefore the balance obtained by Alerion may not be comparable with that determined by these groups.

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

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

SUMMARY OF RESULTS

Economic data (millions of euro)	H1 2019	H1 2018
Revenues	30.9	33.1
Gross operating margin (EBITDA)	25.2	26.9
Net result	6.3	3.1
Net result attributable to the Group	6.1	2.9
Statement of financial position data (millions of euros)	**30.06.2019**	**31.12.2018**
Shareholders' equity attributable to the Group	140.6	138.8
Net financial indebtedness(*)	325.8	226.9
Net financial indebtedness (excluding derivatives)	312.9	217.3
Operating data	**H1 2019**	**H1 2018**
Gross power (MW)	444.3	306.0
Electricity production (MWh) (1)	290,731	250,600
Electricity production (MWh) - Fully consolidated plants	248,715	214,358

(1) Plants fully consolidated and plants in joint ventures

(*) Consob Communication DEM/6064293/2006

ECONOMIC AND FINANCIAL PERFORMANCE OF THE GROUP

Operating performance in the first half of 2019 was characterised by electricity production of 248.7 GWh by the fully consolidated plants, up 15.6% compared with production in the first half of 2018 (214.4 GWh). The increase mainly reflects the change in the scope of the operating plants due to the entry into operation of the Villacidro wind farm at the end of 2018.

ALERION CONSOLIDATED - Reclassified income statement

	H1 2019	H1 2018
Operating revenues	30.1	31.6
Other revenues	0.8	1.5
Revenues	**30.9**	**33.1**
Cost of human resources	(1.1)	(1.2)
Other operating costs	(6.7)	(6.5)
Operating costs	**(7.8)**	**(7.7)**
Results of joint venture companies	**2.1**	**1.5**
Gross operating margin (EBITDA)	**25.2**	**26.9**
Depreciation, amortisation and write-downs	(11.6)	(10.1)
Operating profit (EBIT)	**13.6**	**16.8**
Financial income (expenses)	(5.3)	(6.5)
Costs relating to the early repayment of the bond loan	0.0	(5.9)
Profit before tax (EBT)	**8.3**	**4.4**
Taxes	(2.0)	(1.3)
Net result	**6.3**	**3.1**
Profit (loss) attributable to non-controlling interests	0.2	0.2
Net result attributable to the Group	**6.1**	**2.9**

Revenues for the first half of 2019 came in at €30.9 million (€33.1 million at 30 June 2018). In further detail, **operating revenues** were €30.1 million, down from the €31.6 million recorded at 30 June 2018, due to both the lower value of the unit incentive (€92.1/MWh compared with €99/MWh), only partly offset by the increase in production of around 16% compared with the first half of 2018, and the expiry of the incentive period for the Monte Petrasi wind farm, as provided by the incentive rules applicable to the plant. In particular, it should be noted that the decrease in operating revenues mainly affected the Sicilian plants, which also registered less wind than in the first half of 2018, only partially offset by more wind at other operating plants.

In the first half of 2019, the average price of electricity for incentivised wind farms under the incentive tariff (FIP) (formerly "green certificates) was €143.6 per MWh, compared with €152.8 per MWh in the first half of 2018, with the decrease being particularly marked for the incentive component. In particular:

- the average price of electricity in the first half of 2019 was €51.5 per MWh, compared with €53.8 per MWh in the first half of 2018;
- the average price of incentives in the first half of 2019 was €92.1 per MWh (€99 per MWh in the first half of 2018).

The Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit from a guaranteed minimum auction price (pursuant to Ministerial Decree 23/06/2016) of €66/MWh.

Other revenues came in at €0.8 million (€1.5 million as at 30 June 2018) and mainly relate to administrative and technical advice provided to third companies and joint ventures.

Electricity production data for the Group's operating wind farms are shown below:

Site	Gross power (MW)	Ownership (%)	Consolidated power (MW)	Year of entry into production	Year of end of incentives	Consolidated production MWh H1 2018	Consolidated production MWh H1 2019
Subsidiaries' wind farms (fully consolidated)						**H1 2018**	**H1 2019**
Operating Italian wind farms							
Albanella (SA)	8.5	100%	8.5	2004	2016	4,579	5,750
Ciorlano (CE)	20.0	100%	20.0	2008	2023	9,573	11,801
Callari (CT)	36.0	100%	36.0	2009	2023	38,037	31,988
Ordona (FG)	34.0	100%	34.0	2009	2024	33,089	39,007
Castel di Lucio (ME)	23.0	100%	23.0	2010	2025	23,975	20,615
Licodia (CT)	22.1	80%	22.1	2010	2025	22,356	19,140
San Marco in Lamis (FG)	44.2	100%	44.2	2011	2026	37,008	38,641
Agrigento (AG)	33.2	100%	33.2	2007	2019	33,323	27,308
Villacidro (SU)	30.8	100%	30.8	2019	2039		39,273
Total	**251.8**		**251.8**			**201,940**	**233,523**
Operating foreign wind farms							
Comiolica (Spain) [1]	36.0	100%	36.0	2012	2032		
Krupen (1,2,3,4) (Bulgaria)	12.0	51%	12.0	2010	2025	12,418	13,308
Total	**48.0**		**48.0**			**12,418**	**13,308**
Wind farms undergoing testing							
Morcone-Pontelandolfo (BN)	51.8	100%	51.8	2019	2039		819
Albareto (PR)	19.8	100%	19.8	2019	2039		1,065
Total	**71.6**		**71.6**			**0**	**1,884**
Total wind farms of subsidiaries	**371.3**		**371.3**			**214,358**	**248,715**
Wind farms in joint ventures [2]							
Operating wind farms							
Lacedonia (AV)	15.0	50%	7.5	2008	2023	7,242	7,848
San Martino in Pensilis (CB)	58.0	50%	29.0	2010	2025	29,001	34,168
Total	**73.0**		**36.5**			**36,243**	**42,016**
Total	**444.3**		**407.8**			**250,601**	**290,731**

EBITDA was €25.2 million in the first half of 2019, down 6.3% compared with the first half of 2018 (€26.9 million), and reflected the decrease in consolidated revenues compared with the first half of 2018, as indicated in the previous paragraph, due to both the lower value of the unit incentive (€92.1/MWh compared with €99/MWh), only partly offset by the increase in production of around 16% compared with the first half of 2018, and the end of the disbursement of the incentive for the Monte Petrasi wind farm. Operating costs of €7.8 million remained in line with the figure for the first half of 2018 of €7.7 million, despite the entry into operation of the Villacidro plant in December 2018, due to the programme to streamline operating costs launched in the second half of 2018. Operating costs as a proportion of revenues increased to 81.6%, from 81.3% in 2018. It should also be noted that **EBITDA** incorporates the results of the joint ventures of €2.1 million, up €0.6 million compared with the first half of 2018.

The **operating result** for the first half of 2019 was €13.6 million (€16.8 million in the first half of 2018), after depreciation and amortisation of €11.6 million.

Profit before tax was €8.3 million, up by comparison with the €4.4 million recorded in the first half of 2018. The figure includes net financial expenses and income from equity investments and other financial assets of approximately €5.3 million (€12.4 million in the first half of 2018). In particular, it should be noted that in the first half of 2018, after the early redemption option on the 2015-2022 Bond Loan was exercised, the Group had incurred higher financial expenses relating to the redemption of €5.9 million. More specifically, this amount comprises i) €3.9 million as an early redemption penalty; and ii) €2.0 million due to the recognition in the income statement of the ancillary costs of the previous bond loan (BL 2015-2022), originally divided up as part of the estimated amortised cost according to the original term of the loan.

The **net result** in the first half of 2019 was €6.3 million, a substantial increase on the €3.1 million recorded in the first half of 2018. This amount includes taxes for the period of approximately €2 million.

The **net result attributable to the Group** was €6.1 million in the first half of 2019 (€2.9 million in the first half of 2018). The **net result attributable to non-controlling interests** was €0.2 million in the first half of 2019 (unchanged compared with 30 June 2018).

Assets and liabilities and financial performance

ALERION CONSOLIDATED - Reclassified statement of financial position

	30.06.2019	31.12.2018
Intangible assets	*109.0*	*83.2*
Property, plant and equipment	*326.2*	*276.6*
Long-term investments	*17.8*	*17.8*
Non-current financial receivables	*3.8*	*3.8*
Fixed assets	**456.7**	**381.4**
Other non-financial assets and liabilities	12.3	(13.2)
NET INVESTED CAPITAL	**469.0**	**368.2**
Shareholders’ equity attributable to the Group	140.6	138.8
Shareholders’ equity attributable to non-controlling interests	2.6	2.4
Shareholders' equity	**143.2**	**141.2**
Liquid assets	34.3	63.9
Other financial assets and liabilities	(360.1)	(290.8)
Net financial indebtedness	**(325.8)**	**(226.9)**
SHAREHOLDERS’ EQUITY + NET FINANCIAL INDEBTEDNESS	**469.0**	**368.2**

Property, plant and equipment and intangible assets as at 30 June 2019 amounted to €435.2 million (€359.8 million as at 31 December 2018). The increase of €75.4 million, net of total depreciation and amortisation of €11.6 million during the period, was principally due to investments recognised among the property, plant and equipment of the three transferred companies Eolica PM S.r.l., Fri-El Albareto S.r.l. and Green Energy Sardegna S.r.l. for the construction of their respective wind farms, the change in the basis of consolidation due to the recent acquisition of a wind farm in Spain of 36 MW by Comiolica S.L., and the adoption of the international accounting standard IFRS 16 - Leases, which entailed the recognition of new assets that essentially represent the right to use the underlying asset of €16.2 million, together with a financial liability that reflects the obligation to pay rent.

It should be noted that the item “Other non-financial assets and liabilities” includes receivables for the sale of electricity and incentives at 30 June 2019 totalling €19.4 million (€15.4 million at 31 December 2018). In particular, receivables for incentive tariffs from the Energy Services Manager (GSE) amounted to €16.5 million (€13.8 million at 31 December 2017).

Shareholders’ equity attributable to the Group was €140.6 million at 30 June 2019, up by €1.8 million compared with 31 December 2018. The change mainly results from i) the portion of the net result for the year attributable to the Group of €6.1 million, ii) the negative change in the fair value of derivatives on bank project financing, net of the tax effect, of €2.5 million, and iii) the distribution of dividends of €1.7 million, pursuant to the resolution of 24 April 2019.

Net financial indebtedness was €325.8 million at 30 June 2019, up €98.9 million compared with 31 December 2018. The growth in debt is mainly due to the increase in investment expenditure, resulting in the construction of three new wind farms in Italy and the recent acquisition of a wind farm in the Spanish market, increasing gross installed capacity to 444.3 MW at 30 June 2019, compared with 306 MW at 30 June 2018. The effects of this increase will only be fully seen in the second half of 2019, since, with the exception of the Villacidro plant, which has been operational since December 2018, both the acquisition of the wind farm of 36 MW in Spain and the full entry into operation of the remaining plants under construction (Morcone 51.8 MW and Albereto 19.8 MW) occurred close to the end of the half year, and thus the relative economic benefits could not be registered in the income statement for the period.

	30.06.2019	31.12.2018
Cash and cash equivalents		
- Available cash	34.3	63.9
Total cash and cash equivalents	**34.3**	**63.9**
Financial receivables and other current financial assets	**0.9**	**0.5**
Current financial liabilities		
- Current payable for loans	(52.3)	(57.5)
- Current payable to bondholders	-	(2.8)
- Lease payables and liabilities	(1.3)	-
- Current payables for derivatives	(3.3)	(3.3)
Total current financial liabilities	**(56.9)**	**(63.6)**
CURRENT FINANCIAL INDEBTEDNESS	**(21.7)**	**0.8**
Non-current financial liabilities		
- Payable to other lenders	(2.1)	(2.1)
- Payable to banks for loans	(131.0)	(71.9)
- Payable to bondholders	(147.5)	(147.4)
- Lease payables and liabilities	(13.9)	-
- Non-current payables for derivatives	(9.6)	(6.3)
NON-CURRENT FINANCIAL INDEBTEDNESS	**(304.1)**	**(227.7)**
NET FINANCIAL INDEBTEDNESS*	**(325.8)**	**(226.9)**
Financial receivables and other non-current financial assets	**3.8**	**3.8**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE)	**(322.0)**	**(223.1)**

(*) Consob Communication DEM/6064293/2006

The change in net financial indebtedness therefore reflects: i) cash flows generated by operating activities of approximately €18.3 million; ii) cash flows absorbed by investment activities totalling approximately €86.4 million, of which €50.2 million was mainly used for the construction of wind farms and €41.1 million for the recent acquisition of a 36 MW wind farm in Spain; iii) the adoption of the new accounting standard, IFRS 16 - Leases, which resulted in the recognition of a financial liability by the Group that reflects the obligation to pay rent of €15.1 million; iv) net financial expenses for the period and the change in the fair value of derivatives of €8.4 million, and v) dividends paid of €1.7 million.

The following table shows the various operating components of cash flows and changes in net financial indebtedness:

	H1 2019	H1 2018
Cash flows from operating activities	18.3	20.3
Cash flows absorbed by investment activities	(50.1)	(26.7)
Cash flows absorbed by the acquisition of the wind farm in Spain	(41.1)	0.00
Cash held by the Spanish company on the acquisition date	4.8	
Cash flows absorbed for the refinancing of the acquired assets	(5.6)	0.00
Net financial expenses for the period and change in the fair value of	(8.4)	(10.0)
Effects of adoption of IFRS 16 - Leases	(15.1)	0.00
dividends from joint venture companies	0.0	0.00
Dividends paid	(1.7)	(2.3)
Change in net financial indebtedness	**(98.9)**	**(18.7)**
Net financial indebtedness at the beginning of the period	**(226.9)**	**(169.8)**
NET FINANCIAL INDEBTEDNESS AT THE END OF THE PERIOD	**(325.8)**	**(188.5)**

Leverage, expressed as the ratio of net financial indebtedness to net invested capital, was 69.5% at 30 June 2019 (61.6% at 31 December 2018).

Net financial indebtedness (excluding derivatives) at was €312.9 million at 30 June 2019 (€217.3 million at 31 December 2018).

The Group's cash and cash equivalents was €34.3 million at 30 June 2019, down €29.6 million compared with 31 December 2018. The main changes during the year included cash used, as already highlighted in the previous paragraphs, on 26 June 2019 for the acquisition of the Group's first wind farm in Spain, with a fully operational capacity of 36 MW, and for the construction of wind farms.

Current financial liabilities came to €56.9 million, down compared with 31 December 2018 (€63.6 million) primarily due to: i) the long-term reclassification of the portion of the project financing held by the subsidiaries in Bulgaria (Krupen) after the waiver by the lending banks in the first half of 2019, amounting to €2.8 million; ii) the decrease of €7 million in the loans used by parent company Alerion Clean Power in the period; iii) the portions of the project financing contracted in 2018 by subsidiaries Fri-El Albareto, Green Energy Sardinia and Eolica PM expiring within one year, totalling €5.6 million; and (iv) the short-term portion of the lease liabilities required due to the adoption of IFRS 16 - Leases, of €1.3 million.

Non-current financial liabilities came to €304.1 million at 30 June 2019 (€221.4 million at 31 December 2018) and include (i) payables to bondholders of €147.5 million, consisting of the value of the new 2018-2024 Bond Loan subscribed on 29 June 2018 of €150 million, net of ancillary costs of €2.8 million, (ii) the medium-/long-term portions of project financing contracted in the previous year (€26.8 million by subsidiary Green Energy Sardegna S.r.l. and €38.8 million by subsidiary Eolica PM S.r.l., respectively) and the medium/long-term portions of the project financing obtained by subsidiary Fri-El Albareto S.r.l. in February 2019 of €13.2 million, net of ancillary costs, (iii) the medium/long-term portions of the two project financing agreements entered into as part of the acquisition of the wind farm in Spain by Comiolica S.L., of €20.5 million and (iv) the medium/long-term portion of the lease liabilities required due to the adoption of IFRS 16 - Leases, of €13.9 million.

It should be noted that, after 31 December 2018, the medium/long-term portion of the financial payable relating to the Krupen project financing of approximately €2.8 million was reclassified to non-current financial liabilities, after a waiver was obtained from the lending banks in the first half of 2019.

It should also be noted that the interest of €2.9 million accrued at 31 December 2018 and recognised on that date under short-term financial payables had been paid at 30 June 2019.

Financial receivables and other non-current financial assets came to €3.8 million at 30 June 2019, down compared with 31 December 2018, and refer to financial receivables from joint ventures.

For terms and conditions relating to related parties, please see the note "Details of relations with related-parties and intra-group relations as at 30 June 2019".

BASIS OF PREPARATION FOR RECLASSIFIED STATEMENTS

In accordance with Consob Resolution 15519 of 27 July 2006, the following is a description of the criteria used in preparing the reclassified consolidated statement of financial position and the reclassified consolidated income statement as at 30 June 2019, included and commented on, respectively, in the section entitled "Economic and financial performance of the Group" above.

Reclassified consolidated statement of financial position as at 30 June 2019

The items have been reclassified and aggregated as follows:

Fixed assets were divided into the following sub-items:

Intangible assets: this item includes: i) "Rights and concessions" of €103.2 million, ii) "Development costs" of €5.4 million, and iii) "Patents and intellectual works" and "Other intangible assets", totalling €0.3 million (Note 5).

Property, plant and equipment: this item includes: i) "Land" of €0.7 million, ii) "Plant and equipment" of €226.9 million, and iii) "Other assets" of €82.2 million, relating to investments in wind farms (Note 7).

Long-term investments: this item includes the value of the equity investments recognised as non-current financial assets under the item "Equity investments in joint ventures measured using the equity method" (Note 8).

Non-current financial receivables: this item includes the value of financial receivables and other non-current financial assets of €3.8 million (Note 10)

Other non-financial assets and liabilities: this item refers to i) "Trade receivables" from both associates and other companies totalling €3.5 million (Note 11), ii) "Deferred tax assets" of €17.1 million (Note 32), iii) "Tax receivables" (Note 12) and "Sundry receivables and other current assets" (Note 13) totalling €40.4 million, iv)

“Trade payables” totalling €8.6 million (Note 23), v) “Post-employment benefits and other staff-related provisions” of €1.0 million (Note 19), vi) “Provision for deferred taxes” of €16.5 million (Note 32), vii) “Provisions for future risks and charges” of €11.2 million (Note 20), viii) “Sundry payables and other non-current liabilities” of €3.1 million (Note 21), ix) “Tax payables” of €3.1 million (Note 23) and x) “Sundry payables and other current liabilities” of €5 million (Note 24).

Liquid assets include “Cash and other cash equivalents” of €34.3 million (Note 15).

Other financial assets and liabilities include: i) “Financial receivables and other current financial assets” of €0.9 million (Note 14); ii) “Non-current financial liabilities” of €294.4 million (Note 17); iii) “Current financial liabilities” of €53.6 million (Note 22); and iv) “Derivative instruments”, classified among current and non-current liabilities, of €12.9 million (Note 18).

In the reclassified consolidated income statement as at 30 June 2019 the items were reclassified and aggregated as follows:

Revenues: this item includes i) revenues from “Energy sales” and “Incentives sales” of €30.1 million and ii) “Other sundry revenues and income” of €0.8 million (notes 27 and 28).

REGULATORY FRAMEWORK

The most important measures characterising the regulatory framework for the sector in first half of 2019 are shown below.

Incentive tariff (FIP) (formerly “green certificates”)

By Resolution 16/2019 of 22 January 2019, the Italian authority for Energy, Networks and the Environment (“Arera”) announced, for the purposes of determining the value of the 2019 incentive tariff (2019 FIP), that the average annual selling price of electricity was €61.91/MWh in 2018. Accordingly, the 2019 incentive tariff, which is 78% of the difference between 180 Euro/MWh and the average annual selling price of electricity for the previous year, is €92.11/MWh. According to the GSE’s procedures, these incentives are paid by the GSE on a quarterly basis by the end of the second quarter following the reference quarter, in line with the timing of the withdrawal of “green certificates”.

MAIN RISKS AND UNCERTAINTIES

For the management of financial risks, see the section “Financial risk management policy” in the notes, which describes the Group's financial risk management activities. It should be noted that this report does not include all the additional information required for the annual financial statements. Accordingly, please see the annual financial report as at 31 December 2018 for a more complete and comprehensive presentation of the main risks and uncertainties.

RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

The information on relations with related parties required by Consob Communication 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 the subsequent Regulation on Related-Party Transactions No. 17221 of 12 March 2010, as amended, it should be noted that no atypical and unusual related-party transactions have been recorded that are not part of normal business management or that would be detrimental to the Group's results or financial position.

Terms and conditions of intra-group transactions

Alerion, as part of its holding company activity, coordinates the administrative, management and commercial activities of the Group companies and optimises their financial resources. Services are performed for subsidiaries and associates as part of these activities. These relations, in the case of the subsidiaries, are eliminated in the consolidated financial statements. Financial relationships also exist between Group companies. Relationships with subsidiaries and investees are regulated at market conditions, taking into account the nature of the services provided. Significant transactions with subsidiaries or investees that generate effects on the Group's consolidated financial statements include the participation of subsidiaries in the national tax consolidation scheme.

The Parent Company acts as the consolidating company. This option enables participating Group companies to offset their tax results with a clear benefit not only for the companies, but also for the Group as a whole.

Companies participating in the national 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 aimed at ensuring that participation in national consolidation does not result in economic and financial disadvantages for consolidated companies compared with their position if they had not joined the scheme, or if (where applicable) they had opted for group taxation with their own subsidiaries.

SIGNIFICANT EVENTS AFTER THE HALF-YEAR AND BUSINESS OUTLOOK

Significant events after 30 June 2019

On 5 July 2019, Alerion Clean Power and SIMEST, a company that together with SACE represents the exports and internationalisation division of the CDP Group, signed an agreement providing for an investment by SIMEST in support of Alerion's development in Spain. In particular, the investment of SIMEST, made in the mixed form of a share capital increase and a shareholder loan, totalling €10 million, is intended to support Alerion, through its local subsidiary Alerion Spain, in the acquisition of Comiolica S.L., a company that holds an operating wind farm in Spain (in the province of Teruel) with installed capacity of 36 MW, which was completed on 26 June 2019. Following a capital increase of the holding company that owns the Spanish assets, SIMEST will have a 49% interest in Alerion Spain, over which Alerion Clean Power will retain control with 51% of the share capital.

Business outlook

During the second half of 2019, Alerion will continue the actions already undertaken to reduce costs and improve operating and financial efficiency.

Development activity will also continue, through the pursuit of targeted organic and external growth opportunities, with the aim of increasing the installed power of the plant portfolio both in Italy and abroad, particularly in Spain.

OTHER INFORMATION

Corporate governance

The Alerion Group adheres to and conforms to the Corporate Governance Code for Listed Companies approved in December 2011, most recently updated in July 2016 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., with additions and adjustments appropriate for the characteristics of the Group.

The "Report on Corporate Governance and Ownership Structure" contains a general description of the corporate governance system adopted by the Group and provides information on ownership structure and adherence to the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process. This report is available on the website www.alerion.it.

Dividend distribution

It should be noted that the Shareholders' Meeting of Alerion Clean Power S.p.A., held on 24 April 2019, approved the proposal to distribute a dividend to be paid as of 15 May 2019, with the detachment on 13 May 2019 of coupon no. 8, through the partial use of reserves, of €0.034 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime. The dividend was paid according to the deadlines and methods established by the Shareholders' Meeting.

Management and coordination

The Company is subject to management and coordination by Fri-El Green Power S.p.A. pursuant to Article 2497 of the Italian Civil Code.

In this regard, compliance with the requirements established in Article 37 of Consob Regulation 16191/2007, letters a), b) and c), point i) (as required by Article 2.6.2, paragraph 9, of the Regulations for Markets organised and managed by Borsa Italiana S.p.A.) is certified.

Consolidated non-financial statement

It should be noted that the Company is exempt from the obligations arising from Legislative Decree 254 of 30 December 2016, which has implemented in our legal system Directive 2014/95/EU on non-financial information and information on diversity, since, at the individual and consolidated level, the average number of employees is less than 500, and the Company is therefore not, in terms of size, categorised as a listed public interest company, bank or insurance company obliged to prepare and publish a separate or consolidated statement that contains information on environmental and social themes, pertaining to personnel, respect for human rights and the fight against active and passive corruption.

Treasury shares and shares of parent companies

As of 30 June 2019, the Company holds 820,339 treasury shares (corresponding to 1.60% of the share capital), compared with 813,685 at 31 December 2018. In the context of the authorisation to purchase approved by the Shareholders' Meeting of 24 April 2019, as at 26 July 2019 no additional own shares were purchased.

Equity investments held by directors, statutory auditors, general managers and managers with strategic responsibilities

Following Consob Resolution 18079 of 20 January 2012, which repealed Appendix 3C, information on the equity investments held by the members of the management and control bodies, general managers and managers with strategic responsibilities is contained in the Remuneration Report, pursuant to Article 123-*ter* of the TUF.

Exercise of the option of derogation from the disclosure obligations during significant extraordinary operations

It should be noted that on 30 January 2013 the Board of Directors of Alerion Clean Power S.p.A. resolved to avail itself of its right to waive the obligations to publish the information documents prescribed on the occasion of significant mergers, demergers and capital increases through the contribution of assets in kind, acquisitions and disposals.

Information pertaining to personnel

The Group had 29 employees at 30 June 2019. The breakdown is shown below:

	Number at 31.12.2018	Increases	Decreases	Number at 30.06.2019	Average number in period
Executives	3	0	0	3	3.0
Middle managers and office workers	24	6	(4)	26	22.0
Total employees	**27**	**6**	**(4)**	**29**	**25.0**

Information on the average age of personnel and training is provided below:

	Average age		Graduates	
	at 31.12.2018	at 30.06.2019	at 31.12.2018	at 30.06.2019
Executives	52	53	3	3
Middle managers and office workers	38	36	12	11
Total	**45.0**	**44.5**	**15**	**14**

Secondary offices

Alerion Clean Power S.p.A. has its registered office at Viale Majno 17 in Milan, and has no secondary offices.

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
2019

CONSOLIDATED HALF-YEAR STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euro)	Notes	30.06.2019	of which related parties	31.12.2018	of which related parties
NON-CURRENT ASSETS:					
Intangible assets					
Intangible assets with a finite useful life	5	108,976		83,176	
Total intangible assets		**108,976**		**83,176**	
Property, plant and equipment	7	**326,157**		**276,584**	
Equity investments in joint ventures measured using the equity method	8	17,765		17,828	
Equity investments in associates measured using the equity method	9	-		-	
Financial receivables and other non-current financial assets	10	3,788	3,788	3,789	3,789
Deferred tax assets	32	17,057		16,143	
TOTAL NON-CURRENT ASSETS		**473,743**		**397,520**	
CURRENT ASSETS:					
Trade receivables	11	3,470	397	3,282	265
Tax receivables	12	1,048		657	
Sundry receivables and other current assets	13	39,371	2,748	32,148	33
Financial receivables and other current financial assets	14	850		546	
Cash and cash equivalents	15	34,290		63,933	
TOTAL CURRENT ASSETS		**79,029**		**100,566**	
TOTAL ASSETS		**552,772**		**498,086**	

CONSOLIDATED HALF-YEAR STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euro)	Notes	30.06.2019	of which related parties	31.12.2018	of which related parties
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	**16**	**140,552**		**138,758**	
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**16**	**2,625**		**2,453**	
NON-CURRENT LIABILITIES:					
Non-current financial liabilities	**17**	294,402		221,394	
Non-current payables for derivatives	**18**	9,635		6,336	
Post-employment benefits and other staff-related provisions	**19**	1,013		982	
Deferred tax liabilities	**32**	16,484		8,206	
Provisions for future risks and charges	**20**	11,168	8	10,199	2
Sundry payables and other non-current liabilities	**21**	3,084		3,242	
TOTAL NON-CURRENT LIABILITIES		**335,786**		**250,359**	
CURRENT LIABILITIES:					
Current financial liabilities	**22**	53,595		60,380	
Current payables for derivatives	**18**	3,293		3,299	
Current trade payables	**23**	8,781	1,462	38,734	760
Tax payables	**24**	3,143		582	
Sundry payables and other current liabilities	**25**	4,997	67	3,521	2,793
TOTAL CURRENT LIABILITIES		**73,809**		**106,516**	
TOTAL LIABILITIES		**409,595**		**356,875**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**552,772**		**498,086**	

CONSOLIDATED HALF-YEAR INCOME STATEMENT

(in thousands of euro)	Notes	H1 2019	of which related parties	H1 2018	of which related parties
Electricity sales		13,610	2,597	12,066	
Revenues from incentive tariff		16,525		19,539	
Operating revenues	**27**	**30,135**	**2,597**	**31,605**	
Other sundry revenues and income	**28**	**775**	**332**	**1,542**	**243**
Total revenues		**30,910**		**33,147**	
Operating costs					
Staff costs		1,118		1,158	
Other operating costs		6,638	1,521	6,547	51
Provisions for risks		39	39	30	
Total operating costs	**29**	**7,795**		**7,735**	
Change in joint ventures measured using the equity method		**2,089**		**1,499**	
Depreciation and amortisation		11,583		10,104	
Write-downs and value adjustments		-		-	
Total depreciation, amortisation and write-downs	**30**	**11,583**		**10,104**	
OPERATING RESULT		**13,621**		**16,807**	
Financial income		125		64	
Financial expenses		(5,430)		(12,498)	
Financial income (expenses)	**31**	**(5,305)**		**(12,434)**	
Income (expenses) from equity investments and other financial assets		**18**	**70**	**19**	**70**
PROFIT BEFORE TAX		**8,334**		**4,392**	
Current		(2,275)		(2,190)	
Deferred		227		907	
Taxes for the year	**32**	**(2,048)**		**(1,283)**	
NET RESULT FOR THE PERIOD		**6,286**		**3,109**	
Attributable to:					
Owners of the parent	**33**	**6,116**		**2,899**	
Non-controlling interests		**170**		**210**	
EARNINGS PER SHARE					
- Basic, for net result for the period attributable to the ordinary owners of the parent		0.12		0.06	
EPS FROM OPERATING ASSETS					
- Basic, for net result for the period from operating assets attributable to the ordinary owners of the parent		0.12		0.06	

CONSOLIDATED HALF-YEAR STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)	H1 2019	H1 2018
NET RESULT FOR THE YEAR (A)	**6,286**	**3,109**
Gains/(losses) on the fair value measurement of cash flow hedge instruments	(3,408)	1,321
Tax effect relating to gains/(losses) from cash flow hedges	*817*	*(316)*
Gains/(losses) on the fair value measurement of cash flow hedge instruments relating to joint ventures	95	370
Tax effect relating to gains/(losses) from cash flow hedges relating to joint ventures	*(23)*	*(89)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect (b1)	**(2,519)**	**1,286**
Actuarial gains/(losses) on defined benefit plans recognised in accordance with IAS 19	*(94)*	*29*
Tax effect relating to actuarial gains/(losses) (IAS 19)	*26*	*(8)*
Total other comprehensive gains/(losses) that will not be subsequently reclassified to profit or loss, net of tax effect (b2)	**(68)**	**21**
Gains/(losses) from the recalculation of available-for-sale financial assets	-	-
Changes in revaluation reserve	-	-
Total other comprehensive gains/(losses) net of tax effect (b1) + (b2) = (B)	**(2,587)**	**1,307**
TOTAL COMPREHENSIVE PROFIT/(LOSS) (A) + (B)	**3,699**	**4,416**
Attributable to the owners of the parent	3,529	4,206
Attributable to non-controlling interests	170	210
TOTAL COMPREHENSIVE PROFIT/(LOSS)	**3,699**	**4,416**

NB: it should be noted that the consolidated statement of comprehensive income is a mandatory statement required by IAS 1. This statement represents the effects on the net result for the year if the components of revenue and cost, income or expense booked directly to equity had passed through the income statement.

CONSOLIDATED HALF-YEAR STATEMENT OF CASH FLOWS

(in thousands of euro)	Notes	H1 2019	of which related parties	H1 2018	of which related parties
A. Cash flow from operating activities					
Net profit (loss) for the period attributable to:					
Owners of the parent		6,116		2,899	
Non-controlling interests		170		210	
Adjustments for:					
Depreciation, amortisation and write-downs	**30**	11,583		10,104	
Financial income (expenses) and equity investments	**31**	5,287		12,415	
Current taxes for the year	**32**	2,275		2,190	
Change in joint ventures measured using the equity method		(2,089)		(1,499)	
Increase (decrease) in post-employment benefit provision	**19**	(63)		(164)	
Increase (decrease) in provision for risks and charges	**20**	473		(120)	
Increase (decrease) in deferred taxes	**32**	(236)		(910)	
Total cash flows from current operations		**23,516**		**25,125**	
(Increase) decrease in trade receivables and other assets	**10 - 11 - 12**	(3,626)	(2,847)	(3,327)	(133)
Increase (decrease) in trade payables and other liabilities	**21 - 23 - 25**	(1,301)	702	(1,524)	34
Total cash flows from changes in working capital		**(4,927)**		**(4,851)**	
Total cash flows from operating activities		**18,589**		**20,274**	
B. Cash flows from investment activities					
Cash acquired through business combination		4,822		701	
Consideration paid for business combination		(41,131)		-	
Acquisition of financial receivables from transferred companies			-	(13,192)	
(Investments in) divestments of intangible assets	**5**	(1,443)		(29)	
(Investments in) divestments of property, plant and equipment	**7**	(48,687)		(14,218)	
Dividends received from companies measured using the equity method	**8**	-		536	
Total cash flows from investment activities		**(86,439)**		**(26,202)**	
C. Cash flows from financing activities					
Net change in financial payables/receivables	**10 - 14**	60		153	
Net change in lease liabilities	**17 - 22**	(313)		-	
Increase (decrease) in payables to banks	**17 - 22**	48,107		5,571	
Increase (decrease) in payables to bondholders		-		147,973	
Purchase of treasury shares		(19)		-	
Dividends paid	**16**	(1,713)		(2,269)	
Financial expenses paid		(7,915)		(10,118)	
Total cash flows from financing activities		**38,207**		**141,310**	
D. Cash flows for the year (A+B+C)		**(29,643)**		**135,382**	
D1. Effects of adoption of IFRS 9 on available cash at 1 January 2018		-		**(86)**	
E. Available cash at start of year	**15**	**63,933**		**43,299**	
F. Available cash at end of year (D+D1+E)	**15**	**34,290**		**178,595**	

CONSOLIDATED HALF-YEAR STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 6-month period ended 30 June 2019

(in thousands of euro)	Share capital	Reserve for treasury shares	Share premium reserve	Earnings reserves	Cash flow hedge reserve	**Shareholders' equity attributable to owners of the parent**	Non-controlling interests	**Total shareholders' equity**
Balance as at 31 December 2018	186,042	(1,575)	21,400	(58,049)	(9,060)	**138,758**	2,453	**141,211**
Net result for the period	-	-	-	6,116	-	**6,116**	170	**6,286**
Other comprehensive gains (losses)	-	-	-	(68)	(2,591)	**(2,659)**	-	**(2,659)**
Other comprehensive gains (losses) from joint ventures measured using the equity method					72	**72**	-	**72**
Total comprehensive profit/(loss)	-	-	-	6,048	(2,519)	**3,529**	170	**3,699**
Dividends ascertained and/or distributed	-	-	-	(1,713)	-	**(1,713)**	-	**(1,713)**
Purchases of treasury shares	-	(19)	-	-	-	**(19)**	-	**(19)**
Other changes	-	-	-	(3)		**(3)**	2	**(1)**
Balance as at 30 June 2019	186,042	(1,594)	21,400	(53,717)	(11,579)	**140,552**	2,625	**143,177**

For information on individual items, see Note 15, “SHAREHOLDERS' EQUITY”.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 6-month period ended 30 June 2018

(in thousands of euro)	Share capital	Reserve for treasury shares	Share premium reserve	Earnings reserves	Cash flow hedge reserve	**Shareholders' equity attributable to owners of the parent**	Non-controlling interests	**Total shareholders' equity**
Balance as at 31 December 2017	158,355	1,409	21,400	(58,906)	(10,440)	**111,818**	2,538	**114,356**
Effects of adopting IFRS 9				(81)		**(81)**		**(81)**
Balance as at 1 January 2018*	158,355	1,409	21,400	(58,987)	(10,440)	**111,737**	2,538	**114,275**
Net result for the period	-	-	-	2,899	-	**2,899**	210	**3,109**
Other comprehensive gains (losses)	-	-	-	21	1,005	**1,026**	-	**1,026**
Other comprehensive gains (losses) from joint ventures measured using the equity method					281	**281**	-	**281**
Total comprehensive profit/(loss)	-	-	-	2,920	1,286	**4,206**	210	**4,416**
Dividends ascertained and/or distributed			-	(2,269)	-	**(2,269)**	-	**(2,269)**
Capital increase	24,800	-	-	(300)	-	**24,500**	-	**24,500**
Other changes	2,887	(2,887)	-	-	-	**-**	-	**-**
Balance as at 30 June 2018	**186,042**	**(1,478)**	**21,400**	**(58,636)**	**(9,154)**	138,174	2,748	140,922

(*) The effects of first-time application of IFRS 9 have been recognised in shareholders' equity without restatement of the comparative data.

BASIS OF PREPARATION

1. COMPANY INFORMATION

Parent Company Alerion Clean Power S.p.A. (hereinafter the "Parent Company" or "Alerion") is a legal entity organised under the laws of the Italian Republic. The ordinary shares of Alerion are listed on the electronic circuit of the Milan Stock Exchange - MTA. The registered office of the Alerion Group (hereinafter the "Group" or the "Alerion Group") is at Viale Majno 17, Milan.

This consolidated half-year financial report has been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS" or "International Accounting Standards") approved by the European Commission, in force as at 30 June 2019, pursuant to Article 154-*ter* of Legislative Decree 58 of 24/02/98 and in accordance with Consob Regulation 11971 of 14 May 1999, as amended.

This document includes the condensed consolidated half-year financial statements, prepared pursuant to IAS 34 with additional disclosure considered useful for a clearer understanding of the consolidated half-year statement of financial position and the consolidated half-year income statement for the first half of 2019. For this reason, this report does not include all the additional information required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018.

The Group operates in the field of electricity production from renewable sources, particularly in the wind sector.

The publication of the condensed consolidated financial statements as at 30 June 2019 was authorised by resolution of the directors on 26 July 2019.

2. BASIS OF PREPARATION

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for investment property and derivatives, which are recognised at fair value.

It should be noted that certain valuation processes, particularly more complex ones such as establishing impairment of non-current assets, are generally carried out in their fullest form only when preparing the annual financial statements, when all the necessary information is available, unless there are indicators of impairment that require an immediate assessment of any impairment losses. The financial statements are prepared as follows:

- The consolidated statement of financial position shows current and non-current assets and current and non-current liabilities separately.

- In the income statement, the breakdown of costs is based on the nature of the costs, as the Group considers this form more representative than the presentation of costs by use.

- The statement of cash flows was prepared using the indirect method.

Note that with regard to the requirements of Consob Resolution 15519 of 27 July 2006 regarding the financial statements, specific additional statements have been included, showing significant relations with "related parties".

It should also be noted that the preparation of the condensed consolidated half-year financial statements requires the making of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The final results may differ from estimates made based on data that reflect the current state of the available information. Estimates are used to recognise provisions for doubtful accounts, write-downs of assets, current and deferred taxes and other allowances and provisions. Estimates and assumptions are reviewed periodically, and the effects of any changes are immediately reflected in the income statement. For a more detailed description of the most significant valuation processes for the Group, please see the section "Discretionary assessments and significant accounting estimates" in the consolidated financial statements as at 31 December 2018.

The amounts shown in the accounting statements and notes, unless otherwise indicated, are expressed in thousands of euro.

The accounting standards used to prepare the consolidated half-year financial statements are consistent with those used to prepare the Group's annual financial statements for the year ended 31 December 2018, with the exception of the accounting standards, amendments and interpretations applied for the first time by the Group since 1 January 2019, which are described below.

AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

On 13 January 2016, the IASB published IFRS 16 - Leases, which is intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of a lease and introduces a criterion based on the control (right of use) of an asset to distinguish lease agreements from contracts for the provision of services, identifying as discriminatory: the identification of the asset, the right to replace it, the right to substantially obtain all the economic benefits deriving from the use of the asset and, lastly, the right to direct the use of the asset underlying the agreement.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee that provides for the recognition of the leased asset, including under an operating lease, in assets with a contra-entry in financial payables. By contrast, the standard does not include significant changes for lessors.

The standard has been applied since 1 January 2019.

Transition with modified retrospective method

The Company chose to apply the standard retrospectively, but recognised the cumulative effect deriving from the application of the standard in shareholders' equity as at 1 January 2019, in accordance with IFRS 16:C7-C13. Specifically, the Company recognised, in relation to leases previously classified as operating leases:

a) a financial liability, equal to the present value of future residual payments on the transition date, discounted using for each lease the incremental borrowing rate applicable on the transition date;

b) a right of use equal to the value of the financial liability at the transition date, net of any accruals/deferrals of income/expenses relating to the lease and recognised in the statement of financial position at the reporting date.

The following table shows the estimated impacts from adoption of IFRS 16 at the transition date.

(in millions of euro) **ASSETS**	**Impacts at transition date (01.01.2019)**
Non-current assets	
Right-of-use Land	12.97
Right-of-use Buildings	1.07
Right-of-use Electronic Machinery	0.03
Right-of-use Vehicles	0.14
Total right-of-use assets	**14.21**
Current assets	
Sundry receivables and other current assets	(0.99)
Total assets	**13.22**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Non-current liabilities	
Financial liabilities for non-current leases	12.09
Current liabilities	
Financial liabilities for current leases	1.13
Total	**13.22**
Shareholders' equity	**0.00**
Retained earnings	0.00

In adopting IFRS 16, the Group has availed itself of the exemption granted under IFRS 16:5(a) by not applying the standard to short-term assets. Likewise, the Group has availed itself of the exemption granted under IFRS 16:5(b) in respect of leases for which the underlying asset is a low-value asset (i.e. the assets underlying the lease do not exceed €5,000 when new). Low-value leases for which the exemption has been applied mainly fall within the following categories:

- Computers, phones and tablets;
- Printers;

• Other electronic devices.

For these leases, the introduction of IFRS 16 did not entail the recognition of the lease liability and the related right of use, but lease payments have been recognised in the income statement on a linear basis for the duration of the respective agreements.

In addition, with regard to the transition rules, the Company availed itself of the following practical expedients available when choosing the modified retrospective transition method (indicate only the exemptions that the Company has decided to use):

• Classification of agreements that expire within 12 months of the transition date as short-term leases. For these agreements, lease payments have been recognised in the income statement on a linear basis;

• Use of the information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgement that involve the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main policies are summarised below:

• The Company decided not to apply IFRS 16 for contracts containing a lease that have an intangible asset as an underlying asset;

• Lease term: the Group analysed all lease agreements, defining the lease term for each, given by the "non-cancellable" period, together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for the rights of use relating to the land on which the various projects are developed, this assessment took into account the specific facts and circumstances of each and the duration of the concessions relating to these projects, on average 29 years after the start of production. Therefore, the "non-cancellable" period and a period of renewal up to the term of the concession was taken into account, as it was reasonably certain that the agreements would not be terminated until its expiry. For the lease of the property at Viale Majno, where the Company has its registered office, a term of eight years until the expiry of the non-cancellable period and the renewal period provided for by the agreement was taken into account, as it is considered reasonably certain. With regard to other categories of assets, mainly company cars and electronic machinery, the Group generally considered it unlikely that any extension or early termination clauses would be exercised in view of usual practice.

• Definition of the incremental borrowing rate: Since most of the rental agreements entered into by the Group do not contain an implicit interest rate, the discount rate to be applied to future payments of rental instalments was determined as the risk-free rate of each country in which the contracts were entered into, with maturities commensurate with the term of the specific rental agreement, plus the Group's specific credit spread, and is therefore 3.71%.

Reconciliation with lease commitments

In order to provide an understanding of the impacts arising from first-time application of the standard, the following table provides a reconciliation between future commitments relating to lease agreements and the expected impact of the adoption of IFRS 16 at 1 January 2019.

Reconciliation of commitments for leases

(in millions of euro)	**1-Jan-19**
Commitments for operating leases as at 31 December 2018	**18.32**
Minimum payments on financial lease liabilities as at 31 December 2018	0.00
Undiscounted financial liabilities for leases as at 1 January 2019	**18.32**
Effect of IFRS 16 discounting	**(5.1)**
Financial liabilities for leases as at 1 January 2019	**13.22**
Present value of liability for finance leases as at 31 December 2018	13.22
Financial liabilities for additional leases due to the transition to IFRS 16 as at 1 January 2019	**0.00**

• On 12 October 2017, the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". This document specifies that instruments providing for early redemption may comply with the Solely Payments of Principal and Interest ("SPPI") test, including in cases where "reasonable additional compensation" to be paid in the event of early redemption is a "negative compensation" for the lender. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

• On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation addresses the issue of uncertainties about the tax treatment to be adopted in relation to income taxes. In particular, the Interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on the characteristics) assuming always that the tax authority examines the tax position in question, with full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment, the entity must reflect the effect of the uncertainty in measuring its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligation, but emphasises that the entity will have to determine whether it will be necessary to provide information on the considerations made by management relating to uncertainty inherent in the recognition of taxes, in accordance with IAS 1.

The new interpretation has been applied since 1 January 2019. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

• On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", which incorporates the amendments to certain standards as part of the annual improvement process. The main changes concern:

o IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest previously held in that business. This process is not, however, envisaged if joint control is obtained.

o IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in shareholders' equity) should be accounted for in a manner consistent with the transaction that generated such profits (income statement, OCI or shareholders' equity).

o IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or sale, they become part of the total loans used to calculate the borrowing costs.

The adoption of this amendment has had no effect on the Group's consolidated financial statements.

- On 7 February 2018, the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity must recognise an amendment (i.e. a curtailment or settlement) to a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the liability or net asset arising from the plan. The amendments clarify that after the occurrence of this event, the entity uses up-to-date hypotheses to measure the current service cost and interest for the remainder of the reference period following the event. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

- On 12 October 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including requirements relating to impairment and other long-term interests in associates and joint ventures for which the equity method is not applied. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As of the date of these condensed consolidated half-year financial statements, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts.

The aim of the new standard is to ensure that entities provide relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts, that an insurer holds.

The new standard also includes presentation and reporting requirements to improve comparability between entities in this sector.
The new standard measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA").
The main features of the General Model are as follows:
o estimates and assumptions of future cash flows are always current ones;
o the measurement reflects the time value of money;
o the estimates provide for extensive use of observable market information;
o there is a current and explicit risk measurement;
o the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
o the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in assumptions relating to the cash flows of each group of contracts.
The PAA approach provides for the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity provides that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the assessment of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to take place within one year of the date of the claim.
The entity must apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
The standard applies from 1 January 2021 but early application is permitted only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors do not expect the adoption of this standard to have a significant effect on the Group's consolidated financial statements.

• On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications on the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities and assets. However, in order to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the capacity to create output. To this end, the IASB has replaced the term "capacity to create output" with "capacity to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
The amendment has also introduced a concentration test, optional for entities, to determine whether a set of acquired activities and assets is a business. If the test is positive, the set of acquired activities and assets is not a business and the standard does not require further verification. If the test is negative, the entity must carry out further analyses of the acquired activities and assets to identify the presence of a business. To this end, the amendment has added several illustrative examples to IFRS 3 in order to ensure that the practical application of the new definition of business in specific cases is understood. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.

The directors do not expect the adoption of this amendment to have effects on the Group's consolidated financial statements.

- On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to make the definition of "material" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or misstated information already present in the two standards being amended. The amendment makes it clear that information is "obscured" if it has been described in such a way that it has an effect on primary users of financial statements similar to that which would have occurred if that information had been omitted or misstated.
The amendments introduced by the document apply to all transactions after 1 January 2020.
The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

- On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to resolve the current conflict between IAS 28 and IFRS 10.

Pursuant to IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a stake in the share capital of the latter is limited to the share held in the joint venture or associate by other investors not involved in the transaction. By contrast, IFRS 10 requires the recognition of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the subsidiary, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced provide that when an asset or subsidiary is sold/transferred to a joint venture or associate, the amount of the gain or loss to be recognised in the vendor's/transferor's financial statements depends on whether the assets or subsidiary sold/transferred constitute a business, as defined in IFRS 3. If the assets or subsidiary sold/transferred represent a business, the entity must recognise the gain or loss on the entire stake previously held; if not, the portion of the gain or loss relating to the stake still held by the entity must be derecognised. The IASB has now suspended the application of this amendment. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT POLICY

The following is an update of interest rate risk, compared with the financial statements as at 31 December 2018:

Interest rate risk

The Group is primarily exposed to the financial risk arising from interest rate fluctuations. This risk mainly arises from variable-rate financial payables deriving from project financing agreements which expose the Group to a cash flow risk linked to the volatility of the Euribor curve.

The objective of management is to limit the fluctuation of financial expenses that have an impact on the income statement, containing the risk of a potential increase in interest rates. In this respect, the Group pursues its aims through the use of derivative contracts entered into with third parties (interest rate swaps) intended to predetermine or limit the change in cash flows due to market variations in the aforementioned interest rates in relation to medium/long-term debt. The use of these instruments is governed by established practices based on criteria consistent with the Group's risk management strategies.

The recognition of any hedging transactions (hedge accounting) takes place from the date of stipulation of the derivative contract until the date of its extinguishment or expiry, documenting with a specific report (hedging documentation) the risk hedged and its purpose, as well as periodically verifying its effectiveness.

In particular, the cash flow hedging methodology is adopted pursuant to IFRS 9, which requires that, as illustrated in the section on "Valuation criteria", the effective portion of the change in the value of the derivative changes an equity reserve, which is used to adjust the value of the income statement interest hedged when it occurs.

In the case of companies that have entered into hedging derivatives prior to entry into the Group, these derivatives are recognised at their fair value at the acquisition date, pursuant to IFRS 3, and the relative effective portion to be recognised in the equity reserve is determined by excluding the subsequent change in the fair value of the residual portion of the fair value existing at the date of acquisition (designation).

In the event that a hedging derivative is remodelled (as a result of changes in the future plans provided for the underlying liability or in the Group's hedging objectives), the previous reserve in place on the date of the change is released over time in line with the hedged flows and, at the same time, the new (remodelled) transaction generates the recognition of a new reserve, which is determined by eliminating the subsequent change in the fair value of the residual share of the fair value existing at the date the tool was modified.

The fair value of interest rate swaps is obtained by discounting cash flows, determined as the differential between the contractually established estimated fixed rates and variable rates. The aim of the effectiveness assessment is to demonstrate a high correlation between the technical and financial characteristics of the liabilities hedged (maturity, amount, etc.) and those of the hedging instrument by carrying out appropriate retrospective and prospective tests, respectively using the dollar offset and curve shift methods.

Specifically, these tests are carried out by identifying a hedging derivative which replicates the projected use and amortisation of the hedged liability, in relation to both actual and future uses, provided that it is highly probable (updating these values at each reference date on the basis of new information available), and presents, with reference to the same maturities, a single fixed rate consistent with the market levels applicable to the Group at the designation date.

The hedge accounting method is abandoned when the hedging instrument expires, is terminated early or no longer qualifies for hedging. At that time, the portion pertaining to the year of accumulated gains or losses of the hedging instrument recognised in shareholders' equity are transferred to the income statement for the period (while the remaining portion will be released as the hedged flows manifest in the future) or immediately released to the income statement if the future flows hedged cease to be highly probable.

Changes in the fair value of derivative instruments that do not qualify as hedging are recognised in the income statement for the year in which they occur; all derivatives outstanding as at 30 June 2019 are classified as hedging, although they sometimes generate ineffective components related to the cases described above (IFRS 3, remodelling, lower uses, etc.). The Group does not enter into derivative contracts for trading purposes.

Interest rate risk, mainly arising from payables to banks and related to the volatility of the Euribor curve, was limited at 30 June 2019 due to the issue of the bond loan in 2018 at a fixed rate of 3.75%.

Financial derivatives: *Cash flow hedging*

As indicated in the section on the management of interest rate risk, the Group enters into interest rate swaps to manage the risk arising from changes in interest rates on loans granted by financial institutions, converting most of these loans from variable rate to fixed rate.

As at 30 June 2019, the Group's derivatives portfolio qualifying for hedge accounting breaks down as follows:

Counterparty (*) data at 30 June 2019 (in thousands of euro)	Notional	Fair value at 30 June 2019	Inception Date	Effective Date	Termination Date	Fixed rate	Variable rate
GE Capital (Ordona)	28,408	(4,427)	24-apr-08	30-apr-08	30-giu-25	4.84%	Euribor 6M
Monte dei Paschi di Siena (Callari)	22,520	(2,877)	24-giu-08	01-lug-08	31-dic-23	4.85%	Euribor 6M
Unicredit (Green Energy Sardegna)	21,774	(1,829)	30-ott-18	31-dic-18	29-giu-35	1.23%	Euribor 6M
Unicredit (Eolica PM)	33,394	(2,700)	21-dic-18	21-dic-18	29-giu-35	1.11%	Euribor 6M
Sabadell (Teruel)	4,208	(11)	26-giu-19	26-giu-19	30-giu-21	0.21%	Euribor 6M
Sabadell (Comiolica)	13,419	(165)	26-giu-19	26-giu-19	30-giu-26	0.44%	Euribor 6M
Unicredit (Fri-El Albareto)	14,627	(918)	15-feb-19	28-giu-19	29-giu-35	0.95%	Euribor 6M
Derivative instruments	**138,350**	**(12,927)**					
BBVA (Ecoenergia Campania)	1,025	(54)	26-giu-08	01-lug-08	31-dic-20	5.05%	Euribor 6M
B.I.I.S. (New Green Molise)	19,664	(2,441)	12-mag-10	31-dic-10	30-giu-25	3.50%	Euribor 6M
Derivative instruments attributable to	**20,689**	**(2,495)**					

(*) It should be noted that in the case of loans granted by a pool of banks the term "counterparty" means the pool agent bank

The fair value of interest rate swaps in place at 30 June 2019 attributable to the fully consolidated companies was estimated at €12,927 thousand (compared with €9,635 thousand at 31 December 2018).

Net of the related tax effect, the Group cash flow hedge reserve, recognised at 31 December 2018 at €9,060 thousand, was €11,579 thousand at 30 June 2019.

	Company	CFH** reserve at 30-giu-19	CFH reserve at 31-dic-18	Changes in CFH reserve: Other changes	Settlement of IRS differentials	Fair value adjustment
	GE Capital (Ordona)	(4,245)	(4,701)	-	798	(342)
	Monte dei Paschi di Siena (Callari)	(2,869)	(3,206)	-	563	(226)
(*)	BBVA (Ecoenergia Campania)	(54)	(85)	-	33	(2)
	Unicredit (Green Energy Sardegna)	(1,829)	(723)	-	140	(1,246)
(*)	B.I.I.S. (New Green Molise)	(2,441)	(2,508)	-	393	(326)
	Unicredit (Eolica)	(2,700)	(699)	-	68	(2,069)
	Sabadel (Alerion Teruel)	(11)	-	(11)	-	-
	Sabadel (Comiolica)	(165)	-	(165)	-	-
	Unicredit (Fri-El Albareto)	(918)	-	(918)	-	-
	Cash flow hedge reserve - before tax	***(15,232)***	***(11,922)***	***(1,094)***	***1,995***	***(4,211)***
	Deferred taxes	3,653	2,862	259	(479)	1,011
	Net cash flow hedge reserve	**(11,579)**	**(9,060)**	**(835)**	**1,516**	**(3,200)**

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

(**) CFH (cash flow hedge reserve)

The cash flow hedge reserve increased in the first half of 2019 compared with 31 December 2018, worsening the negative impact on consolidated shareholders' equity by €2,519 thousand due to the hedges activated in response to the new project financing loans entered into by the Group in the last period to finance the construction of new wind farms and the recent acquisition of a wind farm in Spain, through the purchase of Comiolica S.L., despite the positive effect due to the settlement of IRS coupons expiring during the half-year and the substantial confirmation of the interest rate curve at the minimum values in line with those used in the previous assessments of the fair value of derivatives at 31 December 2018.

Unhedged financial assets and liabilities

Currently, the Group has not hedged the following types of financial instruments:

- financial payables used to finance the Group's operating activities, consisting in particular of the payable to the financial institution DEG by the four Bulgarian companies (Krupen entities) for €3,364 thousand;

- sight and short-term bank deposits (maximum maturity three months), used for temporary liquidity commitments.

4. BASIS OF CONSOLIDATION

The following table shows the basis of consolidation as at 30 June 2019.

Name	Registered office	Share capital (/000)	% ownership direct	% ownership indirect	Company directly holding indirect equity investment
Subsidiaries consolidated on a line-by-line basis					
- Alerion Clean Power S.p.A.	Milan - Viale Majno 17	186,042	-		
- Alerion Real Estate S.r.l. in liquidation	Milan - Viale Majno 17	90	100.00		
- Alerion Energie Rinnovabili S.p.A.	Milan - Viale Majno 17	10,000	100.00		
- Alerion Servizi Tecniche 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, 4th Floor	50	100.00		
- Alerion Teruel	Barcelona - Carrer Car Ràbia, 3-5, 4th Floor	10		100.00	Alerion Spain S.L.
- Comiolica	Saragozza - Paseo de la Independencia, 27, 5, 50001	2,500		100.00	Alerion Teruel S.L.
- Ordona Energia S.r.l.	Milan - Viale Majno 17	435		100.00	Alerion Energie Rinnovabili S.p.A.
- Callari S.r.l.	Milan - Viale Majno 17	1,000		100.00	Alerion Energie Rinnovabili S.p.A.
- Minerva S.r.l.	Milan - Viale Majno 17	14		100.00	Alerion Energie Rinnovabili S.p.A.
- Eolo S.r.l.	Milan - Viale Majno 17	750		100.00	Alerion Energie Rinnovabili S.p.A.
- Parco Eolico Licodia Eubea S.r.l.	Milan - Viale Majno 17	100		80.00	Alerion Energie Rinnovabili S.p.A.
- Dotto S.r.l.	Milan - Viale Majno 17	10		100.00	Alerion Energie Rinnovabili S.p.A.
- Wind Power Sud S.r.l	Milan - Viale Majno 17	10		100.00	Alerion Energie Rinnovabili S.p.A.
- Energes Biccari S.r.l. in liquidation	Milan - Viale Majno 17	100		75.00	Alerion Servizi Tecnici e Sviluppo S.r.l.
- Renergy San Marco S.r.l.	Milan - Viale Majno 17	108		100.00	Alerion Energie Rinnovabili S.p.A.
- Krupen Wind S.r.l.	Milan - Viale Majno 17	10		100.00	Alerion Energie Rinnovabili S.p.A.
- Enermac S.r.l.	Milan - Viale Majno 17	40		100.00	Alerion Servizi Tecnici e Sviluppo S.r.l.
- 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 Energie Rinnovabili S.p.A.
				5.00	Alerion Bioenergy S.r.l. in liquidation
- Alerion Bulgaria OOD	Sofia - 6th Septemvri Str., 6A, Sredetz Region	50 LEV		92.50	Alerion Energie Rinnovabili S.p.A.
- Wind Energy EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.4 LEV		51.00	Krupen Wind S.r.l.
- Wind Stream EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
- Wind Systems EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
- Wind Power 2 EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
Joint ventures measured using the equity method					
- Ecoenergia Campania S.r.l.	Cervinara (AV) - Via Cardito, 14	100		50.00	Alerion Energie Rinnovabili S.p.A.
- New Green Molise S.r.l.	Naples - Via Diocleziano 107	10		50.00	Alerion Energie Rinnovabili S.p.A.
Investments in associates measured according to the equity method					
- Giava Uno S.r.l. in liquidation	Milan - Via Donizetti, 1	1,600		31.00	Alerion Energie Rinnovabili S.p.A.
- S.C. Compania Eoliana S.A.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	501 RON		49.75	Alerion Energie Rinnovabili S.p.A.
- 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.

With respect to 31 December 2018, there was a change in the basis of consolidation due to the establishment of two companies under Spanish law wholly owned by Alerion Clean Power S.p.A. (Alerion Spain S.L. and Alerion Teruel S.L.), through which the acquisition of the shares of Comiolica S.L., which owns a 36 MW wind farm in Spain, was completed.

5. INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The following table shows the changes in intangible assets with a finite useful life that occurred during the half-year:

(in thousands of euro)	Rights and concessions	Development costs	Patents and intellectual works	Other intangible assets	Total
Net book value as at 01.01.2018	**57,772**	**4,731**	**36**	**164**	**62,703**
Gross value					
Increases	23,989	7	7	-	24,003
Change in basis of consolidation	206	-	-	-	206
Decreases	-	-	(227)	(102)	(329)
Total change in gross value	**24,195**	**7**	**(220)**	**(102)**	**23,880**
Accumulated amortisation					
Amortisation	(3,308)	(329)	(14)	(85)	(3,736)
Elimination of amortisation provision for disposal of assets	-	-	227	102	2
Total change in accumulated amortisation	**(3,308)**	**(329)**	**213**	**17**	**(3,407)**
Gross value at 31.12.2018	**87,245**	**7,291**	**454**	**508**	**95,498**
Amortisation provision	(29,473)	(2,560)	(418)	(344)	(32,795)
Net book value at 01.01.2019	**78,659**	**4,409**	**29**	**79**	**83,176**
Gross value					
Following business combinations	26,365	-	-	-	26,365
Increases	-	1,265	217	-	1,482
Decreases	-	-	(12)	(9)	(21)
Total change in gross value	**26,365**	**1,265**	**205**	**(9)**	**27,826**
Accumulated amortisation					
Following business combinations	-	-	(26)	-	(26)
Amortisation	(1,777)	(211)	(6)	(18)	(2,012)
Elimination of amortisation provision for disposal of assets	-	-	12	-	12
Total change in accumulated amortisation	**(1,777)**	**(211)**	**(20)**	**(18)**	**(2,026)**
Gross value at 30.06.2019	**137,805**	**8,563**	**439**	**397**	**147,204**
Amortisation provision	(34,558)	(3,100)	(225)	(345)	(38,228)
Net book value at 30.06.2019	**103,247**	**5,463**	**214**	**52**	**108,976**

Rights and concessions came to €103,247 thousand (€78,659 thousand at 31 December 2018) and refer to the permits and management rights for wind farms recognised through the acquisition of equity investments in project companies. The increase during the half-year was due to a change in the basis of consolidation due to the acquisition of the shares of Comiolica S.L.

Development costs came to €5,463 thousand (€4,409 thousand at 31 December 2018) and mainly relate to costs incurred in connection with feasibility studies, design studies, anemometric analyses and other costs relating to wind power projects under development and implementation. These costs were capitalised in accordance with IAS 38 and amortised as of the entry into operation of the plants to which they relate, based on the useful life of the relevant project.

No impairment indicators were identified when these condensed consolidated half-year financial statements were prepared, and therefore no specific impairment testing was carried out.

6. BUSINESS COMBINATIONS

On 26 June 2019, Alerion Clean Power S.p.A. acquired, through its subsidiaries Alerion Spain SL and Alerion Teruel SL, 100% of Comiolica S.L., a company that owns an operating wind farm in Spain (in the municipality of Aliaga in the province of Teruel) with installed power of 36 MW (12 turbines of 3 MW).

In accordance with IFRS 3, information on business combinations is provided below.

The consideration for the transaction was approximately €41 million, of which €25.4 million was used to purchase the shares and the remainder to repay the shareholder loan. The transaction was partly financed with own resources and partly through a project financing agreement, for an amount of €23.5 million, signed with a pool of Spanish banks composed of Banco Sabadell and Abanca. As part of this transaction, Alerion also acquired an option to purchase another wind project in Spain of 50 MW, which is currently being authorised.

The consideration paid for the shares of the company and the financial receivables of the vendors with respect to the acquired company was not subject to a price adjustment procedure depending on the net financial position or the occurrence of significant events that could affect the value of the acquired company at the transaction execution date. The consideration was paid in full to the vendors on the date of execution of the respective agreements.

The accounting treatment of the business combination has been provisionally determined, as the process of estimating and valuing the assets and liabilities of the acquiree has not yet been completed at the date of this half-year financial report.

As required by IFRS 3, after identifying and valuing the assets acquired, the value of the business combination will be defined within 12 months and therefore no later than the publication of the condensed consolidated half-year financial statements as at 30 June 2020.

Entities participating in the business combination

The entities in the business combination are: Alerion Teruel, as the acquiring entity, and Comiolica, which owns an operating wind farm in Spain (in the municipality of

Aliaga in the province of Teruel) with installed capacity of 36 MW (12 turbines of 3 MW). Following the transaction in question, the Alerion Group obtained control of Comiolica, acquiring 100% of the share capital of €2,500 thousand.

Name	Share capital (€/000)	% ownership	Company directly holding indirect equity investment
Comiolica S.L.	2,500	100%	Alerion Teruel S.L.

Consideration transferred for the business combination

The consideration transferred for the business combination pertaining to the Alerion Group is €41,131 thousand. The breakdown is as follows:

Consideration transferred for business combination	
Shares acquired by the counterparty	*25,400*
Receivables from the counterparty in respect of Comiolica	*15,731*
Total consideration transferred for business combination	**41,131**
Consideration transferred for business combination	**41,131**
Consideration paid at 26 June 2019	*41,131*

Designation of the assets acquired, and liabilities assumed identified in the business combination.

When the fair value of these assets and liabilities was determined, the following were recognised at the acquisition date:

Net assets at the date of acquisition of control, 26 June 2019	Net assets at acquisition date	Fair value allocated recognised at acquisition date	Fair value of net assets acquired
Intangible assets - Concessions	191	26,205	26,396
Property, plant and equipment	23,635	0	23,635
Trade and other receivables	452	0	990
Current financial receivables	316	0	316
Prepaid tax assets	0	0	0
Cash and other current securities	4,821	0	4,821
Deferred taxes	(1,890)	(6,551)	(8,441)
Provision for risks	(516)	0	(516)
Payables to shareholders	(15,731)	0	(15,731)
Payables to financial institutions	(5,423)	0	(5,423)
Trade payables	(200)	0	(200)
Current and non-current payables	(447)	0	(447)
Non-controlling interests	-	-	-
Fair value of net assets acquired	**5,208**	**19,654**	**25,400**

For each asset or liability identified at fair value, the respective tax effects were also recognised under deferred tax assets and the provision for deferred tax liabilities.

In determining the fair value of intangible assets, one of the three different valuation methods permitted by IFRS 3 was used. Specifically, the income approach was adopted, which identifies fair market value as the present value of the income flows attributable to the asset. At the acquisition date, the value assigned to intangible assets was €19,654 thousand.

Since the acquisition of control of Comiolica was finalised close to the end of the first half of 2019, the Group's consolidated income statement did not benefit from any financial contribution after the acquisition date.

As previously reported, the consideration transferred for the business combination and the net fair value of the assets acquired were provisionally determined. The respective values determined during final accounting may therefore differ significantly from the values attributed to them during provisional accounting.

As required by IFRS 3, the following are the economic data of the subsidiary acquired as if the acquisition had taken place on 1 January 2019:

(in thousands of euro)	H1 2019	12 months 2018
Revenues	**4,727**	**8,842**
Cost of human resources	(189)	(458)
Other operating costs	(1,195)	(2,128)
Operating costs	**(1,384)**	**(2,586)**
Gross operating margin (EBITDA)	**3,343**	**6,256**
Depreciation, amortisation and write-downs	(1,172)	(2,881)
Operating profit (EBIT)	**2,171**	**3,375**
Financial income (expenses)	(383)	(785)
Profit before tax (EBT)	**1,789**	**2,591**
Taxes	(447)	(652)
Net result	**1,341**	**1,939**
Profit (loss) attributable to non-controlling interests	0	0
Net result attributable to the Group	**1,341**	**1,939**

7. PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of euro)	Land	Buildings	Plant and equipment	Other assets	Assets under construction	Total
Net book value as at 01.01.2018	**352**	**-**	**206,681**	**108**	**126**	**207,267**
Gross value						
Change in basis of consolidation	8	-	51	-	15,647	15,706
Other reclassifications	-	-	75	-	(75)	-
Increases	326	-	2,899	37	82,923	86,185
Decreases	-	-	(51)	(448)	-	(499)
Total change in gross value	**334**	**-**	**2,899**	**(411)**	**98,570**	**101,392**
Accumulated depreciation						
Change in basis of consolidation	-	-	-	(55)	-	(55)
Depreciation	-	-	(16,535)	(32)	-	(16,567)
Elimination of depreciation provision for disposal of assets	-	-	-	451	-	451
Total change in accumulated depreciation	**-**	**-**	**(16,535)**	**364**	**-**	**(16,171)**
Gross value at 31.12.2018	**686**	**5**	**344,341**	**863**	**98,611**	**444,506**
Depreciation provision	-	(5)	(167,084)	(833)	-	(167,922)
Net book value at 31.12.2018	**686**	**-**	**177,257**	**30**	**98,611**	**276,584**
Effects of adoption of IFRS 16 at 01.01.2019	12,965	1,070	-	177	-	14,212
Net book value at 01.01.2019	**13,651**	**1,070**	**177,257**	**207**	**98,611**	**290,796**
Gross value						
Change in basis of consolidation	-	-	35,944	772	622	37,338
Other reclassifications	-	-	36,168	-	(36,168)	-
Increases	6	-	378	2,005	19,147	21,536
Decreases	-	-	(52)	3	-	(49)
Total change in gross value	**6**	**-**	**72,438**	**2,780**	**(16,399)**	**58,825**
Accumulated depreciation						
Change in basis of consolidation	-	-	(13,792)	(106)	-	(13,898)
Depreciation	-	-	(9,031)	(555)	-	(9,586)
Elimination of depreciation provision for disposal of assets	-	-	20	-	-	20
Total change in accumulated depreciation	**-**	**-**	**(22,803)**	**(661)**	**-**	**(23,464)**
Gross value at 30.06.2019	**13,657**	**1,070**	**416,779**	**3,820**	**82,212**	**517,543**
Depreciation provision	-	(5)	(189,887)	(1,494)	-	(191,386)
Net book value at 30.06.2019	**13,657**	**1,065**	**226,892**	**2,326**	**82,212**	**326,157**

As indicated in the paragraph “IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019”, with the adoption of IFRS 16 - Leases, the item **property, plant and equipment** now includes new assets that essentially represent the right of use of the underlying asset and liabilities that reflect the obligation to pay rent. The following table shows the estimated effects of adopting IFRS 16 at the transition date:

(in thousands of euro)	Land	Buildings	Plant and equipment	Other assets	Assets under construction	Total
Net book value at 01.01.2019	**12,965**	**1,070**	**-**	**177**	**-**	**14,212**
Change in basis of consolidation	2,003					2,003
Depreciation	(380)	(70)	0	(47)	0	(497)
Net book value at 30.06.2019	**14,588**	**1,000**	**-**	**130**	**-**	**15,718**

Land totals €13,657 thousand. The increase is entirely due to the adoption of IFRS 16.

Buildings totals €1,070 thousand. The increase is entirely due to the adoption of IFRS 16.

Plant and equipment amounts to €226,892 thousand (€177,257 thousand at 31 December 2018) and includes costs relating to the estimated expense of restoring the sites where the plants are located. The movements in the period mainly relate to depreciation (€9,031 thousand), the change in the basis of consolidation in accordance with the reference accounting standard, IFRS 3 - Business Combinations, which entailed the recognition of the net value of the wind plant owned by Comiolica S.L. of €22,152 thousand, and the start of depreciation of the Villacidro wind farm at the end of the projected test period, due to which a gross amount of €36,168 thousand was reclassified from "Assets under construction" to "Plant and equipment".

Other assets amounted to €2,326 thousand (€30 thousand at 31 December 2018) and mainly concerned office furnishings and furniture and electronic office machinery.

Assets under construction amounted to €82,212 thousand (€98,611 thousand at 31 December 2018). As well as the reclassification of €36,168 thousand to plant and equipment, there was an increase of €19,147 thousand for the creation and completion of wind farms owned by the Eolica PM and Fri-El Albareto.

8. EQUITY INVESTMENTS IN JOINT VENTURES MEASURED USING THE EQUITY METHOD

The information required by IFRS 11 – Joint Arrangements is set out below.

As of 30 June 2019, Alerion, through the subsidiary Alerion Energie Rinnovabili, held the following equity investments in joint ventures: Ecoenergia Campania S.r.l. and New Green Molise S.r.l.

Based on the governance structure and the contractual agreements, Alerion cannot control the significant activities of these 50% owned companies on its own. Decisions on activities identified as significant are taken only with the joint agreement of shareholders.

For this reason, such companies are considered and classified as joint ventures.

(€/000)	30.06.2019	31.12.2018
Ecoenergia Campania S.r.l.	3,935	4,045
New Green Molise S.r.l.	13,830	13,783
Equity investments in joint ventures measured using the equity method	**17,765**	**17,828**

Ecoenergia Campania S.r.l.

With reference to the joint venture Ecoenergia Campania S.r.l, a company that owns a wind farm in Lacedonia, in the province of Avellino, the following is an indication of the current and non-current assets and liabilities and costs and revenues of the investee, recognised in the consolidated financial statements of the Alerion Group as at 30 June 2019, according to the valuation of the equity investment using the equity method:

Ecoenergia Campania S.r.l. (€/000)	30.06.2019	31.12.2018
Non-current assets	9,864	10,326
Current assets	5,233	4,772
of which cash and cash equivalents	*3,417*	*3,260*
Total assets	**15,097**	**15,098**
Shareholders' equity	7,870	8,089
Non-current liabilities	488	3,271
of which non-current financial liabilities	*24*	*2,810*
Current liabilities	6,739	3,738
of which current financial liabilities	*3,701*	*2,136*
Total liabilities and shareholders' equity	**15,097**	**15,098**
	H1 2019	**H1 2018**
Revenues	2,351	2,465
Costs	(1,374)	(1,435)
of which write-downs and depreciation	*(548)*	*(515)*
of which interest expense	*(98)*	*(174)*
of which income taxes	*(282)*	*(275)*
Net result	**977**	**1,030**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	62	102
Tax effect relating to gains/(losses) from cash flow hedges	*(15)*	*(24)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**47**	**78**
Dividends distributed	**(1,218)**	**-**
	30.06.2019	**31.12.2018**
Net assets	7,870	8,089
Percentage owned	50%	50%
Carrying amount of the equity investment	**3,935**	**4,045**

New Green Molise S.r.l.

New Green Molise S.r.l. is a company that owns a wind farm in San Martino in Pensilis, in the province of Campobasso, with installed power of 58 MW. The following is an indication of the current and non-current assets and liabilities and costs and revenues of the investee, recognised in the consolidated financial statements of the Alerion Group as at 30 June 2019, according to the valuation of the equity investment using the equity method:

New Green Molise S.r.l. (€/000)		
	30.06.2019	**31.12.2018**
Non-current assets	67,811	67,350
Current assets	23,900	19,256
of which cash and cash equivalents	*16,092*	*13,246*
Total assets	**91,711**	**86,606**
Shareholders' equity	27,659	27,566
Non-current liabilities	44,763	44,614
of which non-current financial liabilities	*43,645*	*43,510*
Current liabilities	19,289	14,426
of which current financial liabilities	*12,308*	*12,031*
Total liabilities and shareholders' equity	**91,711**	**86,606**
	H1 2019	**H1 2018**
Revenues	9,648	8,757
Costs	(6,446)	(6,790)
of which write-downs and depreciation	*(2,557)*	*(2,449)*
of which interest income	*2*	*-*
of which interest expense	*(1,625)*	*(1,796)*
of which income taxes	*(1,126)*	*(975)*
Net result	**3,202**	**1,967**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	126	638
Tax effect relating to gains/(losses) from cash flow hedges	*(30)*	*(153)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**96**	**485**
Dividends distributed	**(3,210)**	**(5,200)**
	30.06.2019	**31.12.2018**
Net assets	27,659	27,566
Percentage owned	50%	50%
Carrying amount of the equity investment	**13,830**	**13,783**

It should be noted that, as of the date of this report, New Green Molise S.r.l. was in compliance with the financial covenants in the respective project financing agreements. With regard to the Ecoenergia Campania loan, it should be noted that the portion due after one year was reclassified to current liabilities, due to presumed non-compliance with the contractual terms of this loan. The company does not believe that prejudicial events have occurred pursuant to the loan agreement that would require a formal request for a waiver, and, pending a definition of the circumstances through discussions with the agent bank, the entire amount of the said loan (approximately €1,857 thousand at 30 June 2019, which is the portion attributable to the Group) has been reclassified to current liabilities.

9. EQUITY INVESTMENTS IN ASSOCIATES MEASURED USING THE EQUITY METHOD

At 30 June 2019, Alerion, through the subsidiary Alerion Energie Rinnovabili, held the following equity investments in associates: Giava Uno S.r.l. in liquidation and S.C. Compania Eoliana S.A. The latter, in turn, owns 99% of the share capital of Jimbolia Wind Farm S.r.l.

Giava Uno S.r.l.

Giava Uno S.r.l. in liquidation, in which Alerion holds a 31% stake, was the owner of a project to construct and manage a biomass plant with a short supply chain of 5.5 MW in Fontanella, in the province of Bergamo. The equity investment in the company was already written down in full in 2014 as construction of the plant became unfeasible and the project company was consequently placed in liquidation. The liquidation process has not yet been completed.

Compania Eoliana S.A.

Compania Eoliana S.A., of which Alerion holds a 49.75% stake, is the owner of development projects in Romania deemed no longer feasible. In view of this, the value of the equity investment and the associated shareholder loan was written down in full in 2016.

10. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

Financial receivables and other non-current financial assets came to €3,788 thousand (compared with €3,789 thousand at 31 December 2018) and mainly include financial receivables from joint ventures.

CURRENT ASSETS

11. TRADE RECEIVABLES

Trade receivables amounted to €3,470 thousand (€3,282 thousand at 31 December 2018) and mainly consist of receivables accrued on the sale of the energy produced in June 2019.

Trade receivables generally fall due in 30-45 days.

12. TAX RECEIVABLES

Tax receivables amounted to €1,048 thousand (€657 thousand at 31 December 2018) and mainly refer to IRES tax receivables (€186 thousand refund requested and

€390 thousand for payments on account in excess of the payable for the period) and IRAP payments on account of €457 thousand.

13. SUNDRY RECEIVABLES AND OTHER CURRENT ASSETS

The following table shows the breakdown of **sundry receivables and other current assets**:

(€/000)	30.06.2019	31.12.2018	Change
- Receivables from tax authorities	17,142	14,964	2,178
- Receivables from others	22,229	17,184	5,045
Total current sundry receivables	**39,371**	**32,148**	**7,223**

Receivables from tax authorities mainly consist of the portion of receivables for withholding taxes and indirect taxes (VAT) that are believed to be recoverable within one year. This portion includes a requested refund of €7,697 thousand.

Other receivables amounted to €22,228 thousand, net of an impairment provision of €289 thousand (€17,184 thousand at 31 December 2018), and mainly refer to receivables for incentives of €16,520 thousand (€13,750 thousand at 31 December 2018), prepaid expenses of €2,105 thousand and receivables for dividends approved by the joint ventures, Ecoenergia Campania and New Green Molise, but not settled, of €2,214 thousand.

14. FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Financial receivables and other current financial assets came to €850 thousand (€546 thousand at 31 December 2018). This item includes a bond loan of €509 thousand obtained as part of the corresponding transfer of photovoltaic companies in 2013 (following the collection of 50% of the receivable in June 2016) and other financial receivables including a fixed interest-bearing deposit of €316 thousand made by Spanish subsidiary Comiolica.

15. CASH AND CASH EQUIVALENTS

(€/000)	30.06.2019	31.12.2018	Change
Bank sight deposits	34,267	63,910	(29,643)
Cash on hand	23	23	0
Total cash and cash equivalents	**34,290**	**63,933**	**(29,643)**

Bank deposits amounted to €34,290 thousand (€63,933 thousand at 31 December 2018).

At 30 June 2019, bank deposits attributable to Group companies that do not have project financing outstanding amounted to €7,787 thousand, compared with €14,614 thousand at 31 December 2018. Cash and cash equivalents related to Group companies financed under the project financing scheme amounted to €26,390 thousand at 30 June 2019 and €49,296 thousand at 31 December 2018. They mainly consist of deposits in bank current accounts and must operate in accordance with commitments under project financing agreements.

For further details on changes in cash and cash equivalents, see the statement of cash flows.

16. SHAREHOLDERS' EQUITY

Shareholders' equity attributable to the Group amounted to €140,552 thousand at 30 June 2019, up €1,794 thousand compared with the €138,758 thousand recorded at 31 December 2018. The changes that took place were:

- an increase of €6,116 thousand in profit for the period attributable to the Group;
- a decrease of €68 thousand due to actuarial gains/losses from defined benefit plans (IAS 19) recognised in the consolidated statement of comprehensive income net of the tax effect;
- the purchase of own shares for €19 thousand;
- an increase of €2,519 thousand due to the positive change in the fair value of derivatives on bank loans (project financing), net of the tax effect;
- a decrease of €1,713 thousand on the partial distribution of available reserves;

It should be noted that the Shareholders' Meeting of Alerion Clean Power S.p.A., held on 24 April 2019, approved the proposal to distribute a dividend to be paid as of 15 May 2019, with the detachment on 13 May 2019 of coupon no. 8, through the partial use of reserves, of €0.034 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime. The dividend was paid according to the deadlines and methods established by the Shareholders' Meeting.

The statement of changes in shareholders' equity items at 30 June 2019 compared with those present at 31 December 2018 is shown in the consolidated financial statements.

The breakdown of individual items is provided below:

Alerion's share capital amounted to €186,042 thousand (unchanged compared with 31 December 2018) and consisted of 51,209,773 ordinary shares. The reserve for treasury shares at 30 June 2019 was negative for €1,594 thousand (negative for €1,575 thousand at 31 December 2018) and refers to the purchase value of the 820,339 treasury shares held by the Company. The change in the reserve compared with 31 December 2018 reflects purchases of own shares during the half-year with an equivalent value of €19 thousand.

The share premium reserve amounted to €21,400 thousand, unchanged compared with 31 December 2018, and refers to: i) the share premium of €0.02 per share on the capital increase in 2003; ii) the share premium of €0.55 per share on the capital increase in 2008, net of adjustments for costs incurred related to the capital increases; and iii) the difference between the value of the purchase of the treasury shares cancelled in 2012 and their nominal value, plus purchase fees.

Earnings reserves were negative for €53,717 thousand (negative for €58,049 thousand as at 31 December 2018) and include accumulated gains/losses, net of dividends distributed.

The cash flow hedge reserve was negative for €11,579 thousand (negative for €9,060 thousand at 31 December 2018) and includes changes in the fair value of derivative instruments, net of the related tax effect for their effective portion. The negative change during the year totalled €2,519 thousand, of which €72 thousand was attributable to equity investments in joint ventures measured using the equity method. Please refer to section 3, "FINANCIAL RISK MANAGEMENT POLICY", which shows changes in the cash flow hedge reserve.

Capital, reserves and earnings of non-controlling interests totalled €2,625 thousand (€2,453 thousand at 31 December 2018).

The information required by IFRS 12 – Disclosure of Interests in Other Entities is set out below.

Company	Operational headquarters	Percentage owned		Profits (losses) on non-controlling interests		Shareholders' equity attributable to	
(in thousands of euro)		30.06.2019	31.12.2018	H1 2019	H1 2018	30.06.2019	31.12.2018
Alerion Bulgaria AD	Bulgaria	92.50%	92.50%	0	(1)	(7)	(7)
Parco Eolico Licodia Eubea	Italy	80.00%	80.00%	118	167	863	743
Energes Biccari	Italy	75.00%	75.00%	(1)	0	(31)	(30)
Wind Energy EOOD	Bulgaria	51.00%	51.00%	17	5	549	532
Wind Stream EOOD	Bulgaria	51.00%	51.00%	7	1	342	335
Wind Systems EOOD	Bulgaria	51.00%	51.00%	10	(2)	409	399
Wind Power 2 EOOD	Bulgaria	51.00%	51.00%	19	40	500	481
Total				**170**	**210**	**2,625**	**2,453**

NON-CURRENT LIABILITIES

17. NON-CURRENT FINANCIAL LIABILITIES

(€/000)	30.06.2019	31.12.2018	Change
Payables to bondholders	147,549	147,373	176
Payables to banks for loans	130,851	71,903	58,948
Lease payables and liabilities	13,853	-	13,853
Payables to third parties for loans	2,149	2,118	31
Payables to other lenders	-	-	-
Total non-current financial liabilities	**294,402**	**221,394**	**73,008**

Payables to bondholders at 30 June 2019 comprised €150,000 thousand for the 2018-2024 Bond Loan subscribed on 29 June 2018, net of €2,451 thousand for ancillary costs. The portion of annual interest had been paid on 30 June 2019. It will be remembered that the Company exercised its right of early redemption of the 2015-2022 Bond Loan of €130,000 thousand net of ancillary costs of €2,547 thousand on 20 July 2018 and issued the aforementioned 2018-2024 Bond Loan on 29 June 2018.

Payables to banks for loans amounted to €130,851 thousand at 30 June 2019 (€71,903 thousand at 31 December 2018) and consisted of i) the long-term portion of the project financing obtained for the construction of the wind farms of Villacidro, Albareto and Ponte Gandolfo, respectively by subsidiaries Green Energy Sardegna (€26,787 thousand), Fri-El Albareto S.r.l. (€13,214 thousand) and Eolica PM S.r.l. (€38,801 thousand), net of ancillary costs, and ii) the long-term portion of project financing payables relating to the plants at Ordona and Krupen in Bulgaria. It should be noted that, after 31 December 2018, the medium/long-term portion of the financial payable relating to the Krupen project financing of approximately €2,877 thousand was reclassified to non-current financial liabilities, after a waiver was obtained from the lending banks in the first half of 2019.

The portion expiring after one year relating to the Callari plant remained classified under current liabilities. In this regard, it should be noted that on 16 January 2019, MPS Capital Services, as the agent bank for the project financing agreement for the Callari wind farm, invited the Company to submit a formal request for a waiver in relation to an alleged breach of the contractual terms of the above loan. However, the Company does not believe that any prejudicial events have materialised pursuant to the loan agreement that would require a formal request for a waiver and therefore entered into discussions with the agent bank on 30 January 2019 in order to clarify the respective positions. While these discussions are ongoing, the entire amount of the said loan, amounting to approximately €21,177 thousand at 30 June 2019, has remained reclassified under current liabilities, as on 31 December 2018.

Lease payables and liabilities refer to the present value of the portion due beyond 12 months of future lease payments recognised according to the accounting model for leases pursuant to IFRS 16.

Detailed information on current and non-current financial liabilities is provided below, indicating the interest rates applied and the relevant maturities:

(€/000)	at 31.12.2018	Increase	(Decrease)	at 30.06.2019	Interest rate	IRS	Maturity
Project financing - Callari	24,715	-	- 3,538	21,177	6-month Euribor + 1.20%	4.85%	2024
Project financing - Ordona	30,317	-	- 2,687	27,630	6-month Euribor + 1.20%	4.84%	2025
Payables to bondholders 2018-2024	150,224	-	- 2,659	147,565	Bond coupon 3.75%	n.a.	2024
Project financing - Albareto	-	16,106	-	16,106	6-month Euribor + 2.00%	5.08%	2026
Project financing - Alerion Teruel	-	5,470	-	5,470	6-month Euribor + 2.75 %	0.21%	2021
Bankinter loan	-	3,840	-	3,840	6-month Euribor +2.32%	n.a.	2024
Project financing - Comiolica	-	17,495	-	17,495	6-month Euribor + 2.75 %	0.43%	2026
Project financing - Eolica PM	29,387	15,919	-	45,306	6-month Euribor + 2.05 %	1.11%	2035
Project financing - Green Energy Sardegna	24,073	8,164	-	32,237	6-month Euribor + 2.05%	1.23%	2035
Project financing - W.Energy Eood	962	-	- 121	841	DEG base rate + 4.75%	n.a.	2022
Project financing - W.Power Eood	962	-	- 121	841	DEG base rate + 4.75%	n.a.	2022
Project financing - W.Stream Eood	962	-	- 121	841	DEG base rate + 4.75%	n.a.	2022
Project financing - W.System Eood	962	-	- 121	841	DEG base rate + 4.75%	n.a.	2022
Financial payables for leases	-	15,104	-	15,104	3-month Euribor + 0.25%	n.a.	
Payables to banks	17,092	-	- 6,538	10,554	1-month Euribor + 1.0%	n.a.	on revocation
Minority shareholder loan	2,118	31	-	2,149			
Total financial liabilities	**281,774**	**82,129**	**(15,906)**	**347,997**			
of which							
Current	**60,380**			**53,595**			
Non-current	**221,394**			**294,402**			

With regard to the above loans, information is provided below on a project-by-project basis on the amount of residual debt, technical forms used, maturity, commitments, guarantees issued to lenders and significant contractual clauses.

(€/000)				Associated financial debt				
Plant	Company	Consolidated installed capacity (MW)	Net book value of assets	Book value of financial liabilities	Technical form	Maturity	Commitments and guarantees issued to lenders	Material contractual clauses
Callari (CT)	Callari S.r.l.	36.00	32,027	21,177	Proj. financing	2024	(*)	(**)
Ordona (FG)	Ordona S.r.l.	34.00	16,921	27,630	Proj. financing	2025	(*)	(**)
Castel di Lucio (ME)	Minerva S.r.l.	23.00	26,356	-	Fin. Shareholders	2022	(ITG)	(ITG)
Licodia Eubea (CT)	Parco Eolico Licodia Eubea S.r.l.	22.10	28,177	-	Fin. Shareholders	2022	(ITG)	(ITG)
San Marco in Lamis (FG)	Renergy San Marco S.r.l.	44.20	41,684	-	Fin. Shareholders	2022	(ITG)	(ITG)
Agrigento (AG)	Wind Power Sud S.r.l.	33.20	41,296	-	Fin. Shareholders	2022	(ITG)	(ITG)
Albanella (SA)	Eolo S.r.l.	8.50	4,551	-	Fin. Shareholders	2022	(ITG)	(ITG)
Ciorlano (CE)	Dotto S.r.l.	20.00	15,104	-	Fin. Shareholders	2022	(ITG)	(ITG)
Morcone and Pontelandolfo	Eolica PM S.r.l.	51.80	58,541	45,306	Proj. financing	2035	(*)	(**)
Villa Cidro (SU)	Green Energy Sardegna S.r.l.	30.80	42,761	32,237	Proj. financing	2035	(*)	(**)
Comiolica (Spain)	Comiolica S.L.	16.00	-	17,495	Proj. financing	2035	(*)	(**)
Comiolica (Spain)	Alerion Teruel S.L.	-	-	5,470	Proj. financing	2035	(*)	(**)
Albareto	Fri-El Albareto S.r.l.	19.80	23,623	16,106	Proj. financing	2035	(*)	(**)
Krupen (1) (Bulgaria)	W.Energy Eood	3.00	2,753	841	Proj. financing	n.a.	(*)	(**)
Krupen (2) (Bulgaria)	W.Power Eood	3.00	2,729	841	Proj. financing	n.a.	(*)	(**)
Krupen (3) (Bulgaria)	W.Stream Eood	3.00	2,753	841	Proj. financing	n.a.	(*)	(**)
Krupen (4) (Bulgaria)	W.System Eood	3.00	2,753	841	Proj. financing	n.a.	(*)	(**)
		351.40	**342,029**	**168,785**				

(*) Main commitments and guarantees issued: pledge on corporate quotas. Pledge on bank accounts, mortgage and lien

(**) Debt service cover ratio (DSCR) contractual clauses; financial leverage (debt to equity)

(ITG) At the date of disbursement of the bond, the project financing of the project companies was acquired by the Parent Company, Alerion Clean Power S.p.A.

These project financing agreements contain covenants typical of the financial market, which place limits on the company financed in line with prevailing market practice for similar agreements. In particular, it should be noted that real guarantees refer mainly to: i) the lien on movable property; ii) the first-degree mortgage on immovable property; iii) the pledge on receivables and current accounts; and iv) the pledge on 100% of the share capital.

The financed company takes on a number of **obligations to do** and **obligations not to do**, compliance with which is essential for the purposes of the loan agreement. The details are as follows:

- The **obligations to do** concern, amongst other things, the opening of the project account and the VAT account, the endowment of own funds, the stipulation of the agreement with the network managers and insurance policies, the appointment of the director of works, the safeguarding of the plant, the notification of any event of commencement or event of termination or event of withdrawal, full compliance with the energy account decree, compliance with the minimum storage level, and the recognition of the right of refusal to the lending bank in the event of refinancing.

- The **obligations not to do** relate, amongst other things, to the prohibition on the repayment of the shareholder loan (subject to the prior written consent of the lending bank, in the event that this does not permit the maintenance of a debt to equity ratio at least equal to that contractually defined), the cessation or modification of the nature of the activities carried out, the establishment of restrictions and/or encumbrances on the assets relating to the project (negative pledges) and the constitution of allocated assets.

The following table shows the **financial parameters** relating to the project financing agreements for which compliance at the reporting date is already due, and which specifically refer to: i) the minimum levels required to comply with the debt service reserve account, which must not be less than the sum of the principal repayment instalments, fees and interest expenses incurred between the various half-yearly calculation dates, and ii) the debt to equity ratio.

Covenants on project financing agreements

Project financing agreements:	DSCR (Debt Service Cover Ratio)
- Project finance - Ecoenergia Campania	1.05
- Project finance - Callari	1.05
- Project finance - Ordona	1.05
- Project finance - New Green Molise	1.10
- Project finance - Green Energy Sardegna	1.05
- Project finance - Eolica PM	1.05
- Project finance - Fri-El Albareto	1.05
- Project finance - Krupen	1.10

The above covenants were complied with at 30 June 2019, the most recent calculation date. With regard to the Ecoenergia Campania loan, it should be noted that the portion due after one year was reclassified to current liabilities, due to presumed non-compliance with the contractual terms of this loan. The Company does not believe that any prejudicial events have materialised pursuant to the loan agreement that would require a formal request for a waiver and is therefore in discussions with the agent bank pending the definition of the circumstances.

It should be noted that with reference to the 2018-2024 Bond Loan, if on each calculation date, the ratio of net financial indebtedness (book value) excluding derivatives to shareholders' equity excluding derivatives is more than 2.5, the Company undertakes not to take on additional net financial indebtedness (book value) excluding derivatives, unless on the next calculation date the ratio is equal to or less than 2.5. The "calculation date" refers to the date of 31 December of each year for the term of the loan, starting on 31 December 2018. Note that the definition and calculation of net financial indebtedness (book value) excluding derivatives and shareholders' equity excluding derivatives will be made on the basis of the international accounting standards in force at the date of disbursement of the bond loan and already used by the Company to prepare the 2018 annual financial report.

Payables to third parties for loans refer to loans granted by minority shareholders in relation to the development of wind farms.

18. DERIVATIVE INSTRUMENTS

At 30 June 2019, derivatives in the financial statements totalled €12,928 thousand (€9,635 thousand at 31 December 2018), of which the current portion of €3,293 thousand represents cash flows due within one year, while the non-current portion of €9,635 thousand includes future cash flows until the end of the derivative contract corresponding to the repayment of the project financing.

At 30 June 2019, the following financing operations were in place, for which cash flow hedges were activated:

Counterparty (Company) (in thousands of euro)	Project financing hedged with IRS	Derivative notional	Fair value of derivatives at 30 June 2019	Shareholder's equity amount	Income statement amount	Fair value of derivatives at 31 December 2018
GE Capital (Ordona)	27,630	28,408	(4,427)	456	39	(4,922)
Monte dei Paschi di Siena (Callari)	21,177	22,520	(2,877)	337	7	(3,221)
Unicredit (Green Energy Sardegna)	32,237	21,774	(1,829)	(1,106)	10	(733)
Unicredit (Eolica)	45,306	33,394	(2,700)	(2,001)	60	(759)
Sabadel (Alerion Teruel)	5,470	4,208	(11)	(11)	-	-
Sabadel (Comiolica)	17,495	13,419	(165)	(165)	-	-
Unicredit (Fri-El Albareto)	16,106	14,627	(918)	(918)	-	-
Derivative instruments attributable to fully consolidated equity investments	**165,421**	**138,350**	**(12,927)**	**(3,408)**	**116**	**(9,635)**
related tax effect			***3,103***	***817***	***(28)***	***2,314***
Derivatives attributable to fully consolidated equity investments, net of the related tax effect			**(9,824)**	**(2,591)**	**88**	**(7,321)**
BBVA (Ecoenergia Campania)*	2,388	1,025	(54)	31	-	(85)
B.I.I.S. (New Green Molise)*	21,457	19,664	(2,441)	64	-	(2,505)
Derivative instruments attributable to equity investments in joint ventures	**23,845**	**20,689**	**(2,495)**	**95**	**-**	**(2,590)**
related tax effect			***599***	***(23)***		***622***
Derivative instruments attributable to equity investments in joint ventures net of the tax effect			**(1,896)**	**72**	**-**	**(1,968)**

The Group enters into interest rate swaps to manage the risk arising from changes in interest rates on project financing contracted with several banking syndicates and, at the request of the same (a condition for entering into project financing transactions) converting investment finance lines from variable rates to fixed rates. At the reporting date, contracts were outstanding of a notional amount of approximately €124,141 thousand, setting interest at an average IRS rate of approximately 4% over an average period of 15 years. The change in fair value compared with December 2018 was negative, firstly due to the new hedging transactions associated with the project financing agreements contracted in the last 12 months for the construction and acquisition of new wind farms and, secondly, due to the ongoing situation on the financial markets, which continues to adversely affect the valuation of derivatives, as they are affected by the negative difference between the IRS curve and the forward rate curve.

Note that the change in the fair value of derivatives relating to joint ventures was a positive €72 thousand compared with December 2018, recognised directly in the statement of comprehensive income, net of the tax effect. Overall, the liabilities for derivative instruments attributable to the two equity investments in question amounted to €2,495 thousand as at 30 June 2019, compared with €2,590 thousand as at 31 December 2018.

The fair value of interest rate swaps at 30 June 2019 is estimated at €12,927 thousand (€9,635 thousand at 31 December 2018) for the fully consolidated companies. The methodology applied to calculate fair value is the discounted cash flow model. These derivative instruments are designated as hedging instruments for future cash flows and have been effective; consequently, changes in fair value have been recognised in an equity reserve. The ineffective portion has been recognised in the income statement.

19. POST-EMPLOYMENT BENEFITS AND OTHER STAFF-RELATED PROVISIONS

These came to €1,013 thousand (€982 thousand as at 31 December 2018) and include the actuarial value of the Group's effective debt to all employees determined by applying the criteria set out in IAS 19.

The actuarial assumptions used to define the provision are summarised below:

Table_Actuarial and economic and financial assumptions	
Calculation date	**30.06.2019**
Mortality rate	IPS55 tables
Invalidity rates	INPS-2000 tables
Staff rotation rate	2.00%
Discount rate*	0.77%
Salary accrual rate	1.00%
Advances rate	1.00%
Inflation rate	1.20%

The Group had 29 employees at 30 June 2019. The breakdown is shown below:

	Number at 31.12.2018	Increases	Decreases	Number at 30.06.2019	Average number in period
Executives	3	0	0	3	3.0
Office workers	24	6	(4)	26	22.0
Total employees	**27**	**6**	**(4)**	**29**	**25.0**

Information on the average age of personnel and training is provided below:

	Average age		Graduates	
	at 31.12.2018	at 30.06.2019	at 31.12.2018	at 30.06.2019
Executives	52	53	3	3
Middle managers and office workers	38	36	12	11
Total	**45.0**	**44.5**	**15**	**14**

20. PROVISIONS FOR FUTURE RISKS AND CHARGES

(€/000)	30.06.2019	31.12.2018	change
Provision for taxes and tax disputes	3,860	3,467	393
Provision for legal disputes	143	167	(24)
Provisions for other risks	7,165	6,565	600
Total provisions for future risks and charges	**11,168**	**10,199**	**969**

The changes in **provisions for future risks and charges** are as follows:

(€/000)	Taxes and tax disputes	Legal dispute risks	Provisions for other risks	Total
Number at 31 December 2018	**3,467**	**167**	**6,565**	**10,199**
Change in basis of consolidation	**-**	**-**	516	**516**
Provisions	393	-	84	477
(Used/Released)	-	(24)	-	(24)
Number at 30 June 2019	**3,860**	**143**	**7,165**	**11,168**

The item **taxes and tax disputes** includes accruals relating to the higher ICI/IMU tax recalculated mainly on the basis of the receipts redetermined by the Regional Agency.

The **provision for legal disputes** is recognised for legal expenses relating to outstanding disputes and reflects the updated estimate of risks on lawsuits as at 30 June 2019.

The **provisions for other risks** item mainly includes:

- the costs of plant decommissioning of €6,299 thousand (€5,758 thousand as at 31 December 2018). The increase was due to the change in the basis of consolidation (€516 thousand) due to the acquisition of 100% of shares in Comiolica S.L., which owns a wind farm in Spain of 36 MW. In accordance with IAS 16 and IAS 37, the provision for charges recognised for the restoration of the site where the wind farms operate has been adjusted to reflect higher property, plant and equipment;
- a probable price adjustment on the sale of three photovoltaic companies for the execution of certain guarantees provided for in the sale agreement for €509 thousand;
- other provisions to hedge probable future risks of €357 thousand.

21. SUNDRY PAYABLES AND OTHER NON-CURRENT LIABILITIES

These came to €3,084 thousand (€3,242 thousand at 31 December 2018) and refer to the contribution required pursuant to Law 488/92 and to the P.O.R. contribution made respectively for the construction of the Albanella and Agrigento wind farms.

(€/000)	30.06.2019	31.12.2018	Change
Other payables	3,084	3,242	(158)
Total sundry non-current payables	**3,084**	**3,242**	**(158)**

CURRENT LIABILITIES

22. CURRENT FINANCIAL LIABILITIES

(€/000)	30.06.2019	31.12.2018	Change
Current payables for bank loans and lines	52,329	57,529	(5,200)
Payables to bondholders	15	2,851	(2,836)
Lease payables and liabilities	1,251	-	1,251
Total current financial liabilities	**53,595**	**60,380**	**(6,785)**

Current payables for loans and bank lines came to €52,329 thousand and mainly include: i) €3,964 thousand for the short-term portion of the project financing for the Ordona plants; ii) €21,177 thousand for the entire project financing for the Callari plants; iii) €969 thousand for the short-term portion of project financing for the Krupen plant; iv) €767 thousand for the short-term portion of the corporate loan with Bankinter; v) €2,892 thousand for the short-term portion of the project financing for the Albareto plant; vi) €6,505 thousand for the short-term portion of the project financing for the Pontelandolfo plant; vii) €5,450 thousand for the short-term portion of the project financing for the Villacidro plant; and viii) €10,554 thousand of credit lines to finance the construction of the wind farms of Green Energy Sardegna S.r.l., Eolica P.M. S.r.l. and Fri-El Albareto S.r.l.

Payables to bondholders at 30 June 2019 refers to the value of the interest on the 2018-2024 Bond Loan, accrued during the half-year and not yet due, of €15 thousand.

Lease payables and liabilities refer to the present value of the portion due within 12 months of future lease payments recognised according to the accounting model for leases pursuant to IFRS 16.

23. CURRENT TRADE PAYABLES

Trade payables came to €8,781 thousand (€38,734 thousand at 31 December 2018) and relate to payables to suppliers. They do not generate interest and are normally settled at 60 days. The decrease in this item reflects the progress of the construction of wind farms during the 2018 financial year, which were being completed as of 30 June 2019.

24. TAX PAYABLES

Tax payables came to €3,143 thousand (€582 thousand at 31 December 2018) and mainly relate to current tax payables for IRES.

(Euro/000)	30.06.2019	31.12.2018	Change
Tax payables for IRAP (regional production tax)	449	163	286
Tax payables for IRES (corporate income tax)	2,694	419	2,275
Total tax payables	**3,143**	**582**	**2,275**

25. SUNDRY PAYABLES AND OTHER CURRENT LIABILITIES

(thousands of euro)	30.06.2019	31.12.2018	Change
Payables to employees and directors	365	613	(248)
Payables to tax authorities	834	217	617
Social security payables	195	275	(80)
Other payables	3,603	2,416	1,187
Total sundry payables and other current liabilities	**4,997**	**3,521**	**1,476**

The **Other payables** item mainly includes:

- payables for municipal agreements of €1,268 thousand;
- deferred income recognised by subsidiary Eolo S.r.l. and its subsidiary WPS in relation to the portion recognised as a capital contribution pursuant to Law 488/92 "Facilitation of production activities", for subsequent years, amounting to €361 thousand.

"Other payables" do not carry interest and are settled on average every 12 months.

For terms and conditions relating to related parties, please see the note "Details of relations with related parties and intra-group relations as at 30 June 2019".

26. NET FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS

For comments on individual items, see the relevant notes above.

(in thousands of euro)		30.06.2019	of which related parties	31.12.2018	of which related parties
Cash and cash equivalents					
Cash and cash equivalents		34,290		63,933	
Total cash and cash equivalents	**15**	**34,290**		**63,933**	
Financial receivables and other current financial assets	**14**	**850**		**546**	
Current payables for loans	**22**	(52,329)		(57,529)	
Current payables to bondholders	**22**	(15)		(2,851)	
Lease payables and liabilities		(1,251)			
Current payables for derivatives	**18**	(3,293)		(3,299)	
Total current financial liabilities		**(56,888)**		**(63,679)**	
CURRENT FINANCIAL INDEBTEDNESS		**(21,748)**		**800**	
- Payables to other lenders	**17**	(2,149)		(2,118)	
- Payables to banks for loans	**17**	(130,851)		(71,903)	
- Payables to bondholders	**17**	(147,549)		(147,373)	
Lease payables and liabilities		(13,853)		-	-
Non-current payables for derivatives	**18**	(9,635)		(6,336)	
NON-CURRENT FINANCIAL INDEBTEDNESS		**(304,037)**		**(227,730)**	
NET FINANCIAL INDEBTEDNESS		**(325,785)**		**(226,930)**	
Financial receivables and other non-current financial assets	**10**	**3,788**	3,788	**3,789**	3,789
NET FINANCIAL INDEBTEDNESS (BOOK VALUE)		**(321,997)**		**(223,141)**	

* Consob Communication DEM/6064293/2006

INCOME STATEMENT

27. OPERATING REVENUES

Operating revenues in the first half of 2019 amounted to €30,135 thousand (€31,605 thousand in the first half of 2018) and mainly relate to:

- revenues from the sale of electricity of €13,610 thousand (€12,066 thousand at 30 June 2018);
- revenues from the incentive tariff of €16,525 thousand (€19,539 thousand at 30 June 2018).

In the first half of 2019, the average price of electricity and incentives for incentivised Italian wind farms was €143.6 per MWh, compared with €152.8 per MWh in the first half of 2018. In particular:

- The average price of electricity for wind farms located in Italy in the period was €51.5 per MWh, compared with €53.8 per MWh in the first half of 2018;
- The average price of incentives in Italy in the first half of 2019 was €92.1 per MWh (€99 per MWh at 30 June 2018).
- The average selling price in the period for the Krupen plant in Bulgaria was around €96 per MWh. In particular, in Bulgaria, the type of incentive system is a "feed-in-tariff" system (comprehensive price for the electricity component and for the incentive component) and provides for a fixed tariff of around €96 per MWh for production up to 2,000 annual hours equivalent.

28. OTHER SUNDRY REVENUES AND INCOME

Other sundry revenues and income in the first half of 2019 came to €775 thousand (€1,542 thousand in the first half of 2018) and mainly relate to:

- the transfer of certificates of origin to third companies for €145 thousand;
- administrative and technical advice given to joint ventures and associates for €223 thousand;
- insurance indemnities for non-production of €7 thousand;
- contributions pursuant to Law 488/92 and P.O.R. contribution made respectively for the construction of the Albanella and Agrigento wind farms totalling €210 thousand;

The change was due to lower insurance indemnities obtained by the Group in the first half of 2019 compared with the same period last year, for €205 thousand, and to settlement agreements and releases of funds recognised in the first half of 2018.

In particular, this item included the release of the provision for risks related to the lawsuit with Census for €421 thousand.

29. OPERATING COSTS

(€/000)	H1 2019	H1 2018	Change
Operating costs			
Staff	**1,118**	**1,158**	**(40)**
BoD and corporate costs	556	568	(12)
Consulting and collaborations	958	727	231
Insurance	493	449	44
Maintenance	2,891	2,490	401
Royalties and leases	425	793	(368)
IMU property tax	267	267	-
Other costs of production and imbalances	238	-	238
Other management costs	810	1,253	(443)
Other operating costs	**6,638**	**6,547**	**91**
Provisions for risks	**39**	**30**	**9**
Total operating costs	**7,795**	**7,735**	**60**

The following table shows the breakdown of staff costs.

(€/000)	H1 2019	H1 2018	Change
Wages, salaries and social security contributions	745	811	(66)
Social security costs	249	273	(24)
Post-employment benefits	54	54	-
Other staff costs	70	20	50
Total staff costs	**1,118**	**1,158**	**(40)**

The **BoD and corporate costs** item in the first half of 2019 was €556 thousand, essentially unchanged compared with the first half of 2018 (€568 thousand).

Consultancy and cooperation amounted to €958 thousand, up by around €231 thousand compared with the previous period.

Maintenance costs primarily include the costs of ordinary and extraordinary maintenance of the operating plants, which amounted to €2,891 thousand in the first half of 2019, up by €401 thousand compared with the first half of 2018. The increase mainly relates to the entry into operation of the Villacidro wind farm as of 31 January 2019.

Provisions for risks amounted to €39 thousand, compared with €30 thousand at 30 June 2018.

30. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

The following table shows the breakdown of depreciation, amortisation and write-downs:

(€/000)	H1 2019	H1 2018	Change
Amortisation of intangible assets	1,997	1,851	146
Depreciation of property, plant and equipment	9,586	8,253	1,333
Total depreciation, amortisation and write-downs	**11,583**	**10,104**	**1,479**

The increase compared with the first half of 2018 was mainly due to the entry into operation of the Villacidro plant from 31 January 2019 and the application of the new IFRS 16 - Leases standard.

31. FINANCIAL INCOME (EXPENSES)

The following table provides details of the financial management result:

(€/000)	H1 2019	H1 2018	Change
Financial income:			
- bank interest	-	2	(2)
- derivatives income	116	56	60
- financial income from third parties	9	6	3
Total financial income	**125**	**64**	**61**
Financial expenses:			
- interest on bond loan	(2,989)	(9,982)	6,993
- short-term bank interest and charges	(2,420)	(2,498)	78
- derivatives expenses	-	-	-
- other financial expenses	(21)	(18)	(3)
Total financial expenses:	**(5,430)**	**(12,498)**	**7,068**
Total financial income and expenses	**(5,305)**	**(12,434)**	**7,129**

Financial income

"**Derivatives income**" includes changes in the fair value of derivative instruments that did not qualify as hedging instruments at the valuation date of 30 June 2019. The Group's objective is to limit the fluctuation of financial expenses that have an impact on the income statement, containing the risk deriving from a potential increase in interest rates. The Group uses derivatives contracts with third parties (interest rate swaps) to predetermine or limit the change in cash flows due to the market variation in the aforementioned interest rates, with reference to medium/long-term debt. At each valuation date, checks are carried out to ensure that the conditions of effectiveness of the hedges implemented are met.

Financial expenses

Financial expenses came to €5,430 thousand (€12,498 thousand at 30 June 2018) and include **short-term bank interest and charges** of €2,420 thousand, which mainly relate to interest accrued on the use of project financing and **interest accrued on the bond loan** of €2,989 thousand. It should be noted that the interest on the bond loan for the first half of 2019 includes €3,900 thousand relating to the penalty for early redemption of the 2015-2022 Bond Loan and €2,425 thousand relating to the recognition in the income statement of the ancillary costs of the previous bond loan, of which €1,925 thousand was released early due to the early redemption.

The **other financial expenses** item includes financial expenses relating to lease liabilities recognised pursuant to IFRS 16 of €16 thousand.

32. TAXES

The details of the **Taxes** item are shown in the following table:

€ thousands	H1 2019	H1 2018	Change
Current taxes	(2,275)	(2,190)	(85)
Deferred tax assets - related to the onset and reversal of temporary differences	(110)	500	(610)
Deferred tax liabilities - related to the onset and reversal of temporary differences	337	407	(70)
Tax on income in the consolidated income statement	(2,048)	(1,283)	(765)

Deferred tax assets and liabilities

The breakdown of deferred and prepaid taxes as at 30 June 2019 is as follows:

Amounts in thousands of euro	Consolidated statement of financial position 30-Jun-19	31-Dec-18	Change	Consolidated income statement H1 2019	Change in scope H1 2019	Other comprehensive gains/(losses) and other changes H1 2019	Consolidated income statement H1 2018
Deferred tax liabilities							
Discounting of post-employment benefits	39	23	16	0	0	16	0
Deferred tax on temporary differences relating to non-taxable dividends and depreciation and amortisation	(1,890)	0	(1,890)	0	(1,890)	0	0
Deferred tax on temporary differences recognised on intra-group eliminations	(142)	(104)	(38)	(38)	0	0	5
Business combination (IFRS 3)	(15,466)	(9,261)	(6,205)	346	(6,551)	0	373
Derivative instruments	1,753	1,955	(202)	(12)	0	(190)	(13)
Adaptation to Group accounting standards	(778)	(819)	41	41	0	0	41
Total (A)	**(16,484)**	**(8,206)**	**(8,278)**	**337**	**(8,441)**	**(174)**	**406**
Deferred tax assets							
Prepaid tax on temporary differences due to the recording of risk provisions	583	586	(3)	(3)	0	0	0
Derivative instruments	1,350	358	992	(16)	43	965	0
Consolidation adjustments for the purposes of adjusting the financial statements to the IFRS used by the Group	1,158	1,152	6	(10)	0	16	51
Prepaid tax on temporary differences relating to interest expense surpluses	12,517	12,698	(181)	(181)	0	0	485
Prepaid tax on temporary differences recognised on intra-group eliminations	1,381	1,281	100	100	0	0	(35)
Available losses for offsetting against taxable future profits	57	57	0	0	0	0	0
Other deductible temporary differences on reversal of capitalisation of plant and expansion costs	11	11	0	0	0	0	0
Total (B)	**17,057**	**16,143**	**914**	**(110)**	**43**	**981**	**501**
Net deferred tax assets	**573**	**7,937**	**(7,364)**	**227**	**(8,398)**	**807**	**907**
Current taxes				**(4,121)**			**(2,190)**
Total taxes for the year				**(3,894)**			**(1,283)**

Deferred tax assets and liabilities

Of the net difference of €7,634 thousand compared with 2018, €807 thousand was recognised directly as a negative change to shareholders' equity, €8,398 thousand for the consolidation of Comiolica and €227 thousand in the consolidated income statement.

Deferred tax liabilities are mainly recognised on the entry of intangible assets as a result of business combinations and derivatives.

Deferred tax assets are mainly recognised:

- on temporary differences for recognitions of risk provisions, related to the recognition of risk provisions in Alerion Clean Power S.p.A. and Alerion Real Estate S.r.l. in liquidation.

- on the excess of interest expense on ROL, for which it is believed that there is reasonable certainty of reabsorption in subsequent tax periods pursuant to Article 96 of the TUIR.

- on temporary differences, recognised on intra-group eliminations and related primarily to financial expenses on intra-group loans, capitalised in the statutory financial statements of the subsidiaries.

Current taxes

The following table shows the reconciliation of theoretical and effective tax charges:

(in €/000)	IRES		IRAP		TOTAL	
Current taxes at 30.06.2019	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Profit before tax	***8,334***		***13,621***			
Theoretical tax charge	**(2,000)**	**24.0%**	**(531)**	**3.9%**	**(2,531)**	**27.9%**
Permanent non-deductible differences	(308)	3.7%	(38)	0.3%	(346)	4.0%
Other temporary changes	581	(7.0%)		0.0%	581	(7.0%)
Use of previous tax losses	49	(0.6%)			49	(0.6%)
Change in rate			(28)	0.2%	(28)	0.2%
Actual current taxes	**(1,679)**	**20.1%**	**(597)**	**4.4%**	**(2,275)**	**24.5%**

	IRES		IRAP		TOTAL	
Current taxes at 30/06/2018	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Profit before tax	***4,392***		***16,807***			
Theoretical tax charge	**(1,054)**	**24.0%**	**(655)**	**3.9%**	**(1,709)**	**27.9%**
Permanent non-deductible differences	(220)	5.0%	31	(0.2%)	(189)	4.8%
Other temporary changes	(570)	13.0%	62	(0.4%)	(508)	12.6%
ACE facilitation effect	216	(4.9%)			216	(4.9%)
Actual current taxes	**(1,628)**	**37.1%**	**(562)**	**3.3%**	**(2,190)**	**40.4%**

33. PROFIT PER SHARE

Basic profit per share is calculated by dividing the net profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year, net of the treasury shares purchased by Alerion Clean Power S.p.A. in the first half of 2019.

The income and information on shares for the purposes of calculating basic and diluted profit per share are shown below:

Summary results		
€ thousands	**H1 2019**	**H1 2018**
Net result attributable to ordinary shareholders from operating activities	6,286	3,109
Result attributable to third-party shareholders	170	210
Profit (loss) for the year attributable to owners of the parent	6,116	2,899

Number of shares outstanding		
	H1 2019	**H1 2018**
Outstanding share capital no. of shares	51,209,773	43,579,004
Treasury shares on	820,339	780,339
Treasury shares issued at the time of reserved capital increase	0	7,630,769
Weighted average of outstanding shares	**50,389,434**	**50,429,434**

Profit per share		
(Euro)	**H1 2019**	**H1 2018**
Earnings per share	0.121	0.057

34. REPORT ON OPERATING SEGMENT PERFORMANCE

IFRS 8 requires the identification of operating segments, subject to segment reporting, on the basis of information regularly used by managers for management and performance analysis. The Group's activities are focused on wind power.

In view of the management information, the following tables provide information on **operating activities** and **holding company** activities.

As in previous years, no emphasis is placed on the geographical breakdown, since all the operating plants located in Italy, with the exception of the Krupen plant (located in Bulgaria), considered not to be relevant.

Statement of financial position

	Operating activities		Holding company activities		Consolidated	
(€/000)	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
NON-CURRENT ASSETS:						
Intangible assets	108,976	83,176	0	0	108,976	83,176
Property, plant and equipment	324,872	276,413	1,285	171	326,157	276,584
Financial receivables, equity investments and other non-current financial assets	21,553	21,617	0	0	21,553	21,617
Other non-current assets	16,202	15,415	855	728	17,057	16,143
TOTAL NON-CURRENT ASSETS	**471,603**	**396,621**	**2,140**	**899**	**473,743**	**397,520**
CURRENT ASSETS:						
Financial receivables, equity investments and other current financial assets	318	2	532	544	850	546
Sundry receivables and other current assets	40,489	35,064	3,400	1,023	43,889	36,087
Cash and cash equivalents	33,329	56,103	961	7,830	34,290	63,933
TOTAL CURRENT ASSETS	**74,136**	**91,169**	**4,893**	**9,397**	**79,029**	**100,566**
TOTAL ASSETS	**545,739**	**487,790**	**7,033**	**10,296**	**552,772**	**498,086**
SHAREHOLDERS' EQUITY	**118,614**	**93,715**	**24,563**	**47,495**	**143,177**	**141,211**
NON-CURRENT LIABILITIES:						
Non-current financial liabilities	147,007	80,357	157,030	147,373	304,037	227,730
Sundry payables and other non-current liabilities	29,788	20,668	1,961	1,961	31,749	22,629
TOTAL NON-CURRENT LIABILITIES	**176,795**	**101,025**	**158,991**	**149,334**	**335,786**	**250,359**
CURRENT LIABILITIES:						
Current financial liabilities	45,335	43,734	11,554	19,946	56,888	63,679
Sundry payables and other current liabilities	13,170	39,635	3,751	3,202	16,921	42,837
TOTAL CURRENT LIABILITIES	**58,505**	**83,369**	**15,305**	**23,148**	**73,809**	**106,516**
Intersegment funding	191,825	209,681	(191,825)	(209,681)	0	0
TOTAL LIABILITIES	**427,125**	**394,075**	**(17,529)**	**(37,199)**	**409,595**	**356,875**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**545,739**	**487,790**	**7,033**	**10,926**	**552,772**	**498,086**

Income statement

(€/000)	Operating activities		Holding company activities		Consolidated	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Operating revenues	30,135	31,605	0	0	30,135	31,605
Other sundry revenues and income	382	775	393	767	775	1,542
VALUE OF PRODUCTION	**30,517**	**32,380**	**393**	**767**	**30,910**	**33,147**
Operating costs	**6,942**	**6,444**	**2,974**	**1,291**	**7,795**	**7,735**
Change in joint ventures measured using the equity method	**2,089**	**1,499**			**2,089**	**1,499**
Depreciation, amortisation and write-downs	11,470	10,054	113	50	11,583	10,104
OPERATING PROFIT (EBIT)	**14,195**	**17,381**	**(2,694)**	**(574)**	**13,621**	**16,807**
Financial income (expenses) from net equity investments	(6,299)	(9,332)	1,012	(3,083)	(5,287)	(12,415)
PROFIT BEFORE TAX	**7,896**	**8,049**	**(1,682)**	**(3,657)**	**8,334**	**4,392**
Taxes for the period					(2,048)	(1,283)
NET RESULT FROM OPERATING ACTIVITIES					**6,286**	**3,109**
NET RESULT FOR THE PERIOD					**6,286**	**3,109**
Result attributable to third-party shareholders					170	210
NET RESULT ATTRIBUTABLE TO THE GROUP					**6,116**	**2,899**

Operating activities:

Operating revenues in the first half of 2019 amounted to €30,135 thousand (€31,605 thousand in the first half of 2018) and mainly relate to:

- revenues from the sale of electricity of €13,610 thousand (€12,066 thousand at 30 June 2018);
- revenues from the incentive tariff of €16,525 thousand (€19,539 thousand at 30 June 2018).

In the first half of 2019, the average price of electricity and incentives for incentivised Italian wind farms was €143.6 per MWh, compared with €152.8 per MWh in the first half of 2018. In particular:

- The average price of electricity for wind farms located in Italy in the period was €51.5 per MWh, compared with €53.8 per MWh in the first half of 2018;
- The average price of incentives in Italy in the first half of 2019 was €92.1 per MWh (€99 per MWh at 30 June 2018).

Operating profit (EBIT) was €14,195 thousand in the first half of 2019 (€17,381 thousand in the first half of 2018) after depreciation, amortisation and write-downs of €11,470 thousand (€10,054 thousand at 30 June 2018).

Property, plant and equipment and intangible assets amounted to €433,848 thousand at 30 June 2019, compared with €74,259 thousand at 31 December 2018, net of depreciation and amortisation for the period, mainly due to the investments under construction recognised under property, plant and equipment and to the change in the basis of consolidation following the acquisition of the 36 MW wind farm in Spain.

Holding company activities:

As at 30 June 2019, the "Holding company" business mainly included the results of holding company activities and those relating to advisory activities, which are considered marginal compared with the main electricity production business.

35. DETAILS OF RELATED-PARTY AND INTRA-GROUP TRANSACTIONS AS AT 30 JUNE 2019

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 the subsequent Regulation on Related-Party Transactions 17221 of 12 March 2010, as amended, it should be noted that no atypical and unusual related-party transactions have been recorded that are not part of normal business management or that would be detrimental to the Group's results or financial position.

Transactions with related parties are part of normal business management in the context of the ordinary activity of each interested party, and are settled at market conditions.

In the consolidated financial statements as at 30 June 2019, all significant balances and transactions between Group companies were derecognised, as were profits and losses arising from intra-group commercial and financial transactions not yet realised with third parties.

With respect to the requirements of IAS 24 regarding the disclosure of related-party transactions and the additional information required by Consob Communication 6064293 of 28 July 2006, the tables below show related-party and intra-group relations and the extent to which transactions and positions with related parties affect the statement of financial position, profit or loss and cash flows of the Alerion Group:

(in €/000)	**Revenues**	**Costs**	**Assets**	**Liabilities**
Entities with significant influence over the Group:				
Equity investments in joint ventures:				
Ecoenergia Campania S.r.l.	72	0	622	0
New Green Molise S.r.l.	197	0	5,489	0
Total equity investments in joint ventures	**269**	**0**	**6,111**	**0**
Related parties:				
FRI-EL Green Power Group	2,731	1,509	823	1,530
Heliopolis Energia S.p.A.	0	12	0	7
Total related parties	**2,731**	**1,521**	**823**	**1,537**
Total	**3,000**	**1,521**	**6,934**	**1,537**

It should be noted that revenues from the FRI-EL Group, of €2,731 thousand, essentially relate to i) the sale of electricity for some of the Group's operating companies and ii) charge-backs for employees of Alerion Servizi Tecnici e Sviluppo S.r.l.

Costs to the FRI-EL Group, of €1,590 thousand, mainly relate to i) fees for ordinary plant maintenance of €1,217 thousand, relating to contracts signed in June 2018, and ii) fees for asset management services of €156 thousand. The contracts for this second type of service were signed in the first half of 2019 and consist of electricity sales and marketing services, ordinary technical management of the operation of wind farms, remote control and analysis of data provided by wind farms and safety supervision.

(in €/000)	Joint ventures Ecoenergia Campania S.r.l.	Joint ventures New Green Molise S.r.l.	Related parties FRI-EL Green Power Group	Related parties Heliopolis Energia S.p.A.	**Total**
securities and financial receivables	-	3,788	-	-	3,788
total securities and financial receivables	*3,788*	*3,788*	*3,788*	*3,788*	*3,788*
proportion	*0%*	*100%*	*0%*	*0%*	***100%***
trade receivables	13	95	289	-	397
total trade receivables	*3,470*	*3,470*	*3,470*	*3,470*	*3,470*
proportion	*0%*	*3%*	*8%*	*0%*	***11%***
sundry receivables and other current assets	609	1,605	534	-	2,748
total sundry receivables and other current assets	*39,370*	*39,370*	*39,370*	*39,370*	*39,370*
proportion	*2%*	*4%*	*1%*	*0%*	***7%***
provisions for future risks and charges	-	-	8	-	8
provisions for future risks and charges	*11,168*	*11,168*	*11,168*	*11,168*	*11,168*
proportion	*0%*	*0%*	*0%*	*0%*	***0%***
trade payables	-	-	1,455	7	1,462
total trade payables	*8,781*	*8,781*	*8,781*	*8,781*	*8,781*
proportion	*0%*	*0%*	*17%*	*0%*	***17%***
sundry payables	-	-	67	-	67
total sundry payables	*5,014*	*5,014*	*5,014*	*5,014*	*5,014*
proportion	*0%*	*0%*	*1%*	*0%*	***1%***
operating revenues	-	-	2,597	-	2,597
total operating revenues	*30,135*	*30,135*	*30,135*	*30,135*	*30,135*
proportion	*0%*	*0%*	*9%*	*0%*	***9%***
other sundry revenues and income	72	127	133	-	332
total other sundry revenues and income	*775*	*775*	*775*	*775*	*775*
proportion	*9%*	*16%*	*17%*	*0%*	***43%***
other operating costs	-	-	1,509	12	1,521
total other operating costs	*6,638*	*6,638*	*6,638*	*6,638*	*6,638*
proportion	*0%*	*0%*	*23%*	*0%*	***23%***
provisions for risks	-	-	-	-	-
provisions for risks	*39*	*39*	*39*	*39*	*39*
proportion	*0%*	*0%*	*0%*	*0%*	***0%***
income/expenses from equity investments	-	70	-	-	70
income/expenses from equity investments	*18*	*18*	*18*	*18*	*18*
proportion	*0%*	*391%*	*0%*	*0%*	***391%***

36. REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

Following Consob Resolution 18079 of 20 January 2012, which repealed Appendix 3C, information on the remuneration paid to the members of the management and control bodies, general managers and managers with strategic responsibilities is contained in the Remuneration Report, pursuant to Article 123-*ter* of the TUF.

37. LEGAL DISPUTES

The legal disputes outstanding as at 30 June 2019 are described below.

Legal disputes of the Parent Company

SIC - Società Italiana Cauzioni S.p.A,

Civil proceedings have been brought before the Court of Rome involving Alerion and its subsidiary, Alerion Real Estate S.r.l. in liquidation ("Alerion Real Estate"), as third parties named by SIC - Società Italiana Cauzioni S.p.A. (as at the date of the Registration Document, ATRADIUS Credit Insurance, conferee of the SIC business unit) - in their capacity as policy co-obligors in the proceedings brought 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. in the duties provided for in the agreement signed between AGIED and INPDAP, for the management of part of INPDAP's property.
The purpose of this case is to assess and have declared extinguished, due to expiry of the time limit, the said surety policies. In particular, AGIED S.r.l. asked the Court to declare that INPDAP has no right to enforce the aforementioned policies and that therefore SIC is not obliged to pay anything to INPDAP.
Alerion and Alerion Real Estate were co-obligors with SIC with respect to the obligations under the policies as holders of equity investments in AGIED. These shares were sold by means of a deed dated 24 May 1999, following which SIC, in a letter dated 9 June 1999, declared Alerion and Alerion Real Estate released from the co-obligation with regard to events that occurred after the date of the sale of the shares.
SIC, which agreed with AGIED's conclusions, did, however, cite Alerion and Alerion Real Estate, as liability for the alleged damages claimed by INPDAP could not be placed in terms of time, due to the generic nature of the claims.
It should be noted that, with regard to the policies cited by ATRADIUS, the then SIC had with a specific letter released the co-obligors Alerion and Alerion Real Estate with respect to events occurring after the date of sale of the company shares on 24 May 1999. This assumption enables it to be said that the Company has absolutely no connection to the proceedings, as it was released from any co-obligation by SIC (ASTRADIUS at the date of the Registration Document) and that no risk exists for either company.

On 1 December 2014, the Court of First Instance convicted only SIC (ASTRADIUS at the date of the Registration Document) and pointed out that the defaults took place after 31 December 2000, i.e. following the release from the co-obligations, thereby enabling it to be affirmed that the Court implicitly ruled out Alerion and Alerion Real Estate from standing as defendants. Alerion's position is therefore considered satisfactory.
AGIED and ATRADIUS (formerly SIC) independently challenged the first-instance ruling before the Court of Appeal. As proceedings were pending for challenges to the same sentence, Alerion Real Estate S.r.l. in liquidation and Alerion S.p.A. obtained the joining of the proceedings,
As proceedings were pending for appeals against 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 3 February 2017, the Court reserved its judgement on some aspects concerning the notices and the adversarial process.
A hearing was scheduled by the Court of Appeal for 25 September 2019 to clarify its conclusions.

Bocchi

Civil proceedings have been brought before the Court of Rome by Mr. Renato Bocchi against the Bank of Rome and Alerion Clean Power S.p.A. Mr. Bocchi asked the Bank of Rome and Alerion Clean Power S.p.A. (formerly Fincasa 44 S.p.A.) to return a guarantee issued in a personal capacity in the interest of Fincasa 44 S.p.A. to secure all obligations assumed by Fincasa, which are now extinguished. With a ruling filed on 25 October 2012, the Court of Rome rejected Mr Bocchi's requests in full. Mr. Bocchi challenged the ruling before the Rome Court of Appeal and Alerion entered a filing requesting confirmation of the first-instance ruling. The case was adjourned until 2 October 2019 for discussion.

Legal disputes concerning other group companies

Eolica PM S.r.l.

With respect to the wind farm in Morcone and Pontelandolfo (BN), the subject of a capital increase by means of a contribution in kind made on 6 April 2018, an appeal brought by Eolica PM S.r.l. was pending before the Campania Regional Administrative Court, in relation to the annulment, subject to precautionary suspension of the effects and monocratic precautionary protection pursuant to Article 56 of the Code of Administrative Procedure, of the order of suspension of the works of the municipality of Morcone of 23 December 2017 and any other prerequisite, subsequent, connected and/or consequent deed. The hearing to discuss the merits of the appeal took place on 22 May 2018 and, as a result, with a ruling of 5 June 2018, the Campania Regional Administrative Court granted the appeal brought by Eolica PM S.r.l. and accordingly annulled the contested orders and ordered the municipality of Morcone to pay compensation for damages and reimbursement of court costs to Eolica PM S.r.l.

The municipality of Morcone appealed the above judgment before the Council of State within the legal deadline. The Council of State is scheduled to set a hearing date.

Wind Power Sud S.r.l.

The Revenue Agency – Agrigento Provincial Administration issued to Wind Power Sud S.r.l. ("WPS") four separate assessment notices totalling €1.3 million, plus interest and penalties, for the years 2008, 2009, 2010 and 2011 relating to a tax advantage consisting of the deductibility of interest expenses accrued on a loan contracted following a merger leveraged buy out operation.

The Agrigento Provincial Tax Commission rejected WPS's appeals against these notices in August 2015.

WPS then filed an appeal on the basis that the rulings of the Agrigento Provincial Tax Commission were unlawful due to lack of grounds and the absence of any tax claim. The Palermo Regional Tax Commission rejected the appeals in April 2016.

In December 2016, the Agrigento Provincial Administration only partially accepted the self-imposed order, with which the amounts ascertained by way of taxes and penalties against the subsidiary had been recalculated. The ascertained amount is now, following the self-imposed order, €0.7 million, in addition to legal penalties and interest, less than the original amount of €1.3 million, plus penalties and interest.

The reasons that led the Agrigento Provincial Administration to rule in this way are the fact that it considered only partially applicable the economic reasons underlying the LBO operation, which saw the shareholder Alerion enter the capital of WPS through a reverse merger with a new company used for this purpose.

According to the legal counsel assisting the Company, the result obtained with the self-imposed order, albeit partial, reinforces WPS' position in the appeal before the Court of Cassation. WPS has therefore decided to appeal. This was notified to the Supreme Court of Cassation on 5 December 2016.
It should also be noted that i) in May 2017, Equitalia accepted the request for the division into 48 instalments of two demands issued for a total of €0.4 million for 2010 and 2011, and ii) in December 2017, Equitalia accepted the request for the division into 72 instalments of 2 demands issued for a total of €0.9 million for 2008 and 2009.
In February last, the Company then took action with the Italian Revenue Agency to obtain the reabsorption into the instalment plans of the amount of €0.12 million requested and paid to Equitalia in January 2017.

It should be noted that, in the event of an unsuccessful outcome, Alerion's exposure would in any case be limited to 50%, due to the commitment made by the previous shareholders, Moncada and Campione, at the time of the sale of the corporate shares, to bear 50% of the risk.
The legal counsel in the litigation in any case regarded the risk of an unsuccessful outcome as only possible and not probable. Accordingly, no provision was made in the financial statements for risks arising from the aforementioned dispute. Payments made until 30 June 2019 have therefore been shown among sundry receivables and have been assessed as recoverable.

Tax dispute relating to the depreciation rates of the operating companies

It should be noted that in the first few months of 2017, the Italian Revenue Agency – Provincial Administration I of Milan – Controls Office issued an audit report to Renergy San Marco S.r.l., Minerva S.r.l., Callari S.r.l., Ordona Energie S.r.l. and Parco Eolico Licodia Eubea S.r.l., with which it disputed, in relation to the 2013 tax period, a tax depreciation rate for the wind power plants higher than that considered correct by the Agency (4%). In the course of the year, the Italian Revenue Agency issued assessment notices to the five companies that did not recognise the depreciation rate (in excess of the 4% rate) deducted for the purposes of corporate income tax (IRES) and regional production tax (IRAP) in 2013, 2014, 2015 and, exclusively for Callari, 2016.
In view of this, for the tax periods indicated above, the Italian Revenue Agency calculated higher corporation tax of €1.9 million and higher IRAP of €0.2 million, plus penalties and interest.
All the assessments were duly appealed; following the hearing of 29 January 2018, the Milan Provincial Tax Commission, Section XIII, annulled the IRES and IRAP assessments for 2013 for all five companies, the 2014 IRES assessments for Ordona 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. In September 2018, the Italian Revenue Agency filed an appeal for the reform of the judgment before the Milan Regional Tax Commission and the appellant companies filed defence rebuttals. At the hearing on 19 March 2019, the Commission rejected the appeal.

On 15 October 2018, the Milan Provincial Tax Commission cancelled the assessments served on Minerva S.r.l. concerning 2014 IRES and IRAP and on Ordona Energia S.r.l. concerning 2015 IRES.

On 5 November 2018, the Milan Provincial Tax Commission cancelled the IRAP assessments served on Callari S.r.l. for 2014 and on Ordona Energia S.r.l. for 2014 and 2015.

On 26 November 2018, the Milan Provincial Tax Commission cancelled the assessments served on Parco Eolico Licodia Eubea S.r.l. for IRAP for 2014, as well as IRES and IRAP for 2015.

On 18 March 2019, the Milan Provincial Tax Commission cancelled the assessment served on Renergy San Marco S.r.l. for IRES for 2015.

Finally, on 19 June 2019, the Milan Provincial Tax Commission cancelled the assessments served on Callari S.r.l. for IRES and IRAP for 2015 and 2016.

It should be noted that in addition to the above, the Italian Revenue Agency filed an appeal for the reform of the judgements before the Milan Regional Tax Commission regarding the assessment notices for IRES for 2014 relating to Minerva S.r.l. and IRES for 2015 relating to Parco Eolico Licodia Eubea S.r.l. and Ordona Energia S.r.l. The hearings have not yet been scheduled.

On the basis of the assessment of the tax experts assisting it and supported by the first ruling made between the parties, the Company decided not to change the tax treatment of the item for the years subject to depreciation and subsequent years and to challenge the assessments received, initiating litigation. Since the directors considered it only possible, but not probable, that an adverse outcome would occur in the event of a final judgement, no provisions have been made in the financial statements.

Tax dispute relating to the IMU of operating companies

In 2016, the Group's operating companies submitted documents updating land registry records for aerogenerators pursuant to paragraphs 21 and 22 of Article 1 of Law 208/2015 (2016 Stability Law). As of the 2016 financial year, IMU property tax has therefore been calculated on the basis of the new adjusted return.

However, in the first few months of 2017, several Group companies were served cadastral assessment notices with which the cadastral income of the aerogenerators was increased, as a result of the inclusion of the tower and other components in the calculation basis. The companies appealed and are awaiting the outcome. Only Callari S.r.l. received a reply from the Catania Provincial Tax Commission, which did not grant the appeal. The Company appealed the ruling in accordance with the law.

Despite the non-correspondence of the cadastral disputes under review to the legislative text, in light of the defined ministerial position, the outcome of the related disputes was judged uncertain by the tax experts assisting the companies. Accordingly, the risk provision, which already existed in 2017, was increased during the year, for a greater IMU amount to cover the probable risk of an unfavourable outcome.

Other minor disputes

Other minor disputes for which the Company has decided to set aside the necessary funds are also pending at Group level.

In view of the status of the cases and taking into account the opinions of its own legal advisers, the level of the provision for risks in the financial statements is deemed appropriate.

38. COMMITMENTS AND GUARANTEES

- Guarantees issued in favour of third parties totalling €17,065 thousand, of which:
  - €6,256 thousand for environmental restoration obligations;
  - €8,765 thousand to the Energy Services Manager, GSE S.p.A., for participation in the respective auctions;
  - €2,044 thousand for other obligations;

- Pledge on shares of the following companies: Callari S.r.l., Ecoenergia Campania S.r.l., Ordona Energia S.r.l., New Green Molise S.r.l., Green Energy Sardegna S.r.l. and Eolica PM S.r.l. to guarantee project financing agreements;

- Commitments assumed for the sale of equity investments, to guarantee any contingent liabilities or non-existent assets with respect to the financial position data for the sale.

- At the end of the first half of 2019, future commitments relating to operating leases amounted to €20.7 million, as reported in the section entitled: "CHANGES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019".

The commitments and guarantees received from third parties include:

- Guarantees received from electricity customers (Axpo Italia S.p.A., Fri-El Traiding S.r.l., DXT Commodities S.A., Centrali Next S.r.l.) to guarantee the collection of fees relating to the sale of electricity, totalling €7,910 thousand.

Certification of the condensed consolidated half-year financial statements

pursuant to Article 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and Article 81-ter of Consob Regulation 11971 of 14 May 1999

1. The undersigned, Josef Gostner and Stefano Francavilla, in their capacity as Chief Executive Officer and Financial Reporting Officer of Alerion Clean Power S.p.A., hereby declare, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the Company;
   - the effective application of administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements in the first half of 2019.

2. They also certify that:

2.1 The condensed consolidated half-year financial statements as at 30 June 2019:

   - were prepared in accordance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the accounting books and records;
   - are suitable to provide a true and fair view of the financial position and profit and loss of the issuer and all the companies included in the consolidation.

2.2 The Interim Report on Operations includes a reliable analysis of significant events occurring in the first six months of the year and their impact on the condensed consolidated half-year financial statements, as well as a description of the main risks and uncertainties with regard to the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of information on significant transactions with related parties.

Milan, 26 July 2019

The Chief Executive Officer	**The Financial Reporting Officer**
Josef Gostner	Stefano Francavilla

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Alerion Clean Power S.p.A. and subsidiaries (the "Alerion Group"), which comprise the consolidated statement of financial position as at June 30, 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flow for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Alerion Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
July 27, 2019

This report has been translated into the English language solely for the convenience of international readers.