NEOEN

HALF-YEARLY
FINANCIAL REPORT

JUNE 30, 2021

1

ATTESTATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

ATTESTATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

"I certify that to my knowledge, the condensed consolidated interim financial statements for the six months ended June 30, 2021 have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the net assets, financial position and financial performance of the Company and of all companies included in the scope of consolidation. I equally certify that to my knowledge, the attached half-yearly activity report faithfully represents the significant events that have occurred during the first six months of the financial year and their impact on the consolidated financial statements, as well as the main transactions that have taken place with related parties, and provide a description of the principal risks and uncertainties associated with the remaining six months of the financial year".

____

Xavier BARBARO

Chairman and CEO

2

HALF-YEARLY BUSINESS REPORT

2.1 ALTERNATIVE PERFORMANCE INDICATORS AND OPERATING DATA

2.1.1 NON-GAAP INDICATORS

The Group presents, in addition to the IFRS measures, several supplementary indicators including EBITDA, net debt and gearing ratio. These are not indicators provided for under IFRS and they do not carry standard definitions. Consequently, the definitions used by the Group may not correspond to the definitions of these same terms by other companies. The measures must not be used to the exclusion of, or as a substitution for, the IFRS measures. In particular, net debt must not be considered a substitute for the analysis of Neoen's gross financial debt or cash and cash equivalents as presented in accordance with IFRS. The tables below present these indicators for the periods stated, together with their calculations.

EBITDA reconciliation

(In millions of euros)	HY 2021 (A)	HY 2020 published (B)	HY 2020 restated [1] (C)	Change (A) - (B)	Change (in %) (A) - (B)	Change (A) - (C)	Change (in %) (A) - (C)
Current operating income	**72.3**	**95.9**	**95.9**	**– 23.7**	**– 25%**	**– 23.7**	**– 25%**
Current operating depreciation, amortization and provisions	52.1	52.3	52.3	– 0.2	- 0%	– 0.2	– 0%
IFRS 2 expense	1.5	-	0.9	+ 1.5	N/A	+ 0.6	+ 67%
EBITDA [1]	**125.9**	**148.2**	**149.2**	**– 22.3**	**– 15%**	**– 23.3**	**– 16%**

(1) EBITDA corresponds to current operating income adjusted for current operating depreciation, amortization and provisions and, as announced at the Capital Markets Day on March 11, 2021, from January1st, 2021, the expense resulting from the application of IFRS 2 "share-based payment". EBITDA as newly defined would have been €149.2 million in the first half of 2020, taking into account an IFRS 2 expense of €(0.9) million, impacting exclusively the Development –Investments segment.

Net debt

(In millions of euros)	30.06.2021	31.12.2020	Change	Change (in %)
Financial debt [1]	**2,763.9**	**2,749.4**	**+ 14.5**	**+ 1%**
Non-controlling investors and others [2]	(28.9)	(29.2)	+ 0.3	– 1%
Adjusted financial debt	**2,734.9**	**2,720.2**	**+ 14.7**	**+ 1%**
Total cash and cash equivalents [3]	(679.0)	(374.9)	– 304.1	+ 81%
Guarantee deposits [4]	(74.4)	(76.6)	+ 2.3	– 3%
Derivative instruments assets – hedging effect [5]	(16.1)	(2.2)	– 13.9	x6.3
Total net debt	**1,965.5**	**2,266.5**	**– 301.0**	**– 13%**

(1) Essentially comprising project financing, the debt component of the convertible bonds into new shares and/or exchangeable for existing shares issued in 2019 ("OCEANE") and the green convertible bonds into new shares and/or exchangeable for existing shares ("OCEANE Verte") issued in 2020, interest rate hedging instruments with a negative market value and lease liabilities included in the calculation of net debt under IFRS 16 «leases» (note that EBITDA therefore excludes lease charges). Net debt is detailed in note 18.2 to the half-yearly consolidated financial statements.

(2) Notably comprising non-controlling shareholder loans to project companies (or project holding companies).

(3) The change to this item is detailed in paragraph 2.3.2 of this document.

(4) Mainly comprising deposits in the framework of project financing, in the form of DSRAs (debt service reserve accounts) or for the purposes of project construction. The decrease during the period was mainly due to the repayment of the DSRA of certain project companies or financing holding companies, and their replacement by guarantees, letters or credit facilities, as well as the partial release of an escrow on the Altiplano 200 project in Argentina, which was established as part of its financing. In addition, new DSRAs were set up as part of the new financing carried out in 2021. The Group also set up a security deposit as part of a pre-hedging operation for its interest rate risk exposure relating to the Australian Kaban project, the financing of which is currently being structured.

(5) Interest rate risk hedging derivatives with positive market values. Instruments with negative market values are included in total debt (see note 18.3 to the half-yearly consolidated financial statements).

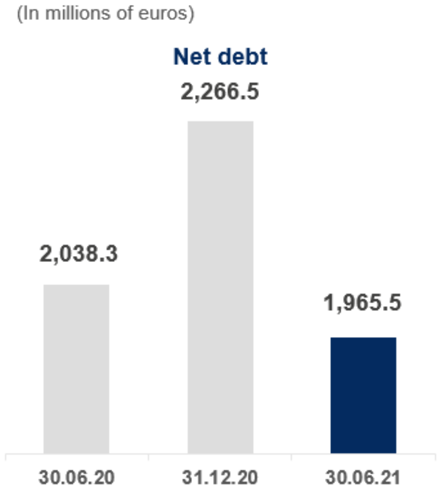
Gearing ratio

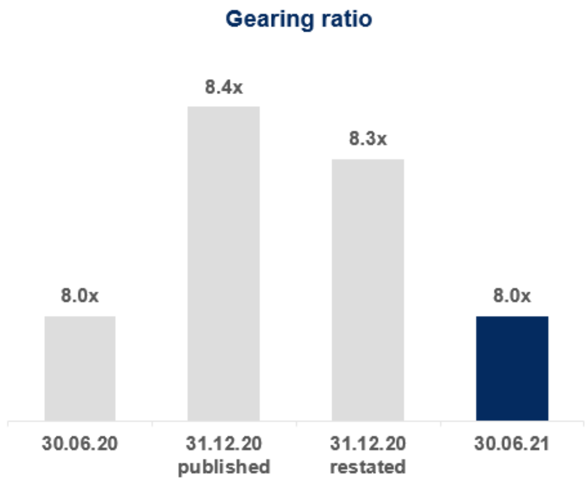
The table below presents the gearing ratio at the dates indicated. This is the ratio between net debt and EBITDA (calculated over the last 12 months).

	30.06.2021	31.12.2020 [1]
Gearing ratio	8.0x	8.4x

(1) The leverage ratio calculated on the basis of the newly defined EBITDA would have been 8.3x as of December 31, 2020.

Evolution of the Group's net debt and gearing ratio





2.1.2 INFORMATION ON KEY OPERATING DATA

The Group's portfolio amounted to 13 GW at June 30, 2021 versus 12 GW at December 31, 2020. Its change is detailed in the table below :

	30.06.2021	31.12.2020	Changes
Total MW in operation [1]	**2,711**	**2,615**	**+ 96**
Europe - Africa	1,109	1,014	+ 95
Australia	931	931	+ 0
Americas	670	670	+ 0
Total MW under construction [1]	**2,051**	**1,436**	**+ 615**
Europe - Africa [2]	701	254	+ 447
Australia [3]	1,131	974	+ 157
Americas	219	208	+ 11
Total MW for projects awarded [1]	**694**	**1,107**	**– 413**
Europe - Africa [4]	594	897	– 303
Australia [5]	100	210	– 110
Americas	-	-	-
Total MW for the secured portfolio	**5,456**	**5,158**	**+ 298**

Total MW for tender-ready and advanced development projects [1]	30.06.2021	31.12.2020	Changes
Europe - Africa [6]	3,177	2,539	+ 638
Australia	2,869	2,826	+ 43
Americas	1,499	1,509	– 10
Total MW for the advanced pipeline	**7,545**	**6,874**	**+ 671**
Total portfolio	**13,001**	**12,033**	**+ 969**
Early stage projects	> 4 GW	> 4 GW	

(1) *For a definition of the different stages of development of the Group's projects, please refer to section 9.6 "Glossary" of the 2020 Universal Registration Document.*

(2) *The growth in capacity of projects under construction in the Europe - Africa region is mainly due to the transfer to construction of nine projects for +542 MW, including Mutkalampi +404 MW (Finland), two Irish solar projects for +40.0 MWp, five French solar projects for +59 MWp and one French wind project for +40 MW. In addition, over the period 95 MW came into operation: six French solar projects for –51 MWp and two French wind projects for –44 MW.*

(3) *The increase in capacity under construction in Australia is due to the transfer to construction of the Kaban (Australia) wind project for +157 MW.*

(4) *The decline in the capacity of awarded projects in the Europe - Africa region is essentially the result of the transfer to construction of projects representing a total of –389 MW (including –251 MW for the Mutkalampi project), the abandonment of the Creissan project for –4 MW and the transfer to awarded of new projects for +91 MW (including +74 MW linked to the CRE 4.9 –France solar call for tenders).*

(5) *The decline in the capacity of awarded projects in Australia results from the transfer to construction of the Kaban (wind) project for –110 MW.*

(6) *The increase in Europe - Africa was mainly due to +313 MW of new projects added to the portfolio over the period (including 115 MW of Irish projects and 198 MWp of French solar projects), by +694 MW of projects that have evolved since the Early Stage, partially offset by –244 MW of projects that have entered the secured portfolio (including –153 MW for the Mutkalampi project and –74 MW for projects won under the CRE 4.9 call for tenders in France), and by –112 MW of abandoned projects.*

	HY 2021	HY 2020	Changes
Production (GWh)	**2,393**	**2,067**	**+ 16%**
Average availability of facilities in operation			
solar power [(1)] (%)	93.9%	98.3%	- 4.4 pt
wind power [(2)] (%)	97.1%	98.6%	- 1.5 pt
Average load factor [(3)] for facilities in operation			
solar power (%)	20.1%	17.6%	+ 2.5 pt
wind power (%)	31.7%	34.4%	- 2.7 pt
Residual duration of electricity supply contracts			
solar power (years, weighted by MWp)	14.3	14.8	- 0.5
wind power [(4)] (years, weighted by MW)	12.6	14.0	- 1.4

(1) The decline in the average availability of photovoltaic installations in operation is mainly explained by the audit and reconfiguration of inverters at the El Llano plant in Mexico in the first half of 2021, which is still underway. Excluding this power plant, the average availability rate of the Group's solar assets would have been 98.8 % in the first half of 2021.

(2) The decline in the average availability of wind farms in operation is explained by minor problems at the Hedet wind farm in Finland in the first half of 2021.

(3) The load factor is the equivalent time (as a percentage of the period observed) during which grid injection at maximum power would produce the same quantity of energy as that supplied by the facility.

(4) The reduction in the residual term of wind power sales agreements is mainly due to the acquisition of two French wind farms at the end of 2020 for which new PPAs have been signed for a shorter period than the average for the wind farms in operation.

2.2 ANALYSIS OF OPERATIONS AND RESULTS

2.2.1 BUSINESS OVERVIEW

Neoen's revenue grew 5% and capacity in operation or under construction nears 5 GW :

- Half-year revenue rose 5% to €164.9 million, with a 38% increase in the second quarter ;
- Neoen launched construction of 710 MW in capacity, including 617 MW in the second quarter alone, lifting assets in operation or under construction to 4.8 GW at end-June 2021 ;
- EBITDA[1] totaled €125.9 million, down 15% compared to the first half of 2020, when the Group benefited from liquidated damages[2] in the Americas and exceptionally strong Storage revenue in Australia ;
- Net cash generated by operating activities rose 48% to €136.1 million ;
- Neoen held €679 million in cash at June 30, 2021 following the €600 million capital increase in April 2021 ;
- The Group is narrowing its 2021 EBITDA guidance range to between €295 million and €310 million, with an EBITDA margin of around 80%.

[1] EBITDA corresponds to current operating income adjusted for current operating depreciation, amortization and provisions and, as announced at the Capital Markets Day on March 11, 2021, from January 1st, 2021, the expense resulting from the application of IFRS 2 "share-based payment". EBITDA as newly defined would have been €149.2 million in the first half of 2020, taking into account an IFRS 2 expense of €(0.9) million, impacting exclusively the Development –Investments segment.

[2] Liquidated damages recognized for the revenue shortfall caused by the delayed commissioning of certain projects.

2.2.2 OUTLOOK AND TRENDS

Neoen is narrowing its 2021 EBITDA guidance range to between €295 million and €310 million, inside the range of between €295 million and €325 million previously communicated, with an EBITDA margin of around 80%. This adjustment is based on the Group's latest expectations concerning the likely commissioning date of power plants currently under construction, notably Altiplano 200 in Argentina and Bulgana in Australia. This EBITDA forecast takes into account net capital gains from asset disposals from the secured portfolio that the Group expects as part of the farm-down business, which will not exceed 20% of full-year EBITDA.

Neoen is reiterating its target of having more than 5 GW of capacity in operation or under construction[1] by the end of 2021, and 5 GW in operation by year-end 2022. The Group is also confirming its target of having more than 10 GW of capacity in operation or under construction[1] by year-end 2025.

The Group's target is to generate EBITDA growth of more than 20% in 2022 compared to 2021, followed by double-digit annual percentage growth between 2022 and 2025. These objectives also include the best estimate to date of the likely completion dates of its projects.

2.2.3 COMMENT BY XAVIER BARBARO, CHAIRMAN AND CEO OF NEOEN

Xavier Barbaro, Neoen's Chairman and Chief Executive Officer, commented: "Our revenue grew 38% in the second quarter, lifting growth to 5% in the first half of the year. As expected, our EBITDA performance reflects a high base of comparison in the first six months of 2020 resulting from the recognition of liquidated damages in Americas and an exceptionally strong level of Storage revenue in Australia. On the operational front, we launched construction of 710 MW in capacity, including 617 MW in the second quarter alone, in keeping with Neoen's growth profile. Our capacity in operation or under construction currently stands at 4.8 GW, which makes us very confident in reaching our target of 5 GW by year-end 2021. The size of our portfolio has expanded by 1 GW since the end of 2020, demonstrating our ability to steadily enrich it with new projects and boosting our future growth prospects."

2.2.4 KEY EVENTS OF THE PERIOD

2.2.4.1 CONTINUING PORTFOLIO GROWTH

Capacity in operation or under construction stood at 4.8 GW at June 30, 2021, compared to 4.1 GW at December 31, 2020. Neoen launched construction of 710 MW in capacity in the first half of 2021, including 617 MW in the second quarter alone. These projects included the Mutkalampi (404 MW, Finland) and Kaban (157 MW, Australia) wind farms.

In the first quarter, Neoen had launched construction of projects with 94 MW in capacity in France: a 40 MW wind farm and four solar plants representing 54 MWp in total capacity.

The secured portfolio (assets in operation, under construction and awarded projects) totaled 5.5 GW at June 30, 2021, versus 5.2 GW at December 31, 2020. Neoen was awarded close to 300 MW in new projects during the first six months of the year:

- 153 MW in additional capacity at the Mutkalampi wind farm, on top of the 251 MW in capacity already awarded under five corporate PPAs with Google and a consortium of four Dutch businesses
- 47 MW in additional capacity at the Kaban (Australia) wind farm, for which the PPA was increased from 110 MW to 157 MW
- 11 MW corresponding to the Antares Power Reserve and the Albireo Power Reserve in El Salvador
- and in France, a 9 MW wind farm, an 8 MW storage battery, plus 74 MWp in solar projects awarded in the first quarter of 2021 under the CRE 4.9 government call for tenders.

The portfolio's total capacity came to 13.0 GW at June 30, 2021, versus 12.0 GW at December 31, 2020.

2.2.4.2 IMPACT OF HEALTH CRISIS

The COVID-19 pandemic, which has been raging since the first quarter of 2020, has led governments around the world to adopt social and economic restrictive measures aimed at containing the spread of the virus. These measures triggered significant disruptions for companies, leading to a global economic slowdown.

Against this backdrop, the Group continued to protect the health of all its employees while actively pursuing the development of its portfolio with a total of 95 MW of operating capacity added in the first half of 2021, the launch of the construction of more than 710 MW and the strengthening of its portfolio of secured projects.

[1]Consolidated capacity on a post-farm-down basis

The Group thereby managed to continue its development, despite occasional delays in the completion of its projects, and to maintain dynamic growth in its revenues while maintaining its cash and liquidity throughout the period. As a result, it did not use government support measures. As the Group's assets operate mainly under long-term power purchase agreements with mainly first-rate counterparties, they were only slightly affected by the fluctuations that impacted the financial and electricity markets during the first half.

In addition, the crisis has not revealed any new significant risk factors, thanks to the resilience of the Group's business model, which has enabled it to continue to operate its assets normally, to commission assets under construction despite delays in certain regions, and to win new projects. The Group has not identified any liquidity risk inherent to the health crisis.

However, changes in the economic and financial environment resulting from the COVID-19 health crisis have led the Group to strengthen risk monitoring procedures, particularly in the valuation of financial instruments and the recoverable amount of its assets.

The Group has taken into account this environment and the significant market volatility in the estimates used, inter alia, for impairment tests and provision calculations.

The Group has also exercised its judgement to assess:
- the existence of a triggering event that could lead to an impairment loss on goodwill and property, plant and equipment or intangible assets;
- default probabilities in a context of uncertainty;
- impacts on the risks relating to financial instruments, in particular liquidity risk and changes in the interest rate and foreign exchange markets;
- the prospect for the use of recognised deferred tax assets;
- hedging consequences, particularly with regard to the maintaining the highly probable nature of the hedged item.

The Group has paid particular attention to the treatment in the financial statements of the main challenges and effects of the health crisis for which the IFRS accounting principles used in previous financial statements have been applied on a consistent basis.

Lastly, the specific costs related to the COVID-19 epidemic remain marginal at Group level and mainly concern equipment and health compliance. They have been recognised in current operating income.

2.2.4.3 CAPITAL INCREASE

On April 7, 2021, Neoen announced the success of its capital increase with maintenance of preferential subscription rights. This resulted in the issue on 9 April of 21,393,678 new shares, representing a total gross amount of approximately €600 million, including €42.8 million of share capital and €556.2 million of issue premium. The proceeds of the capital increase will enable Neoen to finance the first investment cycle of its development plan aimed at reaching 10 GW of capacity in operation or under construction by the end of 2025.

This transaction had an impact of €593.3 million net of expenses and tax on the Group's equity after taking into account issuance costs (see details of the transaction in note 16 to the half-yearly consolidated financial statements).

2.2.4.4 FREE SHARE PLAN

On March 10, 2021, the Board of Directors decided to grant 272,302 free Neoen S.A. shares to certain group employees and corporate officers. The granting of shares will only be final after a vesting period of three years, provided that the beneficiaries are still present in the Group and that the performance conditions set by the Board of Directors in the plan rules, and relating in particular to the achievement of financial and development objectives, are met.

The Group recorded this transaction in accordance with IFRS 2 "share-based payment". This resulted in an impact of €0.5 million in personnel expenses in the first half of 2021.

2.2.4.5 CAPITAL INCREASE RESERVED FOR EMPLOYEES

On May 12, 2021, Neoen S.A. carried out a capital increase reserved for its employees and corporate officers in France. This plan offered each beneficiary to buy 93 new shares at the preferential subscription price of €28.25 per share (benefiting from a 30 % discount compared to the average closing price of the share over the last twenty trading days preceding the date on which the Chairman and Chief Executive Officer, upon sub-delegation by the Board of Directors, set the price on April 16, 2021) and a matching contribution on the basis of one share offered for one share subscribed.

The Group recorded this transaction in accordance with IFRS 2 "share-based payment". This resulted in an impact of €0.9 million in shareholders' equity and €0.3 million in personnel expenses.

2.2.4.6 THE GROUP'S EXPOSURE TO ARGENTINA

As of June 30, 2021, the contribution of all the Argentinean entities to the Neoen group's balance sheet amounted to €214.7 million, breaking down as follows:

- intangible assets and property, plant and equipment: €199.3 million;
- cash and cash equivalents: €12.3 million;
- project financing liabilities: €137.6 million.

In addition, to guarantee Neoen's commitments under the Altiplano 200 project, bank guarantees in the form of letters of credit were issued by credit institutions, of which USD 27.8 million were in force on June 30, 2021, covered by cash guarantee deposits made by the Neoen group in the amount of USD 13.5 million. Neoen has also counter-guaranteed, in the amount of USD 55 million, the guarantees issued by an insurer for the proper performance of the project companies' obligations under the Power Purchase Agreement signed with CAMMESA (electricity market administrator).

On May 31, 2021, the Argentine government formally exceeded the grace period granted for the payment of a USD 2.4 billion maturity on its sovereign debt. Since then, negotiations between the government and the main creditor groups (including the Paris club) have been ongoing to find a resolution before the end of the 60-day grace period.

Despite the country's macroeconomic and financial situation, the group's financial partners have continued to support the project by authorising debt drawdowns and extending the period of availability of undrawn amounts beyond the initial drawdown schedule. Furthermore, although affected by the COVID-19 pandemic and the restrictions imposed by the federal and provincial governments, construction operations are still in progress for a gradual commissioning in the second half of 2021.

In contrast, the depreciation of the Argentine peso against the US dollar, the functional currency of the Argentine entities, generated foreign exchange losses of USD 2.4 million, affecting the financial result. This mainly relates to VAT credits denominated in Argentine pesos, still awaiting reimbursement at June 30, 2021, for an amount equivalent to USD 12.2 million (€10.3 million) at the closing rate, taking into account receipts during the period for a total amount equivalent to USD 8.3 million.

In addition, the rules put in place by the Central Bank of the Republic of Argentina during the second half of 2019, aimed at restricting access to foreign currencies for Argentine companies and individuals in order to stem the devaluation of the Argentine peso (ARS) against the US dollar (USD), have the consequence, at the date of publication of the Group's financial statements, of still substantially restricting the possibility of buying dollars on the Argentine foreign exchange market for the purposes of i) repayments of shareholders' loans denominated in US dollars in favour of the Altiplano 200 project (amounting to USD 102.8 million, including accrued interest for USD 18.0 million, at June 30, 2021) and ii) dividend payments. However, these restrictions do not affect payments in respect of servicing US dollar denominated debt (repayment of principal or interest), to the foreign lenders on this project.

As of December 31, 2020, the prospects for the reimbursement of pending VAT credits and the prolonged maintenance of exchange controls were considered by the Group as constituting an impairment trigger. In this context, an impairment loss totalling €12.5 million was therefore recognised in the annual financial statements.

As the general situation of the project has not changed unfavourably since the 2020 financial year-end, and as construction is continuing at the date of publication of the half-yearly financial statements, no additional impairment trigger has been identified in the first half of 2021.

2.2.4.7 STATUS OF THE EL LLANO PROJECT

The commercial operation date (COD) for the El Llano power plant in Mexico was set for November 2020, with a delay of several months, due in particular to delays in the finalisation of construction operations, as well as delays in the completion of pre-operational tests by the National Energy Control Centre (CENACE). The start of the PPA has now been in effect since early July 2021, as the electricity produced up to this date has been sold on the wholesale electricity markets. The provisional acceptance (PA) is still pending, however, and this has led to certain documentary non-compliances within the meaning of the financing agreements for this plant. At the date of publication of its half-yearly financial statements, the Group continues to work actively with the constructor to carry out the provisional technical acceptance of the plant as soon as possible, in order to eliminate these documentary non-compliances. Pending the lifting of these non-compliances, the financial debt relating to the project is presented in current liabilities in the Group's accounts as at June 30, 2021.

2.2.5 COMMENTS ON OPERATIONS

The Group's interim consolidated financial statements have been prepared in accordance with IAS 34 "interim Financial Reporting", a standard of the IFRS framework as adopted by the European Union relating to interim financial reporting.

The Group's consolidated financial statements for the six months ended June 30, 2021 have been subject to a limited review by the Company's statutory auditors and are presented in full in section 3.1 of this document.

The presentation and comments relating to the consolidated income statement are broken down into two levels of analysis for revenue, EBITDA and current operating income: one covering the Group and the other covering the different segments (wind, solar, storage, as well as development - investments and eliminations at the operational level; Europe - Africa, Australia and the Americas, at the geographical level).

Operating income, financial income and other net income items are analysed on a global basis.

Reference to changes in revenue or EBITDA at constant rates or constant exchange rates means that the impact of changes in exchange rates has been restated by recalculating the various items of the relevant aggregate for the period in question on the basis of the exchange rates recorded in the previous period.

2.2.5.1 KEY FIGURES

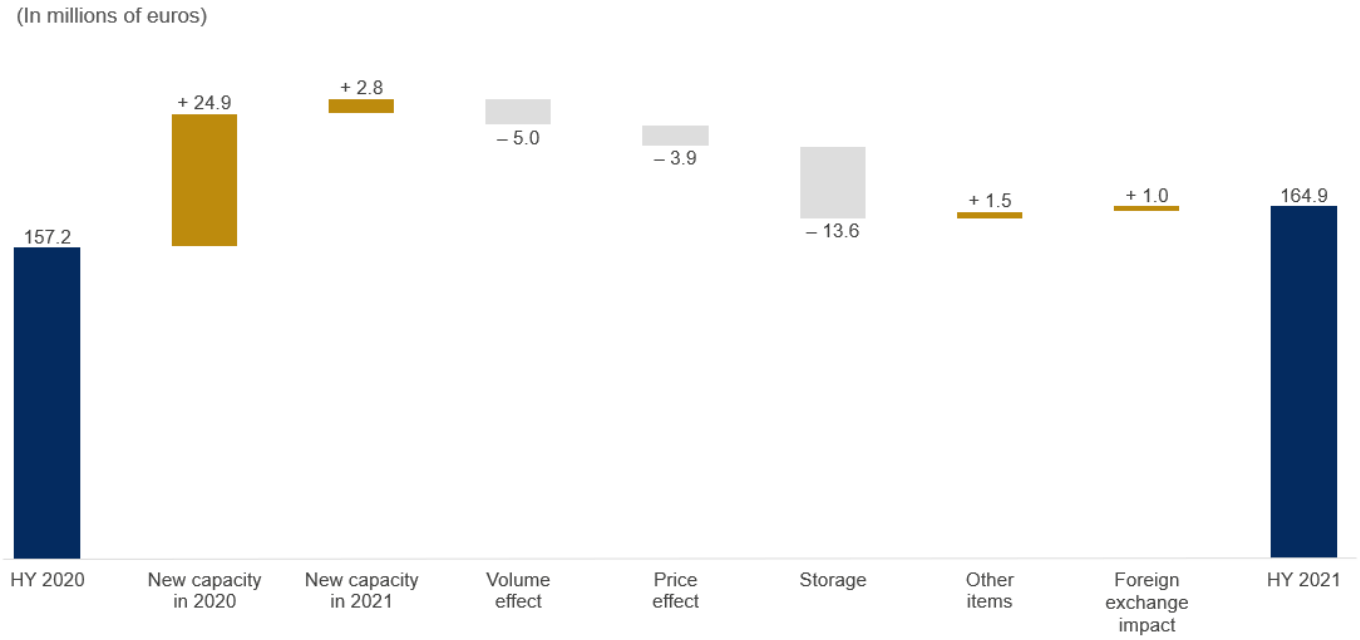
(In millions of euros)	**HY 2021**	**HY 2021 (cre)**	**HY 2020 published**	**Change (cre)**	**Change (cre)** (in %)	**Change**	**Change** (in %)
Revenue	**164.9**	**163.9**	**157.2**	**+ 6.6**	**+ 4%**	**+ 7.7**	**+ 5%**
Of which: Energy sales under contract	120.0	119.0	113.7	+ 5.3	+ 5%	+ 6.3	+ 6%
Of which: Energy sales in the market	41.5	41.6	41.5	+ 0.1	+ 0%	– 0.0	– 0%
Of which: Other revenues	3.4	3.3	2.0	+ 1.3	+ 63%	+ 1.4	+ 71%
EBITDA (1)	**125.9**	**125.1**	**148.2**	**– 23.1**	**– 16%**	**– 22.3**	**– 15%**
EBITDA margin	76%	76%	94%				
Current operating income	72.3	72.2	95.9	– 23.7	– 25%	– 23.7	– 25%
Non-current operating income	(4.6)	(4.5)	(0.9)	– 3.6	x4.0	– 3.7	x4.1
Operating income	**67.7**	**67.8**	**95.0**	**– 27.3**	**– 29%**	**– 27.4**	**– 29%**
Net financial result	**(55.5)**	**(56.4)**	**(55.5)**	**– 0.9**	**+ 2%**	**+ 0.1**	**– 0%**
Net income from continuing operations	4.2	3.3	20.9	– 17.6	– 84%	– 16.7	– 80%
Consolidated net income	**4.2**	**3.3**	**20.9**	**– 17.6**	**– 84%**	**– 16.7**	**– 80%**
Of which: Group share of net income	4.5	3.7	22.0	– 18.3	– 83%	– 17.5	– 79%

(1) EBITDA corresponds to current operating income adjusted for current operating depreciation, amortization and provisions and, as announced at the Capital Markets Day on March 11, 2021, from January1st, 2021, the expense resulting from the application of IFRS 2 "share-based payment". EBITDA as newly defined would have been €149.2 million in the first half of 2020, taking into account an IFRS 2 expense of €(0.9) million, impacting exclusively the Development –Investments segment. For further details on the definition and calculation of this aggregate, the reader is invited to refer to paragraph 2.1.1 "EBITDA reconciliation".

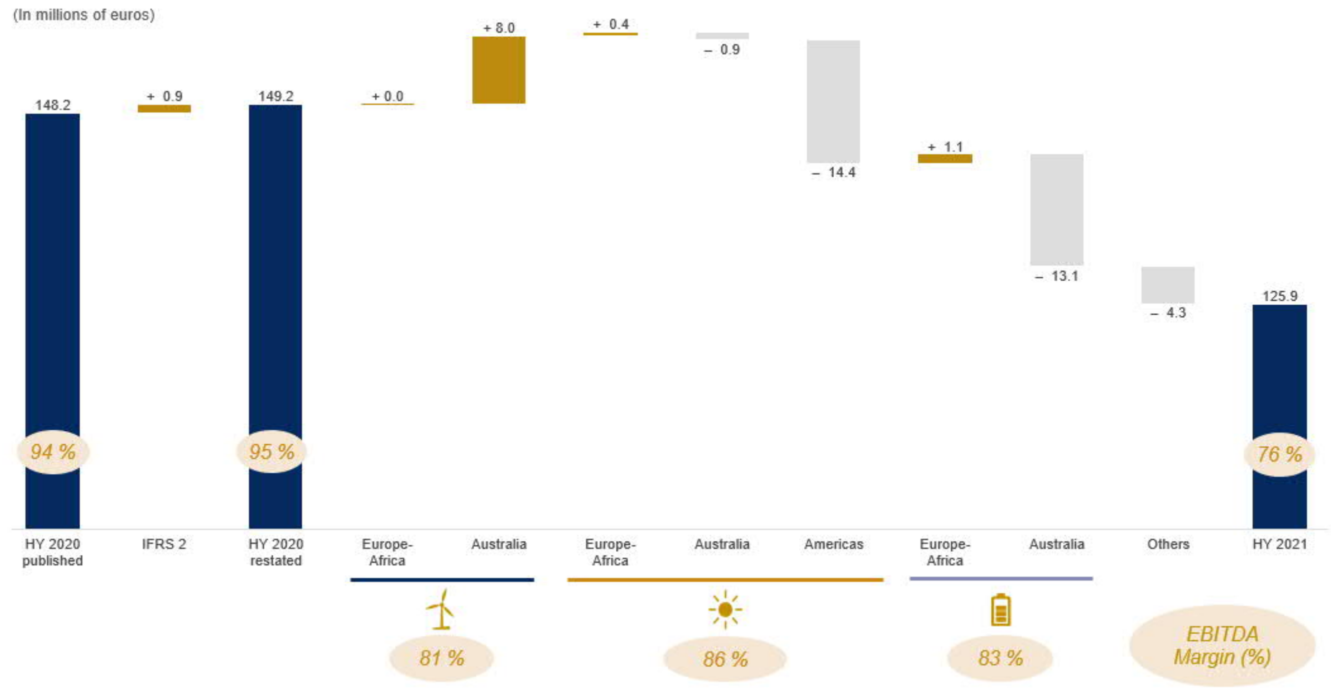
2.2.5.2 EVOLUTION OF REVENUE AND EBITDA

The Group's consolidated revenue and EBITDA have evolved as follows between the first semester 2020 and the first semester 2021 (the data are expressed in millions).

Change in revenue



Change in EBITDA[1]



[1] For further details on the definition and calculation of this aggregate, the reader is invited to refer to paragraph 2.1.1 "EBITDA reconciliation".

2.2.5.3 SEGMENT RESULTS

Segment results for the first semester 2020 and the first semester 2021 are thus presented for each of the Group's operating segments: wind power, solar power, storage, development-investment and eliminations.

(In millions of euros)	Revenue				EBITDA [(1)]				Current operating income			
	HY 2021	HY 2020	Change	Change (in %)	HY 2021	HY 2020	Change	Change (in %)	HY 2021	HY 2020	Change	Change (in %)
Europe - Africa												
Wind power	35.7	33.6	+ 2.1	+ 6%	26.6	26.6	+ 0,0	+ 0%	13.1	13.3	– 0.2	– 2%
Solar power	31.1	28.3	+ 2.8	+ 10%	25.1	24.7	+ 0.4	+ 2%	15.9	14.6	+ 1.2	+ 8%
Storage	2.0	0.2	+ 1.7	x8.0	1.2	0.1	+ 1.1	x13.0	0.5	(0.0)	+ 0.5	– x11.7
Total	**68.8**	**62.1**	**+ 6.7**	**+ 11%**	**52.9**	**51.4**	**+ 1.5**	**+ 3%**	**29.4**	**27.9**	**+ 1.5**	**+ 5%**
As a %	42% [(4)]	39% [(4)]			77% [(5)]	83% [(5)]			43% [(6)]	46% [(6)]		
Australia												
Wind power	30.5	25.2	+ 5.2	+ 21%	27.2	19.3	+ 8.0	+ 41%	18.7	10.0	+ 8.7	+ 87%
Solar power	21.2	20.8	+ 0.4	+ 2%	17.7	18.6	– 0.9	– 5%	7.8	8.0	– 0.3	– 3%
Storage	11.4	24.4	– 13.0	– 53%	10.0	23.1	– 13.1	– 57%	4.4	20.5	– 16.2	– 79%
Total	**63.1**	**70.4**	**– 7.4**	**– 10%**	**54.9**	**61.0**	**– 6.1**	**– 10%**	**30.8**	**38.6**	**– 7.8**	**– 20%**
As a %	38% [(4)]	45% [(4)]			87% [(5)]	87% [(5)]			49% [(6)]	55% [(6)]		
Americas												
Wind power	-	-	-	N/A	(0.0)	-	– 0.0	N/A	(0.0)	-	– 0.0	N/A
Solar power	32.6	24.9	+ 7.7	+ 31%	30.4	44.8	– 14.4	– 32%	21.9	35.6	– 13.6	– 38%
Total	**32.6**	**24.9**	**+ 7.7**	**+ 31%**	**30.4**	**44.8**	**– 14.4**	**– 32%**	**21.9**	**35.6**	**– 13.7**	**– 38%**
As a %	20% [(4)]	16% [(4)]			93% [(5)]	180% [(5)]			67% [(6)]	143% [(6)]		
Development-Investment and Eliminations												
Development-investment [(2)]	38.2	17.3	+ 20.9	x1.2	2.2	(13.3)	+ 15.5	– x1.2	(3.1)	(14.8)	+ 11.7	– 79%
Eliminations [(3)]	(37.8)	(17.5)	– 20.3	x1.2	(14.4)	4.5	– 18.9	– x4.2	(6.7)	8.6	– 15.3	– x1.8
Total	**0.4**	**(0.2)**	**+ 0.7**	**– x2.6**	**(12.2)**	**(8.9)**	**– 3.3**	**+ 38%**	**(9.8)**	**(6.2)**	**– 3.7**	**+ 60%**
TOTAL	**164.9**	**157.2**	**+ 7.7**	**+ 5%**	**125.9**	**148.2**	**– 22.3**	**– 15%**	**72.3**	**95.9**	**– 23.6**	**– 25%**
Of which: wind power	66.2	58.9	+ 7.4	+ 13%	53.9	45.9	+ 8.0	+ 17%	31.7	23.3	+ 8.4	+ 36%
Of which: solar power	84.9	74.0	+ 10.9	+ 15%	73.1	88.0	– 14.9	– 17%	45.6	58.2	– 12.7	– 22%
Of which: storage	13.4	24.6	– 11.3	– 46%	11.1	23.2	– 12.0	– 52%	4.8	20.5	– 15.7	– 76%

(1) *EBITDA corresponds to current operating income adjusted for current operating depreciation, amortization and provisions and, as announced at the Capital Markets Day on March 11, 2021, from January 1st, 2021, the expense resulting from the application of IFRS 2 "share-based payment". EBITDA as newly defined would have been €149.2 million in the first half of 2020, taking into account an IFRS 2 expense of €(0.9) million, impacting exclusively the Development –Investments segment. For further details on the definition and calculation of this aggregate, the reader is invited to refer to paragraph 2.1.1 "EBITDA reconciliation".*

(2) *Revenue for this segment essentially comprises sales of services to other Group entities (eliminated on consolidation with the exception of amounts billed to entities not fully consolidated), but also includes sales of services to third parties.*

(3) *The eliminations mainly relate to services billed by Neoen S.A. to its project companies for the development, supervision and administration of power facilities, as well as development costs capitalized in accordance with IAS 38 "intangible assets".*

(4) *The percentages are the contribution of each geographical zone to the Group's revenues (excluding Development - Investments and Eliminations).*

(5) *The percentages reflect EBITDA margin by geographical zone.*

(6) *The percentages reflect current operating margin by geographical zone.*

Revenue

The Group's consolidated revenues amounted to €164.9 million in the first half of 2021 (€163.9 million at constant exchange rates), a rise of +€7.7 million or +5 % compared to the first half of 2020 (and +4 % at constant exchange rates). This growth is mainly due to the contribution of assets commissioned during 2020 in France, Mexico and Finland and the *prorata temporis* contribution of new plants commissioned in the first half of 2021 in France. This growth was limited by the decline in revenues from the storage activity in Australia, which benefited from specific non-recurring conditions in the first quarter of 2020.

The solar segment remained the largest contributor to the Group's consolidated revenues (51 % in the first half of 2021 compared to 47 % in the first half of 2020). Revenues for this segment were €84.9 million in the first half of 2021, a rise of **+€10.9 million** or +15 % compared to the first half of 2020.

- **Americas (+€7.7 million)**

This growth was mainly due to the increased contribution of the El Llano power plant in Mexico **(+€9.6 million)**.

The latter was in operation throughout the first half of 2021, whereas in 2020 it only started production during February and was shut down for three weeks in May.

Moreover, due to the delay in the implementation of the administrative mechanisms required to start the long-term power sales contract, and an agreement reached in this context with the *Centro Nacional de Control de Energía* (CENACE), during the second quarter of 2021, the PPA for the El Llano power plant, which was initially scheduled to take effect at the end of June 2020, became effective from July 1st, 2021. As a result, the electricity produced from July 1st, 2020, until the start of the PPA was sold on the market, representing, in respect of the second half of 2020, a **+€3.1 million contribution to revenues** for the first half of 2021.

The Americas region was also impacted by the decline in the contribution of the **Capella power plant (–€1.2 million)**, which in the first quarter of 2020 sold on the market at a higher price than the price contracted as part of its PPA.

- **Europe-Africa (+€2.8 million)**

This increase was mainly due to the power plants commissioned in 2020 and in the first half of 2021, mainly in France.

The wind power segment accounted for 40 % of the Group's revenues in the first half of 2021 (compared with 37 % in the first half of 2020).

Revenues for this segment were €66.2 million, an increase of +7.4 million euros, or +13 % compared to the first half of 2020. This increase mainly reflects:

- revenue growth in Australia (+€5.2 million), driven by the Bulgana power plant, which is in a ramp-up[1] phase in the first half of 2021 while it did not produce electricity in the first half of 2020, and;
- the +€2.1 million increase in revenues in the Europe-Africa region, mainly due to the contribution from the plants commissioned in 2020, principally in France (the Garenne, Viersat and Mont de Malan plants) and Finland (Hedet), as well as the contribution from the Chapelle d'Eole and Val d'Eole plants in France, acquired in October 2020.

However, the increase in wind segment revenues was penalised by a negative comparison effect, as wind resources in Europe returned to normal levels in the first half of 2021 whereas they had been excellent in the first quarter of 2020.

The storage segment accounted for 8 % of the Group's revenues in the first half of 2021 (compared to 16 % in the first half of 2020).

This segment contributed €13.4 million to the Group's revenues in the first half of 2021, down –€11.3 million or –46 % compared to the first half of 2020. This change is mainly due to an exceptional event in the first quarter of 2020 in Australia. The shutdown of an interconnection line between the states of South Australia and Victoria following a tornado in late January 2020 created specific conditions generating high non-recurring income.

The decline in revenues from Australia was partly offset by the increased contribution from the Europe-Africa region (+€1.7 million), due to the revenues generated by the Yllikkälä Power Reserve One plant in Finland (commissioned in December 2020) and Azur Stockage plant in France.

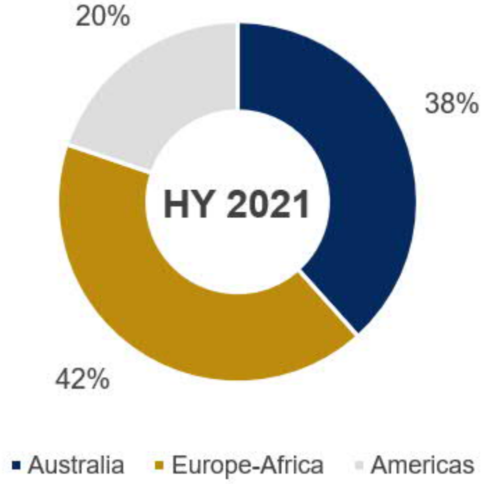
The development-investment and eliminations segments represented revenues of €0.4 million in the first half of 2021 compared to €(0.2) million in the first half of 2020, an increase of +€0.7 million.

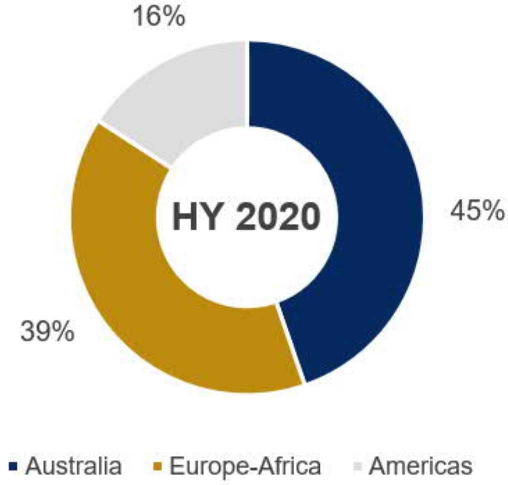
Europe-Africa was the largest contributor to Group revenues in the first half of 2021 and saw its relative share increase (42 % in the first half of 2021 compared to 39 % in the first half of 2020), due to the decline in Australia's share (38 % of Group revenues in the first half of 2021 versus 45 % in the first half of 2020), a direct consequence of the exceptional contribution of this region in the first half of 2020.

[1] The production level of the Bulgana plant stood at 100 MW over the period compared to a nominal production level of 204 MW at full capacity.

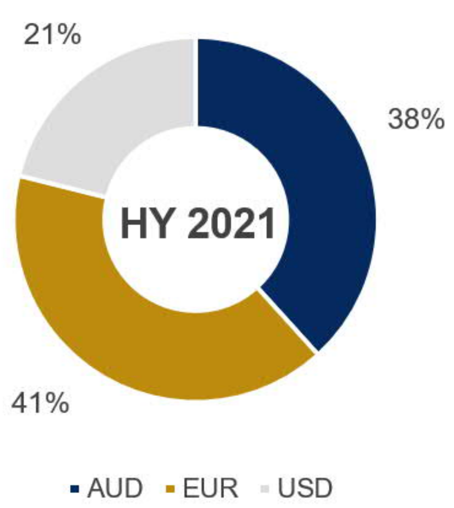
In the first half of 2021, the share of energy sales in the market reached 25 % of consolidated revenues, compared to 26 % in the first half of 2020. In the first half of 2020, energy sales in the market benefited from non-recurring revenues generated by the storage business in Australia in the first quarter of 2020, as well as early generation revenues from the Capella[1] solar power plants in El Salvador and El Llano in Mexico and the Hedet[1] wind farm in Finland. In the first half of 2021, energy sales in the market were driven by the Bulgana plant, which was in a ramp-up phase during the period, while it did not produce electricity in the first half of 2020, and by the EL Llano plant due to the shift in the start-up date of its PPA to July 1st, 2021.

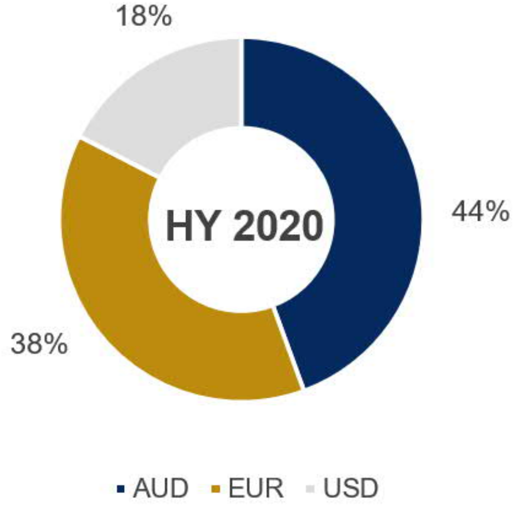
Revenue breakdown by geographic area[2]





Revenue breakdown by currency





[1] Before their PPA came into force in the second quarter of 2020.
[2] Excluding Development - Investments and Eliminations.

EBITDA

In the first half of 2021, the Group's consolidated EBITDA was €125.9 million (€125.1 million at constant exchange rates), down **–€22.3 million**, i.e. – 15 % compared to the first half of 2020 reported (–€23.1 million at constant exchange rates), and –€23.3 million i.e. –16 % compared to the first half of 2020 taking into account the change in the definition of EBITDA implemented from 2021, and now excluding the IFRS 2 expense. This decrease was mainly due to a lower level of contractual indemnities to compensate for lost revenues related to delays in the commissioning of certain projects in the first half of 2021 compared to the first half of 2020, for **–€26.9 million**. This effect is partially offset by growth in the Group's revenues of **+€7.7 million** compared to the first half of 2020 (please refer to the revenue analysis above).

The Group's EBITDA margin was 76 % in the first half of 2021 compared to 94 % in the first half of 2020. This decrease is mainly the result of the decline in the aforementioned contractual indemnities, and the lower EBITDA and the decrease of the EBITDA margin of the storage activity in the first half of 2021, in connection with the exceptional performance of this activity in Australia in the first quarter of 2020.

The solar power segment contributed €73.1 million to the Group's EBITDA, down by –€14.9 million or –17 % compared to the first half of 2020.

This decline was mostly attributable to the Americas region (–€14.4 million) and was mainly due to the recognition of contractual indemnities to compensate for lost revenues related to delays in the commissioning of certain project (LDs) in 2020 that were not renewed in 2021, in particular on the power plants Altiplano 200 in Argentina and El Llano in Mexico, with an impact of –€24.8 million in the first half of 2021. This effect was partially offset by a +€7.7 million increase in solar revenues in this region (see sales analysis above).

The EBITDA margin for this segment was 86 % in the first half of 2021 compared to 119 % in the first half of 2020.

The wind power segment contributed €53.9 million to the Group's EBITDA, a rise of +€8.0 million or +17 % compared to the first half of 2020, mainly driven by the performance of Australia, resulting from:

- the +€5.2 million revenue growth in this region (see revenue analysis above);
- the favourable effect on the EBITDA of lower grid regulation service costs (FCAS) in the first half of 2021 than in the first half of 2020, which was marked by exceptional grid conditions, for +€2.7 million.

The EBITDA margin for this segment was 81 % in the first half of 2021 compared to 78 % in the first half of 2020.

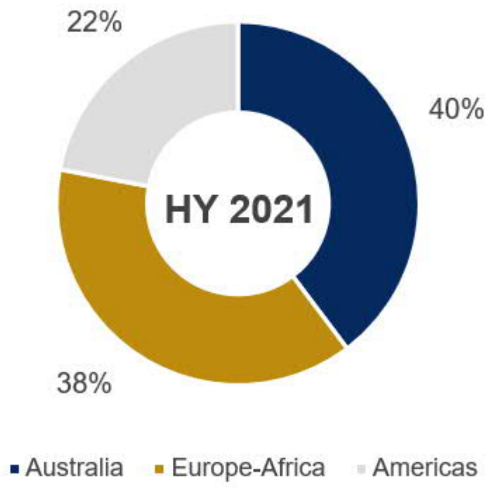
The storage segment generated EBITDA of €11.1 million in the first half of 2021, down –€12.0 million compared to the first half of 2020, a direct consequence of the decline in revenues in Australia (see revenue analysis above).

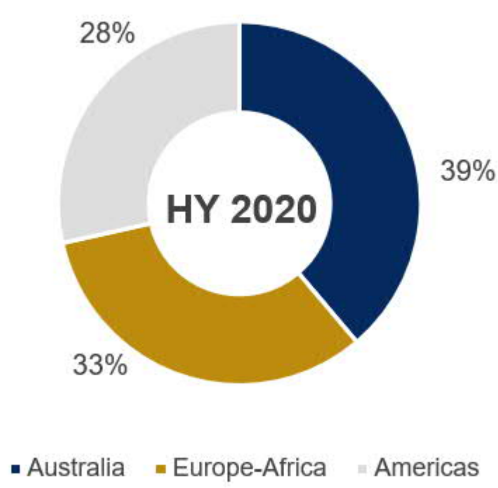
The EBITDA margin, which in the first half of 2020 benefited from the exceptional performances of the HPR battery, was 83 % for the period compared with 94 % in the first half of 2020.

The development-investment and elimination segments contributed €(12.2) million to the Group's EBITDA in the first half of 2021, compared to €(8.9) million in the first half of 2020. The –€3.3 million decrease is mainly explained by an increase in external expenses of –€2.6 million (mainly consultancy and development costs) and in personnel expenses related to the increase in payroll of –€1.1 million (including +€0.9 million related to the reclassification of the IFRS 2 expense "share-based payments").

Australia remained the largest contributor to the Group's EBITDA in the first half of 2021, with its relative share increasing (40 % in the first half of 2021 versus 39 % in the first half of 2020). The relative share of the Europe-Africa region also increased from 33 % of the group's EBITDA in the first half of 2020 to 38 % in the first half of 2021. Lastly, the Americas region saw its share decrease to 22 % in the first half of 2021 compared to 28 % in the first half of 2020, which benefited from significant contractual indemnities to compensate for lost revenues due to delays in the commissioning of certain projects (LDs).

EBITDA breakdown by geographic area [1]





Current operating income

The Group's current operating income was €72.3 million in the first half of 2021, down –€23.6 million, or –25 %. This change was mainly due to:

- the decline in EBITDA of **–€22.3 million**, i.e. –15 % (see EBITDA analysis above);
- the stability of depreciation (**+€0.2 million**), resulting from:
  - the extension of the depreciation period for fixed assets (from 25 to 30 years[2]), which led to a +€6.0 million decrease in depreciation and amortization in the first half of 2021 compared to the first half of 2020, in respect of assets commissioned before January 1st, 2020;
  - an increase in depreciation and amortization (–€4.6 million) due to the growth in the number of assets in operation, as a result of the commissioning of new facilities in 2020 and in the first half of 2021;
  - other individually non-material items, including currency effects, for –€1.2 million.
- The impact of the IFRS 2 expense "share-based payments" in the first half of 2021 for **–€1.5 million** (see EBITDA reconciliation in paragraph 2.1.1 above).

The solar power segment contributed €45.6 million to the Group's current operating income, down –€12.7 million or –22 % compared to the first half of 2020. This is mainly due to the –€14.9 million fall in EBITDA for this segment over the period, i.e. –17 % (see EBITDA analysis above), partially offset by the change in depreciation and amortization over the period, a direct consequence of the impact of the commissioning carried out during 2020 and the first half of 2021 for –€1.1 million, and by the extension of the depreciation period for fixed assets (from 25 to 30 years) which generated a +€3.5 million decrease in depreciation and amortization in the first half of 2021.

The wind power segment contributed €31.7 million to the Group's current operating income, a rise of +€8.4 million or +36 % compared with the first half of 2020. This is mainly due to the +€8.0 million increase in EBITDA for this segment (see EBITDA analysis above), partially offset by the change in depreciation and amortization over the period, a direct consequence of the impact of the commissioning carried out during 2020 and the first half of 2021 for –€1.3 million, and by the extension of the depreciation period for fixed assets (from 25 to 30 years) which generated a +€2.3 million decrease in depreciation and amortization in the first half of 2021.

The storage segment contributed €4.8 million to the Group's current operating income in the first half of 2021, down –€15.7 million, mainly explained by the decline in EBITDA of –€12.0 million in this segment (see EBITDA analysis above) and by the increase in depreciation and amortization over the period (–€3.2 million), mainly due to the commissioning of the Hornsdale Power Reserve battery extension in 2020.

The development-investments and eliminations segment contributed €(9.8) million to the Group's current operating income compared to €(6.2) million in the first half of 2020, related to the change in this segment's EBITDA over the period.

[1] Excluding Development - Investments and Eliminations.
[2] This change in accounting estimate is detailed in note 2.4 of the half-yearly consolidated financial statements.

2.2.5.4 ANALYSIS OF THE OTHER CONSOLIDATED INCOME STATEMENT ITEMS

From current operating income to operating income

(In millions of euros)	HY 2021	HY 2020	Change	Change (in %)
Current operating income	**72.3**	**95.9**	**– 23.7**	**– 25%**
Other non-current operating income and expenses	(5.0)	(2.2)	– 2.8	x1.2
Impairment of non-current assets	0.4	1.3	– 0.9	– 68%
Operating income	**67.7**	**95.0**	**– 27.4**	**– 29%**
Impact of foreign exchange rate fluctuation	0.1	1.0	– 0.9	– 93%
Operating income at constant foreign exchange rate	**67.8**	**96.0**	**– 28.3**	**– 29%**

Current operating income

Current operating income is analysed in paragraph 2.2.5.3 of this document.

Non-current operating income

Non-current operating income amounted to €(4.6) million down –€3.7 million and break down as follows:

(In millions of euros)	HY 2021	HY 2020	Change	Change (in %)
Prior period development costs (1)	(5.0)	(2.1)	– 2.8	x1.3
Other income and expenses	(0.1)	(0.1)	+ 0.0	– 21%
Other non-current operating income and expenses	**(5.0)**	**(2.2)**	**– 2.8**	**x1.2**
Impairment of capitalised development costs	(1.2)	(0.6)	– 0.6	x1.0
Reversal of impairment of capitalised development costs (2)	1.6	1.9	– 0.3	– 16%
Impairment of non-current assets (3)	**0.4**	**1.3**	**– 0.9**	**– 68%**
Non-current operating profit	**(4.6)**	**(0.9)**	**– 3.7**	**x4.1**

(1) Capitalised development costs for which the Group, following external events beyond its control, considers that the criteria for capitalisation provided for in IAS 38 are no longer met, are recognised in other non-current operating expenses for the period. These are mainly linked to the abandonment of projects in Australia and France. In particular, the Group had to abandon the Gilgandra project in Australia due to permitting and interconnection issues (see section 3.1 - notes 9 and 10 to the half-yearly consolidated financial statements). In the first half of 2020, they mainly corresponded to the abandonment of projects in Mexico, the United States and Colombia.

(2) Reversals of impairment of capitalised development costs related to abandoned projects.

(3) In the first half of 2021, non-current asset impairment amounted to €0.4 million. In the first half of 2020, this item amounted to €1.3 million and corresponded mainly to reversals of impairment of capitalised development costs on abandoned projects that were recorded under other non-current operating expenses in the Group's financial statements (see section 3.1 - note 10 to the half-yearly consolidated financial statements).

Operating income

Given the aforementioned developments, the Group's operating income declined by –€27.4 million or –29 %, from €95.0 million in the first half of 2020 to €67.7 million in the first half of 2021 (€67.8 million at constant exchange rates).

Net financial result

(In millions of euros)	HY 2021	HY 2020	Change	Change (in %)
Cost of debt	**(51.3)**	**(48.2)**	**– 3.2**	**+ 7%**
Total other financial income and expenses	**(4.1)**	**(7.4)**	**+ 3.2**	**– 44%**
Shareholder loan interest income and expenses	(0.4)	(0.4)	– 0.1	+ 14%
Foreign exchange gains and losses	(3.0)	(1.5)	– 1.5	x1.0
Other financial income and expenses	(0.7)	(5.5)	+ 4.8	– 87%
Net financial result	**(55.5)**	**(55.5)**	**+ 0.1**	**– 0%**

The **+€0.1 million** increase in the net financial result was mainly due to:

- **–€3.2 million** of increased cost of debt essentially reflecting:
  - the issue of green convertible bonds ("OCEANE Verte") in June 2020 and a drawdown in the first quarter of 2021 on the syndicated revolving facilities agreement signed in March 2020, whose respective contributions amounted to €(4.1) million[1] (compared with €(0.6) million for the first half of 2020) and €(0.5) million (compared with €(0.1) million for the first half of 2020);
  - the –€2.1 million increase in the number of plants under financing, and;
  - the average decrease in spots interest rates between the first half of 2020 and the first half of 2021, which benefited the unhedged portion of project financing debt, as well as the structural decrease in the cost of financial debt during the life of the plants in operation, due to the gradual repayment of the principal, for +€3.1 million.

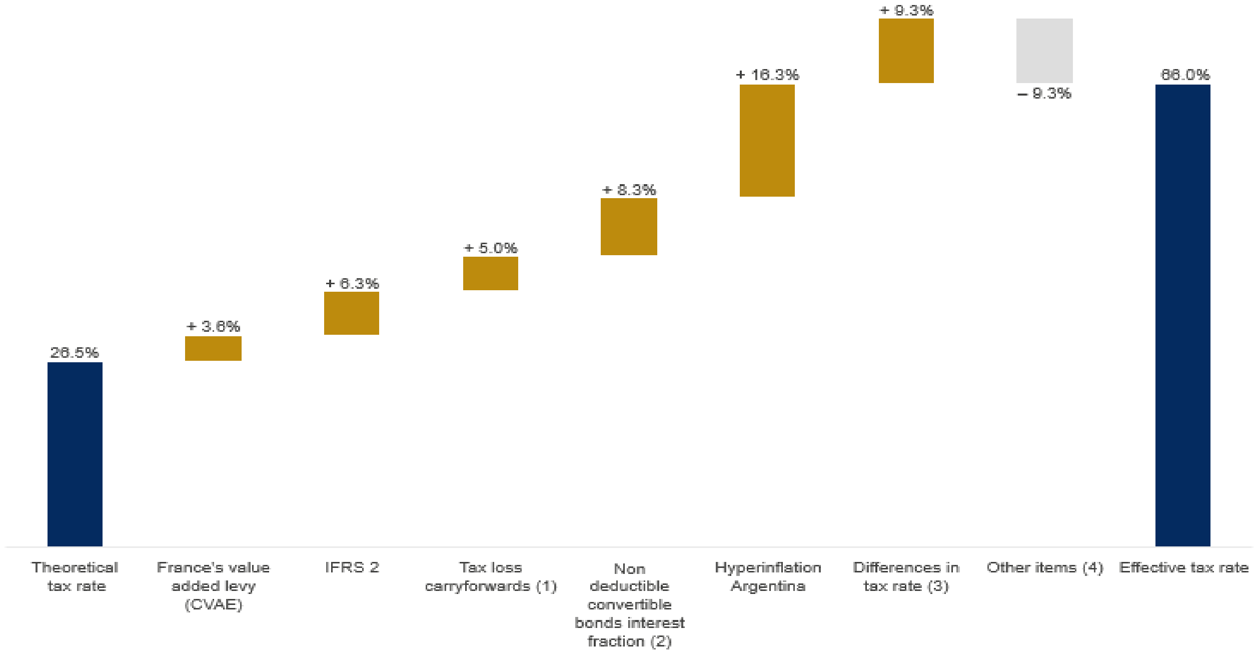
  In the first half of 2021, the cost of borrowings breaks down as to €(37.3) million for the financing of production assets (€(36.6) million in the first half of 2020), €(11.5) million interest charges on derivatives (€(9.0) million in the first half of 2020) and €(2.5) million of interest on rights of use of (€(2.5) million in the first half of 2020).
- **–€1.5 million** of foreign exchange impact on the financial result, mainly explained by:
  - lower net foreign exchange losses on VAT credits denominated in Argentine and Mexican pesos and the VAT loan denominated in Mexican pesos in the first half of 2021 (for €(2.6) million compared with €(5.5) million in the first half of 2020), a direct consequence of the incremental reimbursements received by the Group;
  - a net foreign exchange loss of €(0.1) million, of which €(0.3) million on monetary items denominated in Australian dollars, and €0.2 million on monetary items denominated in US dollars in the first half of 2021, compared to a net gain of €4.0 million (of which €3.4 million on the Australian dollar and €0.6 million on the US dollar) in the first half of 2020, as a direct result of the respective exchange rate movements in the first half of 2020 and 2021.
- **+€4.8 million** of additional other financial income and expenses, the change is mainly explained by the non-recurring impact, in the first half of 2020, of the refinancing of the Australian wind projects Hornsdale 1, 2 and 3, which generated an expense of €(4.9) million, corresponding to indemnities and early repayment costs incurred for the extinguishment of the historical debt.

Income tax

The tax charge for the first half of 2021 was €(8.1) million compared to €(18.7) million in the first half of 2020, representing an effective tax rate of 66.0 % and 47.2 % in the first half of 2020 (see section 3.1 - note 11 "income tax").

[1] The effective interest rate of the debt component is 5.80 %.

In the first half of 2021, the difference of 39.5 percentage points between the theoretical tax rate of 26.5 % and the effective tax rate of 66.0 % breaks down as follows:



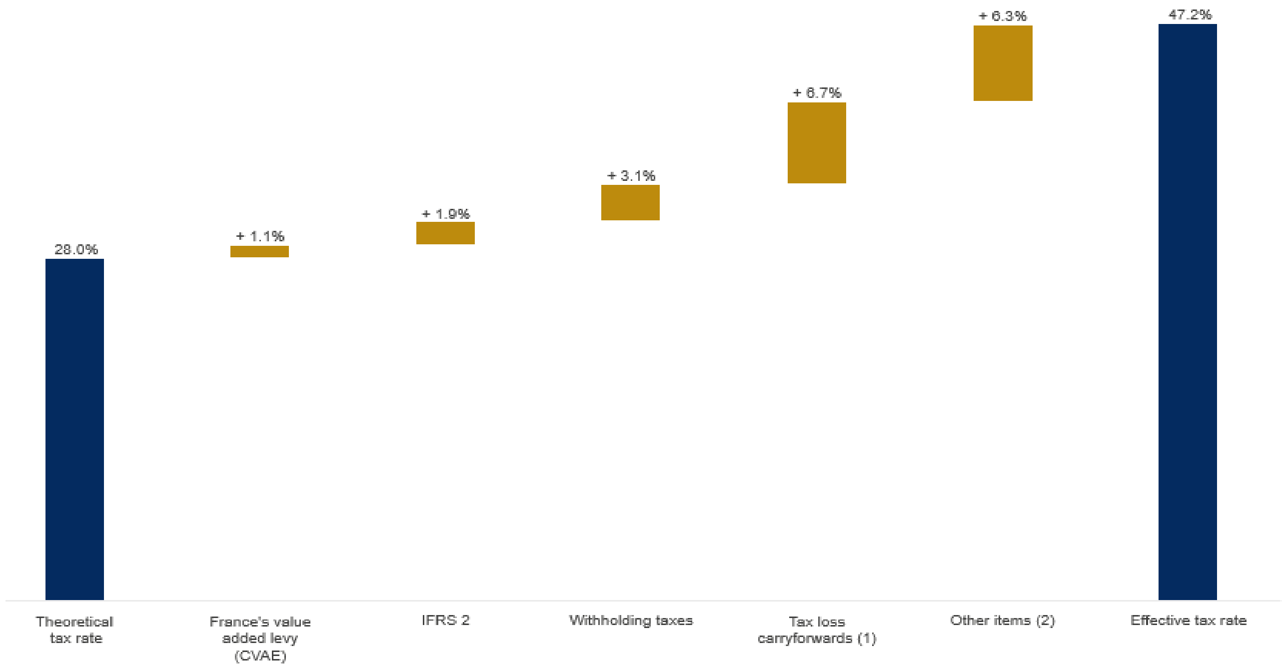
(1) Given the earnings outlook for certain regions and time limitations in the use of tax losses, no deferred tax assets were recognised for certain tax losses.

(2) Permanent differences in respect of the portion of the interest expenses relating to the convertible bonds ("OCEANE") and the green convertible bonds ("OCEANE Verte") issued by the Group in 2019 and 2020, respectively, recorded at the effective interest rate and exceeding the nominal interest rate of these instruments.

(3) Difference generated by tax rates that differ from Neoen S.A.'s rate in certain regions.

(4) This item notably includes the recognition of prior tax losses not initially recognised, given changes in the earnings outlook.

In the first half of 2020, the difference of +19.2 percentage points between the theoretical tax rate of 28.0 % and the effective tax rate of 47.2 % breaks down as follows:



(1) Given the earnings outlook for certain regions and time limitations in the use of tax losses, no deferred tax assets were recognised for certain tax losses.

(2) This item includes the recognition of deferred tax liabilities for temporary differences arising from the difference between the tax and accounting values, particularly on assets denominated in foreign currencies (mainly in Argentina).

Net income from continuing operations

Given the factors presented above, net income from the Group's continuing operations declined by –€16.7 million, from €20.9 million in the first half of 2020 to €4.2 million in the first half of 2021.

Group share of net income

Group share of net income thus declined by –€17.5 million, from €22.0 million in the first half of 2020 to €4.5 million in the first half of 2021.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests amounted to €(0.4) million in the first half of 2021 compared to €(1.2) million a year earlier. It represents the share of other shareholders in the income generated by companies in which Neoen is not the only shareholder, mainly in Australia and Jamaica.

2.2.6 SIMPLIFIED CONSOLIDATION STATEMENT OF FINANCIAL POSITION

(In millions of euros)	30.06.2021	31.12.2020	Change	Change (in %)
Non-current assets	**3,623.4**	**3,212.0**	**+ 411.5**	**+ 13%**
Of which: property, plant and equipment	3,189.2	2,838.7	+ 350.5	+ 12%
Current assets	**849.5**	**565.1**	**+ 284.4**	**+ 50%**
Of which: cash and cash equivalents	679.0	374.9	+ 304.1	+ 81%
Total assets	**4,473.0**	**3,777.1**	**+ 695.9**	**+ 18%**
Equity (1)	**1,286.3**	**641.6**	**+ 644.7**	**x1.1**
Liabilities (2)	**2,763.9**	**2,749.4**	**+ 14.5**	**+ 1%**
Of which: senior project financing	1,999.4	1,948.7	+ 50.7	+ 3%
Of which: project financing by bond issues	159.8	154.4	+ 5.5	+ 4%
Of which: corporate financing	333.6	339.4	– 5.8	– 2%
Of which: Derivative instruments liabilities – hedging effect	67.4	109.8	– 42.4	– 39%
Total equity and liabilities	**4,473.0**	**3,777.1**	**+ 695.9**	**+ 18%**

(1) Movements on the Group's equity during the semester are detailed in the consolidated statement of changes in equity and the associated financial statement note (see paragraph 3.1.4 of this document and section 3.1 - note 16 on "equity and details of dilutive instruments").

(2) Consolidated financial liabilities are specifically analyzed in paragraph 2.3.2 of this document.

Property, plant and equipment increased by 12 % over the period due to the increase in the volumes of projects in operation and under construction during the first half of 2021 (see section 3.1 - note 12.3 "property, plant and equipment" and paragraph 2.2.4.1). The Group's investment is detailed in paragraph 2.3.4 of this document.

The +€304.1 million increase in the Group's cash and cash equivalents is mainly due to:

- Neoen S.A. (**€387.3 million**; up **+€326.8 million** from December 31, 2020) mainly as a result of investments made over the period in the form of equity and shareholder loan contributions to new projects in Finland, Australia and France for –€293.7 million and the repayment of a corporate loan for –€10.5 million. These effects are partially offset by:
  - capital increases in cash in the amount of +€599.5 million, less issuance costs of –€7.8 million, i.e. +€591.8 million, and;
  - the collection of development agreements invoiced to project companies for +€36.0 million.
- project companies and project holding companies (**+€291.0 million**, down **–€22.7 million**, compared to December 31, 2020):
  - for assets under construction, drawdowns on senior debt and equity contributions to partially finance investments in production assets, and,
  - for assets in operation and financing holding companies, cash flows from operating activities intended to repay project financing and remunerate shareholders' contributions.

The Group's financial structure is solid, with 88 % of its total debt at end-June 2021 backed up by its electricity production facilities which are for the most part financed by long-term project debt denominated in strong currencies (the euro, US and Australian dollar). The Group's liabilities are detailed in section 2.3.2 of this document.

2.3 FINANCING AND INVESTMENTS

2.3.1 INDICATORS MONITORED BY THE GROUP

The average remaining maturity of the financing for the Group's consolidated projects in operation as of June 30, 2021 and December 31, 2020 is as follows:

Weighted average remaining maturity of financing (in years)	**Solar power**	**Wind power**	**Total**
AUD	13.1	20.5	17.5
EUR	16.3	14.8	15.5
USD	15.6	n.a	15.6
TOTAL 30.06.2021	**14.4**	**17.5**	**16.2**
TOTAL 31.12.2020	**15.2**	**17.6**	**16.3**

The weighted average ratio of project debt to investment expenditure for the project's development and construction, for all the Group's projects in operation as of June 30, 2021 and December 31, 2020 is as follows:

Ratio of project debt to investment expenditure	**Solar power**	**Wind power**	**Total**
AUD	65%	92%	78%
EUR	90%	75%	81%
USD	61%	n.a	61%
TOTAL 30.06.2021	**71%**	**82%**	**76%**
TOTAL 31.12.2020	**75%**	**81%**	**78%**

The change in the solar segment between December 31, 2020 and June 30, 2021 reflects the inclusion of the financing of the El Llano power plant, given the confirmation during the first half of 2021 of the start of its PPA on July 1st, 2021.

The Group's gearing ratio as a percentage of capital employed, on an all-in basis including the totality of its debt, whether corporate or associated with project financing, was nearly 80 % as of June 30, 2021.

The weighted average interest rate associated with project financing for all the Group's projects in operation, on an all-in basis i.e. inclusive of the spread applied by the applicable bank and of the impact of any interest rate swaps or other interest rate derivatives, may be summarized as follows:

All-in weighted average interest rate for project financing	Solar power	Wind power	Total
AUD	4.7%	3.4%	3.9%
EUR	1.7%	1.8%	1.7%
USD	6.1%	n.a	6.1%
TOTAL 30.06.2021	**4.1%**	**2.6%**	**3.4%**
TOTAL 31.12.2020	**4.0%**	**2.6%**	**3.4%**

By currency, as of June 30, 2021 the weighted average interest rate for the Group's project, mezzanine and corporate debt was about 2.1 % in euros, 4.3 % in Australian dollars and 6.1 % in US dollars. The weighted average interest rate is (i) calculated on the basis of all outstanding financing (signed, drawn down, under repayment or consolidated), (ii) weighted on the basis of total debt outstanding as of June 30, 2021, (iii) calculated on an all-in basis i.e. inclusive of the spread applied by the applicable bank and of the impact of any interest rate swaps or other interest rate derivatives and (iv) calculated excluding the costs of debt structuring.

At December 31, 2020, the weighted average interest rate for the Group's project, mezzanine and corporate debt was about 2.1 % in euros, 4.4 % in Australian dollars and 6.4 % in US dollars.

As of June 30, 2020, the Group's overall debt interest rate was about 3.6 % compared with about 3.7 % as of December 31, 2020.

The Group's financial debt terms and conditions and financing structure are detailed in note 18 "financing and financial instruments" of the half-yearly consolidated financial statements.

2.3.2 RECONCILIATION OF CONSOLIDATED LIABILITIES AND NET DEBT

In the framework of the analysis and management of its liabilities, the Group assesses both the overall level of its gross consolidated liabilities and its net debt which is not an IFRS indicator.

(In millions of euros)	30.06.2021	31.12.2020	Change	Change (in %)
Financial debt (1)	**2,763.9**	**2,749.4**	**+ 14.5**	**+ 1%**
Non-controlling investors and others (2)	(28.9)	(29.2)	+ 0.3	– 1%
Adjusted financial debt	**2,734.9**	**2,720.2**	**+ 14.7**	**+ 1%**
Total cash and cash equivalents (3)	(679.0)	(374.9)	– 304.1	+ 81%
Guarantee deposits (4)	(74.4)	(76.6)	+ 2.3	– 3%
Derivative instruments assets – hedging effect (5)	(16.1)	(2.2)	– 13.9	x6.3
Total net debt	**1,965.5**	**2,266.5**	**– 301.0**	**– 13%**

(1) Essentially comprising project financing, the debt component of the convertible bonds into new shares and/or exchangeable for existing shares issued in 2019 ("OCEANE") and the green convertible bonds into new shares and/or exchangeable for existing shares ("OCEANE Verte") issued in 2020, interest rate hedging instruments with a negative market value and lease liabilities included in the calculation of net debt under IFRS 16 «leases» (note that EBITDA therefore excludes lease charges). Net debt is detailed in note 18.2 to the half-yearly consolidated financial statements.

(2) Notably comprising non-controlling shareholder loans to project companies (or project holding companies).

(3) The change to this item is detailed in paragraph 2.2.5.5 of this document.

(4) Mainly comprising deposits in the framework of project financing, in the form of DSRAs (debt service reserve accounts) or for the purposes of project construction. The decrease during the period was mainly due to the repayment of the DSRA of certain project companies or financing holding companies, and their replacement by guarantees, letters or credit facilities, as well as the partial release of an escrow on the Altiplano 200 project in Argentina, which was established as part of its financing. In addition, new DSRAs were set up as part of the new financing carried out in 2021 The Group also set up a security deposit as part of a pre-hedging operation for its interest rate risk exposure relating to the Australian Kaban project, the financing of which is currently being structured.

(5) Interest rate risk hedging derivatives with positive market values. Instruments with negative market values are included in total debt (see note 18.2 to the half-yearly consolidated financial statements).

Analysis of liabilities by type

(In millions of euros)	Non-current	Current	30.06.2021	Non-current	Current	31.12.2020	Change
Senior project financing	1,757.8	241.7	1,999.4	1,696.7	252.0	1,948.7	+ 50.7
Bond financing for projects	140.8	19.0	159.8	140.4	14.0	154.4	+ 5.5
Lease liabilities	167.1	7.6	174.7	160.8	7.1	167.9	+ 6.8
Corporate financing	333.5	0.1	333.6	325.4	14.0	339.4	– 5.8
Non-controlling investors and others	27.4	1.6	28.9	29.2	-	29.2	– 0.3
Derivative instruments – impact of hedging	56.9	10.5	67.4	90.2	19.6	109.8	– 42.4
Total financial liabilities	**2,483.5**	**280.4**	**2,763.9**	**2,442.8**	**306.6**	**2,749.4**	**+ 14.5**

Senior project financing (+€50.7 million)

In the first half of 2021, new loans were issued amounting to **€123.9 million**, mainly covering the power plants Mutkalampi (€40.2 million) in Finland, Western Downs (€20.4 million) and Bulgana (€2.2 million) in Australia, Metoro (€8.3 million) in Mozambique, Altiplano 200 (€7.4 million) in Argentina, as well as several wind power plants (€18.2 million) and several solar power plants (€27.7 million) in France. In addition to this:

- **€(91.9) million** in loan repayments made in the first half of 2021;
- foreign exchange impact **+€17.3 million**;
- the change in the amortized cost of borrowings for **+€2.2 million** and in accrued interest for **€(0.7) million**.
-

Bond financing for projects (+€5.5 million)

Bond financing mainly comprises junior debt on projects. The increase during the period is due to the recognition of accrued interest and the impact of exchange rate fluctuations.

Lease liabilities (+€6.8 million)

The lease liability is initially measured at the present value of lease payments that are not settled at the effective date, discounted at the marginal borrowing rate of the lessee. It is then repaid and discounted at the rate of rent payments. This increase was mainly attributable to new leases and amendments entered into during the period.

Corporate financing (–€5.8 million)

At June 30, 2021, corporate financing mainly corresponds to the convertible bonds ("OCEANE") issued in 2019 and the green convertible bonds ("OCEANE Verte") issued in June 2020. The decrease in this item for the period mainly corresponds to the repayment of a loan previously taken out with the French public investment bank (BPI France) for –€10.5 million and the amortization of the issue premiums relating to the convertible bonds ("OCEANE") and green convertible bonds ("OCEANE Verte") for +€4.1 million.

Non-controlling investors and others (–€0.3 million)

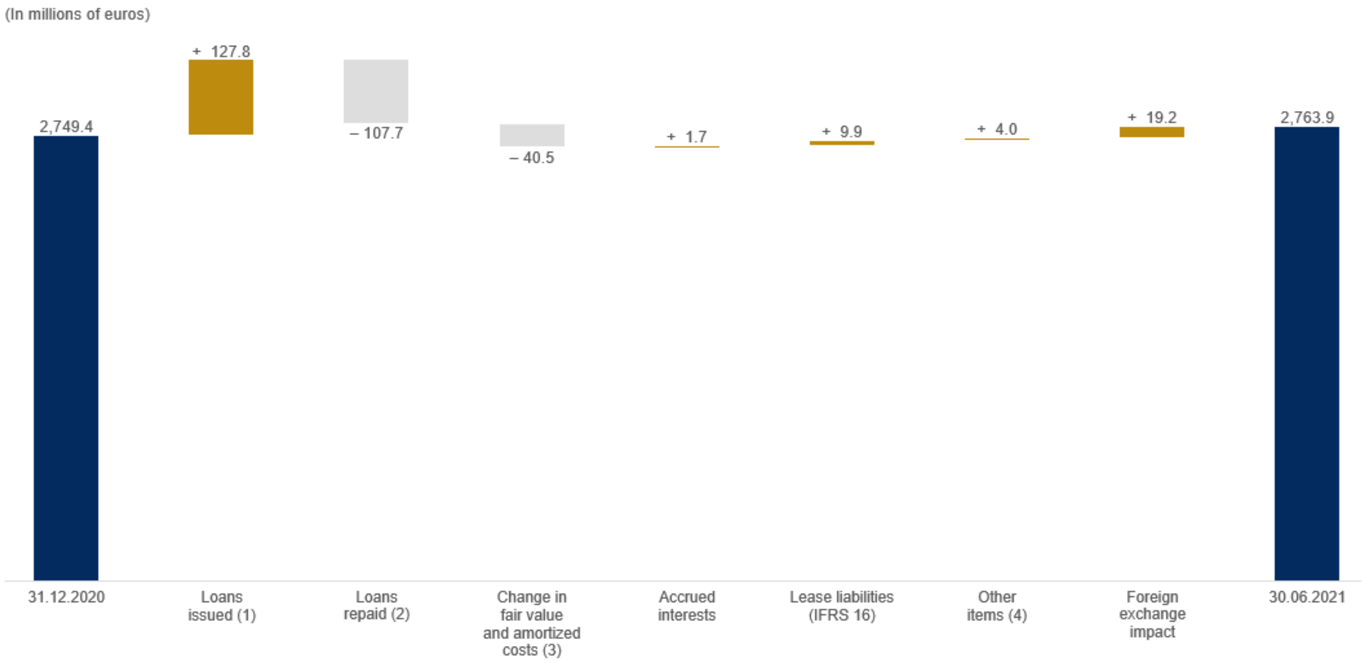
This item essentially consists of shareholder contributions from minority shareholders in the context of project financing.

Derivative financial instruments (–€42.4 million)

The decrease in derivative financial liabilities is mainly due to a positive change in fair value, impacting this contributor to financial liabilities by –€43.5 million, as a result of the significant rise in forward rates over the period in most of the geographic regions in which the Group operates.

Evolution of the Group's liabilities

The evolution of the Group's liabilities in the first half of 2021 may be summarized as follows.



(1) *Loans issued mainly comprise +€123.9 million in senior financing for the Group's new projects (see section above, "Analysis of liabilities by type", in this document).*

(2) *They mainly comprise the repayment of loans made over the period in respect of senior bank loans at project level for –€91.9 million and the repayment of the BPI (corporate) loan by Neoen S.A. for –€10.5 million.*

(3) *They include a –€43.5 million change in fair value (swaps) and a +€3.0 million change in amortized cost.*

(4) *This item mainly includes the amortization of the issue premiums relating to the convertible bonds ("OCEANE") and green convertible bonds ("OCEANE verte") for +€4.1 million.*

Financial covenants

At June 30, 2021, all the various companies financed by project and mezzanine debt complied with their minimum debt service coverage ratio (DSCR) or minimum capital covenants, or had obtained the corresponding waivers from the lending institutions in the event of occasional non-compliance therewith.

At December 31, 2020, all companies financed by project and mezzanine debt were in compliance with their financial covenants on minimum DSCR[1] or minimum shareholders' equity[2].

[1] The debt service coverage ratio or DSCR is the ratio for debt cover by liquidities defined in project financing agreements containing financial covenants.
[2] The debt relating to the El Llano project has been reclassified as current financial debt on June 30, 2021 and December 31, 2020 due to certain documentary non-compliance within the meaning of the financing contracts for this power plant.

2.3.3 CASH POSITION AND CASH FLOWS

(In millions of euros)	HY 2021	HY 2020	Change
Net cash flows from operating activities	136.1	91.7	+ 44.4
Net cash flows from investing activities	(401.8)	(205.2)	– 196.6
Net cash flows from financing activities	566.0	245.2	+ 320.7
Impact of foreign exchange rate fluctuation	3.8	(2.7)	+ 6.5
Change in cash and cash equivalents	**304.1**	**129.0**	**+ 175.0**

2.3.3.1 NET CASH FLOWS FROM OPERATING ACTIVITIES

(In millions of euros)	HY 2021	HY 2020	Change
Consolidated net income	4.2	20.9	– 16.7
Eliminations (1)	120.7	124.1	– 3.4
Impact of changes in working capital (2)	18.6	(38.6)	+ 57.2
Tax received (paid) (3)	(7.3)	(14.6)	+ 7.3
Net cash flows from operating activities	**136.1**	**91.7**	**+ 44.4**

(1) Comprising non-cash movements notably including amortization and provisions, gains and losses on disposal, the cost of debt and the deferred and current tax charge or (credit). The decrease during the period is mainly due to the decrease in the current and deferred tax expense.

(2) The impact of change in working capital requirements was mainly due to the reimbursement of VAT receivables on projects under construction and by the payment of contractual indemnities compensating for lost revenues linked to delays in the commissioning of certain projects. In the first half of 2020, the impact of the change in working capital requirements was mainly due to contractual indemnities compensating for lost revenues related to delays in the commissioning of certain projects, awaiting settlement, and an increase in VAT receivables awaiting reimbursement, notably related to projects under construction.

(3) The +€7.3 million change in taxes paid between the first half of 2020 and the first half of 2021 is due in particular by a decrease in the tax paid on the scope of the Neoen S.A. tax consolidation.

The +€44.4 million increase in cash flows from operating activities essentially reflects the improvement in working capital requirements (+€57.2 million) and a reduction in taxes paid (+€7.3 million), the effects of which are detailed in the table above. These effects partially offset the decrease in EBITDA (detailed in section 2.2.5.3 of this document).

2.3.3.2 NET CASH FLOWS FROM INVESTING ACTIVITIES

(In millions of euros)	HY 2021	HY 2020	Change
Acquisitions of subsidiaries net of treasury acquired (1)	(21.4)	(0.0)	– 21.4
Acquisition of intangible and tangible fixed assets (2)	(381.9)	(233.8)	– 148.2
Sale of intangible and tangible fixed assets	0.1	0.0	+ 0.0
Change in financial assets (3)	0.7	28.4	– 27.6
Dividends received	0.7	0.1	+ 0.5
Net cash flows from investing activities	**(401.8)**	**(205.2)**	**– 196.6**

(1) In the first half of 2021, this flow corresponds mainly to the acquisition of projects in Ireland, Finland and Sweden (see section 2.2.4.1 "continuing portfolio growth" of this document).

(2) These flows are detailed in the paragraph below and in paragraph 2.4.8.2 “main investment made” of this document.

(3) The change over the period is mainly due to the creation or release of deposits related to the financing of generation assets. In the first half of 2021, acquisitions amounted to €(23.5) million and disposals to €24.3 million. In the first half of 2020, acquisitions amounted to €(23.3) million euros and disposals to €51.6 million euros, given the impact of refinancing the Hornsdale power plants in Australia.

The –€196.6 million increase in investment activities is mainly due to an increase in acquisitions of property, plant and equipment and intangible assets (**–€148.2 million**), which had, in the first half of 2020, a temporary slowdown, as a direct result of the Group's project completion timetable and, to a lesser extent, of one-off delays inherent in particular the COVID-19 epidemic, which slowed the timing of the completion of certain assets under construction.

This change is also the result of the increase in acquisitions of subsidiaries net of cash acquired during the period, as a direct result of the acquisition of projects under development in Ireland, Finland and Sweden (**–€21.4 million**), and also, by a positive change in financial assets (**–€27.6 million**), detailed in the table above.

In the first half of 2021, investments in projects resulted in acquisitions of property, plant and equipment and intangible assets (net of changes in payables from fixed asset suppliers) for €381.9 million, and mainly related to the projects Western Downs (€84.0 million), Kaban (€43.9 million), Victorian Big Battery (€10.4 million) and Bulgana (€25.9 million) in Australia, Altiplano 200 (€7.1 million) in Argentina, Itzoteno (€7.0 million) in Mexico, Mutkalampi (€103.2 million) in Finland, Metoro (€7.4 million) in Mozambique, as well as wind (€32.5 million) and solar (€40.1 million) projects in France.

In the first half of 2020, investments in projects resulted in acquisition of property, plant and equipment and intangible assets (net of changes in payables from fixed asset suppliers) for +€233.8 million, and mainly related to the projects Altiplano 200 (€52.9 million) in Argentina, El Llano (€25.5 million) and Itzoteno (€10.8 million) in Mexico, Hornsdale Power Reserve (€23.7 million) in Australia, Capella (€23.5 million) in El Salvador, Hedet (€11.1 million) in Finland, as well as wind (€25.6 million) and solar (€17.4 million) projects in France.

Investments made during the period are detailed in section 2.3.4 of this document.

2.3.3.3 NET CASH FLOW FROM FINANCING ACTIVITIES

(In millions of euros)	HY 2021	HY 2020	Change
Share capital increase by the parent company (1)	591.8	26.4	+ 565.4
Contribution of non-controlling interests to share capital increases	(0.0)	0.1	N/A
Net sale (acquisition) of treasury shares	(10.1)	(2.0)	– 8.1
Issue of loans (2)	127.8	667.4	– 539.6
Dividends paid (3)	(0.2)	(9.8)	+ 9.6
Repayment of loans (2)	(107.7)	(408.9)	+ 301.2
Interests paid	(35.7)	(27.9)	– 7.7
Net cash flows from financing activities	**566.0**	**245.2**	**+ 320.7**

(1) In the first half of 2021, this flow mainly corresponds to the capital increase carried out on April 9, 2021 by the Group for €591.2 million after taking into account issuance costs (see paragraph 2.2.4.3 of this document in note 16 to the half-yearly consolidated financial statements.

In the first half of 2020, green convertible bonds ("OCEANE Verte") were issued for an amount of about €170 million. As this is a composite instrument within the meaning of IFRS, €143.2 million (€142.8 million net of expenses) was recognised under the "debt" component and €25.2 million (€24.9 million net of expenses) was recognised under the "equity" component, before deduction of expense.

(2) Details of loan issues and repayments in the first half of 2021 are provided in section 2.3.2 of this document.

In the first half of 2020, the Group refinanced the Hornsdale 1.2 and 3 power plants, which resulted in the repayment of €(314.3)million of debt, with a corresponding issue of new debt amounting to €356.5 million (net of expenses). In addition, €(31.3)million was disbursed for the unwinding of historical swaps.

(3) They correspond to dividends paid to non-controlling shareholders and relate exclusively to Australia.

The increase in net cash flows from financing activities is mainly due to the capital increase carried out in the first half of 2021, offset by a decrease in loan issues, net of repayments. The investments made in the first half of 2021 in the Group's projects were for a significant part financed with equity, in accordance with the drawdown schedules provided for in their project financing or pending the implementation of their project financing.

2.3.4 INVESTMENTS

2.3.4.1 MAIN INVESTMENTS MADE

The table below details the consolidated investments made in the first half of 2020 and 2021:

(In millions of euros)	HY 2021	HY 2020	Change	Change (in %)
Acquisitions of intangible and tangible fixed assets : (1)	**381.9**	**233.8**	**+ 148.2**	**+ 63%**
- Of which: Intangible assets (2)	18.8	18.3	+ 0.5	+ 3%
- Of which: Property, plant and equipment	363.1	215.5	+ 147.6	+ 69%
Financial investments : (3)	**20.7**	**(28.4)**	**+ 49.1**	**– x1.7**
- Of which: Acquisitions/disposals of financial assets (4)	(0.7)	(28.4)	+ 27.6	– 97%
- Of which: Acquisitions of subsidiaries net of treasury acquired (5)	21.4	0.0	+ 21.4	N/A

(1) The gross amounts of acquisitions presented above include any change in the applicable supplier payables thereby facilitating reconciliation of their amounts with the corresponding cash payments. The gross amounts of these changes, excluding payables to suppliers of fixed assets, for the first half of 2021 and the first half of 2020 amounted to €405.3 million and €196.8 million, respectively.

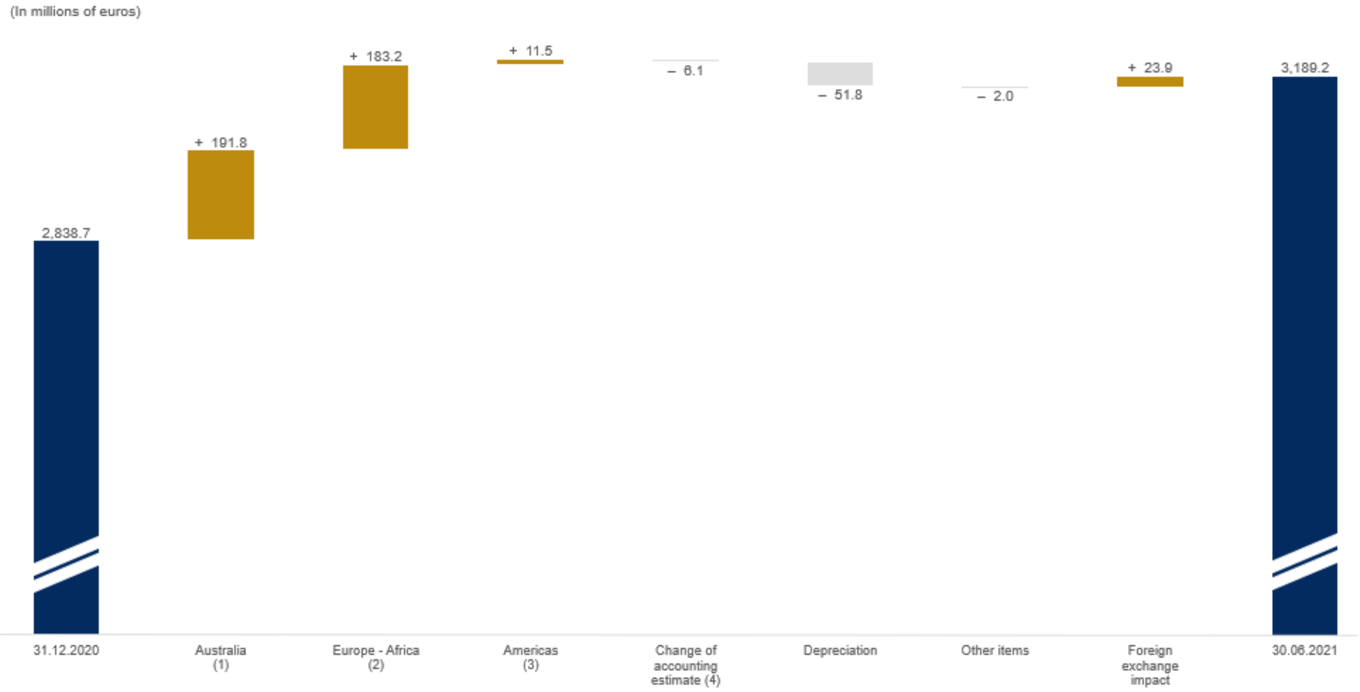
(2) The increase of the period is exclusively attributable to the increase in capitalised development costs.

(3) Financial investments are analysed in paragraph 2.3.3.2 of this document.

(4) Change over the period is mainly due to the constitution or release of deposits related to the financing of production assets. In the first half of 2021, acquisitions amounted to €(23.5) million and disposals to €24.3 million. In the first half of 2020, acquisitions amounted to €(23.3) million and disposals to €51.6 million, given the impact of refinancing the Hornsdale power plants in Australia.

(5) Acquisitions of subsidiaries net of cash acquired are detailed in paragraph 2.3.3.2 of this document.

The change between December 31, 2020 and June 30, 2021 in property, plant and equipment in the consolidated statement of financial position may be broken down as follows (amounts are expressed in millions of euros):



(1) Acquisitions during the period correspond to power plants under construction in Australia, including: Western Downs (€68.6 million), Kaban (€43.8 million), Bulgana (€41.3 million), Victoria Big Battery (€38.1 million).

(2) Acquisitions during the period correspond to power plants under construction in Europe - Africa, mainly including: Mutkalampi in Finland (€77.1 million), wind and solar projects in France (€49.1 million and €41.3 million, respectively), the Metoro project in Mozambique (€10.5 million) and the Rio Maior project in Portugal (€2.8 million).

(3) Acquisitions for the period correspond to power plants under construction in the Americas, mainly: the Altiplano 200 project (€6.9 million) in Argentina and the Itzoteno project (€3.0 million) in Mexico.

(4) See note 2.4 to the half-yearly consolidated financial statements.

2.3.4.2 MAIN INVESTMENT IN PROGRESS

The Group's main investment in progress equates with projects under construction and as yet uncompleted as of June 30, 2021. Property, plant and equipment in progress amounted to €970.9 million as of June 30, 2021 (see note 12.3 "Property, plant and equipment" to the half-yearly consolidated financial statements).

2.3.4.3 MAIN INVESTMENT ENVISAGED

The Group mainly pursues a strategy of develop-to-own under which it develops its projects with the intention of controlling and operating its production assets.

From the development or construction phase of its projects, the Group nevertheless plans, from 2021 onwards, to regularly but selectively sell, in order to optimise its balance sheet, financial capacity and profitability with the total or majority disposal of projects in its secured portfolio (Farm-Down), within the limit of a volume of projects not exceeding 20 % of the gross annual growth in its secured portfolio.

In the context of these disposals, the Group plans, as far as possible, to maintain a minority stake in the projects in question to ensure their administrative and operational management and to retain the related land rights so as to be able to take part in the subsequent repowering phase of these projects.

In that framework, its future envisaged investment will mainly consist in adding new projects to its portfolio and pursuing its existing projects until the facilities are commissioned or possible sold in the context of its Farm-Down activity. The latter concern projects that have entered the awarded phase (for a total volume of 694 MW as of the half-year closing date, compared to 773 MW in the first half of 2020) but whose construction launch has not yet taken place. The Group also continues to develop its advanced development and tender ready[1] projects with a total volume of 7,545 MW (compared with 6,817 MW in the first half of 2020).

2.4 MAIN TRANSACTIONS WITH RELATED PARTIES

The main transactions with related parties are detailed in note 21 to the half-yearly consolidated financial statements. They are of the same nature as those commented on in the financial statements as of December 31, 2020.

They concern any transactions with the Impala and BPI entities.

2.5 SUBSEQUENT EVENTS

Hwf 1/AER (Australian Energy Regulator) dispute

The proceedings commenced by the Australian Energy Regulator (“AER”) against HWF1 Pty Ltd (“HWF 1”) in connection with the power failure on September 28th, 2016 throughout the State of South Australia, Australia have been resolved after the June 30th, 2021 closing date.

On July 1st, 2021 the Federal Court of Australia issued a judgment in the following key terms:

(i) declaring that HWF 1 contravened the National Electricity Rules (“NER”) between June 2nd, 2016 and October 10th, 2016 by operating the generating units of the Hornsdale wind farm and allowing those generating units to supply electricity to the power system when the settings for the repeat low voltage ride-through protection system applied to them had not been approved in writing by the network service provider or the Australian Energy Market Operator; and

(ii) ordering HWF1 to engage an independent compliance expert to review and report on HWF 1’s compliance program under the NER, and to pay a civil penalty of AUD 550,000 and a contribution of AUD 175,000 towards the AER’s legal costs.

The judgment of the Court was consistent with the terms of an in-principle settlement reached between the AER and HWF1 in December 2020.

The Company had already recorded a provision in respect of this matter in its consolidated financial statements as of December 31st, 2020 in a corresponding amount. HWF 1 believes that it has a solid basis for recovery (including its own legal costs incurred in connection with its defence) from the contractor selected for the development and construction of the wind farm as provided for in the associated EPC contract. The resolution of the subject proceedings does not however extinguish the risk of a possible class action civil lawsuit against HWF 1 by parties who may seek compensation for alleged losses attributed to the black-out.

[1] For a definition of the different stages of development of the Group's projects, the reader is invited to refer to section 9.6 "glossary" of the 2020 Universal Registration Document.

Downward revision of feed-in tariffs for solar electricity

Under the provisions of the 2021 Finance Law, the French authorities issued a draft decree and tariff order, submitted to the Conseil Supérieur de l'Energie on July 16, 2021, providing for a reduction in feed-in tariffs for solar electricity relating to certain contracts entered into between 2006 and 2010. The decree will then be submitted to the *Conseil d'Etat* for its opinion.

The Group is a shareholder in four solar power plants affected by this potential tariff revision for a total capacity of 18 MWp. The application of the new feed-in tariffs envisaged, as of October 1st, 2021, has the consequence of modifying the economic balance of the power plants in question and therefore constitutes an impairment trigger.

On the closing date of the half-year financial statements, the Group therefore carried out a valuation exercise for these power plants based on the target shareholder IRR levels as communicated during its Capital Markets Day, which, despite the proposed tariff reductions, did not reveal any impairment.

2.6 MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Group believes it is exposed as of the date of this half-yearly financial report are detailed in chapter 3 "Risk factors" of the 2020 Universal Registration Document, filed with the French Financial Markets Authority (*Autorité des Marchés Financiers - AMF*) on April 12, 2021. The Group does not anticipate any changes in its risks that may have an impact on the rest of the 2021 financial year.

The evolution of the health crisis related to COVID-19 remains uncertain at this stage, despite the management and remediation measures implemented. The impacts on the first half of 2021 are detailed in parts 2.2.2 "Outlook and trends", 2.2.4.2 "Impact of health crisis".

The amounts relating to financial and market risks as of June 30, 2021 are set out in note 19.1 to the half-yearly consolidated financial statements of this report.

The risks and uncertainties relating to the carrying amount of goodwills, intangible assets and property, plant and equipment are presented in note 12 to the half-yearly consolidated financial statements.

3

FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORT

3 FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORT 33

3.1 NEOEN GROUP CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2021

The financial statements have been the subject of a limited review and an unqualified report by the statutory auditors.

3.1.1 CONSOLIDATED INCOME STATEMENT

(In millions of euros, except for earnings per share data)	Notes	**HY 2021**	**HY 2020**
Energy sales under contract		120.0	113.7
Energy sales in the market		41.5	41.5
Other revenues		3.4	2.0
Total Revenue	6	**164.9**	**157.2**
Purchases net of changes in inventories	7.1	2.1	0.4
External expenses and payroll costs	7.3 and 8.1	(41.1)	(36.9)
Duties, taxes and similar payments		(5.8)	(5.8)
Other current operating income and expenses	9	3.7	33.0
Share of net income of associates	13	0.5	0.4
Current operating depreciation, amortization and provisions	12.2, 12.3 and 17	(52.1)	(52.3)
Current operating income		**72.3**	**95.9**
Other non-current operating income and expenses	10	(5.0)	(2.2)
Impairment of non-current assets	10	0.4	1.3
Operating income		**67.7**	**95.0**
Cost of debt		(51.3)	(48.2)
Other financial income and expenses		(4.1)	(7.4)
Net financial result	18.1	**(55.5)**	**(55.5)**
Profit before tax		**12.2**	**39.5**
Income tax	11	(8.1)	(18.7)
Net income from continuing operations		**4.2**	**20.9**
Net income from discontinued operations		**-**	**-**
Consolidated net income		**4.2**	**20.9**
Group share of net income		*4.5*	*22.0*
Net income attributable to non-controlling interests		*(0.4)*	*(1.2)*
Basis earnings per share (in euros)		*0.04*	*0.23*
Diluted earnings per share (in euros)		*0.04*	*0.21*

3.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income presents the net income as well as other comprehensive income for the period (i.e. income and expense items that are not recognised in net income under IFRS).

In millions of euros	Notes	HY 2021	HY 2020
Consolidated net income		**4.2**	**20.9**
Foreign exchange differences (1)		10.4	(8.4)
Cash flow hedging (interest rate swaps) (2)	18.3	61.5	(55.4)
Deferred tax for cash flow hedging (2)		(17.3)	16.3
Items recyclable through profit or loss		**54.6**	**(47.5)**
Total comprehensive income		**58.8**	**(26.6)**
of which: Net Income - Group share		*55.9*	*(21.3)*
of which: Net Income - attributable to non-controlling interests		*2.9*	*(5.3)*

(1) Translation differences in the first half of 2021 are mainly due to the change in the US dollar exchange rate over the period, amounting to €11 million. In the first half of 2020, the change in translation differences was mainly due to the unfavourable change in the Australian dollar exchange rate €(8.6) million.

(2) Cash flow hedging represents the change in the fair value of derivative financial instruments considered effective within the meaning of IFRS 9 "financial instruments". As these instruments are effective, the change is recognised in «other comprehensive income» in the financial statements together with the corresponding deferred tax.

3.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	Notes	**30.06.2021**	**31.12.2020**
Goodwill	12.1	0.7	0.7
Intangible assets	12.2	239.0	208.7
Property, plant and equipment	12.3	3,189.2	2,838.7
Investments in associates and joint ventures	13	16.7	7.3
Non-current derivative financial instruments	18.3	16.1	2.2
Non-current financial assets	14	93.8	92.1
Other non-current assets (1)		11.8	0.1
Deferred tax assets		56,1	62.2
Total non-current assets		**3,623.4**	**3,212.0**
Inventories	7.2	7.3	4.7
Trade receivables		71.9	73.2
Other current assets		91.3	112.3
Cash and cash equivalents	15	679.0	374.9
Total current assets		**849.5**	**565.1**
Total assets		**4,473.0**	**3,777.1**

In millions of euros	Notes	**30.06.2021**	**31.12.2020**
Share capital		214.0	171.1
Share premium		1,053.2	502.3
Reserves		15.0	(40.0)
Treasury shares		(5.8)	(0.4)
Group share of net income		4.5	3.9
Group share of equity	16	**1,280.9**	**636.8**
Non-controlling interests	16	5.4	4.8
Total equity	16	**1,286.3**	**641.6**
Non-current provisions	17	52.3	57.4
Non-current project finance	18.2	2,093.0	2,027.1
Non-current corporate finance	18.2	333.5	325.4
Non-current derivative financial instruments	18.3	56.9	90.2
Other non-current liabilities(2)		30.0	22.3
Deferred tax liabilities		69.4	53.3
Total non-current liabilities		**2,635.1**	**2,575.7**
Current provisions	17	0.8	0.5
Current project finance	18.2	269.9	273.1
Current corporate finance	18.2	0.1	14.0
Current derivative financial instruments	18.3	10.5	19.6
Trade payables		210.2	173.9
Other current liabilities		60.1	78.7
Total current liabilities		**551.6**	**559.7**
Total equity and liabilities		**4,473.0**	**3,777.1**

(1) Other non-current assets mainly correspond to deferred rebates recorded by the Group, in accordance with its contractual obligations, in connection with the performance of a long-term power purchase agreement in Australia. The liabilities associated with these contractual obligations are recognised in other non-current and current liabilities.

(2) Other non-recurring liabilities mainly correspond to payments deferred for more than one year related to the acquisition of assets under development in Europe and Australia.

3.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Share premium	Reserves and retained earnings	Own shares	Other elements of comprehensive income (1)	**Group share of equity**	Non-controlling interests	**Total equity**
Total equity as of January 1st, 2020	**170.2**	**501.0**	**85.2**	**(3.8)**	**(91.6)**	**661.0**	**19.5**	**680.5**
Comprehensive income for the period	**-**	**-**	**22.0**	**-**	**(43.4)**	**(21.3)**	**(5.3)**	**(26.6)**
Distribution of dividends	-	-	0.0	-	-	0.0	(9.8)	(9.8)
Share capital increase	0.3	0.8	25.3	-	-	26.4	(0.0)	26.4
Share-based payments	-	-	2.3	-	-	2.3	-	2.3
Change in treasury shares	-	-	-	(2.0)	-	(2.0)	-	(2.0)
Changes in consolidation scope and other changes	0.0	-	(0.0)	-	0.0	(0.0)	(0.0)	(0.0)
Total equity as of June 30th, 2020	**170.5**	**501.8**	**134.8**	**(5.8)**	**(134.9)**	**666.3**	**4.4**	**670.8**
Comprehensive income for the period	**-**	**-**	**(18.2)**	**-**	**(9.1)**	**(27.3)**	**1.4**	**(25.9)**
Distribution of dividends	-	-	(0.0)	-	-	(0.0)	(1.1)	(1.1)
Share capital increase	0.6	0.4	(0.4)	-	-	0.7	0.0	0.7
Share-based payments	-	-	3.9	-	-	3.9	-	3.9
Other transactions with non-controlling interests (4)	0.0	0.0	(4.5)	-	0.0	(4.5)	(0.0)	(4.5)
Change in treasury shares	-	-	(7.5)	5.4	-	(2.1)	-	(2.1)
Changes in consolidation scope and other changes	(0.0)	-	(0.1)	-	(0.0)	(0.2)	(0.0)	(0.2)
Total equity as of January 1st, 2021	**171.1**	**502.3**	**108.0**	**(0.4)**	**(144.1)**	**636.8**	**4.8**	**641.6**
Comprehensive income for the period	**-**	**-**	**4.5**	**-**	**51.4**	**55.9**	**2.9**	**58.8**
Distribution of dividends	-	-	(0.0)	-	-	(0.0)	(0.2)	(0.2)
Share capital increase (2)	42.9	551.0	0.0	-	-	593.9	(0.0)	593.9
Share-based payments	-	-	3.9	-	-	3.9	-	3.9
Other transactions with non-controlling interests (4)	-	-	0.6	-	-	0.6	(2.7)	(2.1)
Change in treasury shares(3)	-	-	(4.7)	(5.4)	-	(10.1)	-	(10.1)
Changes in consolidation scope and other changes	0.0	0.0	(0.0)	-	(0.0)	0.0	0.6	0.6
Total equity as of June 30th, 2021	**214.0**	**1,053.2**	**112.2**	**(5.8)**	**(92.7)**	**1,280.9**	**5.4**	**1,286.3**

(1) "Other comprehensive income" includes the foreign exchange differences relating to changes in foreign exchange rates against the euro affecting Neoen Group entities as well as the change in the fair value of the derivative financial instruments designated as hedges.

(2) See note 16.

(3) During the period, the Company bought back 201,870 of its own shares to be granted under stock option or free share plans, and 51,795 shares under a liquidity contract (entrusted to Kepler Chevreux and in accordance with the ethical charter recognised by the AMF), for a total amount of €10.1 million. A free share allocation plan expired on May 31, 2021, which resulted in the recognition in reserves of €(4.7) million, corresponding to the allocation of 110,807 treasury shares to employees (see note 8.2).

(4) In the first half of 2021 (as in the previous year), transactions with non-controlling interests concerned exclusively put options on minority interests. In accordance with IAS 32 "Financial Instruments: Presentation", liabilities are recognised by the Group in respect of its commitment to buy back minority interests. The Group has chosen the accounting policy of recognising these liabilities and any subsequent changes in them against the Group's share of equity.

3.1.5 CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	Notes	HY 2021	HY 2020
Consolidated net income		**4.2**	**20.9**
Eliminations:			
of the share of net income of associates	13	(0.5)	(0.4)
of depreciation and provisions	12 and 17	52.1	51.0
of gains and losses on sale	10	5,0	2.1
of calculated income and expense related to share-based payments		1.5	2.3
of other income and expense without cash impact (1)		3.2	2.2
of income tax	11	8.1	18.7
of the cost of net borrowings	18.1	51.3	48.2
Impact of changes in working capital (2)		18.6	(38.6)
Taxes paid (received)		(7.3)	(14.6)
Net cash flows from operating activities		**136.1**	**91.7**
Acquisitions of subsidiaries net of treasury acquired (3)		(21.4)	(0.0)
Acquisition of intangible and tangible fixed assets (4)		(381.9)	(233.8)
Sale of intangible and tangible fixed assets		0.1	0.0
Change in financial assets (5)		0.7	28.4
Dividends received		0.7	0.1
Net cash flows from investing activities		**(401.8)**	**(205.2)**
Share capital increase by the parent company (6)	3.1.4 and 16	591.8	26.4
Contribution of non-controlling interests to share capital increases		(0.0)	0.1
Net sale (acquisition) of treasury shares	3.1.4	(10.1)	(2.0)
Issue of loans	18.2	127.8	667.4
Dividends paid		(0.2)	(9.8)
Repayment of loans	18.2	(107.7)	(408.9)
Interests paid		(35.7)	(27.9)
Net cash flows from financing activities		**566.0**	**245.2**
Impact of foreign exchange rate fluctuation		3.8	(2.7)
Change in cash and cash equivalents		**304.1**	**129.0**
Opening cash and cash equivalents	15	374.9	460.5
Closing cash and cash equivalents	15	679.0	589.5
Change in net cash and cash equivalents		**304.1**	**129.0**

(1) In the first half of 2021, other non-cash income and expenses mainly correspond to accretion expenses associated with non-current liabilities and decommissioning provisions, as well as currency effects on VAT receivables in Argentina. In the first half of 2020, this item included, in addition to the accretion effects, the portion of interest expenses relating to the convertible bonds (“OCEANE”) issued in 2019 and the green convertible bonds (“OCEANE Verte”) issued in 2020, recorded at the effective interest rate and exceeding the nominal interest rate of these instruments (in 2021, the latter is now presented as elimination of the cost of financial debt).

(2) In the first half of 2021, the impact of the change in the working capital requirement is mainly due to the repayment of VAT receivables on projects under construction and the payment of contractual indemnities to compensate for lost revenues due to delays in the commissioning of certain projects. In the first half of 2020, the impact of the change in working capital requirements was mainly due to contractual indemnities to compensate for lost revenues related to delays in the commissioning of certain projects, awaiting payments, and an increase in VAT receivables awaiting reimbursement related in particular to projects under construction.

(3) In the first half of 2021, acquisitions of subsidiaries net of cash acquired relate to projects under development in Ireland, Finland and Sweden.

(4) Acquisitions during the period relate to investments in intangible assets for €(18.8) million (see note 12.2) and property, plant and equipment for €(386.5) million (see note 12.3) as well as changes in payables to suppliers of fixed assets for €23.4 million.

(5) The change over the period is mainly due to the net impact of the release and constitution of deposits linked to the financing of production assets.

(6) This amount mainly corresponds to the capital increase carried out on April 9, 2021 for €591.2 million after taking into account issue costs (see note 2.2).

3.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SEGMENT REPORTING

Accounting principles

In accordance with IFRS 8 «operating segments», segment information is presented based on the internal organisation and reporting used by the Group's management. Neoen uses the following breakdown for its operating segments:

- **Wind:** this segment includes wind turbine production;
- **Solar:** this segment includes photovoltaic energy production;
- **Storage:** this segment includes the activity related to independent batteries, directly connected to the grid;
- **Development and Investments:** this segment includes mainly development and financing activities;
- **Eliminations:** intra-group flows mainly concerning the cancellation of invoices for services rendered by Neoen S.A. to its projects companies for the development, supervision and administrative management of power plants, as well as the capitalisation of development costs in accordance with IAS 38 "intangible assets".

The main indicators published are those used by the Group's management. EBITDA corresponds to current operating income adjusted for current operating depreciation, amortization and current operating provisions, and as announced at the Capital Markets Day of March 11, 2021, from January 1st, 2021, the expense resulting from the application of IFRS 2 "share-based payment". This change of definition has an impact on the Development and Investments sector. The newly defined EBITDA is €125.9 million in the first half of 2021 after reclassification of an IFRS 2 expense of €(1.5) million and would have been €149.2 million in the first half of 2020, after reclassification of an IFRS 2 expense of €(0.9) million.

For additional information, the main indicators published are broken down by geographical region. These are defined below:

- **Europe-Africa**: this region includes production operations in Europe and Africa;
- **Americas:** this region includes production operations in North America, Central America, South America and the Caribbean;
- **Australia:** this region includes production operations in Australia.

Segment results for the first semester 2021 and the first semester 2020 are thus presented for each of the Group's operating segments: wind, solar, storage, and development and investments (including eliminations).

Segment reporting

In millions of euros		Wind power	Solar power	Storage	Developement & Investment (2)	Eliminations (3)	HY 2021
EUROPE-AFRICA	**Income statement**						
	Revenue	35.7	31.1	2.0			68.8
	EBITDA (1)	26.6	25.1	1.2			52.9
	Current operating income	13.1	15.9	0.5			29.4
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	166.2	56.9	2.5			225.6
AMERICAS	**Income statement**						
	Revenue	-	32.6				32.6
	EBITDA (1)	(0.0)	30.4				30.4
	Current operating income	(0.0)	21.9				21.9
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	0.0	24.1				24.1
AUSTRALIA	**Income statement**						
	Revenue	30.5	21.2	11.4			63.1
	EBITDA (1)	27.2	17.7	10.0			54.9
	Current operating income	18.7	7.8	4.4			30.8
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	50.8	84.8	14.5			150.1
TOTAL	**Income statement**						
	Revenue	66.2	84.9	13.4	38.2	(37.8)	164.9
	EBITDA (1)	53.9	73.1	11.1	2.2	(14.4)	125.9
	Current operating income	31.7	45.6	4.8	(3.1)	(6.7)	72.3
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	217.1	165.7	17.0	0.6	(18.5)	381.9

(1) EBITDA corresponds to current operating income adjusted for current depreciation, amortization and provisions and, since January 1st, 2021, for the expense resulting from the application of IFRS 2 "share-based payment". This change of definition has an impact on the Development and Investments sector. In the first half of 2020, according to this new definition, the group's EBITDA would have been €149.2 million. The IFRS 2 expense was €(1.5) million in the first half of 2021 compared to €(0.9) million in the first half of 2020.

(2) Revenue in this sector is mainly generated by the sales of services by Neoen S.A entity to other Group entities (eliminated on consolidation, with the exception of amounts invoiced to related companies and other entities that are not fully consolidated) but also by sales of services to third parties.

(3) Eliminations mainly concern the cancellation of invoices for services rendered by Neoen S.A. to its project companies for the development, supervision and administrative management of production assets as well as the capitalisation of development costs in accordance with IAS 38 "Intangible assets".

(In millions of euros)		Wind power	Solar power	Storage	Developement & Investment[2]	Eliminations [3]	HY 2020
EUROPE-AFRICA	**Income statement**						
	Revenue	33.6	28.3	0.2			62.1
	EBITDA [1]	26.6	24.7	0.1			51.4
	Current operating profit	13.3	14.6	(0.0)			27.9
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	49.4	28.1	4.2			81.7
AMERICAS	**Income statement**						
	Revenue		24.9				24.9
	EBITDA [1]		44.8				44.8
	Current operating profit		35.6				35.6
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets		119.3				119.3
AUSTRALIA	**Income statement**						
	Revenue	25.2	20.8	24.4			70.4
	EBITDA [1]	19.3	18.6	23.1			61.0
	Current operating profit	10.0	8.0	20.5			38.6
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	6.8	5.1	23.8			35.7
TOTAL	**Income statement**						
	Revenue	58.9	74.0	24.6	17.3	(17.5)	157.2
	EBITDA [1]	45.9	88.0	23.2	(13.3)	4.5	148.2
	Current operating profit	23.3	58.2	20.5	(14.8)	8.6	95.9
	Statement of cash flows						
	Acquisition of intangible and tangible fixed assets	56.2	152.5	28.0	(1.2)	(1.8)	233.8

(1) EBITDA corresponds to current operating income adjusted for current depreciation, amortization and provisions and, since January 1st, 2021, for the expense resulting from the application of IFRS 2 "share-based payment". This change of definition has an impact on the Development and Investments sector. In the first half of 2020, according to this new definition, the group's EBITDA would have been €149.2 million. The IFRS 2 expense was €(1.5) million in the first half of 2021 compared to €(0.9) million in the first half of 2020.

(2) Revenue in this sector is mainly generated by the sales of services by Neoen S.A entity to other Group entities (eliminated on consolidation, with the exception of amounts invoiced to related companies and other entities that are not fully consolidated) but also by sales of services to third parties.

(3) Eliminations mainly concern the cancellation of invoices for services rendered by Neoen S.A. to its project companies for the development, supervision and administrative management of production assets as well as the capitalisation of development costs in accordance with IAS 38 "Intangible assets".

NOTE 2. GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

NOTE 2.1. IDENTIFICATION OF THE ISSUER

Neoen is a public limited company incorporated and domiciled in France and listed on Compartment A of Euronext, whose registered office is located at 6 rue Ménars, 75002 Paris. Neoen's consolidated financial statements include the Company and those subsidiaries over which it has control, as well as interests in associates (together referred to as "the Group").

The Neoen Group develops and operates power plants to generate electricity from renewable energies (wind, solar), as well as energy storage facilities.

With nearly 4.8 GW of projects in operation and construction (including 228 MW under management) and 0.7 GW of projects awarded[1] at June 30, 2021 (secured portfolio[1] of more than 5.5 GW), Neoen is the leading independent producer of renewable energies in France.

The Group also has an advanced[1] pipeline of 7.5 GW and more than 4.0 GW of early stage[1] projects.

The Group operates in the geographic regions of Europe-Africa, Australia and the Americas.

NOTE 2.2. EVENTS DURING THE PERIOD

Capital increase

On April 7, 2021, Neoen S.A. announced the success of its capital increase with maintenance of preferential subscription rights. This resulted in the issue on 9 April of 21,393,678 new shares, representing a total gross amount of approximately €600 million, including €42.8 million of share capital and €556.2 million of issue premium. The proceeds of the capital increase will enable Neoen S.A. to finance the first investment cycle of its development plan aimed at reaching 10 GW of capacity in operation or under construction by the end of 2025.

This transaction had an impact of €593.3 million net of expenses and tax on the Group's equity after taking into account issuance costs (see details of the transaction in note 16).

Free share plan

On March 10, 2021, the Board of Directors decided to grant 272,302 free Neoen S.A. shares to certain group employees and corporate officers. The granting of shares will only be final after a vesting period of three years, provided that the beneficiaries are still present in the Group and that the performance conditions set by the Board of Directors in the plan rules, and relating in particular to the achievement of financial and development objectives, are met.

The Group recorded this transaction in accordance with IFRS 2 "share-based payment". This resulted in an impact of €0.5 million in personnel expenses in the first half of 2021.

Capital increase reserved for employees

On May 12, 2021, Neoen S.A. carried out a capital increase reserved for its employees and corporate officers in France. This plan offered each beneficiary to buy 93 new shares at the preferential subscription price of €28.25 per share (benefiting from a 30 % discount compared to the average closing price of the share over the last twenty trading days preceding the date on which the Chairman and Chief Executive Officer, upon sub-delegation by the Board of Directors, set the price on April 16, 2021) and a matching contribution on the basis of one share offered for one share subscribed.

The Group recorded this transaction in accordance with IFRS 2 "share-based payment". This resulted in an impact of €0.9 million in shareholders' equity and €0.3 million in personnel expenses.

[1] For a definition of the different stages of development of the Group's projects, the reader is invited to refer to Section 9.6 of the Universal Registration Document for the year 2020.

The Group’s exposure to Argentina

As of June 30, 2021, the contribution of all the Argentinean entities to the Neoen group's balance sheet amounted to €214.7 million, breaking down as follows:

- intangible assets and property, plant and equipment: €199.3 million;
- cash and cash equivalents: €12.3 million;
- project financing liabilities: €137.6 million.

In addition, to guarantee Neoen's commitments under the Altiplano 200 project, bank guarantees in the form of letters of credit were issued by credit institutions, of which USD 27.8 million were in force on June 30, 2021, covered by cash guarantee deposits made by the Neoen group in the amount of USD 13.5 million. Neoen has also counter-guaranteed, in the amount of USD 55 million, the guarantees issued by an insurer for the proper performance of the project companies' obligations under the Power Purchase Agreement signed with CAMMESA (electricity market administrator).

On May 31, 2021, the Argentine government formally exceeded the grace period granted for the payment of a USD 2.4 billion maturity on its sovereign debt. Since then, negotiations between the government and the main creditor groups (including the Paris club) have been ongoing to find a resolution before the end of the 60-day grace period.

Despite the country's macroeconomic and financial situation, the group's financial partners have continued to support the project by authorising debt drawdowns and extending the period of availability of undrawn amounts beyond the initial drawdown schedule. Furthermore, although affected by the COVID-19 pandemic and the restrictions imposed by the federal and provincial governments, construction operations are still in progress for a gradual commissioning in the second half of 2021.

In contrast, the depreciation of the Argentine peso against the US dollar, the functional currency of the Argentine entities, generated foreign exchange losses of USD 2.4 million, affecting the financial result. This mainly relates to VAT credits denominated in Argentine pesos, still awaiting reimbursement at June 30, 2021, for an amount equivalent to USD 12.2 million (€10.3 million) at the closing rate, taking into account receipts during the period for a total amount equivalent to USD 8.3 million.

In addition, the rules put in place by the Central Bank of the Republic of Argentina during the second half of 2019, aimed at restricting access to foreign currencies for Argentine companies and individuals in order to stem the devaluation of the Argentine peso (ARS) against the US dollar (USD), have the consequence, at the date of publication of the Group's financial statements, of still substantially restricting the possibility of buying dollars on the Argentine foreign exchange market for the purposes of i) repayments of shareholders' loans denominated in US dollars in favour of the Altiplano 200 project (amounting to USD 102.8 million, including accrued interest for USD 18.0 million, at June 30, 2021) and ii) dividend payments. However, these restrictions do not affect payments in respect of servicing US dollar denominated debt (repayment of principal or interest), to the foreign lenders on this project.

As of December 31, 2020, the prospects for the reimbursement of pending VAT credits and the prolonged maintenance of exchange controls were considered by the Group as constituting an impairment trigger. In this context, an impairment loss totalling €12.5 million was therefore recognised in the annual financial statements.

As the general situation of the project has not changed unfavourably since the 2020 financial year-end, and as construction is continuing at the date of publication of the half-yearly financial statements, no additional impairment trigger has been identified in the first half of 2021.

Status of the El Llano project

The commercial operation date (COD) for the El Llano power plant in Mexico was set for November 2020, with a delay of several months, due in particular to delays in the finalisation of construction operations, as well as delays in the completion of pre-operational tests by the National Energy Control Centre (CENACE). The start of the PPA has now been in effect since early July 2021, as the electricity produced up to this date has been sold on the wholesale electricity markets. The provisional acceptance (PA) is still pending, however, and this has led to certain documentary non-compliances within the meaning of the financing agreements for this plant. At the date of publication of its half-yearly financial statements, the Group continues to work actively with the manufacturer to carry out the provisional technical acceptance of the plant as soon as possible, in order to eliminate these documentary non-compliances. Pending the lifting of these non-compliances, the financial debt relating to the project is presented in current liabilities in the Group's accounts as at June 30, 2021.

NOTE 2.3. ACCOUNTING PRINCIPLES

In preparing its condensed interim financial statements for the six months ended June 30, 2021, the Group has applied the same accounting standards, interpretations and methods as in its financial statements for the year ended December 31, 2020, **with the exception of the texts that came into force on January 1st, 2021**, mentioned in the paragraph below.

Standards, amendments and interpretations that are mandatory for application from January 1st, 2021

New texts or amendments as adopted by the EU and whose application is mandatory as at January 1st, 2021 came into force on January 1st, 2021:

- Amendments to IAS 39, IFRS 9 "financial instruments" and IFRS 7 "financial instruments: Information to be provided in the notes" - Phase 2 of the reference interest rate reform.

As a reminder, from 2019 Neoen opted for early adoption of the amendments to IAS 39, IFRS 9 and IFRS 7 relating to phase 1 of the draft "reform of benchmark interest rates". The adoption of these phase 1-related amendments allows the Group not to take into account uncertainties about the future of benchmark rates in assessing the effectiveness of hedging relationships and/or in assessing the highly probable nature of the risk hedged, thereby making it possible to secure existing or future hedging relationships until these uncertainties are resolved.

The second phase of the "Reform of benchmark interest rates" project is mandatory from the 2021 financial year. The objective of phase 2 is to specify the accounting impacts associated with the effective replacement of benchmark indices. The entry into force of phase 2 has no impact for the Group as there is no effective change in the benchmark indices in the Group's contracts as at 30 June 2021.

The Group has continued to carry out mapping work to ensure the transition to the new benchmark indices. The objective of the project is also to anticipate the impacts associated with the reform and to implement the transition process to the new indices. Documented interest rate derivatives for hedging debt indexed to a benchmark rate are presented in note 19.1.

Standards, amendments and interpretations not required to be applied as from January 1st, 2021

The standards, amendments and interpretations published by the IASB and not yet adopted by the EU are listed below:

- IFRS 14: "regulatory deferral accounts";
- Amendments to IFRS 10 and IAS 28 on sales or contributions of assets between the Group and equity-accounted entities;
- Amendments to IAS 1: "classification of liabilities as current or non-current";
- Amendments to IFRS 3: "references to the IFRS conceptual framework";
- Amendments to IAS 37: "onerous contracts -cost of fulfilling a contract";
- Amendments to IAS 16: "property, plant and equipment -proceeds before intended use";
- Annual improvements to IFRS (2018-2020 cycle);
- Amendments to IAS 8: "definition of accounting estimates";
- Amendments to IFRS 16: "COVID-19-related rent concessions beyond June 30, 2021" ;
- Amendments to IAS 12: "deferred tax related to assets and liabilities arising from a single transaction".

NOTE 2.4. ESTIMATES AND ASSUMPTIONS

In preparing the Group's financial statements, and to the extent that items included in the financial statements cannot be accurately measured, management makes estimates, exercises judgement and makes assumptions that may have an impact on the amounts of the assets, liabilities, income and expenses included in the financial statements, as well as on the information disclosed in the notes to the financial statements. Management exercises its judgement by taking into account past experience and other factors deemed relevant in light of the economic conditions, and reviews its estimates and assessments on a regular basis. Since assumptions are by nature uncertain, the amounts in future financial statements may differ from current estimates.

As required by IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", the Group reviews the depreciation periods it applies at each reporting date. In the case of its solar and wind assets, given the high standards of design, construction and maintenance it applies, the Group has considered, based on an external study carried out in the first quarter of 2021 and, in particular, on sector benchmarking, that the useful life of these assets should be increased from 25 to 30 years. As this is a change in an accounting estimate, the effects are recognised prospectively as from January 1st, 2021. The impact in the financial statements is a €7.5 million reduction in depreciation expenses, excluding the tax effect for the first half of 2021. In view of this extension of the useful lives, decommissioning provisions were also modified in the amount of -€6.1 million, by offsetting decommissioning assets in accordance with IFRIC 1 "Changes in existing decommissioning, restoration and similar liabilities" (refer to note 17).

The main items significantly impacted by estimates and assumptions at June 30, 2021 were the following:

- determining the recoverable amount of goodwill, intangible assets and property plant and equipment (note 12);
- useful lives of production assets (note 12.3);
- the tax charge, calculated, for the half-yearly consolidated financial statements, by applying to the accounting result for the period the average annual tax rate estimated for the current tax year for each tax entity or group (note 11);
- recognition of a deferred tax asset when it is probable that sufficient future taxable income will exist against which tax losses can be utilised (note 11);
- determining the lease term and the discount rate to be applied to the lease payments, in connection with the application of IFRS 16 “leases” (note 12.3);
- capitalisation of development costs (note 12.2);
- assessing dismantling provisions (note 17).

NOTE 3. CONSIDERATION OF THE COVID-19 IMPACT IN THE PREPARATION OF THE INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2021

The COVID-19 pandemic, which has been raging since the first quarter of 2020, has led governments around the world to adopt social and economic restrictive measures aimed at containing the spread of the virus. These measures triggered significant disruptions for companies, leading to a global economic slowdown.

Against this backdrop, the Group continued to protect the health of all its employees while actively pursuing the development of its portfolio with a total of 95 MW of operating capacity added in the first half of 2021, the launch of the construction of more than 710 MW and the strengthening of its portfolio of secured projects.

The Group thereby managed to continue its development, despite occasional delays in the completion of its projects, and to maintain dynamic growth in its revenues while maintaining its cash and liquidity throughout the period. As a result, it did not use government support measures. As the Group's assets operate mainly under long-term power purchase agreements with mainly first-rate counterparties, they were only slightly affected by the fluctuations that impacted the financial and electricity markets during the first half.

In addition, the crisis has not revealed any new significant risk factors, thanks to the resilience of the Group's business model, which has enabled it to continue to operate its assets normally, to commission assets under construction despite delays in certain regions, and to win new projects. The Group has not identified any liquidity risk inherent to the health crisis.

However, changes in the economic and financial environment resulting from the COVID-19 health crisis have led the Group to strengthen risk monitoring procedures, particularly in the valuation of financial instruments and the recoverable amount of its assets.

The Group has taken into account this environment and the significant market volatility in the estimates used, inter alia, for impairment tests and provision calculations.

The Group has also exercised its judgement to assess:

- the existence of a triggering event that could lead to an impairment loss on goodwill and property, plant and equipment or intangible assets;
- default probabilities in a context of uncertainty;
- impacts on the risks relating to financial instruments, in particular liquidity risk and changes in the interest rate and foreign exchange markets;
- the prospect for the use of recognised deferred tax assets;
- hedging consequences, particularly with regard to the maintaining the highly probable nature of the hedged item.

The Group has paid particular attention to the treatment in the financial statements of the main challenges and effects of the health crisis for which the IFRS accounting principles used in previous financial statements have been applied on a consistent basis.

Lastly, the specific costs related to the COVID-19 epidemic remain marginal at Group level and mainly concern equipment and health compliance. They have been recognised in current operating income.

NOTE 4. SEASONALITY

The Group's photovoltaic and wind power generation facilities are locally affected by seasonal variations, inherent in sunshine and wind levels. However, given the technological mix, the diversity of the geographical locations and the rate of commissioning of additional production capacity resulting from the Group's strong growth rate, this seasonal effect has not yet had a significant impact on the business.

NOTE 5. CONSOLIDATION SCOPE

NOTE 5.1. CONSOLIDATED COMPANIES

As at June 30, 2021, the Group consisted of 333 consolidated companies, 327 of which were fully consolidated and 6 of which were consolidated using the equity method.

As a reminder, at December 31, 2020, the Group consisted of 315 consolidated companies, 311 of which were fully consolidated and 4 of which were consolidated using the equity method.

NOTE 5.2. NON-CONSOLIDATED COMPANIES

The Group consolidates all of subsidiaries over which it has control or over which it exercises significant influence, even if they could be considered non-significant.

Non-controlling interests in the Cestas groups are recognised as non-consolidated investments.

NOTE 5.3. CHANGES IN SCOPE

As part of its development, the Group regularly creates companies, and may be required to acquire entities in a relatively advanced development phase or offering growth or repowering prospects.

Acquisitions of projects under development

During the first half of 2021, the main transactions affecting the Group's scope were acquisitions of projects under development. These acquisitions of subsidiaries were qualified as acquisitions of assets rather than business combinations within the meaning of IFRS 3 R "business combinations".

The following projects were acquired and included in the consolidation scope using the full consolidation method:

- Acquisition of 70 % of the Santo Espiritu S.A. solar project on December 11, 2020.
- Acquisition of 51 % of the Alight Miranda AB solar project in Sweden on January 29, 2021.
- Acquisition of 100 % of the Storen Vind AB and Isbillen Vind AB wind projects in Sweden on January 6, 2021.
- 100 % acquisition of the Solas Eireann JV Ltd project and its subsidiaries in Ireland on March 10, 2021.

The Finnish wind farm project Storbotet Vind AB, in which the Group acquired an 80.1 % stake on May 19, 2021, is consolidated using the equity method.

The Group measured the identifiable assets acquired and liabilities assumed, which resulted in the recognition of additional intangible assets totalling €7.9 million in the first half of 2021.

Purchase of non-controlling interests

On January 22, 2021, the Group acquired the stake of the minority shareholders of the Finnish company Mutkalampi Tuulipuisto Oy, increasing its stake in the entity from 80.1 % to 100 %.

Disposals

On April 14, 2021, the Group sold 100 % of its stake in project company PV le Moulin de Beuvry. This sale has no material impact on the Group's consolidated financial statements.

NOTE 6. REVENUE

Accounting principles

Revenue represents the fair value of the consideration received or receivable in exchange for goods or services sold in the course of the Group's ordinary activities. Revenue is shown net of any discounts and rebates and less any intra-group sales. No revenue is recognised when there is material uncertainty as to the recoverable nature of the consideration due.

The Group distinguishes between revenues under contracts, which are mainly long-term, and those from short-term sales on the market. Revenue consists mainly of sales of electricity and green certificates.

Energy sales correspond to electricity sales at the level of the generation units as well as the associated green certificates, and to revenues from arbitrage and the provision of services to the networks for storage activities.

Energy is sold either in accordance with the various contracts whose selling prices are set by decree or as part of calls for tender, or on the market.

In the case of electricity sales, revenue is recognised based on the quantities produced and/or injected during the period.

In the case of green certificate sales, revenue is recognised at the time of physical delivery.

Breakdown of revenue

Revenue breaks down as follows:

In millions of euros	Solar	Wind	Storage	Other (1)	HY 2021
Electricity	56.2	42.7	0.0	-	98.9
Green certificates	6.9	14.2	-	-	21.1
Energy sales under contract	**63.1**	**56.9**	**0.0**	**-**	**120.0**
Electricity	18.7	5.2	10.9	-	34.8
Green certificates	2.9	3.8	-	0.0	6.7
Energy sales in the market	**21.5**	**9.0**	**10.9**	**0.0**	**41.5**
Services rendered	0.0	-	-	0.4	0.4
Other items	0.3	0.3	2.4	0.1	3.0
Other revenues	**0.3**	**0.3**	**2.4**	**0.4**	**3.4**
As of June 30th, 2021	**84.9**	**66.2**	**13.4**	**0.4**	**164.9**

(1) This mainly concerns administrative management, supervision and development services for non-group entities.

In millions of euros	Solar	Wind	Storage	Other (1)	HY 2020
Electricity	51.8	43.4	0.2	-	95.4
Green certificates	5.9	12.3	-	-	18.3
Energy sales under contract	**57.7**	**55.8**	**0.2**	**-**	**113.7**
Electricity	15.4	2.8	23.3	-	41.5
Green certificates	0.0	(0.0)	-	-	0.0
Energy sales in the market	**15.5**	**2.8**	**23.3**	**-**	**41.5**
Services rendered	-	-	-	0.3	0.3
Other items	0.3	0.3	1.1	0.0	1.7
Other revenues	**0.3**	**0.3**	**1.1**	**0.3**	**2.0**
As of June 30th, 2020	**73.4**	**58.8**	**24.6**	**0.3**	**157.2**

(1) This mainly concerns administrative management, supervision and development services for non-group entities.

NOTE 7. PURCHASES AND INVENTORIES

NOTE 7.1. PURCHASES NET OF CHANGES IN INVENTORIES

Purchases and change in inventories consist mainly of:

- charges relating to the purchase of electricity for €(0.2) million and purchases of small items of for €(0.2) million;
- changes in inventories of green certificates generated by project companies in Australia and in Mexico for €2.6 million.

In the first half of 2020, this item mainly included the green certificates generated by the project companies in Australia and pending their forward sale for €0.8 million and expenses relating to electricity purchases for power plants in operation for €(0.4) million.

NOTE 7.2. INVENTORIES

Inventories can be analyzed as follows:

In millions of euros	30.06.2021	31.12.2020
Net inventory value - beginning of period	**4.7**	**0.7**
Activity-related changes	2.6	3.7
Exchange rate difference	0.1	0.2
Net inventory value - end of period	**7.3**	**4.7**

NOTE 7.3. EXTERNAL EXPENSES

External expenses can be analyzed as follows:

In millions of euros	HY 2021	HY 2020
Maintenance and repair expenses	(12.2)	(11.3)
Other external expenses	(20.1)	(19.0)
Total of external expenses	**(32.3)**	**(30.3)**

Maintenance and repair expenses mainly correspond to maintenance costs of the plants in operation.

Other external expenses mainly include:

- operating expenses for power plants in operation (costs associated with managing network frequency and operating insurance);
- structural costs (fees, consulting, subcontracting, IT, insurance);
- travel expenses;
- non-capitalised development costs because they do not meet the capitalisation criteria laid down by IAS 38 “intangible assets”.

Non-capitalised development expenses totalled €(1.4) million, compared with €(0.7) million in the first half of 2020.

NOTE 8. EMPLOYEE EXPENSES AND BENEFITS

NOTE 8.1. PAYROLL COSTS

For the first half of 2021, payroll costs amounted to €(8.7) million compared with €(6.6) million in the first half of 2020. The change was mainly due to growth in the Group's workforce, an increase in average salaries and an increase in the expense associated with share-based payments.

NOTE 8.2. SHARE-BASED PAYMENTS

The expense related to the allocation of free shares and stock options amounted to €(1.5) million in the first semester of 2021 compared with €(0.9) million in the first semester of 2020.

Details of share subscription plans

	Plan 2016	Plan 2016	Plan 2016	Plan 2018	Plan 2018	TOTAL
Date of general shareholders' meeting	17/03/2014	17/03/2014	17/03/2014	29/05/2018	04/07/2018	
Date of the Chairman's decision	08/01/2016	08/01/2016	23/12/2016	30/05/2018	05/07/2018	
Total number of shares that can be subscribed or purchased	127,500	25,000	235,000	45,000	65,000	
Start of the option exercise period	11/01/2019	17/05/2019	24/12/2019	31/05/2021	06/10/2020	
End of date of option exercise period	10/01/2021	16/05/2021	23/12/2021	30/05/2023	05/07/2023	
Subscription or purchase price	4.00 €	4.00 €	6.00 €	10.00 €	10.00 €	
Adjusted subscription or purchase price following the capital increase of April 9, 2021 (1)			5.55 €	9.25 €	9.25 €	
Number of options						
Existing on 1 January 2020	**37,500**	**25,000**	**225,000**	**40,000**	**60,000**	**387,500**
Notified	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-
Exercised	37,500	25,000	161,834	-	25,000	249,334
Existing on 1 January 2021	**-**	**-**	**63,166**	**40,000**	**35,000**	**138,166**
Notified	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-
Exercised	-	-	28,324	13,210	-	41,534
Adjustment following the capital increase of April 9, 2021 (1)	-	-	3,173	3,240	2,835	9,248
Existing on 30 June 2021	**-**	**-**	**38,015**	**30,030**	**37,835**	**105,880**

To value these plans, the Group used the Black & Scholes model with the following assumptions:

- a volatility rate of 23 % since the May 30, 2018 plan versus 18 % previously (taking into account the volatility of comparable companies);
- a risk-free interest rate corresponding to the 5-year French government bond (OAT) yield on the allocation date;
- average maturity of the 1-year plans beyond the vesting period.

Details of free share allocation plans

	Plan 2018	Plan 2018	Plan 2018	Plan 2019	Plan 2020	Plan 2021	TOTAL
Date of general shareholders' meeting	23/02/2018	29/05/2018	04/07/2018	02/10/2018	26/05/2020	26/05/2020	
Date of the decision to allocate by the Chairman/Board of Directors	09/04/2018	30/05/2018	05/07/2018	10/07/2019	02/07/2020	10/03/2021	
Total number of free shares granted	2,500	107,500	570,644	297,000	140,000	272,302	
Share vesting date	10/04/2020	31/05/2021	06/10/2020	11/07/2022	03/07/2023	11/03/2024	
End of holding period	10/04/2021	-	-	-	-	-	
Total number of free shares allocated							
Existing on 1 January 2020	**2,500**	**105,000**	**493,644**	**297,000**	**-**	**-**	**898,144**
Notified	-	-	-	-	140,000	-	140,000
Cancelled	-	-	7,000	5,000	-	-	12,000
Exercised	2,500	-	486,644	-	-	-	489,144
Definitively allocated							
Existing on 1 January 2021	**-**	**105,000**	**-**	**292,000**	**140,000**	**-**	**537,000**
Notified	-	-	-	-	-	272,302	272,302
Cancelled	-	-	-	16,200	-	4,971	21,171
Definitively allocated	-	113,510	-	-	-	-	113,510
Adjustment following the capital increase of April 9, 2021 (1)	-	8,510	-	22,348	11,354	22,058	64,270
Existing on 30 June 2021	**-**	**-**	**-**	**298,148**	**151,354**	**289,389**	**738,891**

(1) Following the capital increase with maintenance of preferential subscription rights carried out on April 9, 2021, and in accordance with the applicable legal provisions and the provisions of the free share plans and share subscription option plans, the Chairman and Chief Executive Officer, upon delegation by the Board of Directors, adjusted the rights of beneficiaries of free shares and share subscription options (coefficient of 1.081).

The May 30, 2018 free share plan expired on May 31, 2021. The 113,510 shares that had been allocated were allocated through (i) the use of 110,807 existing treasury shares held by the Company and (ii) the creation of 2,703 new shares.

NOTE 9. OTHER CURRENT OPERATING INCOME AND EXPENSES

Breakdown of other current operating income and expenses:

In millions of euros	HY 2021	HY 2020
Other current operating income	8.4	35.1
Other current operating expenses	(4.6)	(2.1)
Other current operating income and expenses	**3.7**	**33.0**

Other current operating income consists mainly of contractual compensation resulting from losses of income due to delays in the commissioning of certain power plants by contractors responsible for their construction.

Other current operating expenses correspond mainly to penalties paid for delays in commissioning power plants (Group subsidiaries' obligation under the Power Purchase Agreement).

NOTE 10. NON-CURRENT OPERATING ITEMS

Details of non-current items:

In millions of euros	HY 2021	HY 2020
Prior period development costs (1)	(5.0)	(2.1)
Other products	0.0	0.0
Other expenses	(0.1)	(0.1)
Other non-current operating income and expenses	**(5.0)**	**(2.2)**
Impairment of capitalised development costs	(1.2)	(0.6)
Reversal of impairment of capitalised development costs (2)	1.6	1.9
Impairment of non-current assets	**0.4**	**1.3**
Non-current operating profit	**(4.6)**	**(0.9)**

(1) Capitalised development costs for which the Group, following external events beyond its control, considers that the criteria for capitalisation laid down by IAS 38 "intangible assets" are no longer met, are recognised in other current operating expenses for the period. In the first half of 2021, the Group had to abandon the Gilgandra project in Australia, due in particular to permitting and grid connection issues.

(2) Reversals of impairment of capitalised development costs related to abandoned projects.

NOTE 11. TAXES

Accounting principles

For interim financial statements, the tax charge is calculated for each tax entity by applying the annual effective rate estimated on the basis of forecasts made for the Group's main entities to the taxable income for the period.

Breakdown of income tax:

In millions of euros	HY 2021	HY 2020
Profit before tax	12.2	39.5
Income tax	**(8.1)**	**(18.7)**
Effective tax rate	**66.0%**	**47.2%**

The tax charge was €(8.1) million in the first half of 2021 compared with €(18.7) million in the first half of 2020, representing an effective tax rate of 66 % compared to 47.2 %, respectively.

The difference between the theoretical tax rate of 26.5 % and the effective tax rate of 66 % (+39.5 percentage points) is mainly explained by:

- the effects of hyperinflation in Argentina;
- the existence of tax rates that differ from Neoen S.A.'s rate in certain regions;
- permanent differences in respect of the non-recognition of tax income on the portion of interest expenses relating to the convertible bonds (“OCEANE”) and the green convertible bonds (“OCEANE Verte”), issued by the Group in 2019 and 2020 respectively, recorded at the effective interest rate and exceeding the nominal interest rate of these instruments;
- the non-recognition of deferred tax assets on losses of entities for which the profit outlook and the time limitations in the use of these losses do not allow this recognition;
- the effect of expenses incurred in connection with the application of IFRS 2 "share-based payments";
- All of these effects are partially offset by the use of previously unrecognised losses.

NOTE 12. GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

NOTE 12.1. GOODWILL

As of June 30, 2021, and December 31, 2020, this item solely included goodwill from the acquisition of Irish wind power plants in operation in 2019.

Impairment losses on goodwill:

In the absence of any indication of impairment in the first half of 2021, no impairment was recognised as at June 30, 2021.

NOTE 12.2. INTANGIBLE ASSETS

Accounting principles

Intangible assets

The main intangible assets recognised by the Group linked to expenses related to project development. Direct and indirect, external or internal development costs are capitalised as soon as the corresponding projects are likely to be successful. Projects are capitalised in accordance with IAS 38 “intangible assets”.

The capitalisation criteria are as follows:

- The technical feasibility of the project;
- The intention to complete the intangible asset and use or sell it;
- The ability to use the intangible asset;
- The probability of generating future economic benefits;
- The availability of technical and financial resources to complete the development of the project;
- The ability to reliably measure expenses attributable to the asset during its development.

The Group considers that these criteria are met when a project enters the development portfolio, i.e. when the contractual elements and technical studies indicate that the feasibility of a project is likely (most often at the early stage). When the conditions for recognition of an internally generated asset are not met, project development expenses are expensed in the period in which they are incurred.

The expenses associated with these projects cease to be capitalised upon industrial commissioning. As soon as the Group considers that the probability of success is reduced due to unusual external factors, development-related expenses are written down and recorded under «Impairment of non-current assets». When a project is abandoned, the development expenses related to this project are expensed within «Other non-recurring operating income and expenses» (see note 10).

The Group distinguishes between «Studies» and «Operation» development costs depending on the state of progress of the project at the end of the year. The term «Operation» covers the construction and operation phases of power plants. Amortization is calculated from the commissioning of the project on a straight-line basis over the useful life of the underlying asset.

Other intangible assets are amortised on a straight-line basis according to their estimated useful life.

The main categories of intangible assets and their amortization period used by the Group are as follows:

- Software: 1 to 3 years;
- Development costs: 6 to 30 years, in line with the estimated useful life of power plants and storage facilities.

Impairment of assets

In accordance with IAS 36 «impairment of assets», at the end of each reporting period, the Group reviews the financial information for indications of impairment of intangible assets and property, plant and equipment with finite and indefinite useful lives (goodwill) and intangible assets in progress. If such evidence exists, the Group performs an impairment test to assess whether the carrying amount of the asset exceeds its recoverable amount, defined as the higher of fair value less transaction costs and value in use.

In addition, for intangible assets with indefinite useful lives (goodwill) and intangible assets in progress, an impairment test is carried out annually whether or not there is an indication of impairment. Most of the fixed assets on the balance sheet relate to production assets (plants under development, under construction or in operation). These assets, which have a finite life, are tested for impairment whenever impairment indicators appear.

In the Neoen Group’s business, only projects with sufficient profitability at the outset are built and operated. To the extent that, without production incidents, the resources generated by the project are predictable, the risk of not generating the expected level of cash flow is low.

The value in use of an asset is generally measured by discounting the future cash flows generated by the asset. Assets that do not generate largely independent cash flows are grouped together in Cash Generating Units (CGUs). The Group has identified each project as a CGU.

The data used to implement the tests using the discounted cash flow method are derived from the project’s business plans covering the term of the power sales contracts, and a sales period on the markets running from the end of the sales contracts until the end of the useful life of the underlying assets. The underlying assumptions are systematically updated at the test date.

Changes in intangible assets break down as follows:

	In millions of euros	Capitalized development costs - Operation	Capitalized development costs - Studies (2)	Other intangible assets (3)	**Total**
Gross amounts	**As of December 31st, 2020**	**84.2**	**64.9**	**77.3**	**226.3**
	Acquisitions (1)	5.3	13.5	0.1	18.8
	Diminutions	-	(5.0)	-	(5.0)
	Effect of changes in the consolidation scope	-	-	9.7	9.7
	Impact of fluctuation in foreign exchange rates	0.3	0.2	0.4	1.0
	Other movements and reclassifications	11.8	(9.5)	5.7	8.0
	As of June 30th, 2021	**101.6**	**64.1**	**93.2**	**258.9**
Amortization and impairment	**As of December 31st, 2020**	**(9.7)**	**(3.8)**	**(4.1)**	**(17.6)**
	Charge for amortization	(1.0)	(0.2)	(0.9)	(2.1)
	Impairment loss	-	(1.2)	-	(1.2)
	Reversal of impairment loss	-	1.6	-	1.6
	Impact of fluctuation in foreign exchange rates	(0.0)	(0.1)	(0.0)	(0.1)
	Other movements and reclassifications	0.0	(0.0)	(0.4)	(0.4)
	As of June 30th, 2021	**(10.7)**	**(3.7)**	**(5.4)**	**(19.9)**
Net amounts	**As of December 31st, 2020**	**74.4**	**61.0**	**73.2**	**208.7**
	As of June 30th, 2021	**90.8**	**60.5**	**87.7**	**239.0**

(1) During the first half of 2021, the Group capitalised expenses directly attributable to project development amounting to €18.8 million. These investments mainly concern projects located in Australia, France, Mexico, Finland, Ireland, Portugal, Argentina, the United States, Mozambique, Ecuador and Sweden.

(2) At June 30, 2021, "Capitalised development costs -Studies" amounted to €60.5 million in net value and included €14.8 million in capitalised expenses relating to projects for which the tariff is secured at June 30, 2021.

(3) Other intangible assets consist mainly of assets relating to projects under development, which have been acquired from third parties. In the first half of 2021, the effect of changes in scope corresponds to project acquisitions, mainly in Europe.

NOTE 12.3. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

	In millions of euros	Production assets	Production assets in progress	Lease rights of use [3]	Other property, plant and equipment	Total
Gross amounts	**As of December 31st, 2020**	**2,388.8**	**635.4**	**172.8**	**21.0**	**3,218.1**
	Acquisitions [1]	0.0	379.7	0.0	6.7	386.5
	Disposals	-	-	(0.8)	(0.0)	(0.8)
	Effect of changes in the consolidation scope	-	1.7	-	-	1.7
	Impact of fluctuation in foreign exchange rates	19.1	5.3	0.5	0.3	25.2
	Other movements and reclassifications [2]	30.9	(47.8)	7.4	0.1	(9.5)
	As of June 30th, 2021	**2,438.9**	**974.3**	**179.9**	**28.1**	**3,621.1**
Amortization and impairment	**As of December 31st, 2020**	**(364.9)**	**(1.0)**	**(11.5)**	**(2.0)**	**(379.3)**
	Charge for amortization	(46.7)	-	(3.1)	(0.3)	(50.1)
	Disposals	-	-	0.7	0.0	0.7
	Impact of fluctuation in foreign exchange rates	(1.2)	(0.0)	(0.0)	(0.0)	(1.3)
	Other movements and reclassifications	0.5	(2.4)	(0.0)	0.0	(1.9)
	As of June 30th, 2021	**(412.3)**	**(3.4)**	**(13.9)**	**(2.3)**	**(431.9)**
Net amounts	**As of December 31st, 2020**	**2,023.9**	**634.4**	**161.4**	**19.1**	**2,838.7**
	As of June 30th, 2021	**2,026.6**	**970.9**	**166.0**	**25.8**	**3,189.2**

(1) *Acquisitions over the period correspond to plants under construction, including the following projects:*
- *in Australia: €191.8 million, of which mainly the Western Downs (€68.6 million), Kaban (€43.8 million), Bulgana (€41.3 million) and Victorian Big Battery (€38.1 million) projects;*
- *in Europe - Africa: €183.2 million, mainly including the Mutkalampi project in Finland (€77.1 million), wind and solar projects in France (€49.1 million and €41.3 million, respectively), the Metoro project in Mozambique (€10.5 million) and the Rio Maior project in Portugal (€2.8 million);*
- *in the Americas: €11.5 million, mainly including the Altiplano 200 project (€6.9 million) in Argentina and the Itzoteno project (€3.0 million) in Mexico.*

(2) *Reclassifications and others on production assets include -€6.1 million related to the revaluation of decommissioning provisions, and -€10.8 million of investment in sub-stations, transferred to operators (in accordance with the contractual obligations inherent in certain PPAs) and reclassified as intangible assets in this respect. Reclassifications and other on rights of use (€7.4 million) correspond mainly to new leases entered as fixed assets under IFRS 16 "leases", as well as to extensions or indexation of existing leases.*

(3) *This mainly concerns land use rights (for power plants under construction and operation), for an amount of €163 million, as well as usage rights relating to offices, for an amount of €3 million.*

There is no indication of impairment requiring the implementation of impairment tests on property, plant and equipment in the Group's balance sheet at the date of publication of its consolidated financial statements.

NOTE 13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Changes in investments in associates and joint ventures are as follows:

In millions of euros	30.06.2021	31.12.2020
Total Investments in associates and joint ventures - beginning of period	**7.3**	**6.9**
Dividends paid	(0.5)	-
Capital Increase	-	(0.1)
Change in consolidation scope	9.4	-
Share of net income of associates	0.5	0.7
Changes in fair value	0.1	(0.1)
Total Investments in associates and joint ventures - end of period	**16.7**	**7.3**

This item mainly corresponds to the valuation of the Group's stake in the Seixal power plant in Portugal as well as in the Finnish company Storbotet Vind AB, acquired in May 2021 (refer to note 5.3).

NOTE 14. NON-CURRENT FINANCIAL ASSETS

Changes in non-current financial assets are as follows:

In millions of euros	30.06.2021	31.12.2020
Security deposits	74.4	76.6
Available-for-sale (AFS) financial assets	2.5	2.5
Loans due in more than one year	16.9	13.0
Total other non-current financial assets	**93.8**	**92.1**

Security deposits correspond mainly to:

- The financing reserve accounts set up in connection with project financing relating to production assets;
- Deposits made in response to calls for tenders.

NOTE 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

In millions of euros	30.06.2021	31.12.2020
Cash equivalents	128.9	0.7
Cash	550.1	374.2
Total cash and cash equivalents	**679.0**	**374.9**

Cash and cash equivalents at June 30, 2021 corresponded mainly to cash:

- held by Neoen S.A. (€259.1 million), the change in the first half of 2021 (+€198.6 million) is mainly due to:
  - capital increases in cash amounting to €599.5 million less issue costs of €7.8 million, i.e. €591.8 million (refer to note 2.2), a portion of which was placed in term accounts and presented on the "cash equivalents" line for -€128.2 million;
  - investments in the form of equity and shareholder loan contributions for new projects in Finland, Australia and France amounting to -€293.7 million;
  - collection of development agreements invoiced to project companies for €36.0 million;
  - repayment of a loan for -€10.5 million.

- located in the project companies and associated holding companies (€291.0 million), of which the change over the first half of 2021 (-€22.7 million) results, for assets under construction, from the drawdown of senior debt and equity contributions to finance investments in production assets, and, for assets in operation and financing holdings, from cash flow generated by the business, intended in particular to ensure the repayment of project financing and the remuneration of contributions made by shareholders.

Cash equivalents mainly correspond to term accounts opened by Neoen S.A. for €128.2 million at the time of the capital increase completed on April 9, 2021. As these are highly liquid, they meet the criterion of IAS 7 "Statement of cash flows" (easily convertible into cash and no significant risk of a change in value).

NOTE 16. SHAREHOLDERS' EQUITY AND DETAILS OF DILUTIVE INSTRUMENTS

Equity

Movements affecting the Group's equity during financial years 2020 and 2021 are detailed in the consolidated statement of changes in shareholders' equity.

The capital increase carried out by the Group on April 9, 2021 is described in note 2.2.

Share capital

During the period, capital increases were carried out due to:

- the exercise of 24,000 share subscription options at an exercise price of €6, of 4,324 share subscription options at an exercise price of €5.55 and of 13,210 share subscription options at an exercise price of €9.25;
- the creation of 21,393,678 shares in connection with the capital increase carried out on April 9;
- the creation of 23,038 shares in connection with a capital increase reserved for employees;
- the creation of 2,703 shares in connection with free share allocation plans that had reached maturity.

These transactions totalled €599,667,030.45, with an issue premium of €556,745,124.45, increasing the share capital from €171,101,424 for 85,550,712 shares to €214,023,330 for 107,011,665 shares.

Treasury shares

As of June 30, 2021, the Company held directly or indirectly 153,497 treasury shares, mainly resulting from a share buyback programme with a view to allocating them and from a liquidity contract, representing €5.8 million.

Dividends

The Group did not distribute any dividends.

Non-controlling interest

Their share in shareholders' equity and net income breaks down as follows:

In millions of euros		Percentage of interest uncontrolled		Net profit from investments not giving not control	Investments not giving not control	Net profit from investments not giving not control	Investments not giving not control
Entity	**Country**	**30.06.2021**	**31.12.2020**	**HY 2021**	**30.06.2021**	**HY 2020**	**31.12.2020**
HWF 1 & Holdco	Australia	30.0%	30.0%	0.1	2.5	(0.4)	1.3
HWF 2 & Holdco	Australia	20.0%	20.0%	0.1	1.6	(0.1)	0.7
HWF 3 & Holdco	Australia	20.0%	20.0%	(0.0)	2.6	(0.3)	1.7
Hedet	Finland	19.9%	19.9%	(0.0)	(1.0)	0.1	(1.2)
Bangweulu	Zambia	41.2%	41.2%	0.1	0.0	0.8	(0.2)
EREC	Jamaica	50.0%	50.0%	(0.5)	(0.5)	(1.0)	0.0
Metoro	Mozambique	25.0%	25.0%	(0.1)	0.2	(0.1)	0.3
Zambia Sunlight One	France	31.3%	31.3%	(0.1)	(0.5)	(0.0)	(0.5)
Alight Miranda AB	Sweden	49.0%	-	(0.0)	0.6	-	-
Mutkalampi	Finland	-	19.9%	-	0.0	(0.0)	2.7
Others				(0.1)	(0.1)	(0.0)	(0.0)
Total Non-controlling interests				**(0.4)**	**5.4**	**(1.2)**	**4.8**

Dilutive instruments

(In number of shares)		30.06.2021	31.12.2020	30.06.2020	31.12.2019
Before dilution					
Number of shares		107,011,665	85,550,712	85,252,638	85,088,748
Number of treasury shares		153,497	10,639	260,052	198,948
Number of other shares		106,858,168	85,540,073	84,992,586	84,889,800
Average number of shares before dilution (1)		**96,199,121**		**84,941,193**	
Average number of adjusted shares (3)		*99,382,264*		*91,287,961*	
Dilutive instruments (2)	Free shares	738,891	537,000	890,644	898,144
	Stocks Options	105,880	138,166	251,666	387,500
	OCEANE 2019	7,126,283	6,629,101	6,629,101	6,629,101
	OCEANE 2020	3,955,626	3,679,653	3,679,653	-
	TOTAL	**11,926,680**	**10,983,920**	**11,451,064**	**7,914,745**
After dilution					
Number of shares		118,938,345	96,534,632	96,703,702	93,003,493
Number of treasury shares		153,497	10,639	260,052	198,948
Number of other shares		118,784,848	96,523,993	96,443,650	92,804,545
Average number of shares after dilution (1)		**107,654,421**		**94,624,098**	
Average number of adjusted shares (3)		*111,314,635*		*101,694,368*	

(1) Average number of shares during the period excluding treasury shares and before taking into account the adjustment factor described in note (3) below.

Following the capital increase with maintenance of preferential subscription rights:

(2) In accordance with the applicable legal provisions and the provisions of the free share plans and share subscription option plans and the terms and conditions of the convertible bonds OCEANE issued by Neoen S.A. on October 7, 2019 (the convertible bonds "OCEANE 2019") and June 2, 2020 (the green convertible bonds "OCEANE Verte"), by decision of April 7, 2021, the Chairman and Chief Executive Officer adjusted the rights of the beneficiaries of free shares, share subscription options (coefficient of 1.081) and the convertible bonds OCEANE 2019 and the green convertible bonds OCEANE (coefficient of 1.075).

(3) In accordance with IAS 33, the number of ordinary shares (used to calculate basic and diluted earnings per share) for all the periods preceding the capital increase with maintenance of preferential subscription rights carried out on April 9, 2021 is adjusted by an adjustment factor, reflecting the effect of the capital increase and amounting to 1.075.

NOTE 17. PROVISIONS

Current and non-current provisions

The main movements affecting provisions during the first half of 2021 were as follows:

In millions of euros	Non-current provisions	Current provisions	Total
Total current and non-current provisions - beginning of period	**57.4**	**0.5**	**57.8**
Allocation for the semester	(0.0)	0.3	0.3
Discounting	0.6	-	0.6
Effect of extended service life	(6.1)	-	(6.1)
Other movement	0.4	(0.0)	0.4
Total current and non-current provisions - end of period	**52.3**	**0.8**	**53.0**

Dismantling provisions recognised for production assets in operation amounted to €51.9 million at June 30, 2021 compared with €57 million at December 31, 2020.

The change in decommissioning provision in the first half of 2021 is mainly due to the effect of the Group's decision to extend the period of use of its production assets from 25 to 30 years (refer to note 2.4). The impact of this change in estimate on provisions amounted to €(6.1) million in the first half of 2021.

NOTE 18. FINANCING AND FINANCIAL INSTRUMENTS

NOTE 18.1. NET FINANCIAL RESULT

A breakdown of the net financial result is provided in the following table:

In millions of euros	**HY 2021**	**HY 2020**
Loan interest	(37.3)	(36.6)
Interest associated with derivatives	(11.5)	(9.0)
Interest associated with rights of use	(2.5)	(2.5)
Cost of debt	**(51.3)**	**(48.2)**
Shareholder loan interest income and expenses	(0.4)	(0.4)
Foreign exchange gains and losses	(3.0)	(1.5)
Other financial income and expenses	(0.7)	(5.5)
Total other financial income and expenses	**(4.1)**	**(7.4)**
Net financial result	**(55.5)**	**(55.5)**

The change in the cost of financial debt is explained by:
- the setting up of corporate financing (mainly linked to the issue of green convertible bonds (“OCEANE Verte”) in June 2020 and the syndicated loan set up in March 2020, and not drawn down at the half-year closing date);
- the increase in the number of plants in operation under financing;
- effects partially offset by an average fall in spot interest rates between the first half of 2020 and the first half of 2021, benefiting the unhedged portion of the Group's debt, and the impact of the gradual repayment of the financing of power plants in operation.

Financial expenses on derivative instruments correspond to the recycling through profit or loss of the fair value of the derivative financial instruments considered as effective, recognised in other comprehensive income.

Foreign exchange gains and losses arise from translation differences on current assets and liabilities and non-current liabilities denominated in foreign currencies. During the first half of 2021, the Altiplano 200 project in Argentina recorded a foreign exchange loss of €(2.9) million, which essentially corresponds to the devaluation of VAT credits awaiting reimbursement denominated in Argentine pesos.

The change in other financial income and expenses is mainly due to the non-recurring impact in the first half of 2020 of the refinancing of the Australian wind projects Hornsdale 1, 2 and 3, which generated an expense of €(4.9) million, corresponding to indemnities and early repayment costs incurred for the extinguishment of the historical debt.

NOTE 18.2. NET DEBT

Total net debt breaks down as follows:

In millions of euros	**30.06.2021**	**31.12.2020**
Senior project financing	1,999.4	1,948.7
Bond financing of projects	159.8	154.4
Lease liabilities	174.7	167.9
Corporate financing	333.6	339.4
Non-controlling investors and others	28.9	29.2
Derivative instruments liabilities – hedging effect	67.4	109.8
Financial debt	**2,763.9**	**2,749.4**
Non-controlling investors and others	(28.9)	(29.2)
Adjusted financial debt	**2,734.9**	**2,720.2**
Cash equivalents	(128.9)	(0.7)
Cash	(550.1)	(374.2)
Total cash and cash equivalents	**(679.0)**	**(374.9)**
Guarantee deposits	(74.4)	(76.6)
Derivative instruments assets – hedging effect	(16.1)	(2.2)
Total other assets	**(90.5)**	**(78.8)**
Total net debt	**1,965.5**	**2,266.5**

Net debt decreased by €301 million in the first half of 2021. This is mainly due to the effect of the cash capital increase and the decrease in derivative liabilities recognised during the period, partially offset by the equity investments made in projects.

Analysis by type

In millions of euros	Non-current	Current	**30.06.2021**	Non-current	Current	**31.12.2020**
Senior project financing	1,757.8	241.7	1,999.4	1,696.7	252.0	1,948.7
Bond financing for projects	140.8	19.0	159.8	140.4	14.0	154.4
Lease liabilities	333.5	0.1	333.6	325.4	14.0	339.4
Corporate financing	167.1	7.6	174.7	160.8	7.1	167.9
Non-controlling investors and others	27.4	1.6	28.9	29.2	-	29.2
Derivative instruments – impact of hedging	56.9	10.5	67.4	90.2	19.6	109.8
Total financial liabilities	**2,483.5**	**280.4**	**2,763.9**	**2,442.8**	**306.6**	**2,749.4**

Senior project financing

In the first half of 2021, senior project financing increased by +€50.7 million, due to:

- €123.9 million in new loans issued in connection with the financing of the Group's projects, mainly for the following facilities: Mutkalampi (€40.2 million) in Finland, Western Downs (€20.4 million) and Bulgana (€2.2 million) in Australia, Metoro (€8.3 million) in Mozambique, Altiplano 200 (€7.4 million) in Argentina, as well as several wind (€18.2 million) and solar (€27.7 million) power plants in France;
- €(91.9) million in loan repayments made during the first half of 2021;
- €17.3 million impact of exchange rate fluctuations;
- €2.2 million change in the amortised cost of borrowings and accrued interest of €(0.7) million.

At June 30, 2021, all the various companies financed by project and mezzanine debt complied with their minimum debt service coverage ratio (DSCR) or minimum equity covenants, or had obtained the corresponding waivers from the lending institutions in the event of occasional non-compliance therewith.

Project bond financing

Bond financing mainly comprises junior debt on projects. The +€5.5 million increase in bond financing was due to the recognition of accrued interest and the impact of exchange rate fluctuations.

Corporate financing

At June 30, 2021, corporate financing mainly corresponds to the convertible bonds ("OCEANE") issued in 2019 and the green convertible bonds ("OCEANE Verte") issued in June 2020. The decrease in this item over the period mainly corresponds to the repayment of a loan previously taken out with the French public investment bank (BPI France) for €(10.5) million, and the amortization of the issue premiums relating to the convertible bonds ("OCEANE") and green convertible bonds ("OCEANE Verte") for +€4.1 million.

Lease liabilities

The lease liability is initially measured at the present value of lease payments that are not settled at the effective date, discounted at the marginal borrowing rate of the lessee. It is then repaid and discounted at the rate of rent payments.

Non-controlling investors and others

This item essentially consists of shareholder contributions from minority shareholders in the context of project financing.

Derivative financial instruments

The decrease in derivative financial liabilities resulted mainly from a positive change in fair value of €43.5 million (due to the impact of the significant increase in forward rates over the period in most of the geographical regions where the Group operates).

Breakdown of financial debt by currency (excluding lease liability and minority investments)

(Counter value in millions of euros at closing price)	EUR	USD	AUD	Others	**30.06.2021**
Senior financing of projects	786.8	478.4	734.2	-	1,999.4
Bond financing for projects	70.9	17.0	71.9	-	159.8
Corporate financing	333.6	-	-	-	333.6
Derivative instruments – impact of hedging	19.8	15.1	32.5	-	67.4
Total financial liabilities	**1,211.1**	**510.5**	**838.6**	**-**	**2,560.3**

(Counter value in millions of euros at closing price)	EUR	USD	AUD	Others (1)	**31.12.2020**
Senior financing of projects	741.6	458.6	741.5	7.0	1,948.7
Bond financing for projects	66.7	17.7	69.9	-	154.4
Corporate financing	339.4	-	-	-	339.4
Derivative instruments – impact of hedging	32.1	20.5	57.2	-	109.8
Total financial liabilities	**1,179.9**	**496.8**	**868.7**	**7.0**	**2,552.4**

(1) Liabilities denominated in other currencies corresponded to VAT financing awaiting reimbursement, denominated in Mexican pesos, and relating to the El Llano project in Mexico. These debts were repaid during the first half of 2021.

Breakdown of financial debt by interest rate type

In millions of euros	**30.06.2021**	**31.12.2020**
Fixed rate	1,074.3	1,030.1
Floating rate	1,622.2	1,609.5
Impact of hedging	67.4	109.8
Total financial liabilities after hedging	**2,763.9**	**2,749.4**

The financing of projects generally subscribed at variable rates and the flow of variable interest are covered, which generally represents 75 % or more of the amount financed at variable rates.

Breakdown of total financial debt by maturity

In millions of euros	Less than 1 year	Between 1 and 5 years	More than 5 years	**Total financial liabilities**
Senior financing of projects	241.7	400.4	1,357.3	1,999.4
Bond financing for projects	19.0	52.8	88.0	159.8
Lease liabilities	7.6	9.2	157.9	174.7
Corporate financing	0.1	333.5	-	333.6
Non-controlling investors and others	1.6	1.7	25.6	28.9
Derivative instruments – impact of hedging	10.5	35.0	21.9	67.4
Total as of June 30th, 2021	**280.4**	**832.7**	**1,650.8**	**2,763.9**

In millions of euros	Less than 1 year	Between 1 and 5 years	More than 5 years	**Total financial liabilities**
Senior financing of projects	252.0	348.4	1,348.3	1,948.7
Bond financing for projects	14.0	44.2	96.2	154.4
Lease liabilities	7.1	8.7	152.1	167.9
Corporate financing	14.0	188.7	136.7	339.4
Non-controlling investors and others	-	-	29.2	29.2
Derivative instruments – impact of hedging	19.6	52.8	37.5	109.8
Total as of December 31st, 2020	**306.6**	**642.8**	**1,800.1**	**2,749.4**

Breakdown of financial debt by movements

			Change without cash impact					
In millions of euros	**31.12.2020**	**Cash flows**	Impact of fluctuation in foreign exchange rates	Change in consolidation scope	Changes in fair value and amortized cost (1)	Accrued interest	Other changes (2)	**30.06.2021**
Senior financing of projects	1,948.7	32.0	17.3	-	2.2	(0.7)	(0.1)	1,999.4
Bond financing for projects	154.4	0.6	0.0	-	0.3	4.5	0.0	159.8
Lease liabilities	167.9	(1.5)	0.5	-	-	(2.0)	9.9	174.7
Corporate financing	339.4	(10.4)	(0.0)	-	0.5	(0.0)	4.1	333.6
Non-controlling investors and others	29.2	(0.6)	0.4	(0.0)	-	-	0.0	28.9
Derivative instruments – impact of hedging	109.8	(0.0)	1.1	-	(43.5)	-	-	67.4
Total financial liabilities	**2,749.4**	**20.1**	**19.2**	**(0.0)**	**(40.5)**	**1.7**	**13.9**	**2,763.9**

			Change without cash impact					
In millions of euros	**31.12.2019**	**Cash flows**	Impact of fluctuation in foreign exchange rates	Change in consolidation scope	Changes in fair value and amortized cost	Accrued interest	Other changes (1)	**31.12.2020**
Senior financing of projects	1,757.9	212.3	(34.8)	-	8.5	4.9	(0.0)	1,948.7
Bond financing for projects	199.5	(45.4)	(0.8)	-	1.2	(0.2)	0.0	154.4
Lease liabilities	136.7	(5.9)	(0.8)	2.1	-	3.9	32.0	167.9
Corporate financing	194.6	137.4	-	-	0.9	0.3	6.2	339.4
Non-controlling investors and others	30.4	(0.2)	(1.1)	(0.0)	-	-	0.0	29.2
Derivative instruments – impact of hedging	95.4	(31.7)	(1.6)	-	47.7	-	-	109.9
Total financial liabilities	**2,414.6**	**266.5**	**(39.1)**	**2.1**	**58.3**	**8.9**	**38.2**	**2,749.4**

(1) The change in fair value and amortized cost includes a -€43.5 million decrease in the fair value of derivative liabilities, due to the significant rise in forward rates over the period.

(2) Other changes in lease liabilities correspond to "non-cash" changes to new leases in accordance with IFRS 16 "leases". Other changes in corporate financing correspond to the portion of interest expenses relating to the convertible bonds ("OCEANE") issued in 2019 and the green convertible bonds ("OCEANE Verte") issued in 2020, recorded at the effective interest rate and exceeding the nominal interest rate of these instruments.

NOTE 18.3. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting principles

Neoen uses mainly interest rate swaps to hedge against changes in interest rates associated with the financing the Group's investments (see note 19.1).

As of June 30, 2021, these derivative financial instruments can be designated and documented in an accounting hedging relationship insofar as the criteria required by IFRS 9 "financial instruments" are met. Changes in the fair value of these interest rate swaps in respect of the hedged risk are recognised in the income statement.

During the first half of 2021, an amount of €57.7 million was recognised in other comprehensive income in respect of the change in fair value of cash flow hedging derivatives and €3.8 million was recycled through profit or loss.

During the first half of 2020, an amount of €(59.0) million was recognised in other comprehensive income in respect of the change in fair value of cash flow hedging derivatives and €3.7million was recycled through profit or loss.

NOTE 18.4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Accounting principles

The fair value of an asset and liability is the price that would be agreed between parties who are free to contract and operate under market conditions. IFRS 13 "fair value measurement" distinguishes between three levels of fair value:

- level 1: prices quoted on an active market;
- level 2: prices quoted on an active market for a similar instrument, or another valuation technique based on observable parameters;
- level 3: valuation method incorporating unobservable parameters.

For derivative financial instruments, see notes 18.2 and 18.3.

The fair value of trade payables and trade receivables corresponds to the carrying amount indicated in the balance sheet, as the effect of discounting future cash flows is immaterial.

Financial assets and liabilities measured at fair value break down as follows:

As of June 30th, 2021 *(In millions of euros)*	Level	**Carrying amount**	**Fair value**	Amortized cost	Fair Value through profit or loss	Debts measured at amortized cost	Cash-flow hedge derivatives
Derivative financial instruments	2	16.1	16.1				16.1
Non-current financial assets	2	93.8	93.8	93.8			
Other assets (current and non-current)	2	103.0	103.0	103.0			
Trade receivables	2	71.9	71.9	71.9			
Cash and cash equivalents	1	679.0	679.0		679.0		
Total financial assets		**963.9**	**963.9**	**268.8**	**679.0**	**-**	**16.1**
Non-current financial liabilities	2	2,426.6	2,500.6			2,426.6	
Other non-current liabilities	2	90.1	90.1			90.1	
Derivative financial instruments	2	67.4	67.4				67.4
Current financial liabilities	2	270.0	270.0			270.0	
Trade payables	2	210.2	210.2			210.2	
Total financial liabilities		**3,064.2**	**3,138.3**	**-**	**-**	**2,996.8**	**67.4**

As of December 31st, 2020 *(In millions of euros)*	Level	**Carrying amount**	**Fair value**	Amortized cost	Fair Value through profit or loss	Debts measured at amortized cost	Cash-flow hedge derivatives
Derivative financial instruments	2	2.2	2.2		2.2		
Non-current financial assets	2	92.1	92.1	92.1			
Other assets (current and non-current)	2	112.4	112.4	112.4			
Trade receivables	2	73.2	73.2	73.2			
Cash and cash equivalents	1	374.9	374.9		374.9		
Total financial assets		**654.8**	**654.8**	**277.7**	**377.1**	**-**	**-**
Non-current financial liabilities	2	2,352.6	2,419.6			2,352.6	
Other non-current liabilities	2	101.0	22.3			22.3	
Derivative financial instruments	2	109.8	109.8				109.8
Current financial liabilities	2	287.0	287.0			287.0	
Trade payables	2	173.9	173.9			173.9	
Total financial liabilities		**3,024.3**	**3,012.7**	**-**	**-**	**2,835.8**	**109.8**

NOTE 19. RISK MANAGEMENT

NOTE 19.1. INTEREST RATE RISKS

Neoen Group is exposed to market risks as a result of its investment activities. This exposure is mainly linked to fluctuations in variable interest rates relating to the financing of its projects.

The Group's interest rate risk management objective is therefore to secure and preserve the economic balance of projects by limiting the future variability of the financial burden associated with their financing. This is based on the use of hedging instruments.

Interest rate risk is hedged using over-the-counter instruments with first-rate counterparties. The Group contracts financial instruments to hedge its variable-rate financing, with the aim of hedging at a fixed rate a minimum of 75 % of the variable-rate financing requirements for projects. In this respect, the Group has entered into interest rate swaps and caps that qualify as cash flow hedges.

As of June 30th, 2021 *(In millions of euros)*	**Notional value by maturity**					
	Less than 5 years	More than 5 years	**Total**	Fair value [1]	Recorded [2] as equity	Recorded as income [3]
Interest rate swaps - Solar	(190.2)	(311.2)	(501.4)	(26.8)	32.6	-
Interest rate swaps - Wind	(164.8)	(399.9)	(564.7)	(26.8)	51.9	-
Interest rate swaps - Holding	112.5	-	112.5	(0.4)	0.4	-
Interest rate caps	(61.6)	(83.3)	(145.0)	2.7	2.2	-
Total	**(304.1)**	**(794.5)**	**(1,098.6)**	**(51.3)**	**87.1**	**-**

(1) Fair value breaks down into €16.1 million of derivative assets and €(67.4) million of derivative liabilities at the closing date.
(2) This is the stock of OCI in the Group's equity.
(3) The ineffective portion of derivatives is recognised in the income statement.

A 1 % increase in interest rates would, given the interest rate hedging instruments in force, cause an annual increase of €2.1 million in the Group's cost of debt. Due to the existence of floors, a 1 % decrease in interest rates would not generate any particular savings on the Group's annual cost of debt.

NOTE 19.2. FOREIGN EXCHANGE RISKS

Foreign exchange risks relate to operational transactions in foreign currencies (mainly US dollars and Australian dollars) which tend to increase with the Group's sustained international deployment. In order to avoid any foreign exchange risk on the assets in operation, the Group systematically finances each of its assets in its functional currency.

NOTE 19.3. COUNTERPARTY RISKS

Given the large number of suppliers and subcontractors available in the markets where the Group operates, the Group considers that the insolvency of one or a small number of them would not have any material impact on the Group's ongoing operations.

Insofar as electricity sales contracts or contracts for difference are concluded with State counterparties (States or companies controlled by a State), electricity distribution companies and with a limited number of private buyers, the Group considers that the counterparty risk relating to trade receivables is not material at this time.

The Group invests its cash and cash equivalents with leading financial institutions.

The Group enters into over-the-counter interest rate derivatives with leading banks under agreements that provide for the offsetting of amounts due and receivable in the event of default by one of the contracting parties. These conditional netting arrangements do not meet the criteria of IAS 32 «Financial Instruments: presentation» to allow for the offsetting of asset and liability derivatives on the balance sheet.

NOTE 19.4. LIQUIDITY RISKS

Liquidity risk is the Group's inability to meet its immediate or short-term financial commitments.

To prevent this risk, the Group analyses its liquidity requirements several times a year over a rolling 12-month horizon.

At the reporting date, the Group had the necessary cash to finance its current business and development, as well as to deal with exceptional events.

Cash held by holding and development companies at June 30, 2021 amounted to €398.2 million, compared with €280.8 million for project companies (assets in operation and under construction).

In millions of euros	**30.06.2021**	**31.12.2020**
Cash and cash equivalents	679.0	374.9
Overdrafts available	238.0	238.0
Total	**917.0**	**612.9**

Corporate credit lines available

The Group has short-term credit lines totaling €238.0 million, including a syndicated loan of €200.0 million, composed of a corporate loan of €125.0 million that was not drawn down to date and a revolving credit line of €75.0 million that was also not drawn down, to meet the working capital requirements of the parent company.

Credit lines granted to projects

At June 30, 2021, the Group benefited from commitments received in respect of its project and operating financing for an amount of €700.7 million that had not been used at that date.

NOTE 19.5. RISKS RELATED TO REGULATORY CHANGES

The Group sells electricity mainly under long-term agreements with firm commitments from its counterparties, including many States.

In some countries, States may have to retroactively revoke certain favourable feed-in tariffs. Any changes in these tariffs could have a material impact on the Group's financial statements.

In July 2021, the French authorities issued a draft tariff decree, providing for a reduction in feed-in tariffs for solar-generated electricity relating to certain contracts entered into between 2006 and 2010 from October 1st, 2021, which has no material impact on the Group's financial statements (see note 22).

Despite this one-off situation, the Group still considers that its multi-sector and multi-country strategy has the effect of limiting the risk associated with regulatory changes by reducing its exposure to a particular technology or country. The particularly competitive price of electricity produced by Neoen in the vast majority of its agreements also constitutes a natural hedge against this risk.

NOTE 20. OFF-BALANCE SHEET COMMITMENTS

NOTE 20.1. OFF-BALANCE SHEET COMMITMENTS GIVEN

In millions of euros	30.06.2021	31.12.2020
Guarantees provided to suppliers	414.4	243.6
Maintenance commitments	942.9	844.0
Other commitments provided	502.9	198.5
Commitments provided associated with operating activities	**1,860.2**	**1,286.1**
Assets provided as surety	3,279.8	3,080.7
Commitments provided associated with financing activities	**3,279.8**	**3,080.7**
Total commitments provided	**5,140.0**	**4,366.7**

Guarantees given to suppliers

The Group may temporarily give guarantees to its suppliers in connection with the construction of its production assets.

Maintenance

In the context of operating its production assets, the Group enters into maintenance agreements that may span several years. The related services are expensed in the year in which they are provided.

Other commitments given

Other commitments are mainly guarantees given by the Group as part of the project development process, such as tendering guarantees, and performance and decommissioning guarantees.

Assets pledged as collateral

In most cases, the Group pledges shares and advances on shareholder loans in connection with debt incurred to finance projects. Some assets are also pledged as collateral to guarantee the repayment of bank debt until its extinguishment.

NOTE 20.2. OFF-BALANCE SHEET COMMITMENTS RECEIVED

In millions of euros	30.06.2021	31.12.2020
Energy purchase commitments received	6,243.0	6,201.2
Other commitments received	2,194.5	1,366.3
Commitments received associated with operating activities	**8,437.5**	**7,567.5**
Amounts payable to related parties	692.8	374.9
Corporate credit lines available	238.0	238.0
Commitments received in connection with financing activities	**930.8**	**612.9**
Total off-balance sheet commitments received	**9,368.3**	**8,180.4**

Energy purchase commitments received

In most cases, when an electricity production unit is built, the company carrying the project and which will operate the plant enters into a long-term energy supply contract. The Group generally receives purchase commitments for periods from 10 to 20 years. For each underlying asset, the commitment was valued on the basis of production volumes estimated by the Group over the term of the purchase agreement and on sales prices excluding inflation.

Other commitments received

These consist mainly of guarantees received by construction companies for the successful construction of plants and by suppliers in connection with maintenance.

The change in off-balance sheet commitments given and received is mainly due to the start of construction of new projects, notably Kaban in Australia and Mutkalampi in Finland.

NOTE 21. RELATED PARTY TRANSACTIONS

Transactions were carried out with Impala and BPI France, identified as related parties for the Group. Expenses relating to related parties primarily concern management fees and interest on loans granted.

Neoen's consolidated financial statements are fully consolidated in the consolidated financial statements of Impala, which owns 46.53 % of its share capital. Transactions with Impala and its subsidiaries or BPI France were carried out at arm's length.

The following table provides the amount of these transactions for the years ended June 30,2021 and December 31, 2021:

In millions of euros	**30.06.2021**	**31.12.2020**
Cost	0.1	0.6
Debt (1)	-	10.5

(1) At December 31, 2020, debts with related parties corresponded to a loan taken out with BPI France repaid during the first half of 2021.

NOTE 22. SUBSEQUENT EVENTS

HWF 1 / AER (Australian Energy Regulator) dispute

The proceedings commenced by the Australian Energy Regulator ("AER") against HWF1 Pty Ltd ("HWF 1") in connection with the power failure on September 28th, 2016 throughout the State of South Australia, Australia have been resolved after the June 30th, 2021 closing date.

On July 1st, 2021 the Federal Court of Australia issued a judgment in the following key terms:

- declaring that HWF 1 contravened the National Electricity Rules ("NER") between June 2nd, 2016 and October 10th, 2016 by operating the generating units of the Hornsdale wind farm and allowing those generating units to supply electricity to the power system when the settings for the repeat low voltage ride-through protection system applied to them had not been approved in writing by the network service provider or the Australian Energy Market Operator; and
- ordering HWF1 to engage an independent compliance expert to review and report on HWF 1's compliance program under the NER, and to pay a civil penalty of AUD 550,000 and a contribution of AUD 175,000 towards the AER's legal costs.

The judgment of the Court was consistent with the terms of an in-principle settlement reached between the AER and HWF 1 in December 2020.

The Company had already recorded a provision in respect of this matter in its consolidated financial statements as of December 31st, 2020 in a corresponding amount. HWF 1 believes that it has a solid basis for recovery (including its own legal costs incurred in connection with its defence) from the contractor selected for the development and construction of the wind farm as provided for in the associated EPC contract. The resolution of the subject proceedings does not however extinguish the risk of a possible class action civil lawsuit against HWF 1 by parties who may seek compensation for alleged losses attributed to the black-out.

Downward revision of feed-in tariffs for solar electricity

Under the provisions of the 2021 Finance Law, the French authorities issued a draft decree and tariff order, submitted to the *Conseil Supérieur de l'Energie* on July 16, 2021, providing for a reduction in feed-in tariffs for solar electricity relating to certain contracts entered into between 2006 and 2010. The decree will then be submitted to the *Conseil d'Etat* for its opinion.

The Group is a shareholder in four solar power plants affected by this potential tariff revision for a total capacity of 18 MWp. The application of the new feed-in tariffs envisaged, as of October 1st, 2021, has the consequence of modifying the economic balance of the power plants in question and therefore constitutes an impairment trigger.

On the closing date of the half-year financial statements, the Group therefore carried out a valuation exercise for these power plants based on the target shareholder IRR levels as communicated during its Capital Markets Day, which, despite the proposed tariff reductions, did not reveal any impairment.

3.2 STATUTORY AUDITORS' REVIEW REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF NEOEN GROUP AS OF JUNE 30, 2021

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from January 1, 2021 to June 30, 2021

To the Shareholders,

In compliance with the assignment entrusted to us by Annual General Meetings and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code (*"code monétaire et financier"*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Neoen, for the period from January 1, 2021 to June 30, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information 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 professional standards applicable in France 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

In Paris et Paris-La Défense, July 30, 2021

The Statutory Auditors

French original signed by

RSM Paris	Deloitte & Associés
Etienne de BRYAS	Benoit PIMONT

HALF-YEARLY FINANCIAL REPORT 2021

NEOEN
6 rue Ménars
75002 Paris – France
www.neoen.com

NEOEN