Annual financial report at 31 December 2018

PLC S.p.A.
Registered office in Milan, Via Lanzone 31
Share capital fully paid-up € 37,149,822.34
Tax code and VAT number 05346630964

www.plc-spa.com

1 GENERAL INFORMATION

1.1 CORPORATE BOARDS

BOARD OF DIRECTORS[1]

Francesco Esposito	- Chairman
Michele Scoppio	- Chief Executive Officer
Chiara Esposito	- Director
Luciano Garofano	- Director
Marina D'Artibale (*) (**)	- Independent Director
Graziano Gianmichele Visentin (*) (**)	- Independent Director

BOARD OF STATUTORY AUDITORS[2]

Massimo Invernizzi	- Chairman
Claudio Sottoriva	- Standing auditor
Maria Francesca Talamonti	- Standing auditor

INDEPENDENT AUDITORS[3]

EY S.p.A.

Via Po, 32

00198 Rome

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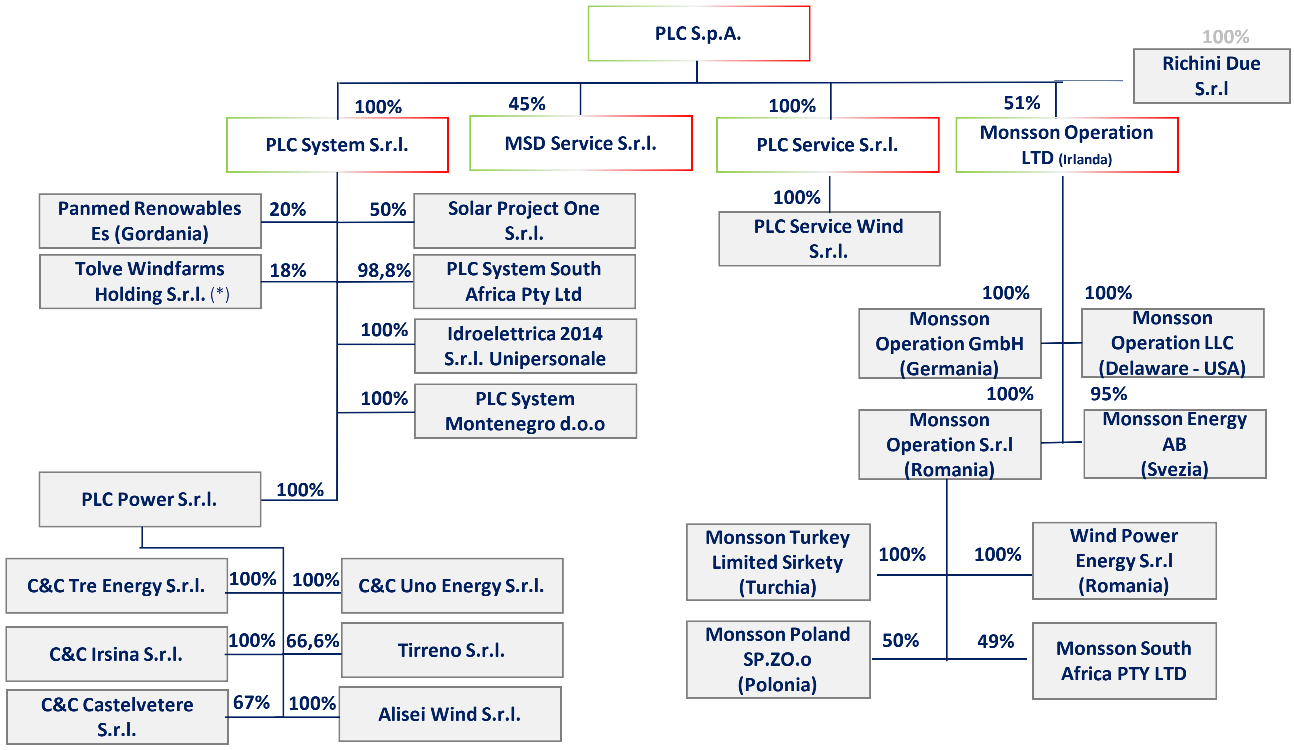
[1] appointed by the Shareholders' Meeting of 26 March 2018
[2] appointed by the Shareholders' Meeting of 27 June 2018
[3] appointed by the Shareholders' Meeting of 23 June 2015

(*) members of the Control and Risks Committee
(**) members of the Appointments, Remuneration and Stock Option Plans Committee

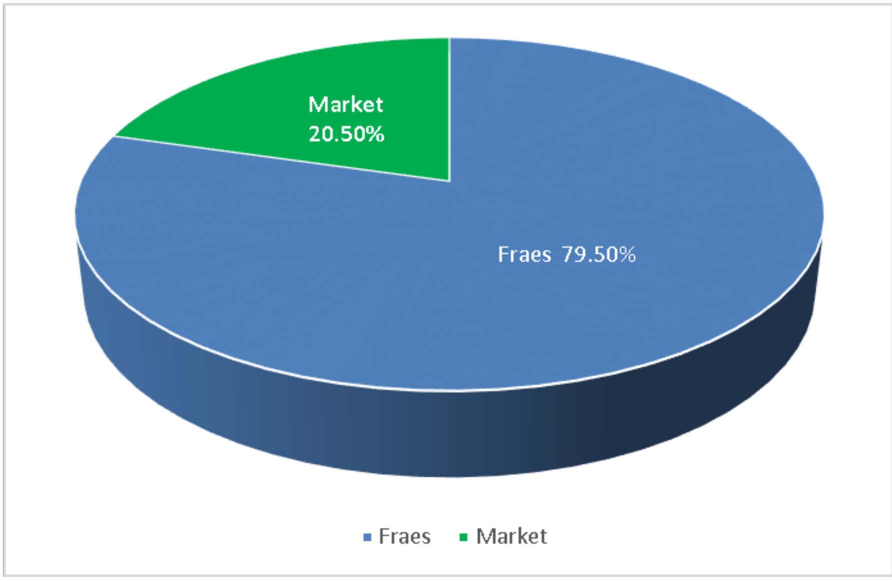
1.2 OWNERSHIP STRUCTURE OF THE PLC GROUP



(*) Tolve Windfarms Holding S.r.l. was sold in 2019

1.3 SHAREHOLDERS

The situation regarding the shareholding structure of PLC S.p.A. ("**PLC**" or "**Company**" or "**Parent**" or "**Issuer**") at the date of presentation of the Annual Financial Report at 31 December 2018 is as follows[4].



[4] Source: Corporate and Consob data.

2 REPORT ON OPERATIONS OF THE PLC GROUP

2.1 MAIN OPERATIONS OF THE PLC GROUP DURING THE YEAR 2018

Conclusion of the Restructuring Agreement pursuant to Article 182-bis of the Bankruptcy Law

During the 2018 financial year, the operations referred to in the restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law, signed by PLC on 5 April 2017 and endorsed by the Court of Milan on 8 June 2017 ("**Restructuring Agreement**") were fully implemented with the subsequent conclusion of the Agreement.

More specifically:

- on 6 February 2018, the share capital increase of € 3,040 thousand under option was fully subscribed without the activation of the irrevocable and unconditional guarantee issued by Fraes S.r.l. (formerly PLC Group S.p.A.) ("**Fraes**") of full subscription of any unsubscribed part. Therefore, as provided for in the agreements, the payment made by Fraes to PLC, as a guarantee for the share capital increase, was fully repaid in March 2018;

- on 11 December 2018, the sale of the 17.84% equity investment held in Mediapason S.p.A. ("**Mediapason**") was completed by the subsidiary Richini Due S.r.l. ("**Richini Due**"). The sale took place in execution of the Restructuring Agreement and in compliance with the terms and conditions set out therein, and in particular: (i) Nelke S.r.l. ("**Nelke**") acquired the equity investment at a price of € 1,725 thousand (equal to the minimum consideration identified in the Restructuring Agreement) and (ii) the proceeds of the sale were used to repay the residual principal amount due to MPS Capital Services Banca per le Imprese S.p.A. ("**MPS Capital Services**") with the bank waiving the difference in interest;

- on 12 December 2018 Nelke, to further guarantee the commitments undertaken with reference to (i) the purchase of the recourse receivable deriving from the enforcement of the surety issued by Banca Monte dei Paschi di Siena S.p.A. ("**Banca MPS**") in favour of Finlombarda S.p.A. ("**Finlombarda**") and (ii) after the subsequent conversion of the loan into PLC shares, deposited an amount in a current account in the company's name equal to the consideration agreed with Banca MPS. Following Nelke's purchase of the recourse receivable, on 8 February 2019 the second tranche of the conversion share capital increase reserved to Nelke for € 18 thousand was carried out.

Signing of a contract for the acquisition of projects relating to 4 wind farms with a total installed capacity of 112.75 MW and 1 wind farm with a capacity of 16 MW

In the first half of 2018 the subsidiary PLC System S.r.l. ("**PLC System**") has purchased from C&C Energy S.r.l. ("**C&C Energy**") and other minority shareholders, 100% of the share capital of PLC Power S.r.l. (formerly Wind Friend S.r.l.) ("**PLC Power**") and 100% of C&C Uno Energy S.r.l. ("**C&C Uno**"), companies that own - also through their subsidiaries - projects for the construction of 4 wind farms with a total installed capacity of 112.75 MW ("**C&C Operation**").

Additionally, on 11 October 2018, PLC Power acquired 100% of Alisei Wind S.r.l. ("**Alisei**") from C&C Energy and Mr. Domenico Cerruti, owner of a project for the construction of 1 wind farm with a capacity of 16 MW.

In particular, following the above acquisitions and a consequent corporate reorganisation, PLC Power, a wholly-owned subsidiary of PLC System, currently holds:

- 100% of the share capital of C&C Irsina S.r.l. ("**C&C Irsina**"), owner of a project for the construction of a wind farm with a total capacity of 30 MW in the municipality of Irsina (MT), whose authorisation process is under way at the Basilicata Region;
- 100% of the share capital of C&C Tre Energy S.r.l. ("**C&C Tre**"), owner of a project for the construction of a wind farm with a total capacity of 28.8 MW in the municipality of Casalbore (AV), already authorised by the Campania Region and for which the issue of a variation has been requested;
- 100% of the share capital of C&C Uno, holder of a project for the construction of a wind farm with a total capacity of 37.95 MW in the municipality of Baselice (BN), already authorised by the Campania Region and in relation to which the necessary activities are under way and to propose a variation involving a reduction in the power up to 36 MW;
- 67% of the share capital of C&C Castelvetere S.r.l. ("**C&C Castelvetere**"), owner of a project for the construction of a wind farm with a total capacity of 16 MW in the municipality of Castelvetere Valfortore (BN), already authorised by the Campania Region and in relation to which the necessary activities are under way and to propose a variation involving a reduction in the power up to 13.2 MW;
- 100% of Alisei, owner of a project for the construction of a composite wind farm with a total capacity of 16 MW in the municipality of Palazzo San Gervasio (PZ), already authorised by the Basilicata region.

The amount actually paid for the purchase of the shares of PLC Power is equal to € 584 thousand, reduced compared to the maximum amount initially agreed of € 850 thousand, due to the failure to meet certain conditions within the prescribed terms, mainly due to the commitment of the seller to take over the minority shares held by other shareholders in advance of the sale.

The consideration paid for the shares of C&C Uno amounted to € 1,920 thousand.

The consideration for the shares of Alisei, set at € 750 thousand, has been paid for € 695 thousand; the residual share will be paid upon the verification of certain conditions and net of any contingent liabilities that may arise in the period following the closing.

The purchase of the shares of PLC Power and C&C Uno also provides for the payment of an additional variable fee as an "earn out" linked to the future development of the wind projects and to the MW actually realised, currently calculated at a total of € 987 thousand. In accordance with the applicable accounting standards, at 31 December 2018, the variable consideration at the acquisition date was recognised as a liability.

These transactions, which qualify as business combinations pursuant to IFRS 3, are part of the construction and implementation of wind farms intended for sale to financial and/or industrial operators in the renewable energy production sector, in the Build, Operate and Transfer ("BOT") segment.

Transfer of company functions of FRAES S.r.l. (formerly PLC Group S.p.A.) to the parent company PLC S.p.A.

On 1 April 2018, the transfer to PLC of certain company functions previously held by the parent company Fraes (formerly PLC Group S.p.A.) was completed, and in particular: Administration, Finance and Control (AFC), Secretariat, Information Technology (IT), Quality, Safety and the Environment (QSE), Personnel (HR) and Legal and Corporate Affairs.

The operation - which forms part of the broader process of reorganising company functions in order to implement a management control system suited to the new configuration of the group - was carried out through the transfer of 8 employees hired by Fraes to PLC.

The transfer of employees from Fraes was approved by the Board of Directors of PLC on 12 March 2018 after obtaining the favourable opinion of the Committee for transactions with related parties, in compliance with the procedures provided for in Consob Regulation no. 17221 of 12 March 2010, as subsequently amended and supplemented. The involvement of the Committee for transactions with related parties was necessary as Fraes is the Issuer's parent company.

The transfer operation was also considered a transaction of greater importance pursuant to the Regulations for the execution of transactions with related parties approved by the Company because, since these were hires on open-ended contracts, it was not possible to determine the value of the transaction, and so the threshold of 5% relating to the value relevance index was implicitly exceeded. On 19 March 2018, the relevant Information Document was published.

Implementation of the resolutions adopted by the Ordinary and Extraordinary Shareholders' Meeting of 27 June 2018

In execution of the resolutions adopted by the Ordinary and Extraordinary Shareholders' Meeting of 27 June 2018:

- on 13 July 2018, the change of the Issuer's company name from Industria e Innovazione S.p.A. to PLC S.p.A. became effective;
- on 23 July 2018, the PLC ordinary shares were grouped together based on the ratio of 1 new ordinary share with no indication of nominal value and regular dividend entitlement, for every 25 existing ordinary shares with no nominal value. The grouping took place after the cancellation of 22 ordinary shares for the sole purpose of allowing the overall reconciliation of the transaction and without the reduction of the overall amount of the share capital;
- on 19 December, the extraordinary dividend of € 2,000 thousand (equal to € 0.0833 per share) was paid from the share premium reserve.

Signing of a loan agreement with Banca Nazionale del Lavoro S.p.A. by the subsidiary PLC Service S.r.l.

On 31 July 2018, the subsidiary PLC Service S.r.l. ("**PLC Service**") signed with Banca Nazionale del Lavoro S.p.A. ("**BNL**") a loan agreement for € 1,443 thousand for the purchase of the industrial building located in Acerra (NA) Via Pantano 9 n.c., and related accessory costs and renovation work.

The building was purchased at the end of 2017 following PLC Service's participation in a bankruptcy auction together with the company Coelmo S.p.A., as a result of which the two companies were awarded the property for a total value of approximately € 3,000 thousand, of which € 1,535 thousand incurred by PLC Service.

At the time of the auction award, and pending the land registry division of the property, PLC Service has financed part of the purchase of the share due to it through the obtainment of pre-financing granted by the same bank for the amount of € 1,095 thousand.

Following the land registry division and the assignment to PLC Service of its portion of the property, it was possible to proceed with the stipulation of a ten-year mortgage loan in place of the pre-financing already disbursed, which was repaid at the same time.

The loan is secured by a first mortgage on the property for € 2,886 thousand and also provides for compliance with certain financial covenants that were complied with at 31 December 2018 (for further information see paragraph 2.13.2).

Signing of two medium/long-term loan agreements by the subsidiary PLC System S.r.l.

On 2 August 2018, the subsidiary PLC System signed two loan agreements with BPER Banca S.p.A. ("**BPER**") of € 1,000 thousand each to support investments in progress, with particular reference to the C&C Operation. Both financing contracts have a bullet maturity of 18 months and 24 months respectively after disbursement. The loans are not backed by any collateral and do not require compliance with financial covenants.

Purchase of 51% of the share capital of Monsson Operation Ltd

On 9 November 2018, PLC acquired 51% of Monsson Operation Ltd., a holding company incorporated under Irish law which in turn controls several companies, mainly located in the EMEIA area, active in asset management and operation and maintenance (O&M) services for wind farms and photovoltaic plants (hereinafter "**Monsson Operation Perimeter**"). The operation is part of the PLC Group's broader growth strategy in service and internationalisation activities. The Monsson Operation Perimeter is, in fact, a technological basin which complements the expertise already possessed by the subsidiary PLC Service in the field of O&M in the wind turbines sector, as well as an international platform through which to guide the development of core activities abroad.

The purchase price, previously identified as € 3,334 thousand, will be paid by PLC in several tranches on the basis of predetermined EBITDA thresholds of the perimeter being acquired, of which the first of € 1,544 thousand already paid at closing and the last by 31 July 2020. The operation also provides for: (i) an earn-out mechanism related to the potential EBITDA for the years 2018, 2019 which will be paid directly by Monsson Operation Ltd to the sellers, (ii) the disbursement by PLC of a shareholders' loan up to a maximum of € 3,620 thousand in the two-year period 2018 - 2019 to achieve the objectives of the 2018-2020 business plan (of which € 1,558 thousand already disbursed at 31 December 2018 and € 1,662 thousand already disbursed in 2019 at the date of preparation of this annual financial report, (iii) the possibility for sellers to exercise a put option on the remaining 49% interest in Monsson Operation Ltd. to be exercised from 31 July 2019 until payment of the last tranche of the price, and (iv) the possibility for PLC to exercise a call option for the purchase of the remaining 49% interest in Monsson Operation Ltd. to be exercised in the 12 months following payment of the last tranche of the price. The economic conditions of the put and call options will be negotiated by the parties in good faith.

The contract also provides for the repurchase by the sellers of the property located in Costanta (RO) currently owned by the subsidiary Monsson Operation S.r.l. for a value of € 2.05 million - equal to the book value - by offsetting it with the shareholders' loans.

Finally, with reference to the restrictions on the transfer of shares, there is a mechanism of absolute non-transferability of the shares of Monsson Operation Ltd. (so-called lock up) until the expiry of the terms within which the parties may exercise the put and call options, respectively, and therefore by 31 July 2021.

Signing of an unsecured loan by the parent company PLC S.p.A.

On 3 December 2018, PLC signed an unsecured loan with Banco BPM for € 3,000 thousand to support investments in progress. The loan, which provides for a quarterly amortisation plan expiring on 31 December 2021, does not require compliance with financial covenants.

2.2 SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2018

Signing of a medium/long-term loan by the parent company PLC S.p.A.

On 22 January 2019, PLC signed a loan agreement with BNL for a maximum amount of € 5,000 thousand, intended to finance the requirements relating to the purchase of 51% of Monsson Operation Ltd., to be disbursed in several instalments in the 12 months following the signing and in particular: (i) € 3,000 thousand disbursed on stipulation of the shareholders' loan already disbursed to Monsson Operation Ltd., (ii) € 1,000 thousand to be disbursed against further shareholders' loans to be paid and (iii) € 1,000 thousand to be disbursed against payment of further tranches of the price.

The loan agreement is secured by (i) an independent first demand guarantee issued by SACE S.p.A. for the amount of € 2,500 thousand and (ii) a joint and several guarantees issued by the subsidiary PLC System for the entire amount of € 5,000 thousand.

The loan also includes, as an additional guarantee, the right for BNL to register a first mortgage on the property of the subsidiary PLC System for € 10,000 thousand; this right has not yet been exercised.

The loan also provides for compliance with certain financial covenants that were already complied with at 31 December 2018 (for further information see paragraph 2.13.2).

Sale of the remaining 18% interest held in Tolve Windfarms Holding S.r.l.

On 15 April 2019, in execution of the investment agreement signed on 12 June 2017, a notarial deed was signed concerning the sale to ACE Renewable Holding S.A. ("**ACE**") of 20% of the share capital of Tolve Windfarms Holding S.r.l. ("**TWH**"), of which ACE itself already held 80%. In particular, ACE acquired 18% of the share capital from PLC System S.r.l. and the remaining 2% from the other minority shareholder of the company. As a result of the sale, PLC System will receive a consideration of € 6,030 thousand, to be settled by the middle of May 2019 and including a capital gain of € 2,054 thousand at consolidated level.

Signing of a preliminary contract for the sale of the investment held in C&C Uno S.r.l. and C&C Castelvetere S.r.l.

On 17 April 2019, two preliminary contracts were stipulated concerning the sale by the subsidiary PLC Power to Enel Green Power S.p.A. ("EGP") of 67% of the share capital of C&C Castelvetere and 100% of the share capital of C&C Uno Energy, owners of two wind projects to be implemented respectively, one in the municipality of Castelvetere in Val Fortore (BN), with a capacity of 13.2 MW, and the other in the municipalities of Baselice (BN), Molinara (BN) and Foiano di Val Fortore (BN), with a capacity of 36 MW. The completion of both sale and purchase transactions is subject to the fulfilment, by 30 September 2019, of certain conditions precedent regarding the obtainment of authorisations and other measures and confirmations of an authorisation nature and, with reference to C&C Castelvetere, the reorganisation of the current corporate structure. The agreements also identify a number of conditions for the termination of the effectiveness of the sale of shares, including the failure to obtain changes to the project layout. The total value of the transactions is higher than € 4 million.

As part of the transaction, PLC System will retain the EPC contracts for the construction of wind farms for a total amount of about € 13.5 million, while PLC Service will retain the full service contracts for the Operation & Maintenance services of the civil and electrical works of these plants for a period of 2 years and renewable for the next 3 years.

2.3 ANALYSIS OF THE OPERATING PERFORMANCE AND OUTLOOK

The PLC Group operates in the Italian renewable energy market, with particular reference to the photovoltaic and wind energy sectors, in which it builds new electrical and electricity generation infrastructures (EPC - Engineering, Procurement and Construction and BOT - Build, Operate and Transfer), as well as testing, monitoring and maintenance of electrical infrastructures, wind turbines and wind farms (O&M - Operation and Maintenance).

The Group's business model is therefore divided into two main segments:

a) the **Engineering, Procurement and Construction (EPC)** activity carried out mainly through PLC System, which acts as general contractor for the construction of renewable energy power plants, as well as electrical infrastructures. PLC System is also involved in the construction of highly specialised industrial plants and, through the use of special purpose vehicles (SPVs), in the construction of turnkey plants for the production of electricity from renewable sources, with the aim of selling SPVs after the final testing of the plant (**Built, Operate and Transfer "BOT"**). In this way, with a modest increase in its risk profile, PLC System has integrated the typical EPC value chain downstream, directly entering the end investor market and maximising the value of its expertise;

b) **Operation & Maintenance (O&M)** activities carried out through PLC Service, PLC Service Wind and, as from November 2018, by the Monsson Group, which provide services for periodic monitoring and complete maintenance for third-party customers, as well as for the plants owned by the group. An extensive range of services is offered and differs according to the type of the end customer.

<u>EPC - BOT</u>

With reference to the EPC - BOT segment, the main activities carried out in the course of the 2018 financial year concerned:

- completion of 3 wind farms in the municipality of Tolve (PZ) with a total installed capacity of 37.2 MW;
- completion of the contract for the construction of a 150/30kV substation in the municipality of Melfi (PZ);

- completion of the contract for the electrical and electromechanical works at the Terna electrical station in the municipality of Castellana Sicula;
- continuation of the contract relating to electromechanical assembly activities at the Cepagatti and Kotor conversion stations, which represent the end points of the high voltage direct current (HVDC) connection via land and sea cables between Italy and Montenegro (Crna Gora in Montenegrin), the completion of which, for both the Italian and Montenegrin parts, is expected in the first half of 2019;
- progress of the contract relating to the construction and turnkey supply of all the electromechanical and construction infrastructures of the 150/30kV cable duct and substation necessary for the construction of a wind farm with a total nominal capacity of 57 MW located in the municipality of Morcone (BN), with a completion percentage of more than 80% at 31 December 2018;
- on-site supply of integrated protection, remote-control and control systems to be installed in high and extra-high voltage electrical stations as part of the framework agreement with Terna Rete Italia.

These activities contributed € 25,130 thousand, equal to 69.8% of total revenues in the EPC - BOT segment.
Consistent with the expectations, the new contracts acquired in 2018 have a slightly lower profit margin than those in progress, mainly due to the maturity of the market in question and the reduction in incentive rates, in line with the draft RES decree recently released by the Ministry of Economic Development.
On the other hand, however, an increase in volumes is expected due to a now definitive market focus on "no-fossil" conversion in compliance with the National Energy Strategy. In this regard, the renewed commitment of the new Italian government to support renewable sources is of great importance, as is the clear direction taken by the European Union with regard to the phase-out of coal and, in general, the reduction in the use of fossil fuels. The development of commercial activities aimed at greater penetration in the large operators (i.e. Enel, Eni, A2A, ACEA) market and the launch of the first wind and photovoltaic initiatives in grid parity and/or with PPA ("Power Purchase Agreement") on the national and European territory is also having a significant impact.

During the 2019 financial year, completion of the contracts still in progress is expected, including the two contracts acquired in the third quarter of 2018 and relating to the turnkey construction of (i) a 150/30kV HV/MV substation for the grid connection of 2 wind farms in the municipality of Stornarella (FG) and (ii) a substation in the municipality of Piossasco (TO) for the high voltage direct current (HVDC) connection between Piedmont and Savoy.
Provision is also made for the start of work on the construction of the 4 new wind farms acquired in 2018; compared to initial forecasts, the start of the projects is delayed slightly due to the delay in the publication of the RES Decree in support of renewable sources. The projects will be developed by PLC System according to

its so-called "BOT” business model, which provides for the sale of the shares of the vehicle company holding the project upon completion of the construction of the wind farm; in particular, as already mentioned, in April, two preliminary contracts were signed with Enel Green Power, subject to conditions precedent and termination, for the sale of the shares of C&C Castelvetere and C&C Uno, while advanced negotiations are under way for the sale of the shares of Alisei Wind and the hydroelectric plant of Brotano.

<u>O&M</u>

With reference to O&M activities, the final figures at 31 December 2018 confirm the expected income growth of the business unit thanks to the development and increase in market share, made possible by the high reliability of the services provided as well as the strengthening of the commercial structure and the offer of new services to customers, able to facilitate and simplify the operation of the plants, such as asset management and energy management services.

The O&M segment is expected to grow significantly in 2019, both in Italy and abroad, mainly as a result of the acquisition of the Monsson Operation Perimeter, acquired in November 2018. The Monsson Operation Scope is a technological basin which complements the expertise already possessed by the subsidiary PLC Service in the field of O&M in the wind turbines sector, as well as an international platform through which to guide the development of core activities abroad. Thanks to the extremely complementary skills, the entry of the Monsson Operation Perimeter will generate significant synergies right from the start, both in terms of market positioning and service offering.

The main contracts acquired during the first quarter of 2019 are reported below:

- the contract signed by Monsson Operation S.r.l. for the installation of 15 wind turbines at the Erstrask wind farm (Sweden) for a value of approximately € 3 million;
- the contract signed by PLC Service Wind for the maintenance and guaranteed availability of the turbines of 3 wind farms owned by Enpower S.r.l. for a total annual consideration of € 684 thousand;
- the contract signed by Monsson Greek (a branch of Monsson Operation S.r.l.) for the installation and management of the lifting activities of 16 wind turbines, for a value of approximately € 400 thousand;
- the subcontract agreement signed by PLC Service for the full service management and maintenance of the photovoltaic power stations in Sardinia and Campania (total approx. 70 MW) owned by EF Solare Italia S.p.A. for a total annual consideration of € 1,225 thousand.

TRADING

The PLC Group approached, together with a new industrial partner, the market for trading in electricity from renewable sources through the establishment, on 2 August 2018, of MSD Service S.r.l. ("**MSD Service**"), 45%-owned by PLC, 40% by SunCity Energy S.r.l. (formerly EnerCity S.r.l.), 7.5% by Mario Stucchi and 7.5% by Antonio Carrano.

MSD Service will support producers of distributed renewable energy in operating in the "dispatching" services market by combining the experience of the PLC Group in monitoring, telemetry and remote control of plants producing electricity from renewable sources, with the expertise of SunCity Energy S.r.l. in trading energy products. MSD Service, in anticipation of a market development that will be increasingly geared towards self-production and energy sharing among users, wants to present itself as an alternative to the services of centralised management of "dispatching" services.

On 1 December 2018, MSD Service commenced the withdrawal of energy and management of the dispatching contract of the Anagni photovoltaic plant; additionally, on 30 November 2018, it signed the first contract for the purchase and sale of electricity, effective from 1 January 2019, with the company Burgentia Energia S.r.l., owned by the Arpinge fund. The contract represents an innovative solution and is based on a profit-sharing approach in order to reduce the weight of imbalances for plant owners.

In 2019, provision is made for an increase in the MWh sold and the start-up of activities for the management of Mixed Enabled Virtual Units ("**UVAM**") as part of its role as Balancing Service Provider ("**BSP**").

PHOTOVOLTAIC

The PLC Group, through its subsidiary PLC Power, decided, with the support of a partner, to start the development of new renewable energy production plants, and in particular photovoltaic plants in the Sicily Region, in order to expand the pipeline of plants to be offered to the market according to the BOT model. The significant drop in L.C.O.E. (Levelised Cost Of Energy) for photovoltaic systems, due to the reduction of capex as well as the increase in energy prices, has attracted significant interest from investors, especially for photovoltaic plants. To this end, on 19 June 2018 the company Tirreno S.r.l. ("**Tirreno**") was incorporated, 66.6% owned by PLC Power and 33.4% by IDEA S.r.l. The PLC Group and IDEA S.r.l. will pool their expertise in order to make the development of the activities agile.

In 2018, Tirreno started the development of a photovoltaic plant with a nominal capacity of 15 MWp, to be built in the municipality of Siculiana (AG).

The authorisation process is expected to be completed by the end of 2019, in order to initiate the search for potential investors interested in purchasing the already authorised plant.

2.4 ANALYSIS OF THE ECONOMIC, EQUITY AND FINANCIAL RESULTS OF THE GROUP AT 31 DECEMBER 2018

RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from ordinary operations	**47,255**	**23,828**
Other operating revenues	2,632	8,793
Operating costs	(40,667)	(21,997)
Other operating costs	(1,905)	(1,305)
GROSS OPERATING MARGIN (EBITDA)	**7,316**	**9,319**
Amortisation, depreciation and write-downs	(546)	(554)
OPERATING RESULT (EBIT)	**6,770**	**8,765**
Net financial income (charges)	(232)	(218)
Income from (Charges on) equity investments	(26)	(66)
Income taxes	(1,536)	(1,340)
Profit (loss) from continuing operations	**4,975**	**7,141**
Profit (loss) from discontinued operations	-	(1)
PROFIT (LOSS) FOR THE YEAR	**4,975**	**7,140**
Total other components of comprehensive income	(4)	(18)
STATEMENT OF COMPREHENSIVE INCOME	**4,971**	**7,122**

The consolidated statement of comprehensive income at 31 December 2018 shows comprehensive income of € 4,971 thousand compared to income of € 7,122 thousand at 31 December 2017.

The EPC activity contributed significantly to the revenues from ordinary operations in 2018, amounting to € 47,255 thousand (€ 33,558 thousand, equal to 71% of total revenues), due to the completion of the contracts already acquired in 2017; the O&M segment also increased compared to the same period of the previous year with revenues of € 13,695 thousand, equal to 29% of total revenues.

Other revenues, amounting to € 2,632 thousand, include the change in the fair value of the 18% equity investment in TWH measured in accordance with IFRS 9, taking into account the sale in 2019.

The result for the 2017 financial year benefited significantly from the income from the BOT activity (equal to € 7,912 thousand and classified among other revenues); on the other hand, the EPC activity slowed down due to delays in the start-up of the contracts for the construction of the 3 wind farms in the municipality of Tolve (PZ).

The gross operating margin (EBITDA) at 31 December 2018 amounted to € 7,316 thousand (15% of total revenues) compared to € 9,319 thousand (28% of total revenues) at 31 December 2017. EBITDA in 2017 was influenced by the BOT activities, which owing to their nature, have a very high margin; EBITDA in 2018 nevertheless showed a good margin for EPC projects (with an average margin of about 23%), and an increase in the profit margin of the O&M segment, which stood at about 17% despite the greater competitiveness recorded on the market.

Finally, the gross operating margin (EBITDA) is affected by the structural costs of the Parent Company, amounting to € 1,462 thousand, which carries out centralised activities to support the entire Group.

EPC - BOT SEGMENT

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from ordinary operations	**33,558**	**13,142**
Other operating revenues	2,420	8,729
Operating costs	(29,022)	(13,254)
Other operating costs	(531)	(746)
GROSS OPERATING MARGIN (EBITDA)	6,424	7,871

In 2018, EPC activity played a major role compared to the same period of the previous year, in which the positive result was generated mainly by the income from the BOT activity - classified under "Other operating revenues" - and relating to the capital gains realised on the sale of the investee companies Burgentia Energia S.r.l. and Energia Pulita S.r.l. and the sale of 80% of TWH.

At 31 December 2018, revenues from ordinary operations, amounting to € 33,558 thousand, mainly derive from the gradual progress of the contracts acquired in 2017 and in particular from (i) the 3 wind farms in the municipality of Tolve (PZ) for € 8,250 thousand, (ii) the progress of the contract relating to the construction and turnkey supply of all the electromechanical and building infrastructures of the 150/30kV power cable and substation necessary for the construction of a wind farm with a total nominal capacity of 57 MW located in the municipality of Morcone (BN) for € 6,023 thousand, (iii) the continuation of the contract relating to electromechanical assembly activities at the Cepagatti and Kotor conversion stations, for € 4,125 thousand, (iv) the completion of the contract relating to the electrical and electromechanical works at the Terna electrical station in the municipality of Castellana Sicula for € 2,765 thousand, (v) the supply of integrated protection, remote-control and control systems to be installed in high and extra-high voltage electrical stations as part of the framework agreement with Terna Rete Italia for € 2,279 thousand (vi) the contract relating to the implementation of the electrical works and the cable ducts relating to 2 wind farms in the municipality of Stornarella for € 2,153 thousand and (vii) the gradual progress of the contract relating to the construction of a 150/30kV substation located in the municipality of Melfi (PZ) for € 1,688 thousand.

Other revenues at 31 December 2018 amounted to € 2,632 thousand and included the change in fair value of the 18% equity investment in TWH measured in accordance with IFRS 9, taking into account the sale in 2019.

The gross operating margin (EBITDA) amounted to € 6,424 thousand (18% of total revenues) which, compared to the previous year, is affected by the lower incidence of the higher margin BOT segment.

O&M SEGMENT

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from ordinary operations	13,695	10,686
Other operating revenues	212	64
Operating costs	(10,382)	(8,743)
Other operating costs	(1,173)	(559)
GROSS OPERATING MARGIN (EBITDA)	2,353	1,448

With reference to O&M activities, the final figures at 31 December 2018 confirm the expected income growth of the business unit thanks to the development and increase in market share, made possible by the high reliability of the services provided as well as the strengthening of the commercial structure and the offer of new services to customers, able to facilitate and simplify the operation of the plants, such as asset management and energy management services. The O&M segment also benefited from the recent acquisition of the Monsson Operation Perimeter in November 2018.

HOLDING / OTHER

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from ordinary operations	2	-
Other operating revenues	0	-
Operating costs	(1,263)	-
Other operating costs	(201)	-
GROSS OPERATING MARGIN (EBITDA)	(1,462)	-

The Holding segment essentially includes the Parent Company's overheads, mainly payroll costs and service costs; due to the centralisation and subsequent strengthening of the Administration, Finance and Control (AFC), Secretariat, Information Technology (IT), Quality, Safety and the Environment (QSE), Personnel (HR) and Legal and Corporate Affairs functions, the Parent Company carries out service activities for all PLC Group companies.

The comparative data, having recorded the transfer of the equity investments in PLC System and PLC Service as a reverse merger transaction, refer, with regard to the income statement, to the accounting purchaser (PLC System and PLC Service). They did not include the Holding / Other segment to which the Parent Company PLC belongs, as the transaction was carried out on 29 December 2017.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	Notes	31.12.2018	31.12.2017
Net tangible assets	A	7,545	3,716
Net intangible assets	B, C	15,374	4,741
Equity investments	D, E	411	4,453
Other non-current assets	F	1,959	3,319
Fixed assets		**25,289**	**16,228**
Net working capital	G, H, I, J, K	(1,664)	1,054
Assets held for disposal	L	8,079	2,164
NET INVESTED CAPITAL		**31,704**	**19,446**
Net financial position	O	(5,218)	913
Net financial position relating to assets and liabilities held for disposal	L, O	(2,049)	(2,169)
NET FINANCIAL POSITION	O	**(7,267)**	**(1,256)**
SHAREHOLDERS’ EQUITY	M	**24,437**	**18,190**

The consolidated statement of financial position at 31 December 2018 has been reclassified by aggregating assets and liabilities according to the criterion of functionality to the management of the company considered, conventionally broken down into the three basic functions: investment, operation and financing.

Net invested capital at 31 December 2018 amounted to € 31,704 thousand. The significant change with respect to the figure presented at 31 December 2017 (€ 19,446 thousand) is mainly due to the acquisition of 51% of the Monsson Operation Perimeter, as well as the acquisition of 5 projects for the construction of 5 wind farms as part of the C&C Operation.

Assets held for disposal, amounting to € 8,079 thousand, include (i) € 6,030 thousand relating to the 18% interest held in TWH sold in 2019 in execution of the investment contract signed with ACE and (ii) € 2,049 thousand to the property located in Costanta (RO) included in the Monsson Operation Perimeter, which, pursuant to the contract, is expected to be sold to the sellers by the end of 2019 at a price equal to its carrying amount and offset by part of the shareholders' loans granted by the sellers themselves and by companies owned by them (recorded under current liabilities held for disposal).

The figure for the previous year included the 17.84% stake in Mediapason sold in December 2018 in execution of the Restructuring Agreement, the proceeds of which were used to repay the residual debt to MPS Capital Services (recorded under current liabilities held for disposal).

CONSOLIDATED NET FINANCIAL POSITION

NET FINANCIAL POSITION (figures in thousands of Euros)	31.12.2018	31.12.2017
Cash and cash equivalents (*)	5,858	6,293
Current financial receivables	371	80
Current financial liabilities	(4,702)	(4,370)
Financial assets/liabilities held for disposal	(2,049)	(2,169)
Short-term net financial position	**(522)**	**(166)**
Non-current financial liabilities	(6,746)	(1,090)
Medium/long-term net financial position	**(6,746)**	**(1,090)**
NET FINANCIAL POSITION	(7,267)	(1,256)

(*) of which € 2,223 thousand restricted and fully released in 2019 (€ 2,901 thousand at 31 December 2017)

The net financial position of the PLC Group at 31 December 2018 was negative for € 7,267 thousand (negative for € 1,256 thousand at 31 December 2017). The change compared to 31 December 2017 is mainly due to the significant investments made during the year, as well as to the net financial indebtedness attributable to the Monsson Perimeter of approximately € 2,600 thousand.

Investments during the period, mainly relating to the acquisition of 51% of the Monsson Operation Perimeter and the acquisition of 5 wind farms as part of the C&C Operation, were financed in part by the Group's own resources and in part by recourse to the banking sector.

With reference to the debt relating to the Monsson Operation Perimeter, it should be noted that € 2,049 thousand will be offset as part of the sale of the property located in Costanta (RO) as described above.

It should also be noted that in 2018 (i) the income of € 3,040 thousand deriving from the completion of the capital increase under option was allocated to the repayment of the same amount paid by Fraes and used to guarantee the increase, and (ii) the Parent Company distributed the extraordinary dividend of € 2,000 thousand approved by the Shareholders' Meeting of 27 June 2018.

2.5 ANALYSIS OF THE ECONOMIC AND FINANCIAL RESULTS OF PLC S.P.A. AT 31 DECEMBER 2018

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from ordinary operations	1,700	99
Other operating revenues	0	0
Operating costs	(2,507)	(747)
Other operating costs	(199)	2,157
GROSS OPERATING MARGIN (EBITDA)	(1,006)	1,509
Amortisation, depreciation and write-downs	(7)	(27)
OPERATING RESULT (EBIT)	(1,013)	1,482
Net financial income (charges)	20	19,590
Income from (Charges on) equity investments	2,000	(3)
Income taxes	-	(197)
Profit (loss) from continuing operations	1,007	20,874
Profit (loss) from discontinued operations	-	(710)
PROFIT (LOSS) FOR THE YEAR	1,007	20,164
Total other components of comprehensive income	(30)	-
STATEMENT OF COMPREHENSIVE INCOME	977	20,164

Following the completion of the reverse merger operation and the reorganisation process of the Group, PLC operates exclusively as an operating holding company, centrally carrying out the activities relating to the Administration and Finance, Planning and Control, Secretariat, Information Technology, Quality, Safety and the Environment, Personnel and Legal and Corporate Affairs functions, which are recharged to other Group companies through the appropriate service contracts.

The overall result for the financial year 2018, positive for € 977 thousand, includes, as positive income components, revenues of € 1,700 thousand entirely related to services provided to subsidiaries and dividends for € 2,000 thousand. Operating costs, amounting to € 2,507 thousand, include € 1,072 thousand for service costs, mainly consultancy, € 831 thousand for personnel costs and € 604 thousand for directors' fees.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	31.12.2018	31.12.2017
Net tangible assets	18	1
Net intangible assets	6	0
Equity investments	46,355	43,003
Other non-current assets	1,570	-
Fixed assets	**47,948**	**43,003**
Net working capital	(2,833)	(2,982)
Non-current assets/liabilities held for disposal	-	-
NET INVESTED CAPITAL	**45,115**	**40,022**
Net financial position	(2,909)	168
Net financial position relating to non-current assets and liabilities held for disposal	-	-
NET FINANCIAL POSITION	**(2,909)**	**168**
SHAREHOLDERS' EQUITY	**42,206**	**40,189**

The statement of financial position at 31 December 2018 has been reclassified by aggregating assets and liabilities according to the criteria of functionality to the management of the company considered, conventionally broken down into the three basic functions: investment, operation and financing.

The statement of financial position at 31 December 2018 shows an increase in non-current assets of € 4,945 thousand, mainly relating to the acquisition of the Monsson Operation Perimeter (of which € 3,334 thousand relating to the acquisition of 51% of Monsson Operation Ltd. and € 1,558 thousand paid as shareholder loan). The transaction was financed mainly through recourse to the credit sector.

NET FINANCIAL POSITION

NET FINANCIAL POSITION (figures in Euros)	31.12.2018	31.12.2017
Cash and cash equivalents	16	493
Current financial receivables	57	-
Current financial liabilities	(600)	(325)
Non-current financial assets/liabilities held for disposal	-	-
Short-term net financial position	**(527)**	**168**
Non-current financial liabilities	(2,382)	-
Medium/long-term net financial position	**(2,382)**	**-**
NET FINANCIAL POSITION	**(2,909)**	**168**

The net financial position of PLC at 31 December 2018 was negative for € 2,909 thousand (positive for € 168 thousand at 31 December 2017) and mainly includes the debt relating to the unsecured loan taken out with Banco BPM, amounting to € 2,982 thousand (of which € 600 thousand short-term).

This loan, together with the loan signed with BNL in January 2019, is used to support investments, such as the purchase of the Monsson Operation Perimeter, while income from service contracts and dividends received from subsidiaries cover current operating costs.

It should also be noted that (i) the income of € 3,040 thousand deriving from the completion of the share capital increase under option was allocated to the reimbursement of the payment of the same amount made by Fraes and used to guarantee the increase, and (ii) the Company proceeded to distribute the extraordinary dividend of € 2,000 thousand resolved by the Shareholders' Meeting of 27 June 2018.

2.6 STATEMENT OF RECONCILIATION BETWEEN THE RESULT AND THE SHAREHOLDERS' EQUITY OF THE PARENT COMPANY PLC S.P.A. AND THE CORRESPONDING GROUP VALUES

RECONCILIATION OF SHAREHOLDERS' EQUITY (figures in thousands of Euros)	Shareholders' equity 31.12.2018	Result 31.12.2018
PLC S.p.A.	42,206	977
Difference between the carrying amounts of equity investments and the corresponding portions of shareholders' equity	(28,751)	3,731
Effects of the reverse merger transaction	4,710	-
Effects of the Monsson operation	3,443	-
Effects of the C&C Operation	2,889	-
Other	(61)	264
PLC group	24,437	4,972

2.7 RESEARCH AND DEVELOPMENT ACTIVITIES

PLC System - Progeo Project

Research has always represented, for the PLC Group, an area to focus attention on, so much so that all new high potential initiatives are analysed and evaluated by the engineering division before proceeding with any investment. In particular, attention is paid to accumulation systems, both dynamic and static, which are the last step to be taken so that alternative source production systems can definitively assert their supremacy over conventional sources.

With reference to non-static systems, the most significant experience is the Progeo project, which represents a "Power to Gas" accumulation system. With the evolution of the project, aligning the initial idea to the needs of the energy market, the focus has shifted to the reduction of CO_2 emissions, notorious by-products of various

industrial processes, in a closed-cycle type. The resulting carbon dioxide is then valued by converting a cost (carbon tax) into revenue.
Progeo would also make it possible to improve the profitability of thermoelectric plants, offering the possibility of dynamically deciding whether to sell or convert/accumulate the energy produced, uncoupling production rationale from sales opportunities.
Progeo is based on proven high-efficiency technologies, whose original feature is intelligent integration and use. The application of the Sabatier reaction allows the development of CO_2 as a process reagent, reducing emissions and carbon tax; the technologies for the storage and use of methane are well-known and allow broad flexibility of use.
The project, developed by the subsidiary PLC System in collaboration with LAMEP, was eligible for financial assistance in the form of a non-repayable subsidy, for 69.99% by the European Community for a maximum amount of € 2,444 thousand, of which € 2,026 thousand attributable to PLC System.
In 2018 PLC System incurred costs totalling € 1,743 thousand (of which € 1,666 thousand eligible for the grant); since the project is now in the prototype development phase, the costs incurred have been capitalised in accordance with the provisions of IAS 38, while the grant pertaining to the year, amounting to € 1,165 thousand, in accordance with the provisions of IAS 20, has been fully deferred and will be recorded in the financial years in which the project amortisation is charged.

PLC Service - Augmented Reality for Maintenance Project

During 2018 PLC Service decided to undertake a research and development project entitled "Maintenance 4.0 - Innovative Technological Solutions for the Maintenance of RES (renewable energy source) Systems - Augmented Reality For Maintenance", focused on the creation of a new integrated set of technologies aimed at the maintenance of plants for the production of energy from renewable sources, merging, in the field of Information and Communication Technology, the technologies of Augmented Reality ("**AR**"), Artificial Intelligence and Semantic Research aimed at content management.

More specifically:

- the application of AR systems dedicated to RES (renewable energy source) generation plants is an innovative application area, not yet implemented at national level, which are broadly dispersed throughout the territory (number of wind farms and photovoltaic power stations, number of generation and conversion plants present in each park) but also by a certain recurrence and homogeneity of the type of plant (e.g. substantial homogeneity of plant make&model for each park). This characteristic lends itself advantageously to the application of an AR system, provided that a system that is well calibrated with respect to the typical objectives of this type of maintenance is created, providing the advanced man-machine interaction necessary for the creation of safer and more comfortable environments, which therefore enhance people and, consequently, company competitiveness;

- the introduction of Artificial Intelligence allows to automatically manage complex information, in terms of quantity, quality and type (heterogeneous, homogeneous, formal, non-formal) and provide tools for analysis, synthesis and decision-making support to the human user (operator, manager), in order to optimise resources, productivity, costs, maximising margins and, last but not least, responding to the priority themes of enhancing and sharing knowledge, both structured and unstructured, and enhancing the skills of workers, contributing to their well-being and satisfaction as well as that of the company, thus making it more inclusive;
- content management is a significant overhead in business practices; conventional methods are based on syntactic research, which is notoriously rigid and requires constant and considerable efforts in the organisation and standardisation of the knowledge base and associated documents. The semantic search originated from the WEB search, where it is being applied increasingly more, but has highly advantageous features, although at the moment completely inapplicable, even in the industrial world, with particular reference to maintenance activities. The advantage is clear: to be able to allow an operator to query a wide knowledge base in a flexible way and also in natural language, making it possible to reach information whose existence may not even be known.

With respect to the overall project, during 2018, all the planned research activities were carried out in order to accurately identify the critical issues to be addressed, the functional areas on which to intervene and with which of the technologies identified to perform this action, the type of integration required and the architecture of the system that will be developed in continuation of the project. The costs incurred during the year, amounting to € 57 thousand, were fully expensed in the income statement.

2.8 BRANCH OFFICES

PLC states that it has two local units located respectively in Acerra (NA) ASI area, Pantano district, Via delle Industrie 100 and Castelguelfo di Bologna (BO), Via San Carlo 12/4.

2.9 CORPORATE GOVERNANCE

On 27 June 2006, the Board of Directors of PLC resolved to adopt a corporate governance and control model substantially in line with the principles and recommendations of the Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

For a description of the main features of the corporate governance system adopted by PLC pursuant to Article 123-bis of the T.U.F., reference should be made to Annex 2 “Report on corporate governance and ownership structure".

2.10 TREASURY SHARES

At 31 December 2019, PLC did not hold any of its treasury shares, nor did it buy or sell them during the year.

2.11 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

In compliance with the requirements of Consob communications, it should be noted that no transactions with related parties of an atypical and/or unusual nature were carried out, outside the normal management of the company, or as such to prejudice the economic, equity and financial situation of the Group. Transactions with related parties are carried out on an arm's length basis.

The Regulations for the execution of transactions with related parties, approved by the Board of Directors of PLC on 29 November 2010, as subsequently amended and supplemented, and drafted pursuant to Consob Resolution no. 17221 of 12 March 2010, and subsequent amendments, is available to the public on the Company's website www.plc-spa.com.

In relation to the requirements of IAS 24 (revised) on "Related party disclosures" and the additional information required by Consob Communication no. 6064293 of 28 July 2006, reference should be made to paragraph 3.2.4 with reference to the consolidated financial statements and paragraph 4.2.3 with reference to the separate financial statements.

2.12 MAIN RISKS AND UNCERTAINTIES

In general terms, the equity and economic-financial situation of the PLC Group is influenced by a series of risk factors specific to the renewable energy production sector in which it operates. The Group is also subject to financial risks.

Risks associated with the reference market and the reference regulatory framework

The sector relating to the production of electricity from renewable sources is linked to the applicable legal and regulatory provisions, including the regulations relating to authorisation processes for the location and installation of renewable energy generation plants and incentive systems.

The PLC Group is therefore exposed to the risks deriving from changes in the reference legal and regulatory context which could have a possible detrimental effect, including significant, on the profitability of the Group's future investments and consequently on its equity, economic and financial situation.

In this situation, the management constantly monitors the evolution of the reference legal and regulatory framework in order to identify possible risks or opportunities and maximise the profitability of the Group.

The reference market

The market in which the PLC Group operates, with revenues defined against significant initial investments, mainly presents two critical aspects:

- industrial difficulties in the implementation of investments due to the long and complex authorisation procedures and the problems in obtaining the financial resources accentuated by the now more than likely end, in the coming years, of the recognition of fixed tariffs for renewable plants in favour of the market grid parity;

- significant regulatory discontinuities - some of which have already occurred (for photovoltaic) and others still in the process of being defined (for wind power and bioenergies) - which have led to a significant reduction in incentives and returns and which, by introducing the principle of the “quota system for installable capacity" in a given period, have generated considerable uncertainty in the planning of investments by operators.

However, the sector has responded to regulatory discontinuities by increasing plant efficiency and lowering the cost of production per unit of energy (L.C.O.E. "levelised cost of energy).

Despite the recent difficulties linked to the overall macroeconomic scenario and the cuts in public spending with a consequent significant reduction in incentives in almost all European countries, growth prospects are still positive and the sector is proving to be dynamic in terms of both investment and from the competitive and technological point of view. In fact, the renewable energy sector, in most OECD countries, as well as in Italy, has generated new supply chains, with start-ups from industrial companies, partnerships between industrial and financial operators, or with spin-offs stemming operators active in the traditional energy sector.

The prospective performance of sector operators is also linked to their ability to pursue economies of scale and scope. In addition to the above, environmental problems, climate change and the depletion of fossil resources have now started the process of "phasing out" traditional forms of electricity.

The reference regulatory framework

The first EU regulatory initiative in the field of energy was implemented by means of Directive 1996/92/EC of 19 June 1996 "Common rules for the internal electricity market", subsequently repealed by Directive 2003/54/EC, which dictated a series of common rules aimed at regulating the internal energy market.

Subsequently, the Kyoto Protocol of the 1997 Convention on Climate Change established binding commitments for the reduction of greenhouse gases in industrialised countries, in order to combat global warming through the establishment and strengthening of national emission reduction policies and the development of cooperation between the contracting parties.

The European Union, in compliance with its obligations under the Kyoto Protocol, and in accordance with the "Commission Green Paper" of 20 November 1996 on renewable energy sources, aims to implement the use of these resources in order to limit the dependence on conventional fossil fuels.

Directive 2001/77/EC of 27 September 2001 "Promotion of electricity produced from renewable energy sources in the internal electricity market" set the objective of achieving, by 2010, a share of energy produced equal to 12% of gross domestic consumption and, in particular, a share of 22.1% of electricity produced from renewable sources out of total EU electricity consumption.

In 2009, the Climate and Energy Package came into force, which requires Member States, by 2020, to reduce greenhouse gas emissions by 20% compared to 1990 levels; to promote the development of renewable energy sources to ensure coverage of 20% of final energy consumption; and to reduce energy consumption by 20% by increasing energy efficiency.

Directive 2009/28/EC of 23 April 2009 on the promotion of the use of renewable energy ("Directive 2009/28" or "Renewable Energy Directive"), included in the Climate and Energy Package and repealing the previous directives, defined development targets for renewable energy and required each Member State to develop its own National Renewable Energy Action Plan, in which to define national targets for the renewable energy sector for the period 2010-2020.

Finally, on 30 November 2016, the European Commission adopted the "Clean Energy for all Europeans" legislative package, which contains the regulatory proposals and facilitation measures needed to accelerate the transition of the EU economy towards clean energy. The legislative proposals concern energy efficiency, renewable energies, safety of supply and the structure of the electricity market.

In Italy, the electricity market, i.e. the place where transactions involving the wholesale purchase and sale of electricity take place, arose as a result of Italian Legislative Decree no. 79 of 16 March 1999 ("Bersani Decree"), which initiated the liberalisation of the electricity sector, as part of the transposition of the first EU Directive on the creation of an internal energy market (Directive 96/92/EC).

The regulatory framework for the production of electricity from renewable sources was subsequently integrated with Legislative Decree no. 387/2003, issued in implementation of Directive 2001/77/EC, and with Legislative Decree no. 28/2011, issued in implementation of Directive 2009/28/EC. The rationale of Italian Legislative Decree no. 28/2011 is to reorganise the renewable energy sector, by simplifying authorisation procedures and providing for a more efficient incentive mechanism. In this regard, various ministerial decrees have been issued that have introduced incentive mechanisms applicable to the production of electricity from renewable sources.

A great boost to the sector was provided by the incentive plan for the development of renewable energy, known as Green Certificates, which was completed in 2012 Ministerial Decree of 6 July 2012, which was based on the obligation for energy producers and importers to annually inject into the national electricity system a minimum quota of electricity produced by plants using renewable energy sources.

These incentives were issued by the GSE and subsequently exchanged between operators in the sector or redeemed by the entity itself at a fixed price. Since 1999, Green Certificates have contributed to the development of the renewable energy market, prompting the major players in the sector to carry out major investments both in research and development and in the construction of ever larger and more efficient energy production plants.

Decree Law no. 145/2013 introduced a significant change to the incentive regime, establishing that producers of electricity from renewable sources, owners of plants that benefit from incentives in the form of Green Certificates, all-inclusive tariffs or premium tariffs, can alternatively choose to: (a) continue to benefit from the incentive scheme for the remaining period or (b) opt for a reshaping of the incentive scheme.

However, in the first case, for a period of ten years from the end of the initial incentive period, any new initiative carried out on the same site will not benefit from additional incentive measures (e.g. upgrade/renovation of the installation, on-site exchange). In the second case, the producer of energy from renewable sources will be able to benefit from new incentives from the following month.

By means of Ministerial Decree of 6 July 2012, the auction mechanisms for the construction of RES plants in the case of plants with a capacity of greater than 5 MW and registration mechanisms for plants with a capacity of less than 5 MW were defined; on 29 June 2016, the Decree of 23 June 2016 aimed at regulating incentives for renewable sources other than photovoltaic power was published in the Official Gazette in full integration and continuation with Ministerial Decree of 6 July 2012. To date, through the National Energy Strategy 2017 (SEN) objectives and management tools are defined, in line with the plan of the Union of Energy, as illustrated during "the parliamentary hearing of 10 May 2017 - National Energy Strategy 2017".

Moreover, with regard to the construction and operation of plants for the production of energy from renewable sources, Legislative Decrees 387/2003 and 28/2011 require these to be subject to a single authorisation, which includes and replaces all permits, authorisations, concessions, understandings, agreements, acts of consent, however, necessary for the construction and commissioning for this type of plant. The construction and management of the power lines necessary for the connection of production plants from renewable sources to the electricity grid requires an authorisation pursuant to Royal Decree 1775/1933 ("Consolidated Law on Water and Power Plants").

The construction of power lines and wind farms also requires a prior environmental impact assessment ("EIA"), except for some smaller wind farms. The procedure for obtaining an EIA is governed by Legislative Decree no. 152 of 3 April 2006 and subsequent amendments (the "Environmental Code"), which implemented, inter alia, EU Directive 2004/35/EC, which can be implemented at regional level only for plants with a capacity of less than 30 MW.

Requests for new connections to the national grid are governed by Resolution ARG/elt no. 99/08 of the Authority for Electricity, Gas and Water ("ARERA"). Requests for new connections for plants exceeding 10 MW must be submitted to Terna, the company that manages the Italian energy transmission grid, while requests for connections for plants not exceeding 10 MW must be submitted to the competent distribution company in the territory.

With reference to the sale of electricity, it can be carried out in Italy either on the electricity market managed by the GME ("Gestore del Mercato Elettrico”, Electricity Market Operator) or through bilateral contracts. The Bersani Decree and the Legislative Decree 387/2003 provide that plants producing energy from renewable sources have priority in the "dispatching" service, which means that electricity produced from renewable sources is supplied by producers to the grid in a preferential way over that produced from conventional sources. The priority of "dispatching", therefore, given linked to the qualification of the producer of electricity as a producer from renewable sources, must continue to apply, unless said producer does not stop producing energy from renewable sources.

However, Resolution ARERA 111/2006 provides for the possibility for Terna, the company that manages the Italian high-voltage energy transmission grid and is responsible for the "dispatching" service, to use modulation actions for the production of renewable energy in order to protect the security of the national electricity system. Resolution ARERA 330/2007 established specific rules for the actions of modulation of energy production by Terna, as well as a regime of remuneration for the failure to produce energy as a result of these modulations. The methods and criteria for quantifying this remuneration were subsequently redefined by Resolution ARERA ARG/elt 5/2010, on the basis of which the consideration is defined in relation to the quantity of energy not produced due to the reduction modulation imposed by Terna (on the basis of estimates made by the GSE which take into account, among other things, the actual data relating to the wind measured on site) and also taking into account the reliability index defined by Terna, which reflects the reliability of each user in complying with the "dispatching" orders issued by Terna itself. This indicator, which can range from 0 (in the event of failure to comply with all "dispatching" orders) to 1 (in the event of full compliance with all "dispatching" orders), is calculated by Terna for each hour in which a reduction modulation is imposed and published monthly if an agreement is in force for the failure of wind power production.

With the increase in plants powered by non-programmable renewable sources, primarily photovoltaic and wind power, in 2012 ARERA issued Resolution 281/2012/R/efr which eliminated, with effect from 1 January 2013, the previous exemption from payment of "imbalance" fees (calculated on the difference between the electricity actually fed into the grid and the expected electricity) in order to promote better programming and integration of these plants in the national electricity system. However, this resolution was challenged by some operators and was partially annulled by decision no. 2936 of 9 June 2014 of the Council of State.

Following this ruling, in June 2014, ARERA initiated a consultation procedure to reintroduce legislation aimed at charging "imbalance" fees to plants powered by non-programmable renewable sources, including wind power, in line with the principles contained in the aforementioned Council of State ruling; ARERA then approved resolution 522/2014/R/eel according to which the new "imbalance" fees will be charged to owners of wind farms with effect from 1 January 2015.

A significant development that, by contrast, is testament to the commitment of the whole system to ensure greater penetration of renewable sources in the electricity market is resolution ARERA 300/2017 which, pending the drafting of the new integrated text of the Electricity Dispatching, defines the criteria to allow demand and production units not already authorised (such as those powered by non-programmable renewable sources and distributed generation) the opportunity to participate in the Dispatching Services Market as part of pilot projects. Experimental ways of using accumulation systems are also defined, also in combination with enabled production units.

Finally, it should be noted that neither the PLC nor the Group companies are subject to the mandatory provisions of Italian Legislative Decree no. 254/2016 concerning the disclosure of non-financial information. In fact, PLC does not fall within the scope of Article 2 of that decree, whereas the Group companies are not entities of public interest. In fact, the Group has fewer than 500 employees.

Financial Risks

The PLC Group is exposed to the following financial risks: (i) credit risk arising from the possibility of default by a counterparty, (ii) foreign exchange risk arising from the performance of its business also in foreign markets, although currently to a limited extent, and (iii) interest rate risk arising from financial exposure. The management of financial risks is an integral part of the management of the activities of the Group and is carried out centrally by the parent company in order to ensure that activities involving financial risk are governed by the appropriate corporate policies and procedures, and that financial risks are identified, assessed and managed in accordance with the Group's risk appetite.

For additional information on financial risks required by IFRS 7, see paragraph 3.2.5. with reference to the consolidated financial statements and paragraph 4.2.4 with reference to the separate financial statements

2.13 FURTHER INFORMATION REQUIRED BY THE MARKET SUPERVISORY AUTHORITY (CONSOB) PURSUANT TO ART. 114 of ITALIAN LEGISLATIVE DECREE NO. 58/98

As already communicated to the market, following the Consob communication received on 6 August 2018, PLC is no longer subject to the additional disclosure requirements on a monthly basis pursuant to art. 114 of Italian Legislative Decree no. 58/98.

In substitution of these obligations, Consob has asked PLC to supplement, starting from the Financial Report at 30 June 2018, (i) the annual and half-yearly financial reports, (ii) the interim management reports, if published on a voluntary basis (in the latter regard, it should be noted that PLC does not prepare interim management reports pursuant to Article 82-ter of Consob Regulation 11971/99), and (iii) where relevant, press releases approving the aforementioned accounting documents, with the following information:

(a) the net financial position of the Company and its Group, showing the short-term components separately from the medium/long-term components;

(b) overdue debts of the Company and its Group, broken down by nature (financial, commercial, tax, social security and towards employees) and any related creditor response initiatives (reminders, injunctions, suspensions to supply, etc.);

(c) the main changes in transactions with related parties of the Company and its Group since the last annual or half-yearly financial report approved pursuant to Article 154-ter of the Consolidated Law on Finance;

(d) any failure to comply with covenants, negative pledges and any other clauses of the Group's indebtedness that restrict the use of financial resources, with an updated indication of the degree of compliance with these clauses;

(e) the status of implementation of any business and financial plans, highlighting the deviations of the actual data from those expected.

With reference to the requests referred to in points (a) and (c), reference is made to Paragraphs 2.13.1, 3.2.4, 4.2.3, 2.13.2 and 2.13.3 respectively.

2.13.1 OVERDUE DEBT POSITIONS

Consolidated debt positions past due at 31 December 2018

Trade payables

At 31 December 2018 there were no overdue trade payables with the exception of disputed positions amounting to € 542 thousand.

Tax payables, payables due to social security institutions and employees

At 31 December 2018, there were no overdue tax, social security or employee payables.

Financial payables

At 31 December 2018 there were no overdue financial payables.

Debt positions of PLC S.p.A. expired on 31 December 2018

Trade payables

At 31 December 2018 there were no overdue trade payables.

Tax payables, payables due to social security institutions and employees

At 31 December 2018, there were no overdue tax, social security or employee payables.

Financial payables

At 31 December 2018 there were no overdue financial payables.

2.13.2 ANY FAILURE TO COMPLY WITH COVENANTS, NEGATIVE PLEDGES AND ANY OTHER CLAUSE OF THE GROUP'S INDEBTEDNESS THAT RESTRICTS THE USE OF FINANCIAL RESOURCES

As of today, there are no cases of non-compliance with financial covenants or negative pledges.

The following are the loan agreements that provide for the observance of financial constraints.

PLC Service - BNL Loan Agreement

The loan signed on 31 July 2018 by the subsidiary PLC Service with BNL requires compliance with certain financial restrictions subject to verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 10 years). These restrictions, to be recognised on the values resulting from the consolidated financial statements of the PLC Group, envisage (i) a ratio between financial indebtedness and EBITDA of less than 3.0 and (ii) a ratio between financial indebtedness and Shareholders' Equity of less than 3.5.

At 31 December 2018, the restrictions had been complied with.

PLC - BNL Medium/long-term loan agreement

The loan signed on 22 January 2019 by the parent company PLC with BNL requires compliance with certain financial restrictions subject to verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 22 January 2024). These restrictions, to be recognised on the values resulting from the consolidated financial statements of the PLC Group, envisage (i) a ratio between financial indebtedness and EBITDA of less than 2.0 and (ii) a ratio between financial indebtedness and Shareholders' Equity of less than 1.5.
At 31 December 2018, the restrictions had been complied with.

There are no clauses concerning the Group's indebtedness that entail limits on the use of financial resources.

2.13.3 STATUS OF IMPLEMENTATION OF ANY BUSINESS AND FINANCIAL PLANS, HIGHLIGHTING THE DEVIATIONS OF THE ACTUAL DATA FROM THOSE EXPECTED

The PLC Group's Business Plan for the years 2017 - 2019 was approved by the Board of Directors on 6 October 2017 and updated on 13 November 2017 ("**Business Plan**").
The 2018 Business Plan predicted total revenues of € 54.4 million (of which operating revenues of € 48.0 million and other revenues of € 6.4 million) and EBITDA of € 9.5 million with a profit margin of 17.5%, down on 2017. These figures were substantially confirmed by the subsequent update of the budget for 2018 approved by the Board of Directors on 5 July 2018.
The final figures at 31 December 2018 are lower than the budget forecasts and show total revenues of € 49.9 million (of which operating revenues of € 47.3 million and other revenues of € 2.6 million) and an EBITDA of € 7.3 million with a profit margin of 14.6%.
The contraction compared to the forecasts is mainly attributable:

- to the lower value attributed to the 18% equity investment held in Tolve Windfarms Holding S.r.l. as part of the sale to ACE, as a result of the greater investments required and the extra costs incurred during the construction of the 3 wind farms in the municipality of Tolve (PZ), attributable to the extension of the execution times due to unforeseen complexities not included in the calculations;
- the slowdown in the start of construction work on the Castelvetere, Baselice and Casalbore wind farms (C&C Operation) due to the delay in the publication of the RES Decree in support of renewable sources; this negative impact will be fully recovered in 2019.

The final figures at 31 December 2018, although lower than expected, are in any case largely positive both from an economic and financial point of view, which allowed both major investments to be made and dividends to be distributed.

With reference to financial year 2019, the Business Plan showed total revenues of € 53.7 million (of which operating revenues of € 51.6 million and other revenues of € 2.1 million) which the Directors currently believe they can achieve. The expected profit margin is slightly lower than current levels due to the expected increase in the O&M component compared to the EPC-BOT component, also following the entry of the Monsson Operation Perimeter. On the other hand, it should be noted that, in respect of a limited decrease in profitability, the flows insured by maintenance activities are more stable and with a medium-term time horizon, in implementation of the objectives set.

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED FINANCIAL STATEMENTS

In accordance with IFRS 3, the transfer of 100% of PLC System and PLC Service to PLC - which became effective on 29 December 2017 - was qualified as a "reverse acquisition" on the basis of which PLC was identified as the entity acquired for accounting purposes, while PLC System and PLC Service were identified, again and only for accounting purposes, as the purchaser.

3.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	Notes	31.12.2018	31.12.2017
Non-current assets			
Tangible assets	A	7,545	3,716
Intangible assets			
Goodwill	B	9,490	4,712
Other intangible assets	C	5,884	29
Biological assets		-	-
Equity investments in associates	D	400	4,442
Equity investments in other companies	E	11	11
Deferred tax assets	F	63	81
Non-current receivables			
From related parties	G	85	265
From others	G	1,812	2,672
Other non-current assets	H	-	300
Total non-current assets		**25,290**	**16,228**
Current assets			
Inventories	I	3,645	4,127
Contract assets	I	3,258	1,296
Trade receivables			
From related parties	J	1,018	192
From others	J	17,312	11,560
Financial receivables			
From related parties	K, P	371	80
From others	K, P	-	-
Other receivables			
From related parties	L	70	-
From others	L	2,174	2,952
Cash and cash equivalents	P	5,858	6,293
Other current financial assets	M	482	186
Current derivative instruments		-	-
Total current assets		**34,188**	**26,686**
Non-current assets held for sale / disposal	N	8,079	2,164
TOTAL ASSETS		**67,557**	**45,078**

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	Notes	31.12.2018	31.12.2017
Group shareholders' equity		24,329	18,190
Minority interests in shareholders' equity		108	-
TOTAL SHAREHOLDERS' EQUITY	O	**24,437**	**18,190**
Non-current liabilities			
Non-current financial liabilities			
From related parties	P	386	-
From others	P	6,359	1,090
Provisions for non-current risks and charges		-	2
Employee severance indemnity	Q	1,229	886
Deferred tax liabilities and other non-current taxes	R	1,699	905
Total non-current liabilities		**9,673**	**2,883**
Current liabilities			
Current financial liabilities			
From related parties	P	188	302
From others	P	4,514	4,068
Trade payables			
From related parties	S	493	188
From others	S	15,342	8,966
Contractual liabilities	T	474	2,789
Other payables			
From related parties	U	54	3,196
From others	U	10,333	2,327
Total current liabilities		**31,398**	**21,836**
Non-current liabilities held for sale / disposal	N	2,049	2,169
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**67,557**	**45,078**

3.1.2 INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	Notes	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Revenues from ordinary operations			
From related parties	AA	351	-
From others	AA	46,904	23,828
Other operating revenues			
From related parties	BB	-	1,066
From others	BB	2,632	7,727
Costs for raw materials			
From related parties	CC	-	-
From others	CC	(15,214)	(6,333)
Service costs			
From related parties	DD	(578)	(613)
From others	DD	(15,429)	(8,049)
Personnel costs			
From related parties	EE	-	(31)
From others	EE	(9,444)	(6,971)
Other operating costs			
From related parties	FF	-	-
From others	FF	(1,905)	(1,305)
GROSS OPERATING MARGIN (EBITDA)		7,317	9,319
Amortisation and depreciation	GG	(526)	(544)
Revaluations (write-downs)	HH	(20)	(10)
OPERATING RESULT (EBIT)		6,771	8,765
Financial income			
From related parties	II	6	14
From others	II	294	397
Financial charges			
From related parties	JJ	-	-
From others	JJ	(532)	(629)
Income from (Charges on) equity investments			
Dividends		-	-
Share of the result of equity investments in shareholders' equity	KK	(26)	(66)
Gains (losses) on equity investments		-	-
Income taxes	LL	(1,537)	(1,340)
Profit (loss) from continuing operations		4,976	7,141
Profit (loss) from discontinued operations		-	(1)
PROFIT (LOSS) FOR THE YEAR		4,976	7,140
Total other components of comprehensive income	MM	(4)	(18)
STATEMENT OF COMPREHENSIVE INCOME		4,972	7,122
Net income (loss) for the year			
pertaining to the Group		4,985	7,140
attributable to minority interests		(9)	-
Net result from discontinued operations			
pertaining to the Group		-	(1)
attributable to minority interests		-	-
Statement of comprehensive income			
pertaining to the Group		4,981	7,122
attributable to minority interests		(9)	-
Weighted average number of ordinary shares in the period		23,857,141	27,860,696
Earnings per share (in Euro)		0.21	0.26
Diluted earnings per share (in Euro)		0.21	0.26
Earnings per share of discontinued operations (in euros)		-	-
Earnings per share of discontinued operations (in euros)		-	-

3.1.3 CASH FLOW STATEMENT

CASH FLOW STATEMENT (in thousands of Euros)	1.1.2018 31.12.2018	1.1.2017 31.12.2017
Comprehensive income / (loss)	4,972	7,122
Comprehensive income/(loss) from discontinued operations	-	(1)
Comprehensive income/(loss) from continuing operations	4,972	7,121
(Gain)/Loss from assets sold	-	-
Adjustment of investment property	-	-
Amortisation, depreciation and impairment of fixed assets	464	544
Write-downs (Revaluations) of financial assets	(2,054)	10
Write-downs (Revaluations) of fixed assets	-	-
Associates' share of comprehensive income	86	-
Charges (Net financial income)	232	629
Other non-monetary items included in the income statement	-	(12)
Net changes in working capital		
Work in progress and contract work	(1,962)	2,271
Inventories	664	(385)
Trade receivables and other receivables	(1,921)	11,939
Trade payables and other payables	6,680	4,130
Change in other provisions and deferred tax assets and liabilities	1,148	(1,071)
Gross Cash Flow	8,309	25,176
Interest paid	(532)	(629)
Interest received	300	-
Income taxes (paid) received	(78)	(2,403)
Income taxes	-	1,340
CASH FLOW FROM OPERATING ACTIVITIES [A]	7,999	23,484
(Investments) in tangible and intangible fixed assets	(4,869)	(2,185)
Divestment of tangible and intangible fixed assets	8	4,948
(Acquisitions) net of cash acquired	(9,503)	(207)
Divestments net of cash transferred		
(Investments) in other companies and financial assets	(20)	(4,147)
Divestments in other companies and financial assets	4	2,597
CASH FLOW FROM INVESTING ACTIVITIES [B]	(14,380)	1,006
Increase/(Reduction) of Share Capital net of ancillary charges	3,040	(2,812)
Other changes in shareholders' equity	235	(1,415)
Obtainment of loans, financing and other financial liabilities	6,891	-
(Repayments) of loans, financing and other financial liabilities	(2,204)	(219)
Repayments of loans, financing and other financial assets	60	-
(Disbursement) of loans, financing and other financial assets	(71)	(80)
Dividends paid	(2,000)	(17,200)
CASH FLOW FROM FINANCING ACTIVITIES [C]	5,951	(21,726)
CASH FLOW FROM DISCONTINUED OPERATIONS [D]	(5)	576
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	(435)	3,340
Cash and cash equivalents at the beginning of the period	6,293	2,953
Cash and cash equivalents at the end of the period	5,858	6,293

It should be noted that cash and cash equivalents include restricted current accounts for € 2,223 thousand, which were fully released in 2019.

3.1.4 CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY (figures in thousands of Euros)	Share capital	Statutory reserve	Share premium reserve	Other reserves	Translation reserve	Profit (loss) carried forward	OCI reserve	Profit (loss) for the year	Shareholders' equity (Group share)	Shareholders' equity (minority interests)	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2016	10,100	944		468	(96)	13,655	(34)	2,763	27,800	190	27,990
Allocation of 2016 net income/(loss)		*148*				*2,615*		*(2,763)*	-	-	-
Distribution of 2016 dividends						*(17,200)*			(17,200)	-	(17,200)
Other changes in shareholders' equity						(1,432)			(1,432)	(190)	(1,622)
Effects of the business combination IFRS 3											
Recognition of the effects of the business combination				1,900					1,900		1,900
Cancellation of shareholders' equity - PLC group	(10,100)	(1,092)		(468)	96	2,362			(9,202)		(9,202)
Reconstitution of shareholders' equity - PLC	34,846		10,784	(36,428)					9,202		9,202
Profit (loss) at 31.12.2017								7,140	7,140	-	7,140
Other components of comprehensive income (loss)							(18)		(18)	-	(18)
Profit (loss) for the period	-	-		-		-		*7,140*	*7,122*	-	*7,122*
SHAREHOLDERS' EQUITY AT 31.12.2017	34,846	-	10,784	(34,528)	-	-	(34)	7,140	18,190	-	18,190
Allocation of 2017 net income/(loss)		1,008		6,132		-		(7,140)	-	-	-
Capital increases	2,290			750					3,040	-	3,040
Distribution of extraordinary dividend				(2,000)					(2,000)	-	(2,000)
Other changes in shareholders' equity					119				119	116	235
Profit (loss) at 31.12.2018								4,985	4,985	(9)	4,976
Other components of comprehensive income (loss)							(4)	-	(4)	-	(4)
Profit (loss) for the period	-	-	-	-	-	-	*(4)*	*4,985*	*4,981*	*(9)*	*4,972*
SHAREHOLDERS' EQUITY AT 31.12.2018	37,136	1,008	10,784	(29,646)	119	-	(38)	4,985	24,330	107	24,437

For comments on the individual items, reference should be made to note N. "Shareholders' equity" in the Notes to the consolidated financial statements.

3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2.1 ACCOUNTING STANDARDS AND VALUATION CRITERIA

The consolidated financial statements of the PLC Group have been prepared in accordance with the international accounting standards (International Financial Reporting Standards - hereinafter "IFRS" or "International Accounting Standards") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union pursuant to Regulation no. 1606/2002, as well as the provisions issued pursuant to Article 9 of Italian Legislative Decree no. 38/2005. These standards are supplemented by the interpretative documents issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which were also endorsed by the European Union at 31 December 2018.

The consolidated financial statements at 31 December 2018 were authorised for publication by the Board of Directors on 17 April 2019.

FINANCIAL STATEMENT FORMATS ADOPTED

The PLC Group presents its statement of comprehensive income in a single statement, using a classification of the individual components based on their nature. With reference to the statement of financial position, assets and liabilities are distinguished into either current and non-current, as permitted by IAS 1.

The statement of changes in shareholders' equity has been defined in accordance with IAS 1 by means of a statement that reconciles, for each item of shareholders' equity, the opening and closing balances.

The cash flow statement shows the cash flows during the year classified as cash flows from operating, investing and financing activities; cash flows from operating activities are represented using the indirect method, as required by IAS 7.

It should be noted that in the statement of financial position and in the statement of comprehensive income, transactions with related parties, where significant, have been shown under specific items. With reference to positive and/or negative income items relating to non-recurring transactions, information is provided separately.

In preparing these financial statements, the Directors assumed that the going concern assumption was met and, therefore, prepared the financial statements using the principles and criteria applicable to operating companies.

The financial statements and the notes to the financial statements are presented in Euro/thousand, unless indicated otherwise; as a result, in some tables, the total amounts may differ slightly from the sum of the amounts composing them due to the effect of rounding.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of PLC and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists when the Group has simultaneously (i) power over the entity in question, (ii) exposure or rights to variable returns deriving from the relationship with the entity in question and (iii) the ability to exercise its power over the entity in question to affect the amount of its returns. Subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until such time as control ceases to exist. The financial statements of the subsidiaries have been suitably adjusted to make them consistent with the accounting standards and valuation criteria adopted by the parent company.

The financial statements of the subsidiaries included in the scope of consolidation coincide with those of PLC, with the exception of Monsson South Africa Ltd, with reference to which interim financial statements have been prepared as at the date of the consolidated financial statements.

Investments in joint ventures and associates over which significant influence is exercised, but which cannot be qualified as joint operations, are valued using the equity method, whereby the carrying amount of the investments is adjusted to reflect the investor's share of the profit or loss and the dividends distributed by the investee company.

Following the application of the equity method, it is assessed whether it is necessary to recognise a further loss in value of the investment in the joint venture or associate, or whether there is objective evidence that the investment has suffered a permanent loss in value. If this is the case, the amount of the loss, calculated as the difference between the recoverable amount of the joint venture or associate and its carrying amount, is recognised in profit or loss.

When an investment ceases to be a joint venture or in the event of a loss of significant influence, the use of the equity method is suspended from that date; from that moment the investment is accounted for as an investment in other entities in accordance with IFRS 9.

The main consolidation criteria adopted are indicated below:

- subsidiaries are consolidated on a line-by-line basis, according to which:
  i. the assets, liabilities, costs and revenues of the subsidiaries are assumed on a line-by-line basis in their total amount, attributing to minority shareholders, in specific items of the statement of financial position and income statement, their share of shareholders' equity and of the result for the year;
  ii. the carrying amount of the individual equity investments is eliminated against the corresponding portion of shareholders' equity including the fair value adjustments, at the date of acquisition, of the related assets and liabilities; any residual difference to emerge is allocated to goodwill, if positive, and is charged to the income statement if negative;

iii. the balance sheet and income statement transactions between companies consolidated on a line-by-line basis, including dividends distributed within the Group, are eliminated. Unrealised intra-group losses are considered when the transaction provides evidence of impairment of the transferred asset.

Foreign currency transactions

All transactions are accounted for in the functional currency in which each Group company operates. Transactions carried out in currencies other than the functional currency of Group companies are converted into that currency on the basis of the exchange rate at the date of the transaction. Monetary assets and liabilities (defined as assets or liabilities held for collection or payment, the amount of which is fixed or determinable - IAS 21) are translated at the exchange rate of the reporting date; exchange differences are charged to the income statement. Non-monetary assets and liabilities, which are measured at historical cost in foreign currencies, are translated at the historical exchange rate at the date of the transaction. Non-monetary assets and liabilities, which are measured at fair value in a foreign currency, are translated at the exchange rate in force on the date the fair value was determined.

Translation of financial statements in foreign currencies

The financial statements of companies with a functional currency other than the presentation currency of the consolidated financial statements (Euro) and which do not operate in countries with hyper-inflationary economies, are converted as follows:

a) assets and liabilities, including goodwill and fair value adjustments arising from the consolidation process, are translated at the exchange rates at the reporting date;

b) income and expenses are translated at the average exchange rate for the period, which is considered the exchange rate that approximates that recorded on the dates of the individual transactions;

c) Monetary assets and liabilities are translated at the exchange rate at the reporting date;

d) Non-monetary assets and liabilities, which are measured at historical cost in foreign currencies, are translated at the historical exchange rate at the date of the transaction;

e) exchange differences arising from the conversion process shall be allocated to a specific equity reserve.

In the event that a sales programme is undertaken that involves the loss of control of a subsidiary, the assets and liabilities of that subsidiary are classified as held for sale.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is determined at the date control is acquired and is equal to the fair value of the assets transferred, liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. Costs directly attributable to the transaction are recognised in the income statement at the time they are incurred. At the date of acquisition of control, the shareholders' equity of investee companies is determined by attributing to the individual items of the statement of financial position assets and liabilities their fair value, unless the IFRS provisions establish a different measurement method. Any residual difference with respect to the purchase cost, if positive, is recorded under the asset item "Goodwill"; if negative, it is recorded in the income statement.

In the event that control is not acquired in full and where there are no agreed options for the purchase of minority interests, the minority interest in shareholders' equity is determined on the basis of the portion assigned to the current values attributed to the assets and liabilities at the date control is acquired, excluding any goodwill attributable to them (the so-called partial goodwill method).

On the other hand, if the agreements signed provide for options relating to the purchase of minority interests (put&call), a specific valuation is carried out of the instrument assigned to the respective parties and consequently the liability in favour of the sellers holding the options (put option) is recognised, with the subsequent adjustment of the value of the minority interests' share of the reserve and of goodwill.

If control is acquired in subsequent stages, the purchase cost is determined by adding the fair value of the equity investment previously held in the acquired company and the amount paid for the additional shareholding. The difference between the fair value of the investment previously held and its carrying amount is recognised in the income statement. In addition, when control is acquired, any amounts previously recorded in the other components of comprehensive income are charged to the income statement, or to another item of shareholders' equity, if there is no provision for their transfer to the income statement. Goodwill is initially recognised at cost, which is the difference between the consideration transferred by the purchaser and the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again checks whether it has correctly identified all the assets acquired and liabilities assumed, and reviews the procedures used to determine the amounts to be recorded at the date of acquisition. If the new valuation still reveals a fair value of the net assets acquired that is higher than the consideration, the difference (profit) is recognised in the income statement.

After initial recognition, goodwill is subject to an impairment test with reference to the cash generating units ("CGUs") or groups of CGUs to which it is allocated and monitored by the directors.

Any impairment of goodwill must be recognised if the recoverable amount of all the operating assets and liabilities relating to the CGU or group of CGUs to which the goodwill has been allocated is lower than its carrying amount.

Recoverable value is the higher of (1) the fair value of the CGU (i.e. market value), less costs to sell, and (2) its value in use, or the present value of expected cash flows that are presumed will arise from the continuing use of an asset and from its disposal at the end of its useful life.

The impairment test is carried out on an annual basis or, if there are indications that the value of the asset may have been impaired, more frequently.

TANGIBLE ASSETS

Tangible fixed assets are recorded at the historical cost of purchase, production or transfer, including the directly attributable accessory charges necessary to make the assets available for use, net of the related accumulated depreciation and any accumulated impairment losses.

Maintenance and repair costs are charged to the income statement of the year in which they are incurred if of an ordinary nature, or capitalised if they increase the value or the economic duration of the asset.

Depreciation is calculated on the basis of rates considered suitable for distributing the value of assets over their respective useful lives, understood as an estimate of the period in which the asset will be used by the company; the recoverability of their book value is verified by adopting the criteria indicated in the Section "Impairment of tangible and intangible assets". Land, whether free of construction or attached to buildings, is not depreciated.

Tangible assets are derecognised from the statement of financial position at the time of disposal or when they are permanently withdrawn from use and, consequently, no future economic benefits are expected from their sale or use. Gains and losses arising on the disinvestment or disposal of tangible assets are determined as the difference between the net disposal consideration and the carrying amount of the asset.

The depreciation rates applied are shown below:

Buildings	3%
Plant and machinery	10%
Industrial and commercial equipment	25%
Light constructions	10%
Furniture and fittings	12%
Computers/Software and electronic machines	20%
Vehicles	20%
Cars	25%

INTANGIBLE ASSETS

Intangible assets acquired or produced internally are recognised as assets, in accordance with the provisions of IAS 38 - Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably. These assets with a finite useful life are valued at cost if acquired separately, while those acquired through business combinations are capitalised at fair value at the acquisition date. These assets are systematically amortised over their estimated useful life; the recoverability of their book value is verified by adopting the criteria indicated in the Paragraph "*Impairment of tangible and intangible assets*".

Other intangible assets include:

Research and development costs

Research costs are charged to the income statement at the time they are incurred.

Development costs incurred in relation to a given project are capitalised only when the Group can demonstrate (i) the technical feasibility of completing the intangible asset so as to make it available for use or sale, (ii) its intention to complete the asset for use or sale, (iii) the manner in which it will generate probable future economic benefits, (iv) the availability of technical, financial or other resources to complete the development and (v) its ability to reliably measure the cost attributable to the asset during its development. Subsequent to initial recognition, development costs are measured at cost less any accumulated amortisation or loss. Capitalised development costs are amortised over the period in which the related project is expected to generate revenue for the Group. The carrying amount of development costs, when the asset is not yet in use, is reviewed annually for any impairment losses or, more frequently, when there is evidence of a possible loss in value during the period.

Software

The software licenses purchased are recorded on the basis of the costs incurred for the purchase and commissioning of the specific software, net of amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over their estimated useful life of five years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

In the presence of specific indicators of impairment, and at least annually with reference to intangible assets with an indefinite life, tangible and intangible assets are subject to impairment testing.

This impairment test consists in estimating the recoverable value of the asset by comparing it with the related net carrying amount recorded in the financial statements. The recoverable value of an asset is the higher of its fair value, less costs to sells, and its value in use. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and its sale at the end of its useful life net of taxes and, if necessary, assessing the other supporting elements with reference to the final data and the expected profit margin. Discounting is carried out at a pre-tax discount rate that takes into account the implicit risk of the business sector. If the recoverable amount is lower than the carrying amount, the latter is reduced to the recoverable amount. This reduction constitutes an impairment loss which is charged to the income statement. If the reasons for the write-downs effected previously no longer apply, with the exception of goodwill, the assets are revalued, within the limits of the write-downs made, and the adjustment is charged to the income statement.

EQUITY INVESTMENTS IN ASSOCIATES

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of the investee without having control or joint control of the investee. The considerations reached to determine significant influence are similar to those necessary to determine control.

The Group's shareholdings in associates are valued using the equity method. Under the equity method, an investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to reflect the investor's share of the profits and losses of the investee after the acquisition date. Any goodwill relating to the associate is included in the carrying amount of the investment and is not subject to a separate impairment test.

The income statement reflects the Group's share of the associate's profit for the year. Any change in the other components of comprehensive income relating to these investee companies is presented as part of the Group's statement of comprehensive income. In addition, if an associate recognises a change that is directly attributable to equity, the Group recognises its share, where applicable, in the statement of changes in shareholders' equity.

The Group's aggregate share of the result for the year of associates is recognised in the consolidated income statement for the year immediately after the operating result and represents the result after taxes and the shares due to the other shareholders of the associate, as well as any dividends distributed and any losses in value ascertained.

The financial statements of associates prepared for consolidation purposes are presented at the same date as the Group's financial statements and suitably adjusted to bring them into line with Group accounting standards.

Following the application of the equity method, the Group assesses whether it is necessary to recognise impairment of its equity investment in associates. At each balance sheet date, the Group assesses whether there is objective evidence that investments in associates have suffered impairment. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and the book value of the same in its consolidated financial statements, recording this difference in the income statement under the item "share of the result of associates".

Upon the loss of significant influence over an associate, the Group values and recognises the residual investment at fair value. When the significant influence ceases to exist, the difference between the carrying amount of the investment and its residual fair value is recognised in the income statement.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies are equity investments other than those in subsidiaries, joint ventures and associates and, following the introduction of IFRS 9, fall within the category of "financial assets measured at fair value through profit or loss". After initial recognition at cost, these financial assets are measured at fair value; valuation gains or losses are recognised in an income statement item. If the fair value cannot be reasonably determined, and therefore in the case of unlisted equity investments and equity investments for which the fair value is not reliable and cannot be determined, these financial assets are valued at cost adjusted for impairment losses. Classification as a current or non-current asset depends on the strategic choices made regarding the duration of ownership of the asset and the actual marketability of the same; current assets include those expected to be realised within 12 months of the reporting date.

Impairment losses are valued on the basis of (i) the significance of the impairment in absolute terms (severity) calculated on the basis of thresholds determined for the type of financial instrument and (ii) the length of the period of loss (durability) generally estimated at 24 months.

DERIVATIVES

A derivative contract is a financial instrument: (i) whose value changes as a result of a variable such as, for example, interest rate, price of a security or asset, foreign currency exchange rate, index of prices or rates, credit rating, (ii) which requires a zero or limited initial net investment, (iii) which is settled at a future date. Derivatives are financial assets and liabilities recognised at fair value.

Derivatives qualifying as hedging instruments

The qualification of a derivative instrument as a hedging instrument requires:

- verification of the existence of an economic relationship between the hedged item and the hedging instrument;
- verification that the effect of credit risk does not prevail over the changes in value resulting from the above economic relationship;
- verification of the hedging relationship between the hedged item and the hedging instrument used by the Group.

When derivative instruments possess the characteristics to be accounted for as hedges, the following accounting treatments are applied:

- if the derivatives hedge the risk of changes in the fair value of the instruments being hedged (fair value hedge), the derivatives are recognised at fair value and the effects are charged to the income statement; consistently, the instruments being hedged are adjusted to reflect the changes in fair value associated with the risk being hedged;
- if the derivatives hedge the risk of changes in the cash flows of the instruments being hedged (cash flow hedge), the changes in the fair value of the derivatives are recorded in the shareholders' equity reserve relating to "the other components of the statement of comprehensive income" and subsequently charged to the income statement in line with the economic effects produced by the hedged transaction.

Derivatives not qualifying as hedging instruments

Changes in the fair value of derivative instruments that do not qualify as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement.

FINANCIAL ASSETS

Depending on the characteristics of the instrument and the business model adopted for their management, financial assets are classified in the following categories: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value through other comprehensive income and (iii) financial assets through profit or loss.
They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows representing exclusively principal and interest payments are measured at amortised cost if held for the purpose of collecting contractual cash flows. The application of the amortised cost method involves the recognition in the income statement of interest income determined on the basis of the effective interest rate of the exchange differences and of any write-downs.
Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting contractual cash flows and realising capital gains on disposal are measured at fair value and the effects are recognised in the "Other Comprehensive Income" ("OCI") reserve. In this case: (i) interest income, calculated using the effective interest rate, exchange rate differences and write-downs are booked in the income statement; (ii) changes in the fair value of the instrument are booked to shareholders' equity, under OCI. The cumulative amount of changes in fair value, recognised in the shareholders' equity reserve which includes the other components of comprehensive income, is reversed to the income statement upon derecognition of the instrument.
A financial asset representing a debt instrument that is not measured at amortised cost or at fair value with the effects recognised in the OCI is measured at fair value through profit or loss; this category includes financial assets held for trading. Interest income earned on financial assets held for trading is included in the overall fair value measurement of the instrument and is recognised as financial income or charges.

WRITE-DOWN OF FINANCIAL ASSETS

The recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is measured on the basis of the so-called "expected credit loss model". In particular, expected losses are generally determined on the basis of the product of: (i) the exposure to the counterparty net of the relevant mitigating factors; (ii) the probability that the counterparty will not meet its payment obligation; (iii) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of default. The management model adopted by the Company provides for a simplified approach for trade receivables, as they do not contain a significant financial component. This approach requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the credit. The bad debt provision allocated after an analysis of individual past due receivables, which in fact already includes a prospective view of the project, is accompanied by an assessment of the customer's creditworthiness.

Trade receivables and other receivables are shown in the statement of financial position net of the related bad debt provision. Write-downs of these receivables are recorded in the income statement net of any reversals of impairment losses.

INVENTORIES

Inventories are valued at the lower of purchase or production cost and net realisable value; the latter value is represented by the amount that the company expects to obtain from their sale in the normal course of business. The cost configuration adopted is FIFO (first in first out), while the market value, taking into account the nature of inventories, represented mainly by materials to be used in construction or strategic spare parts, is the replacement cost, or if lower than the net realisable value.

CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities for construction contracts are valued on the basis of the contractual considerations, defined with reasonable certainty with the clients, in relation to the state of progress of the work. In view of the nature of the contracts and the type of work, progress is determined by using an input-based method, on the basis of the percentage that emerges from the ratio of costs incurred to total costs estimated by contract (cost-to-cost method). In order to take into account the economic effects deriving from the application of this method, with respect to the considerations recognised as revenues from ordinary operations, positive differences between the considerations accrued in relation to the progress status of the work and the revenues accounted for are booked under contract assets for construction contracts, while negative differences are recognised under contract liabilities. The valuation of contract assets and liabilities for construction contracts takes into account all costs directly attributable to the contract, as well as contractual risks and revision clauses when objectively determinable. Requests for additional considerations deriving from changes to the works provided for in the contract are considered in the total amount of the considerations when they are substantially approved by the customer in terms of the object and/or the price; similarly, other requests (claims) deriving, for example, from higher expenses incurred for causes attributable to the customer, are considered in the total amount of the considerations only when they are substantially approved in terms of the object and/or the price by the counterparty. The portions of work in foreign currency not yet accepted by the customer are entered at the exchange rate at the end of the financial year. Contractual advances received from customers, if in a currency other than the functional currency, are recorded at the exchange rate of the day on which they are paid.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and financial assets originally due within 90 days, readily convertible into cash and subject to an insignificant risk of change in value.

NON-CURRENT ASSETS HELD FOR SALE / DISPOSAL

Non-current assets held for sale and disposal groups are classified as available for sale when their carrying amount will be recovered mainly through a sale transaction rather than through its continuous use; in particular, the non-current assets must be available for immediate sale in their current condition and the sale must be highly probable within 12 months of their classification, without prejudice to further considerations in the event of delayed execution of the sale or in the event of an extension of the time-frame associated with the disposal plan.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell unless they are assets for which the valuation provisions of IFRS 5 are not applicable and are instead governed by other IFRS (deferred tax assets; assets deriving from employee benefits; financial assets falling within the scope of IFRS 9; non-current assets measured at fair value in accordance with IAS 40; non-current assets measured in accordance with IAS 41; contractual rights deriving from insurance contracts).

In the income statement, non-current assets held for sale and disposal groups that meet the requirements for being classified as discontinued operations are presented under a single item that includes both gains and losses on disposal and the related tax effect. The comparative period is consequently re-stated as required by IFRS 5.

With regard to the equity and financial position, non-current assets held for sale and disposal groups are shown separately from other assets and liabilities in the statement of financial position. The comparative year is not resubmitted or reclassified unless it falls within the classification of "discontinued operations".

EMPLOYEE SEVERANCE INDEMNITY PROVISION

The Employee Severance Indemnity (TFR) Provision, which is mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, has the nature of deferred remuneration and is related to the duration of the working life of employees and the remuneration received during the period of service provided. In application of IAS 19, the employee severance indemnity calculated in this way assumes the nature of a "defined benefit plan" and the related obligation to be recorded in the financial statements (employee severance indemnity provision) is determined by means of an actuarial calculation, using the Projected Unit Credit Method. Following the amendment to IAS 19 "Employee Benefits", effective from 1 January 2013, the Group recognises actuarial gains and losses immediately in the Statement of Other Comprehensive Income so that the entire net amount of defined benefit provisions (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment also provides that changes between one year and the next in the defined benefit plan and plan assets must be subdivided into three components: the cost components linked to the service provided in the year must be recognised in the income statement as "service costs"; net financial charges calculated by applying the appropriate discount rate to the balance of the defined benefit plan net of assets at the beginning of the year must be recognised in the income statement as such; actuarial gains and losses arising from the remeasurement of liabilities and assets must be recognised in the statement of other comprehensive income (losses).

As of 1 January 2007, the Finance Act and the related implementing decrees introduced significant changes to the rules governing employee severance indemnity, including the choice made by employees as to the allocation of their accrued employee severance indemnity (to supplementary pension funds or to the "Treasury Fund" managed by INPS - Italian National Social Security Institute). Consequently, the obligation to INPS, as well as the contributions to supplementary pension schemes, assume the nature of "Defined contribution plans" according to IAS 19, while the quotas recorded in the Employee Severance Indemnity provision retain, according to IAS 19, the nature of "Defined benefit plans".

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated in the presence of a current obligation (legal or implicit), deriving from a past event, for which it is probable that fulfilment of the obligation will be on a payment basis and its amount can be reliably estimated. Provisions are recorded at the value representing the best estimate of the amount that the Group would pay to extinguish the obligation or to transfer it to third parties at the end of the period. If the discounting effect is significant, provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision, due to the passage of time, is recognised as a financial charge. Changes in estimates are reflected in the income statement for the period in which the change occurred.

FINANCIAL LIABILITIES

Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs, and are subsequently measured using the amortised cost method (for further details see the section on Financial assets).

SHAREHOLDERS' EQUITY

Costs for capital transactions

Ancillary charges for capital increase transactions are entered in the shareholders' equity in a specific reserve net of the deferred tax effect.

REVENUES

Revenues are recognised to the extent that it is probable that the economic benefits will be realised and the amount can be reliably determined. Revenues from the sale of goods and services are measured at the fair value of the consideration received or due, taking into account any discounts and premiums. With regard to the sale of goods and services, the revenue is recognised when the company has transferred to the purchaser the significant risks and benefits associated with ownership of the goods or performance of the service.

REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the "stand alone" selling price of each good or service; (v) recognition of revenue when the related performance obligation is met, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can take place continuously over a diluted and prolonged period of time (over time), as in the case of contractual assets for construction contracts, or at a specific time (at a point in time).

The agreed considerations, if expressed in a foreign currency, are calculated by taking into account the exchange rate effect as previously reported; the same method is applied for costs expressed in a foreign currency.

Provisions for revenues relating to services partially rendered are recognised for the consideration accrued, provided that it is possible to reliably determine the stage of completion and there are no significant uncertainties as to the amount and existence of the revenue; otherwise, they are recognised within the limits of the recoverable costs incurred.

The Group concluded that it acts as a "principle" for most revenue-generating agreements as it usually controls goods and services before they are transferred to the customer.

The Group has carried out an analysis of the requirements of IFRS 15 with reference to the 5 steps identified above and, on the basis of the characteristics of its contracts, has concluded that it complies with the conditions for the accounting of revenues ("over time"). In fact, the performance of services with reference to both the BOT business, EPC and maintenance, improves the value of the activity as the service is performed and in particular with reference to maintenance services, the benefit of the same occurs while it is performed. Moreover, the activity carried out by the Group with reference to the BOT and EPC business is carried out according to specific regulatory requirements and on the basis of specific authorisations obtained in advance that do not allow an alternative use of the asset. Lastly, it should be pointed out that, under the agreements signed, the Group is entitled to payment of the service rendered up to the date in question.

COSTS

Costs for the purchase of goods and services are recognised in the income statement on an accruals basis. Operating lease instalments are charged to the income statement over the term of the contract. Personnel costs include the amount of wages and salaries paid, provisions for pension funds and holidays accrued but not taken, and social security and welfare costs in application of the contracts and current legislation. The costs of participation in tenders are fully recognised in the income statement for the year in which they are incurred.

INTEREST AND FINANCIAL CHARGES

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income and expense is recognised on a time basis using the effective interest method. Borrowing costs directly attributable to the acquisition, establishment or production of qualifying assets are capitalised, as required by IAS 23.

TAXES

Current income taxes are determined on the basis of the estimated taxable income for the year. The related payable, net of advances paid and withholdings, is recorded in the statement of financial position under the item "Current taxes". The tax rates and regulations used to calculate current taxes are those in force or issued at the reporting date.

Deferred taxes are calculated by applying the tax rates expected to be applied in the year in which the assets will be realised or the liabilities settled to the temporary differences existing between the carrying amount attributed to an asset or a liability and the corresponding values recognised for tax purposes (the so-called liability method), considering the rates in force or already issued at the date of the financial statements.

The item "Deferred taxes" includes any deferred tax liabilities on temporary differences, the taxation of which is deferred to future years in accordance with current tax laws.
"Deferred tax assets" include any taxes which, although pertaining to future years, refer to the current year and are recognised when there is a likelihood that future taxable income will be sufficient to absorb their recovery.
The allocation of deferred tax assets on tax losses accrued is recorded if there is a probability of obtaining in the future taxable income of an amount as such to be able to absorb the tax losses that can be carried forward.
The economic contra-entry to the provision for deferred or prepaid taxes is included in the item "Taxes".

Costs, revenues and assets are recognised net of value added tax (VAT) except where this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement. The net amount of indirect sales taxes that can be recovered or paid to the tax authorities is included in other receivables or payables depending on the whether the balance is positive or negative.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments listed on an active market is based on market prices at the reporting date. The fair value of financial instruments that are not listed on an active market is determined using valuation techniques, based on a series of methods and assumptions linked to market conditions at the reporting date.

EXCHANGE DIFFERENCES

Revenues and costs relating to transactions in foreign currencies are recorded at the current exchange rate on the day on which the transaction is completed. Monetary assets and liabilities denominated in foreign currency are translated into Euros using the exchange rate prevailing at the end of the period and the effect is recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at which they were initially recognised and valued at cost.

EARNINGS PER SHARE

Basic earnings per share is determined as the ratio between the Group's share of net income for the period attributable to shares and the weighted average number of shares outstanding during the year. For the purposes of calculating diluted earnings per share, the weighted average number of shares outstanding is modified by assuming the conversion of all potential shares with a diluting effect.

USE OF ESTIMATES

The preparation of the financial statements and related notes, in accordance with international accounting standards, requires the use of discretionary valuations and accounting estimates that have an effect on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the date of the financial statements. The final results may differ from the estimates made, which are based on data that reflect the current status of the information available. Estimates are used to measure goodwill, to record provisions for risks on receivables, to determine amortisation and depreciation, to determine write-downs of equity investments or assets, to calculate taxes and other provisions for risks and charges. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.

The main estimates used in the preparation of the financial statements affected by the use of assumptions that could entail a significant risk of resulting in significant adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a cash flow discounting model.

The cash flows are derived from the information obtained from the prospective data in the Industrial Plan. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on expected future cash flows and the growth rate used.

The Group has adopted a procedure with which it monitors at least annually all items subject to impairment testing or that identify indicators of impairment.

Valuation of financial instruments

Financial instruments are measured in accordance with the reference principle at fair value, taking into account both the realisable value, where already available, and the value in use. The determination of fair value is a process that is strongly influenced both by estimates and assumptions, which for them include a component of randomness. The Group has a review process for all the items subject to randomness in the evaluation with which it aims to reduce the degree of uncertainty about the results obtained.

Recognition of revenues from construction contracts

Revenues relating to construction contracts and the related margins, once the compliance with the requirements of IFRS 15 for "over time" accounting has been verified, are recognised on the basis of the stage of completion of the contracts according to the percentage of completion method, on the basis of the ratio between the costs incurred and the total costs expected to complete the contract.

The processes and methods used to recognise revenues and value construction contractsare based on assumptions that are sometimes complex and, by their very nature, involve recourse to the judgement of the directors, particularly with regard to the identification of performance obligations, the forecasting of costs to complete each project, including the estimate of contractual risks and penalties, where applicable, and the evaluation of contractual amendments planned or in the process of being negotiated.

The Group has adopted a process of periodic review of the estimates made for job orders in order to mitigate the risks deriving from the uncertainties underlying the estimates themselves.

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2018

IFRS 9 - Financial instruments

Regulation no. 2016/2067 issued by the European Commission on 22 November 2016 endorsed the full version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9.

The provisions of the new standard: (i) amend the model for the classification and measurement of financial assets based on the characteristics of the financial instrument and the business model adopted by the company; (ii) introduce a new method for the impairment of financial assets, which takes into account expected credit losses; and (iii) amend the provisions on hedge accounting. The new method of classification and measurement of financial assets representing debt instruments has not led to significant changes. With regard to the new method of write-down of financial assets, the valuation of the recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is carried out on the basis of the so-called expected credit loss model. The Group adopted the standard prospectively, assessing any impact of its introduction on the opening reserves. The management model adopted by the Group provides for a simplified approach for trade receivables as they do not contain a significant financial

component, which requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the receivable.
For further information on how to apply the provisions of the new standard, reference should be made to the paragraphs "Financial assets", "Write-downs of financial assets" and "Derivative instruments".

IFRS 15 - Revenues from customer contracts

Regulation no. 2016/1905, issued by the European Commission on 22 September 2016, endorsed IFRS 15 "Revenues from contracts with customers", which replaces IAS 11 "Contract work" and IAS 18 "Revenues" with effect from 1 January 2018. In particular, the new standard requires that the recognition of revenues be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation (i.e. the contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations, identified on the basis of the stand-alone selling price of each good or service; (v) recognition of revenue when the related performance obligation is met. The new standard substantially confirms the validity of the "over time" criterion of the contractual assets to be valued for long-term contracts adopted by the Group through the use of the input-based method with the application of the percentage that emerges from the ratio between the costs incurred in relation to the total costs estimated by the contract ("cost-to-cost" method). The adoption of IFRS 15 has been carried out with a "retrospective" approach and has led to the updating of the financial statements, anticipating the opening in the statement of financial position of two specific items, "Contract assets" and "Contract liabilities", which respectively include construction contractspreviously included in inventories, and advances previously included in other payables. For further information on how to apply the provisions of the new standard, reference should be made to the paragraphs "Contract assets and liabilities" and "Revenues from contracts with customers".

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET IN FORCE AND/OR ENDORSED

The accounting standards adopted for the preparation of the consolidated financial statements comply with those in force at the date of these financial statements, including the new standards, amendments and interpretations in force from 1 January 2018. The Company has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

IFRS 16 - Leases

By Regulation no. 2017/1986 issued by the European Commission on 31 October 2017, IFRS 16 - Leases (which will come into force on 1 January 2019), which defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements on the basis of a single model for the recognition of leases based on the recognition of an asset by the lessor, was endorsed, representing the right to use the asset against a liability representing the obligation to make payments under the contract and therefore according to a model similar to that used to account for finance leases in accordance with IAS 17. The standard provides two exemptions for the recognition by lessees - leases relating to assets of "low value" (e.g. personal computers) and short-term leases (e.g. contracts expiring within 12 months or less). At the date of commencement of the lease, the lessee will recognise a liability for the lease payments (i.e. the lease liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right to use the asset). Lessees shall account separately for interest expenses on the lease liability and amortisation of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease agreement, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the asset's right of use.

The accounting required by IFRS 16 for lessors is substantially unchanged from today's accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating leases and finance leases. IFRS 16 requires lessees and lessors to disclose more information than is required by IAS 17. Analysis activities were initiated to identify the contracts falling within the scope of the new standard and to assess their potential impact on the consolidated financial statements.

The Group, taking into account the exemptions granted by the standard with reference to the possibility of not restating the initial shareholders' equity, will therefore recognise the asset by right of use in line with the lease liability. In view of the above, they are not expected to have a significant impact on the consolidated financial statements. The main contractual cases identified are those relating to property, car and office equipment leases.

Amendments to IFRS 9

Regulation no. 2018/498, issued by the European Commission on 22 March 2018, endorsed the amendments to IFRS 9 "Financial Instruments - Prepayment Features with Negative Compensation", applicable from 1 January 2019, which clarify the classification of certain financial assets that can be reimbursed early when IFRS 9 is applied. The application of these changes is not expected to have a significant impact on the consolidated financial statements.

IFRIC 23 - Uncertainty over income tax treatments

Regulation no. 2018/1595, issued by the European Commission on 23 October 2018, endorsed IFRIC 23 "Uncertainty over income tax treatments", applicable from 1 January 2019, which provides guidance on how to account for uncertainties about certain conduct by an entity in applying tax regulations. It is necessary to check whether the tax authorities are likely to accept the behaviour of the entity and whether they consider the uncertainty on its own or in relation to the entity's overall tax burden. The application of this interpretation is not expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

Regulation no. 2019/237, issued by the European Commission on 8 February 2019, endorsed the amendments to IAS 28 "Long-term interests in associates and joint ventures", applicable from 1 January 2019, aimed at clarifying that the provisions of IFRS 9, including those relating to impairment, also apply to financial instruments representing long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture. The application of these changes is not expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 19 - Plan amendment, curtailment or settlement

Regulation no. 2019/402, issued by the European Commission on 13 March 2019, endorsed the amendments to IAS 19 "Plan amendment, curtailment or settlement", applicable from 1 January 2019, essentially aimed at requiring the use of updated actuarial assumptions in the determination of current service cost and net interest for the period following an amendment, curtailment or settlement of an existing defined benefit plan. The application of these changes is not expected to have a significant impact on the consolidated financial statements.

Annual cycle of improvements to IFRS 2015 - 2017

Regulation no. 2019/412, issued by the European Commission on 14 March 2019, endorsed the document "Annual cycle of improvements to IFRS 2015-2017", containing changes, essentially of a technical and editorial nature, to IAS 12 "Income taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business combinations" and IFRS 11 "Joint Arrangements". The amendments to the accounting standards are applicable from 1 January 2019.

IFRS 17 - Insurance contracts

The IASB has decided to propose that the entry into force of IFRS 17, the new standard on insurance contracts, be deferred by one year, i.e. until 2022. The standard, not yet endorsed by the European Commission, is not applicable to the Group.

Amendments to IFRS 3 - Business Combinations

On 22 October 2018, the IASB issued amendments to IFRS 3 "Business Combinations" to clarify the definition of business. The amendments to IFRS 3, not yet endorsed by the European Commission, are effective for financial years beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 - Definition of material

On 31 October 2018, the IASB issued amendments to IAS 1 and IAS 8 which aim to clarify the definition of 'material' in order to help companies assess whether information should be included in the financial statements. In particular, information is considered material if it is reasonable to presume that its omission, misrepresentation or concealment will affect the principal users of financial statements when making decisions on the basis of financial statements. The amendments to IAS 1 and IAS 8, not yet endorsed by the European Commission, are applicable from 1 January 2020; however, early application is permitted.

3.2.2 SCOPE OF CONSOLIDATION

Name	Registered Office	Date of closure of the financial year	Currency	Share capital	% held		Through
					Direct	Indirect	
PLC S.p.A. (formerly Industria e Innovazione S.p.A.)	Milan (IT)	31.12	EUR	37,149,822.34			
Subsidiaries consolidated on a line-by-line basis							
Richini Due S.r.l.	Milan (IT)	31.12	EUR	2,500.00	100%		
PLC System S.r.l.	Acerra - NA (IT)	31.12	EUR	10,000,000.00	100%		
PLC Service S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00	100%		
PLC South Africa Ltd	Johannesburg - South Africa (ZA)	31.12	ZAR	11,407,352.00		99%	PLC System S.r.l.
Idroelettrica 2014	Acerra - NA (IT)	31.12	EUR	10,000.00		100%	PLC System S.r.l.
Montenegro D.o.o.	Podgorica - Montenegro (ME)	31.12	EUR	2,000.00		100%	PLC System S.r.l.
PLC Power S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC System S.r.l.
C&C Castelvetere S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		67%	PLC Power S.r.l.
C&C Irsina S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Power S.r.l.
C&C Uno Energy S.r.l.	Acerra - NA (IT)	31.12	EUR	118,000.00		100%	PLC Power S.r.l.
C&C Tre Energy S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Power S.r.l.
Alisei Wind S.r.l.	Acerra - NA (IT)	31.12	EUR	130,000.00		100%	PLC Power S.r.l.
Tirreno S.r.l.	Porto Empedocle - AG (IT)	31.12	EUR	10,000.00		66.6%	PLC Power S.r.l.
PLC Service Wind S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Service S.r.l.
Monsson Operation Ltd	Dublin (IE)	31.12	EUR	100.00	51%		
Monsson Operation Gmbh	Mannheim (DE)	31.12	EUR	75,000.00		100%	Monsson Operation Ltd
Monsson Operation LLC	Delaware (US)	31.12	USD	-		100%	Monsson Operation Ltd
Monsson Operation Srl	Costanta (RO)	31.12	RON	2,000.00		100%	Monsson Operation Ltd
Monsson Energy AB	Stockholm (SE)	31.12	SEK	50,000.00		95%	Monsson Operation Ltd
Monsson Turkey Limited Sirkety	Istanbul (TR)	31.12	TRY	165,000.00		100%	Monsson Operation Srl
Wind Power Energy Srl	Costanta (RO)	31.12	RON	1,000.00		100%	Monsson Operation Srl
Associates consolidated using the equity method							
Solar Project One S.r.l.	Naples (IT)	31.12	EUR	20,000.00		50%	PLC System S.r.l.
MSD Service S.r.l.	Acerra - NA (IT)	31.12	EUR	10,000.00	45%		
Panmed Renewables Co	Jordan (JO)	31.12	JOD	5,000,000		20%	PLC System S.r.l.
Monsson Poland SP.ZO.o	Warsaw (PL)	31.12	PLN	5,000		50%	Monsson Operation Srl
Monsson South Africa Ltd.	Cape Town - South Africa (ZA)	31.03 (*)	ZAR	100		49%	Monsson Operation Srl

(*) For the purposes of the consolidated financial statements, an interim report has been prepared at 31 December 2018

The scope of consolidation at 31 December 2018 differs from the scope of consolidation at 31 December 2017 as a result:

- of the acquisition (i) of 100% of the share capital of PLC Power, (ii) of 100% of the share capital of C&C Uno, (iii) of 100% of the share capital of C&C Tre, (iv) of 100% of the share capital of C&C Irsina, (v) of 67% of the share capital of C&C Castelvetere and (vi) of 100% of the share capital of Alisei Wind as part of the C&C Operation;
- of the establishment of Tirreno and MSD Service;
- of the acquisition of the Monsson Operation Perimeter;
- of the classification of the 18% stake in TWH under assets held for disposal in accordance with IFRS 5 and its deconsolidation.

3.2.3 NOTES TO THE CONSOLIDATED RESULTS AT 31 DECEMBER 2018

C&C OPERATION

As part of the C&C Operation relating to the acquisition of projects for the construction of 4 wind farms, in 2018, 100% of the share capital of PLC Power, 100% of the share capital of C&C Irsina, 100% of the share capital of C&C Tre, 100% of the share capital of C&C Uno and 67% of the share capital of C&C Castelvetere were acquired. Subsequently PLC Power acquired 100% of Alisei, owner of a project for the construction of an additional wind farm.

The consideration for the first 4 wind farms was € 2,609 thousand; an additional variable fee is also envisaged as an "earn-out" linked to the future development of the wind projects and to the MW actually realised, calculated at € 987 thousand. The consideration for the shares in Alisei was set at € 750 thousand.
Acquisitions have been accounted for using the acquisition method in accordance with the provisions of IFRS 3. The consolidated financial statements include the results of the new companies from the date of acquisition.

Following the completion of the accounting allocation process provided for by IFRS 3 ("Purchase Price Allocation" or "PPA"), the positive difference generated between the considerations recognised for the acquisition and the fair value of the net assets of the companies at the acquisition date was recorded under "other intangible fixed assets" and represents the latent capital gain deriving from the authorisations already obtained or from the authorisation processes at an extremely advanced stage (i.e. C&C Irsina). In fact, IFRS 3 requires the fair value of the consideration transferred by the purchaser to be allocated to the fair value of the net assets acquired after recognising any contingent liabilities.

Acquisition of C&C Group	figures in thousands of Euros	Acquisition of Alisei WIND	figures in thousands of Euros
Assets acquired	1,527	Assets acquired	151
Liabilities acquired	(214)	Liabilities acquired	(3)
A = Fair value of net assets	**1,313**	**A = Fair value of net assets**	**148**
B = Fair value C&C operation	3,596	B = Price	750
C = (B-A) Consolidation effect	**2,283**	**C = (B-A) Consolidation effect**	**602**

The acquisition method was applied from the date of entry into the PLC Group on 9 March 2018 for PLC Power, C&C Tre, C&C Castelvetere and C&C Irsina, on 6 June 2018 for C&C Uno and on 11 October 2018 for Alisei Wind. The companies contributed to the result for the year with a profit of € 12 thousand. In the event of acquisition as from 1 January 2018, the companies would have contributed negatively to the result for the year for € 32 thousand, excluding the effects of the disposal, prior to acquisition by the PLC Group, of some equity investments held by PLC Power, which generated a loss of € 1,664 thousand.
It should be noted that due to the preliminary contracts stipulated for the sale of 2 plants to be realised by the subsidiary PLC System, the values allocated at the time of acquisition are fully supported.

ACQUISITION OF 51% OF MONSSON OPERATION LTD.

In November 2018, PLC acquired 51% of the share capital of Monsson Operation Ltd (a holding company incorporated under Irish law which in turn controls several companies, mainly in the EMEIA area). For the purposes of the consolidated financial statements, this acquisition resulted in the emergence of a difference, temporarily allocated to goodwill, totalling € 4,778 thousand. The transactions were accounted for using the acquisition method in accordance with the provisions of IFRS 3.

The difference generated between the consideration paid for the acquisition and the fair value of the net assets of the companies at the acquisition date was provisionally recognised under the item "goodwill", as the accounting allocation process envisaged by IFRS 3 has not yet been completed; the surplus value of the acquisition lies in the fact that the Monsson Group represents a technological basin complementary to the expertise already possessed by the subsidiary PLC Service in the wind turbine sector, as well as an international platform through which it can guide the development of its core business abroad.

The consideration was provisionally determined at € 4,669 thousand and includes (i) the purchase price previously identified as € 3,334 thousand and which will be paid by PLCs in several tranches on the basis of predetermined EBITDA thresholds of the perimeter being acquired and (ii) the valuation of the put option granted to the sellers on the residual 49% stake in Monsson Operation Ltd. calculated by taking into account the purchase price established for 51% adjusted by the variable portion to be paid according to the results and the majority premium. It should be noted that, pursuant to the contract, the economic conditions of the put and call options will be negotiated by the parties in good faith (for further details see paragraph 2.1).

Acquisition of the Monsson Operation Perimeter	figures in thousands of Euros
Assets acquired	5,193
Liabilities acquired	(5,302)
A = Fair value of net assets	**(109)**
B = Price	4,669
C = (B-A) Consolidation effect	**4,778**

The acquisition method was applied from the date of entry into the PLC Group on 9 November 2018. The Monsson Operation Perimeter contributed to the result for the year with a loss of € 20 thousand. In the event of an acquisition as from 1 January 2018, the Monsson Operation Perimeter would have made a positive contribution of € 21 thousand to the result for the year.

It should be noted that due to the actual results, the values allocated at the time of acquisition are supported.

A. TANGIBLE ASSETS

The balance of tangible assets at 31 December 2018 was € 7,545 thousand (€ 3,716 thousand at 31 December 2017).

TANGIBLE ASSETS (in thousands of Euros)	Land and buildings	General and Specific Plants	Equipment	Office machines and other assets	Assets under construction	Total
Net value at 31.12.2017	2,144	214	829	144	385	3,716
IFRS 3 Monsson business combination	-	626	-	36	546	1,208
Increases	89	76	137	112	2,659	3,073
Decreases	-	-	-	(3)	-	(3)
Depreciation	(29)	(98)	(261)	(64)	-	(452)
Use of accumulated depreciation	-	-	-	3	-	3
Net value at 31.12.2018	2,204	818	705	228	3,590	7,545

The increases for the year are mainly due to the entry of the Monsson Operation Perimeter, for a total of € 1,208 thousand, as well as to the increase in assets under construction, for € 2,659 thousand relating for € 1,679 thousand to the assets under construction of the new companies acquired as part of the C&C Operation and relating to the construction of wind farms, for € 644 thousand to the hydroelectric plant under construction by Idroelettrica 2014 and (iii) for € 336 thousand to the restructuring work in progress on the warehouse acquired at the end of 2017 from PLC Service.

B. GOODWILL

Goodwill at 31 December 2018 amounted to € 9,490 thousand (€ 4,712 thousand at 31 December 2017).

GOODWILL (figures in thousands of Euros)	31.12.2017	Increases	Decreases	Reclassifications	31.12.2018
Acquisition of the Monsson Operation Perimeter	-	4,778	-	-	4,778
Reverse merger operation	4,710	-	-	-	4,710
Idroelettrica acquisition	2	-	-	-	2
Total	4,712	4,778	-	-	9,490

The increase for the period of € 4,778 thousand relates to the acquisition of 51% of the Monsson Operation Perimeter. With reference to the goodwill of € 4,710, generated in 2017 as a result of the reverse merger transaction and the consequent acquisition of the Group headed up by the Issuer by PLC System and PLC Service, at 31 December 2018 there were no indications that this goodwill had suffered impairment, taking into account the following elements:

- the final figures at 31 December 2018, although lower than expected, are in any case largely positive both from an economic and financial point of view, which allowed both major investments to be made and dividends to be distributed;
- that the market capitalisation of the PLC share at 31 December 2018, equal to € 46.5 million, is higher than the consolidated net equity at the same reference date;
- consolidated EBITDA at 31 December 2018 - equal to € 7,316 thousand - is higher than the amount of goodwill.

Also with reference to goodwill arising from the acquisition of 51% of the Monsson Operation Perimeter, there are no indicators that this goodwill has suffered impairment, taking into account that the economic situation of the Perimeter shows the achievement of the EBITDA thresholds contractually provided for the year 2018 and a parameter for obtaining the subsequent tranches of payment of the price.

C. OTHER INTANGIBLE ASSETS

The balance of intangible assets at 31 December 2018 was € 5,884 thousand (€ 29 thousand at 31 December 2017).

OTHER INTANGIBLE ASSETS (figures in thousands of Euros)	Area rights	Other intangible assets	Intangible assets in progress	Total
Net value at 31.12.2017	-	29	-	29
IFRS 3 Monsson business combination	-	73	-	73
Increases	-	4,059	1,743	5,802
Decreases	-	(8)	-	(8)
Amortisation	-	(12)	-	(12)
Use of accumulated amortisation	-	-	-	-
Net value at 31.12.2018	-	4,141	1,743	5,884

The increase in the item "other intangible assets" is mainly due, for € 4,006 thousand, to the recognition of the fair value of the authorisations already obtained and of the authorisation processes at an extremely advanced stage relating to the C&C Operation following the completion of the accounting allocation process envisaged by IFRS 3.

The increase in other intangible assets in progress relates to the costs incurred during the year in relation to the Progeo Project which, since they are now in the prototype development phase, have been capitalised in accordance with the provisions of IAS 38.

D. EQUITY INVESTMENTS VALUED WITH THE EQUITY METHOD

EQUITY INVESTMENTS IN ASSOCIATES (figures in thousands of Euros)	% held	31.12.2017	Increases	Decreases	Reclassifications	31.12.2018
Tolve Windfarm Holding	18%	3,976	-	-	(3,976)	-
Solar Project One S.r.l.	50%	416	-	(74)		342
MSD Service S.r.l.	45%	-	17	(12)	-	5
Panmed Renewables	20%	50	-			50
Monsson Poland Zoo	26%	-	3			3
Monsson South Africa Ltd	25%	-	-	-		-
Total		4,442	20	(86)	(3,976)	400

The balance of investments accounted for using the equity method at 31 December 2018 was € 400 thousand (€ 4,442 thousand at 31 December 2017).

This item includes the 50% shareholding in Solar Project One S.r.l., for € 342 thousand, the shareholding in MSD Service for € 5 thousand and the 20% shareholding in Panmed Renewables Co., for € 50 thousand, as well as the shareholdings in Monsson Poland zoo, for € 3 thousand and the shareholding in Monsson South Africa Ltd included in the Monsson Operation Perimeter subject to acquisition.

The decrease of € 74 thousand relating to the shareholding in Solar Project One relates, for € 60 thousand, to the resolved distribution of reserves to shareholders for the portion pertaining to them.

At 31 December 2018, the 18% interest held in TWH was classified as a non-current asset held for sale/disposal in accordance with IFRS 5, in view of the sale in 2019 in implementation of the investment agreement signed with ACE.

E. EQUITY INVESTMENTS IN OTHER COMPANIES

EQUITY INVESTMENTS IN OTHER COMPANIES (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Equity investment in Banca del Sud	10	-	-	10
Equity investment in Consorzio EnelSi (*)	-	-	-	-
Equity investment in Credit	-	20	(20)	-
Other equity investments	1	-	-	1
Total	11	20	(20)	11

(*) equity investment fully written down in 2017

The item Equity investments in other companies amounted to € 11 thousand (€ 11 thousand at 31 December 2017). During the first half of 2018, 20,000 ordinary shares of CRED.IT Società Finanziaria S.p.A. were purchased for € 20 thousand, fully written down at 31 December 2018.

F. DEFERRED TAX ASSETS

DEFERRED TAX ASSETS (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Deferred tax assets	81	14	(32)	63
Total	81	14	(32)	63

Deferred tax assets of € 63 thousand at 31 December 2018 relate to temporary differences between the carrying amounts and the fiscally recognised values of certain financial statements items, and in particular to the discounting of employee severance indemnity and the recognition of leases in accordance with IAS 17.

G. TRADE RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

NON-CURRENT RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Non-current receivables from related parties	85	265
Non-current receivables from others	1,812	2,672
Total	**1,897**	**2,937**

Non-current receivables from related parties refer to loans granted by companies belonging to the Monsson Operation Perimeter to other companies in the Monsson Group. At 31 December 2018, the loan to the associate Panmed Renewables Co. was reclassified as short-term, as it matures in the next 12 months.

Other non-current receivables from others mainly relate to the portion of trade receivables due after one year as a result of interest-bearing repayment plans signed with some customers.

H. OTHER NON-CURRENT ASSETS

At 31 December 2018, other non-current assets, amounting to € 300 thousand and including securities and provisions, were reclassified as short-term taking into account their natural maturity and/or time to disposal.

I. INVENTORIES AND CONTRACT ASSETS

INVENTORIES AND CONTRACT ASSETS (figures in thousands of Euros)	31.12.2018	31.12.2017
Inventories of raw materials	4,062	4,539
Inventory write-down provision	(417)	(412)
Inventories of raw materials	**3,645**	**4,127**
Contract assets	**3,259**	**1,296**
Total	**6,904**	**5,423**

<u>Inventories</u>

Inventories of € 3,645 thousand at 31 December 2018 (€ 4,127 thousand at 31 December 2017) are shown net of an inventory provision of € 417 thousand. Inventories include raw materials for the EPC business and spare parts mainly for the O&M business.

The changes in the inventory provision are shown below.

INVENTORY WRITE-DOWN PROVISION (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Inventory write-down provision	(412)	(5)	-	(417)

Contract assets

Contract assets at 31 December 2018 amounted to € 3,259 thousand (€ 1,296 thousand at 31 December 2017). The item originates from the time difference between the operating progress of the projects and the achievement of the contractual progress statuses that allow invoicing. The amount of contract assets decreased due to the recognition of milestones by customers, invoicing and related collection.

J. TRADE RECEIVABLES

Trade receivables at 31 December 2018 amounted to € 18,330 thousand compared to € 11,752 thousand at 31 December 2017. Trade receivables are shown net of the related bad debt provision, amounting to € 880 thousand, which decreased due to the net effect of provisions / uses in the period as a result of the settlement of certain disputed credit positions.

TRADE RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Trade receivables from related parties	**1,018**	**192**
Trade receivables from others	18,192	12,482
Bad debt provision for receivables from others	(880)	(922)
Trade receivables from others	**17,312**	**11,560**
Total	**18,330**	**11,752**

The movements in the bad debt provision are shown below.

BAD DEBT PROVISION (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Bad debt provision	(922)	(23)	65	(880)

Trade receivables from related parties are illustrated in paragraph 3.2.4.

K. CURRENT FINANCIAL RECEIVABLES

Current financial receivables at 31 December 2018 amounted to € 371 thousand (€ 80 thousand at 31 December 2017)

CURRENT FINANCIAL RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Current financial receivables from related parties	**371**	**80**
Current financial receivables from others	1,419	1,419
Bad debt provision - current financial receivables from others	(1,419)	(1,419)
Current financial receivables from others	**-**	**-**
Total	**371**	**80**

Financial receivables from related parties are illustrated in paragraph 3.2.4.

Other existing financial receivables, equal to € 1,419 thousand, mainly include receivables from former subsidiaries and investee companies and have been fully written down in previous years, in consideration of the effective possibility of recovery.

BAD DEBT PROVISION (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Bad debt provision	(1,419)	-	-	(1,419)

L. OTHER RECEIVABLES

The total balance of other receivables at 31 December 2018 was € 2,245 thousand (€ 2,952 thousand at 31 December 2017).

OTHER CURRENT RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Other receivables from related parties	70	-
Progeo project credits	404	-
Tax receivables	1,021	1,917
Advances, deposits and security deposits	161	378
Prepaid expenses	327	231
Other receivables	262	426
Other receivables from others	2,175	2,952
Total	2,245	2,952

Tax receivables, amounting to € 1,021 thousand, mainly relate to (i) € 235 thousand for advance payments of excess tax, (ii) € 230 thousand for VAT credits relating to the current year, (iii) € 190 thousand for tax credits accrued on research and development projects and (iv) € 135 thousand for tax credits relating to previous years.

Other receivables from related parties are illustrated in paragraph 3.2.4.

M. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets amounted to € 482 thousand at 31 December 2018 (€ 186 thousand at 31 December 2017) and included securities and funds maturing within the year.

N. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE / DISPOSAL

Non-current assets held for sale/disposal at 31 December 2018 amounting to € 8,079 thousand, include (i) € 6,030 thousand relating to the 18% interest held in TWH sold in 2019 in execution of the investment contract signed with ACE and (ii) € 2,049 thousand to the property located in Costanta (RO) included in the Monsson Operation Perimeter, which, pursuant to the contract, is expected to be sold to the sellers by the end of 2019 at a price equal to its carrying amount and offset by part of the shareholders' loans granted by the sellers themselves and by companies owned by them (recorded under current liabilities held for disposal).

31.12.2018			
(figures in thousands of Euros)	TWH	Monsson Property	Total
Non-current assets	6,030	2,049	8,079
Current assets	-	-	-
Assets held for disposal	**6,030**	**2,049**	**8,079**
- of which financial in nature	-	-	-
Non-current liabilities	-	2,049	2,049
Current liabilities	-	-	-
Liabilities held for disposal	**-**	**2,049**	**2,049**
- of which financial in nature	-	2,049	2,049

The figure for the previous year included the 17.84% stake in Mediapason sold in December 2018 in execution of the Restructuring Agreement, the proceeds of which were used to repay the residual debt to MPS Capital Services (recorded under current liabilities held for disposal).

31.12.2017	
(figures in thousands of Euros)	Mediapason
Non-current assets	2,164
Current assets	-
Assets held for disposal	**2,164**
- of which financial in nature	-
Non-current liabilities	-
Current liabilities	2,169
Liabilities held for disposal	**2,169**
- of which financial in nature	2,169

O. SHAREHOLDERS' EQUITY

Consolidated shareholders' equity at 31 December 2018 amounted to € 24,437 thousand, of which € 108 thousand was attributable to minority interests. The changes in shareholders' equity mainly relate to (i) the share capital increase under option of € 3,040 thousand which ended on 6 February 2018, (ii) the distribution of the extraordinary dividend of € 2,000 thousand approved by the shareholders' meeting of 27 June 2018, and (iii) the overall positive result for the year of € 4,971 thousand, and (iv) the recognition of the translation reserve of € 119 thousand.

Finally, it should be noted that the stock market capitalisation of the PLC share at 31 December 2018, equal to € 46.5 million, is higher than its consolidated shareholders' equity as at the reference date.

P. NET FINANCIAL POSITION

NET FINANCIAL POSITION (figures in thousands of Euros)	31.12.2018	31.12.2017
Cash and cash equivalents (*)	5,858	6,293
A. CASH AND CASH EQUIVALENTS	**5,858**	**6,293**
Current financial receivables	371	80
Financial assets held for disposal	-	-
B. CURRENT FINANCIAL RECEIVABLES	**371**	**80**
Current financial liabilities	(4,702)	(4,370)
Financial liabilities held for disposal	(2,049)	(2,169)
C. CURRENT FINANCIAL PAYABLES	**(6,750)**	**(6,539)**
D. CURRENT NET FINANCIAL DEBT (A+B+C)	**(522)**	**(166)**
Non-current financial liabilities	(6,746)	(1,090)
E. NON-CURRENT NET FINANCIAL DEBT	**(6,746)**	**(1,090)**
F. NET FINANCIAL POSITION (D+E)	**(7,267)**	**(1,256)**

(*) of which € 2,223 thousand restricted and fully released in 2019 (€ 2,901 thousand at 31 December 2017)

The net financial position of the PLC Group at 31 December 2018 was negative for € 7,267 thousand (negative for € 1,256 thousand at 31 December 2017). The change compared to 31 December 2017 is mainly due to the significant investments made during the year, as well as to the net financial indebtedness attributable to the Monsson Perimeter of approximately € 2,600 thousand.

With reference to the debt relating to the Monsson Operation Perimeter, it should be noted that € 2,049 thousand will be offset as part of the sale of the property located in Costanta (RO) and is therefore classified under liabilities held for disposal.

It should also be noted that in 2018 (i) the income of € 3,040 thousand deriving from the completion of the capital increase under option was allocated to the repayment of the same amount paid by Fraes and used to guarantee the increase, and (ii) the Parent Company distributed the extraordinary dividend of € 2,000 thousand approved by the Shareholders' Meeting of 27 June 2018.

Loans outstanding at 31 December 2018

Shown below a list of loans outstanding at 31 December 2018 for the principal portion only, showing the contractual due dates.

Loans (figures in thousands of Euros)	Amount of loan/advance	Company	Last expiry date	Short-term portion	Long-term portion	Total residual loan
BPM loan	3,000	PLC S.p.A.	31/12/2021	582	2,382	2,964
Finlombarda loan	18	PLC S.p.A.	30/06/2019	18	-	18
Unicredit loan	1,500	PLC System S.r.l.	31/01/2020	425	128	553
Unicredit Factoring advance	1,500	PLC System S.r.l.	Subject to revocation	1,500	-	1,500
Unicredit loan	1,300	PLC System S.r.l.	31/06/2019	330	-	330
BPER loan	1,000	PLC System S.r.l.	02/02/2020	-	1,000	1,000
BPER loan	1000	PLC System S.r.l.	02/08/2020	-	1,000	1,000
BNL Contract advance	900	PLC System S.r.l.	Subject to revocation	900	-	900
Bank International loan	18	PLC System S.r.l.	12/10/2019	5	-	5
BNL loan	1,443	PLC Service S.r.l.	31/07/2028	131	1,280	1,411
ITALEASE loan	22	PLC Service S.r.l.	31/12/2022	3	7	10
Unicredit loan	250	PLC Service Wind S.r.l.	31/01/2019	11	-	11
Unicredit advance	250	PLC Service Wind S.r.l.	Subject to revocation	250	-	250
Mr. Muntmark shareholder loan	188	Monsson Operation Ltd (IE)		188	-	188
Monsson Alma loan	1,501	Monnson Operation S.r.l. (RO)	26/11/2020	-	1,461	1,461
Mr. Muntmark shareholder loan	734	Monnson Operation S.r.l. (RO)	15/09/2023	-	734	734
Raffeisen Bank loan	493	Monnson Operation S.r.l. (RO)	20/07/2020	146	85	231
Raffeisen Bank loan	294	Monnson Operation S.r.l. (RO)	20/07/2024	44	199	243
Monsson Energy Ltd loan	130	Monnson Operation S.r.l. (RO)	30/12/2021	-	122	122
Martop Deveopment loan	7	Monnson Operation S.r.l. (RO)	30/12/2021	-	7	7
Total	15,548			4,533	8,406	12,939

The Group does not have any contracts in place to hedge the risk deriving from changes in interest rates.

The guarantees given in favour of loans granted to the Group are illustrated in detail in the Notes relating to commitments and guarantees.

Q. EMPLOYEE SEVERANCE INDEMNITY

The provision for Employee Severance Indemnity ("TFR") at 31 December 2018 amounted to € 1,229 thousand (€ 888 thousand at 31 December 2017); the increases for the year mainly refer to the transfer of 8 employees from Fraes to PLC and to the provision for the period as shown in the table below.

EMPLOYEE SEVERANCE INDEMNITY (figures in thousands of Euros)	31.12.2017	Increases	Provisions	Utilizations	Actuarial gains/losses	31.12.2018
Employee severance indemnity	886	123	272	(57)	5	1,229

Employee severance indemnity includes amounts due to employees that are not transferred to supplementary pension funds or to the treasury fund set up at INPS. Employee severance indemnity is identified as defined benefit plans under IAS 19, and is therefore subject to actuarial valuations, in order to express the present value of the benefit payable at the end of the employment relationship that employees have accrued at the date of the financial statements.

At 31 December 2018, the Group had 384 employees, including 6 managers, 145 middle managers and clerical staff and 233 workers. The Monsson Operation Perimeter contributes 208 employees.

The average number of employees in 2018 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (in units)	31.12.2018	31.12.2017
Managers	5	3
Middle managers and clerical staff	74	33
Workers	122	91
Total	201	127

R. DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES

DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES (figures in thousands of Euros)	31.12.2018	31.12.2017
Deferred tax liabilities and other non-current taxes	1,699	907
Total	1,699	907

This item includes € 1,117 thousand in deferred tax liabilities calculated on the fair value of the authorisations for the C&C Operation following completion of the accounting allocation process provided for by IFRS 3, and € 582 thousand for the long-term portion of the IRES payable for the 2013 tax year of the subsidiary PLC System subject to instalments.

S. TRADE PAYABLES

The balance of trade payables at 31 December 2018 was € 15,835 thousand (€ 9,154 thousand at 31 December 2017).

TRADE PAYABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Trade payables to related parties	493	188
Trade payables to others	15,342	8,966
Total	15,835	9,154

Trade payables to related parties are illustrated in paragraph 3.2.4.

T. CONTRACT LIABILITIES

Contract liabilities, amounting to € 478 thousand (€ 2,789 thousand at 31 December 2017) mainly concern advances and invoiced advances on job orders with durations exceeding one year and adjusted for revenues in order to comply with the accrual principle, in application of the valuation criterion based on the contractual amounts accrued.

U. OTHER PAYABLES

Other payables at 31 December 2018 amounted to € 10,387 thousand (€ 5,524 thousand at 31 December 2017).

OTHER PAYABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Payable to Fraes (formerly PLC Group)	-	3,181
Other payables to related parties	54	15
Other payables to related parties	**54**	**3,196**
Residual payable for purchase of Monsson Operation Ltd	3,125	-
Payables to tax authorities	2,947	890
Deferred income	1,165	-
Earn out - C&C Operation	987	
Payables to social security institutions	778	479
Payables to directors	265	
Other payables	1,066	959
Other payables to others	**10,333**	**2,328**
Total	**10,387**	**5,524**

The residual debt relating to the purchase of Monsson Operation Ltd, was preliminarily determined at € 3,125 thousand and relates to (i) € 1,790 thousand for the portion of the price that will be paid in subsequent tranches on the basis of predetermined EBITDA thresholds of the perimeter being acquired and (ii) € 1,335 thousand for the valuation of the put option granted to the sellers on the residual 49% stake in Monsson Operation Ltd. calculated by taking into account the purchase price established for 51% adjusted by the variable portion to be paid according to the results and the majority premium.

Tax payables of € 2,947 thousand mainly relate to (i) € 1,104 thousand in current tax payables (ii) € 1,228 thousand for taxes relating to previous years, relating to the Monsson Operation Perimeter and PLC System and subject to instalments (iii) € 318 thousand for the short-term portion of the IRES payable for tax year 2013 of the subsidiary PLC System subject to instalments (iv) € 221 thousand for withholding tax payables and (v) € 31 thousand for VAT payables relating to the current year of some subsidiaries.

Other payables, equal to € 1,066 thousand, include € 647 thousand for payables to employees for wages and salaries, holidays and reductions in working hours.

Other payables to related parties are illustrated in paragraph 3.2.4.

AA. REVENUES FROM ORDINARY OPERATIONS

REVENUES FROM ORDINARY OPERATIONS (figures in thousands of Euros)	31.12.2018	31.12.2017
Revenues from related parties	351	-
Revenues from construction contracts	30,277	9,727
Revenues from services rendered	12,206	11,306
Revenues from the sale of goods	4,421	2,795
Revenues from others	46,904	23,828
Total	47,255	23,828

Revenues at 31 December 2018 amounted to € 47,255 thousand (€ 23,828 thousand at 31 December 2017). The EPC activity contributed significantly to the revenues from ordinary operations in 2018, amounting to € 47,255 thousand (€ 33,558 thousand, equal to 71% of total revenues), due to the completion of the contracts already acquired in 2017; the O&M segment also increased compared to the same period of the previous year with revenues of € 13,695 thousand, equal to 29% of total revenues.

BB. OTHER OPERATING REVENUES

OTHER OPERATING REVENUES (figures in thousands of Euros)	31.12.2018	31.12.2017
Other operating revenues from related parties	-	1,066
Revenues from BOT business	2,632	6,846
Other revenues	-	880
Other operating revenues from others	2,632	7,726
Total	2,632	8,792

Other revenues, amounting to € 2,632 thousand, relate entirely to revenues from the BOT business and are attributable to the change in the fair value of the 18% interest held in TWH valued in accordance with IFRS 9, taking into account the loss of significant influence and the sale in 2019.

At 31 December 2017, this item included the capital gains realised on the sale of the equity investments in Burgentia Energia S.r.l. and Energia Pulita S.r.l. as well as the capital gains recognised in execution of the sale of 80% of TWH.

CC. COSTS FOR RAW MATERIALS

Costs for raw materials at 31 December 2018 amounted to € 15,215 thousand (€ 6,333 thousand at 31 December 2017). The significant increase compared to the same period of the previous year is closely related to the increase in revenues with particular reference to the EPC activity.

DD. SERVICE COSTS

The following table details service costs totalling € 16,007 thousand (€ 8,662 thousand at 31 December 2017).

SERVICE COSTS (figures in thousands of Euros)	31.12.2018	31.12.2017
Advisory services from related parties	332	85
Service costs from related parties	246	13
Service costs from related parties	**578**	**98**
Costs relating to acquisition of Monsson Operation Ltd	375	-
Administrative and tax consultancy	514	971
Legal and notarial consultancy	288	141
Technical and professional consulting	9,559	4,821
Maintenance and utilities	302	211
Insurance	296	106
Rentals and other costs on third-party assets	1,033	783
Services and other goods	3,062	1,531
Service costs from others	**15,429**	**8,564**
Total	**16,007**	**8,662**

EE. PERSONNEL COSTS

Personnel costs at 31 December 2018 amounted to € 9,444 thousand (€ 7,002 thousand at 31 December 2017). The increase in the period is essentially due to the recruitment at the end of 2017 and during 2018.

FF. OTHER OPERATING COSTS

Other operating costs at 31 December 2018 amounted to € 1,905 thousand (€ 1,305 thousand at 31 December 2017) and mainly include costs for indirect goods and services such as fuel, hotel and restaurant expenses and employee travel expenses.

GG. AMORTISATION AND DEPRECIATION

AMORTISATION AND DEPRECIATION (figures in thousands of Euros)	31.12.2018	31.12.2017
Amortisation of intangible assets	510	529
Depreciation of tangible assets	16	15
Total	**526**	**544**

Amortisation and depreciation for the period amounted to € 526 thousand (€ 544 thousand at 31 December 2017).

HH. WRITE-DOWNS

The balance for the period refers to the full write-down of the CRED.IT Società Finanziaria S.p.A. shares acquired during the year.

II. FINANCIAL INCOME

The balance of financial income at 31 December 2018 was € 300 thousand (€ 411 thousand at 31 December 2017) and included interest income accrued on current accounts as well as on the repayment plans granted to some customers.

JJ. FINANCIAL CHARGES

Financial charges at 31 December 2018 amounted to € 532 thousand (€ 629 thousand at 31 December 2017).

KK. SHARE OF THE RESULT OF EQUITY INVESTMENTS IN SHAREHOLDERS' EQUITY

The share of the result of equity investments valued using the equity method is negative for € 26 thousand (negative for € 66 thousand at 31 December 2017).

SHARE OF THE RESULT OF EQUITY INVESTMENTS IN SHAREHOLDERS' EQUITY (figures in thousands of Euros)	31.12.2018	31.12.2017
Solar Poject One S.r.l.	(14)	18
MSD Service S.r.l.	(12)	-
Tolve Windfarm Holding S.r.l.	-	(84)
Total	(26)	(66)

LL. INCOME TAXES

INCOME TAXES (figures in thousands of Euros)	31.12.2018	31.12.2017
Current income taxes	1,565	466
Deferred income taxes	18	-
Taxes relating to previous years	(46)	
Total	1,537	466

The balance of the item taxes, equal to € 1,537 thousand, at 31 December 2018 is composed, for € 1,565 thousand of current taxes, both IRES and IRAP, for € 18 thousand of deferred taxes and for € 46 thousand of adjustments on the calculation of taxes relating to the previous financial year. Deferred taxes mainly relate to the effects of recognising the temporary differences between the carrying amounts and the corresponding tax values.

The following table shows the reconciliation between the tax charge in the financial statements and the theoretical IRES tax charge.

Theoretical tax charge	Taxable income	31.12.2018
Pre-tax profit	6,512	
Theoretical tax charge		(1,488)
Temporary differences	(172)	
Temporary differences from previous years	(96)	
Permanent differences	(1,732)	
Actual taxable profit	4,512	
Actual tax charge		(984)

MM. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The amounts included into thestatement of comprehensive income refer to the effect of the actuarial calculation calculated on the Employee Severance Indemnity in accordance with IAS 19 (equal to € 42 thousand) net of the related tax effect of € 12 thousand.

NN. COMMITMENTS AND GUARANTEES

PLC

- bank guarantee for € 204 thousand issued by Banca MPS, in the interest of the Parent Company in favour of Finlombarda as a guarantee for the portion of the subsidised loan requested as part of the development of the photovoltaic tile project. This guarantee was terminated in 2019 in execution of the provisions of the Restructuring Agreement.

PLC SYSTEM

- bank sureties issued by Unicredit in favour of domestic customers for a total of € 886 thousand;
- bank sureties issued by BPER to domestic and foreign customers for a total of € 5,176 thousand, which were subsequently extinguished in 2019;
- bank sureties issued by BNL in favour of domestic customers for a total of € 1,618 thousand;
- bank sureties issued by Credito Emiliano in favour of national customers for a total of € 44 thousand;
- sureties issued by ABB SACE on behalf of PLC System in favour of BPER for a total of € 342 thousand, subsequently extinguished in 2019;
- insurance sureties issued by Atradius, Generali and Coface in favour of domestic customers for a total of € 5,731 thousand;
- surety issued by PLC System on behalf of the subsidiary PLC South Africa in favour of a customer for € 343 thousand;
- surety issued by PLC Group on behalf of PLC System in favour of Banca Nazionale del Lavoro to guarantee the bank credit facility granted for € 2,550 thousand;

- surety issued by Esposito F. and Scognamiglio A. on behalf of PLC System in favour of Unicredit to guarantee the bank credit facility granted for € 2,698 thousand;
- pledge on securities to guarantee the sureties issued by Credito Emiliano for € 150 thousand.

PLC SERVICE

- bank sureties issued by Unicredit in favour of domestic customers for € 35 thousand;
- insurance sureties issued by Atradius, Sace and Coface in favour of national customers for € 245 thousand;
- surety issued by Esposito F. and Scognamiglio A. on behalf of PLC Service in favour of Unicredit for € 46 thousand;
- first mortgage on the property located in Acerra - Pantano district, for € 2,886 thousand to guarantee the loan granted by BNL.

PLC SERVICE WIND

- surety issued by PLC Service on behalf of PLC Service Wind in favour of Unicredit to guarantee the credit line of € 325 thousand granted;
- surety issued by PLC Service on behalf of PLC Service Wind in favour of Unicredit to guarantee the loan of € 250 thousand (residual balance of € 11 thousand at 31 December 2018) and repaid in 2019.

IDROELETTRICA 2014

- insurance surety issued by Atradius in favour of the municipality of Pergola for € 182 thousand.

MSD SERVICE

- Insurance surety issued by Reale Mutua di Assicurazioni on behalf of Burgentia Energia S.r.l. for a total of € 500 thousand;
- Bank surety issued by Banca Nazionale del Lavoro S.p.A. in favour of Terna S.p.A. for a total of € 50 thousand.

OO. SEGMENT REPORTING

An operating segment is a component of an entity that undertakes business activities that generate revenues and expenses (including revenues and expenses from transactions with other segments of the same entity), whose operating results are periodically reviewed at the Company's chief operating decision making level for the purpose of making decisions about resources to be allocated to the segment, assessing results and for which separate financial statements information is available.

The following operating segments have been identified in line with the activities carried out by the Group:

EPC - BOT segment: into which the PLC System and its controls are merged;

O&M segment: which includes PLC Service, its subsidiary PLC Service Wind and the Monsson Operation Perimeter;

PV segment: into which the newly formed Tirreno flows

HOLDING segment: which incorporates the parent company INDI

Other: which temporarily incorporates Richini Due

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	EPCBOT	O&M	Holding	FV	Other	31.12.2018
Non-current assets						
Tangible assets	3,645	3,882	18	-	-	7,545
Goodwill	2	4,778	4,711	-	-	9,490
Other intangible assets	5,796	82	6	-	-	5,884
Equity investments in associates	392	3	5	-	-	400
Equity investments accounted for using the equity method	-	-	-	-	-	-
Equity investments in other companies	11	-	-	-	-	11
Deferred tax assets	32	19	12	-	-	63
Non-current receivables						
From related parties	-	85	-	-	-	85
From others	1,717	95	-	-	-	1,812
Other non-current assets	-	-	-	-	-	-
Total non-current assets	**11,594**	**8,944**	**4,751**	**-**	**-**	**25,290**
Current assets	-	-	-	-	-	-
Inventories	1,532	2,113	-	-	-	3,645
Contract assets	3,258	-	-	-	-	3,258
Trade receivables	11,077	7,251	2	-	-	18,330
Financial receivables	299	14	57	-	-	371
Other receivables	1,475	704	46	18	0	2,244
Cash and cash equivalents	3,853	1,973	16	9	8	5,858
Other current financial assets	482	-	-	-	-	482
Total current assets	**21,977**	**12,055**	**122**	**27**	**8**	**34,188**
Assets held for sale / disposal	6,030	2,049	-	-	-	8,079
TOTAL ASSETS	**39,601**	**23,048**	**4,873**	**27**	**8**	**67,557**

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	EPCBOT	O&M	Holding	FV	Other	31.12.2018
TOTAL SHAREHOLDERS' EQUITY	**15,864**	**9,994**	**(1,451)**	**27**	**3**	**24,437**
Non-current liabilities						
Non-current financial liabilities	2,128	2,236	2,382	-	-	6,746
Provisions for non-current risks and charges	-	-	-	-	-	-
Employee severance indemnity	475	583	171	-	-	1,229
Deferred tax liabilities and other non-current taxes	1,699	0	-	-	-	1,699
Total non-current liabilities	**4,303**	**2,819**	**2,553**	**-**	**-**	**9,674**
Current liabilities						
Current financial liabilities	3,161	940	600	-	-	4,702
Trade payables	11,837	3,124	869	1	5	15,835
Other payables	4,040	2,711	3,637	(0)	(0)	10,388
Total current liabilities	**19,434**	**6,852**	**5,107**	**1**	**5**	**31,398**
Liabilities held for sale / disposal	-	2,049	-	-	-	2,049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**39,601**	**21,713**	**6,208**	**27**	**8**	**67,557**

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	EPCBOT	O&M	Holding	FV	Other	31.12.2017
Non-current assets						
Tangible assets	1,379	2,336	1	-	-	3,716
Goodwill	1	-	4,711	-	-	4,712
Other intangible assets	6	23	-	-	-	29
Equity investments in associates	4,442	-	-	-	-	4,442
Equity investments in other companies	11	-	-	-	-	11
Deferred tax assets	55	26	-	-	-	81
Non-current receivables	2,937					2,937
Other non-current assets	300	-	-	-	-	300
Total non-current assets	**9,131**	**2,385**	**4,712**	**-**	**-**	**16,228**
Current assets	-	-	-	-	-	-
Inventories	2,412	1,715	-	-	-	4,127
Contract assets	1,296	-	-	-	-	1,296
Trade receivables	7,592	4,150	10	-	-	11,752
Financial receivables	80	-	-	-	-	80
Other receivables	2,293	277	377	-	5	2,952
Cash and cash equivalents	4,917	878	493	-	5	6,293
Other current financial assets	186	-	-	-	-	186
Total current assets	**18,776**	**7,020**	**880**	**-**	**10**	**26,686**
Assets held for sale / disposal	-	-	-	-	2,164	2,164
TOTAL ASSETS	**27,907**	**9,405**	**5,592**	**-**	**2,174**	**45,078**

STATEMENT OF FINANCIAL POSITION (figures in thousands of Euros)	EPCBOT	O&M	Holding	FV	Other	31.12.2017
TOTAL SHAREHOLDERS' EQUITY	**12,348**	**4,059**	**1,780**	**-**	**3**	**18,190**
Non-current liabilities						
Non-current financial liabilities	886	204	-	-	-	1,090
Provisions for non-current risks and charges	-	-	-	-	-	-
Employee severance indemnity	411	468	9	-	-	888
Deferred tax liabilities and other non-current taxes	905	-	-	-	-	905
Total non-current liabilities	**2,202**	**672**	**9**	**-**	**-**	**2,883**
Current liabilities						
Current financial liabilities	2,467	1,578	325	-	-	4,370
Trade payables	7,009	1,837	306	-	2	9,154
Contractual liabilities	2,789	-	-	-	-	2,789
Other payables	1,092	1,259	3,172	-	-	5,523
Total current liabilities	**13,357**	**4,674**	**3,803**	**-**	**2**	**21,836**
Liabilities held for sale / disposal	-	-	-	-	2,169	2,169
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,907**	**9,405**	**5,592**	**-**	**2,174**	**45,078**

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	EPC BOT	O&M	Holding	FV	Other	01.01.2018 31.12.2018
Revenues from ordinary operations	33,558	13,695	2	-	-	47,255
Other operating revenues	2,420	212	0	-	-	2,632
Operating costs	(29,022)	(10,382)	(1,255)	(3)	(5)	(40,667)
Other operating costs	(531)	(1,173)	(199)	(1)	(1)	(1,905)
GROSS OPERATING MARGIN (EBITDA)	6,424	2,353	(1,451)	(4)	(6)	7,316
Amortisation, depreciation and write-downs	(219)	(326)	(1)	-	-	(546)
OPERATING RESULT (EBIT)	6,206	2,027	(1,453)	(4)	(6)	6,770
Net financial income (charges)	(178)	(66)	12	-	-	(232)
Income from (Charges on) equity investments	(14)	-	(12)	-	-	(26)
Income taxes	(1,182)	(354)	-	-	-	(1,536)
Profit (loss) from continuing operations	4,831	1,607	(1,452)	(4)	(6)	4,976
Profit (loss) from discontinued operations	-	-	-	-	-	-
PROFIT (LOSS) FOR THE YEAR	4,831	1,607	(1,452)	(4)	(6)	4,976
Total other components of comprehensive income	(2)	28	(30)	-	-	(4)
STATEMENT OF COMPREHENSIVE INCOME	4,829	1,635	(1,482)	(4)	(6)	4,972

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (figures in thousands of Euros)	EPC BOT	O&M	Holding	FV	Other	01.01.2017 31.12.2017
Revenues from ordinary operations	13,142	10,686	-	-	-	23,828
Other operating revenues	8,729	64	-	-	-	8,793
Operating costs	(13,254)	(8,743)	-	-	-	(21,997)
Other operating costs	(746)	(559)	-	-	-	(1,305)
GROSS OPERATING MARGIN (EBITDA)	7,871	1,448	-	-	-	9,319
Amortisation, depreciation and write-downs	(301)	(253)	-	-	-	(554)
OPERATING RESULT (EBIT)	7,570	1,195	-	-	-	8,765
Net financial income (charges)	(341)	123	-	-	-	(218)
Income from (Charges on) equity investments	(66)	-	-	-	-	(66)
Income taxes	(876)	(464)	-	-	-	(1,340)
Profit (loss) from continuing operations	6,287	854	-	-	-	7,141
Profit (loss) from discontinued operations	(1)	-	-	-	-	(1)
PROFIT (LOSS) FOR THE YEAR	6,286	854	-	-	-	7,140
Total other components of comprehensive income	1	(19)	-	-	-	(18)
STATEMENT OF COMPREHENSIVE INCOME	6,287	835	-	-	-	7,122

3.2.4 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

With regard to the requirements of the international accounting standard IAS 24 (revised) on "Related party disclosures" and the additional information required by Consob communication no. 6064293 of 28 July 2006, the following tables summarise the Group's economic and financial transactions with related parties.

Revenues and costs from related parties

REVENUES AND COSTS - RELATED PARTIES (in thousands of Euros)	Revenues			Costs		
	Goods and services	Research and development	Financial income	Raw materials and services	Staff	Financial charges
MSD Service S.r.l.	-	-	-	-	-	-
Panmed Renewables	-	-	-	-	-	-
Solar Project One S.r.l.	-	-	6	-	-	-
Tolve Windfarms Holding S.r.l.	-	-	-	-	-	-
Monsson South Africa Pty	-	-	-	-	-	-
Monsson Poland SP.ZO.o	-	-	-	-	-	-
Total associates	-	-	*6*	-	-	-
Fraes S.r.l. (formerly PLC Group S.p.A.)	-	-	-	221	-	-
Idea S.r.l.	-	-	-	-	-	-
Mario Stucchi	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	197	-	-
Panmed Italia	10	-	-	160	-	-
Other companies in the Monsson Group (*)	341	-	-	-	-	-
Total other related parties	*351*	-	-	*578*	-	-
Total	*351*	-	*6*	*578*	-	-
% impact on financial statements item	*1%*	*0%*	*2%*	*4%*	*0%*	*0%*

(*) refers to the companies of the Monsson Group that do not fall within the scope ("Monsson Operation Perimeter") acquired from PLC S.p.A. on 9 November 2018

Receivables from and payables to related parties

RECEIVABLES DUE FROM AND PAYABLES DUE TO RELATED PARTIES (in thousands of Euros)	Receivables			Payables		
	Trade	Financial	Others	Trade	Financial	Others
MSD Service S.r.l.	-	55	-	-	-	-
Panmed Renewables	-	277	-	-	-	-
Solar Project One S.r.l.	27	-	60	-	-	-
Tolve Windfarms Holding S.r.l.	7	20	0	-	-	-
Monsson South Africa Pty	-	27	-	-	-	-
Monsson Poland SP.ZO.o	-	58	-	-	-	-
Total associates	*34*	*437*	*60*	-	-	-
Fraes S.r.l. (formerly PLC Group S.p.A.)	1	-	1	-	-	-
Idea S.r.l.	-	2	-	-	-	-
Mario Stucchi	-	2	-	-	-	-
Nelke S.r.l.	-	-	-	187	-	9
Panmed Italia	-	-	-	-	-	-
Other companies in the Monsson Group	983	15	9	306	2,623	45
Total other related parties	*984*	*19*	*10*	*493*	*2,623*	*54*
Total	*1,018*	*456*	*70*	*493*	*2,623*	*54*
% impact on financial statements item	*6%*	*20%*	*3%*	*3%*	*19%*	*1%*

(*) refers to the companies of the Monsson Group that do not fall within the scope ("Monsson Operation Perimeter") acquired from PLC S.p.A. on 9 November 2018

3.2.5 FINANCIAL RISK MANAGEMENT POLICY

The financial risks to which the PLC Group is exposed are as follows: (i) credit risk arising from the possibility of default by a counterparty, (ii) foreign exchange risk arising from the performance of its business also in foreign markets, and (iii) interest rate risk arising from financial exposure.

Financial risk management is an integral part of the management of the Group's activities and is carried out centrally by the Parent Company, which defines the risk categories and, for each type of transaction and/or instrument, indicates the methods and operating limits.

Types of financial instruments and fair value hierarchy

Below is a breakdown of financial assets and liabilities, as required by IFRS 7, as part of the categories envisaged by IFRS 9, with an indication of the measurement criteria adopted.

FINANCIAL ASSETS AND LIABILITIES - IFRS 9 (figures in thousands of Euros)	Measurement criteria adopted				31.12.2018	31.12.2017
	Fair value	Fair Value Hierarchy	Measurement at cost	Amortised cost	Carrying amount	Carrying amount
Financial assets at fair value through profit or loss						
Loans and receivables	-	-	-	456	456	-
Cash and cash equivalents	5,858	Level 1	-	-	5,858	6,293
Trade receivables	-	-	-	18,330	18,330	11,752
Other current receivables	-	-	-	2,245	2,245	3,032
Other non-current receivables	-	-	-	1,812	1,812	2,937
Financial assets available for sale					-	
Investments in other companies measured at fair value	-	-	-	-	-	-
Investments in other companies measured at cost	-	-	11	-	11	11
Other financial assets	-	-	-	482	482	486
Financial assets held for sale	6,030	Level 3	-	-	-	-
TOTAL FINANCIAL ASSETS	11,888	-	11	23,325	29,193	24,511
Financial liabilities at amortised cost						
Trade payables	-	-	-	15,835	15,835	9,154
Other current payables	-	-	-	10,861	10,861	8,312
Current financial payables	-	-	-	4,702	4,702	4,370
Non-current financial payables	-	-	-	6,683	6,683	1,090
Financial liabilities held for sale	-	-	-	2,049	2,049	2,169
TOTAL FINANCIAL LIABILITIES	-	-	-	40,130	40,130	25,095

With regard to cash and cash equivalents, trade receivables and payables, other current and non-current receivables and current payables, the amortised cost is a reasonable approximation of fair value.

Financial assets and liabilities due within one year have not been measured at fair value because their amortised cost approximates fair value.

Financial assets and liabilities due after one year are measured using the amortised cost method.

With regard to financial instruments measured at fair value, the classification of the same is reported on the basis of the hierarchy of levels that reflects the significance of the inputs used in determining fair value, as required by IFRS 13. The following levels can be distinguished:

- level 1 - listed (unadjusted) prices in active markets for identical assets or liabilities available to the entity at the measurement date;
- level 2 - inputs other than the listed prices referred to in the previous point, which are observable on the market directly (as in the case of prices) or indirectly (i.e. derived from prices);
- level 3 - inputs that are not based on observable market data.

Liquidity Risk

The evolution of the Group's net working capital and financial requirements is heavily influenced by the timing of invoicing of construction contracts (with reference to the EPC segment) and services (with reference to the O&M segment) and collection of the related receivables. Consequently, although the Group has put in place measures to ensure that adequate levels of working capital and liquidity are maintained, any delays in the progress of projects and/or in the definition of positions being finalised with clients could have an impact on the capacity and/or timing of cash flow generation.

Liquidity risk represents the risk that, due to the inability to raise new funds or liquidate assets on the market, the Group will not be able to meet its payment obligations, resulting in an impact on the economic result in the event that the Group is forced to incur additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency that puts the Group's business at risk. The Group's risk management objective is to put in place a financial structure that, in line with the business objectives and defined limits, guarantees an adequate level of liquidity of credit facilities and credit lines for the entire Group.

Despite the fact that, at present, the Group has access to adequate sources of financing to meet its foreseeable financial needs, the reorganisation and rationalisation of the management of credit facilities and credit lines, which is more flexible and functional to the business, is continuing.

The policies applied were aimed at guaranteeing sufficient financial resources to cover short-term commitments and maturing bonds, as well as to ensure the availability of an adequate level of operational flexibility for the Group's development programmes, pursuing the maintenance of balance in terms of duration and composition of debt and an adequate structure of bank credit lines.

Credit Risk

Credit risk is the risk that a counterparty will fail to meet its obligations in relation to a financial instrument or contract, thereby generating a financial loss.

Credit risk is generally mitigated by the fact that the Group carries out a prior assessment of the counterparty risk of solvency on the basis of procedures and that, generally, receivables of a significant amount are due from known and reliable counterparties.

Despite the measures implemented, it cannot be ruled out that some of the Group's customers may delay, or fail to honour payments under the agreed terms and conditions.

Where there are changes in the creditworthiness of a counterparty, the value of the credit is adjusted accordingly to bring it into line with the actual probability of recovery.

At 31 December 2018, the maximum exposure to credit risk was equal to the carrying amount of the receivables in the financial statements.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in market prices, due to fluctuations in exchange rates, interest rates or the prices of equity instruments. The objective of market risk management is to manage and control the Group's exposure to such risk within acceptable levels, while optimising the return on investments.

Exchange rate risk

In 2018, the Group carried out its activities mainly in the Italian market and only to a limited extent abroad, through its subsidiary PLC South Africa Ltd. A significant increase in foreign activities is expected in 2019 as a result of the acquisition of the Monsson Operation Perimeter. The Group does not currently have any hedging contracts in place to manage exchange rate risks.

Interest rate risk

At 31 December 2018, the Group's exposure to the risk deriving from changes in interest rates was not significant due to the restructuring of its financial debt. This risk originates from floating rate financial payables that expose the Group to a cash flow risk linked to the volatility of the Euribor curve. Generally, the objective of the management is to limit the fluctuation of the financial charges that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes.

Capital management

The objectives identified by the Group in the management of capital are the creation of value for all shareholders, the safeguarding of business continuity and support for the development of the Group, to which the new management is heavily committed.

3.3 DISCLOSURE ON FEES AND INFORMATION PURSUANT TO ART. 149-DUODECIES OF THE ISSUERS' REGULATIONS

With regard to the provisions of article 149-duodecies of the Issuers' Regulations, information is provided below on the fees payable during the year for auditing and non-auditing services provided by the independent auditors and by entities belonging to the network of the independent auditors to the parent company and other companies of the PLC Group, divided into auditing services for the purpose of issuing a certificate and other services, broken down by type.

Nature of the service	Company that provided the service	Recipient	Consideration for the 2018 financial year (figures in thousands of Euros)
Audit and accounting control	EY S.p.A.	PLC S.p.A.	53
Audit and accounting control	EY S.p.A.	Group companies	89
Total			142

3.4 CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 154-BIS of Italian Legislative Decree NO. 58/98

The undersigned Michele Scoppio and Cecilia Mastelli, the Chief Executive Officer and Manager in charge of Financial Reporting of PLC respectively, certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application,

of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2018.

There are no significant aspects to be mentioned in this regard.

It is also certified that:

the consolidated financial statements at 31 December 2018:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- are consistent with the data in the accounting records and other corporate documents;
- provide a true and fair view of the issuer's financial position, results of operations and cash flows.

The report on operations includes a reliable analysis of the trend and result of operations, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 17 April 2019

The Chief Executive Officer	The Manager in charge of Financial Reporting
signed Michele Scoppio	*signed Cecilia Mastelli*

3.5 INDEPENDENT AUDITORS' REPORT

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
PLC S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PLC Group (the Group), which comprise the statement of financial position as at 31 December 2018, and the statement of income and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of PLC S.p.A., in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	Audit Response
Revenue recognition and evaluation of construction contracts. The consolidated financial statements include revenues related to construction contracts for 33.6 million and assets and liabilities related to the component matured at the balance sheet date of Euro 3.3 million and Euro 0.5 million respectively. In consideration of the introduction of the new accounting standard, with reference to the accounting of revenues, and considering the respect of the conditions provided by the same accounting standard for the recognition of revenues according to an "over time" method, revenues related to construction contracts, as well as the related margins are recognized based on the contract progress in accordance with the percentage of completion method, based on the ratio between the costs incurred and the total costs expected to complete the construction contracts. The processes and methods related to the revenues recognition and construction contracts evaluation are based on assumptions which are sometimes complex and which imply the Directors judgment, in particular with reference to the cost forecast to complete each project, including the estimation of risks and penalties, where applicable, as well as to contract modifications either expected or under negotiation. Considering the economic and financial influence of the construction contracts, of the judgment required by the complexity of the assumptions used in forecasting the costs to complete the construction contracts and of the contractual modifications under negotiation and of the potential effect on the result of the exercise of the changes of estimate, we assessed this matter as a key audit matter. The section on "Contract Assets and Liabilities" and the paragraph on "Revenues from contracts with customers" as well as the note "I - Inventories and Contract assets" of the explanatory notes to the financial statements, show the information relating to the revenue recognition and the evaluation of construction contracts.	Our audit procedures in response to the key audit matter concerned, among other things: - analysis of the procedure and key controls implemented by the company, including verification of revenue recognition criteria; - the analysis, with reference to the most significant projects, of the main assumptions used in forecasting the costs to complete the contract orders and to determine the overall revenues, by examining the construction contracts reports, contractual documentation and project managers interviews; - comparative analysis of the main changes in construction contracts results compared to the original budget or to the previous year; - execution of substantive audit procedures on a sample basis on construction contracts' costs; - the examination on the actual progress of the projects; - external confirmation procedures, on a sample basis for major projects, to contractors. Finally, we assessed the adequacy of the information provided in the explanatory notes to the financial statements related to the revenues recognition and the evaluation of construction contracts.

Responsibilities of Directors and Those Charged with Governance for the

Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company PLC S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going

concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of PLC S.p.A., in the general meeting held on June 23, 2015, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of PLC S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group PLC as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of PLC Group as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of PLC Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 29, 2019

EY S.p.A.
Signed by: Gabriele Grignaffini
(Partner)

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

4 FINANCIAL STATEMENTS

4.1 FINANCIAL STATEMENTS

4.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (figures in Euros)	Notes	31.12.2018	31.12.2017
Non-current assets			
Tangible assets	A	17,771	564
Intangible assets			
Goodwill	B	-	-
Other intangible assets	B	5,817	274
Biological assets		-	-
Equity investments in subsidiaries	C	46,337,490	43,002,635
Equity investments in associates	D	17,100	-
Deferred tax assets	E	11,795	-
Non-current receivables			
From related parties	F	1,558,477	-
From others	F	-	-
Other non-current assets		-	-
Total non-current assets		**47,948,450**	**43,003,473**
Current assets			
Inventories		-	-
Trade receivables			
From related parties	G	332,339	117,852
From others	G	-	10,179
Financial receivables			
From related parties	H	55,376	
From others	H	2,100	-
Other receivables			
From related parties	I	158,432	
From others	I	45,259	377,649
Cash and cash equivalents	H	15,597	492,625
Total current assets		**609,103**	**998,305**
Non-current assets held for sale / disposal		-	-
TOTAL ASSETS		**48,557,553**	**44,001,778**

STATEMENT OF FINANCIAL POSITION (figures in Euros)		31.12.2018	31.12.2017
TOTAL SHAREHOLDERS' EQUITY	J	**42,206,439**	**40,189,417**
Non-current liabilities			
Non-current financial liabilities			
From related parties	K	-	-
From others	K	2,381,571	-
Provisions for non-current risks and charges		-	-
Employee severance indemnity	L	171,211	9,325
Total non-current liabilities		2,552,782	9,325
Current liabilities			
Current financial liabilities			
From related parties	K	-	302,248
From others	K	600,333	22,486
Trade payables			
From related parties	M	214,043	100,250
From others	M	681,706	206,159
Other payables			
From related parties	N	9,000	3,055,124
From others	N	2,293,250	116,769
Total current liabilities		**3,798,332**	**3,803,036**
Non-current liabilities held for sale / disposal		-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**48,557,553**	**44,001,778**

4.1.2 INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (figures in Euros)	Notes	1.1.2018 31.12.2018	1.1.2017 31.12.2017
Revenues from ordinary operations			
From related parties	AA	1,699,839	96,600
From others	AA	-	2,486
Other operating revenues			
From related parties		-	-
From others		8	1
Costs for raw materials			
From related parties		-	-
From others		-	(1,283)
Service costs			
From related parties	BB	(199,000)	(97,500)
From others	BB	(872,731)	(359,005)
Personnel costs			
From related parties	CC	-	-
From others	CC	(1,434,815)	(288,883)
Other operating costs			
From related parties	DD	-	-
From others	DD	(199,245)	(275,525)
Restructuring income (charges)		-	2,432,383
GROSS OPERATING MARGIN (EBITDA)		(1,005,944)	1,509,274
Amortisation and depreciation	EE	(1,026)	(24,472)
Revaluations (write-downs)	FF	(6,236)	(2,366)
OPERATING RESULT (EBIT)		(1,013,206)	1,482,436
Financial income			
From related parties	GG	8,553	-
From others	GG	17,220	19,597,825
Financial charges			
From related parties		-	-
From others		(5,571)	(7,329)
Income from (Charges on) equity investments			
Dividends	HH	2,000,000	-
Share of the result of equity investments in shareholders' equity		-	-
Gains (losses) on equity investments		-	(2,600)
Income taxes		-	(196,578)
Profit (loss) from continuing operations		1,006,996	20,873,754
Profit (loss) from discontinued operations		-	(709,888)
PROFIT (LOSS) FOR THE YEAR		1,006,996	20,163,866
Total other components of comprehensive income	JJ	(30,482)	-
STATEMENT OF COMPREHENSIVE INCOME		976,514	20,163,866

4.1.3 CASH FLOW STATEMENT

CASH FLOW STATEMENT (in thousands of Euros)	1.1.2018 31.12.2018	1.1.2017 31.12.2017
Comprehensive income / (loss)	977	20.164
Comprehensive income/(loss) from discontinued operations	-	-
Comprehensive income/(loss) from continuing operations	977	20.164
(Gain)/Loss from assets sold		
Adjustment of investment property		
Amortisation, depreciation and impairment of fixed assets	2	-
Write-downs (Revaluations) of financial assets	6	2
Write-downs (Revaluations) of fixed assets	-	24
Associates' share of comprehensive income	-	-
Charges (Net financial income)	(20)	475
Other non-monetary items included in the income statement	-	(22.030)
Net changes in working capital		
Trade receivables and other receivables	(31)	(316)
Trade payables and other payables	(281)	2.122
Change in other provisions and deferred tax assets and liabilities	149	190
Gross Cash Flow	802	631
Interest paid	(5)	-
Interest received	17	-
Income taxes (paid) received	-	-
Income taxes	-	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	814	631
(Investments) in tangible and intangible fixed assets	(25)	-
Divestment of tangible and intangible fixed assets	-	6.000
(Investments) in subsidiaries	(3.340)	(43.005)
Disinvestment in subsidiaries	-	-
(Investments) in other financial assets	(17)	-
Divestment in other financial assets	-	3.064
CASH FLOW FROM INVESTING ACTIVITIES [B]	(3.382)	(33.941)
Increase/(Reduction) of Share Capital net of ancillary charges	3.040	43.730
Obtainment of loans, financing and other financial liabilities	2.960	324
(Repayments) of loans, financing and other financial liabilities	(302)	(730)
Repayments of loans, financing and other financial assets		
(Disbursement) of loans, financing and other financial assets	(1.607)	-
Dividends paid	(2.000)	-
CASH FLOW FROM FINANCING ACTIVITIES [C]	2.091	43.324
CASH FLOW FROM DISCONTINUED OPERATIONS [D]	-	(9.544)
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	(477)	471
Cash and cash equivalents at the beginning of the period	493	22
Cash and cash equivalents	16	493

4.1.4 CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY (figures in thousands of Euros)	Share capital	Statutory reserve	Other Comprehensive Income	Other reserves	Profit (loss) carried forward	Profit (loss) for the year	Total shareholders' Equity
SHAREHOLDERS' EQUITY AT 31.12.2016	26,109	-		-	(47,404)	(2,409)	(23,704)
Allocation of 2016 net income/(loss)					*(2,409)*	*2,409*	-
Capital increases	*32,946*			*10,784*			43,730
Coverage of losses	(24,209)				24,209		-
Profit (loss) at 31.12.2017						20,164	20,164
Other components of comprehensive income (loss)							-
Profit (loss) for the period	-	-		-	-	*20,164*	*20,164*
SHAREHOLDERS' EQUITY AT 31.12.2017	34,846	-		10,784	(25,604)	20,164	40,190
Allocation of 2017 net income/(loss)		1,008		(6,448)	25,604	(20,164)	-
Capital increases	2,290			750			3,040
Distribution of extraordinary dividend				(2,000)			(2,000)
Profit (loss) at 31.12.2018						1,007	1,007
Other components of comprehensive income (loss)						(30)	(30)
Profit (loss) for the period	-	-		-	-	*977*	*977*
SHAREHOLDERS' EQUITY AT 31.12.2018	37,136	1,008	-	3,086	-	977	42,207

4.2 NOTES TO THE FINANCIAL STATEMENTS

4.2.1 ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements of PLC have been prepared in accordance with the international accounting standards (International Financial Reporting Standards - hereinafter "IFRS" or "International Accounting Standards") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union pursuant to Regulation no. 1606/2002, as well as the provisions issued pursuant to Article 9 of Italian Legislative Decree no. 38/2005. These standards are supplemented by the interpretative documents issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which were also endorsed by the European Union at 31 December 2018.

The financial statements at 31 December 2018 were authorised for publication by the Board of Directors on 17 April 2019. PLC as the parent company also prepared the consolidated financial statements of the PLC Group.

FINANCIAL STATEMENT FORMATS ADOPTED

The Company presents its statement of comprehensive income in a single statement, using a classification of the individual components based on their nature. With reference to the statement of financial position, assets and liabilities are distinguished into either current and non-current, as permitted by IAS 1.

The statement of changes in shareholders' equity has been defined in accordance with IAS 1 by means of a statement that reconciles, for each item of shareholders' equity, the opening and closing balances.

The cash flow statement shows the cash flows during the year classified as cash flows from operating, investing and financing activities; cash flows from operating activities are represented using the indirect method, as required by IAS 7.

It should be noted that in the statement of financial position and in the statement of comprehensive income, transactions with related parties, where significant, have been shown under specific items. With reference to positive and/or negative income items relating to non-recurring transactions, information is provided separately.

In preparing these financial statements, the Directors assumed that the going concern assumption was met and, therefore, prepared the financial statements using the principles and criteria applicable to operating companies.

The financial statements are presented in Euro and the notes to the financial statements are presented in Euro/thousand, unless indicated otherwise; as a result, in some tables, the total amounts may differ slightly from the sum of the amounts composing them due to the effect of rounding.

TANGIBLE ASSETS

Tangible fixed assets are recorded at the historical cost of purchase, production or transfer, including the directly attributable accessory charges necessary to make the assets available for use, net of the related accumulated depreciation and any accumulated impairment losses.

Maintenance and repair costs are charged to the income statement of the year in which they are incurred if of an ordinary nature, or capitalised if they increase the value or the economic duration of the asset.

Depreciation is calculated on the basis of rates considered suitable for distributing the value of the fixed assets over their respective useful lives, understood as an estimate of the period in which the asset will be used by the company; the recoverability of their book value is verified by adopting the criteria indicated in the Section "Impairment of tangible and intangible assets". Land, whether free of construction or attached to buildings, is not depreciated.

Tangible assets are derecognised from the statement of financial position at the time of disposal or when they are permanently withdrawn from use and, consequently, no future economic benefits are expected from their sale or use. Gains and losses arising on the disinvestment or disposal of tangible assets are determined as the difference between the net disposal consideration and the carrying amount of the asset.

The depreciation rates applied are shown below:

Buildings	3%
Plant and machinery	10%
Industrial and commercial equipment	25%
Light constructions	10%
Furniture and fittings	12%
Computers/Software and electronic machines	20%
Vehicles	20%
Cars	25%

INTANGIBLE ASSETS

Intangible assets are recognised as assets, in accordance with the provisions of IAS 38 - Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably. These assets with a finite useful life are valued at cost if acquired separately, while those acquired through business combinations are capitalised at fair value at the acquisition date. These assets are systematically amortised over their estimated useful life; the recoverability of their book value is verified by adopting the criteria indicated in the Paragraph "*Impairment of tangible and intangible assets*".

Other intangible assets include:

Research and development costs

Research costs are charged to the income statement at the time they are incurred.

Development costs incurred in relation to a given project are capitalised only when the Company can demonstrate (i) the technical feasibility of completing the intangible asset so as to make it available for use or sale, (ii) its intention to complete the asset for use or sale, (iii) the manner in which it will generate probable future economic benefits, (iv) the availability of technical, financial or other resources to complete the development and (v) its ability to reliably measure the cost attributable to the asset during its development.

Subsequent to initial recognition, development costs are measured at cost less any accumulated amortisation or loss. Capitalised development costs are amortised over the period in which the related project is expected to generate revenue for the Company. The carrying amount of development costs, when the asset is not yet in use, is reviewed annually for any impairment losses or, more frequently, when there is evidence of a possible loss in value during the period.

Software

The software licenses purchased are recorded on the basis of the costs incurred for the purchase and commissioning of the specific software, net of amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over their estimated useful life of five years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

In the presence of specific indicators of impairment, and at least annually with reference to intangible assets with an indefinite life, tangible and intangible assets are subject to impairment testing.

This impairment test consists in estimating the recoverable value of the asset by comparing it with the related net carrying amount recorded in the financial statements. The recoverable value of an asset is the higher of its fair value, less costs to sells, and its value in use. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and its sale at the end of its useful life net of taxes. Discounting is carried out at a pre-tax discount rate that takes into account the implicit risk of the business sector. If the recoverable amount is lower than the carrying amount, the latter is reduced to the recoverable amount. This reduction constitutes an impairment loss which is charged to the income statement. If the reasons for the write-downs effected previously no longer apply, the assets are revalued, within the limits of the write-downs made, and the adjustment is charged to the income statement.

EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries are valued at cost. Dividends, whether deriving from the distribution of profits accumulated after the acquisition date or if they concern profits prior to the acquisition, are recorded in the income statement once the right to receive the dividend has been ascertained. If the dividends relate to profits prior to the date of acquisition, the equity investment must be written down if it is confirmed as an indicator of impairment.

Where there are specific indicators of impairment, and at least annually, equity investments in subsidiaries are subject to impairment testing.

Impairment losses must be immediately recognised as a reduction in the cost of the equity investment and charged to the income statement without the possibility of deferring the cost. When the write-down no longer exists, the value of the equity investment is restored within the limit of the carrying amount that would have been determined had the write-down not been recognised.

Equity investments in subsidiaries held for disposal are valued at the lower of their carrying amount and fair value less the foreseeable costs of disposal.

EQUITY INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED COMPANIES

Equity investments in associates and jointly controlled companies are valued at cost. Dividends, whether deriving from the distribution of profits accumulated after the acquisition date or if they concern profits prior to the acquisition, are recorded in the income statement once the right to receive the dividend has been ascertained. If the dividends relate to profits prior to the date of acquisition, the equity investment must be written down if it is confirmed as an indicator of impairment.

Where there are specific indicators of impairment, and at least annually, equity investments in associates and jointly controlled companies are subject to impairment testing.

Impairment losses must be immediately recognised as a reduction in the cost of the equity investment and charged to the income statement without the possibility of deferring the cost. When the write-down no longer exists, the value of the equity investment is restored within the limit of the carrying amount that would have been determined had the write-down not been recognised.

Equity investments in associates and jointly controlled companies held for disposal are valued at the lower of their carrying amount and fair value less the foreseeable costs of disposal.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies are equity investments other than those in subsidiaries, joint ventures and associates and, following the introduction of IFRS 9, fall within the category of "financial assets measured at fair value through profit or loss". After initial recognition at cost, these financial assets are measured at fair

value; valuation gains or losses are recognised in an income statement item. If the fair value cannot be reasonably determined, and therefore in the case of unlisted equity investments and equity investments for which the fair value is not reliable and cannot be determined, these financial assets are valued at cost adjusted for impairment losses. Classification as a current or non-current asset depends on the strategic choices made regarding the duration of ownership of the asset and the actual marketability of the same; current assets include those expected to be realised within 12 months of the reporting date.
Impairment losses are valued on the basis of (i) the significance of the impairment in absolute terms (severity) calculated on the basis of thresholds determined for the type of financial instrument and (ii) the length of the period of loss (durability) generally estimated at 24 months.

DERIVATIVES

A derivative contract is a financial instrument: (i) whose value changes as a result of a variable such as, for example, interest rate, price of a security or asset, foreign currency exchange rate, index of prices or rates, credit rating, (ii) which requires a zero or limited initial net investment, (iii) which is settled at a future date. Derivatives are financial assets and liabilities recognised at fair value.

Derivatives qualifying as hedging instruments

The qualification of a derivative instrument as a hedging instrument requires:

- verification of the existence of an economic relationship between the hedged item and the hedging instrument;
- verification that the effect of credit risk does not prevail over the changes in value resulting from the above economic relationship;
- verification of the hedging relationship between the hedged item and the hedging instrument used by the Company.

When derivative instruments possess the characteristics to be accounted for as hedges, the following accounting treatments are applied:

- if the derivatives hedge the risk of changes in the fair value of the instruments being hedged (fair value hedge), the derivatives are recognised at fair value and the effects are charged to the income statement; consistently, the instruments being hedged are adjusted to reflect the changes in fair value associated with the risk being hedged;
- if the derivatives hedge the risk of changes in the cash flows of the instruments being hedged (cash flow hedge), the changes in the fair value of the derivatives are recorded in the shareholders' equity reserve relating to "the other components of the statement of comprehensive income" and subsequently charged to the income statement in line with the economic effects produced by the hedged transaction.

Derivatives not qualifying as hedging instruments

Changes in the fair value of derivative instruments that do not qualify as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement.

FINANCIAL ASSETS

Depending on the characteristics of the instrument and the business model adopted for their management, financial assets are classified in the following categories: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value through other comprehensive income and (iii) financial assets through profit or loss.

They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price.

Subsequent to initial recognition, financial assets that generate contractual cash flows representing exclusively principal and interest payments are measured at amortised cost if held for the purpose of collecting contractual cash flows. The application of the amortised cost method involves the recognition in the income statement of interest income determined on the basis of the effective interest rate of the exchange differences and of any write-downs.

Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting contractual cash flows and realising capital gains on disposal

are measured at fair value and the effects are recognised in the "Other Comprehensive Income" ("OCI") reserve. In this case: (i) interest income, calculated using the effective interest rate, exchange rate differences and write-downs are booked in the income statement; (ii) changes in the fair value of the instrument are booked to shareholders' equity, under OCI. The cumulative amount of changes in fair value, recognised in the shareholders' equity reserve which includes the other components of comprehensive income, is reversed to the income statement upon derecognition of the instrument.

A financial asset representing a debt instrument that is not measured at amortised cost or at fair value with the effects recognised in the OCI is measured at fair value through profit or loss; this category includes financial assets held for trading. Interest income earned on financial assets held for trading is included in the overall fair value measurement of the instrument and is recognised as financial income or charges.

WRITE-DOWN OF FINANCIAL ASSETS

The recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is measured on the basis of the so-called "expected credit loss model". In particular, expected losses are generally determined on the basis of the product of: (i) the exposure to the counterparty net of the relevant mitigating factors; (ii) the probability that the counterparty will not meet its payment obligation; (iii) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of default. The management model adopted by the Company provides for a simplified approach for trade receivables, as they do not contain a significant financial component. This approach requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the credit. The bad debt provision allocated after an analysis of individual past due receivables, which in fact already includes a prospective view of the project, is accompanied by an assessment of the customer's creditworthiness. Trade receivables and other receivables are shown in the statement of financial position net of the related bad debt provision. Write-downs of these receivables are recorded in the income statement net of any reversals of impairment losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and financial assets originally due within 90 days, readily convertible into cash and subject to an insignificant risk of change in value.

NON-CURRENT ASSETS HELD FOR SALE / DISPOSAL

Non-current assets held for sale and/or disposal groups are classified as available for sale when their carrying amount will be recovered mainly through a sale transaction rather than through its continuous use; in particular, the non-current assets must be available for immediate sale in their current condition and the sale must be highly probable within 12 months of their classification, without prejudice to further considerations in the event of delayed execution of the sale, granted by the standard in the event of an extension of the time-frame associated with the disposal plan.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell unless they are assets for which the valuation provisions of IFRS 5 are not applicable and are instead governed by other IFRS (deferred tax assets; assets deriving from employee benefits; financial assets falling within the scope of IAS 39; non-current assets measured at fair value in accordance with IAS 40; non-current assets measured in accordance with IAS 41; contractual rights deriving from insurance contracts).

In the income statement, non-current assets held for sale and disposal groups that meet the requirements for being classified as discontinued operations are presented under a single item that includes both gains and losses on disposal and the related tax effect. The comparative period is consequently re-stated as required by IFRS 5.

With regard to the equity and financial position, non-current assets held for sale and disposal groups are shown separately from other assets and liabilities in the statement of financial position. The comparative year is not resubmitted or reclassified unless it falls within the classification of "discontinued operations".

EMPLOYEE SEVERANCE INDEMNITY PROVISION

The Employee Severance Indemnity (TFR) Provision, which is mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, has the nature of deferred remuneration and is related to the duration of the working life of employees and the remuneration received during the period of service provided. In application of IAS 19, the employee severance indemnity calculated in this way assumes the nature of a "defined benefit plan" and the related obligation to be recorded in the financial statements (employee severance indemnity provision) is determined by means of an actuarial calculation, using the Projected Unit Credit Method. Following the amendment to IAS 19 "Employee Benefits", effective from 1 January 2013, the Company recognises actuarial gains and losses immediately in the Statement of Other Comprehensive Income so that the entire net amount of defined benefit provisions (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment also provides that changes between one year and the next in the defined benefit plan and plan assets must be subdivided into three components: the cost components linked to the service provided in the year must be recognised in the income statement as "service costs"; net financial charges calculated by applying the appropriate discount rate to the balance of the defined benefit plan net of assets at the beginning of the year must be recognised in the income statement as such; actuarial gains and losses arising from the remeasurement of liabilities and assets must be recognised in the statement of other comprehensive income (losses).

As of 1 January 2007, the Finance Act and the related implementing decrees introduced significant changes to the rules governing employee severance indemnity, including the choice made by employees as to the allocation of their accrued employee severance indemnity (to supplementary pension funds or to the "Treasury Fund" managed by INPS - Italian National Social Security Institute)). Consequently, the obligation to INPS, as well as the contributions to supplementary pension schemes, assume the nature of "Defined contribution plans" according to IAS 19, while the quotas recorded in the Employee Severance Indemnity provision retain, according to IAS 19, the nature of "Defined benefit plans".

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated in the presence of a current obligation (legal or implicit), deriving from a past event, for which it is probable that fulfilment of the obligation will be on a payment basis and its amount can be reliably estimated. Provisions are recorded at the value representing the best estimate of the amount that the Company would pay to extinguish the obligation or to transfer it to third parties at the end of the period. If the discounting effect is significant, provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision, due to the passage of time, is recognised as a financial charge. Changes in estimates are reflected in the income statement for the period in which the change occurred.

FINANCIAL LIABILITIES

Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs, and are subsequently measured using the amortised cost method (for further details see the section on Financial assets).

SHAREHOLDERS' EQUITY

Costs for capital transactions

Ancillary charges for capital increase transactions are entered in the shareholders' equity in a specific reserve.

REVENUES

Revenues are recognised to the extent that it is probable that the economic benefits will be realised and the amount can be reliably determined. Revenues from the sale of goods and services are measured at the fair value of the consideration received or due, taking into account any discounts and premiums. With regard to the sale of goods and services, the revenue is recognised when the company has transferred to the purchaser the significant risks and benefits associated with ownership of the goods or performance of the service.

COSTS

Costs for the purchase of goods and services are recognised in the income statement on an accruals basis.

Personnel costs include the amount of wages and salaries paid, provisions for pension funds and holidays accrued but not taken, and social security and welfare costs in application of the contracts and current legislation.

DIVIDENDS

Dividends are recorded at the date of the resolution passed by the shareholders' meeting.

INTEREST AND FINANCIAL CHARGES

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income and expense is recognised on a time basis using the effective interest method. Borrowing costs directly attributable to the acquisition, establishment or production of qualifying assets are capitalised, as required by IAS 23.

TAXES

Current income taxes are determined on the basis of the estimated taxable income for the year. The related payable, net of advances paid and withholdings, is recorded in the statement of financial position under the item "Current taxes". The tax rates and regulations used to calculate current taxes are those in force or issued at the reporting date.

Deferred taxes are calculated by applying the tax rates expected to be applied in the year in which the assets will be realised or the liabilities settled to the temporary differences existing between the carrying amount attributed to an asset or a liability and the corresponding values recognised for tax purposes (the so-called liability method), considering the rates in force or already issued at the date of the financial statements.

The item "Deferred taxes" includes any deferred tax liabilities on temporary differences, the taxation of which is deferred to future years in accordance with current tax laws.

"Deferred tax assets" include any taxes which, although pertaining to future years, refer to the current year and are recognised when there is a likelihood that future taxable income will be sufficient to absorb their recovery.

The allocation of deferred tax assets on tax losses accrued is recorded if there is a probability of obtaining in the future taxable income of an amount as such to be able to absorb the tax losses that can be carried forward.

The economic contra-entry to the provision for deferred or prepaid taxes is included in the item "Taxes".

Costs, revenues and assets are recognised net of value added tax (VAT) except where this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement. The net amount of indirect sales taxes that can be recovered or paid to the tax authorities is included in other receivables or payables depending on the whether the balance is positive or negative.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments listed on an active market is based on market prices at the reporting date. The fair value of financial instruments that are not listed on an active market is determined using valuation techniques, based on a series of methods and assumptions linked to market conditions at the reporting date.

EXCHANGE DIFFERENCES

Revenues and costs relating to transactions in foreign currencies are recorded at the current exchange rate on the day on which the transaction is completed. Monetary assets and liabilities denominated in foreign currency are translated into Euros using the exchange rate prevailing at the end of the period and the effect is recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at which they were initially recognised and valued at cost.

USE OF ESTIMATES

The preparation of the financial statements and related notes, in accordance with international accounting standards, requires the use of discretionary valuations and accounting estimates that have an effect on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the date of the financial statements. The final results may differ from the estimates made, which are based on data that reflect the current status of the information available. Estimates are used to measure goodwill, to record provisions for risks on receivables, to determine amortisation and depreciation, to determine write-downs of equity investments or assets, to calculate taxes and other provisions for risks and charges. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.

The main items in the financial statements affected by the use of estimates and assumptions that could entail a significant risk of resulting in significant adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a cash flow discounting model.

The cash flows are derived from the information obtained from the prospective data in the Industrial Plan. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on expected future cash flows and the growth rate used.

The Group has adopted a procedure with which it monitors at least annually all items subject to impairment testing or that identify indicators of impairment.

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2018

IFRS 9 - Financial instruments

Regulation no. 2016/2067 issued by the European Commission on 22 November 2016 endorsed the full version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9.

The provisions of the new standard: (i) amend the model for the classification and measurement of financial assets based on the characteristics of the financial instrument and the business model adopted by the company; (ii) introduce a new method for the impairment of financial assets, which takes into account expected credit losses; and (iii) amend the provisions on hedge accounting. The new method of classification and measurement of financial assets representing debt instruments has not led to significant changes. With regard to the new method of write-down of financial assets, the valuation of the recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is carried out on the basis of the so-called expected credit loss model. The Company has adopted the standard prospectively, assessing any impact of its introduction on the opening reserves. The management model adopted by the Company provides for a simplified approach for trade receivables as they do not contain a significant financial component, which requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the receivable.

For further information on how to apply the provisions of the new standard, reference should be made to the paragraphs "Financial assets", "Write-downs of financial assets" and "Derivative instruments".

IFRS 15 - Revenues from customer contracts

Regulation no. 2016/1905, issued by the European Commission on 22 September 2016, endorsed IFRS 15 "Revenues from contracts with customers", which replaces IAS 11 "Contract work" and IAS 18 "Revenues" with effect from 1 January 2018. In particular, the new standard requires that the recognition of revenues be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation (i.e. the contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations, identified on the basis of the stand-alone selling price of each good or service; (v) recognition of revenue when the related performance obligation is met. In addition, IFRS 15 supplements the financial statements disclosure to be provided with reference to the nature, amount, timing and uncertainty of revenues and the associated cash flows. The adoption of the new standard has had no impact on the Company.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET IN FORCE AND/OR ENDORSED

The accounting standards adopted for the preparation of the consolidated financial statements comply with those in force at the date of these financial statements, including the new standards, amendments and interpretations in force from 1 January 2018. The Company has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

IFRS 16 - Leases

By Regulation no. 2017/1986 issued by the European Commission on 31 October 2017, IFRS 16 - Leases (which will come into force on 1 January 2019), which defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements on the basis of a single model for the recognition of leases based on the recognition of an asset by the lessor, was endorsed, representing the right to use the asset against a liability representing the obligation to make payments under the contract and therefore according to a model similar to that used to account for finance leases in accordance with IAS 17. The standard provides two exemptions for the recognition by lessees - leases relating to assets of "low value" (e.g. personal computers) and short-term leases (e.g. contracts expiring within 12 months or less). At the date of commencement of the lease, the lessee will recognise a liability for the lease payments (i.e. the lease liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right to use the asset). Lessees shall account separately for interest expenses on the lease liability and amortisation of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease agreement, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the asset's right of use.

The accounting required by IFRS 16 for lessors is substantially unchanged from today's accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating leases and finance leases. IFRS 16 requires lessees and lessors to disclose more information than is required by IAS 17.

Analysis activities were initiated to identify the contracts falling within the scope of the new standard and to assess their potential impact on the financial statements. The Company, taking into account the exemptions granted by the standard with reference to the possibility of not restating the initial shareholders' equity, will therefore recognise the asset by right of use in line with the lease liability. In view of the above, they are not expected to have a significant impact on the financial statements. The main contractual case identified is that relating to cars and office equipment.

Amendments to IFRS 9

Regulation no. 2018/498, issued by the European Commission on 22 March 2018, endorsed the amendments to IFRS 9 "Financial Instruments - Prepayment Features with Negative Compensation", applicable from 1 January 2019, which clarify the classification of certain financial assets that can be reimbursed early when IFRS 9 is applied. The application of these changes is not expected to have a significant impact on the Company's financial statements.

IFRIC 23 - Uncertainty over income tax treatments

Regulation no. 2018/1595, issued by the European Commission on 23 October 2018, endorsed IFRIC 23 "Uncertainty over income tax treatments", applicable from 1 January 2019, which provides guidance on how to account for uncertainties about certain conduct by an entity in applying tax regulations. It is necessary to check whether the tax authorities are likely to accept the behaviour of the entity and whether they consider the uncertainty on its own or in relation to the entity's overall tax burden. The application of this interpretation is not expected to have a significant impact on the Company's financial statements.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

Regulation no. 2019/237, issued by the European Commission on 8 February 2019, endorsed the amendments to IAS 28 "Long-term interests in associates and joint ventures", applicable from 1 January 2019, aimed at clarifying that the provisions of IFRS 9, including those relating to impairment, also apply to financial instruments representing long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture. The application of these changes is not expected to have a significant impact on the Company's financial statements.

Amendments to IAS 19 - Plan amendment, curtailment or settlement

Regulation no. 2019/402, issued by the European Commission on 13 March 2019, endorsed the amendments to IAS 19 "Plan amendment, curtailment or settlement", applicable from 1 January 2019, essentially aimed at requiring the use of updated actuarial assumptions in the determination of current service cost and net interest for the period following an amendment, curtailment or settlement of an existing defined benefit plan. The application of these changes is not expected to have a significant impact on the Company's financial statements.

Annual cycle of improvements to IFRS 2015 - 2017

Regulation no. 2019/412, issued by the European Commission on 14 March 2019, endorsed the document "Annual cycle of improvements to IFRS 2015-2017", containing changes, essentially of a technical and editorial nature, to IAS 12 "Income taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business combinations" and IFRS 11 "Joint Arrangements". The amendments to the accounting standards are applicable from 1 January 2019.

IFRS 17 - Insurance contracts

The IASB has decided to propose that the entry into force of IFRS 17, the new standard on insurance contracts, be deferred by one year, i.e. until 2022. The standard, not yet endorsed by the European Commission, is not applicable to the Company.

Amendments to IFRS 3 - Business Combinations

On 22 October 2018, the IASB issued amendments to IFRS 3 "Business Combinations" to clarify the definition of business. The amendments to IFRS 3, not yet endorsed by the European Commission, are effective for financial years beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 - Definition of material

On 31 October 2018, the IASB issued amendments to IAS 1 and IAS 8 which aim to clarify the definition of 'material' in order to help companies assess whether information should be included in the financial statements. In particular, information is considered material if it is reasonable to presume that its omission, misrepresentation or concealment will affect the principal users of financial statements when making decisions on the basis of financial statements. The amendments to IAS 1 and IAS 8, not yet endorsed by the European Commission, are applicable from 1 January 2020; however, early application is permitted.

4.2.2 NOTES ON THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

A. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT (figures in thousands of Euro)	General and Specific Plants	Office machines and other assets	Total
Net value at 31.12.2017	1	0	1
Increases	-	19	19
Decreases	-	(2)	(2)
Depreciation	(1)	(1)	(2)
Use of accumulated depreciation	-	2	2
Net value at 31.12.2018	-	18	18

The balance of the item "property, plant and equipment" at 31 December 2018 was € 18 thousand (€ 1 thousand at 31 December 2017). Investments during the year, amounting to € 19 thousand, related to the purchase of computer equipment (personal computers, palmtops).

B. OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS (figures in thousands of Euros)	Other intangible assets	Total
Net value at 31.12.2017	0	0
Increases	6	6
Decreases	-	-
Amortisation	(0)	(0)
Use of accumulated amortisation	-	-
Net value at 31.12.2018	6	6

Other intangible assets, amounting to € 6 thousand at 31 December 2018, relate to software licences purchased during the year.

C. EQUITY INVESTMENTS IN SUBSIDIARIES

The balance of equity investments in subsidiaries at 31 December 2018 was € 46,337 thousand (€ 43,003 thousand at 31 December 2017).

EQUITY INVESTMENTS IN SUBSIDIARIES (figures in thousands of Euros)	% held	31.12.2017	Increases	Decreases	31.12.2018
PLC System S.r.l.	100%	32,227	-	-	32,227
PLC Service S.r.l.	100%	10,773	-	-	10,773
Monsson Operation Ltd.	51%	-	3,334	-	3,334
Richini Due S.r.l.	100%	3	6	(6)	3
Total		43,003	3,340	(6)	46,337

EQUITY INVESTMENTS IN SUBSIDIARIES (figures in thousands of Euros)	REG. OFFICE	Share capital	SE 31.12.2018	Result 31.12.2018	% held	Share of shareholders' equity	Carrying amount
PLC System S.r.l.	Acerra (IT)	10,000	18,005	3,565	100%	18,005	32,227
PLC Service S.r.l.	Acerra (IT)	100	1,969	902	100%	1,969	10,773
Monsson Operation Ltd.	Dublin (IE)	1	(153)	(54)	51%	(78)	3,334
Richini Due S.r.l.	Milan (IT)	3	3	(6)	100%	3	3
Total		10,104	19,824	4,407		19,899	46,337

The increases for the year essentially relate to the acquisition of 51% of the share capital of Monsson Operation Ltd, a holding company incorporated under Irish law which in turn controls various companies mainly in the EMEIA area, active in asset management and operation and maintenance (O&M) services for wind farms and photovoltaic plants. The purchase price, previously identified as € 3,334 thousand, will be paid by PLC in several tranches on the basis of predetermined EBITDA thresholds of the perimeter being acquired, of which the first of € 1,544 thousand already paid at closing and the last by 31 July 2020. It should be noted that, with reference to the put option granted in favour of the seller, no liability has been recorded in the financial statements, unlike the consolidated financial statements, as the strike value of the same corresponds exactly to the fair value of the instrument.

At 31 December 2018, no impairment indicators had emerged with regard to the book value of the investment; the "aggregate" economic situation of the perimeter subject to acquisition, in fact, shows the achievement of the EBITDA threshold envisaged for 2018 by contract and a parameter for obtaining the subsequent price tranches.

It should be noted that, also with reference to the investments in PLC System and PLC Service, no indicators of impairment emerged when preparing the financial statements for the year, and in particular:

- the subsidiary PLC System at 31 December 2018 shows revenues of € 34,403 thousand, a positive EBITDA of € 6,228 thousand and a profit for the year of € 3,565 thousand; in 2018 the company distributed dividends of € 1,800 thousand;
- the subsidiary PLC Service, at 31 December 2018, shows revenues of € 9,914 thousand, a positive EBITDA of € 1,514 and a profit for the year of € 902 thousand; in 2018 the company distributed dividends for € 200 thousand.

D. EQUITY INVESTMENTS IN ASSOCIATES

The item "equity investments in associates", amounting to € 17 thousand, includes the 45% equity investment held in the newco MSD Service, a company operating in dispatching services.

EQUITY INVESTMENTS IN ASSOCIATES (figures in thousands of Euros)	% held	31.12.2017	Increases	Decreases	31.12.2018
MSD Service S.r.l.	45%	-	17	-	17
Total		-	17	-	17

EQUITY INVESTMENTS IN ASSOCIATES (figures in thousands of Euros)	REG. OFFICE	Share capital	SE 31.12.2018	Result 31.12.2018	Share of shareholders' equity	Carrying amount
MSD Service S.r.l.	Acerra (IT)	10	13	(26)	6	17
Total		10	13	(26)	6	17

At 31 December 2018, there were no indications of impairment of the carrying amount of the investment. The company, established in August 2018, is already operational and in particular: (i) as of 1 December 2018, it began the activities of withdrawal of energy and management of the dispatching contract for the Anagni photovoltaic plant and (ii) on 30 November 2018, it signed the first contract for the purchase and sale of electricity with Burgentia Energia S.r.l., a company owned by the Arpinge fund, with effect from 1 January 2019.

E. DEFERRED TAX ASSETS

Deferred tax assets of € 12 thousand at 31 December 2018 relate to temporary differences between the carrying amounts and the fiscally recognised values of certain financial statements items, mainly relating to the discounting of the employee severance indemnity in accordance with IAS 19.

DEFERRED TAX ASSETS (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Deferred tax assets	-	12	-	12
Total	-	12	-	12

F. OTHER NON-CURRENT ASSETS

Other non-current assets, amounting to € 1,558 thousand at 31 December 2018, relate to the interest-bearing shareholder loan granted to the subsidiary Monsson Operation Ltd. in accordance with the contractual provisions.

G. TRADE RECEIVABLES

Trade receivables at 31 December 2018 amounted to € 332 thousand (€ 118 thousand at 31 December 2017) and refer entirely to invoices issued and to be issued to other Group companies for services provided centrally by the parent company.

TRADE RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Trade receivables from related parties	332	118
Trade receivables from others	125	135
Bad debt provision for receivables from others	(125)	(125)
Trade receivables from others	-	10
Total	332	128

Receivables are shown net of a bad debt provision of € 125 thousand set aside in previous financial years in relation to receivables considered no longer recoverable.

BAD DEBT PROVISION (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Bad debt provision	(125)	-	-	(125)

H. FINANCIAL RECEIVABLES

The balance of financial receivables at 31 December 2018 was € 57 thousand (zero at 31 December 2017).

CURRENT FINANCIAL RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Current financial receivables from related parties	55	-
Current financial receivables from others	1,421	1,419
Bad debt provision - current financial receivables from others	(1,419)	(1,419)
Current financial receivables from others	2	-
Total	57	-

Financial receivables of € 57 thousand include € 55 thousand relating to the interest-bearing shareholder loan granted to the associate MSD Service to support the start-up of its activities.

Other existing financial receivables, equal to € 1,419 thousand, mainly include receivables from former subsidiaries and investee companies and have been fully written down in previous years, in consideration of the effective possibility of recovery.

BAD DEBT PROVISION (figures in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Bad debt provision	(1,419)	-	-	(1,419)

I. OTHER RECEIVABLES

Other receivables at 31 December 2018 amounted to € 203 thousand (€ 378 thousand at 31 December 2017).

OTHER CURRENT RECEIVABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Other receivables from related parties	158	15
Tax receivables	-	347
Prepaid expenses	37	7
Guarantee deposits	5	9
Other receivables	3	-
Other receivables from others	45	363
Total	203	378

Other receivables from related parties, amounting to € 158 thousand, relate to receivables from the subsidiaries PLC System and PLC Service which arose as a result of the offsetting of items relating to staff accruals transferred to the parent company.

J. SHAREHOLDERS' EQUITY

At 31 December 2018, the shareholders' equity of PLC amounted to € 42,206 thousand.

The changes during the year concern (i) the completion of the share capital increase for € 3,040 thousand, (ii) the distribution of the extraordinary dividend of € 2,000 thousand approved by the Shareholders' Meeting of 27 June 2018 and (iii) the overall profit for the period of € 976 thousand.

At 31 December 2018, the share capital amounted to € 37,136 thousand and consisted of 24,005,031 listed ordinary shares with no nominal value. During the 2018 financial year, the number of shares increased from 562,639,677 to 600,125,797 following the completion of the share capital increase. Subsequently, on 23 July 2018, the ordinary shares were grouped together based on a ratio of 1 new share with no indication of nominal value for every 25 existing ordinary shares with no indication of nominal value.

The table below shows the individual items of shareholders' equity broken down according to their availability, origin and use, as required by Article 2427, paragraph 1) of the Italian Civil Code.

DISTRIBUTABILITY OF SHAREHOLDERS' EQUITY (figures in thousands of Euros))				Uses in the last 3 years	
	Amount	Possibility of use	Available share	Coverage of losses	Other reasons
Share capital	37.136	B		24.209	
Capital reserves					
Share premium reserve	3.086		3.086	6.448	2.000
Profit reserves					
Statutory reserve	1.008	B	1.008		
Other Comprehensive Income Reserve	-	B			
Retained earnings (losses)	-	B/C		20.164	
Total	41.230		4.094	50.821	2.000

Key:
A: for capital increase
B: to cover losses
C: for distribution to shareholders

K. NET FINANCIAL POSITION

The Company's net financial position at 31 December 2018 was negative for € 2,909 thousand (positive for € 168 thousand at 31 December 2017).

NET FINANCIAL POSITION (figures in thousands of Euros)	31.12.2018	31.12.2017
Cash and cash equivalents	16	493
A. CASH AND CASH EQUIVALENTS	**16**	**493**
Current financial receivables	57	-
Non-current financial assets held for disposal	-	-
B. CURRENT FINANCIAL RECEIVABLES	**57**	**-**
Current financial liabilities	(600)	(325)
Non-current financial liabilities held for disposal	-	-
C. CURRENT FINANCIAL PAYABLES	**(600)**	**(325)**
D. CURRENT NET FINANCIAL DEBT (A+B+C)	**(527)**	**168**
Non-current financial liabilities	(2,382)	-
E. NON-CURRENT NET FINANCIAL DEBT	**(2,382)**	**-**
F. NET FINANCIAL POSITION (D+E)	**(2,909)**	**168**

Current financial receivables, amounting to € 57 thousand, include € 55 thousand for the interest-bearing shareholder loan granted to the associate MSD Service to support the start-up of its activities.

Financial liabilities, totalling € 2,982 thousand, relate to the unsecured loan taken out with Banco BPM, of which € 600 thousand is short-term.

This loan, together with the loan signed with BNL in January 2019, is used to support investments, such as the purchase of the Monsson Operation Perimeter, while income from service contracts and dividends received from subsidiaries cover current operating costs.

It should also be noted that (i) the income of € 3,040 thousand deriving from the completion of the share capital increase under option was allocated to the reimbursement of the payment of the same amount made by Fraes and used to guarantee the increase, and (ii) the Company proceeded to distribute the extraordinary dividend of € 2,000 thousand resolved by the Shareholders' Meeting of 27 June 2018.

L. EMPLOYEE SEVERANCE INDEMNITY

The provision for Employee Severance Indemnity ("**TFR**") at 31 December 2018 amounts to € 171 thousand (€ 9 thousand at 31 December 2017); the change compared to the previous year is due to the increase deriving from the transfer of some employees from the parent company Fraes and from the subsidiaries PLC System and PLC Service as part of the process of reorganisation of the company functions and from the provision for the period.

EMPLOYEE SEVERANCE INDEMNITY (figures in thousands of Euros)	31.12.2017	Increases	Provisions	Utilizations	Actuarial gains/losses	31.12.2018
Employee severance indemnity	9	112	8	-	42	171

Employee severance indemnity includes amounts due to employees that are not transferred to supplementary pension funds or to the treasury fund set up at INPS. Employee severance indemnity is identified as defined benefit plans under IAS 19, and is therefore subject to actuarial valuations, in order to express the present value of the benefit payable at the end of the employment relationship that employees have accrued at the date of the financial statements.

At 31 December 2018, the Company had 18 employees, including 3 executives, 3 middle managers and 12 clerical staff (including 1 trainee). The average number of employees in 2018 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (in units)	31.12.2018	31.12.2017
Managers	3	1
Middle managers and clerical staff	11	1
Workers	-	
Total	**13**	**2**

M. TRADE PAYABLES

Trade payables at 31 December 2018 amounted to € 896 thousand (€ 306 thousand at 31 December 2017). The increase compared to 2017 is due to the recovery of the company's activities.

TRADE PAYABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Trade payables to related parties	214	100
Trade payables to others	682	206
Total	**896**	**306**

N. OTHER PAYABLES

Other payables at 31 December 2018 amounted to a total of € 2,302 thousand (€ 3,172 thousand at 31 December 2017), of which € 1,790 thousand related to the residual debt relating to the purchase of 51% of the share capital of Monsson Operation Ltd which, according to the contract, will be paid in successive tranches on the basis of predetermined EBITDA thresholds of the perimeter being acquired.

The payable to Fraes of € 3,040 thousand and relating to the payment to guarantee the execution of the capital increase under option, was repaid during the year with the proceeds deriving from the increase itself, within the framework of the Restructuring Agreement.

OTHER PAYABLES (figures in thousands of Euros)	31.12.2018	31.12.2017
Payable to Fraes (formerly PLC Group)	-	3,040
Other payables to related parties	9	15
Other payables to related parties	**9**	**3,055**
Residual payable for purchase of Monsson Operation Ltd	1,790	-
Payables to directors	265	68
Payables to tax authorities	120	7
Payables to social security institutions	59	10
Other payables	59	32
Other payables to others	**2,293**	**117**
Total	**2,302**	**3,172**

AA. REVENUES FROM ORDINARY OPERATIONS

Revenues at 31 December 2018 amounted to € 1,700 thousand and relate entirely to services provided centrally by PLC to Group companies.

BB. SERVICE COSTS

The following table provides details of the service costs at 31 December 2018 and a comparison with the figures for the previous year.

SERVICE COSTS (figures in thousands of Euros)	31.12.2018	31.12.2017
Advisory services from related parties	172	85
Service costs from related parties	27	13
Service costs from related parties	**199**	**98**
Costs relating to acquisition of Monsson Operation Ltd	375	-
Administrative and tax consultancy	93	26
Legal and notarial consultancy	49	107
Compensation of control bodies	96	41
Independent Auditors fees	55	53
Technical and professional consulting	52	-
Maintenance and utilities	45	22
Insurance	30	33
Rentals and other costs on third-party assets	24	12
Services and other goods	54	64
Service costs from others	**873**	**358**
Total	**1,072**	**456**

The service costs at 31 December include consultancy costs connected with the acquisition of 51% of Monsson Operation Ltd. for € 375 thousand.

CC. PERSONNEL COSTS

Personnel costs at 31 December 2018 amounted to € 1,435 thousand (€ 289 thousand at 31 December 2017) and included directors' fees of € 604 thousand. The increase in personnel costs is closely linked to the centralisation of certain company functions in the parent company as part of the Group's reorganisation programme.

DD. OTHER OPERATING COSTS

Other operating costs at 31 December 2018 amounted to € 198 thousand (€ 276 thousand at 31 December 2017).

OTHER OPERATING COSTS (figures in thousands of Euros)	31.12.2018	31.12.2017
Indirect taxes and fees	41	-
Write-down of receivables	-	232
Other operating costs	157	44
Total	**198**	**276**

EE. AMORTISATION AND DEPRECIATION

Amortisation and depreciation for the period amounted to € 1 thousand (€ 24 thousand at 31 December 2017).

FF. REVALUATIONS AND WRITE-DOWNS

This item includes the € 6 thousand write-down of the investment in the wholly-owned subsidiary Richini Due due to the loss for the period.

GG. FINANCIAL INCOME

Financial income at 31 December 2018, equal to € 26 thousand, includes € 17 thousand for the sale of the unexercised rights as part of the share capital increase under option and € 9 thousand for the interest income accrued on the shareholders' loan granted to the subsidiary Monsson Operation Ltd.

HH. GAINS (LOSSES) ON EQUITY INVESTMENTS

This item includes dividends distributed by the subsidiaries PLC System and PLC Service for € 1,800 thousand and € 200 thousand respectively.

II. INCOME TAXES

The balance of taxes at 31 December 2018 was zero.

At 31 December 2018, PLC had not prudentially recorded deferred tax assets on previous and operating losses for a total of € 15,300 thousand, because - given the company’s nature of operating holding - it is difficult to determine the estimate of the formation of taxable income and the years of associated realisation in which the tax losses may be used.

The following table shows the reconciliation between the tax charge in the financial statements and the theoretical IRES tax charge.

Theoretical tax charge (24%) (figures in thousands of Euros)	Taxable income	31.12.2018
Pre-tax profit	1,007	
Theoretical tax charge		(242)
Temporary differences	312	
Temporary differences from previous years	(96)	
Permanent differences	(1,881)	
Actual taxable profit	(658)	
Actual tax charge		158

JJ. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The components of the statement of comprehensive income relate to the effect of the actuarial calculation calculated on the Employee Severance Indemnity in accordance with IAS 19 (equal to € 42 thousand) net of the related tax effect of € 12 thousand.

KK. COMMITMENTS AND GUARANTEES

The commitments and guarantees outstanding at 31 December 2018 are set out below:

- bank guarantee for € 204 thousand issued by Banca MPS, in the interest of the Parent Company in favour of Finlombarda as a guarantee for the portion of the subsidised loan requested as part of the development of the photovoltaic tile project. This guarantee was terminated in 2019 in execution of the provisions of the Restructuring Agreement.

LL. SEGMENT REPORTING

With reference to the parent company PLC, the segment information at 31 December 2018 does not appear significant as the Company operates exclusively as the operating holding company of the Group and therefore in a single "holding" segment.

4.2.3 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

With regard to the requirements of the international accounting standard IAS 24 (revised) on "Related party disclosures" and the additional information required by Consob communication no. 6064293 of 28 July 2006, the following tables summarise the Company's economic and financial transactions with related parties.

Revenues and costs from related parties

REVENUES AND COSTS - RELATED PARTIES (in thousands of Euros)	Revenues			Costs		
	Revenues	Research and development	Financial income	Raw materials and services	Staff	Financial charges
Monsson Operation Ltd.	-	-	8	-	-	-
PLC System S.r.l.	1,250	-	-	2	-	-
PLC Service S.r.l.	416	-	-	-	-	-
Idroelettrica 2014 S.r.l.	4	-	-	-	-	-
PLC Power S.r.l.	5	-	-	-	-	-
C&C Tre Energy S.r.l.	6	-	-	-	-	-
C&C Irsina S.r.l.	6	-	-	-	-	-
C&C Castelvetere S.r.l.	4	-	-	-	-	-
C&C Uno S.r.l.	3	-	-	-	-	-
Tirreno S.r.l.	2	-	-	-	-	-
Alisei Wind S.r.l.	2	-	-	-	-	-
Total subsidiaries	*1,698*	-	*8*	*2*	-	-
MSD Service S.r.l.	2	-	1	-	-	-
Total associates	*2*	-	*1*	-	-	-
Fraes S.r.l. (formerly PLC Group S.p.A.)	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	197	-	-
Total other related parties	-	-	-	*197*	-	-
Total	1,700	-	9	199	-	-
% impact on financial statements item	*100%*	*0%*	*35%*	*19%*	*0%*	*0%*

Receivables from and payables to related parties

RECEIVABLES DUE FROM AND PAYABLES DUE TO RELATED PARTIES (in thousands of Euros)	Receivables			Payables		
	Trade	Financial	Others	Trade	Financial	Others
Monsson Operation Ltd.	-	1,558	-	-	-	-
PLC System S.r.l.	182	-	96	19	-	-
PLC Service S.r.l.	116	-	62	8	-	-
Idroelettrica 2014 S.r.l.	4	-	-	-	-	-
PLC Power S.r.l.	6	-	-	-	-	-
C&C Tre Energy S.r.l.	6	-	-	-	-	-
C&C Irsina S.r.l.	6	-	-	-	-	-
C&C Castelvetere S.r.l.	4	-	-	-	-	-
C&C Uno S.r.l.	3	-	-	-	-	-
Tirreno S.r.l.	2	-	-	-	-	-
Alisei Wind S.r.l.	2	-	-	-	-	-
Total subsidiaries	*331*	*1,558*	*158*	*27*	-	-
MSD Service S.r.l.	2	55	-	-	-	-
Total associates	*2*	*55*	-	-	-	-
Fraes S.r.l. (formerly PLC Group S.p.A.)	-	-	1	-	-	-
Nelke S.r.l.	-	-	-	187	-	9
Total other related parties	-	-	*1*	*187*	-	*9*
Total	333	1,613	159	214	-	9
% impact on financial statements item	*100%*	*100%*	*78%*	*24%*	*0%*	*0%*

4.2.4 FINANCIAL RISK MANAGEMENT POLICY

PLC operates as an operating holding company and therefore its economic results and profitability depend (i) on the dividends distributed by subsidiaries and associates and (ii) on the fees paid by subsidiaries for the structures centralised in the parent company and inherent in the status of holding company. This leads to a current significant dependence on the economic and operating results of the subsidiaries. In this context, the Company is exposed to liquidity risk, credit risk and interest rate risk deriving from financial exposure.

Financial risk management is an integral part of the management of the Group's activities and is carried out centrally by the Parent Company, which defines the risk categories and, for each type of transaction and/or instrument, indicates the methods and operating limits.

Types of financial instruments and fair value hierarchy

Below is a breakdown of financial assets and liabilities, as required by IFRS 7, as part of the categories envisaged by IFRS 9, with an indication of the measurement criteria adopted.

FINANCIAL ASSETS AND LIABILITIES - IFRS 9 (figures in thousands of Euros)	Measurement criteria adopted				31.12.2018	31.12.2017
	Fair value	Fair Value Hierarchy	Measurement at cost	Amortised cost	Carrying amount	Carrying amount
Financial assets at fair value through profit or loss						
Loans and receivables	-	-	-	1,616	1,616	-
Cash and cash equivalents	16	Level 1	-	-	16	493
Trade receivables	-	-	-	332	-	128
Other current receivables	-	-	-	204	-	378
Other non-current receivables	-	-	-	-	-	-
Financial assets available for sale					-	
Investments in other companies measured at fair value	-	-	-	-	-	-
Investments in other companies measured at cost	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Financial assets held for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**16**	**-**	**-**	**2,152**	**1,632**	**998**
Financial liabilities at amortised cost						
Trade payables	-	-	-	896	896	306
Other current payables	-	-	-	2,302	2,302	3,172
Current financial payables	-	-	-	600	600	325
Non-current financial payables	-	-	-	2,396	2,396	-
Financial liabilities held for sale	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**6,194**	**6,194**	**3,803**

With regard to cash and cash equivalents, trade receivables and payables, other current and non-current receivables and current payables, the amortised cost is a reasonable approximation of fair value.

Financial assets and liabilities due within one year have not been measured at fair value because their amortised cost approximates fair value.

Financial assets and liabilities due after one year are measured using the amortised cost method.

With regard to financial instruments measured at fair value, the classification of the same is reported on the basis of the hierarchy of levels that reflects the significance of the inputs used in determining fair value, as required by IFRS 13. The following levels can be distinguished:

- level 1 - listed (unadjusted) prices in active markets for identical assets or liabilities available to the entity at the measurement date;
- level 2 - inputs other than the listed prices referred to in the previous point, which are observable on the market directly (as in the case of prices) or indirectly (i.e. derived from prices);
- level 3 - inputs that are not based on observable market data.

Liquidity Risk

The evolution of the net working capital and of the financial requirements of the Company is heavily dependent on the results and profitability of the subsidiaries and associates.

Liquidity risk represents the risk that, due to the inability to raise new funds or liquidate assets on the market, the Company will not be able to meet its payment obligations, resulting in an impact on the economic result in the event that the Company is forced to incur additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency that puts the Company's business at risk. Considering the company's nature of holding company, the objective of risk management, managed at Group level, is to put in place a financial structure that, in line with business objectives and defined limits, guarantees an adequate level of liquidity of credit facilities and credit lines for the entire Group.

Despite the fact that, at present, the Group has access to adequate sources of financing to meet its foreseeable financial needs, the reorganisation and rationalisation of the management of credit facilities and credit lines, which is more flexible and functional to the business, is continuing.

The policies applied were aimed at guaranteeing sufficient financial resources to cover short-term commitments and maturing bonds, as well as to ensure the availability of an adequate level of operational flexibility for the Group's development programmes, pursuing the maintenance of balance in terms of duration and composition of debt and an adequate structure of bank credit lines.

Credit Risk

Credit risk is the risk that a counterparty will fail to meet its obligations in relation to a financial instrument or contract, thereby generating a financial loss. Considering its nature as an industrial holding company, the Company is directly exposed to other Group companies but indirectly to third-party customers of subsidiaries and associates, since its economic results and profitability depend on the results and profitability of other Group companies that are, in turn, directly exposed to this risk. Credit risk is generally mitigated by the fact that the Group carries out a prior assessment of the counterparty risk of solvency on the basis of procedures and that, generally, receivables of a significant amount are due from known and reliable counterparties. Despite the measures implemented, it cannot be ruled out that some of the Group's customers may delay, or fail to honour payments under the agreed terms and conditions.

Where there are changes in the creditworthiness of a counterparty, the value of the credit is adjusted accordingly to bring it into line with the actual probability of recovery. At 31 December 2018, the maximum exposure to credit risk was equal to the carrying amount of the receivables in the financial statements.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in market prices, due to fluctuations in exchange rates, interest rates or the prices of equity instruments. The objective of market risk management is to manage and control the Company's exposure to such risk within acceptable levels, while optimising the return on investments.

Interest rate risk

At 31 December 2018, the Company's exposure to the risk deriving from changes in interest rates is to be considered insignificant given the low level of indebtedness. This risk originates from floating rate financial payables that expose the Company to a cash flow risk linked to the volatility of the Euribor curve. Generally, the objective of the management is to limit the fluctuation of the financial charges that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes.

Capital management

The objectives identified by the Company in managing capital are the creation of value for all shareholders, the safeguarding of business continuity and support for the development of the Company and the Group to which the management is heavily committed.

4.3 CERTIFICATION OF THE FINANCIAL STATEMENTS FOR THE YEAR PURSUANT TO ART. 154-BIS of Italian Legislative Decree NO. 58/98

The undersigned Michele Scoppio and Cecilia Mastelli, the Chief Executive Officer and Manager in charge of Financial Reporting of PLC respectively, certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application,

of the administrative and accounting procedures for the preparation of the financial statements at 31 December 2018.

There are no significant aspects to be mentioned in this regard.

It is also certified that:
the financial statements at 31 December 2018:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- are consistent with the data in the accounting records and other corporate documents;
- provide a true and fair view of the issuer's financial position, results of operations and cash flows.

The report on operations includes a reliable analysis of the trend and result of operations, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 17 April 2019

The Chief Executive Officer

signed Michele Scoppio

The Manager in charge
of Financial Reporting

signed Cecilia Mastelli

4.4 REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018, PURSUANT TO ART. 153, LEGISLATIVE DECREE NO. 58/98

To the Shareholders' Meeting of PLC S.p.A.

Dear Shareholders,

The next Shareholders' Meeting convened for 25 June 2019 will be called, among other things, to approve the draft financial statements at 31 December 2018. On 7 February 2019, the Board of Directors resolved to postpone the approval of the annual financial report at 31 December 2018, without prejudice to the publication deadlines set forth in Article 154-ter of Italian Legislative Decree no. 58/98 and, insofar as the conditions are met, to make use of the longer term set out in art. 2364, 2nd paragraph of the Italian Civil Code and by art. 8 of the Articles of Association for the approval of the financial statements for the year ended 31 December 2018.

This report was drawn up by the Board of Statutory Auditors appointed for the three-year period 2018-2021 by the Shareholders' Meeting of 27 June 2018 and, therefore, composed of the Chairman Massimo Invernizzi and the Standing Auditors Claudio Sottoriva and Maria Francesca Talamonti.

Completion of the implementation of the Restructuring Agreement

In previous years, the Company undertook a restructuring process ,successfully completed in 2018.

PLC S.p.A. (new name of Industria e Innovazione S.p.A. approved by the Extraordinary Shareholders' Meeting of 27 June 2018 and registered with the competent Companies' Register of Milan on 12 July 2018) approved and signed on 5 April 2017 a debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law as authorised by the Court of Milan on 8 June 2017, which became final and fully effective as certified by the certificate received by the Company on 26 July 2017.

The Board of Directors has comprehensively illustrated the development of the events in the Report on Operations, of which it is considered necessary to recall the main ones herein.

In particular, the three capital increases envisaged in the Plan and already described in the Financial Report to the Financial Statements at 31 December 2017 were subscribed.

As a result of the above transactions, on 29 December 2017 Fraes S.r.l. (formerly PLC Group S.p.A.) acquired the corporate control of Industria e Innovazione with a percentage currently equal to 79.50% of the share capital.

Subsequently, on 11 December 2018, the subsidiary Richini Due S.r.l. sold its 17.84% interest in Mediapason S.p.A. The sale took place in execution of the Restructuring Agreement and in compliance with the terms and conditions set out therein, and in particular: (i) Nelke S.r.l. acquired the equity investment at a price of € 1,725 thousand (equal to the minimum consideration identified in the Restructuring Agreement) and (ii) the proceeds of the sale were used to repay the residual principal amount due to MPS Capital Services Banca per le Imprese S.p.A., with the bank waiving the difference in interest.

On 12 December 2018, to further guarantee the commitments undertaken with reference to (i) the purchase of the recourse receivable deriving from the enforcement of the surety issued by Banca Monte dei Paschi di Siena S.p.A. in favour of Finlombarda S.p.A and (ii) the subsequent conversion of the receivable into PLC shares, Nelke deposited an amount equal to the amount agreed with Banca MPS in a current account in the company’s name. Following Nelke's purchase of the recourse receivable, on 8 February 2019 the second tranche of the conversion share capital increase reserved to Nelke for € 18 thousand was carried out.

Therefore, all the transactions envisaged by the financial package included in the Restructuring Agreement have been carried out, and, thus, the execution of the Restructuring Agreement has been completed.

Grouping of shares

In execution of the resolution of the Extraordinary Shareholders' Meeting of 27 June 2018, on 23 July 2018 the Company grouped together the PLC ordinary shares based on the ratio of 1 new ordinary share with no indication of nominal value with regular dividend entitlement for every 25 existing ordinary shares with no nominal value. The grouping took place after the cancellation of 22 ordinary shares for the sole purpose of allowing the overall reconciliation of the transaction and without the reduction of the overall amount of the share capital;

Going concern

The Directors prepared the financial statements at 31 December 2018 on a going concern basis and therefore used the principles and criteria applicable to operating companies.

In assessing the existence of the going concern assumption, the Directors took into account the company’s full return to a performing position, with the completion of the Restructuring Agreement and the now consolidated activities of the PLC Group.

In fact, the PLC Group operates in the Italian renewable energy market, with particular reference to the photovoltaic and wind energy sectors, in which the Group's Business Model is divided into two main segments:

- construction of new electrical infrastructures and electricity generation (EPC - Engineering, Procurement and Construction and BOT - Build, Operate and Transfer),
- testing, monitoring and maintenance of electrical infrastructures, wind turbines and wind farms (O&M - Operation and Maintenance).

Summary of the supervisory activities carried out by the Board of Statutory Auditors

During the financial year ended 31 December 2018, the Board of Statutory Auditors carried out its supervisory activities in accordance with the provisions of the Italian Civil Code, articles 148 et seq. of Italian Legislative Decree no. 58 of 24 February 1998, as well as Italian Legislative Decree no. 39/2010 as Internal Control and Audit Committee, also taking into account the indications recommended by the rules of conduct of the Board of Statutory Auditors drawn up by the National Institute of Chartered Accountants, Consob regulations and the Corporate Governance Code for Listed Companies promoted by Borsa Italiana, which the Company states that it complies with.

The supervisory duties of the Board of Statutory Auditors are governed by Article 2403 of the Italian Civil Code, by Legislative Decree no. 58/1998 and by Legislative Decree no. 39/2010.

With reference to the supervisory activities carried out during the year, taking into account the information provided by Consob in its communication of 6 April 2001, amended and supplemented by communication no. DEM/3021582 of 4 April 2003 and subsequently by communication no. DEM/6031329 of 7 April 2006, the Board of Statutory Auditors represents the following.

The Board of Statutory Auditors monitored compliance with the law and the Articles of Association, obtaining information for the performance of its functions both through meetings with corporate structures and by virtue of what was reported during the meetings of the Board of Directors and the Committees.

The Board of Statutory Auditors attended all the meetings of the Shareholders' Meeting and the Board of Directors, gaining knowledge of the activities performed and the most significant transactions carried out by the Company or its subsidiaries, in accordance with the provisions of the law and the Articles of Association; the Board also acknowledges that it held numerous joint meetings with the Control and Risks Committee and that it participated, through one or more of its members, in all the meetings of the Board Committees established and operating within the Board of Directors.

The Directors provided us, at least quarterly, extensive information on the activities performed and on the most important economic, financial and equity operations carried out by the Company and its subsidiaries, as well as, in general, on the operating performance and on the events that had the greatest impact on the determination of the result for the year.

The Board of Statutory Auditors verified that the actions resolved and implemented were in compliance with the law and the Articles of Association and that they were not manifestly imprudent, risky, in conflict of interest or in contrast with the resolutions passed by the Shareholders' Meeting, or as such as to compromise the integrity of the company's assets. In particular, the Board of Statutory Auditors monitored the situation of financial tension that has characterised the Company and the Group over the years, the correct implementation of the Restructuring Agreement as part of the procedure provided for in Article 182-bis of the Bankruptcy Law, which has been completed to date, as well as the adoption by the Directors of the initiatives aimed at rebalancing the financial structure and strengthening the Company's capital, as a result of the Restructuring Plan.

With regard to the decision-making processes of the Board of Directors, the Board of Statutory Auditors ascertained, also by attending Board meetings, that the management decisions made by the Directors complied with the law and the Articles of Association, and verified that the related resolutions were supported by analyses and assessments concerning, in particular, the fairness of the transactions and their subsequent consistency with the interests of the Company.

During the meetings of the Board of Directors, the periodic results of operations and all aspects relating to the most significant transactions carried out were carefully analysed and discussed in detail.

The Board of Statutory Auditors did not note any atypical and/or unusual transactions with Group companies, third parties or related parties, and this was confirmed by the indications of the Board of Directors, the independent auditors EY S.p.A., the Committee for Transactions with Related Parties and the Internal Control Officer.

During the 2018 financial year, on the basis of the information received, a series of transactions with related parties were carried out, both within the group and with third parties; to our knowledge, such transactions:

- were carried out in substantial compliance with the Regulations for the execution of transactions with related parties, approved by the Board of Directors of PLC on 29 November 2010, and with Consob resolution no. 17221 of 12 March 2010 containing the Regulations on transactions with related parties;
- are carried out in the interest of the Company, of an ordinary nature and concluded at conditions equivalent to market or standard conditions;
- do not include atypical or unusual transactions.

Transactions with related parties are adequately described in the financial statements, which also show the main economic and equity balances deriving from the same.

It should be noted that following the resumption of the company's activities, the Board of Directors appointed the Head of Internal Audit on 24 April 2018 and the Supervisory Body on 26 March 2018. In this regard, the Board:

- examined the Audit Plan prepared by the function and approved by the Board of Directors and received the information flows on the initial results of the activity;
- gained knowledge of the activities of the Supervisory Body set up by the Company in accordance with the provisions of Italian Legislative Decree no. 231/2001 through specific information and update meetings on its activities, which did not bring to light any anomalies or significant censurable facts.

Within the scope of its functions, the Board of Statutory Auditors monitored the adequacy of the Company's organisational structure, taking into account the new dimensions and the resumption of operations, the respect for the principles of correct management and the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Italian Legislative Decree no. 58/98, through the collection of information from the heads of the organisational functions and through meetings with the independent auditors EY S.p.A., also with a view to the reciprocal exchange of relevant data and information; in this regard, the Board of Statutory Auditors has no particular observations to make.

The Board of Statutory Auditors assessed and monitored the adequacy of the internal control system and the administrative-accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the Company, examining company documents and analysing the results of the work carried out by the Independent Auditors, supervising the activities of the person in charge of internal control and participating, also in joint sessions, in the meetings of the Control and Risks Committee, set up within the Board of Directors, in accordance with the *Corporate Governance Code for listed companies*.

As the Internal Control and Audit Committee pursuant to Article 19 of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors monitored the financial reporting process. The findings made it possible to ascertain the overall adequacy of the internal control and risk management system in order to guarantee the reliability of the financial information relating to the 2018 financial year.

At present, the adaptation of the internal procedural body has been practically completed in order to incorporate the new organisational structure that has been adopted, so as to ensure the necessary and adequate level of segregation of functions. In this regard, the Board recalls that on 5 July 2018, Cecilia Mastelli was renewed as Manager in charge of Financial Reporting.

As part of the broader process of reorganisation of corporate functions aimed at implementing a management control system adapted to the new configuration of the Group, on 1 April 2018, the transfer to PLC of certain corporate functions previously held by the parent company Fraes S.r.l. (formerly PLC Group S.p.A.) was completed, and in particular: Administration, Finance and Control (AFC), Secretariat, Information Technology (IT), Quality, Safety and the Environment (QSE), Human Resources (HR) and Legal and Corporate Affairs.

We would also like to remind you that the statutory audit of the accounts pursuant to Article 2409-bis of the Italian Civil Code and Article 14 of Italian Legislative Decree no. 39/2010 is entrusted to the independent auditors EY S.p.A.

As provided for by art. 16 of Italian Legislative Decree no. 39/2010, the Independent Auditors carried out the audit on an exclusive basis:

- on the regular keeping of company accounts and the correct recording of operating events in the accounting records;
- on the consistency of the financial statements with the results of the accounting records and compliance with the rules governing them.

The Board of Statutory Auditors held periodic meetings with representatives of the Independent Auditors, pursuant to Article 150, paragraph 3, of Italian Legislative Decree no. 58/98, and no significant data or information emerged that should be highlighted in this Report.

As part of the supervision of the statutory audit of the annual and consolidated accounts, the Board of Statutory Auditors *i*) examined the Group audit plan at 31 December 2018 prepared by the Independent Auditors - which highlighted the significant risks identified in relation to the main areas of the financial statements - and found it to be appropriate to the characteristics and size of the Group and *ii*) monitored the effectiveness of the statutory audit process, noting that it was carried out in compliance with the audit plan and in accordance with the International Standards on Audit (ISAs). We have no particular comments to make in this respect.

The Board of Statutory Auditors also monitored the procedures for the concrete implementation of the system of Corporate Governance provided for in the Corporate Governance Code adopted by the Company, in accordance with that suggested by Borsa Italiana S.p.A. In particular, having acknowledged the assessments conducted by the Board of Directors and the Risk and Control Committee, the Board of Statutory Auditors verified *i*) that the assessment criteria and procedures adopted by the Board itself to assess the independence of its members were correctly applied, *ii*) the adequacy, in relation to the needs and operations of the Company, of the size, composition and functioning of the Board and its Committees, and *iii*) the respect of the independence criteria by the individual members of the Board.

The Directors have prepared the Report on Corporate Governance and Ownership Structure, drafted pursuant to art. 123-bis of Italian Legislative Decree no. 58/98 and art. 89-bis, R.E.

There are no particular comments to be made on the contents of these documents.

During the course of the supervisory activity carried out, and also on the basis of the information obtained from the Independent Auditors, no omissions and/or censurable facts and/or irregularities or, in any case, significant facts were found that would require reporting to the supervisory bodies or mention in this report. No statements were received pursuant to art. 2408 of the Italian Civil Code nor complaints by third parties.

During the year, the Board of Statutory Auditors issued the following favourable opinions:

- on 12 February 2018 on the reduction in the fees of the Independent Auditors for the listed company PLC S.p.A. (formerly Industria e Innovazione S.p.A.) in consideration of the new structure of the Company, which will be simplified as the parent company will essentially perform the functions of holding company and with a view to redistributing the fees more consistently with the new set-up of the Group;

- on 24 April 2018 on the amendments to the texts of the Regulations of the Appointments, Remuneration and Stock Option Plans Committee and of the Regulations of the Control and Risks Committee;
- on 15 May 2018 concerning the policy of variable remuneration and proposals for the remuneration of the Company's Directors holding particular offices;
- on 5 July 2018 with regard to the appointment of the Manager in charge of Financial Reporting until approval of the financial statements for the year ending 31 December 2020;
- on 27 September 2018, on the updating of the procedure for the fulfilment of disclosure obligations pursuant to art. 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, adopted by the Company in compliance with the recommendations of the Corporate Governance Code of Borsa Italiana.

The Board of Statutory Auditors also monitored compliance with the requirements of the "Market Abuse" and "Savings Protection" regulations concerning corporate information and "Internal Dealing", with particular reference to the handling of inside information and the procedure for the dissemination of communications and information to the public.

During the 2018 financial year, the Board of Statutory Auditors met 11 times and also attended 9 meetings of the Board of Directors. After the end of the 2018 financial year and up to the date of preparation of this Report, the Board of Statutory Auditors met 5 times and attended 5 meetings of the Board of Directors.

Separate financial statements at 31 December 2018

First of all, we point out that the draft financial statements and the draft consolidated financial statements at 31 December 2018 were made available to the Board of Statutory Auditors following their approval by the Board of Directors on 17 April 2019.

As a result of the provision of Article 154-ter of the Consolidated Law on Finance, the Company is required to provide the public with the annual financial report, the report of the Independent Auditors and the report of the control body within one hundred and twenty days of the end of the financial year, even if it has availed itself of the right to call a Shareholders' Meeting to examine and approve the 2018 financial statements within a longer term of 180 days of the end of the financial year.

The Board of Statutory Auditors verified compliance with the legal provisions governing the preparation of the financial statements at 31 December 2018 - prepared in accordance with the IFRS international accounting standards issued by the IASB - and with the Directors' Report, by means of direct checks and information obtained from the Independent Auditors.

In their Report and in the Notes to the Financial Statements, the Directors provided extensive information on operations, on the main transactions that took place during 2018 and on events occurring after the end of the year.
Both the consolidated financial statements and the separate financial statements of the parent company contain the statements of the Manager in charge of Financial Reporting, issued pursuant to Article 154-bis of Italian Legislative Decree 58/98) and subsequent amendments.
It should be noted that neither PLC nor Group companies are subject to Italian Legislative Decree no. 254/2016 concerning the disclosure of non-financial information, since the Company does not fall within the scope of application of Article 2 of that decree, nor are the Group companies public interest entities.
On 29 April 2019, the Independent Auditors provided their reports pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010, on the consolidated and separate financial statements of the Company at 31 December 2018, which show an "unamended opinion".
The Independent Auditors expressed their opinion by pointing out that *"the financial statements provide a true and fair view of the Company's financial position at 31 December 2018, results of operations and of its cash flows for the year then ended, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued to implement Article 9 of Italian Legislative Decree no. 38 of 28 February 2005"*.

Relations with the independent auditors

The Board of Statutory Auditors analysed the work carried out by the independent auditors and, in particular, the methodological structure, the audit approach used for the various significant areas of the financial statements and the planning of the audit work.
During the periodic meetings, the Board of Statutory Auditors discussed with the Independent Auditors the Key Audit Matters highlighted by EY, relating to equity investments, as regards the Financial Statements of PLC S.p.A., and contract work in progress, as regards the Consolidated Financial Statements.
The Independent Auditors sent the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, their additional report prepared pursuant to Article 11 of Regulation (EU) No. 537/2014.
In accordance with art. 19 of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors will inform the Company's Board of Directors of the results of the statutory audit by transmitting this additional report, accompanied by any observations.
The Independent Auditors confirmed that they have not received any information suggesting that there are significant deficiencies in the internal control system in relation to the financial reporting

process of the separate and consolidated financial statements at 31 December 2018, that need to be reported to the Internal Control and Audit Committee. As required by Article 19 of Italian Legislative Decree no. 39/10, the Board of Statutory Auditors monitored the independence of the Independent Auditors, particularly with regard to the provision of non-audit services.

Pursuant to the provisions of Article 17, paragraph 9, letter a) of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors has received confirmation from the Independent Auditors that, in the period from April 2018 to the date of the communication (29 April 2019), it has not found any situations that could compromise its independence or causes of incompatibility indicated in Articles 10 and 17 of Italian Legislative Decree no. 39/2010 and the relative implementing provisions.

As is clear from the information provided pursuant to Article 149-duodecies of the Consob Issuers' Regulations and reported in the Financial Report, during the 2018 financial year, the Company and the Group companies appointed EY S.p.A. to audit not only the separate financial statements, the consolidated financial statements, the half-yearly report and the checks on the regularity of the company's accounts, but to carry out the verification services for the purpose of signing the 2018 VAT return for € 2,000.

Therefore, also taking into account the communication issued by EY S.p.A. and the tasks assigned to it and to the companies belonging to its network by the Company and the Group companies, no critical aspects emerged, on the basis of the supervisory activity carried out pursuant to art. 19 of Italian Legislative Decree no. 39/2010, with regard to the independence of the independent auditors EY S.p.A.

* * *

The Board of Statutory Auditors, taking into account all the above, considering the results of the activities carried out by the Independent Auditors, as well as the activities carried out with regard to the rebalancing of the financial structure of the Company, the strengthening of the capital structure and the now normal management activities, from the point of view of its own competence and on the basis of its own knowledge, has no reasons to oppose the approval of the Financial Statements for the year ended 31 December 2018, as prepared by the administrative body, as well as the proposed resolution concerning the allocation of the net profit for the year.

Milan, 29 April 2019

THE BOARD OF STATUTORY AUDITORS

Signed Massimo Invernizzi*(Chairman*)

Signed Claudio Sottoriva

Signed Maria Francesca Talamonti

4.5 INDEPENDENT AUDITORS' REPORT

EY S.p.A.
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20123 Milano

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ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
PLC S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PLC S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of income and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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We identified the following key audit matter:

Key Audit Matter	Audit Response
Valuation of Equity investment in subsidiaries	
The financial statement as at 31 December 2018 includes Equity investments in subsidiaries for an amount of EUR 46.3 million. Equity investment in subsidiaries are accounted for at acquisition cost, eventually reduced for impairment losses. The Company, at least once per year, makes an assessment on impairment indicators for each subsidiary, and in case occur, subjects them to impairment test. Processes and procedures to evaluate and determine the recoverable amount are based on assumptions, sometimes complex, which require the judgment of Directors, in particular with reference to the prospective cash flows, and to the determination of the discount rates applied to such forecast. In consideration of the required judgment and the complexity of the assumptions used in estimating the recoverable amount of the controlled entities, we considered that this issue was a key audit matter. The paragraph "Equity investment in subsidiaries" and the note "C – Equity investment in subsidiaries" of the financial statement's explanatory note describe the assumptions used for the impairment test.	Our audit procedures in response to the key matter have, among other things, involved: - analysis of the Company's procedures and key controls on the identification of any losses and then the subsidiary evaluation; - Examination of the correct application of the procedure for the controlled entities evaluation with reference to how recoverable amount, discount rates and actual values of the companies being evaluated have been determined; - accuracy and reasonableness analysis, compared to the balance values, of the assumptions underlying the prospective cash flows with particular reference to the rates used; - Sensitivity analysis on key assumptions in order to determine changes in the assumptions that could significantly impact the evaluation of the recoverable value; Finally, we have verified the adequacy of the information provided in the illustrative notes of the financial statement in connection with the item being analyzed.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of PLC S.p.A., in the general meeting held on June 23, 2015, engaged us to perform the audits of the financial statements and consolidated financial statement for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of PLC S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of PLC S.p.A. as at 31 December 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of PLC S.p.A. as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of PLC S.p.A. as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 29, 2019

EY S.p.A.
Signed by: Gabriele Grignaffini
(Partner)

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

ANNEX 1 - SUMMARY OF THE ESSENTIAL DATA OF THE COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Pursuant to art. 2429, paragraphs 3 and 4 of the Italian Civil Code, the following table summarises the essential data of the companies included in the scope of consolidation.

	SUBSIDIARIES												
	Richini Due S.r.l	PLC Service S.r.l.	PLC Service Wind S.r.l.	PLC System S.r.l.	Idroelettrica 2014 S.r.l.	PLC System South Africa	PLC System Montenegro	PLC POWER S.r.l.	C&C Castelvetere S.r.l.	C&C Irsina S.r.l.	C&C Uno Energy S.r.l.	C&C Tre Energy S.r.l.	Alisei Wind S.r.l.
Statement of financial position (figures in thousands of Euros)													
FIXED ASSETS	-	3,301	248	17,586	1,162	5	250	5,845	378	218	644	297	142
CURRENT ASSETS	8	6,908	1,422	21,971	91	477	817	75	20	12	80	17	15
TOTAL ASSETS	**8**	**10,209**	**1,671**	**39,557**	**1,253**	**482**	**1,067**	**5,920**	**398**	**230**	**724**	**314**	**156**
SHAREHOLDERS' EQUITY	**3**	**1,969**	**80**	**18,005**	**17**	**453**	**521**	**1,971**	**316**	**201**	**607**	**217**	**117**
NON-CURRENT LIABILITIES	-	4,832	588	3,430	149	5	-	2,836	66	16	87	34	8
CURRENT LIABILITIES	5	3,407	1,003	18,122	1,088	24	546	1,113	16	13	30	62	32
TOTAL LIABILITIES	**8**	**10,209**	**1,671**	**39,557**	**1,253**	**482**	**1,067**	**5,920**	**398**	**230**	**724**	**314**	**156**
Income statement (figures in thousands of Euros)													
REVENUES	0	9,914	2,663	34,403	0	120	2,139	55	0	0	1	0	1
PRODUCTION COSTS	6	8,618	2,711	29,632	9	355	1,595	71	24	13	30	32	32
EBIT	**(6)**	**1,296**	**(48)**	**4,771**	**(9)**	**(235)**	**544**	**(16)**	**(24)**	**(13)**	**(29)**	**(32)**	**(32)**
FINANCIAL INCOME (CHARGES)	(0)	(111)	14	(79)	6	(157)	0	111	3	1	4	1	0
INCOME FROM EQUITY INVESTMENTS	(0)	-	-	-	-	-	-	(1,664)	-	-	-	-	-
PRE-TAX RESULT	**(6)**	**1,185**	**(35)**	**4,691**	**(2)**	**(392)**	**544**	**(1,569)**	**(21)**	**(12)**	**(25)**	**(31)**	**(31)**
TAXES	-	317	17	1,124	-	-	49	6	-	1	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**(6)**	**868**	**(52)**	**3,567**	**(2)**	**(392)**	**495**	**(1,576)**	**(21)**	**(13)**	**(25)**	**(31)**	**(31)**

	SUBSIDIARIES								ASSOCIATES				
	Tirreno S.r.l.	Monsson Operation Ltd	Monsson Energy AB	Monsson Operation GmbH	Monsson Operation LLC	Monsson Operation S.r.l.	Monsson Turkey	Wind Power Energy	Monsson Poland SP Z.o.o.	Monsson South Africa	Panmed Renewables	Solar Project One S.r.l.	MSD Service S.r.l.
Statement of financial position (figures in thousands of Euros)													
FIXED ASSETS	-	77	0	55	-	4,071	4	154	1	-	-	446	-
CURRENT ASSETS	27	1,604	189	316	-	3,164	388	428	65	1	245	142	140
TOTAL ASSETS	**27**	**1,681**	**189**	**372**	**-**	**7,235**	**392**	**582**	**66**	**1**	**245**	**588**	**140**
SHAREHOLDERS' EQUITY	**10**	**(153)**	**34**	**79**	**(9)**	**420**	**(711)**	**385**	**(32)**	**(1)**	**(1)**	**489**	**11**
NON-CURRENT LIABILITIES	14	1,558	-	-	-	4,325	586	46	98	2	-	-	-
CURRENT LIABILITIES	3	276	155	293	9	2,490	517	151	-	1	246	99	129
TOTAL LIABILITIES	**27**	**1,681**	**189**	**372**	**-**	**7,235**	**392**	**582**	**66**	**1**	**245**	**588**	**140**
Income statement (figures in thousands of Euros)													
REVENUES	-	27	347	227	-	6,636	880	697	341	-	-	176	-
PRODUCTION COSTS	5	81	317	182	9	6,481	881	516	352	1	1	147	26
EBIT	**(5)**	**(54)**	**29**	**45**	**(9)**	**156**	**(1)**	**181**	**(11)**	**(1)**	**(1)**	**29**	**(26)**
FINANCIAL INCOME (CHARGES)	1	(1)	(3)	1	-	(61)	(187)	(1)	(16)	-	-	(6)	-
INCOME FROM EQUITY INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-	1	-
PRE-TAX RESULT	**(5)**	**(55)**	**26**	**46**	**(9)**	**95**	**(188)**	**179**	**(27)**	**(1)**	**(1)**	**25**	**(26)**
TAXES	-	-	4	2	-	43	(1)	7	0	-	-	1	-
PROFIT (LOSS) FOR THE PERIOD	**(5)**	**(55)**	**22**	**44**	**(9)**	**52**	**(187)**	**172**	**(27)**	**(1)**	**(1)**	**24**	**(26)**

ANNEX 2 - REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Pursuant to Article 123-bis of the Consolidated Law on Finance

(traditional administration and control model)

PLC SPA
Registered office: Via Lanzone, 31 - 20123 Milan - Italy
Tel: 0249535741- Fax: 0691281491
VAT no. and Tax Code 05346630964 - R.E.A. (Economic and administrative index) MI-1814188 - Share capital € 37,149,822.34 fully paid-up

Issuer: PLC S.p.A.

Website: www.plc-spa.com

The financial year to which the Report refers: 2018

Date of approval of the Report: 17 April 2019

CONTENTS

GLOSSARY

Shareholders' Meeting: the Issuer's shareholders' meeting.

Code/Corporate Governance Code: the Corporate Governance Code for listed companies approved in March 2006, amended in March 2010 and updated in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., available to the public on the website: www.borsaitaliana.it

Italian Civil code / or CC: the Italian Civil Code.

Board or BoD: the Issuer's Board of Directors.

Issuer or PLC or Company: the issuer of listed shares to which the Report refers.

Financial year: the financial year to which the Report refers.

Group: the Issuer, together with the companies directly or indirectly controlled by it pursuant to Article 2359, paragraph 1, nos.1 and 2, of the Italian Civil Code.

Instructions to the Stock Exchange Regulations: the Instructions to the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations: the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.

Consob Issuers' Regulations: the Regulations issued by Consob with resolution no. 11971 of 1999 on issuers.

Consob Market Regulations: the Regulations issued by Consob by means of resolution no. 20249 of 2017 on markets.

Regulations on transactions with related parties: the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) on transactions with related parties.

Report: this corporate governance report.

Articles of Association: the Issuer's Articles of Association in force at the date of this Report.

TUF: Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance).

FOREWORD

This report describes, in compliance with the provisions of art. 123-bis of the Consolidated Law on Finance, the Corporate Governance model adopted by PLC S.p.A., illustrating the level of compliance with the recommendations of the Corporate Governance Code, as well as the ownership structure of the Company.
This document was approved by the Board of Directors of PLC S.p.A. on 17 April 2019 and conforms, in terms of structure, to the "format for the report on corporate governance and ownership structure" prepared by Borsa Italiana S.p.A.
It is published and made available at the company's registered office, at Borsa Italiana S.p.A. and on the website www.plc-spa.com within the time limits prescribed by the relevant legislation in force.

1. PROFILE OF THE ISSUER

As already widely communicated to the market, during the previous financial years, PLC undertook a restructuring process that, at the date of preparation of this Report, has been completed with positive results. In particular, on 5 April 2017, PLC approved and signed a debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law ("**Restructuring Agreement**"), approved by the Court of Milan on 8 June 2017, which, through the capital transactions approved by the Shareholders' Meeting of 29 June 2017 and adequate financial measures, allowed the recapitalisation of the Company and the Group as well as the rebalancing of the financial situation. At the date of this report, the last steps connected with the completion of the Restructuring Agreement have also been completed and would mean (i) the sale on 11 December 2018 of the equity investment in Mediapason S.p.A. to service the restructuring of the remaining debt to MPS Capital Services Banca per le Imprese S.p.A. and (ii) the execution on 8 February 2019 of the second tranche of the Conversion share capital increase for a total amount of € 17,998.12.
In view of the restructuring of the Company and the new corporate structure, some corporate documents were updated and revised during the year, as described in greater detail below.
With reference to the governance model, the Issuer has adopted the traditional administration and control system, as per articles 2380-bis et seq. of the Italian Civil Code, which requires the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors, to entrust, in accordance with the law, the audit to the independent auditors EY S.p.A. In accordance with the Articles of Association and the relevant laws and regulations, these bodies are assigned the following functions:

Shareholders' Meeting

It is responsible for passing resolutions in ordinary and extraordinary meetings on matters reserved to it by law and/or by the Articles of Association.

Board of Directors

It is vested with the broadest powers for the ordinary and extraordinary administration of the Company, with the power to carry out all the acts necessary to achieve the Company's objectives, with the exception of acts reserved - by law and/or the Articles of Association - to the Shareholders' Meeting. It may therefore carry out all the acts, including acts of disposal, it deems appropriate for the achievement of the corporate purpose.

The Company's Board of Directors, at the date of this Report, is composed of 6 members in office of which 2 are independent pursuant to criterion 3.C.1 of the Code, as better detailed below, and 4 executive members pursuant to criterion 2.C.1 of said Code.

At the date of this Report, the Issuer's Board of Directors had set up the following Committees to which the tasks envisaged by the Code are assigned:

- Control and Risks Committee;
- Appointments, Remuneration and Stock Option Plans Committee.

With regard to the Board Committee for transactions with related parties, it should be noted that, on the basis of the related regulations approved by the Board of Directors on 29 November 2010 and subsequently updated first on 2 February 2015 and subsequently on 15 May 2018, this committee is composed of non-executive and non-related independent directors, identifying itself as the Control and Risks Committee or, depending on the subject under examination, with the Appointments, Remuneration and Stock Option Plans Committee.

Board of Statutory Auditors

It is responsible for monitoring:

- compliance with the law and the Articles of Association, as well as with the principles of correct administration;
- the adequacy of the Company's organisational structure, internal control system and administrative and accounting system, also with reference to the latter's reliability in correctly representing operating events;
- the procedures for the concrete implementation of the rules of corporate governance provided for by codes of conduct drawn up by companies managing regulated markets or by trade associations, which the Company, through public disclosure, declares that it complies with;
- the adequacy of the instructions given to subsidiaries in relation to the information to be provided in order to comply with reporting obligations.

In addition, the Board of Statutory Auditors, following the entry into force of Italian Legislative Decree no. 39 of 27 January 2010, is responsible for:

- examining the work plan prepared by the Head of Internal Audit and the periodic reports prepared by it;
- evaluating the proposals made by the independent auditors to obtain assignment of the relevant engagement, as well as the work plan prepared for the audit and the results set out in the report and in any letter of suggestions;
- monitoring the effectiveness of the audit process.

Independent Auditors

The auditing activity is carried out by a specialised company registered in the Consob register, specifically appointed by the Shareholders' Meeting after obtaining the opinion of the Board of Statutory Auditors.

The company appointed to audit the accounts is EY S.p.A., appointed by the Shareholders' Meeting of 23 June 2015, whose mandate will end with the approval of the Financial Statements at 31 December 2023.

As of the date of this Report, the Company is also equipped with the following Codes, Regulations and procedures:

- Procedure for handling inside information;
- Internal dealing procedure;
- Procedure for the fulfilment of the disclosure obligations set forth in art. 150, par. 1 of the Consolidated Law on Finance;
- Group regulations for the execution of transactions with related parties;
- Organisational and management model pursuant to Italian Legislative Decree no. 231/01;
- “The Internal Regulatory System” Manual;
- Group Global Quality Policy;
- Group Policy on Health, Safety and the Environment;
- Procedure for the preparation of the Consolidated Financial Statements;
- Procedure for the preparation of the separate financial statements and Reporting;
- Group Budget Procedure;
- Financial Reporting Procedure;
- Legal and Corporate Affairs Management Procedure;
- Financial planning and treasury management procedure;
- Procedure for access to and use of computer data;
- New Business Development Management Procedure;
- Procedure for managing events, sponsorships, public initiatives and contributions;
- HQSE Management Procedure;
- Procedure for the Management of relations with the Public Administration and the Supervisory Authorities;
- Gifts, gratuities and entertainment expenses management procedure;
- Procedure for the management of purchases of goods, services, advisory and professional services.

It should be noted that the Issuer falls within the definition of P.M.I. (SME) pursuant to Article 1, paragraph 1, letter w-quater 1), of the Consolidated Law on Finance and art. 2-ter of the Consob Issuers' Regulations. The value of the average market capitalisation for financial year 2017 is equal to € 3,648,637 while the value of the turnover at 31.12.2017 is equal to € 32,620,000.

2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to art. 123-bis, paragraph 1, of the Consolidated Law on Finance)) at the date of this report

a) *Share capital structure (pursuant to art. 123-bis, paragraph 1, letter a), TUF)*

At the date of this report, the subscribed and paid-up share capital of PLC amounts to € 37,149,822.34 divided into 24,013,908 shares of no par value. The shares are all ordinary and registered. There are no other classes of shares. As shown in the table below:

STRUCTURE OF THE SHARE CAPITAL				
	No. shares	**% with respect to s.c.**	**Listed on MTA - Standard Segment**	**Rights and obligations**
Ordinary shares	24,013,908	100%	100% listed on the MTA market	Ordinary
Multiple vote shares	N/A	N/A	N/A	N/A
Shares with limited voting rights	N/A	N/A	N/A	N/A
Shares with no voting rights	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A

b) *Securities transfer restrictions (pursuant to art. 123-bis, paragraph 1, letter b), TUF)*

There are no restrictions on the transfer of shares issued by the Company.

c) *Significant shareholdings in the share capital (pursuant to art. 123-bis, paragraph 1, letter c), TUF)*

On the basis of the results of the shareholders' register and taking into account the communications received pursuant to art. 120 of the Consolidated Law on Finance and other available information, at the date of this Report the persons who have a significant shareholding of more than 5% in the share capital of the Company (given said entity is an SME), are indicated in the following table:

SIGNIFICANT SHAREHOLDINGS IN THE SHARE CAPITAL			
Declarant or person at the top of the shareholding chain	**Direct shareholder**	**Percentage of share capital Ordinary**	**Percentage of share capital Voter**
Annamaria Scognamiglio	FRAES S.r.l. (formerly PLC Group S.p.A.)	*79.48%*	*79.48%*

d) *Securities conferring special rights (pursuant to art. 123-bis, paragraph 1, letter d), TUF)*

The Company has not issued securities conferring special rights of control or shares with multiple or increased voting rights.There are no special powers (such as those under Law 474/94, for example) that could affect the economic, commercial and/or financial policy of the Issuer.

e) *Employee shareholding: mechanism for exercising voting rights (pursuant to art. 123-bis, paragraph 1, letter e), TUF)*

There are no shareholding systems in place for the Issuer's employees.

f) *Restrictions on voting rights (pursuant to art. 123-bis, paragraph 1, letter f), TUF)*

There are no restrictions on the right to vote on the Company's shares.

g) *Shareholder agreements (pursuant to art. 123-bis, paragraph 1, letter g), TUF)*

At the date of this Report, to the best of the Company's knowledge, there are no agreements between shareholders of the Company that are relevant pursuant to art. 122 of the Consolidated Law on Finance.

h) *Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), TUF) and statutory provisions on take-over bids (pursuant to art. 104, paragraph 1-ter, and art. 104-bis, paragraph 1)*

At the date of preparation of this Report, the Issuer has not entered into any contracts with change of control clauses. The following information is provided for the other Group companies.

On 1 January 2017, PLC Service S.r.l. and Novenergia Italia S.r.l. signed a full service management and maintenance contract for the supply of routine and extraordinary maintenance, video-surveillance service, spare parts and remote control activities for the 14 MWp photovoltaic plant in Castellaneta owned by Novenergia Italia. With reference to the activities to be carried out by PLC Service S.r.l., the contract provides for a duration of 5 years from 1 January 2017 to 31 November 2021. The total amount of the contract is € 1,050,000.00.

The main activities required are:

- routine maintenance;
- extraordinary maintenance;
- replacement of plant components (excluding modules, inverters and transformers);
- video-surveillance;
- H24 remote control 365 days a year;
- management of spare parts owned by the customer.

Article 13 of the contract envisages that Novenergia Italia S.r.l. will have the right to withdraw from the contract if, *inter alia*, a corporate reorganisation is initiated and this operation could objectively prejudice the ability of PLC Service S.r.l. to fulfil its contractual obligations.

On 1 December 2016, an agreement was stipulated between PLC Service Wind S.r.l. and Siemens Gamesa Renewable Energy Wind S.r.l. (formerly Gamesa Eolica Italia S.r.l.) for the maintenance of wind turbines concerning the supply of routine maintenance, minor corrections, availability activities.
With reference to the activities to be carried out by PLC Service Wind S.r.l., the contract made provision for an initial duration of 2 years from 1 December 2016 to 30 November 2018, last renewed by addendum of 1 December 2018. The total annual amount of the contract is € 1,672,000.00.
Article 17 of the contract provides that Siemens Gamesa Renewable Energy Wind S.r.l. will have the right to withdraw from the contract if PLC Service Wind S.r.l. becomes a subsidiary of a company in direct competition with Siemens Gamesa Renewable Energy Wind S.r.l.

On 14 September 2017, Monsson Operation S.r.l. and Raiffeisen Bank S.A. signed the "Facility Agreement" no. 40059 concerning the refinancing of the loan obtained by the company and granted by Alpha Bank pursuant to loan agreement no. 8 of 23 August 2013. The contract is due to expire on 20 July 2024 and the loan will be repaid in 81 monthly instalments, starting in November 2017. The amount granted as a loan is up to a maximum of RON 1,370,000 (approximately € 288,978.76).
Article 5, point 3, of the contract provides that the signing by Monsson Operation S.r.l. of any agreement that involves a change in the corporate structure of the latter and that could directly or indirectly influence the control of the same, must be approved in advance by Raiffeisen Bank S.A.

On 14 September 2017, Monsson Operation S.r.l. and Raiffeisen Bank S.A. signed the "Facility Agreement" no. 40061 concerning the financing of the company's ordinary activities.
The amount originally granted as a loan, RON 2,300,000 (approximately € 485,146.83), was reduced to RON 1,400,000 (approximately € 295,306.77) from 15 January 2018. The contract is due to expire on 20 July 2020 and the loan will have to be repaid as follows: (i) RON 900.000 (approximately € 189,840.06) between 1 October 2017 and 15 January 2018, so that on 15 January 2018 the amount of the loan should be RON 1,400,000 (approximately € 295,306.77); and (ii) RON 1,400,000 (approximately € 295,306.77) in 24 monthly instalments starting in August 2018.
Article 5, point 3, of the contract provides that the signing by Monsson Operation S.r.l. of any agreement that involves a change in the corporate structure of the latter and that could directly or indirectly influence the control of the same, must be approved in advance by the Bank.

On 2 August 2018, Monsson Operation S.r.l. and Raiffeisen Bank S.A. signed the factoring contract no. 40025. The amount granted as factoring is RON 900,000 (approximately € 189,838.92) and is expected to expire on 16 May 2019.
Articles 1, point 5, and 11.1 of the contract, recalling the general conditions of the loan and in particular art. 2.8.1, letters e) and h) of the same, provides that the signing by Monsson Operation S.r.l. of any

agreement that involves a change in the corporate structure of the latter and that could directly or indirectly influence the control of the same, must be approved in advance by the Bank.

As an exception to the provisions of art. 104, paragraph 1, of the Consolidated Law on Finance, art. 8 of the Company's Articles of Association envisage that "*in the event that the Company's securities are the subject of a public purchase and/or exchange offer, the authorisation of the shareholders' meeting is not required for the performance of acts or transactions that may counteract the achievement of the objectives of the offer, during the period between the communication referred to in art. 102, paragraph 1, of the same Decree and the closure of the offer.”*

As an exception to the provisions of art. 104, paragraph 1-bis, of the Consolidated Law on Finance, art. 8 of the Company's Articles of Association envisage that *"the authorisation of the shareholders' meeting is not necessary even for the implementation of any decision taken before the beginning of the period indicated in the previous paragraph which has not yet been implemented in whole or in part, which does not fall within the normal course of the Company's activities and whose implementation may counteract the achievement of the objectives of the offer*".

i) Powers to increase share capital and authorisations to purchase treasury shares (pursuant to art. 123-bis, paragraph 1, letter m), TUF)

At the date of this Report, there were no powers to increase the share capital pursuant to art. 2443 of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 11 October 2011 introduced into the Articles of Association the power to increase the share capital, excluding pre-emption rights, within the limit of 10% of the pre-existing share capital, on the condition that the issue price corresponds to the regulated market value of the shares and that this is confirmed in a specific report by the independent auditors, pursuant to art. 2441, paragraph 4, second sentence, of the Italian Civil Code.

Finally, it should be noted that there are no plans under way to purchase treasury shares, nor has the authorisation of the Shareholders' Meeting been issued in this regard.

l) Management and coordination activity (pursuant to art. 2497 et seq. of the Italian Civil Code)

The Issuer is not subject to management and coordination activity pursuant to art. 2497 et seq. of the Italian Civil Code and is also equipped with organisational controls and governance rules that guarantee the compliance of corporate decisions with the principles of correct management and the company interest.

With specific reference to the assessments performed regarding the absence of management and coordination by the parent company Fraes S.r.l. (formerly PLC Group S.p.A.) it should be noted that Fraes S.r.l. itself has informed the Issuer that it does not exercise management and coordination activity for the reasons concisely listed below:

"a) The Issuer operates in full autonomy with respect to the management of relations with its subsidiaries, without any interference by Fraes S.r.l.;

b) The Issuer independently prepares the strategic, financial, business and budget plans of the company and the group;

c) The Issuer is not subject to group regulations;

d) There is no organisational-functional link between Fraes S.r.l. and the Issuer;

e) Fraes S.r.l. does not issue directives or instructions concerning decisions on financial and credit matters;

f) Fraes S.r.l. limits the relationship with the Issuer to the simple exercise of administrative and financial rights deriving from the status of shareholder, such as, for example, the exercise of the vote in the shareholders' meeting and the collection of dividends;

g) Fraes S.r.l. does not issue directives to the Issuer concerning the execution of extraordinary transactions, such as capital increases, listing of financial instruments, acquisitions, disposals, concentrations, contributions, mergers, demergers, etc.

It should be noted that:

- the information required by article 123-bis, paragraph 1, letter i) ("*the agreements between the company and the directors ... providing for indemnities in the event of resignation or dismissal without just cause or if their employment relationship ceases following a take-over bid*") is contained in the remuneration report to be published pursuant to article 123-ter of the Consolidated Law on Finance;
- the information required by article 123-bis, paragraph 1, letter l) ("*the rules applicable to the appointment and replacement of directors ... and to the amendment of the articles of association, if different from those applicable by way of supplementary legislation and regulations*") are illustrated in the section of this Report dedicated to the Board of Directors (following Sec. 4.1).

Following the renewal of the Company's Board of Directors on 26 March 2018, the governance structure of the group headed by the Company changed significantly; in particular:

- the Chairman of the Company's Board of Directors simultaneously holds the position of Sole Director of the two companies directly controlled by PLC, namely PLC System S.r.l. and PLC Service S.r.l.;
- in all the other companies directly or indirectly controlled by PLC, the administrative bodies are mainly composed of members of the Company's Board of Directors or of spouses living together.

Therefore, at the meeting of the Board of Directors held on 24 April 2018, having acknowledged that the administrative body of the parent company essentially coincided with the administrative bodies of the subsidiaries, together with the fact that the aforesaid companies are included in the scope of consolidation of PLC, it was acknowledged that the Issuer exercises management and coordination activity pursuant to art. 2497 et seq. of the Italian Civil Code over the subsidiaries.

3. COMPLIANCE (pursuant to art. 123-bis, paragraph 2, letter a), TUF)

The Company complies with the Code (available to the public on the Corporate Governance Committee's website at http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm).

The primary objective of the corporate governance system adopted is to create value for shareholders. The Issuer, aware of the need to prepare an effective internal control system, is constantly committed to identifying and pursuing initiatives and actions aimed at improving the overall governance system.

In compliance with the applicable regulations, the Report illustrates PLC's system of "Corporate Governance" describing the actual methods of the Company's implementation of the provisions of the Code.

To the best of the Issuer's knowledge, there are no non-Italian legal provisions applicable to the Issuer or its strategically important subsidiaries that affect its corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, paragraph 1, letter l), TUF)

With regard to the appointment and replacement of directors, Article 12 of the Articles of Association provides that:

"The Company is managed by a Board of Directors composed of 5 to 19 members, who remain in office for the period established in the deed of appointment, which may not exceed three financial years.

Their office expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term of office and may be re-elected. Their office will cease and will be re-elected or replaced in accordance with the law and the articles of association.

Directors must meet the requirements of the law and the relevant regulatory provisions; of these, a minimum number corresponding to the minimum required by the law must meet the independence requirements set out in article 148, paragraph 3, of Italian Legislative Decree no. 58/1998.

If the requirements are no longer met, the director's office will end. If a director ceases to meet the independence requirement defined above, he shall not be disqualified if the requirements continue to be met by the minimum number of directors who, according to current legislation, must meet that requirement. Before appointing them, the Shareholders' Meeting shall determine the duration and number of members of the Board. If the number of Directors has been determined to be less than the maximum number provided for, the Shareholders' Meeting, during the period of the Board's term of office, may increase this number by voting with the majorities required by law, without complying with the procedure provided for in this article, provided that the Board of Directors is always made up of a number of members who meet the requirements of art. 148, paragraph 3, of Italian Legislative Decree no. 58/1998 at least equal to the minimum required by law. The office of the new directors appointed in this way will expire together with those in office at the time of their appointment.

The appointment of the Board of Directors shall be made, in compliance with the currently applicable regulations concerning the gender balance, on the basis of lists presented by the shareholders in the manner specified below, in which the candidates shall be listed by means of a progressive number.

The lists presented by the shareholders, signed by those who present them, must be deposited at the registered office of the Company, available to anyone who so requests, at least twenty-five days before the date set for the Shareholders' Meeting on first call and shall be subject to the other forms of publicity provided for by the legislation in force at the time.

Each member, the shareholders subscribing to a relevant shareholders' agreement pursuant to art. 122 of Italian Legislative Decree no. 58/1998, the parent company, the subsidiaries and those subject to common control pursuant to art. 93 of Italian Legislative Decree no. 58/1998, may not present or participate in the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists, and each candidate may appear on only one list under penalty of ineligibility. Subscriptions and votes expressed in violation of this prohibition shall not be assigned to any list.

Only shareholders who, alone or together with other shareholders submitting lists, treasury shares representing at least 2.5% of the share capital with voting rights in the ordinary Shareholders' Meeting or, if different, the maximum percentage allowed by law or regulations, shall have the right to submit lists.

Together with each list, within the respective terms indicated above, they must deposit: ***(i)*** *an indication of the identity of the shareholders who submitted the lists, the percentage shareholding held by them as a whole;* ***(ii)*** *declarations in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility or incompatibility, as well as the existence of the requirements prescribed for the respective offices;* ***(iii)*** *exhaustive information on the personal and professional characteristics of each candidate with an indication, if any, of his or her suitability to qualify as independent pursuant to art. 148, paragraph 3, of Italian Legislative Decree no. 58/1998.*

Lists containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that at least one fifth (for the first term of office after 12 August 2012) and then one third (rounded up in any case) of the candidates belong to the least represented gender.

Furthermore, within the deadline set by the regulations applicable to the publication of the lists by the Company, the appropriate certification issued by an authorised intermediary pursuant to law must be filed, proving the ownership, at the time the list is filed with the Company, of the number of shares necessary for its presentation.

The lists must indicate which directors meet the independence requirements.

Lists submitted without complying with the above provisions shall be deemed not to have been submitted.

The election of the Board of Directors will be carried out as follows:

a) *the Directors to be elected, with the exception of one (1), are drawn from the list that obtained the highest number of votes, in the progressive order in which they appear in the list itself;*

b) *the remaining Director is taken from the minority list that is not connected in any way, even indirectly or with the list referred to in letter a) above, or with those who presented or voted for the list referred to in letter a) above, and that has obtained the second highest number of votes. For this purpose, no account shall be taken, however, of lists that have not obtained a percentage of votes equal to at least half of that required for the presentation of lists, as referred to in the eighth paragraph of this article.*

If the candidates elected in the manner indicated above do not ensure the appointment of a number of Directors meeting the independence requirements established for statutory auditors by art. 148, paragraph 3, of Italian Legislative Decree no. 58/1998 equal to the minimum number established by law in relation to the total number of Directors, the non-independent candidate last elected in numerical order from the list that received the highest number of votes, as per letter a) of the preceding paragraph, shall be replaced by the first independent candidate not elected from the same list in numerical order or, failing that, by the first independent candidate in numerical order not elected from the other lists, according to the number of votes obtained by each list. This replacement procedure will take place until the Board of Directors is composed of a number of members who meet the requirements of art. 148, paragraph 3, of Italian Legislative Decree no. 58/1998 at least equal to the minimum required by law. If, finally, this procedure does not ensure the result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by a relative majority, subject to the presentation of candidates who meet the above requirements.

If, moreover, the composition of the Board of Directors is not ensured with the candidates elected in the manner indicated above, in compliance with the currently applicable regulations in force concerning the gender balance, the candidate of the most represented gender last elected in progressive order from the list that received the highest number of votes shall be replaced by the first candidate of the least represented gender not elected from the same list in progressive order. This replacement procedure will take place until the composition of the Board of Directors is ensured in compliance with the currently applicable regulations in force regarding the gender balance. If, finally, this procedure does not ensure the result indicated above, the replacement shall take place by resolution passed by the Shareholders' Meeting by a relative majority, following the presentation of candidates belonging to the least represented gender.

If only one list is submitted, if no list is submitted, or if only lists are submitted by persons who hold, even jointly, a controlling interest of a relative majority and/or persons associated with the latter pursuant to the provisions of art. 144-quinquies of Consob Regulation 11971/99, the Shareholders' Meeting shall pass resolutions with the majorities required by law, without complying with the above procedure, without prejudice to compliance with the currently applicable regulations in force concerning the gender balance. However, they are subject to different and additional provisions provided by mandatory rules of law or regulations.

If one or more directors should leave office during the year, provided that the majority of them are still made up of directors appointed by the Shareholders' Meeting, the procedure provided for in art. 2386 of the Italian Civil Code will be carried out, as indicated below:

a) *the Board of Directors shall proceed with the replacement of the members of the same list to which the outgoing directors belonged and the Shareholders' Meeting shall resolve, with the majorities required by law, in accordance with the same criterion;*

b) *if there are no previously unelected candidates or candidates with the necessary requisites remaining on the aforesaid list, or in any case if for any reason it is not possible to comply with the provisions of letter a), the Board of Directors shall replace them, just as the Shareholders' Meeting shall subsequently* *replace them with the majorities required by law without voting from a list.*

In any case, the Board and the Shareholders' Meeting shall proceed with the appointment in such a way as to ensure (i) the presence of independent directors based on the minimum total number required by the regulations in force at the time, and (ii) compliance with the regulations in force at the time concerning the gender balance. The Shareholders' Meeting may, however, resolve to reduce the number of members of the Board to that of the Directors in office for the remainder of their term of office. If, for any reason, at least half of the directors appointed by the Shareholders' Meeting cease to hold office, the office of the entire Board shall be deemed to have ceased; in this case, the remaining directors must urgently call a Shareholders' Meeting to appoint a new Board.

The Board will also remain in office until the Shareholders' Meeting has resolved to renew it; until that time, the Board of Directors may only carry out acts of ordinary administration.

The members of the Board of Directors are entitled to a fee, to be included in the Company's costs; this fee is established by the Shareholders' Meeting and will remain unchanged until further notice.

The members of the Board of Directors are also entitled to the reimbursement of expenses incurred in connection with their duties".

The Company has not adopted a plan for the succession of executive directors, delegating the relative assessment on a case by case basis, also taking into account the individual relationship between the Company and the director as well as the unique characteristics of each of them. If one or more executive directors should leave office during the year, they shall be replaced in accordance with the Articles of Association.

4.2 COMPOSITION (pursuant to art. 123-bis, paragraph 2, letter d) and d-bis), TUF)

The Ordinary Shareholders' Meeting of the Company held on 29 June 2017 unanimously appointed, for one financial year and therefore until the date of approval of the financial statements at 31 December 2017, a Board of Directors composed of the 5 directors in the persons of Giuseppe Maria Garofano, Emanuela Conti, Gastone Colleoni, Graziano Gianmichele Visentin and Roberta Battistin.

The members of the Board have been identified from the candidates proposed in the only list filed at the registered office, presented by the shareholder Piovesana Holding S.p.A., which at the time held 9.23% of the Issuer's share capital. In this regard, it should be noted that Piovesana Holding S.p.A. was a party to the shareholders' agreement signed on 19 June 2017 with Rodrigue S.A. (owner of 7.11% of the share capital) and Nelke S.r.l. (holder of 2.85% of the share capital), a shareholders' agreement that expired with the adoption of the aforementioned shareholders' resolution.

Since only one list of candidates was submitted, in compliance with the provisions of the Articles of Association, the resolution to appoint the Board of Directors could be passed by the majority of the votes required by law, without complying with the appointment procedure by means of the so-called list vote.

Following the resignation of the 5 directors on 12 February 2018, the Ordinary Shareholders' Meeting of the Company unanimously appointed a Board of Directors on 26 March 2018 consisting of 6 directors for three financial years, and therefore until the date of approval of the financial statements for the year ending 31 December 2020.

The members of the Board have been identified from the candidates proposed in the only list filed at the registered office by the shareholder PLC Group S.p.A. (now FRAES S.r.l.), owner of 79.48% of the share capital of the Issuer. The quorum required for the submission of lists on the occasion of the last appointment was 2.5%, as established by Consob resolution no. 20273 of 24 January 2018.

Since only one list of candidates was submitted, in compliance with the provisions of the Articles of Association, the resolution to appoint the Board of Directors could be passed by the majority of the votes required by law, without complying with the appointment procedure by means of the so-called list vote.

On 26 March 2018, the Board of Directors appointed Giuseppe Maria Garofano as Honorary Chairman until the date of the shareholders' meeting called to approve the financial statements at 31 December 2020.

The Board of Directors during the financial year 2018 was composed, until 26 March 2018, as follows:

Post held	**Member**	**In office From**	**In office until**	**Exec.**	**Non exec.**	**Indep. - Code**	**Indep. - TUF**	**(*)**	**Number of other posts held**
Chairman	Garofano Giuseppe	29 June 2017	Approval of Financial Statements for the year 2017		X			2/2	9
CEO	Conti Emanuela Maria	29 June 2017	Approval of Financial Statements for the year 2017	X				2/2	9
Director	Battistin Roberta	29 June 2017	Approval of Financial Statements for the year 2017		X	X	X	1/2	20
Director	Colleoni Gastone	29 June 2017	Approval of Financial Statements for the year 2017		X			0/2	14
Director	Visentin Graziano	29 June 2017	Approval of Financial Statements for the year 2017		X	X	X	2/2	16

The current Board of Directors, appointed on 26 March 2018, is composed as follows:

Post held	**Member**	**Year of birth**	**Date of first appointment**	**In office from**	**In office until**	**List**	**Exec.**	**Non exec.**	**Indep. - Code**	**Indep. - TUF**	**(*)**	**Number of other posts held**
Chairman	Francesco Esposito	1953	26 March 2018	26 March 2018	Approval of Financial Statements for the year 2020	M	X				7/7	16
CEO	Michele Scoppio	1975	26 March 2018	26 March 2018	Approval of Financial Statements for the year 2020	M	X				7/7	11
Director	Chiara Esposito	1978	26 March 2018	26 March 2018	Approval of Financial Statements for the year 2020	M	X				7/7	2
Director	Luciano Garofano	1975	26 March 2018	26 March 2018	Approval of Financial Statements for the year 2020	M	X				7/7	9
Director	Visentin Graziano	1950	28 April 2010	26 March 2018	Approval of Financial Statements for the year 2020	M		X	X	X	7/7	16
Director	Marina D'Artibale	1965	26 March 2018	26 March 2018	Approval of the 2020 Financial Statements	M		X	X	X	7/7	1

Number of meetings held during the 2018 financial year:

Board of Directors	Control and Risks Committee	Remuneration Committee	Appointments Committee	Board Committee for Transactions with Related Parties
9	6	2	3	3

Information is provided below on the personal and professional characteristics of each director (art. 144 - decies of the Consob Issuers' Regulations) in office at the date of this report.

Francesco Esposito

Born in Naples in 1953, he obtained a diploma as an electrical engineer at ITIS A. Volta in Naples.

After that, he immediately began his professional career at a high level, with the major Italian market operators in the energy sector, holding various positions, from Project Management to Technical Management. After years of experience, he decided to form a small company, and has went on to become the current Chairman of the Board of Directors of a company listed on the MTA (screen-based equities market) of the Milan Stock Exchange.

Michele Scoppio

Born in Bari in 1975, he graduated in Electrical Engineering with honours from the Polytechnic of Bari. He completed his training by attending a specialisation course in 2000 in "total quality management" techniques, and in 2001 at the Isvor economic school of FIAT, acquiring skills in subjects related to "problem solving", macro and micro economy and creativity techniques. He is qualified as an engineer.

After a brief experience in the automotive sector and in business consulting with the Altran group, in 2003 he began his adventure in the Energy sector, almost always within listed companies such as Enertad, Alerion, Iberdrola Renovables.

As part of his professional career in the energy sector, and in particular in that of renewable energies, he has managed, at various levels, the engineering, design, financing, M&A and construction and operation of about 1,000 MW of plants (more than 25 production plants), with particular reference to the wind and photovoltaic sector and, to a lesser extent, to the hydroelectric sector, as well as the development of new initiatives for over 3,500 MW, between Italy and abroad.

Chiara Esposito

Born in Naples in 1978, she obtained her scientific diploma in 1996, two years later in 1998 she began her professional career at PLC System S.r.l. dealing with relations and contracts with customers, coordinator of trade fairs and company technical events and company contact person for training courses and school internships; over time she acquired mastery of the tasks assigned to her and became Head of the Technical Service of that company.

She held this position until 2005, before transferring in 2006 to the company PLC Service S.r.l., always part of the PLC Group, holding the position of Sales - Marketing Manager and Human Resources Manager, always dealing with management and customer relations, also holding other roles, such as:

- manager of internal and external personnel management;
- Chief Operating Officer.

She still holds these positions today, becoming a cornerstone of PLC Service S.r.l.

Luciano Maria Garofano

Born in Milan on 23 July 1975, he graduated in Economics and Business from Bocconi University.

He has worked in the steel industry in the Netherlands, Germany, France and the United States; he has worked in the financial domain of the renewable energy sector for about 13 years, has structured about 30 energy-related equity and debt transactions for a total value of about € 1.2 billion.

Graziano Visentin

Born in Albano Laziale in 1950, he graduated in Law from the University of Pavia and graduated in Economic and Financial Security Sciences - Faculty of Law, Tor Vergata University, Rome.

He is qualified as a chartered accountant and auditor.

From October 1969 to May 1973 he attended four-year academic courses (of Academy and Application) of the Guardia di Finanza.

For four years he directed some departments of the Tax Police; for two years he was an official in the Tax Affairs Department of the "old Banco Ambrosiano"; for four years he was head of Tax Services of Banca Cattolica del Veneto; for nine years he was director of Tax Affairs and Financial Statements of the COIN Group; for two years, general manager of Premafin Finanziaria; in 1985, in Treviso, he founded "Visentin & Partners - Studio Legale e Tributario", a firm that provides corporate and tax consultancy, including international consultancy for large corporate groups and M&A.

He has gained significant experience as a director and member of the board of statutory auditors of companies (banking, insurance, sim -stock brokerage firms-, sgr -asset management companies-, financial, commercial and industrial), some of which are listed on the stock exchange (Premafin Finanziaria; Fondiaria SAI; Milano Assicurazioni; Alleanza Assicurazioni; Stefanel; Gruppo Coin; Alerion; Ascopiave; Marcolin; Roncadin; Richard Ginori 1735; Indesit Company; Piaggio & C.).

Marina D'Artibale

Born in Taranto in 1965, she graduated with honours in Economics and Business in Rome, at the University "La Sapienza", in 1988. She is qualified to practice as a Chartered Accountant and Auditor.

She has developed significant experience as a Director of US multinationals, with experience in various business sectors from Finance to Supply Chain and Logistics, Information Systems, Sales and Marketing Management, moving on to become General Manager at Johnson & Johnson CH BU. She is currently

Senior Advisor at Eurogroup Consulting where she deals with Processes and Organisation, Strategy and Marketing, and works as a Lecturer with Luiss Business School.

In 2015, she was included in the training programme "In the Boardroom" of Valore D, dedicated to women who sit and will sit on the boards of directors and control bodies of Italian listed companies, promoted by Egon Zehnder and Linklaters, which has trained 270 women in 3 years. She is currently a member of the National ITB Committee which represents the ITB Alumnae in Valore D.

She has been a member of the Board of Directors of companies in the Johnson & Johnson Italy group and Pfizer Italia. During her career, she has managed several complex projects in the area of Internal Control and Corporate Governance.

She was Market Operations Director at Pfizer CH where she was responsible for the start-up of the OTC business and led several restructuring and merger projects.

She began her career with Arthur Andersen in 1988 in corporate auditing and certification of financial statements.

Following the usual annual audit, the following is a list of the positions of Director or Statutory Auditor held by the current Directors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies:

Member	List of offices
Francesco Esposito	1. Chairman of the Board of Directors of PLC Group S.p.A. (now FRAES S.r.l.) (until 17/12/2018) 2. Sole Director of PLC System S.r.l. 3. Sole Director of PLC Service S.r.l. 4. Chairman of the Board of Directors of Idroelettrica 2014 S.r.l. Unipersonale 5. Chairman of the Board of Directors of C&C Tolve S.r.l. 6. Chairman of the Board of Directors of Serra Energie S.r.l. 7. Chairman of the Board of Directors of Parco Eolico Forleto Nuovo 2 S.r.l. 8. Director of Solar Project One S.r.l. 9. Director of PLC South Africa Ltd. 10. Sole Director of PLC Power S.r.l. 11. Sole Director of C&C Irsina S.r.l. 12. Sole Director of C&C Castelvetere S.r.l. 13. Sole Director of C&C Tre Energy S.r.l. 14. Director of Monsson Operation LTD 15. Director of Monsson Operation S.r.l. 16. Director of Wind Power Energy S.r.l.

Michele Scoppio	1. Director of PLC Group S.p.A. (now FRAES S.r.l.) (until 17/12/2018) 2. Director of MSD Service S.r.l. 3. Director of Idroelettrica 2014 S.r.l. Unipersonale 4. Chief Executive Officer of C&C Tolve S.r.l. 5. Chief Executive Officer of Serra Energie S.r.l. 6. Chief Executive Officer of Parco Eolico Forleto Nuovo 2 S.r.l. 7. Director of PLC South Africa Ltd. 8. Director of Panmed Renewable Co. 9. Director of Monsson Operation LTD 10. Director of Monsson Operation S.r.l. 11. Director of Wind Power Energy S.r.l.
Chiara Esposito	1. Director of PLC Group S.p.A. (now FRAES S.r.l.) (until 17/12/2018) 2. Director of Idroelettrica 2014 S.r.l. Unipersonale
Luciano Maria Garofano	1. Managing Director Nelke S.r.l. 2. Sole Director of Gardil S.r.l. 3. Sole Director of Iron Re S.r.l. 4. Director of the Sasso di Maremma Foundation 5. Sole Director of Richini Due S.r.l. 6. Sole Director of Holgar S.r.l. 7. Director of Monsson Operation LTD 8. Director of Monsson Operation S.r.l. 9. Director of Wind Power Energy S.r.l.
Visentin Graziano	1. Chairman of the Board of Statutory Auditors of Whirpool Italia Holdings S.r.l. 2. Sole Statutory Auditor of Whirpool Italia S.r.l. 3. Standing Auditor of Coima SGR S.p.A. 4. Standing Auditor of Ricerca 12 S.p.A. 5. Standing Auditor of Air One S.p.A. 6. Standing Auditor of Compagnia Aerea Italiana S.p.A. 7. Standing Auditor of Eurostazioni S.p.A. 8. Standing Auditor of Cosi S.p.A. 9. Standing Auditor of GCF S.p.A. 10. Standing Auditor of Istituto Europeo di Oncologia S.p.A. 11. Director of Piaggio & C. S.p.A. 12. Director of 21 Investimenti SGR S.p.A. 13. Standing Auditor of Schemaquattordici S.p.A. in liquidation 14. Standing Auditor of Ricerca Finanziaria S.p.A. 15. Standing Auditor of Centomilacandele S.c.p.A. 16. Director of Miroglio S.p.A.
Marina D'Artibale	1. Sole Director of San Damiano Dental S.r.l.

With reference to point 1.C.3 of the Code, at the date of this Report, the Board of Directors has not deemed it appropriate to define general criteria regarding the maximum number of directorships and control positions that may be held in other companies - listed or unlisted - by its members. In fact, without prejudice to the duty of each Director to personally assess the compatibility of the administrative and control positions held with the diligent performance of the duties assumed as Director of the Issuer, it was decided to give the shareholders presenting the lists for the appointment of directors broad discretion in the choice of candidates, taking into account any criteria proposed by the Code. The Board also believes, due to the professional profiles and the contribution provided during the year, that the current members do not hold a number of positions as such not to allow the proper performance of their duties in the Company.

In compliance with application criterion 2.C.3 of the Code, one third of the Board of Directors is made up of directors of the least represented gender. The Company has not applied other diversity criteria or adopted specific diversity policies in relation to the composition of its administration bodies.

Finally, it should be noted that no specific training sessions for directors (so-called induction programme) have been planned. Taking into account the size of the Company and the activities carried out by it, it was deemed that the directors in office, in light of their experience and the professional skills of each one, have adequate knowledge of the sector in which the Issuer operates, the business trends and the principles of proper risk management. The Issuer will evaluate, if necessary, the organisation of induction sessions in order to provide updates and/or insights on specific issues of interest to the directors.

4.3 THE ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, paragraph 2, letter d), TUF)

During the year, 9 meetings of the Board of Directors were held. The following table shows the attendance percentages of each director at the meetings of the Board held during the year.

For the previous Board of Directors, in office until 26 March 2018:

Post held	**Member**	**% Board of Directors**
Chairman	Giuseppe Garofano	100
CEO	Emanuela Maria Conti	100
Director	Roberta Battistin	50
Director	Gastone Colleoni	0
Director	Graziano Visentin	100

For the current Board of Directors, appointed on 26 March 2018:

Post held	Member	% Board of Directors
Chairman	Francesco Esposito	100
CEO	Michele Scoppio	100
Director	Chiara Esposito	100
Director	Luciano Garofano	100
Director	Visentin Graziano	100
Director	Marina D'Artibale	100

The average duration of Board meetings for the financial year is 76 minutes.

One meeting is scheduled for the current year, in addition to those already held on 18 January 2019, 7 February 2019, 12 March 2019, 11 April 2019 and 17 April 2019, as shown in the 2019 calendar of events sent to Borsa Italiana S.p.A. and published on the Company's website, which provides the following time references:

- by 27.09.2019: approval of the half-yearly financial report at 30 June 2019.

In accordance with the recommendations of the Code, the Chairman of the Board of Directors - also with the assistance of the Chief Executive Officer - shall ensure that the members of the Board are provided with the documentation and information necessary to make decisions, in an appropriate manner and within an adequate time-frame. In order to ensure that the directors act in an informed manner and to ensure a correct and complete assessment of the facts brought to the attention of the Board, the documentation and information are sent to the Directors well in advance of the date of the meeting, by means of the timely transmission, except in circumstances in which the particular nature of the resolutions to be passed and the requirements of confidentiality, as well as the extremely short time-scales with which it is called upon to pass resolutions on some occasions, have led to limits on prior information.

The rules governing the convening and holding of Board meetings are contained in Article 14 of the current Articles of Association. In particular, this provision of the Articles of Association provides that the Board of Directors shall meet whenever the Chairman, or his deputy, deems it appropriate, or when a written request is made to the Chairman by at least two Directors or by at least one Statutory Auditor.

The meetings of the Board are called by the Chairman, or on his behalf also by another Director or by the Secretary, by registered letter, telegram, fax or e-mail, to be sent at least three days before the date set for the meeting and, in urgent cases, also by telegram, fax or e-mail, to be sent at least one day before the date set for the meeting. In the absence of such formalities, the meeting is deemed to be validly constituted with the presence of all the Directors in office and all the standing members in office of the Board of Statutory Auditors.

Board meetings are held at the company's registered office or at another place indicated in the notice of call.

The meetings of the Board of Directors may also be held by audio or video conference, provided that all participants can be identified and are allowed to follow the discussion, receive or transmit documentation and to participate in real time in the discussion of the issues addressed. If these requirements are met, the Board of Directors is deemed to be held at the place where the Chairman and Secretary of the meeting are located.

The Company's Board of Directors resolves on matters falling within its competence, in the presence of the majority of the directors in office with a majority of the votes of those present and, in the event of a tie, the Chairman's vote prevails.

The Chairman shall ensure that adequate information is provided on the matters to be dealt with, also availing himself of the help of presentations and slides prepared for the purpose and of the possible participation of the managers of the Issuer and/or Group companies in charge of the competent company functions, depending on the matter to be dealt with on the agenda (some Board meetings were attended during the financial year, for example, by the Manager in charge of Financial Reporting, the Head of Organisation, the Head of Legal and Corporate Affairs and the Head of Planning and Control), consultants and/or external experts.

The Board of Directors is the central body of the PLC corporate governance system; pursuant to art. 15 of the Articles of Association, it is vested with the broadest powers for the ordinary and extraordinary administration of the Company, with the sole exception of those whose responsibility is assigned, by law or in accordance with the provisions of the Articles of Association, to the Shareholders' Meeting.

Without prejudice to the provisions of Articles 2420-ter and 2443 of the Italian Civil Code, the Board is also responsible, in accordance with the Articles of Association, for resolutions, to be taken in compliance with art. 2436 of the Italian Civil Code where required, relating to:

a) the merger resolution in the cases referred to in articles 2505, 2505-bis, 2506-ter of the Italian Civil Code;

b) an indication of which Directors represent the Company;

c) the reduction of the share capital in the event of withdrawal of the shareholder;

d) adaptation of the Articles of Association to regulatory provisions;

e) the transfer of the registered office within the national territory;

f) the establishment or closure of branch offices.

Finally, the Board has the right to examine and approve:

- the Issuer's strategic, business and financial plans, as well as the periodic monitoring of their implementation;
- the Group's strategic, business and financial plans, as well as the periodic monitoring of their implementation;
- the Issuer's corporate governance system.

The Board also has the right to define the structure of the Group.

The Board of Directors, generally on an annual basis, assesses the adequacy of the organisational, administrative and accounting structure of the Issuer and its subsidiaries of strategic importance, with particular reference to the internal control system and the management of conflicts of interest. The evaluation process involves a preliminary audit by the Control and Risks Committee, with the assistance of the Head of Internal Audit and the Manager in charge of Financial Reporting. The results of this verification are presented at the next meeting of the Board of Directors, which takes them into account in its evaluation.

It should be noted that the Head of Internal Audit resigned from office on 18 November 2016 and therefore, from that date until the appointment of the new Head of Internal Audit on 24 April 2018, checks were the exclusive responsibility of the Control and Risks Committee.

The remuneration of the Company's chief executive officers and of the other directors holding particular offices is determined by the Board of Directors, with the opinion of the Board of Statutory Auditors and subject to the proposal of the Appointments, Remuneration and Stock Option Plans Committee.

At the date of this Report, the Company's Board of Directors has carried out an assessment of the general performance of operations, taking into account, in particular, the information received from the delegated bodies. The examination and approval of transactions of the Issuer and its subsidiaries that have significant strategic, economic, equity or financial importance are carried out, as a preventive measure, by the Issuer's Board of Directors.

The Board also has the right to examine and approve in advance Company transactions in which one or more directors have an interest on their own behalf or on behalf of third parties.

With regard to the execution of transactions with related parties, the Regulation adopted by the Company's Board of Directors on 29 November 2010, as subsequently amended and supplemented on 2 February 2015 and 15 May 2018, introduces a specific procedure for the examination and approval of the aforesaid transactions - whether carried out by the Issuer and its subsidiaries - described in greater detail in paragraph 12 below, to which reference should be made.

The Board of Directors assessed the size, composition and functioning of the Board and its Committees by means of a questionnaire filled in by the individual members. The results of this evaluation were examined at the meeting held on 12 March 2019, during which the Board of Directors assessed the composition and functioning of the Board of Directors and its Committees as adequate in relation to the needs and operations of the Company. The process for carrying out this assessment did not involve third parties.

With reference to the authorisations for the directors to carry out significant activities pursuant to art. 2390 of the Italian Civil Code, the ordinary shareholders' meeting of the Company held on 26 March 2018 resolved to exempt the Company's Directors from the non-competition clause pursuant to art. 2390 of the Italian Civil Code. The Board will assess the merits of any problematic cases and, where necessary, inform the Shareholders' Meeting of any possible critical issues. At the date of the Report, no problems had arisen that had been assessed by the Board of Directors.

4.4 DELEGATED BODIES

Chief Executive Officer

Until 26 March 2018, the role of Chief Executive Officer was performed by Emanuela Maria Conti by virtue of the management powers granted by the Board of Directors on 14 July 2017.

At the meeting held on 26 March 2018, the new Board of Directors resolved to appoint as Chief Executive Officer Mr. Michele Scoppio, attributing to him, in addition to all the powers and attributions deriving from office by law and the Articles of Association, in particular, the representation of the Company before third parties and in court, as well as the use of the corporate signature, all the powers for the ordinary management of the Company, to be exercised with individual signature and for amounts individually not exceeding € 500,000.00 and with joint signature with the Chairman of the Board of Directors for amounts individually not exceeding € 5 million. Thus, by way of a non-exhaustive example, the following powers are to be understood as being included:

- proposing to the collective bodies the guidelines of the company's policy and the planning of the company's activities;
- supervising the progress of corporate affairs, verifying the correct implementation of the guidelines and resolutions of the collective bodies;
- ensuring that the Board of Directors is provided with sufficient information to enable it to pass formal resolutions and, in general, to exercise its powers of management, direction and control of the activities of the Company and the Group;
- representing the Company at shareholders' meetings of companies and entities in which the Company participates, exercising the right to vote;
- coordinating the commercial, technical and financial activities of the Company and of the companies in which it has majority or minority interests, with the right to grant and take out loans with said entities in order to optimise the Group's financial resources;
- entering into, signing, accepting, modifying and terminating contracts with third parties relating to the corporate purpose;
- acquiring and disposing of shareholdings in companies and entities, whether incorporated or to be incorporated;
- entering into, modifying and terminating agreements for the opening of credit, loan and financing agreements in general, assets and liabilities, and agreeing credit facilities and other banking facilities;
- requesting, negotiating and stipulating with banks, financial and insurance institutions, the issue, by them, of guarantee deposits and/or sureties connected with the exercise of the company's activities;
- issuing sureties in favour of third parties in the interest also of the investee companies;
- entering into, amending and terminating current account and deposit agreements, and carrying out credit and debit operations within the limits of the credit lines granted;

- making deposits and withdrawals both on available funds and overdrafts within the limits of the credit facilities granted, by cash or by letter or by the issue of cheques and money orders issued or transferred to the Company's order;
- collecting the sums due to the Company from both private individuals and any Public Administration, or from other public or private Entities, issuing the relative receipts;
- carrying out, with single signature and without limitation of amount, transfers of money between accounts held by the Company;
- carrying out, with single signature and without limitation of amount, transfers of money to subsidiaries and associates;
- hiring, promoting, dismissing, adopting disciplinary measures, setting the contractual conditions and granting the appropriate powers to employees with the status of middle manager or employee or manager (in the latter case subject to the opinion of the Remuneration Committee only for senior managers);
- entering into, modifying and terminating purchase contracts, contracts for the supply of goods and services, tenders, leases, including financial leases, even of multi-year duration, with the warning that the contractual relationships relating to or in any case connected to the same transaction, even if to be completed by means of several acts, contribute to forming the maximum amount;
- concluding and signing transactions, reaching arbitration compromises;
- actively and passively representing the Company before any administrative, fiscal and judicial authority, ordinary and special, in any procedure, at any level and place, and therefore with the power to sign any procedural act, with the power to deliberate, propose and sign any request or defence, appeals for any purpose, any procedural act, including in executive, bankruptcy, composition and moratorium procedures;
- granting special powers of attorney and operational powers of attorney to Company employees or third parties within the scope of the powers conferred.

Mr. Scoppio is the Chief Executive Officer of the Issuer and does not hold further positions in other listed issuers, given the situation of interlocking directorate does not exist.

Chairman of the Board of Directors

At its meeting of 26 March 2018, the Board of Directors resolved to appoint Francesco Esposito as Chairman of the Board of Directors and to grant the Chairman, by virtue of his specific role in the Company's activities and his particular responsibilities, all the powers and attributions deriving from office by law and the Articles of Association, in particular, the representation of the Company before third parties and in court, as well as the use of the corporate signature, all the powers for the ordinary management of the Company, to be exercised with individual signature and for amounts individually not exceeding € 500,000.00 and with joint signature with the Chief Executive Officer for amounts individually not exceeding € 5 million. Thus, by way of a non-exhaustive example, the following powers are to be understood as being included:

- proposing to the collective bodies the guidelines of the company's policy and the planning of the company's activities;
- supervising the progress of corporate affairs, verifying the correct implementation of the guidelines and resolutions of the collective bodies;
- ensuring that the Board of Directors is provided with sufficient information to enable it to pass formal resolutions and, in general, to exercise its powers of management, direction and control of the activities of the Company and the Group;
- representing the Company at shareholders' meetings of companies and entities in which the Company participates, exercising the right to vote;
- coordinating the commercial, technical and financial activities of the Company and of the companies in which it has majority or minority interests, with the right to grant and take out loans with said entities in order to optimise the Group's financial resources;
- entering into, signing, accepting, modifying and terminating contracts with third parties relating to the corporate purpose;
- acquiring and disposing of shareholdings in companies and entities, whether incorporated or to be incorporated;
- entering into, modifying and terminating agreements for the opening of credit, loan and financing agreements in general, assets and liabilities, and agreeing credit facilities and other banking facilities;
- requesting, negotiating and stipulating with banks, financial and insurance institutions, the issue, by them, of guarantee deposits and/or sureties connected with the exercise of the company's activities;
- issuing sureties in favour of third parties in the interest also of the investee companies;
- entering into, amending and terminating current account and deposit agreements, and carrying out credit and debit operations within the limits of the credit lines granted;
- making deposits and withdrawals both on available funds and overdrafts within the limits of the credit facilities granted, by cash or by letter or by the issue of cheques and money orders issued or transferred to the Company's order;
- collecting the sums due to the Company from both private individuals and any Public Administration, or from other public or private Entities, issuing the relative receipts;
- carrying out, with single signature and without limitation of amount, transfers of money between accounts held by the Company;
- carrying out, with single signature and without limitation of amount, transfers of money to subsidiaries and associates;
- hiring, promoting, dismissing, adopting disciplinary measures, setting the contractual conditions and granting the appropriate powers to employees with the status of middle manager or employee or manager (in the latter case subject to the opinion of the Remuneration Committee only for senior managers);

- entering into, modifying and terminating purchase contracts, contracts for the supply of goods and services, tenders, leases, including financial leases, even of multi-year duration, with the warning that the contractual relationships relating to or in any case connected to the same transaction, even if to be completed by means of several acts, contribute to forming the maximum amount;
- concluding and signing transactions, reaching arbitration compromises;
- actively and passively representing the Company before any administrative, fiscal and judicial authority, ordinary and special, in any procedure, at any level and place, and therefore with the power to sign any procedural act, with the power to deliberate, propose and sign any request or defence, appeals for any purpose, any procedural act, including in executive, bankruptcy, composition and moratorium procedures;
- granting special powers of attorney and operational powers of attorney to Company employees or third parties within the scope of the powers conferred;
- also to delegate to Mr Esposito, as an employer, an unlimited amount of expenditure in accordance with Legislative Decree no. 81/08.

Other directors with management powers

The Board of Directors, in its meeting of 26 March 2018, resolved to grant the Director Chiara Esposito powers in the field of human resources - without prejudice to the powers and attributions envisaged for the Remuneration Committee - with the attribution of the following powers:

- hiring, promoting, dismissing, adopting disciplinary measures, setting the contractual conditions and granting the appropriate powers to employees with the status of middle manager or employee or manager (in the latter case subject to the opinion of the Remuneration Committee only for senior managers).

The Board of Directors, in its meeting of 26 March 2018, resolved to grant the Director Luciano Maria Garofano powers in relation to identification and investigation of extraordinary finance and extraordinary transactions, with the attribution of the following powers:

- representing the Company in negotiations with credit institutions in relation to the granting of credit lines;
- representing the Company in the investigation and negotiation of extraordinary transactions, with the power to sign - subject to a resolution of the Board of Directors - agreements of confidentiality and expressions of interest to third parties.

Executive Committee

The Board of Directors did not set up an Executive Committee.

Reporting to the Board

In compliance with the provisions of art. 17 of the Articles of Association, which in turn implements the provisions of art. 150, first paragraph, of the Consolidated Law on Finance, the Chief Executive Officer reports, on a quarterly basis, on the activities carried out and on the most important economic, financial and equity transactions of the Company, declaring, if necessary, the existence of own or third-party conflicts of interest and the existence of atypical or unusual transactions.

4.5 EXECUTIVE DIRECTORS

Until 26 March 2018, without prejudice to the position of executive director held by Emanuela Maria Conti by virtue of the position she held directly in the Issuer, there were no further Directors to be considered executive pursuant to the Code. From 26 March 2018 to the date of this Report, Michele Scoppio is considered to be an executive director, by virtue of the position of Chief Executive Officer held directly in the Issuer, as is Francesco Esposito by virtue of the position of Chairman of the Board of Directors with proxies held directly within the Issuer, as well as Chiara Esposito and Luciano Maria Garofano, based on the proxies granted to them by the Board of Directors, as indicated above.

4.6 INDEPENDENT DIRECTORS

There are two independent Directors of the Company at the date of this Report.

The Board shall assess the existence of the requirements of independence and non-enforceability of directors pursuant to the Code at the first meeting held after their appointment and, in any case, at least once a year.

With regard to the Directors appointed by the Shareholders' Meeting of 26 March 2018, the Board of Directors met to assess whether the requirements of independence and non-enforceability were met on 26 March 2018. This assessment had a positive outcome and a Press Release was issued on 26 March 2018.

This assessment was again carried out and confirmed by the Board of Directors during the meeting held on 17 April 2019. With specific reference to the director Graziano Gianmichele Visentin, despite the fact that he held the position of director of the Issuer for a period of more than nine years in the last twelve years, the Board of Directors - also in consideration of the high level of professionalism and in light of the information provided by this director - has confirmed that the assessment of the independence requirement must take into account substantial and non-formal criteria in accordance with art. 3.C.1 of the Corporate Governance Code, also taking into account an approach widely used among listed companies. From this perspective, having assessed the ethical and professional qualities of the person concerned, as well as his actions in office and his autonomy of judgement, the Board considered that the director in question met the requirement of independence pursuant to the Code. The Board of Statutory Auditors normally verifies the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

In relation to the supervisory activities carried out during the year, reference should be made in full to the Report of the Board of Statutory Auditors to the Financial Statements of PLC.

4.7 LEAD INDEPENDENT DIRECTOR

As of the date of this Report, the Board has not designated an independent director as lead independent director. With reference to the application criterion pursuant to point 2.C.4 of the Code, the Company did not consider it necessary to appoint such a person, since a complete and timely flow of information between directors is actually guaranteed by company practice and procedures. Moreover, regardless of this appointment, during the year, all the independent Company's Directors were able to coordinate their activities and discuss any requests through participation in the internal committees of the Board.

Furthermore, the Chairman of the Board of Directors appointed on 26 March 2018, although holding management powers, is not considered to be the main person responsible for the management of the issuer, since the Board also includes a Chief Executive Officer, who holds the same powers jointly and severally, and the Chairman of the Board of Directors does not hold any interest in the issuer, nor does he indirectly control the issuer itself.

5. PROCESSING OF CORPORATE INFORMATION

Procedure for handling inside information

The Company has adopted a procedure for the internal management and external communication of confidential and/or inside information, which governs the management and treatment of inside information, as well as the procedures to be followed for the communication, both inside and outside the Company, of documents and information concerning PLC and its subsidiaries, with particular reference to Inside Information. This procedure defines, among other things, the concept of "inside information" and identifies the general conduct of the recipients with reference to the processing of said types of information as well as the roles and responsibilities of the various department heads. The same procedure also contains a descriptive part of the internal management procedures for confidential and inside information, an indicative part of the external communication procedures for confidential and inside information and a section dedicated to the sanctions to be imposed on the recipients in the event of abuse or violation of the law and the procedure. In compliance with the provisions of the aforesaid procedure, the directors, statutory auditors, managers and all employees of Group companies shall keep confidential any inside information relating to the Issuer and its subsidiaries of which they have become aware in the performance of their functions and shall comply with the procedures described in the document for the identification, internal management and communication to the market of such information.

The person in charge of fulfilling the disclosure obligations provided for by the procedure is the Head of Legal and Corporate Affairs. The procedure is published on the website www.plc-spa.com in the Investor Relations/PLC/Corporate Governance/2018 section.

6. INTERNAL BOARD COMMITTEES (pursuant to art. 123-bis, paragraph 2, letter d), TUF)

As of today, the Company has established the following Internal Committees of the Board of Directors:

- Appointments, Remuneration and Stock Option Plans Committee;
- Control and Risks Committee.

It should be noted, however, that until 26 March 2018 there were 3 Internal Committees of the Board of Directors, specifically:

- Appointments Committee;
- Remuneration and Stock Option Plans Committee;
- Control and Risks Committee.

On 26 March 2018, the Board of Directors decided to merge the Appointments Committee with the Remuneration and Stock Option Plans Committee.

This Report, referring to FY 2018, will represent the structure of the Internal Committees during that period.

The Board of Directors has assigned the functions of the Board Committee for Transactions with Related Parties, as provided for in the Group regulations for the execution of transactions with related parties currently in force, to the Control and Risks Committee and/or to the Appointments, Remuneration and Stock Option Plans Committee, depending on the competence of the transaction to be resolved.

Minutes of the meetings of each Committee are drawn up by the Chairman of the Committee.

All the Committees have purely proposal-making functions and assist the Board of Directors in investigating matters within their respective areas of responsibility.

7. APPOINTMENTS, REMUNERATION AND STOCK OPTION PLANS COMMITTEE

By means of resolution dated 14 July 2017, the Board of Directors of PLC, in accordance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A., decided to set up an internal Appointments Committee composed of the following non-executive and independent directors in accordance with the Code and the TUF: Graziano Gianmichele Visentin (Chairman), Roberta Battistin and Gastone Colleoni.

By the same resolution, the Board of Directors of PLC appointed the following non-executive and independent directors as members of the Remuneration and the Stock Option Plans Committee in accordance with the Code and the TUF: Graziano Gianmichele Visentin (Chairman), Roberta Battistin and Gastone Colleoni.

These Committees remained in office until 26 March 2018, when the Board of Directors currently in office was appointed.

During the financial year ending on 26 March 2018, the Appointments Committee met once to deliberate on the evaluation of the proposed indications of the Board of Directors regarding the size and composition of the administrative body being elected and recommendations regarding the professionals whose presence on the Board is considered appropriate.

The Remuneration and the Stock Option Plans Committee did not meet during the financial year up to 26 March 2018.

By means of resolution dated 26 March 2018, the Board of Directors of PLC, as mentioned above, decided to merge the Appointments Committee with the Remuneration and Stock Option Plans Committee, establishing a single Committee composed of the following non-executive and independent directors in accordance with the Code and the TUF: Marina D'Artibale (Chairman) and Graziano Gianmichele Visentin, both in possession of knowledge and experience in accounting and financial matters, and/or in the field of remuneration policies, deemed adequate by the Board at the time of appointment.
The composition of the Committee complies with the criteria set out in the Corporate Governance Code with reference to both the Appointments Committee and the Remuneration Committee.
As of the date of this Report, the Committee has not been assigned any functions and duties other than those envisaged by the Code.
Since its establishment and therefore from 26 March 2018, the Appointments, Remuneration and Stock Option Plans Committee has met twice to resolve on the following: (i) remuneration of directors holding particular offices; (ii) approval of the remuneration report; (iii) appointment of the Manager in charge of Financial Reporting.
The Company's Directors shall abstain from attending Committee meetings at which proposals are made to the Board regarding their remuneration; if necessary, the Chairman and/or the Chief Executive Officer shall attend only as speakers, leaving at the time of voting.
Participation in Committee meetings by third parties is normally at the invitation of the Committee itself with reference to individual items on the agenda.

Composition and functioning of the Appointments Committee until 26 March 2018

Post held	Name	Non-executive	Independence as per Code	Independence as per TUF	% investment
P	Visentin Graziano	X	X	X	100
M	Battistin Roberta	X	X	X	100
M	Gastone Colleoni	X	NO	NO	0

Composition and functioning of the Remuneration and Stock Option Plans Committee *until 26 March 2018*

Post held	Name	Non-executive	Independence as per Code	Independence as per TUF	% investment
P	Visentin Graziano	X	X	X	0
M	Battistin Roberta	X	X	X	0
M	Gastone Colleoni	X	NO	NO	0

Composition and functioning of the Appointments, Remuneration and Stock Option Plans Committee from 26 March 2018

Post held	Name	Non-executive	Independence as per Code	Independence as per TUF	% investment
P	Marina D'Artibale	X	X	X	100
M	Visentin Graziano	X	X	X	100

Functions of the Appointments, Remuneration and *Stock Option Plans* Committee.

The Committee presents proposals for the remuneration of chief executive officers and directors holding particular offices, monitoring the application of the decisions adopted.

At the date of this Report, the Committee has not been assigned any functions and duties other than those envisaged by the Code, which are the following:

- formulating opinions to the Board of Directors on the size and composition of the Board and making recommendations on the professionals whose presence on the Board is considered appropriate;
- proposing to the Board of Directors candidates for the office of director in cases of co-optation, where it is necessary to replace independent directors;
- in the event that the Board of Directors considers adopting a plan for the succession of executive directors, carrying out a preliminary investigation into the preparation of the plan;
- assessing and formulating proposals to the Board of Directors regarding the remuneration policy proposed by the Company for directors and managers with strategic responsibilities;
- assessing and formulating any proposals to the Board of Directors regarding share incentive plans, stock option plans, general shareholding plans and similar incentive and loyalty plans for the management and employees or associates of group companies, also with reference to the suitability to pursue the typical objectives of such plans, the procedures for their actual implementation by the competent corporate bodies and any amendments or additions thereto;

- formulating proposals or expressing opinions to the Board of Directors, in the absence of those directly concerned, on the remuneration of executive directors and executives with strategic responsibilities;
- making proposals to the Board of Directors, in the absence of those directly concerned, for the remuneration of non-executive directors, which must be commensurate with the commitment required of each of them, taking into account any participation in one or more internal committees of the Company. This remuneration may be linked only to a non-significant part of the Company's economic results. The same non-executive directors may receive share incentive plans only on the basis of a reasoned decision of the Shareholders' Meeting.

The activities carried out by the Remuneration Committee with reference to the functions listed above are described in detail in the Remuneration Report prepared pursuant to art. 123-ter of the Consolidated Law on Finance. Minutes were duly taken for the meetings of the Committee held during the year.

In performing its functions, the Committee was able to access the information of the company functions necessary for the performance of its duties, as well as to avail itself of external consultants (a right which, however, was never exercised during the year).

During the year, the Committee did not incur any expenses of any kind for the performance of its duties (e.g. consultancy, opinions, etc.).

The Chairman of the Board of Statutory Auditors attended the Committee's meetings from 26 March 2018 (2 meetings), at the invitation of the Committee itself.

The Committee does not have specific financial resources at its disposal to carry out its tasks.

8. REMUNERATION OF DIRECTORS

For the information in this section, please refer to the relevant parts of the remuneration report that will be published pursuant to art. 123-ter of the Consolidated Law on Finance within the terms set out therein.

9. CONTROL AND RISKS COMMITTEE

By means of resolution dated 14 July 2017, the Board of Directors of PLC appointed the following non-executive and independent directors to the Control and Risks Committee in accordance with the Code and the Consolidated Law on Finance: Roberta Battistin (Chairman), Graziano Gianmichele Visentin and Gastone Colleoni.

This Committee remained in office until 26 March 2018, the date of appointment of the current Board of Directors. By means of resolution dated 26 March 2018, the Board of Directors of PLC appointed the following non-executive and independent directors to the Committee in accordance with the Code and the Consolidated Law on Finance: Graziano Gianmichele Visentin (Chairman) and Ms. D'Artibale and the Director Luciano Garofano. During the meeting held on 24 April 2018, the Company's Board of Directors resolved on the resignation, on 20 April 2018, of the director Luciano Garofano as a member of the Control and Risks Committee. The Director justified his resignation by reasons of expediency, taking into account the powers delegated to him by the Board of Directors. Therefore, the Control and Risks Committee is currently composed of two directors, both meeting the requirements of independence pursuant to the Consolidated Law on Finance and the Code.

The work of the Control and Risks Committee is coordinated by the Chairman.

During the year, the Committee met 6 times to carry out evaluations and proposals, among other things, with regard to: (i) updates on the restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law; (ii) Supervisory Body and Internal Audit; (iii) assessment of the adequacy of the accounting standards used to prepare the Company's financial statements and their uniformity for the purposes of preparing the consolidated financial statements; (iv) meeting with the independent auditors; (v) examination of the draft Corporate Governance Report and information pursuant to art. 123-bis of the Consolidated Law on Finance (vi) Annual Report of the Control and Risks Committee; (vii) updates on the Half-Yearly Financial Report at 30 June 2018 and on the statutory audit activity; (viii) Report of the Control and Risks Committee for the first half of 2018; (ix) updates on control activities; (x) opinion on the approval of the "Internal Regulatory System " manual, some group policies and some company procedures. Minutes have duly been taken for these meetings.

Participation in Committee meetings by third parties is normally at the invitation of the Committee itself with reference to individual items on the agenda.

All members of the Committee have adequate accounting and financial expertise.

Composition and functioning of the Control and Risks Committee until 26 March 2018:

Post held	Name	Non-executive	Independence as per Code	Independence as per TUF	% Participation
P	Roberta Battistin	X	X	X	100
M	Gastone Colleoni	X	NO	NO	0
M	Graziano Visentin	X	X	X	100

Composition and functioning of the Control and Risks Committee from 26 March 2018

Post held	Name	Non-executive	Independence as per Code	Independence as per TUF	% investment
M	Visentin Graziano	X	X	X	100
P	Marina D'Artibale	X	X	X	100

Functions assigned to the Control and Risks Committee

The Control and Risks Committee is responsible for carrying out the following activities:

- assesses, together with the Manager in charge of Financial Reporting and having consulted the independent auditors and the Board of Statutory Auditors, the correct use of the accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- expresses opinions on specific aspects relating to the identification of the main business risks;
- examines the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular importance prepared by the internal audit function;
- monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
- may ask the internal audit function to carry out checks on specific operational areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- reports to the Board of Directors every six months on the occasion of the approval of the annual and half-yearly financial reports, on the activities carried out and on the adequacy of the internal control and risk management system;
- supports, by means of an adequate preliminary activity, the assessments and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the Board of Directors has become aware.

At the date of this Report, the Committee is not assigned any tasks other than those envisaged by the Code.

During the financial year, the Committee dealt with the above activities with particular reference to the tasks of internal control, informing the Board of the activities carried out during the period, assessing the adequacy of the Issuer's internal control system, verifying the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements.

It should be noted that following the resignation of the Head of Internal Audit on 18 November 2016, the Board of Directors, taking into account the Company's substantial inactivity, decided to postpone the appointment of a new person pending the completion of the restructuring operation under way. Having completed this transaction, the Board of Directors appointed a Head of Internal Audit on 24 April 2018.

The Chairman of the Board of Statutory Auditors attended the meetings of the Control and Risks Committee held during the year.

Minutes were duly taken for the meetings of the Control and Risks Committee held during the year.

In the performance of its functions, the Control and Risks Committee has the right to access the information and corporate functions necessary for the performance of its duties as well as to avail itself of external consultants.

The Control and Risks Committee does not have specific financial resources at its disposal for the performance of its duties.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control System in place at the Issuer is structured into a set of rules, procedures and organisational structures aimed at ensuring, with reasonable certainty, through an adequate process of identification, measurement, management and monitoring of the main risks, sound and correct conduct of business activities consistent with the objectives set. The overall adequacy of the system contributes to ensuring the achievement of objectives such as the efficiency of corporate and business management, the completeness, reliability and timeliness of accounting and management information, compliance with the laws and regulations in force, as well as the protection of corporate assets and corporate integrity, also in order to prevent fraud to the detriment of the Company and the financial markets.

Within the scope of its specific powers and responsibilities with regard to the functionality of the internal control system, the Company's Board of Directors:

(i) established the Control and Risks Committee;

(ii) established the Supervisory Body to monitor the functioning of the organisational model pursuant to Italian Legislative Decree 231/2001;

(iii) appointed the Executive Director responsible for supervising the functioning of the Internal Control and Risk Management System and the Head of the Internal Audit Function;

(iv) approved, in accordance with the recommendations of the Corporate Governance Code of Borsa Italiana and the governance principles of international best practice for listed companies, the updated version of the following documents to the new corporate structure of the Group:

- **(a)** the Group Regulations for the execution of transactions with related parties;
- **(b)** the procedure for handling inside information;
- **(c)** the procedure for the fulfilment of the disclosure obligations set forth in art. 150, paragraph 1 of the Consolidated Law on Finance;
- **(d)** the internal dealing procedure;
- **(e)** the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01 (MOG) consisting of:
  - Code of Conduct;
  - MOG - General Part;
  - MOG - Special Section;
  - MOG - Disciplinary System;
  - Mapping of Risk Areas;
  - Operational protocols.

In this regard, it should be noted that, pursuant to art. 114. paragraph 2 of the Consolidated Law on Finance, the Issuer notifies its subsidiaries of **(i)** the procedure relating to the handling of inside information; **(ii)** the procedure relating to the keeping of the register of persons who have access to inside information; **(iii)** the procedure fulfilment of the disclosure obligations set forth in art. 150, paragraph 1 of the Consolidated Law on Finance.

In order to identify and monitor the main risks relating to the Issuer and its subsidiaries, in line with the strategies and objectives of sound and correct management set, the Issuer has adopted an approach to the management of corporate risks based on reducing the possibility of negative events occurring.

In particular, the objectives attributed to the Group's Internal Control System can be summarised as follows:

- ensuring the effective and efficient performance of company activities;
- guaranteeing the reliability, adequacy and correctness of the accounting records, as well as the safeguarding of the company's assets;
- ensuring compliance with current legislation and with the company's internal regulations and procedures.

The elements that form the basis of the Internal Control System adopted by the Company, which is subject to continuous monitoring and updating, are as follows:

- separation of roles and functions in the performance of the operations considered most delicate from the point of view of the interests involved;
- traceability of operations;
- management of decision-making processes based on criteria that are as objective as possible.

This system is implemented through procedures, organisational structures and controls implemented by Group companies on the most significant business processes in terms of risk.

The types of control implemented are divided into:

- automatic or manual line controls, both preventive with respect to the single transaction, and of the subsequent type;
- management controls carried out on the performance of companies and individual processes with respect to forecasts.

The Board is responsible for the management of this system, defines its guidelines, periodically evaluates, at least once a year, the adequacy, effectiveness and effective functioning of the same, making use, in the exercise of these functions, of the support of the Control and Risks Committee, of the Director in charge of supervising the functioning of the Internal Control and Risk Management System, the Head of the Internal Audit Function and the Organisation Function.

The evaluation process starts from the results of the control activities entrusted to the Head of the Internal Audit Function, who reports regularly to the Control and Risks Committee, which, in turn, also on the basis of the elements observed directly, informs the Board of Directors every six months with a specific report on the adequacy and effectiveness of the internal control system, formulating, where deemed appropriate, its recommendations previously shared also with the Director in charge of supervising the functioning of the Internal Control and Risk Management System.

During the year, the Board of Directors issued a positive assessment of the adequacy, effectiveness and effective functioning of the internal control system.

It should be noted that during the first few months of the 2018 financial year, the verification activities of the Supervisory Body and Internal Audit were not carried out, as, as already mentioned, these functions were suspended. The Board of Directors, in fact, following the resignation of all members in November 2016, taking into account the substantial inactivity of the Company, decided to postpone the appointment of new persons pending the completion of the restructuring operation under way.

The potential risk deriving from the suspension of the aforesaid activities, in the first months of the 2018 financial year, was however mitigated by the important ongoing process of restructuring of the Company, within the framework of a procedure pursuant to art. 182-bis of the Bankruptcy Law, which required continuous interventions by the administrative body with the calling of numerous meetings in order to constantly monitor the evolution of the management events and take the necessary decisions. In this context, all the directors were able to regularly meet with the professionals appointed by the Company to provide legal, financial and corporate assistance. In this way, they were able to acquire the necessary information on the progress of the agreements with the new investor (PLC Group S.p.A., now FRAES S.r.l.), creditors and banks.

Particular attention was paid by the Board of Directors, the Committees and the Independent Directors to the monitoring of corporate risks which, obviously, in the above context were more evident than in the past.

Following the completion of the restructuring operation, on 26 March 2018, the Board of Directors appointed Mr. Dell'Isola, Ms. Silvana Del Monaco and Ms. Federica La Rocca as members of the Supervisory Body and, on 24 April 2018, appointed Mr. Salvatore Montano as Head of Internal Audit.
In April and May 2018, respectively, the Supervisory Body and Internal Audit began their audit activities.
On 12 March 2019, the Board of Directors, having consulted the Board of Statutory Auditors and the Director responsible for supervising the functioning of the Internal Control and Risk Management System, approved the Strategic Internal Audit Plan (2018/2019) and acknowledged the activities carried out in 2018

11.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Until 26 March 2018, Emanuela Maria Conti was the executive director in charge of supervising the functioning of the Internal Control and Risk Management System.
On 26 March 2018, the Board of Directors resolved to appoint Chiara Esposito as Executive Director in charge of supervising the functioning of the Internal Control and Risk Management System, for the years 2018-2019-2020 and, more specifically, until the date of the shareholders' meeting called to approve the financial statements at 31 December 2020.
The Director in charge of supervising the functioning of the Internal Control and Risk Management System participates in the meetings and activities of the Control and Risks Committee and shall also constantly liaise with the Head of the Internal Audit function, in this role and context, pursuant to point 7.C.4 of the Code:

- identifies the main corporate risks (strategic, operational, financial and compliance risks), taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, and submits them periodically to the Board for examination;
- implements the guidelines defined by the Board, designing, implementing and managing the internal control and risk management system and constantly verifying its adequacy and effectiveness;
- deals with the adaptation of this system into line with the dynamics of the operating conditions and the legislative and regulatory framework;
- may ask the Internal Audit function to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of company operations, simultaneously notifying the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- reports promptly to the Control and Risks Committee (or to the Board of Directors) on problems and criticalities that have emerged in the performance of its activities or of which he/she has been informed, in any case, so that the Committee (or the Board) can implement the appropriate initiatives.

As already mentioned, it should be noted that following the resignation of the Head of Internal Audit on 18 November 2016, the Board of Directors, taking into account the substantial inactivity of the Company, decided to postpone the appointment of a new person pending the completion of the restructuring operation under way. Having completed this transaction, on 24 April 2018 the Board of Directors appointed the Head of Internal Audit, Mr. Montano, who carried out his activities during the financial year starting from that date.

11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

Following the completion of the restructuring operation and the installation in office of the current Board of Directors, the latter, in compliance with the application criterion in accordance with point 7.C.6 of the Corporate Governance Code, pursuant to which the Internal Audit function may be entrusted to an entity outside the Issuer, provided that it has adequate requirements of professionalism and independence, on 24 April 2018, appointed Mr. Salvatore Montano as Head of the Internal Audit function.

The appointment was made on the proposal of the Director in charge of supervising the functioning of the Internal Control and Risk Management System, subject to the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors.

The Board of Directors has determined the remuneration of the Head of Internal Audit in a manner consistent with company policies.

At the date of this Report, the Head of the Internal Audit function of the Company is not responsible for any operational area and does not report hierarchically to any area manager.

The Head of the Internal Audit function of the Company has direct access to all information needed for the performance of his duties, reports on his work to the Control and Risks Committee, the Board of Statutory Auditors, and the Executive Director in charge of supervising the functioning of the Internal Control and Risk

Management System.

The internal control activity carried out by the Head of Internal Audit since the date of the assignment of the engagement was carried out in accordance with the mandate received from the Board of Directors and with the sharing of the Strategic Internal Audit Plan (2018/2019) approved by the Control and Risks Committee and also shared with the Board of Statutory Auditors.

In particular, within the scope of his activity, the Head of the Internal Audit function:

(i) assists (also in an advisory capacity) the Control and Risks Committee in defining instruments;

(ii) propose to the Control and Risks Committee the plan of activities (audit plan) to be followed up by specific operational audits;

(iii) carries out compliance activities with regard to compliance with the company's regulatory requirements, including: compliance with the Articles of Association, meetings of the Administrative Body, information flow to the Supervisory Bodies, verification of compliance with the Code of Conduct, verification of procedures relating to the handling of inside information, verification of updating of the insider register, etc.;

(iv) carries out constant verification and analysis, through interviews with the heads of the main corporate functions, in order to monitor the adequacy of the organisational structure and the application of corporate procedures;

(v) it constantly reports to the Control and Risks Committee, the independent auditors, the Board of Statutory Auditors and the company's management;

(vi) provides advice to business functions;

(vii) verifies the preparation and, through audit testing on a half-yearly basis, the application of the administrative and accounting procedures applied by the Manager in charge of Financial Reporting;

(viii) actively participates in the checks and training activities required by the Supervisory Body to verify the adequacy and constant application of the Organisational Model pursuant to Italian Legislative Decree no. 231/2001;

(ix) constantly liaises with the Board of Statutory Auditors, also through participation in its meetings;

(x) carries out specific control activities on the operational protocols on behalf of the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001.

11.3 ORGANISATIONAL MODEL pursuant to Italian Legislative Decree no. 231/2001

The Issuer has adopted its own organisation and management model, pursuant to Italian Legislative Decree no. 231/01, which is currently undergoing a major overhaul as a result of the new structure of the Group and the new business areas developed, to ensure their effectiveness in the face of the evolution of the company's activities and the risks associated with the offences monitored. The policies, procedures and operating notes for monitoring the areas of offence are also subject to review and have in part already been updated, as indicated in the previous Profile section of the Issuer.

The Model consists of the following documents:

(i) Code of Conduct;

(ii) Organisation and Management Model - General Part;

(iii) Organisation and Management Model - Special Part;

(iv) Organisation and Management Model - Disciplinary System;

(v) Mapping of Risk Areas;

(vi) Operational Protocols.

Within the scope of the Model, all the categories of offences that are relevant pursuant to Italian Legislative Decree no. 231/01 have been analysed, and in particular:

- crimes against the personality of the state;
- crimes against the Public Administration;
- offences of organised crime and certain specific offences of association;
- some crimes against the administration of justice;
- crimes against property;
- offences against public faithfulness (of forgery of money, public credit cards and revenue stamps);
- crimes against industry and trade;
- copyright infringement offences;
- crimes against the person, some specific crimes regarding immigration, as well as in the field of blood transfusion activities and national production of blood derivatives;
- criminal provisions governing companies subject to registration;
- criminal provisions contained in the Consolidated Law on Finance;
- criminal offences provided for and regulated by Italian Legislative Decree 231/01;
- crimes in violation of copyright.

The outcome of this analysis made it possible to identify the types of offences relevant to the Company.

Following the resignation of the entire Supervisory Body in November 2016, the Board of Directors, taking into account the substantial inactivity of the Company, decided to postpone the appointment of new persons, pending the completion of the restructuring operation under way. Following completion of this transaction, the meeting of the Board of Directors of PLC held on 26 March 2018 appointed, from the date of appointment and until the approval of the financial statements for the year ending 31 December 2020, the new Supervisory Body in the persons of Mr. Alfonso Dell'Isola (Chairman), Ms. Silvana Del Monaco and Ms. Federica La Rocca.

The updating of the Model in progress also involves the subsidiary companies PLC System S.r.l., PLC Service S.r.l. and PLC Service Wind S.r.l., which at present have not adopted any organisation and management model, pursuant to Italian Legislative Decree no. 231/01. The documentation relating to the current Organisation and Management Model - general and special parts and disciplinary system - is available on the Issuer's website at the following address www.plc-spa.com Investor Relations/PLC/Corporate Governance/2011 section.

11.4 INDEPENDENT AUDITORS

At the date of this Report, the Company's independent auditors were EY S.p.A., appointed by the Shareholders' Meeting on 23 June 2015 for 9 financial years and, therefore, until the end of 2023.

11.5 MANAGER IN CHARGE OF FINANCIAL REPORTING AND OTHER CORPORATE ROLES AND FUNCTIONS

On 5 July 2018, the Board of Directors appointed Ms. Cecilia Mastelli (who held the same position with reference to the year ended 31 December 2017) as Manager in charge of Financial Reporting, until approval of the financial statements for the year ending 31 December 2020, unless revoked early, granting her all the necessary powers and the related organisational, managerial, operative, supervisory and control responsibilities, including the responsibility of maintaining, through constant updating, adequate administrative and accounting procedures for the preparation of the separate financial statements and the consolidated financial statements, which are typical of said function.

In accordance with the provisions of the Articles of Association, the Manager in charge of Financial Reporting meets the requisites of integrity required by current legislation for those who carry out administrative and management functions, as well as the requisites of professionalism characterised by specific competence in administrative, accounting and financial matters. The Manager in charge of Financial Reporting has the powers and means necessary to carry out his duties and an annual budget of € 15,000.

12. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company provides for methods of coordination between the various parties involved in the internal control and risk management system (Board of Directors, Director in charge of supervising the functioning of the Internal Control and Risk Management System, Control and Risks Committee, Head of the Internal Audit function, Manager in charge of Financial Reporting and other company roles and functions with specific tasks in relation to internal control and risk management, Board of Statutory Auditors), in order to maximise the efficiency of the internal control and risk management system and reduce duplication of activities, as required by the Code.

This coordination is mainly based on the fact that all the members of the Control and Risks Committee are internal to the Board of Directors, therefore, on the one hand, by participating in the meetings of the Board always have constant knowledge of the company's activities, and on the other hand, constantly inform the Board, during its meetings, of the activities carried out by the Committee.

Moreover:

(f) the Head of Internal Audit and the Board of Statutory Auditors regularly attend the meetings of the Control and Risks Committee;

(g) the Head of Internal Audit sends the reports relating to the audits to the parties directly concerned within the Company.

Coordination between the above-mentioned subjects is carried out by means of continuous dialogue also in special meetings for this purpose, in which each individual reports on the activities carried out in the individual period.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 29 November 2010, the Board of Directors adopted the new Group Regulations for transactions with related parties, subsequently amended and supplemented on 2 February 2015 and 15 May 2018, in compliance with the relevant provisions of the Supervisory Authority.

In order to take into account the current composition of the internal board committees, the Group Regulations for the execution of transactions with related parties provides that the Committee must be composed, regardless of the value of the transaction with related parties, of two unrelated independent directors.

The Regulations that implement the definitions, principles and guidelines contained in the Regulations on transactions with related parties adopted by Consob with resolution no. 17221 of 12 March 2010 and its subsequent amendments and additions, is available on the website www.plc-spa.com (Investor Relations - Corporate governance section) and makes provision, among other things, for:

i. the establishment by the Company of an IT archive, which includes the related parties of the PLC S.p.A. Group;

ii. the distinction between:

  a) Transactions of Greater Significance, i.e. those in which at least one of the expected "materiality indexes" (value materiality index, asset materiality index and liability materiality index) is higher than the threshold of 5%;

  b) Transactions of Lesser Significance, i.e. excluding those other than the above;

  c) Transactions of greater significance following the accumulation of transactions;

iii. the regulation, both of the composition and of the functioning of the Board Committee, whose functions were assigned by the Board of Directors on 14 May 2014, as well as by the subsequent ones of 2 February 2015 and 15 May 2018, to the Control and Risks Committee and/or to the Appointments, Remuneration and Stock Option Plans Committee according to the competence for the subject matter of the transaction being resolved;

iv. the provision of:

- **a)** a preliminary procedure to verify the applicability of the Regulation to a given transaction in the event that the Delegate, at the conclusion of the transaction, deems it appropriate;
- **b)** a procedure for transactions of lesser significance which makes the approval resolution subject to the prior and reasoned favourable opinion of the Board Committee concerning **(i)** the existence of a Company interest in completing the transaction and **(ii)** the convenience and substantive correctness of the related conditions and provides for at least quarterly reporting by the Chief Executive Officer to the Board of Directors and the Board of Statutory Auditors on the execution of the transaction;
- **c)** a procedure for transactions of greater significance which **(i)** reserves exclusive competence to the Board of Directors; **(ii)** makes the approval resolution subject to the prior and reasoned favourable opinion of the Board Committee concerning **(a)** the existence of a Company interest in the completion of the transaction and **(b)** the convenience and substantive correctness of the related conditions; **(iii)** provides for the involvement of the Committee in the negotiations and in the preliminary phase through the receipt of a complete and timely flow of information; **(iv)** the preparation of an information document in compliance with the requirements of the relevant Consob regulations; **(v)** at least quarterly information from the Chief Executive Officer to the Board of Directors and the Board of Statutory Auditors on the execution of the transaction;
- **d)** a procedure for transactions falling within the competence of the shareholders' meeting that provides for **(i)** the preparation of an illustrative report by the directors, **(ii)** the application of the procedures described above for transactions of greater and lesser significance and **(iii)** at least quarterly reporting by the Chief Executive Officer to the Board of Directors and the Board of Statutory Auditors on the execution of the transaction;
- **e)** specific procedures for transactions with related parties carried out by the Issuer's subsidiaries, for which reference should be made to § 11 of the document;
- **f)** the possibility of adopting framework resolutions relating to a series of homogeneous transactions with certain categories of related parties;
- **g)** exclusion from the application of the Regulations of: **(i)** transactions of small value, i.e. with a value of less than € 25,000.00; **(ii)** payment plans based on financial instruments approved by the shareholders' meeting pursuant to art. 114-bis of the Consolidated Law on Finance; **(iii)** shareholders' meeting resolutions pursuant to art. 2389, first paragraph, of the Italian Civil Code, relating to the remuneration payable to members of the Board of Directors and the Executive Committee, as well as resolutions concerning the remuneration of directors holding particular offices falling within the total amount previously determined by the shareholders' meeting pursuant to art. 2389, third paragraph, of the Italian Civil Code; **(iv)** shareholders' meeting resolutions pursuant to art. 2402 of the Italian Civil Code, relating to the remuneration due to members of the Board of Statutory Auditors; **(v)** transactions to be carried out on the basis of instructions for

stability given by the Supervisory Authorities or on the basis of instructions issued by the Parent Company for the execution of the aforesaid instructions, without prejudice to the provisions of § 12 of the Regulations on accounting information; **(vi)** transactions that comply with certain strictly indicated conditions.

There are no operational solutions to facilitate the identification and adequate management of situations in which a director has an interest on his own behalf or on behalf of third parties pursuant to art. 2391 of the Italian Civil Code.

In any case, in compliance with the provisions of art. 2391 of the Italian Civil Code, Directors who have an interest (own or third party and also potential or indirect) in Company transactions shall promptly and fully inform the Board of Directors of the existence and nature of such interest; communication may be by any means, including orally, during Board meetings, or by sending a written memorandum to the Chairman of the Board of Statutory Auditors.

If the Chief Executive Officers have an interest, they shall refrain from carrying out the transaction in question and refer the matter to the Board.

11. APPOINTMENT OF STATUTORY AUDITORS

With reference to the appointment and replacement of the members of the Board of Statutory Auditors, Article 18 of the Articles of Association provides as follows:

"The Shareholders' Meeting shall appoint the Board of Statutory Auditors, composed of three standing members and two alternate members, who may be re-elected, and shall determine their remuneration. The powers, duties and duration shall be those laid down by law.

The Statutory Auditors must meet the requirements of current legislative and regulatory provisions.

The appointment of Statutory Auditors is carried out on the basis of lists submitted by the Shareholders in accordance with the procedures set out in the following paragraphs, in order to ensure that the minority can appoint one standing Statutory Auditor and one alternate Statutory Auditor, and in compliance with the currently applicable regulations governing gender balance.

The lists, which contain the names, marked with a progressive number, of one or more candidates, indicate whether each candidate is nominated for the office of Standing Auditor or for the office of Alternate Auditor.

The lists shall contain a number of candidates not exceeding the number of members to be elected. Each candidate may appear on only one list under penalty of ineligibility.

Lists containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that at least one fifth (on the occasion of the first term of office after 12 August 2012) and then one third (nonetheless rounded up) of the candidates for the office of Standing Auditor and at least one fifth (on the occasion of the first term of office after 12 August 2012) and then one third (in any case rounded up) of the candidates for the office of Alternate Auditor belong to the least represented gender on the list.

Lists may be presented by Shareholders who, alone or together with others, own a total number of shares with voting rights representing at least 2.5% (two point five per cent) of the share capital with voting rights in the Ordinary Shareholders' Meeting or, if different, the maximum percentage that may be permitted or referred to by law or regulations.

Each member, the shareholders subscribing to a relevant shareholders' agreement pursuant to art. 122 of Italian Legislative Decree no. 58/1998, the parent company, subsidiaries and companies subject to joint control may not present or contribute to the presentation, even though a third party or trust company, of more than one list, nor may they vote for different lists, and each candidate may appear on one list only, on pain of ineligibility. Subscriptions and votes expressed in violation of this prohibition shall not be assigned to any list.

The lists, signed by those who present them, must be deposited at the registered office of the Company at least twenty-five days before the date set for the Shareholders' Meeting on first call and this will be mentioned in the notice of call, without prejudice to any further forms of publicity and without prejudice to further and different terms prescribed by the rules and regulations in force at the time.

Without prejudice to compliance with any further procedural responsibility prescribed by the laws and regulations in force, together with each list, the shareholders must at the same time submit to the company's registered office:

(i) *information on the identity of the shareholders who submitted the lists, indicating the total percentage of shareholding held;*

(ii) *exhaustive information on the professional and personal characteristics of each candidate, the declarations in which the individual candidates accept their nominations and certify, under their own responsibility, that there are no reasons for ineligibility or incompatibility, as well as the existence of the requirements prescribed by current legislation for holding the office of auditor and the list of any administration and control positions held in other companies;*

(iii) *a declaration by the shareholders other than those who hold, even jointly, a controlling interest or a relative majority, certifying the absence of any relationship as provided for in art. 144-quinquies of Consob Regulation 11971/99 with the latter.*

The first two candidates on the list that has obtained the highest number of votes will be elected Standing Auditors and the first candidate on the list that is second in terms of number of votes and that is not connected, even indirectly, with those who submitted or voted for the list that obtained the highest number of votes.

The first alternate candidate on the list obtaining the highest number of votes and the first alternate candidate on the list obtaining the second highest number of votes pursuant to the preceding paragraph shall be elected as Alternate Auditors.

In the event of a tie between two or more lists, the eldest candidates shall be elected as Statutory Auditors until the number of posts to be filled is reached.

If the composition of the Board of Statutory Auditors is not ensured by the methods indicated above, in its standing members, in compliance with the currently applicable regulations concerning gender balance, the *necessary replacements will be made, within the candidates for the office of standing auditor on the list that obtained the highest number of votes, according to the progressive order in which the candidates are listed.*

The Chairman of the Board of Statutory Auditors shall be the candidate on the list that received the second highest number of votes, in accordance with the provisions of the preceding paragraphs.

If only one list is proposed or no list is proposed or if only lists are presented by persons who hold, even jointly, a controlling interest or relative majority and/or persons associated with the latter pursuant to the provisions of art. 144-quinquies of Consob Regulation 11971/99, the candidates on the list itself or those voted by the Shareholders' Meeting shall be elected Standing and Alternate Auditors, provided that they obtain a relative majority of the votes cast at the Shareholders' Meeting, without prejudice to compliance with the currently applicable regulations regarding gender balance.

In the event of termination of the office of an Auditor, the alternate auditor belonging to the same list as the auditor to be replaced shall take over.

If the regulatory and/or statutory requirements are no longer met, the Statutory Auditor shall cease to hold office.

In the event of the replacement of an Auditor, the alternate auditor belonging to the same list as the outgoing auditor shall take over, or, failing that, in the event of the cessation of the minority auditor, the candidate subsequently placed on the same list to which the outgoing auditor belonged or, alternatively, the first candidate on the minority list that obtained the second highest number of votes.

It is understood that the chairmanship of the Board of Statutory Auditors will remain in the hands of the minority auditor and that the composition of the Board of Statutory Auditors must comply with the currently applicable rules regarding gender balance.

When the Shareholders' Meeting is required to appoint standing and/or alternate auditors to complete the Board of Statutory Auditors, the following procedure shall be followed: if it is necessary to replace auditors elected from the majority list, the appointment shall be made by a relative majority vote without list constraints; if, on the other hand, it is necessary to replace auditors elected from the minority list, the Shareholders' Meeting shall replace them by a relative majority vote, choosing them from among the candidates indicated on the list of which the auditor to be replaced was a member, or on the list of minority shareholders that received the second highest number of votes.

If the application of these procedures does not allow, for any reason, the replacement of the auditors appointed by the minority, the Shareholders' Meeting shall proceed with a relative majority vote; however, in ascertaining the results of the latter vote, the votes of the shareholders who, according to the communications made pursuant to current regulations, hold, even indirectly or jointly with other shareholders who are parties to a relevant shareholders' agreement pursuant to art. 122 of Italian Legislative Decree no. 58/1998, the relative majority of the votes that can be exercised at the Shareholders' Meeting, as well as of the shareholders who control, are controlled or are subject to joint control by the same or by the shareholders in a relationship whereby there is a significant influence with the shareholders who hold, even jointly, a controlling or relative majority shareholding pursuant to art. 144-quinquies of Consob Regulation

11971/99, shall not be included.

The replacement procedures referred to in the preceding paragraphs must in any case ensure compliance with the current rules on gender balance.

The members of the Board of Statutory Auditors attend the Shareholders' Meetings and the meetings of the Board of Directors and the Executive Committee, where established.

The Board of Statutory Auditors must meet at least every ninety days.

Meetings of the Board of Statutory Auditors may also be held by audio or video conference, provided that all participants can be identified and are allowed to follow the discussion and take part in real time in the discussion of the issues addressed. If these requirements are met, the Board of Statutory Auditors is considered to be held at the registered office, where at least one auditor must be present. The subjects strictly related to the activity of the company are: financial market law, commercial law, architecture, engineering.".

12. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-bis, paragraph 2, letter d) and d-bis), TUF)

It should be noted that in the early months of 2018 a Board of Statutory Auditors was in office, appointed by the Ordinary Shareholders' Meeting of the Company on 23 June 2015 and composed of Mr. Massimo Invernizzi, Mr. Claudio Sottoriva and Ms. Mara Vanzetta.

As of 27 March 2018, Ms. Mara Vanzetta resigned from her position as Standing Auditor due to personal commitments, and as a result, Ms. Myriam Amato, appointed Alternate Auditor by the Shareholders' Meeting of 23 June 2015, took over the position of Standing Auditor.

As of 5 April 2018, Ms. Myriam Amato resigned from her position as Standing Auditor due to personal commitments, and as a result, Ms. Giovanni Pinna, appointed Alternate Auditor by the Shareholders' Meeting of 23 June 2015, took over the position of Standing Auditor.

The Ordinary Shareholders' Meeting of the Company, held on 27 June 2018, unanimously appointed as members of the Board of Statutory Auditors of the Company, who will remain in office for three financial years until the date of approval of the financial statements for the year ending 31 December 2020, the candidates proposed in the only list filed at the registered office, presented by the shareholder PLC Group S.p.A. (now FRAES S.r.l.), which at the time held 85.70% of the Company's share capital.

The quorum required for the submission of lists at the time of the last appointment was 2.5%, as established by Consob resolution no. 20273 of 24 January 2018. During the year, the Board of Statutory Auditors met 11 times.

At the time of their appointment, the Shareholders' Meeting verified that the Statutory Auditors met all the requirements laid down by current legislation for taking office and the Board of Statutory Auditors in office at the date of this Report assessed the continued independence of its members in the light of all the criteria set out in the Code for Directors.

The assessment of the continued existence of the independence requirements was again carried out and confirmed by the Board of Statutory Auditors at the meeting held on 11 April 2019, and was highlighted at the meeting of the Board of Directors held on 17 April 2019.

It should be noted that as a result of the entry into force of Italian Legislative Decree no. 39 of 27 January 2010, the following functions were assigned to the Board of Statutory Auditors, which:

- examines the work plan prepared by the Head of Internal Audit and the periodic reports prepared by it;
- evaluate the proposals made by the independent auditors to obtain assignment of the relevant engagement, as well as the work plan prepared for the audit and the results set out in the report and in any letter of suggestions;
- supervises the effectiveness of the audit process.

The Issuer believes that the remuneration of the Statutory Auditors is commensurate with the commitment required as well as with the sector and size characteristics of the company. The Issuer's Board of Statutory Auditors adheres to the Code's recommendation that any auditor who, on his own behalf or on behalf of third parties, has an interest in a specific Issuer transaction must promptly and fully inform the other auditors and the Chairman of the Board of Directors of the nature, terms, origin and extent of his interest.

During the financial year, the Board of Statutory Auditors monitored the independence of the independent auditors, verifying both compliance with the relevant legal provisions and the nature and extent of non-auditing services provided to the Issuer and its subsidiaries by the independent auditors themselves and by entities belonging to their network.

During the year, the Board of Statutory Auditors coordinated with the Company's Control and Risks Committee, planning in most cases joint meetings or through the participation of the Chairman or one of its members in the meetings of the Control and Risks Committee.

As already mentioned above, following the resignation of the Head of Internal Audit on 18 November 2016, the Board of Directors, taking into account the substantial inactivity of the Company, decided to postpone the appointment of a new person pending the completion of the restructuring operation under way at the time. Following completion of the restructuring transaction, on 24 April 2018 the Board of Directors appointed the Head of Internal Audit and, therefore, from May 2018 the Board of Statutory Auditors was able to coordinate with the Internal Audit function restored in the Company.

Finally, following the adoption of the Group Regulations for transactions with related parties, the Board of Statutory Auditors verified the compliance of the procedures adopted with the principles indicated in the relevant Consob Regulation.

During the 2018 financial year, the composition of the Company's Board of Statutory Auditors was as follows:

Post held	**Member**	**In office from**	**In office until**	**Independence as per Code**	**%**	**Number of other positions**
Chairman	Massimo Invernizzi	23 June 2015	Approval of the 2017 Financial Statements	X	100	13

Standing Auditor	Claudio Sottoriva	23 June 2015	Approval of the 2017 Financial Statements	X	88	20
Standing Auditor (resigned on 17.03.2018)	Mara Vanzetta	23 June 2015	Approval of the 2017 Financial Statements	X	77	22
Alternate Auditor (who became Standing Auditor on 17.03.2018 and resigned on 05.04.2018)	Myriam Amato	23 June 2015	Approval of the 2017 Financial Statements	X	N/A	9
Alternate Auditor (who became Standing Auditor on 05.04.2018)	Giovanni Pinna	23 June 2015	Approval of the 2017 Financial Statements	X	N/A	17

As of 27 June 2018, the composition of the Company's Board of Statutory Auditors (currently in office) is as follows:

Post held	**Member**	**Year of birth**	**Date of first appointment**	**In office from**	**In office until**	**List**	**Independence as per Code**	**Attendance to meetings of the Board**	**Number of other positions**
Chairman	Massimo Invernizzi	1960	23 June 2015	27 June 2018	Approval of the 2020 Financial Statements	M	X	11	13
Standing Auditor	Claudio Sottoriva	1973	23 June 2015	27 June 2018	Approval of the 2020 Financial Statements	M	X	9	20
Standing Auditor	Maria Francesca Talamonti	1978	27 June 2018	27 June 2018	Approval of the 2020 Financial Statements	M	X	4	16
Alternate auditor	Giovanni Pinna	1966	23 June 2015	27 June 2018	Approval of the 2020 Financial Statements	M	X	2	17
Alternate auditor	Francesca Michela Maurelli	1971	27 June 2018	27 June 2018	Approval of the 2020 Financial Statements	M	X	0	10

In compliance with application criterion 8.C.3 of the Corporate Governance Code, one third of the standing and alternate members of the Board of Statutory Auditors shall be Auditors of the least represented gender. The Company has not applied other diversity criteria or adopted specific policies on diversity in relation to the composition of the administration and control bodies.

Finally, it should be noted that no specific training sessions for Statutory Auditors (so-called induction programme) have been planned. Taking into account the size of the Company and the activities carried out by it, it was deemed that the Auditors in office, in light of their experience and the professional skills of each one, have adequate knowledge of the sector in which the Issuer operates, the business trends and the principles of proper risk management. The Issuer will evaluate, if necessary, the organisation of induction sessions in order to provide updates and/or insights on specific issues of interest to the Auditors.

The following information is provided on the personal and professional characteristics of each member of the Board of Statutory Auditors at the end of the 2018 financial year.

Massimo Invernizzi

Born in Milan in 1960.

He holds a degree in Business Economics from Bocconi University.

He is registered in the Register of Chartered Accountants of Milan and in the Register of Auditors.

He is a consultant to the Judge at the Court of Milan.

He advises on economic and business management matters, corporate finance, securities markets and corporate governance, company valuation and business lines for M&A transactions, contributions, transformations, disposals, share exchange valuations, valuation of tangible and intangible assets; court-appointed expert witness and party expert witness during arbitration and judicial proceedings; he is the judicial liquidator for the Court of Milan.

He is Extraordinary Commissioner for the Ministry of Economic Development.

He is a member of the board of directors and the board of statutory auditors of joint-stock companies, operating in the industrial, financial and service sectors.

Claudio Sottoriva

Born in ALA (TN) in 1973.

He graduated with honours in Economics and Commerce at the Cattolica del Sacro Cuore University of Milan in 1997. He is qualified to practice as a Chartered Accountant.

He holds a PhD in Business Economics from the Faculty of Economics of the University of Pavia.

He is registered in the Register of Chartered Accountants of Milan and in the Register of Auditors.

He is an adjunct professor of Methodologies and quantitative business decisions at the Faculty of Economics of the Cattolica del Sacro Cuore University of Milan; he carries out numerous academic and scientific research activities.

Specialisation in the various areas of financial statements and in company valuations in the context of extraordinary transactions.

He is registered in the Register of Technical Consultants of the Court of Milan and in the Register of Criminal Consultants of the Court of Milan.

Maria Francesca Talamonti

Born in Rome in 1978.

She graduated in Business Economics from LUISS Guido Carli University in Rome in 2002 and obtained a PhD in Business Economics from Roma Tre University in 2014. She has been registered with the Rome Institute of Chartered Accountants since 2006 and with the Register of Auditors since 2007. She carries out, as a freelance professional, consulting activities in business, accounting, corporate and financial matters. In particular: valuation of companies, shareholdings and business units, preparation of recovery plans and certificates pursuant to art. 67, paragraph 3, letter d), art. 182-bis and art. 161 of the Bankruptcy Law, preparation of business plans, opinions and technical advice on accounting and corporate matters.

Giovanni Pinna

Born in Cagliari in 1966.

He graduated in Economics and Commerce in 1991 from the University of Cagliari.

He is a member of the Association of Certified Accountants of Cagliari under no. 41562.

He has been a technical consultant for the Court of Cagliari since 1996. He is a registered auditor.

He carries out his activities primarily in small and medium enterprises operating in national and international markets. The important collaborations developed also with leading practices have made it possible to improve particular experience in the areas of business consulting and business development strategy and in analysis, business evaluation, and related to extraordinary transactions and the restructuring of ownership structures.

Francesca Michela Maurelli

Born in Rome in 1971.

She graduated in Economics and Commerce at the La Sapienza University of Rome in 1994, specialising in economics and business.

Since 1999 she has been enrolled in the Register of Chartered Accountants of Rome (no. AA6936) and in the Register of Auditors (no. 105863).

She has been a technical consultant for the Civil Court of Rome and the Criminal Court of Rome since 2004.

She advises on strategic, organisational and financial aspects for private and public companies, with particular reference to the corporate and financial aspects of ordinary and extraordinary transactions (i.e. transformations, mergers, demergers, contributions, share capital increases) and restructuring plans both in and out of court. She also carries out court-appointed expert witness and party expert witness activities during the course of both criminal and civil proceedings.

A list of the other offices of director and auditor held by the Statutory Auditors in office in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies or companies of significant size is provided below:

Member	List of offices
Massimo Invernizzi	1. Chairman of the Board of Statutory Auditors of Cinmeccanica S.p.A. 2. Chairman of the Board of Statutory Auditors of Servizi Energia Italia S.p.A. 3. Chairman of the Board of Statutory Auditors of Snam 4 Mobility S.p.A. 4. Chairman of the Board of Statutory Auditors of Cubogas S.r.l. 5. Chairman of the Board of Statutory Auditors of IES Biogas S.r.l. 6. Chairman of the Board of Auditors of Fondazione per l'Educazione Finanziaria e al Risparmio - Feduf 7. Chairman of the Board of Auditors of the Javotte Bocconi Institute 8. Standing Auditor of Charme Capital Partners SGR S.p.A. 9. Standing Auditor of Rosetti Marino S.p.A. 10. Director of Itaca Comunicazione S.r.l. 11. Liquidator of Immobiliare Pietra S.r.l. in liquidation 12. Liquidator of Pomposi S.r.l. in liquidation subject to composition with creditors 13 Extraordinary Commissioner of Sipro Sicurezza Professionale S.r.l. subject to Extraordinary Administration
Claudio Sottoriva	1. Chairman of the Board of Statutory Auditors of Sella Leasing S.p.A. 2. Chairman of the Board of Auditors of the Luigi Clerici Foundation 3. Chairman of the Board of Auditors of the Museo storico del Trentino Foundation 4. Member of the Board of Auditors of Teatro Carlo Felice di Genova Foundation 5. Member of the Board of Auditors of the Don Carlo Gnocchi Foundation (ONLUS) 6. Standing Auditor of Banca Sella S.p.A. 7. Standing Auditor of the Cooperative Family Vallagarina S.c. 8. Standing Auditor of IPG Photonics Italia S.r.l. 9. Standing Auditor of Michelin Italia S.p.A. 10. Director of C.P.S. Consulenti S.r.l. 11. Liquidator of Lario 92 Immobiliare S.r.l. in liquidation 12. Standing Auditor of Alkeemia S.p.A. 13. Sole Auditor of Casa Verdi Foundation 14. Sole Auditor of the Casa dei Musicisti Foundation 15. Sole Director of Immobiliare Cinca S.r.l. 16. Sole Director of Immobiliare Delvin S.r.l. 17. Chairman of the Board of Directors of Immobiliare Marim S.r.l. 18. Chairman of the Board of Statutory Auditors of Sella Personal Credit S.p.A. 19. Chairman of the Board of Statutory Auditors of Smartika S.p.A. 20. Sole Director of Savona 50 S.r.l.

Maria Francesca Talamonti	1. Chairman of the Board of Statutory Auditors of BasicNet S.p.A. 2. Chairman of the Board of Statutory Auditors of Servizi Aerei S.p.A. 3. Standing Auditor of DigiTouch S.p.A. 4. Standing Auditor of Costiero Gas Livorno S.p.A. 5. Member of the Board of Auditors of FIN-Federazione Italiana Nuoto. 6. Standing Auditor of Musinet Engineering S.p.A. 7. Standing Auditor of PS Parchi S.p.A. 8. Standing Auditor of Raffineria di Milazzo S.c.p.A. 9. Standing Auditor of Rainbow Magicland S.p.A. 10. Standing auditor of Zètema Progetto Cultura. 11. Independent Director of Elettra Investimenti S.p.A. 12. Sole Director of Vette SPV S.r.l. 13. Sole Director of Bramito SPV S.r.l. 14. Sole Director of Convento SPV S.r.l. 15. Sole Director of Ponente SPV S.r.l. 16. Sole Director of New Levante SPV S.r.l.
Giovanni Pinna	1. Standing Auditor of Logistica Mediterranea S.p.A. 2. Standing Auditor of Agricola Mediterranea S.p.A. 3. Standing Auditor of Iconium S.p.A. 4. Director of Sardinia Green Island S.p.A. 5. Sole Director of Voisoft S.r.l. 6. Sole Director of Berenix S.r.l. 7. Chairman of the Auditors of Fondo Pensioni Teatro alla Scala of Milan 8. Sole Auditor of Finma S.r.l. 9. Standing Auditor of Ifras S.p.A. 10. Director of Gest.Por.Tur S.r.l. 11. Director of Alis Cargo S.r.l. 12. Sole Auditor of Geoparco S.c.a.r.l. 13. Chairman of the Board of Statutory Auditors of Pometon Power S.p.A. 14. Member of the Supervisory Body of Pometon Power S.p.A. 15. Sole Director of Micra S.r.l. 16. Liquidator of Logistiche del Nord S.r.l. 17. Sole Director of Twt S.p.A.
Francesca Michela Maurelli	1. Sole Director of Cosmo Spv S.r.l. 2. Sole Director of Corallo Spv S.r.l. 3. Sole Director of Resloc IT S.r.l. 4. Standing Auditor of Acque Blu Fiorentine S.p.A. 5. Standing Auditor of Am.e.a. S.p.A. 6. Auditor of Fitetrec Ante - Federazione Italiana Turismo Equestre (Italian Federation of Equestrian Tourism) 7. Alternate auditor of Saipem S.p.A. 8. Alternate auditor of Acea Energia S.p.A. 9. Alternate auditor of Acquedotto del Fiora S.p.A. 10. Alternate auditor of AReti S.p.A.

15. RELATIONS WITH SHAREHOLDERS

The Issuer has set up a specific section on its website, which is easily identifiable and accessible, in which information on the Issuer that is relevant to its shareholders is made available, so as to allow shareholders to consciously exercise their rights.

At the date of this Report, the Issuer has identified Cecilia Mastelli as the person in charge of managing relations with shareholders (investor relations manager). Considering the size and the actual activities of the Company, it has not considered it appropriate to set up a specific corporate department in charge of managing relations with shareholders. The Issuer has always endeavoured to make access to information of importance to its shareholders timely and easy, highlighting, for example, its publication on the home page of its website.

16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, paragraph 2, letter c), TUF)

Two Shareholders' Meetings were held in 2018, one on 26 March 2018 and the other on 27 June 2018, the minutes of which were regularly published on the Company's website and in which the majority of the members of the Board of Directors in office and the majority of the members of the Board of Statutory Auditors in office took part. The texts of the articles of association governing the mechanisms for the functioning of the Shareholders' Meeting, its main powers, the rights of shareholders and the manner in which they are exercised are shown below:

"Article 8 - Convening

The Shareholders' Meeting, legally convened and validly constituted, represents all shareholders and its resolutions, taken in accordance with the law and these Articles of Association, oblige all shareholders, even if absent or dissenting.

The Shareholders' Meeting is convened by the current Board of Directors by means of a notice, containing the information required by current legislation, to be published within the terms of the law:

- on the Company's website;

- with the other methods provided for by the rules and regulations in force at the time.

The Shareholders' Meeting may also take place outside the municipality in which the registered office is located, provided that it is in Italy or, if abroad, in another member state of the European Union.

The same call notice may indicate the date for the second and, in the case of an Extraordinary Shareholders' Meeting, the third call, if the portion of the share capital required to pass resolutions is not present at the previous meetings. In the absence of such an indication, the Shareholders' Meeting on second and/or third call must be reconvened in the manner and within the time limits required by law.

The Board of Directors may decide, if it deems it appropriate, that the Ordinary and Extraordinary Shareholders' Meetings be held following a single call. In the case of a single call, the majorities required by law shall apply.

The Shareholders' Meeting is Ordinary and Extraordinary and resolves on matters reserved to it by law or by *the Articles of Association.*

The Ordinary Shareholders' Meeting must be convened at least once a year within 120 days of the end of the financial year or, if the company is required to prepare consolidated financial statements or if particular requirements relating to the structure and purpose of the company so require, within 180 days of the end of the financial year.

In the report provided for under art. 2428 of the Italian Civil Code the reasons for this postponement are outlined by the Directors.

As an exception to the provisions of art. 104, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, in the event that the Company's securities are the subject of a public purchase and/or exchange offer, the authorisation of the shareholders' meeting is not required for the performance of acts or transactions that may counteract the achievement of the objectives of the offer, during the period between the communication referred to in art. 102, paragraph 1, of the same Decree and the closure of the offer.

As an exception to the provisions of art. 104, paragraph 1-bis, of Italian Legislative Decree no. 58 of 24 February 1998, the authorisation of the shareholders' meeting is not necessary even for the implementation of any decision taken before the beginning of the period indicated in the previous paragraph which has not yet been implemented in whole or in part, which does not fall within the normal course of the Company's activities and whose implementation may counteract the achievement of the objectives of the offer.

Unless otherwise provided for by the law and the relevant regulatory provisions, the Board of Directors shall convene the Shareholders' Meeting within thirty days of the request when requested by shareholders representing at least five per cent of the share capital.

The request must be sent to the Chairman of the Board of Directors by registered letter and must contain a list of the items to be discussed and an indication of the requesting shareholders, attaching appropriate certification, in accordance with the laws and regulations in force, attesting to the individual shareholdings at the date of sending of the request.

The Shareholders' Meeting may be called by the Board of Statutory Auditors, subject to prior notification to the Chairman of the Board of Directors, if this power is exercised by at least two members of the said Board.

Article 9 - Right to attend and representation

The Shareholders' Meeting may be attended by those who demonstrate they are legitimately entitled to do so in accordance with the procedures provided for by current legislation. Those entitled to attend the meeting may be represented at the meeting in accordance with the law.

The Company may designate one or more persons for each Shareholders' Meeting to whom the entitled persons may grant a proxy, with voting instructions on all or some of the items on the agenda, in accordance with the procedures provided for by the applicable regulations, expressly indicating this in the call notice.

Notification to the Company of the proxy for participation in the Shareholders' Meeting may also be made by sending the document to the e-mail address indicated in the call notice.

Article 10 - Constitution of the meetings and validity of the Resolutions

The constitution of the Ordinary and Extraordinary Shareholders' Meeting and the validity of the resolutions are regulated by law, except for the appointment of the members of the Board of Directors and the Board of Statutory Auditors, to which Articles 12 and 18 of these Articles of Association apply.

The application of the exemption, provided for by current legislation, from the obligation to promote a public purchase and/or exchange offer following mergers or demergers will be precluded only if the majority of shareholders who oppose the relative shareholders' meeting resolution - determined on the basis of the applicable legislation - represents at least 7.5% of the share capital with voting rights.

Article 11 - Chairmanship

The shareholders' meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the Deputy Chairman or, in the event of the latter's absence or impediment, by another person designated by the shareholders' meeting.

The Chairman is assisted by a Secretary, who may or may not be a shareholder, appointed by the Shareholders' Meeting: the assistance of the Secretary is not necessary when the minutes, in the cases of law or when the Chairman deems it appropriate, are drawn up by a Notary Public.

If he deems it necessary, the Chairman of the Shareholders' Meeting shall appoint two scrutineers from among the auditors or shareholders present.

The minutes signed by the Chairman and the Secretary provide full evidence.

The Chairman of the Shareholders' Meeting, also by means of special appointees, verifies the regularity of the constitution of the meeting, verifies the identity and legitimacy of those present, regulates the conduct of the proceedings, establishing procedures for discussion and voting and verifies the results of voting. Resolutions are taken by show of hands, unless the Chairman deems the roll call or other forms of voting more appropriate.

The resolutions of the Shareholders' Meeting must be recorded in a special report, drawn up in accordance with art. 2375 of the Italian Civil Code, signed by the Chairman and the Secretary or Notary Public."

For matters not illustrated in the Report on Shareholders' Rights, please refer to the laws and regulations in force and applicable at the time.

It should be noted that the Board has decided not to propose to the Shareholders the adoption of regulations for the Shareholders' Meeting, reserving the right to make a periodic assessment of the possible adoption of the same in the future, also taking into account what has emerged from the Shareholders' Meetings already held. In this regard, it should be noted that the Chairman of the Shareholders' Meeting has always ensured, also by virtue of the statutory and legal prerogatives, that the meetings were held in an atmosphere of orderly general participation and strict respect for the rights of the Shareholders, but also in mutual respect between the Shareholders and with a balanced reconciliation of their rights with the decision-making function.

17. FURTHER PRACTICES OF COMPANY GOVERNANCE (pursuant to art. 123-bis, paragraph 2, letter a), TUF)

With respect to those already indicated in the previous points, and to the adoption of the organisational model pursuant to Italian Legislative Decree no. 231/2001, the Company has not applied any further corporate governance practices aside from the obligations set forth for by the legislative and regulatory provisions.

18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

Without prejudice to the above, there have been no further significant changes in the Company's corporate governance system since the end of the financial year until the date of this Report.

19. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations presented in the above-mentioned letter were first forwarded to the Directors and Statutory Auditors and then brought to the attention of the Board of Directors. During the meeting held on 17 April 2019, the Board of Directors expressed its opinion on the existence of a healthy level of implementation of the Corporate Governance Code by the Company, considering that the administrative body complies with the indications of the Code and has adopted appropriate practices. At the same meeting, the Board also approved this Report.

Annex 1: Main features of the existing risk management and internal control systems in relation to the Financial Reporting process *(pursuant to art. 123-bis, paragraph 2, letter b), TUF)*.

1. *Foreword*

In compliance with the indications included in the format issued by Borsa Italiana, it should be noted that the management and control system concerning risks relating to the financial reporting process is an integral part of, and is incorporated in, the broader system of internal controls of the Company and the Group which includes components that are transversal to the entire company organisation, including:

- the code of ethics,
- the organisation and management model pursuant to Italian Legislative Decree no. 231/2001,
- the Internal Dealing procedure,
- the group regulations for the execution of transactions with related parties,
- the procedure for the fulfilment of the disclosure obligations set forth in art. 150, paragraph 1 of the Consolidated Law on Finance,
- the system of responsibilities and powers and the company's organisational chart.

The internal control system for financial reporting is a set of activities designed to identify and evaluate actions and/or events that could compromise the soundness, accuracy, reliability and timeliness of financial information in the event of an occurrence.

The internal control system relating to the process of preparing financial information adopted by the Company is designed to ensure that the administrative and accounting procedures prepared guarantee, with "reasonable certainty", the effectiveness and efficiency of operating activities, the reliability of financial statements information, compliance with the laws and regulations in force and with the accounting standards of reference.

For the analysis of controls on financial reporting, reference was made to the model provided for by the CoSo Report Framework, which allows synergies to be exploited with the activities carried out as part of the analysis of the control system for the purposes of Italian Legislative Decree no. 231/01 or with the activities carried out by Internal Audit.

2. *Description of the main features of the existing risk management and internal control system in relation to the financial reporting process*

Operational phases

The financial reporting control system is divided into the following operational phases:

- analysis of the control environment;
- risk assessment activity aimed at identifying and assessing the areas of risk in which events could occur that could compromise the achievement of the reliability of financial reporting. This activity - which considers both quantitative/dimensional aspects and qualitative aspects (specific, potential or past risk, linked to the activities carried out) - identifies the so-called "relevant" Group companies and company processes;

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- analysis of the control system, both at company and process level, both in terms of design and operation;
- the assessment of deficiencies in the control system for financial reporting and corrective actions. In the event that the verification of the operation of the controls reveals deficiencies / anomalies in the financial reporting control system, the Manager in charge (i) identifies and assesses the deficiencies and (ii) coordinates the corrective actions to be taken to resolve them.

Role and functions involved

The financial reporting control system is managed by the Manager in charge of Financial Reporting and involves, in various guises, the following company functions and roles:

- the heads of the various functions, who, in relation to their area of competence, ensure the completeness and reliability of the information flows to the Manager in charge of Financial Reporting for the purposes of preparing the financial and accounting information;
- the administrative bodies of the subsidiaries.

The Manager in charge also interacts with the corporate bodies and specifically with the Board of Directors, the Control and Risks Committee, the Board of Statutory Auditors, the Supervisory Body and Internal Audit Function, as well as with the independent auditors.

The Manager in charge of Financial Reporting reports every six months to the Control and Risks Committee, the Board of Directors and the Board of Statutory Auditors on the adequacy and operation of the administrative and accounting system. The audits mentioned above did not reveal any risks or situations that were not already subject to monitoring by the company.

The Manager in charge of Financial Reporting, together with the Chief Executive Officer, provides the certification required by art. 154-bis of the Consolidated Law on Finance, paragraph 5.