Annual financial report at 31 December 2020

PLC S.p.A.
Registered office in Milan, Via Lanzone no.31
Fully paid up Share Capital Euro 27,026,480.35
Tax Code and VAT No. 05346630964

1 GENERAL INFORMATION

1.1 CORPORATE BOARDS

BOARD OF DIRECTORS[1]

Francesco Esposito	- Chairman
Michele Scoppio	- CEO
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

IINDEPENDENT AUDITORS[3]

EY S.p.A.

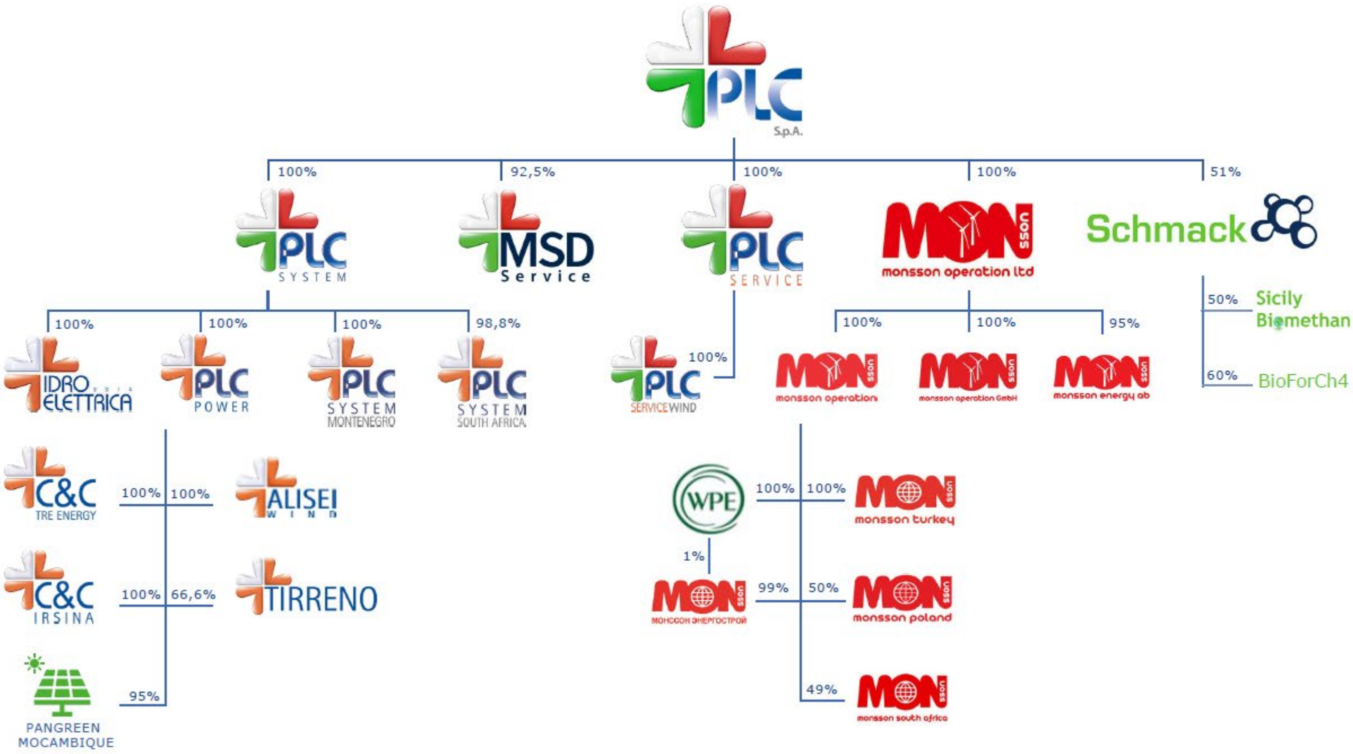
Via Lombardia, 31

00198 Rome

[1]appointed by the Shareholders' Meeting of 26 March 2018 and expires with the approval of the financial statements at 31 December 2020
[2]appointed by the Shareholders' Meeting of 27 June 2018 and expires with the approval of the financial statements at 31 December 2020
[3]appointed by the Shareholders' Meeting of 23 June 2015

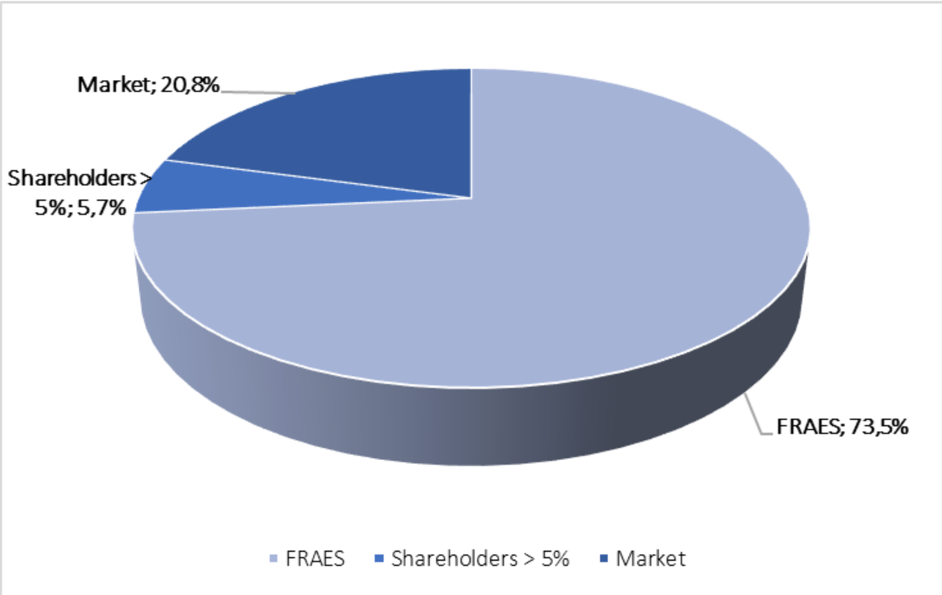
(*) members of the Control and Risk Committee
(**) members of the Appointments, Remuneration and Stock Option Plans Committee

1.2 STRUCTURE OF THE PLC GROUP



1.3 SHAREHOLDERS

The situation concerning the shareholding of PLC S.p.A. ("**Company**" or "**Parent Company**" or "**Issuer**") on the date of approval of the Annual Financial Report at 31 December 2020[4] is shown below.



[4] Source: Corporate and Consob data

2 PLC GROUP MANAGEMENT REPORT

2.1 MAIN PLC GROUP OPERATIONS DURING THE YEAR 2020

Acquisition of 51% of the share capital of Schmack Biogas S.r.l.

On 16 January 2020 PLC S.p.A. acquired 51% of the share capital of Schmack Biogas S.r.l., a company active in the design, development, construction and maintenance of biogas and biomethane plants; this operation is part of the PLC Group's broader growth strategy, aiming to qualify as a multi-technological and multi-regional operator. The acquisition of Schmack Biogas S.r.l. allows the PLC Group to position itself with a leading role also in the biogas and biomethane supply chain, technologies for which the support of national and European institutions is similar to that offered for renewable sources, considering the role they will have in the European Green Deal.

The acquisition of 51% of the share capital took place through a capital increase of Schmack Biogas S.r.l. reserved for PLC S.p.A., for the amount of Euro 1,500 thousand inclusive of share premium, which led to the simultaneous dilution of the other two shareholders to 49%.

Further envisaged is: (i) the disbursement of 2 interest-bearing shareholder loans for a maximum of Euro 500 thousand and with a ten-year duration and (ii) the disbursement of a non-interest-bearing shareholder loan of Euro 500 thousand with a ten-year duration, subject to renunciation by PLC S.p.A. if Schmack Biogas S.r.l. reaches, before the deadline, a minimum EBITDA level agreed between the parties. These loans, disbursed for a total of Euro 800 thousand in March 2021, are intended for the implementation of the development plan of Schmack Biogas S.r.l.

At the same time as the capital increase, PLC S.p.A. and the other two shareholders signed a shareholders' agreement aimed at regulating (i) certain aspects of governance, such as the composition of the administrative body and some matters submitted to qualified majorities for the shareholders' meeting and for the board of directors (ii) the attribution of a put option and a call option on the remaining 49% of the capital. In particular, in the event of non-renewal of the shareholders' agreement, or in the event of decision-making deadlock in relation to the matters submitted to qualified majorities, it is expected that the two minority shareholders will have the opportunity to exercise the put option on 49% of the share capital owned by them, to be regulated exclusively by assigning PLC S.p.A shares (if applicable as part of a decisive capital increase by the Issuer). In the event of minority shareholders not exercising the put option, PLC S.p.A. can exercise a call option for the purchase of 49% of the share capital to be settled in cash. The strike price of these options will be determined by the average of two independent analyses acquired by the parties according to the terms set out in the shareholders' agreement.

Signing of a preliminary contract for the sale of the equity investment held in C&C Tre Energy S.r.l.

On 28 February 2020 PLC Power S.r.l. entered into a contract with EDP Renewables Italia Holding S.r.l. ("**EDPR**") for the sale of 100% of the share capital of C&C Tre Energy S.r.l., owner of the wind project to be carried out in the Municipalities of Casalbore (AV), Ariano Irpino (AV) and Montecalvo Irpino (AV), with power of 28.8 MW. At present, the completion of the sale transaction is still subject to the fulfilment of certain conditions precedent concerning obtaining certain permits and other provisions and confirmations regarding authorizations, while the condition relating to the recognition of the FER Decree incentive tariff has already been fulfilled; in consideration of the foregoing, the parties have decided to postpone the deadline for closing to 30 April 2021. In particular, it should be noted that a settlement agreement is being prepared with the Municipality of Casalbore aimed at ending all types of pending litigation and allowing the completion of the conditions precedent.

The transfer price is set at Euro 1,800 thousand, equal to the base price, subject to adjustment based on (i) the effective value of the incentive tariff and (ii) the indebtedness value, working capital and change in the capex and opex on the closing date with respect to the provisions of the business plan. For the sake of completeness, it should be noted that, as part of the agreement, the parent company PLC S.p.A. issued a corporate guarantee to EDPR concerning the possible enforcement of the guarantee issued to GSE, for a maximum amount of Euro 3,175 thousand and with a duration until the signing of the notarial deed of sale of shares or, if earlier, until the return of the guarantee by GSE.

As part of the transaction, PLC System S.r.l. keeps the EPC contract for the construction of a wind farm for a total amount of approximately Euro 9,500 thousand, and PLC Service S.r.l. keeps the full service contract for the O&M services of the civil and electrical works of the aforementioned plant for an amount of Euro 2.5 thousand per MW and for a duration of 5 years from the take-over of the plant.

Completion of the sale by PLC Power S.r.l. in favour of Enel Green Power Italia S.r.l. of two wind projects

On 26 May 2020, the sale was completed to Enel Green Power Italia S.r.l. (formerly Enel Green Power S.p.A. "EGPI") of the entire share capital of C&C Castelvetere S.r.l. and C&C Uno Energy S.r.l. owners of two wind projects to be carried out respectively in the Municipality of Castelvetere in Val Fortore (BN), with a power of 13.2 MW, and in the Municipalities of Baselice (BN), Molinara (BN) and Foiano di Val Fortore (BN), with a power of 36 MW. As part of the transaction, PLC System S.r.l. keeps the EPC contracts for the construction of wind farms for a total amount of approximately Euro 13,800 thousand, and PLC Service S.r.l. keeps full service contracts for the O&M services of the civil and electrical works of the aforementioned plants for a period of 2 years + 3 years.

The sale prices were definitively determined at Euro 1,149 thousand for C&C Castelvetere S.r.l. and in Euro 3,703 thousand for C&C Uno Energy S.r.l. with the generation of an overall consolidated capital gain of Euro 1,832 thousand.

Sale of the remaining 50% stake in Solar Project One S.r.l.

On 16 September 2020 PLC System S.r.l. sold to ForVEI II S.r.l., the 50% stake held in Solar Project One S.r.l., a company that holds the legal availability of a plant for the production of electricity from photovoltaic sources built on the roof of two buildings located in the Municipality of Sparanise (Caserta) with a nominal installed power of 546.48 kW.

The transfer price was set at Euro 581 thousand with a consolidated capital gain of Euro 231 thousand net of costs incurred. As part of the transaction, PLC Service S.r.l. kept the long-standing contract for O&M services.

Information on the impacts of the Coronavirus (Covid-19) on the organizational structure and the economic and financial results of the PLC Group during the 2020 financial year

The 2020 financial year was largely dominated by the Covid-19 pandemic which resulted in a health emergency that has not yet ended. The PLC Group, in compliance with government emergency containment and management measures, has established a series of measures and protocols at all levels of the organization in order to prevent any risks and guarantee the health and safety of its employees, customers and suppliers as well as the continuity of its operating activities, where possible and in compliance with government regulations, ensuring the running of the power production plants whose nature is considered of public utility and cannot be deferred.

Impacts on the organizational structure

As recommended by the competent authorities, the main organizational measure taken was smart working which, together with the partial use of social safety nets, made it possible to minimize the presence in offices and work sites. The suspension of business trips was also imposed.

In view of the gradual return of employees to the offices and work sites in Phase 2, a task force was set up for the preparation of a specific behavioural protocol containing the adoption of appropriate "organizational" safety measures (suitable for guaranteeing social distancing and reshaping activities) and of "prevention and protection" (such as training and information, personal protective equipment, personal hygiene measures, cleaning and sanitizing of the workplace) in compliance with the instructions of the competent authorities.

A Covid-19 health insurance coverage policy was also taken out for all employees, initially valid until the end of 2020 and then extended to the whole of 2021.

The Risk Assessment Documents (DVR) of the various Group companies were also updated, including the annex relating to the biological risk from COVID-19, acknowledging the indications of the document published on the INAIL (National institute for insurance against industrial injuries) website and the measures contained in the Government's Prime Ministerial Decree, paying particular attention to so-called "fragile" workers.

Impacts on the economic and financial situation of the PLC Group

In line with the indications provided by ESMA (European Securities and Markets Authority) in the Public Statement of 28 October 2020 and Consob's subsequent Call for attention no. 1/21 of 16 February 2021, the information on the actual and potential impacts of the Covid-19 emergency on the PLC Group's economic and financial situation and the mitigation measures implemented by management are provided below. The outbreak of the Covid-19 pandemic has had a significant impact on the global economy and, with a knock-on and cross-cutting effect, on all industrial sectors, including energy. The general decline in electricity consumption, mainly due to the limitations imposed on production, and the consequent decrease in spot prices for electricity, however, had a greater impact on electricity production from fossil fuel plants, while those from RES continued their own operation relatively normally.

In this market context, the effects of Covid-19 on the PLC Group results in 2020 were overall limited thanks, mainly, to the operational continuity of the maintenance and intervention activities on the plants, the nature of which is considered of public utility and cannot be deferred; this made it possible to largely offset the slowdowns recorded mainly in the first six months in the Construction Segment and in the Services Segment of the erection and installation ("E&I") component, that were hit hardest by the operational block on construction sites during the lockdown period.

As more fully illustrated below, as at 31 December 2020, the PLC Group generated total revenues of Euro 65,538 thousand with a positive EBITDA of Euro 3,384 thousand and a substantial break-even net result. There was also a significant improvement in the consolidated net financial position, which went from Euro 7,996 thousand at 31 December 2019 to Euro 4,113 thousand at 31 December 2020; while this improvement is due to the proceeds deriving from the sale of C&C Castelvetere S.r.l. and C&C Uno Energy S.r.l., on the other hand, it shows that, at present, the PLC Group is not exposed to an increase in liquidity and/or credit risk.

In order to mitigate the possible financial risks, in 2020 the PLC Group has (i) requested access to the support measures provided for by the Liquidity Decree which includes moratoriums on existing loans and new finance pursuant to art. 13 Legislative Decree of 8 April 2020 no. 23 and (ii) in the first half of 2020 adopted measures to contain operating costs such as the partial use of social safety nets and the spontaneous reduction of the remuneration of Italian managers in the PLC perimeter.

The results for the 2020 financial year are therefore to be considered more than positive in light of the current macroeconomic context and, to date, there are no critical issues or points of attention regarding the Group's business continuity. In particular, the Group has brilliantly passed a year of particular uncertainty and is ready to adopt the updated Business Plan focused on strong internal growth in the first three years, thanks to the great opportunities offered by the Green Deal.

However, the market scenario remains characterized by strong uncertainty even in the first months of 2021 due, on the one hand to the persistence of the Covid-19 pandemic and to fears about its evolution and, on the other, to expectations related to the development of vaccines. In this situation, which is contrasted by an even greater determination and resilience of each company sector, future negative effects on the financial and economic situation of the PLC Group cannot in any case be excluded.

2.2 SIGNIFICANT EVENTS OCCURRING AFTER 31 December 2020

Inclusion in the Register for the construction of a photovoltaic roof

In January 2021 PLC Service S.r.l. obtained registration in the Register and the incentive rate for the construction of no. 1 photovoltaic system with a power of 498,560 kW to be installed on the roof of the owned warehouse located in Acerra (NA) for the self-production of electricity. The investment, which has an estimated value of approx. Euro 400 thousand will be partly financed with third party funds.

Consolidation of existing financial lines with BPER Banca

On 9 February 2021 PLC System S.r.l. signed with BPER Banca S.p.A. an unsecured loan agreement for Euro 2,375 thousand pursuant to art. 13 Legislative Decree. 8 April 2020 no. 23 backed by a direct guarantee from the Guarantee Fund for SMEs for 80%. The loan, with a duration of 5 years, one of which for pre-amortization, was allocated, for Euro 1,900 thousand, to the consolidation of the existing lines maturing in the short term. Together with the loan, an Interest Rate Option Cap (IRO Cap) contract was signed to hedge the risk deriving from changes in interest rates.

2.3 ANALYSIS OF THE OPERATING PERFORMANCE AND OUTLOOK

The PLC Group operates in the renewable energy market, with particular reference to the photovoltaic, wind, biomethane and biogas and, secondarily, hydroelectric sectors, as well as the high and medium voltage electrical infrastructures serving renewable source plants in which it carries out engineering, procurement, construction of new electricity and energy generation infrastructures (”Construction Segment“), as well as testing, monitoring, installation and routine and extraordinary maintenance of electricity infrastructures, wind turbines and wind farms, biogas and biomethane power stations (”Services Segment").

The market context

The 2020 financial year was characterized by an unexpected and extremely complex global economic and social context due to the spread of the Covid-19 pandemic. In order to avoid an uncontrolled spread of the virus, Italy, as well as most countries, has adopted restrictive measures to contain the infection such as forced social distancing and severe restrictions on the mobility of people. This caused a significant drop in global demand and consumption with a knock-on and cross-sector effect for all industrial sectors, including energy, as well as a delay in the investment season in new initiatives due to a very strong slowdown in the activity of the public administration responsible for issuing authorizations. In particular, in the energy sector, there was a general decline in electricity consumption, mainly due to the limitations imposed on production, with a consequent reduction in spot prices of electricity. However, the immediate effects on the infrastructure for the production of renewable energy sources (”RES”) were limited, as the reduction in consumption led to a strong reduction in electricity production from fossil fuel plants, while those from renewable energy sources continued their operations relatively normally. If daily operations have undergone minor changes so far, as already mentioned the health emergency, on the other hand, has generated negative effects on investments for the construction of new infrastructures as a result of the operational block on construction sites during the first half of the year.

PLC Group

The PLC Group’s 2020 results are more than positive if we consider the current market context; the effects of Covid-19 were overall contained, but with different impacts on the various operating segments. All this confirms not just the exclusive peculiarity of 2019 due to the strong slowdown in the approval of the FER 1 Decree by the Italian government, but also the important step forward in pursuing the goal of increasingly concentrating the PLC Group’s activity in the Services Segment.

The Construction Segment was significantly penalized by the Covid-19 emergency and the consequent lockdown period which caused, in the first half of the year, the blocking of construction sites and the delay in the start of new projects, also due to the still too long and complex authorization process aggravated by the persistence of the health emergency. This slowdown which, as already mentioned, was added to the postponements already recorded in 2019 due to the delay in the publication of the FER 1 Decree, did not allow the targets set for the 2020 financial year to be fully achieved. On the other hand, the Services Segment, with particular reference to the O&M component, confirmed its growth trend despite the current situation. The operational continuity of the operation and maintenance activities on the electricity production plants continued also during the lockdown period as it was considered to be of public utility and cannot be postponed; this made it possible to exceed the pre-established segment targets and to offset, at least in part, the slowdown in the Construction Segment.

The forecasts for 2021 have been drawn up under the assumption of the gradual and definitive exit from the pandemic during the year, with a return to margins substantially in line with the trend of the two-year period 2017-2018 thanks to the order book of the Construction Segment, together with the confirmed organic growth in the Services Segment.

Possible impacts of a possible flare-up of Covid-19 cannot however be excluded, with effects that are currently unpredictable and which could cause further and possible deterioration to the business.

Construction Segment

The PLC Group carries out Engineering, Procurement and Construction (EPC) activities mainly through PLC System S.r.l. which acts as a general contractor in the construction of electricity generation plants from renewable sources, as well as electricity infrastructures, and Schmack Biogas S.r.l. which carries out the same activities in the biogas and biomethane sectors. The PLC Group also deals with the construction of highly specialized industrial plants as well as, through special SPVs ("Special Purpose Vehicles"), the construction of "turnkey" plants for the production of electricity from renewable sources, with the objective of selling, through the sale of the SPVs, its assets to investors, utilities, or Independent Power Producers; this activity was defined within PLC System S.r.l. as ***Built, Operate and Transfer (BOT)*** as the assets are developed until the authorizations are obtained and then built until they are sold to third parties, while maintaining their management and operation in-house thanks to multi-year service contracts. In this way, with a modest increase in its risk profile, the PLC Group has integrated downstream the typical EPC value chain, directly facing the final investor market and maximizing the value of its skills.

During the first half of 2020, the sale to Enel Green Power Italia S.r.l. of the C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. vehicles was completed with the realization of a capital gain, at a consolidated level, equal to Euro 1,832 thousand, while the construction activities mainly concerned: (I) the supply of Shelters under the framework agreement with Terna Rete Italia S.p.A. (ii) the completion of some orders already at a very advanced stage at the end of 2019 and (iii) the launch of new orders including the two contracts signed with AM Energie Rinnovabili for the supply and installation of the electrical and electromechanical works of a 150kV

NTG station and a 150/30kV HV/MV utility system located in the Municipality of Bompietro (PA) and the contract with AgoRen S.p.A - company associated with the AsjA Ambiente Italia S.p.A. Group - for the design, supply and installation of the electrical and electromechanical works of a HV/MV 150/30 kV Utility Substation located in Laterza (TA).
With reference to biogas and biomethane, construction activities involved the construction of a 100 kW electric Coccus mini 100 biogas plant in the Municipality of San Pietro in Gù (PD) and the construction of 2 Coccus Titan 500 biogas plants, with 500 kW electric, in Greece in the Municipalities of Xiromero and Perni respectively, all substantially completed during the year.

If on the one hand, as mentioned, in 2020 the Construction Segment was penalized by the Covid-19 emergency, on the other hand it benefited from the first positive effects deriving from the incentive mechanisms contained in the FER 1 Decree which, as expected, gave a significant boost to investments in new plants and in the revamping of existing ones; orders have been acquired for over Euro 12 million which are expected to contribute to the 2021 financial year for approx. 75%. All this is perfectly in line with the strategic vision that aims to place at the service of the important investment season planned for the next three years, thanks to the Green Deal, the great technological skills of the Group, with the aim of maximizing the income returns that will aid a more accelerated growth in the Services Segment.
Furthermore, in 2021 are envisaged (i) the progress of the "turnkey" construction activities of the wind farms owned by C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. again as part of the contract with Enel Green Power Italia S.r.l. (estimated 90% completion) and (ii) the sale to EDPR of the vehicle C&C Tre Energy S.r.l. owner of the wind project to be built in the municipalities of Casalbore (AV), Ariano Irpino (AV) and Montecalvo Irpino (AV) with a power of 28.8 MW; the start of the construction site is expected in the second / third quarter of 2021 (estimated 40% completion).
With reference to the activities in the biogas and biomethane sectors, in February 2021 the subsidiary Schmack Biogas S.r.l. started a partnership with the SWIFT fund - the SWEN Impact Fund for Transition managed by SWEN Capital Partners - with the aim of channelling the investments of the two companies in the biomethane sector throughout Europe, with the start of construction of the first two plants already in first half of 2021. Further progress is being made on the construction site for the construction of a biomethane plant from FORSU with 90% completion estimated in 2021.
Lastly, in December 2020, the hydroelectric plant with a total power of 327 kW in the Municipality of Pergola, Località Brotano (PU), owned by the subsidiary Idroelettrica 2014 S.r.l., started operating. In particular, in the early months of 2021 the plant reached its operating regime and the process for the recognition of the incentive rate by the GSE was completed in perfect compliance with the company's expectations. The

hydroelectric plant, together with the 3 small photovoltaic systems installed on the roof and integrated on the façade for self-production at the Acerra (NA) headquarters, are the only assets available to the Group.

Services Segment

The PLC Group offers a wide range of services in the renewable sources supply chain in the wind, photovoltaic, biogas and biomethane and hydroelectric sectors, as well as high and medium voltage electrical infrastructures serving the RES plants, through PLC Service S.r.l., PLC Service Wind S.r.l., Schmack Biogas S.r.l. and the companies belonging to the Monsson Operation Perimeter.

As **Operation & Maintenance (O&M)** provider, the PLC Group provides periodic monitoring of the plants to ensure maximum efficiency, and takes care of their maintenance with a "full service" or "customized" logic, both routine and extraordinary as well as predictive. An extensive range of services is offered and differs according to the type of end customer. To guarantee performance levels, the systems are monitored 24 hours a day from special control rooms and the end customer is informed monthly, through special reports, of the performance of the plants. In particular, at present there are two control rooms, one at the Acerra (NA) headquarters, for monitoring the national market, and one at the Romanian headquarters in Constanta, for monitoring the other European markets where the PLC Group offers its maintenance activities. The main logistic centres through which the service activities are provided are in Italy in Acerra (NA), San Pietro Vernotico (BR), Lentini (SR), Borgo Montello (LT), Monreale (PA), Castel di Iudica (CT).), Bolzano and Verona and abroad Constanta (Romania) and Hamburg (Germany).

The PLC Group also carries out the assembly and installation of wind turbines (**Erection & Installation – E&I**).

During 2020, the Services Segment was negatively impacted by the effects of Covid-19 almost exclusively for the E&I component due to the lockdown period which caused the blocking of construction sites in progress and the delay in the start of new projects (with particular reference to the foreign ones managed through the Monsson Operations Perimeter), while the O&M component continued its maintenance and intervention operations on the plants, confirming its growth trend despite the current situation.

For the 2021 financial year, further growth is expected in the Services Segment in all its components, maintenance services (O&M), specialized activities on blades (i.e activities. Blade, GranCorrettivo) and E&I activities, the latter driven by the framework agreement with Enercon Gmbh.

Important investments have also been made in the Italian market, with the creation of the "Special Projects" division which aims to expand high-tech services and guide the transition to intelligent and digital maintenance logics. In this regard, augmented reality and virtual reality applied to predictive maintenance will have a fundamental role. For more information, see paragraph 2.7 “Research and development activities”.

Trading Segment

Established in 2018, MSD Service S.r.l. operates in the electricity from renewable sources trading market and aims to support producers of distributed renewable energy to operate in the "dispatching" services market; in particular, MSD Service S.r.l., in anticipation of a market development, which will increasingly move towards self-production and energy sharing between users, offers itself as an alternative to centralized management services for "dispatching".

Following the acquisition in 2020 of the shares held by Suncity Energy S.r.l. and by another partner, MSD Service S.r.l. is now 92.5% controlled by the PLC Group. During 2020 the subsidiary continued its activity in the dispatching services and trading sector of electricity from renewable sources; the PLC Group does not currently intend to further develop its activities in this segment which is believed will continue to have a marginal role also in 2021 with reference to volumes. In contrast MSD Service S.r.l. will play an increasingly strategic role in spreading knowledge of the new dynamics in the electricity market within the Group, with the aim of developing and expanding the range of services offered.

Photovoltaic Segment

The PLC Group, through its 66.6% subsidiary Tirreno S.r.l., has started 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 offer to the market according to the BOT model. The significant drop in L.C.O.E. (Levelized Cost Of Energy) for photovoltaic systems, essentially due to the reduction of capex and opex, has in fact aroused a great interest from investors especially for photovoltaic systems to be built also outside the incentive schemes and therefore on agricultural land. In this context, the authorization process is underway for the construction of a photovoltaic plant with a nominal power of 15 MWp in the Municipality of Siculiana (AG). At present there have been some delays with respect to the initial forecasts, further expanded by the effects of Covid-19, which caused a delay in obtaining the authorization to 2021, although contacts have always been kept active with potential investors interested in purchasing the plant once authorized.

2.4 ANALYSIS OF THE GROUP'S ECONOMIC, EQUITY AND FINANCIAL RESULTS AS OF 31 DECEMBER 2020

RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	**62.159**	**44.763**
Other operating revenues	3.379	852
Total revenues	**65.538**	**45.615**
Operating costs	(59.996)	(42.375)
Other operating expenses	(2.158)	(2.841)
GROSS OPERATING MARGIN (EBITDA)	**3.384**	**399**
Depreciations, amortisations and impairment losses	(2.701)	(1.965)
OPERATING RESULT (EBIT)	**683**	**(1.566)**
Net financial income (expenses)	(977)	(502)
Profit (loss) from equity investments	(53)	(94)
Income taxes	281	(214)
Profit (loss) for the period from continuing operations	**(66)**	**(2.376)**
Profit (loss) for the period from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	**(66)**	**(2.376)**
Total other components of comprehensive income	167	(86)
TOTAL COMPREHENSIVE INCOME	**101**	**(2.462)**

During the 2020 financial year, the PLC Group recorded revenues of Euro 65,538 thousand (up 43.7% compared to the previous year) to which the newly consolidated Schmack Biogas S.r.l. contributed Euro 7,922 thousand and MSD Service S.r.l. Euro 2,871 thousand. EBITDA again stood at a largely positive value of Euro 3,384 thousand, compared to Euro 399 thousand at 31 December 2019.

The effects of Covid-19 on the PLC Group consolidated results in 2020 were overall limited thanks, mainly, to the operational continuity of the maintenance and intervention activities on the plants, the nature of which is considered of public utility and cannot be deferred; this made it possible to largely offset the slowdowns recorded mainly in the first six months in the Construction Segment and in the Services Segment of the erection and installation ("E&I") component, that were hit hardest by the operational block on construction sites during the lockdown period.

The return to largely positive margins in 2020, despite the ongoing epidemiological emergency, also confirms that the 2019 financial year was negatively impacted by the delay in the publication of the FER 1 Decree, in particular in the Construction Segment.

The breakdown of the gross operating margin by operating segment is shown below.

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	Trading	01.01.2020 31.12.2020
Core business revenues	13,291	46,039	-	2,829	62,159
Other operating revenues	2,922	414	-	43	3,379
Total revenues	16,213	46,453	-	2,872	65,538
Operating costs	(14,920)	(39,543)	(2,744)	(2,789)	(59,996)
Other operating expenses	(560)	(1,494)	(103)	(2)	(2,158)
GROSS OPERATING MARGIN (EBITDA)	734	5,417	(2,847)	81	3,384

The data are shown net of intergroup balances

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	Trading	01.01.2019 31.12.2019
Core business revenues	14,360	30,390	13	-	44,763
Other operating revenues	584	268	-	-	852
Total revenues	14,944	30,658	13	-	45,615
Operating costs	(15,923)	(23,956)	(2,496)	-	(42,375)
Other operating expenses	(783)	(1,915)	(143)	-	(2,841)
GROSS OPERATING MARGIN (EBITDA)	(1,762)	4,787	(2,626)	-	399

The data are shown net of intergroup balances

Construction Segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	13,291	14,360
Other operating revenues	2,922	584
Total revenues	16,213	14,944
Operating costs	(14,920)	(15,923)
Other operating expenses	(560)	(783)
GROSS OPERATING MARGIN (EBITDA)	734	(1,762)

The data are shown net of intergroup balances

The margins of the Construction Segment in 2020, driven by the BOT component, returned to overall positive values despite the negative impact due to the Covid-19 emergency that were recorded mainly in the first half of the year due to the lockdown period which caused the blocking of construction sites in progress and the delay in launching new projects; this confirms that the performance of the 2019 financial year was strongly influenced by the delay in the publication of the FER 1 Decree and the consequent shift in investments by operators with negative effects mainly in the first part of the financial year.

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	PLC System S.r.l. (*)	Schmack Biogas S.r.l.	01.01.2020 31.12.2020
Core business revenues	**10,784**	**2,507**	**13,291**
Other operating revenues	2,642	280	2,922
Total revenues	**13,426**	**2,787**	**16,213**
Operating costs	(11,690)	(3,230)	(14,920)
Other operating expenses	(418)	(142)	(560)
GROSS OPERATING MARGIN (EBITDA)	**1,318**	**(585)**	**734**
EBITDA %	*10%*	*n.a.*	*5%*

(*) PLC System S.r.l. together with its subsidiaries

The Construction Segment includes (i) the activities carried out in the sectors of traditional renewable sources, with revenues of Euro 13,426 thousand (equal to 83%) - of which Euro 1,832 thousand relating to the capital gain generated by the sale of the C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. - with a margin of Euro 1,318 thousand and (ii) activities in the biogas sector, following the acquisition of 51% of Schmack Biogas S.r.l., with revenues of Euro 2,787 thousand and a negative margin of approx. Euro 585 thousand.

The biogas sector was more significantly affected by the effects of Covid-19 which caused, in addition to the blocking of construction sites, the suspension of numerous ongoing negotiations; the contingent situation, together with the greater time gap in the authorization processes, did not allow for the generation of sufficient margins to cover indirect costs which, among other things, do not yet fully benefit from the operational efficiencies expected from the integration with the PLC Group.

Services Segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	46,039	30,390
Other operating revenues	414	268
Total revenues	**46,453**	**30,658**
Operating costs	(39,543)	(23,956)
Other operating expenses	(1,494)	(1,915)
GROSS OPERATING MARGIN (EBITDA)	**5,417**	**4,787**

The data are shown net of intergroup balances

The Services Segment contributes to consolidated revenues of Euro 46,453 thousand (equal to 70.8% of total revenues and growing by more than 50% compared to the previous year) and has a margin of Euro 5,417 thousand (equal to 11.7 %).

The Services Segment was driven mainly by the O&M component, with particular reference to the traditional renewable sources sectors, thanks to the operational continuity of maintenance and intervention activities on energy production plants also during the lockdown period, as services considered of public utility and cannot be deferred. The E&I component - developed through the Monsson Operation Perimeter - was negatively affected by the Covid-19 contingency mainly in the first half of the year due to the lockdown period and the consequent blocking of construction sites in progress, delay in the start of new projects and the cancellation and/or reduction of the scope of work of some contracts.

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	PLC Service / PLC Service Wind	Schmack	Monsson Operation Perimeter	01.01.2020 31.12.2020
Core business revenues	**16,748**	**5,113**	**24,178**	**46,039**
Other operating revenues	264	23	127	414
Total revenues	**17,012**	**5,136**	**24,305**	**46,453**
Operating costs	(12,476)	(4,529)	(22,538)	(39,543)
Other operating expenses	(737)	(143)	(614)	(1,494)
GROSS OPERATING MARGIN (EBITDA)	**3,799**	**465**	**1,153**	**5,417**
EBITDA %	*22%*	*9%*	*5%*	*12%*

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	PLC Service / PLC Service Wind	Schmack	Monsson Operation Perimeter	01.01.2019 31.12.2019
Core business revenues	**15,012**	-	**15,378**	**30,390**
Other operating revenues	165	-	103	268
Total revenues	**15,177**	-	**15,481**	**30,658**
Operating costs	(11,171)	-	(12,785)	(23,956)
Other operating expenses	(977)	-	(938)	(1,915)
GROSS OPERATING MARGIN (EBITDA)	**3,029**	-	**1,758**	**4,787**
EBITDA %	*20%*	*0%*	*11%*	*16%*

The Italian Perimeter, which since 2020 other than the subsidiaries PLC Service S.r.l. and PLC Service Wind S.r.l., also includes Schmack Biogas S.r.l., generated revenues for a total of Euro 22,148 thousand (equal to 47,6% of the Segment) with a margin of Euro 4,264 thousand (19,2%).

The following contribute to the Italian perimeter: (i) services in the traditional renewable sources sectors, with revenues of Euro 17,012 thousand (up 12% compared to the previous year, in line with the trend of previous years) and a margin of Euro 3,799 thousand (equal to 22%) and (ii) services in the biogas sector with revenues of Euro 5,136 thousand and a margin of Euro 465 thousand (equal to 9%); this margin does not yet fully benefit from the operational efficiencies expected from the integration into the PLC Group.

The Monsson Operation Perimeter generated revenues of Euro 24,305 thousand (equal to 52.4% of the Segment and an increase of 57% compared to the previous year) but with a reduction in margins which amounted to Euro 1,153 thousand (equal to 5 %); in 2020 the margins of the Perimeter are affected on the one hand by the negative effects due to the Covid-19 emergency, which involved incurring additional costs for safety and downtime, and on the other was the provision of crane rental services with substantially zero margins.

Trading Segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	2,829	-
Other operating revenues	43	-
Total revenues	2,872	-
Operating costs	(2,789)	-
Other operating expenses	(2)	-
GROSS OPERATING MARGIN (EBITDA)	81	-

The data are shown net of intergroup balances

The Trading Segment includes the dispatching activities carried out by the subsidiary MSD Service S.r.l. which has been fully consolidated since June 2020. The PLC Group does not intend, at present, to further develop its activities in this segment in terms of volumes, which it is believed will continue to have a marginal role also during the 2021 FY.

Holding Segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	-	13
Other operating revenues	-	-
Total revenues	-	13
Operating costs	(2,744)	(2,496)
Other operating expenses	(103)	(143)
GROSS OPERATING MARGIN (EBITDA)	(2,847)	(2,626)

The data are shown net of intergroup balances

The Holding Segment essentially includes the overhead costs of the Parent Company which centrally performs the activities of: Administration, Finance and Control (AFC), Secretariat, Information Technology (IT), Quality Environment and Safety (QSA), Personnel (HR) and Legal and Corporate Affairs.

The increase in costs compared to the same period of the previous year relates to reinforcing the staff functions already from the second half of 2019 due to the expansion of the Group's perimeter.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Net tangible assets	8,889	9,705
Net intangible assets	13,358	15,987
Equity investments	18	357
Other non-current assets	2,791	2,591
Fixed assets	25,056	28,640
Net working capital	3,890	4,057
Non-current assets held for sale / disposal	-	-
NET INVESTED CAPITAL	28,946	32,697
Net financial position	(4,113)	(7,996)
Net financial position relating to assets and liabilities held for sale / disposal	-	-
NET FINANCIAL POSITION	(4,113)	(7,996)
SHAREHOLDERS' EQUITY	24,833	24,701

The consolidated statement of financial position at 31 December 2020 was reclassified by grouping together the assets and liabilities according to the business management functionality of the company considered conventionally divided into the three fundamental functions: investment, operation and financing.

Net invested capital at 31 December 2020 amounted to Euro 28,946 thousand compared to Euro 32,697 thousand at 31 December 2019. The negative change of Euro 3,751 thousand derives from:

- the reduction in fixed capital of Euro 3,558 thousand mainly due to the sale of the vehicles C&C Uno Energy S.r.l., C&C Castelvetere S.r.l. and Solar Project One S.r.l., partially offset by the consolidation of Schmack Biogas S.r.l.;
- the negative change in net working capital by Euro 193 thousand.

CONSOLIDATED NET FINANCIAL POSITION

CONSOLIDATED NET FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents (*)	10.198	6.340
Current financial receivables	107	400
Financial liabilities	(13.330)	(13.644)
Financial assets / liabilities held for sale	-	-
Net financial position before IFRS 16 effects	**(3.025)**	**(6.904)**
IFRS 16 effects - financial payables	(1.088)	(1.092)
NET FINANCIAL POSITION	**(4.113)**	**(7.996)**

(*) of which Euro 82 thousand restricted at 31 December 2020 (Euro 32 thousand subsequently released in 2021) (Euro 201 thousand at 31 December 2019)

The net financial position of the PLC Group at 31 December 2020 was negative for Euro 4,113 thousand (negative for Euro 3,025 thousand net of the recognition of financial payables recognized in application of IFRS 16) and recorded a positive change of Euro 3,883 thousand. The NFP/EBITDA ratio at 31 December 2020 is equal to 1.21 (equal to 0.89 if we consider the net financial position net of the effects of IFRS 16).

The value of the net financial position benefits from the partial collection of the amount arising from the sale of C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l., for Euro 1,498 thousand, and also highlights how, at the moment, the PLC Group has not been significantly impacted by Covid-19 either in terms of increased liquidity risk or credit risk; this confirms the extreme positivity of 2020 which resulted in satisfactory levels of profitability, with particular reference to the Services Segment, and an important cash generation.

Financial liabilities go from Euro 13,644 thousand to Euro 13,330 thousand, mainly due to the lower use of credit lines for approximately Euro 2,300 thousand, in consideration of the greater liquidity available, net of the new loan signed with Banco BPM for Euro 2,000 thousand aided by the 90% direct guarantee by the Guarantee Fund for SMEs.

It should be noted that, in order to mitigate the possible negative effects of Covid-19 on the financial situation, the PLC Group has (i) requested access to the support measures provided for by the Liquidity Decree which includes moratoriums on existing loans, new finance and consolidation of existing lines pursuant to art. 13 Legislative Decree 08 April 2020, no. 23.

2.5 ANALYSIS OF THE ECONOMIC AND FINANCIAL RESULTS OF PLC S.P.A. AS AT 31 DECEMBER 2020

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Core business revenues	1,187	1,498
Other operating revenues	-	-
Operating costs	(2,750)	(3,177)
Other operating expenses	(103)	(143)
GROSS OPERATING MARGIN (EBITDA)	(1,666)	(1,822)
Depreciations, amortisations and impairment losses	(41)	(16)
OPERATING RESULT (EBIT)	(1,707)	(1,838)
Net financial income (expenses)	13	(72)
Profit (loss) from equity investments	958	4,256
Income taxes	472	395
Profit (loss) for the period from continuing operations	(264)	2,741
Profit (loss) for the period from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	(264)	2,741
Total other components of comprehensive income	(10)	(6)
TOTAL COMPREHENSIVE INCOME	(274)	2,735

The parent company PLC S.p.A. operates exclusively as an operating holding company, centrally carrying out the activities relating to the Administration and Finance and Control (AFC), Secretariat, Information Technology (IT), Quality Environment and Safety (QSA), Personnel (HR) and Legal and Corporate Affairs functions, which are recharged to the other Group companies through suitable service contracts.

The comprehensive income of the Company in 2020 was negatively impacted by the lower dividends received, with particular reference to the subsidiary PLC System S.r.l. which in 2019 achieved a negative result influenced, as mentioned, by the delay in the publication of the FER 1 Decree.

At 31 December 2020 the positive income components include (i) revenues for services provided to subsidiaries for Euro 1,187 thousand and (ii) dividends for Euro 958 thousand.

Compared to the previous year, there was a decrease in operating costs, which went from Euro 3,177 thousand to Euro 2,750 thousand due to the absence of non-recurring consultancy in 2019.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Net tangible assets	169	60
Net intangible assets	27	20
Equity investments	49,933	48,433
Other non-current assets	4,717	4,146
Fixed assets	**54,846**	**52,659**
Net working capital	894	536
Non-current assets / liabilities held for sale	-	-
NET INVESTED CAPITAL	**55,740**	**53,195**
Net financial position	(8,284)	(5,465)
Net financial position relating to assets and non-current liabilities held for sale / disposal	-	-
NET FINANCIAL POSITION	**(8,284)**	**(5,465)**
SHAREHOLDERS' EQUITY	**47,456**	**47,730**

The statement of financial position of PLC S.p.A at 31 December 2020 was reclassified by grouping together the assets and liabilities according to the business management functionality of the company considered conventionally divided into the three fundamental functions: investment, operation and financing. The financial position at 31 December 2020 shows an increase in fixed assets for a total of Euro 2,187 thousand, mainly relating to the acquisition of 51% of Schmack Biogas S.r.l. for Euro 1,500 thousand and to the shareholder loan granted to the subsidiary PLC System S.r.l. for Euro 550 thousand.

NET FINANCIAL POSITION

NET FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents	1,110	1,837
Current financial receivables	12	28
Financial liabilities	(9,364)	(7,302)
Financial assets / liabilities held for sale	-	-
Net financial position before IFRS 16 effects	**(8,242)**	**(5,437)**
IFRS 16 effects - financial payables	(42)	(28)
NET FINANCIAL POSITION	**(8,284)**	**(5,465)**

The net financial position of PLC S.p.A. at 31 December 2020 was negative for Euro 8,284 thousand (negative for Euro 8,242 thousand net of the recognition of financial payables recognized in application of IFRS 16) and recorded a negative change of Euro 2,819 thousand.

The increase in financial liabilities, equal to Euro 2,062 thousand, relates to the new loan taken out with Banco BPM for Euro 2,000 thousand backed by the direct guarantee of the Guarantee Fund for SMEs for 90% and subscribed as part of the recourse to the support provided for by the Liquidity Decree, together with the obtaining of moratoriums on existing loans with the aim of mitigating the possible effects of Covid-19 on the financial situation of the Company and of the Group as a whole.

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

data in thousands of Euro	Shareholders' equity at 31.12.2020	Result 31.12.2020
PLC S.p.A.	**47.456**	**(274)**
Difference between the book values of the equity investments and the corresponding share of equity	(33.096)	1.675
Effects of the reverse merger	4.710	-
Effects of the Monsson transaction(*)	4.715	(338)
Effects of the C&C transaction	895	-
Effects of the Schmack Biogas transaction(**)	381	(91)
Other	(228)	(871)
PLC Group	**24.833**	**101**

(*) includes Customer List for Euro 2,025 thousand net of the related tax provision. The impact on the result for the period is equal to Euro 338 thousand (amortization net of income tax)
(**) includes Customer List for Euro 547 thousand net of the related tax provision. The impact on the result for the period is equal to Euro 91 thousand (amortization net of income tax)

2.7 RESEARCH AND DEVELOPMENT ACTIVITIES

For the PLC Group, research has always been an area to which due attention should be paid, so much so that all new high potential initiatives are analysed and assessed by the engineering division before making any investments. During the 2020 financial year, the "PON MISE M4.0" project presented to the Ministry of Economic Development (MISE) by the subsidiary PLC Service S.r.l. continued.

In this regard, a new business unit of the Italian Services Segment was set up in 2020 and called "Special Projects" which will guide the PLC Group in the "industry 4.0 revolution" process and will substantially change the approach to work at the head of the services. The use of technologies such as Augmented Reality (AR), Virtual Reality (VR), Artificial Intelligence (AI), and Machine Learning, will allow the creation of an integrated system aimed at optimizing the core business of the PLC Group. The ultimate goal is to further improve the quality and professionalism of the service provided to customers, with a strategy aimed at increasing the volume of business relating to "full service" contracts.

PLC Service S.r.l. - PON MISE M4.0 Project - Augmented reality and artificial intelligence for advanced maintenance of generation plants from renewable sources

During 2018 PLC Service S.r.l. launched a research and development programme in the field of "Industry 4.0", with the aim of implementing innovative technological solutions in the O&M services of plants for the production of electricity from renewable sources (RES), the company's core business.

This path towards the optimization of the services offered to customers is based on the use of Information and Communication Technologies (ICT), with particular focus on the use of Augmented Reality (AR), of Artificial Intelligence (AI) and of the Industrial Internet of Things (IIoT).

At the beginning of 2019 PLC Service S.r.l., in association with Laboratorio di Ricerca Labor S.r.l., presented a request for support for the MISE Horizon 2020- PON 2014/2020 “Intelligent Factory” call in order to achieve the objectives of the “Maintenance 4.0 Programme, implementing the generational technological leap in the management and maintenance of RES plants.

This project mainly includes the steps outlined by the following activities:

- Application scenario definition
- Analysis and definition of the project requirements
- Analysis of the state of the art in the reference sectors and selection of technologies
- System architecture development
- Development and implementation of solutions based on the use of artificial intelligence
- Field test to verify / review the solutions developed

On 1 September 2019, after confirming the project's eligibility, the first activities of the OR1 (Realization of Objectives belonging to the first of the three activity clusters) were launched relating to the analysis and definition of the requirements. Confirmation of admission to the subsidies then arrived with the transmission of the concession decree no. 0002655 of 15 July 2020.

The provision of the Ministry of Economic Development ("MISE") therefore confirmed an overall project cost of Euro 2,018 thousand against which it recognized a subsidized loan of Euro 404 thousand (of which Euro 280 thousand attributable to PLC Service S.r.l.) and a non-refundable contribution of Euro 790 thousand (of which Euro 420 thousand due to PLC Service S.r.l.).

Due to the Covid-19 pandemic crisis, project activities in the first half of 2020 suffered a sharp slowdown; it was therefore decided to adhere to the possibility offered by the MISE to obtain a partial suspension of activities from 1 March 2020 to 31 July 2020. Subsequently, on 14 December 2020, an extension of 7 months was requested and obtained (on 22 December 2020) with the extension of the project duration from 24 to 31 months with project end date 31 August 2022.

In 2020, PLC Service S.r.l. completed the activities related to Realization Objective 1 (OR1) and started the activities for the customization of the Platform (OR5). Specifically, the activities concerned:

- Analysis of the current scenario - type of systems, Control Room, failure cases and intervention procedures
- Definition of the future scenario - identification of the 'core' model integrated with IOT, AI, AR technology
- Pilot Project - identification of pilot plants, critical components to be monitored and integrative sensors to be developed
- Definition of requirements (functional and otherwise) in the AR / IOT / AI environment
- AR platform customization start for the foreseen applications

The research costs incurred in 2020 amounted to Euro 158 thousand.

Following the admissibility of the project and the definition of the amount of contributions by the MISE, in accordance with the provisions of IAS 20, in 2020 PLC Service S.r.l. registered the portion pertaining to the contribution due on research expenses incurred in 2019 and 2020 and equal to Euro 154 thousand. Furthermore, for these activities, the Research and Development tax credit of Euro 21 thousand was requested and obtained.

2.8 BRANCH OFFICES

PLC S.p.A. declares to have two local units both located in Acerra (NA) ASI area Pantano district respectively in via delle Industrie 100 and in via delle Industrie 272/274.

2.9 CORPORATE GOVERNANCE

On 27 June 2006 the Board of Directors of PLC S.p.A. approved the adoption of 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 the description of the main characteristics of the corporate governance system adopted by PLC S.p.A. pursuant to art. 123-bis of the Consolidated Law on Finance, see Annex 2 "Report on corporate governance and ownership structures".

2.10 TREASURY SHARES

At 31 December 2020, PLC S.p.A. did not hold any of its treasury shares nor did it acquire or dispose of them during the year. Please note that the Ordinary Shareholders' Meeting of 25 June 2019 had resolved to authorize the Board of Directors to purchase treasury shares, once or more times, for a maximum duration of 18 months, for a maximum outlay equal to Euro 1,500 thousand and up to the maximum limit of no. 850,000 shares, through the use of the methods provided for by art. 144-bis, paragraph 1, lett. b) of the Issuers Regulation or with the methods established by market practices allowed by Consob pursuant to art. 13 of EU regulation no.

596/2014, pursuant to article 144-bis, paragraph 1, letter d) -ter of the Issuers Regulation, or in ways other than those indicated above where permitted by article 132, paragraph 3, of the Consolidated Law on Finance or other provisions applicable from time to time at the time of the transaction. In the effective period which expired on 28 December 2020, the Board of Directors did not exercise the aforementioned delegation.

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, extraneous to the normal management of the company, or such as to prejudice the Group's economic, equity and financial situation have been carried out. The transactions entered into with related parties are regulated at market conditions.

The Regulations for carrying out transactions with related parties, approved by the Board of Directors of PLC S.p.A. on 29 November 2010, as subsequently amended and integrated, and prepared in accordance with 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 the international accounting standard IAS 24 (revised) concerning "related party disclosure" and the additional information required by Consob communication no. 6064293 of 28 July 2006, please refer to paragraph 3.2.4 for the consolidated financial statements and to paragraph 4.2.3 for the 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 sector relating to the production of electricity from renewable sources 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 localisation 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 framework which could have a possible detrimental, even significant effect on the profitability of the Group's future investments and consequently on its equity, economic and financial situation. In this scenario, the management constantly monitors the evolution of the reference legal and regulatory framework in order to identify possible risks or opportunities to maximise the Group's profitability.

Currently, with particular reference to the Italian market, the important incentives provided for by the FER 1 Decree for the three-year period 2019-2021 are giving a strong boost to investments in new plants and in the revamping of existing ones with consequent opportunities, for operators in the sector, including the PLC Group, to acquire orders and projects for the realization of the incentivized MW.
However, the market scenario remains characterized by strong uncertainty even in the early months of 2021 due, on the one hand, to the persistence of the Covid-19 pandemic and fears about its variants and, on the other, to the expectations related to the discovery and diffusion of vaccines; therefore, future negative effects on the reference market cannot be excluded, including the further slowdown in the administrative process for issuing authorizations and variations for the construction of RES plants with a consequent impact on the financial and economic situation of the PLC Group.

The reference market

The market PLC Group operates in, with revenues defined against significant initial investments, has mainly 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 which led to a significant reduction in incentives and returns.

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, further accentuated by the epidemiological emergency 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 of the OECD countries, as well as in Italy, has generated new supply chains, with start-ups by industrial companies, partnerships between industrial and financial operators, or with spin-offs stemming from 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, the depletion of fossil resources, have now started the process of "phasing out" of traditional forms of electricity witnessed by the Paris agreement on climate change (COP 21), followed by COP 22 in Marrakesh, COP 23 in Bonn and COP 24 in Katowice.

In particular, climate change and environmental degradation are objectively a huge threat to Europe and the world. To overcome these challenges, Europe has a new growth strategy that transforms the Union into a modern, resource-efficient and competitive economy in which (i) net emissions of greenhouse gases are no longer generated in 2050, (ii) economic growth is decoupled from the use of resources, and (iii) no people and no places are neglected.

The European Green Deal, as implemented by each member state, represents the roadmap to make the European Union economy sustainable and provides an action plan aimed at promoting the efficient use of resources by moving to a clean and circular economy that restores biodiversity by reducing pollution. The plan outlines the necessary investments and funding tools available and explains how to ensure a just and inclusive transition.

The European Union intends to achieve climate neutrality in 2050 and to do this it will be necessary to:

- invest in environmentally friendly technologies;
- support industry in innovation;
- introduce cleaner, cheaper and healthier forms of private and public transport;
- decarbonise the energy sector;
- ensure greater energy efficiency of buildings;
- collaborate with international partners to improve global environmental standards.

The European Union will also provide financial support and technical assistance to help those most affected by the transition to the green economy. This is the so-called Just Transition Mechanism, which will help mobilize at least Euro 100 billion for the period 2021-2027 in the most affected regions.

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 transition of the EU economy towards clean energy.

The electricity market in Italy, i.e. the location of transactions involving the wholesale purchase and sale of electricity, was created as a result of Legislative Decree no. 79 of 16 March 1999 (”Bersani Decree”) which initiated the liberalization of the electricity sector, in the context 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.

The Green Certificates 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.

With Ministerial Decree 6 July 2012, the auction mechanisms for the construction of RES plants in the case of plants with a capacity greater than 5 MW and registration mechanisms for plants with a capacity 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, dispensations, concessions, understandings, agreements, acts of consent, however, necessary for the construction and commissioning for this type of plant including those necessary for the construction and management of power lines for connection to the electricity grid of production plants from renewable sources pursuant to Royal Decree 1775/1933 (“Consolidated text of the provisions of the law on water and electrical systems”).

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” formerly “AEEG”) and subsequent amendments and additions. 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.

Lastly, the FER 1 Decree signed in July 2019 provides, in the period 2019-2021, for incentives by auction mechanics of (i) 5,380 MW for wind and photovoltaic plants, (ii) 385 MW for hydroelectric and geothermal plants and (iii) 570 MW for total or partial reconstruction of any plant for renewable sources, divided into 7 quarterly calls. In addition to these quantities, there are also additional quotas for plants with a power of less than one MW which bring the total incentive power pursuant to the decree to 8,000 MW with investments estimated to exceed 8 billion Euro.

The results of the first auction, according to the rules of Ministerial Decree 04/07/2019, were published on 28 January 2020 and saw as tariff assignees (relating to Group A which includes the plants: newly built "on-shore" wind turbines, full reconstruction, reactivation or upgrading and the photovoltaic plants of new construction) the entire available quota, or 500MW, against requests sent for 595.4 MW.

The results of the second auction, according to the rules of Ministerial Decree 04/07/2019, were published on 28 May 2020 and saw as tariff assignees (relating to Group A which includes the plants: newly built “on-shore” wind turbines, full reconstruction, reactivation or upgrading and the photovoltaic plants of new construction) 5425MW, against requests sent for 500.0 MW.

The results of the third auction, according to the rules of Ministerial Decree 04/07/2019, were published on 24 September 2020 and saw as tariff assignees (relating to Group A which includes the plants: newly built “on-shore” wind turbines, full reconstruction, reactivation or upgrading and the photovoltaic plants of new construction) 313.9 MW, against an assignable quota of 774.7 MW.

The results of the fourth auction, according to the rules of Ministerial Decree 04/07/2019, were published on 26 January 2021 and saw as tariff assignees (relating to Group A which includes the plants: newly built “on-shore” wind turbines, full reconstruction, reactivation or upgrading and the photovoltaic plants of new construction) 279.3 MW, against an assignable quota of 1160.8 MW.

The reason for this low assignation rate in recent auctions lies mainly in the fact that few authorizations have been issued in the last year for the construction of new plants, despite the fact that there are over 12GW of wind projects currently in various stages of the authorization process.
Even in the face of these results with the Law Decree of 1 March 2021, no. 22 approved by the Council of Ministers no. 4/2021, the Draghi Government reorganized the powers of the ministries and established the Ministry of Ecological Transition, which assumes the responsibilities of the Ministry of the Environment and the Protection of Land and Sea, as well as those on energy policy by the Ministry of Economic Development.
At the same time, the Interministerial Committee for Ecological Transition (ISCED) is set up at the Presidency of the Council of Ministers, with the task of ensuring the coordination of national policies for ecological transition and related programming.
With regard to the biomethane segment, in which the PLC Group has been operating since 2020, the first incentive decree issued on 5 December 2013 concerned not only the incentive for biomethane specifically for transport, but also the incentive for biomethane pumped through the network without a specific intended use and that used for the production of electricity in High Yield Cogeneration (CAR) plants.
The Ministerial Decree of 10 October 2014, as amended by the new Decree, instead regulates the methods for implementing the obligations for pumping biofuels for consumption on the obliged entities, economic operators who pump petrol and diesel for consumption and who are obliged to pump part of it in the form of biofuels.
Checking the pumping obligations for consumption is managed by the GSE which operates, on behalf of the Ministry of Economic Development, in the executive implementation of the various phases of the system: acquisition of data relating to the pumping for consumption of fuels and biofuels, issuance of CICs, collection and processing of data on CO2 emissions of obliged entities and suppliers of just LPG and methane, etc. Biomethane and all biofuels must comply with the provisions of the Decree by the Minister of the Environment and Land and Sea Protection of 23 January 2012 and subsequent amendments as regards the certification of sustainability.
The Interministerial Decree of 2 March 2018 promotes the use of biomethane and other advanced biofuels in the transport sector and represents a strategic measure that aims to encourage the use of renewable sources in transport, also through the development of circular economy initiatives and virtuous management of urban waste and agricultural waste.
For advanced biomethane producers, the issue of Certificates of Release for Consumption (CIC) are envisaged, calculated according to GSE procedures:

a) the recognition of a value of Euro 375 for each recognized CIC, also considering any increases foreseen in the quantification of the rights. This incentive has a maximum duration of 10 years; subsequently one is only entitled to the issue of the CICs (which can be sold to other operators);

b) the withdrawal, by the GSE, even of a partial quantity, of the advanced biomethane at a price equal to 95% of the average monthly price recorded on the natural gas spot market or, alternatively, the sale carried out independently.

The development of RES in Europe, was driven by the large FiT (Feed in Tariff) programmes which in the years between 2008 and 2015 - with particular intensity between 2009 and 2012 - allowed the installation of large quantities of plants, guaranteeing revenues that minimized the risks for operators and that allowed them to obtain abundant margins in the following years. In most countries, including Romania, these incentives have been completely eliminated and, in some cases, not replaced by equally effective alternatives, resulting in a decline in new installations. Since 2019, increasingly structured and effective auction tools - in application of European directives - and important developments in market parity, in particular with the corporate PPA tool, are driving a particularly visible recovery. Auctions remain the main development factor for the wind market; those planned in European countries for wind technology and according to a "technology-neutral" logic envisage public tenders for the installation of 55.8 GW between 2020 and 2023; assuming an award factor of 66%, it would imply an increase of around 24% in installed wind power compared to 2019. Given that these figures refer only to officially announced auctions, it is likely that the number may grow in the future; we point out that the aforementioned representation is net of possible delays and rescheduling deriving from the Covid-19 pandemic. The update of the Integrated National Energy and Climate Plans (INECP) will likely lead to the announcement of further auctions. In 2019, most of the auctions related to the United Kingdom and to a lesser extent to Poland, Germany, France, Greece and the Netherlands; from 2021, important auctions are also planned in Germany, France and the Netherlands.

Photovoltaics are also subject to auctions in many European countries, even though the competitiveness of the segment has shown different trends due to different price dynamics, different market, regulatory and authorization contexts and different availability of operators. In particular, in Denmark, Germany, the Netherlands and Spain photovoltaics proved to be a winner in technology-neutral auctions.

It should be noted that the PLC Group, as at 31 December 2020, even though it was not subject to the mandatory drafting of the “Consolidated non-financial statement” required by articles no. 3 and 4 of Legislative Decree no. 254/2016, has decided to proceed, on a voluntary basis, with the reporting of its activities and practices for environmental and social sustainability, following the best international reporting standards, defined by the Global Reporting Initiative (GRI). In fact, the PLC Group aware of the importance of the Sustainable Development Goals of the 2030 Agenda (SDGs), and considering the role it intends to play in the epochal challenge towards the energy transition given its positioning in the renewable energy supply chain, wants to communicate to its stakeholders the future objectives in the economic, environmental and social spheres and how they tangibly reverberate on its business and governance model, with the aim of communicating the real value created by the entire organization and the impact on all stakeholders. To this end, the consolidated sustainability report for 2020 will be drawn up and published.

Financial Risks

The PLC Group is exposed to the following financial risks: (i) credit risk arising from the possibility of counterparty default and (ii) the exchange rate risk deriving from the performance of its business on foreign markets and (iii) interest rate risk arising from financial exposure. The management of financial risks is an integral part of the management of the Group activities 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.

Financial risks currently appear to be adversely affected by the Covid-19 pandemic, causing a potential worsening of financial stress scenarios, which may be due to a deterioration in liquidity in general, late payments from customers, and the slowdown of the operational activities on projects with delays in the relative invoicing to customers. In order to mitigate the possible increase in credit risk and liquidity risk, the PLC Group has requested the credit institutions with which it operates access to the support measures provided for by the Liquidity Decree, including (i) moratoriums on existing loans and (ii) new finance and consolidation of existing lines pursuant to art. 13 Legislative Decree 08 April 2020, no. 23.

For the additional information on financial risks required by IFRS 7, reference should be made to Paragraph 3.2.5.

Legal Risks

Active litigation

Following a complication encountered in the construction phase of 2 of the wind farms completed in 2019, the subsidiary PLC System S.r.l. is currently involved in active litigation as it has had to intervene as a contractor to solve the consequent problems, bearing the relative cost in order not to create greater damage to the customers. Following the onset of the aforementioned problems, the respective customer companies presented, each for itself, a report of the accident to the insurance company, with its consequent opening of two independent files under the "erection all risk" policy; however, the insurance company denied claims coverage for both positions.

Not sharing the position of the insurance company, PLC System S.r.l., as the insured, resorted to arbitration, which was subsequently concluded with the rejection of all claims.

Subsequently PLC System S.r.l. assessed the advisability of taking an ordinary civil case against the insurance company, challenging the arbitration award. Apart from this judgement PLC System S.r.l. also considered

taking action against the director of works, as it was he who endorsed the correct execution of each foundation, putting his stamp and signature in the space reserved for "Casting approval" on the report "assembly of foundation plinth and cast concrete". Among other things, after the casting, the director of works also authorized the "wind generator assembly", erroneously confirming that the concrete casting had been made in accordance with the project.
The value of the dispute against the insurance company is approx. Euro 740 thousand, while the value of the dispute against the director of works is approx. Euro 940 thousand (including also Euro 200 thousand relating to the non-recognition of the acceleration fee).
Both disputes are in the introductory phase.

Passive litigation
In April 2019, the subsidiary PLC System S.r.l. finalized the sale of the equity investments held in Tolve Windfarms Holding S.r.l. ("TWH") in favour of ACE Renewable Holding S.A. ("ACE" or "the buyer").
Complaining of the violation of the declarations and guarantees of the investment agreement signed between the aforementioned parties in 2017, and in particular the undue payment of a sum by way of the final price for the purchase of the shares of TWH, ACE has summoned PLC System S.r.l. before the court.
In particular, the buyer complains about the alleged lack of information on the part of the seller regarding the costs arising from the contract between C&C Lucania S.r.l. and the vehicle companies Serra Energie S.r.l., C&C Tolve S.r.l. and Wind Park Forleto Nuovo 2 S.r.l. (whose stake was held by TWH) for the construction and common use of a substation that was supposed to connect the wind farms under construction to a 150/30 kW power station, located on the Genzano Tricarico line.
ACE's compensation request amounts to a total of Euro 150 thousand (of which Euro 135 thousand relating to PLC System S.r.l.), plus interest from the date of the request to when it is paid. In appearing in court, PLC System S.r.l. requested the rejection of all the claims by ACE, as unfounded in fact and in law, deducing in particular that (i) PLC System S.r.l. has made available to ACE all the necessary documentation so that the price was correctly determined according to the contractual provisions and (ii) ACE could not be unaware of the data, also considering their installation in the management.
The dispute is in the introductory phase and the first hearing was set for 7 April 2021.

2.13 INFORMATION PURSUANT TO LAW 124/17

In compliance with the provisions of Law no. 124 of 4 August 2017, art. 1 paragraph 125, it should be noted that during the 2020 financial year the Group did not benefit from grants disbursed by public administrations.

2.14 ADDITIONAL INFORMATION REQUIRED BY THE MARKET SURVEILLANCE AUTHORITY (CONSOB) PURSUANT TO ART. 114 OF LEGISLATIVE DECREE No. 58/98

2.14.1 OVERDUE ACCOUNTS PAYABLE

Consolidated overdue accounts payable as at 31 December 2020

Trade payables

At 31 December 2020, there were no overdue trade payables with the exception of disputed accounts of Euro 542 thousand.

Tax, social security and employee payables

At 31 December 2020, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2020 there were no overdue financial payables.

PLC S.p.A.'s accounts payable as at 31 December 2020

Trade payables

At 31 December 2020 there were no overdue trade payables.

Tax, social security and employee payables

At 31 December 2020, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2020 there were no overdue financial payables.

2.14.2 ANY FAILURE TO RESPECT THE COVENANTS, THE NEGATIVE PLEDGE AND ANY OTHER CLAUSE OF THE GROUP'S INDEBTEDNESS CONCERNING LIMITS ON THE USE OF FINANCIAL RESOURCES

As of today, there are no cases of non-compliance with financial covenants or negative pledges.
Loan contracts that impose compliance with financial covenants are shown below.

PLC Service S.r.l. – BNL Loan Contract

The loan signed by the subsidiary PLC Service S.r.l. with BNL on 31 July 2018, requires joint compliance with two financial covenants subject to annual verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 10 years); failure to comply with both financial covenants may result in the forfeiture of the term benefit. These covenants, 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 2020, both the covenants had been complied with.

PLC S.p.A. – BNL medium-long term Loan Contract

The loan signed by the parent company PLC Service S.p.A. with BNL on 22 January 2019, requires joint compliance with two financial covenants subject to annual verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 22 January 2024); the simultaneous failure to comply with the financial covenants constitutes a significant event pursuant to the loan agreement. These covenants, 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 2020, both the covenants had been complied with.

There are no clauses regarding the Group's debt which entail limits on the use of financial resources.

2.14.3 STATE OF IMPLEMENTATION OF ANY INDUSTRIAL AND FINANCIAL PLANS, HIGHLIGHTING THE DIFFERENCES IN THE REPORTED DATA COMPARED TO THOSE FORESEEN

In the first quarter of 2021, the PLC Group proceeded to update the Business Plan for the period 2021-2024, which is presented together with the annual results as at 31 December 2020 ("Business Plan").

The guidelines of the Business Plan are consistent with the medium-term industrial strategy of the PLC Group already widely communicated to the market, to qualify as a multi-technological and multi-regional operator and already being implemented through the acquisition of the Monsson Operation Perimeter completed in 2019 and 51 % of the share capital of Schmack Biogas S.r.l that occurred in 2020.

In particular, the growth objectives of the PLC Group should be achieved, giving preference to the “recurring” component of its Services Segment, capable of stabilizing overall profitability to guarantee the Group’s set objectives and create value and at the same time ensuring an adequate capital strengthening. In line with the PLC Group’s business strategy, opportunities for further growth through external lines will be assessed, with a focus on European markets with a low risk profile.

At the same time, in the next three years, the PLC Group gives itself the objective of maximizing the opportunities in the Construction Segment deriving from the current incentive framework which, thanks to higher margins, will be able to bring incremental financial resources to be allocated to investments in the Services segment. The Business Plan, while including the best available estimates relating to the impacts deriving from the epidemiological emergency of Covid-19, it is based on the assumption that 2021 can mark the progressive and definitive exit from the pandemic and that it is therefore possible to continue with the growth path already outlined.

Nonetheless, the market scenario remains characterized by strong uncertainty due on the one hand to the persistence of the Covid-19 pandemic and to fears about its variants and, on the other, to the expectations related to the discovery and spread of vaccines; therefore, it cannot be excluded that the forecast data may be negatively impacted due to a resurgence of Covid-19 with effects that are currently unforeseeable.

In this context, the Board of Directors, confident that the renewable energy sector will continue to acquire increased importance in the medium-long term, especially in the wind and photovoltaic sectors, favouring a possible acceleration in the use of “green” technologies, decided to approve the Business Plan, without prejudice to its commitment to continuously monitor the evolution of the epidemiological situation in order to detect, and communicate to the market, significant deviations from forecasts in real time and implement the necessary actions.

2.15 GLOSSARY

Financial terms

Cash Generating Unit (CGU) as part of the impairment test, corresponding to the smallest identifiable group of assets that generates incoming and/or outgoing cash flows, deriving from the continuous use of the assets, largely independent of the incoming and/or outgoing cash flows generated by other assets or groups of assets.

EBIT (Earnings Before Interest and Tax) operating result.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) gross operating margin.

Headroom (Impairment Loss) positive (or negative) excess of the recoverable value of a CGU over the relative book value.

International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standards Board) and adopted by the European Commission. They include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the IASB. The International Financial Reporting Standards (IFRS) denomination was adopted by the IASB for the standards issued after May 2003. The standards previously issued have maintained the denomination of IAS.

Weighted Average Cost of Capital (WACC) calculated as the weighted average of the cost of the company's debt capital and the cost of risk capital, defined on the basis of the Capital Asset Pricing Model (CAPM) methodology, in line with the specific risk of the PLC Group business.

Operating activities

Build-Operate-Transfer (BOT) means the contractual form for which the owner (PLC Group) receives the assignment from a lender (utilities, IPP and/or investment funds) of a contract to finance, design, build and operate an electricity production plant that will be transferred to the lender.

Balance of Plant (BOP) means the executive and construction design, the supply of components and/or equipment and their accessories, making up everything necessary for the operation of the plant with the exception of the generation component, and in general civil works, electromechanical works, supervision and control systems.

Balancing Service Provider (BSP) means the manager and/or “Aggregator” of the UVA “Unità Virtuali Abilitate” owners of these aggregations. The aggregators are entitled to offer the MSD (Markets for Dispatching Services) and are responsible for communicating with Terna and for executing the dispatching orders received following the market sessions.

FER 1 DECREE indicates the Ministerial Decree 04/07/2019 signed by the Ministry of Economic Development Minister and the Ministry of the Environment which has the aim of supporting the production of energy from renewable sources for the achievement of the 2030 European targets defined in the Integrated National Plan for Energy and Climate (INECP).

Erection and Installation (E&I) indicates the lifting activity through specific lifting and assembly devices for the installation of wind turbines, including mechanical, electrical and testing assemblies up to their commissioning.

Engineering, Procurement, Construction (EPC) typical contract of the Construction Segment having as its aim the construction of plants in which the company providing the service carries out engineering, material procurement and construction activities. One speaks of a “turnkey contract” when the plant is delivered ready for commissioning, or already commissioned.

RES (FER) indicates renewable energy sources

GSE (Gestore dei Servizi Energetici) is a company that has the Ministry of Economy and Finance as its sole partner, and its mission is in promoting sustainable development and rational use of energy.

High Voltage Direct Current (HVDC) in electrical engineering is a direct current electricity transmission system, typically used for long distance connections, such as cross-border and/or underwater ones.

Levelized Cost Of Energy (LCOE) is an index of the competitiveness of various electricity generation technologies, diversified by type of energy source and by the average lifespan of the plants.

European Green Deal indicates the set of initiatives, legislative and non-legislative, undertaken by the European Commission with the general objective of achieving climate neutrality in Europe by 2050.

Operation and Maintenance (O&M) indicates the activity during the life of an energy production plant in order to maintain full functionality and maximum profitability.

Power to Gas (PTG) indicates a system that through methanation (or Sabatier chemical process) allows methane to be obtained from a mixture of gases such as hydrogen (in the case illustrated, coming from the electrolysis of water) and carbon dioxide (produced through biomass conversion processes such as anaerobic digestion and/or pyrolysis).

Shelter indicates a metal cabinet container intended for the housing of medium and low voltage electrical and electronic equipment, installed in electrical substations.

Unità Virtuale Abilitata Mista (UVAM) indicates an aggregation of peripheral production, consumption and storage units which supply the network with reserve power.

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED FINANCIAL STATEMENTS

3.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Notes	31.12.2020	*of which from related parties*	31.12.2019	*of which from related parties*
Non-current assets					
Tangible assets	A	8,889	-	9,705	-
Goodwill	B	8,190	-	8,150	-
Intangible assets	C	5,168	-	7,837	-
Equity investments in associates	D	6	-	345	-
Equity investments in other companies	E	12	-	12	-
Deferred tax assets	F	853	-	471	-
Non current receivables and other non-current assets	G	1,938	*103*	2,118	*83*
Other non-current financial assets		-	-	-	-
Non-current derivative instruments	H	-	-	1	-
Total non-current assets		**25,056**		**28,639**	
Current assets					
Inventories	I	4,339	-	3,436	-
Contractual assets	I	6,045	-	4,615	-
Trade receivables	J	22,162	*58*	19,339	*858*
Financial receivables	K, O	107	*5*	400	*20*
Other receivables	L	3,124	*11*	2,355	*7*
Cash and cash equivalents	O	10,198	-	6,340	-
Other current financial assets	M	158	-	308	-
Current derivative instruments		-	-	-	-
Total current assets		**46,133**		**36,793**	
Non-current assets held for sale / disposal		-	-	-	-
TOTAL ASSETS		**71,189**		**65,432**	

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Notes	31.12.2020	*of which from related parties*	31.12.2019	*of which from related parties*
Share capital and reserves		24,732	-	27,069	-
Profit (loss) for the period pertaining to the Group		101	-	(2,374)	-
Group shareholders' equity		**24,833**		**24,695**	
Minority interests in shareholders' equity		-	-	6	-
TOTAL SHAREHOLDERS' EQUITY	N	24,833		24,701	
Non-current liabilities					
Non-current financial liabilities	O	9,306	*206*	7,026	-
Provisions for non-current risks and charges	P	178	-	74	-
Employee severance indemnity	Q	2,592	-	1,570	-
Deferred tax liabilities and other non-current taxes	R	778	-	1,795	-
Non-current payables and other non-current liabilities		-	-	-	-
Non-current derivative instruments		-	-	-	-
Total non-current liabilities		**12,854**		**10,465**	
Current liabilities					
Current financial liabilities	O	5,112	-	7,710	*207*
Provision for current risks and charges		-	-	-	-
Trade payables	S	19,787	*373*	14,138	*144*
Contractual liabilities	T	1,032	-	294	-
Other current payables	U	7,571	*7*	8,124	*2*
Current derivative instruments		-	-	-	-
Total current liabilities		**33,502**		**30,266**	
Non-current liabilities held for sale / disposal		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		71,189		65,432	

3.1.2 INCOME STATEMENT

INCOME STATEMENT (thousands of Euro)	Notes	01.01.2020 31.12.2020	*of which from related parties*	01.01.2019 31.12.2019	*of which from related parties*
Core business revenues	AA	62,159	210	44,763	1,253
Other operating revenues	BB	3,379	7	852	90
Expenses for raw materials	CC	(14,581)	-	(9,085)	-
Expenses for services	DD	(25,947)	(739)	(17,690)	(757)
Personnel costs	EE	(19,468)	-	(15,600)	-
Other operating expenses	FF	(2,158)	-	(2,841)	(135)
GROSS OPERATING MARGIN (EBITDA)		3,384		399	
Amortisations and depreciations	GG	(2,701)	-	(1,847)	-
Impairment losses		-	-	(118)	-
OPERATING RESULT (EBIT)		683		(1,566)	
Financial income	HH	171	3	426	5
Financial expenses	II	(1,148)	(6)	(928)	(3)
Profit (loss) from equity investments					
Dividends		-	-	-	-
Share of profit (loss) from equity investments	JJ	(115)	-	(94)	-
Other profit (loss) from equity investments		62	-	-	-
Income taxes	KK	281	-	(214)	-
Profit (loss) for the period from continuing operations		(66)		(2,376)	
Profit (loss) for the period from discontinued operations		-	-	-	-
PROFIT (LOSS) FOR THE PERIOD		(66)		(2,376)	
pertaining to the Group		(3)	-	(2,374)	-
pertaining to third parties		(63)	-	(2)	-
Weighted average number of ordinary shares in the period		25,960,575	-	24,796,546	-
Earnings per share (Euro)		(0.00)	-	(0.10)	-
Diluted earnings per share (Euro)		(0.00)	-	(0.10)	-
Net result per share of discontinued assets (liabilities) (in Euro)		-	-	-	-
Net result per share of discontinued assets (liabilities) (in Euro)		-	-	-	-

3.1.3 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Notes	01.01.2020 31.12.2020	01.01.2019 31.12.2019
PROFIT (LOSS) FOR THE PERIOD		(66)	(2,376)
Other components of comprehensive income			
Components that will not be reclassified to profit (loss)		(106)	(119)
Income tax relating to components that will not be reclassified		29	33
Total components that will not be reclassified to profit (loss)		(77)	(86)
Components that will be reclassified to profit (loss)		244	-
Income tax relating to components that may be reclassified		-	-
Total components that may be reclassified to profit (loss)		244	-
Total other components of comprehensive income	LL	167	(86)
TOTAL COMPREHENSIVE INCOME		101	(2,462)
pertaining to the Group		164	(2,460)
pertaining to third parties		(63)	(2)

3.1.4 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Comprehensive income / (loss)	101	(2,462)
Comprehensive income/(loss) from discontinued operations	-	-
Total profit / (loss) from continuing operations	101	(2,462)
(Gain)/Loss from assets sold	(231)	-
Fair value adjustments	-	-
Amortisation, Depreciations and impairment of fixed assets	2,701	1,846
Write-downs (Revaluations) of financial assets	-	-
Write-downs (Revaluations) of fixed assets	-	-
Share of comprehensive income (loss) from equity investments	115	94
Net financial expenses (income)	416	446
Dividends	(62)	-
Other non-monetary items included in the income statement	-	-
Net changes in working capital		
Contractual assets	(1,429)	(1,357)
Inventories	(903)	209
Trade receivables and other receivables	(3,393)	(1,168)
Trade payables and other payables	5,763	(715)
Change in other provisions and deferred tax assets and liabilities	(273)	399
Gross Cash Flow	2,805	(2,708)
Interest paid	(411)	(927)
Interest received	10	481
Income taxes (paid) received	(74)	(370)
Income taxes	144	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	2,474	(3,524)
(Investments) in tangible and intangible fixed assets	(3,396)	(3,152)
Divestment in tangible and intangible fixed assets	4,179	627
(Acquisitions) net of acquired liquidity	(154)	(671)
Disinvestments net of transferred liquidity	570	-
(Investments) in other companies and financial assets	-	(77)
Divestments in other companies and financial assets	152	60
Dividends received	62	-
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	1,413	(3,213)
Increase/(Reduction) of Share capital net of ancillary charges	-	-
Other changes in shareholders' equity	30	(42)
Obtainment of loans, financing and other financial liabilities	2,000	4,902
(Repayments) of loans, financing and other financial liabilities	(2,333)	(2,686)
Repayments of loans, financing and other financial assets	293	-
(Disbursement) of loans, financing and other financial assets	(20)	(29)
Dividends paid	-	(956)
CASH FLOW FROM FINANCING ACTIVITIES [C]	(30)	1,189
CASH FLOW ARISING FROM DISCONTINUED OPERATIONS[D]	-	6,030
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	3,857	482
Cash and cash equivalents at the beginning of the period	6,340	5,858
Cash and cash equivalents at the end of the period	10,198	6,340

Cash and cash equivalents include restricted current accounts for Euro 82 thousand.

3.1.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (data in thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Other reserves	Translation reserve	Retained earnings / losses carried forward	Other comprehensive income	Profit (loss) for the year	Group shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2018 (*)	37,136	1,008	10,784	(29,646)	118	-	(56)	4,929	24,273	108	24,381
Allocation of 2018 result		50				4,879		(4,929)	0	-	0
Distribution of dividends						(956)			(956)	-	(956)
Capital increases	2,040		1,700	4					3,744	-	3,744
Resolution on share capital reduction	(12,150)	3,942		8,208					-	-	-
Other changes in shareholders' equity				26	68				94	(100)	(6)
Profit (loss) at 31.12.2019								(2,374)	(2,374)	(2)	(2,376)
Other components of comprehensive income (loss)							(86)		(86)	-	(86)
Comprehensive profit (loss) for the period	-	-	-	-	-	-	*(86)*	*(2,374)*	*(2,460)*	*(2)*	*(2,462)*
SHAREHOLDERS' EQUITY AT 31.12.2019	27,026	5,000	12,484	(21,408)	186	3,923	(142)	(2,374)	24,695	6	24,701
Allocation of 2019 result		405				(2,779)		2,374	-	-	-
Other changes in shareholders' equity				(26)					(26)	57	31
Profit (loss) at 31.12.2020								(3)	(3)	(63)	(66)
Other components of comprehensive income (loss)					244		(77)		167	-	167
Comprehensive profit (loss) for the period	-	-	-	-	*244*	-	*(77)*	*(3)*	*164*	*(63)*	*101*
SHAREHOLDERS' EQUITY AT 31.12.2020	27,026	5,405	12,484	(21,434)	430	1,144	(219)	(3)	24,833	-	24,833

(*) data restated in application of IFRS 3

For comments on the individual items, see note N. "Shareholders' Equity" in the Notes to the consolidated financial statements.

3.2.1 NOTES TO CONSOLIDATED FINANCIAL STATEMENT

The 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 2020.

The consolidated financial statements as at 31 December 2020 were authorized for publication by the Board of Directors on 31 March 2021.

FINANCIAL STATEMENT FORMATS ADOPTED

Starting from the 2020 financial year, some items in the statement of financial position and statement of comprehensive income have had a change of description and / or to the order of presentation, also in order to provide a clearer representation.

Starting from the 2020 financial year, the PLC Group presents the statement of comprehensive income in two separate statements (i) the statement of profit and loss for the period and (ii) the statement of the other components of the comprehensive income 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 the positive and / or negative components of income relating to non-recurring transactions, the information is provided separately. In preparing these financial statements, the ongoing concern assumption was met by the Directors and therefore the financial statements were prepared using the standards and criteria applicable to operating companies.

The financial statements and notes 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 simultaneously has (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 on 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 the moment in which such control ceases to exist. The financial statements of the subsidiaries have been appropriately adjusted to make them consistent with the accounting principles and evaluation criteria adopted by the parent company.

Equity investments in joint ventures and in associated companies, over which significant influence is exercised, but not qualifying as joint operations, are valued using the equity method according to which the book value of the equity investments is adjusted to record the share pertaining to the share of profit pertaining to the stakeholder and the dividends distributed by the subsidiary.

Following the application of the equity method, it is assessed whether it is necessary to recognize a further loss in value of the investment in the joint venture or in the associate, or, if there is objective evidence that the investment has suffered a lasting loss in value. If this has occurred, the amount of the loss, calculated as the difference between the recoverable value of the joint venture or associated company and its book value in the financial statements, is recorded in the statement of profit (loss) for the year.

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

The main consolidation criteria adopted are shown below:

- the subsidiaries are consolidated according to the line-by-line method, according to which:
    i. line by line, the assets, liabilities, as well as the costs and revenues of the subsidiaries are taken on, for their full amount, attributing to the minority shareholders, in specific items on the statement of financial position and income statement, the share of the shareholders' equity and the result due to them;
    ii. the book value of the individual investments is eliminated against the corresponding portion of shareholders' equity including adjustments to the fair value, at the acquisition date, of the related assets and liabilities; any emerging residual difference, if it is positive is allocated to goodwill, if it is negative is recognised in the income statement;
    iii. the equity and economic relations between the fully consolidated companies, including dividends distributed within the Group, are cancelled. Unrealized intergroup losses are considered if the transaction provides evidence of a reduction in the value of the transferred asset.

Foreign currency transactions

All transactions are accounted for in the functional currency in which each Group company operates. Transactions made in a currency other than the functional currency of the Group companies are converted into it based on the exchange rate on the date of the transaction. Monetary assets and liabilities (defined as owned assets or liabilities that must be collected or paid, the amount of which is pre-established or determinable - IAS 21) are converted at the exchange rate on the financial statement date; exchange differences are recognized in the income statement. Non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are converted at the historical exchange rate on the date of the transaction. Non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are converted at the exchange rate in force on the fair value determination date.

Conversion of financial statements into foreign currency

The financial statements of companies with functional currencies other than that presented in the consolidated financial statements (Euro) and which do not operate in countries with hyperinflationary economies, are converted in the following ways:

a) assets and liabilities, including goodwill and fair value adjustments that emerge from the consolidation process, are converted at the exchange rates in force on the financial statement date;

b) revenues and costs are converted at the average exchange rate for the year, considered as the exchange rate nearest the one on the dates on which the individual transactions took place;

c) monetary assets and liabilities are converted at the exchange rate in force on the financial statement date;

d) non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are converted at the historical exchange rate on the date of the transaction;

e) the exchange differences emerging from the conversion process are recognized in a specific equity reserve.

In the event that a sales programme is undertaken which 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 on the date of taking control and is equal to the fair value of the assets transferred, the liabilities incurred or taken on, as well as any capital instruments issued by the buyer. The costs directly attributable to the transaction are recognized in the income statement at the time of the related support. At the date control is acquired, the shareholders' equity of the subsidiary companies is determined by attributing their fair value to the individual elements of the assets and liabilities, except in cases where the IFRS provisions establish a different valuation criterion. Any residual difference from the purchase cost, if positive, is entered in the asset item "goodwill" if negative, is recognized in the income statement.

In the case of non-totalitarian assumption of control and where there are no agreed options on the purchase of minority interests, the portion of shareholders' equity of minority interests is determined based on the portion attributable to the current values attributed to the assets and liabilities at the date of taking control, excluding any goodwill attributable to them (so-called partial goodwill method).

If, on the other hand, the agreements entered into provide for options relating to the purchase of the minority interests (put & call), a specific assessment of the instrument assigned to the respective parties is carried out and the liability in favour of the sellers holding the options is recognized (put option). with consequent adjustment to the value of the reserve portion due to third parties and goodwill.

In the case of taking control in subsequent stages, the purchase cost is determined by adding the fair value of the equity investment previously held in the acquired business and the amount paid for the additional equity investment. The difference between the fair value of the equity investment previously held and the related book value is recognized in the income statement. In addition, upon taking control, any amounts previously recognized in the other components of the statement of comprehensive income are recognized in the income statement, or in another item of equity, in the event that the reversal to the income statement is not envisaged. Goodwill is initially recognized at the cost in the difference between the amount transferred by the buyer and the identifiable net assets acquired and the liabilities taken on by the Group. If the fair value of the net assets acquired exceeds the sum of the consideration paid, the Group again checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognized on the acquisition date. If the fair value of the net assets acquired still exceeds the consideration, the difference (profit) is recognized in the income statement.

After initial recognition, the goodwill is subjected to a verification of its recoverability (impairment test) with reference to the cash generating units ("CGU") or groups of CGUs to which it is allocated and monitored by the directors.

Any impairment of goodwill must be recognized in the event that the recoverable value 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 on the balance sheet.

Recoverable value means the greater of (1) the fair value of the CGU (i.e. the market value), net of selling costs, and (2) its value in use, or the present value of the expected cash flows that will derive from the continuous use of an asset and from its disposal at the end of its useful life.

The impairment test is done annually or, in the presence of indicators that may suggest that it may have suffered a reduction in value, with greater frequency.

TANGIBLE ASSETS

Tangible assets are recorded at their 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.

Amortisations and depreciations are calculated on the basis of rates considered suitable for distributing the value of 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 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:

<u>Research and development costs</u>

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 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.

<u>Software</u>

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 sales costs, 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 rate that takes into account the implicit risk of the business sector and geographical area. 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.

LEASING AND RIGHT OF USE

Leasing, rental and hire contracts are recognized in accordance with the accounting standard IFRS 16, which defines the principles for the recognition, calculation, presentation and reporting of leases and requires the lessees to account for these contracts, whether operational and financial based on a model similar to the financial model previously provided for by IAS 17 for financial leasing contracts. The standard provides for two exemptions for the recognition by lessees - leases relating to “low value” assets and short-term leases expiring within 12 months or less.

At the start date of the leasing contract, a liability is recorded against the leasing payments (leasing liability) equal to the current value of the payments taking into account an average debt ratio and an asset of equal value, which represents the right to use the underlying asset for the duration of the contract (the right to use the asset). The interest on the leasing liability and the amortization of the right to use the asset over the contractual term are ascribed to the income statement.

If a re-measurement of the leasing liability becomes necessary (e.g. changes in the terms of the contract, changes in future payments or of a rate used to determine payments), the amount of the re-measurement is recorded as an adjustment to the right of use of the asset.

With reference to the contracts for which the Group is the Lessor (and not the lessee), the recording method remains substantially unchanged with respect to the previous accounting in accordance with IAS 17 and therefore distinguishing between operating and financial leasing.

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of the financial and management policies of the subsidiary without having control or joint control over it. The considerations made to determine significant influence are similar to those necessary to establish control.

The Group's equity investments in associated companies are valued using the equity method. With the equity method, the investment in an associated company is initially recognized at cost. The book value of the investment is increased or decreased to recognize the shareholder’s shareholding in the profit and loss of the subsidiary made after the acquisition date. Any goodwill relating to the associate is included in the book value of the investment and is not subject to a separate impairment test.

The income statement reflects the Group's share of the operating result of the associated company. Any change in the other components of comprehensive income relating to these subsidiary companies is presented as part of the Group’s comprehensive income statement. Furthermore, in the event that an associated company records a change with direct allocation in equity, the Group recognizes its share, where applicable, in the statement of changes in equity.

The aggregate portion of the operating result of the associated companies pertaining to the Group is recognized in the consolidated income statement for the year immediately after the operating result and represents the result net of taxes and of the portions due to the other shareholders of the associated company, as well as any distributed dividends and ascertained impairment losses.
The financial statements of associated companies prepared for the purpose of consolidation are presented on the same closing date of the Group financial statements and appropriately adjusted to bring them into line with the Group's accounting principles.
After applying the equity method, the Group assesses whether it is necessary to recognize a loss in value of its equity investment in associated companies. At each financial statement date, the Group assesses whether there is objective evidence that the equity investments in associated companies have suffered an impairment loss. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and its book value in its consolidated financial statements, recognizing this difference in the income statement under the item "portion pertaining to the result of associated companies».
At the time of the loss of significant influence over an associated company, the Group evaluates and recognizes the residual equity investment at fair value. When the significant influence ceases, the difference between the book value of the equity investment and the fair value of the equity investment in the residual portion is recognized 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 and recognised in the income statement". After initial recognition at cost, these financial assets are measured at fair value; valuation gains or losses are recognised in an income statement item. In the event that 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 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 components of the statement of 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 expenses.

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.

CONTRACTUAL ASSETS AND LIABILITIES

Contractual assets and contractual liabilities for work in progress relating to long-term contracts are valued on the basis of the contractual fees, defined with reasonable certainty with the customers, in relation to the progress of the works. In consideration of the nature of the contracts and the type of works, progress is determined by using an input-based method based on the percentage that emerges from the ratio of costs incurred to the total costs estimated in the contract (cost -to-cost method). In order to incorporate the economic effects deriving from the application of this method, with respect to the fees recognized among Core business revenues, the positive differences between the fees accrued in relation to the progress of the works and revenues recognized, while negative differences are recorded among contractual liabilities. In assessing contractual assets and liabilities for work in progress, all costs directly attributable to contracts are taken into account, as well as contractual risks and revision clauses when they can be established objectively. Claims for additional fees deriving from changes to the contractually envisaged works are considered as the total amount of fees when their object and / or price are on the whole approved by the customer; similarly, the other claims deriving, for example, from higher charges incurred for causes attributable to the customer, are considered in the overall amount of the fees only when the object and / or the price are on the whole approved by the counterparty. The portions of the works in foreign currency not yet accepted by the customer are recorded at the year-end exchange rate. The contractual advances received from customers, if in a currency other than the functional currency, are recorded at the exchange rate on 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 / 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 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 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. 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 re-presented or reclassified unless they fall under 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 (Loss) 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 "expenses for services"; net financial expenses 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, the provisions are determined by discounting the 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.

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

The recognition of revenues from contracts with customers is 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 based on the "stand alone" selling price of each goods or service; (v) recognition of the revenue when the related performance obligation is satisfied, i.e. when the promised goods or services are transferred to the customer; the transfer is considered completed when the customer obtains control of the goods 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 work in progress on order, or at a specific point in time.

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

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

The Group concluded that it acts as a principle for most of the agreements from which revenues derive as it usually controls the goods and services before transferring them to the customer.

The Group has carried out an analysis of the requirements set out in IFRS 15 with reference to the 5 steps identified above and based on the characteristics of its contracts, it has concluded that it complies with the conditions for accounting for revenues ("over time") in fact the performance of the services both with reference to the BOT, EPC business and maintenance, improves the value of the activity as the service is performed and in particular with reference to the maintenance services, whose benefit is manifest while being performed. In addition, the activity carried out by the Group with reference to the BOT and EPC business, is carried out according to specific regulatory requirements and based on previously obtained specific authorizations that do not allow an alternative use of the asset. Finally, it should be noted that, based on the agreements signed, the Group has an enforceable right to payment of the service performed up to the date considered.

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 EXPENSES

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. Financial expenses 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 "Other payables". 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".

The parent company PLC S.p.A. together with its subsidiaries PLC System S.r.l. , PLC Service S.r.l., PLC Service Wind S.r.l. and PLC Power S.r.l. has participated in the “national tax consolidation” for the three-year period 2019-2021, pursuant to articles 117 et seq. of the consolidated tax act (TUIR), which allows transfer of the total net income or tax loss of the individual participating companies to the parent company which will establish a single taxable income of the PLC Group or a single tax loss that can be carried forward, as an algebraic sum of income and / or losses, and, therefore, will record a single tax debt or credit for the tax authorities.

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.

EARNING PER SHARE

Basic earnings per share is determined as the ratio between the result of the Group period attributable to the shares and the weighted average number of shares outstanding during the year. For the purpose of calculating diluted earnings per share, the weighted average of the shares in circulation is modified by assuming the conversion of all potential shares having 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 amortisations and depreciations, 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 contract work in progress

Revenues relating to contract work in progress as well as the relative margins, once compliance with the requirements of the IFRS 15 principle for “over time” accounting has been verified, are recognized according to the progress of the orders according to the completion percentage method, based on the ratio between the costs incurred and the total costs expected to complete the order.

The processes and methods for recognizing revenues and evaluating work in progress on order are based on sometimes complex assumptions which by their nature involve the use of the directors’ judgement, in particular with reference to identifying the performance obligations, the forecast of costs to complete each project, including the estimation of contractual risks and penalties, where applicable, for the evaluation of contractual changes planned or under negotiation.

The Group has adopted a periodic review process of the estimates made with reference to the orders so as to mitigate the risks deriving from the uncertainties underlying these estimates.

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2020

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 2020. The Group has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

Amendments to IFRS 3 - Business Combinations

With regulation no. 2020/51, issued by the European Commission on 21 April 2020, the amendments to IFRS 3 "Business combinations" were approved, aimed at providing clarification on the definition of business. In particular, there is a business acquisition if the contract provides for the acquisition of one or more inputs and a substantial process that, together, significantly contribute to the ability to create an output. Conversely, if all the conditions described above are missing, there is an acquisition of a group of assets which determines the capitalization of their acquisition cost and their amortization according to the provisions of IAS 16. The amendments to IFRS 3 are effective for financial years beginning on 1 January 2020. Its application did not entail significant changes.

Amendments to IAS 1 and IAS 8 - Definition of material

With regulation of 2019/2104, issued by the European Commission on 29 November 2019, amendments to IAS 1 and IAS 8 were approved 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 are applicable from 1 January 2020. Its application did not entail significant changes.

IFRS Conceptual Framework

With Regulation no. 2019/2075 of the European Commission on 29 November 2019, the amendments to the references to the IFRS Conceptual Framework were adopted. The amendments aim to update, with different accounting standards and different interpretations, the existing references to the previous Conceptual Framework replacing them with the references to the revised Conceptual Framework. The changes will apply from 1 January 2020. Its application did not entail significant changes.

Amendments to IFRS 16 - Leases

With Regulation no. 2020/1434 of the European Commission on 12 October 2020 the amendments to IFRS 16 were adopted which introduced a practical expedient by which lessees are allowed to recognize the incentives relating to leases, deriving from the Covid-19 pandemic, as negative variable rents without having to remeasure leasing assets and liabilities, in compliance with the following requirements: (i) the concessions only refer to reductions in payments due by 30 June 2021, (ii) the total contractual payments, after the incentives, are equal to or lower than the payments originally envisaged and (iii) other substantial changes have not been agreed with the lessor. The aforementioned provisions are effective from 1 June 2020. The changes introduced did not impact the PLC Group.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform Phase 1

The IASB has published the Interest Rate Benchmark Reform document which amends the hedge accounting provisions of IFRS 9 and IAS 39. The amendments (i) identify the useful financial information to be provided during the period of uncertainty resulting from the gradual elimination of the interest rate reference values, such as the interbank rates offered (IBOS) (ii) alter some specific requirements of hedge accounting aimed at mitigating the potential effects caused by the IBOR reform, (iii) require the provision of additional information on the hedging relationships that are directly affected by these uncertainties.

The amendments were approved by the European Commission with Regulation no. 2019/2104 of 29 November 2019, and are applicable from 1 January 2022; however, early application is permitted.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2

The IASB completed its response to the ongoing reform of offered interbank rates and other interest rate benchmarks by issuing a set of amendments to the standards. The amendments, which aim to help companies provide investors with useful information on the effects of the reform on the financial statements, integrate those issued with Phase 1 and focus on the effects generated by the transition to an alternative reference rate following the reform.

The amendments, endorsed with Regulation no. 2021/25 by the European Commission on 13 January 2021, apply starting from 1 January 2021 with the possibility of early adoption.

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. On 25 June 2020, the IASB issued amendments to IFRS 17 which define the accounting treatment of insurance contracts issued and reinsurance contracts owned; the amendments are effective and applicable from 1 January 2023. The standard and subsequent amendments, not yet endorsed by the European Commission, are not applicable to the Group.

Amendments to IAS 1- Classification of current and non-current liabilities

The IASB has published some amendments to IAS 1 with the aim of clarifying the classification of certain liabilities from among current or non-current ones. The amendments aim to promote a consistent application in the classification by providing useful elements to determine whether a liability, financial or non-financial, with an uncertain liquidation date, should be classified as a current or non-current liability. The amendments also include clarifications regarding the classification of a payable that could be liquidated through its conversion into capital.

Due to the Covid-19 pandemic, on 25 July 2020 the IASB postponed its adoption from 1 January 2023: these changes have not yet been approved by the European Commission.

Annual cycle of improvements to IFRS 2018-2020

On 14 May 2020, the IASB issued the document "Annual cycle of improvements to IFRS 2018-2020" containing amendments to IAS 16 "Property, plant and equipment", to IAS 37 "Provisions, contingent liabilities and assets", to IFRS 3 “Business combinations”, IFRS 1 “First-time adoption of IFRS”, IFRS 9 “Financial instruments” and IAS 41 “Agriculture”. All changes, not yet approved by the European Commission, will come into force on 1 January 2022.

Amendments to IAS 1 and IFRS Practice Statements 2 and Amendments to IAS 8

On 12 February 2020, the IASB published some amendments to IAS 1 "Presentation of financial statements", to IFRS Practice Statements 2 "Formulating judgements of relevance" and to IAS 8 "Accounting standards, changes in accounting estimates and errors" with the objective of improving the disclosure relating to the accounting postings used (disclosure on accounting policies) in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting postings used. The amendments to IAS 1 and IAS 8, not yet endorsed by the European Commission, will come into effect from 1 January 2023 with the possibility of early adoption.

3.2.2 CONSOLIDATION SCOPE

Entity	Registered office	Financial year end	Currency	Share capital	% held		Through
					Direct	Indirect	
PLC S.p.A.	Milan (IT)	31.12	EUR	27.026.480,35	-	-	-
Subsidiaries consolidated according to the global integration method							
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 System 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 Irsina S.r.l.	Acerra - NA (IT)	31.12	EUR	100.000,00		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.
Pangreen Moçambique LDA	Maputo (MZ)	31.12	MZN	20.000,00		95%	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	100%		
Monsson Operation Gmbh	Mannheim (DE)	31.12	EUR	135.000,00		100%	Monsson Operation Ltd
Monsson Operation S.r.l.	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 S.r.l.
Wind Power Energy S.r.l.	Costanta (RO)	31.12	RON	1.000,00		100%	Monsson Operation S.r.l.
Monsson Energostroy LLC	Tyumen (RU)	31.12	RUB	10.000,00		100%	Monsson Operation S.r.l.
MSD Service S.r.l.	Acerra - NA (IT)	31.12	EUR	10.000,00	92,5%		-
Schmack Biogas S.r.l.	Bolzano (IT)	31.12	EUR	204.081,00	51%		-
BioForCH4 S.r.l.	Canino - VT (IT)	31.12	EUR	10.000,00		60%	Schmack Biogas S.r.l.
Associates consolidated according to the equity method							
Monsson Poland SP.ZO.o	Warsaw (PL)	31.12	PLN	5.000,00		50%	Monsson Operation S.r.l.
Monsson South Africa Ltd.	Cape Town - South Africa (ZA)	31.12	ZAR	100,00		49%	Monsson Operation S.r.l.
Sicily Biomethan S.r.l.	Castelvetrano - TP (IT)	31.12	EUR	13.000,00		50%	Schmack Biogas S.r.l.

The consolidation area at 31 December 2020 differs from the consolidation area at 31 December 2019 due to (i) the acquisition of 51% of Schmack Biogas S.r.l. and its affiliate Sicily Biomethan S.r.l., (ii) the deconsolidation of the vehicles C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. following their sale on 26 May 2020; (iii) the acquisition of an additional 47.5% of the share capital of MSD Service S.r.l.; as a consequence, the company is currently 92.5% controlled by PLC S.p.A. and wholly consolidated, (iv) of the sale, in September 2020, of the 50% stake held in Solar Project One S.r.l. previously consolidated using the equity method and (v) the establishment of BioForCH4 S.r.l. on 26 November 2020.

3.2.3 NOTES ON THE CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 December 2020

ACQUISITION OF 51% OF SCHMACK BIOGAS S.R.L.

In January 2020 PLC S.p.A. acquired 51% of the share capital of Schmack Biogas S.r.l.

The operation accounted for in accordance with the provisions of IFRS 3, created, for the purposes of the half-yearly consolidated financial statements, the emergence of a difference temporarily allocated to the item "goodwill". The accounting allocation process provided for by IFRS 3 (Purchase Price Allocation - PPA) was completed at 31 December 2020 and involved: (i) the identification of intangible assets relating to the customer list for Euro 547 thousand and (ii) the recognition of the discounting of the severance indemnity liability at the acquisition date, in accordance with the provisions of IAS 19; both are shown net of related tax effects.

The price of the operation was determined at Euro 2,206 thousand and includes (i) the sum paid for the acquisition of 51% of the share capital, equal to Euro 1,500 thousand and (ii) valorization of the put option granted to the sellers on the residual shareholding of 49% of the share capital and calculated taking into account the purchase price established for 51%. In fact, it should be remembered that, pursuant to the contract, the strike price of these options will be determined by the average of two independent analyses acquired by the parties according to the terms set out in the shareholders' agreement.

Schmack Biogas S.r.l. acquisition	thousands of Euro
Assets acquired	4,873
Liabilities acquired	(3,140)
A = Fair Value of net assets	**1,733**
B = Consideration	2,206
C = (B-A) Effect of consolidation	**473**
PPA - Customer List Allocation (*)	(547)
PPA - Posting of employee severance indemnity discounting (IAS	74
Goodwill	**0**

(*) shown net of the deferred tax fund

A. TANGIBLE ASSETS

Tangible assets at 31 December 2020 amounted to Euro 8,889 thousand (Euro 9,705 thousand at 31 December 2019).

TANGIBLE ASSETS (thousands of Euro)	Land and buildings	RES plants	General and Specific Plant	Equipment	Office machines and other assets	Assets under construction	Rights to use tangible assets	Total
Net value at 31.12.2019	**2.177**	**-**	**490**	**647**	**935**	**4.627**	**829**	**9.705**
Business combination IFRS3 - Schmack Biogas S.r.l.	**-**	**-**	**-**	**-**	**57**	**-**	**425**	**482**
Increases	140	-	404	57	153	526	156	1.436
Decreases	(2)	-	-	(5)	(23)	(1.249)	(22)	(1.301)
Amortisations and depreciations	(95)	-	(187)	(249)	(349)	-	(460)	(1.340)
Other changes and exchange rate difference	652	1.797	(6)	-	(13)	(2.523)	-	(93)
Net value at 31.12.2020	**2.872**	**1.797**	**701**	**450**	**760**	**1.381**	**928**	**8.889**

The increases for the year of Euro 1,436 thousand mainly refer to:

(i) fixed assets under construction for Euro 526 thousand of which Euro 200 thousand relating to the completion of the hydroelectric plant in the Municipality of Pergola, with consequent reclassification under the item "RES plants" and

(ii) the item "Generic and specific plants" for Euro 404 thousand of which Euro 310 thousand relating to the purchase of plants for construction sites by the companies belonging to the Monsson Operation Perimeter and Euro 94 thousand relating to investments in IT infrastructures by the parent company PLC S.p.A

The decreases for the year, equal to Euro 1,301 thousand, are mainly related to reclassification of fixed assets under construction of the vehicles C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. following their sale.

B. GOODWILL

Goodwill at 31 December 2020 amounted to Euro 8,190 thousand (Euro 8,150 thousand at 31 December 2019).

GOODWILL (thousands of Euro)	31.12.2019	Increases	Decreases	Reclassification	31.12.2020
Acquisition of the Monsson Operation perimeter	3,420	-	-	-	3,420
Reverse merger operation	4,710	-	-	-	4,710
Acquisition of Idroelettrica	2	-	-	-	2
Acquisition of Pangreen	18	-	-	-	18
Acquisition of MSD Service	-	40	-	-	40
Total	8,150	40	-	-	8,190

The increase for the year refers to MSD Service S.r.l. which, following the further purchase of 47.5% of the share capital, is currently 92.5% controlled by PLC S.p.A. and fully consolidated.

Impairment

As required by the reference accounting standards, and as highlighted in the most recent recommendations of the national and international Supervisory Authorities[5], as at 31 December 2020 the management updated the impairment test on all the Group’s CGUs, in order to assess whether the effects of the Covid-19 pandemic are indicators of impairment and possibly impact on the recoverability of non-current assets.

In monitoring the impairment indicators, the PLC Group takes into consideration, among others, the relationship between its market capitalization and its book equity. At 31 December 2020, the market capitalization of the Group, equal to Euro 32,440 thousand, is higher than the shareholders' equity of the same date, equal to Euro 24,883 thousand.

Consistent with previous years, checking recoverability of the carrying values of the CGUs was carried out by comparing the net book value of each of them with the recoverable value which is determined on the basis of

[5] Reference is made to (i) ESMA’s Public Statement “European common enforcement priorities for 2020 annual financial reports” issued on 28 October 2020, (ii) warning no. 1/21 “Covid-19 - Call for attention to financial information” issued by Consob on 16 February 2021,

the value in use, obtained by discounting the future cash flows generated by each CGU at the weighted average cost of capital (WACC) specifically by business segment and geographical area in which the individual CGU operates. In fact, given the nature of the activities of the PLC Group, the fair value of the CGUs cannot be determined from information directly visible on the market and its estimate based on alternative valuation techniques is limited and, in some cases, difficult to apply.

The expected cash flows for estimating the recoverable value of the individual CGUs have been determined on the basis of the best information available and of the expectations at the time of the estimate and, having reference also to the final data, by considering future management expectations in relation to the respective reference markets also in order to include any impacts deriving from the Covid-19 epidemiological emergency. Cash flows were determined based on an explicit 4-year horizon; for subsequent years, cash flows are calculated on the basis of a terminal value determined on the basis of the perpetuity method by applying a long-term 0% growth rate "g" to the terminal cash flow.

A second level test was also made in order to take into account the portion of net invested capital (CIN) and the cash flows not allocated to the individual CGUs.

These estimates, in accordance with the provisions of IAS 36, do not consider any incoming or outgoing flows deriving from (i) a future restructuring not yet approved or for which the entity has not yet committed or (ii) from the improvement or optimization of business performance based on initiatives not yet started or approved.

The value of use at 31 December 2020 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area. The discount rates used at 31 December 2020 have been updated with respect to those used at 30 June 2020 and 31 December 2019.

Evolution of the discount rates used for the impairment test	31.12.2020	30.06.2020	31.12.2019
Construction Segment - Italy	6,85%	7,55%	7,45%
Services Segment - Italy	7,97%	7,03%	7,01%
Services Segment - Foreign countries	10,47%	9,09%	8,65%
Second level WACC	8,04%	7,96%	7,59%

The results of the impairment tests were also subjected to a sensitivity analysis by applying +/- 1% and 2% variations both to the discount rate (WACC) and to the long-term growth rate "g".

From the implementation of the impairment tests and the sensitivity analysis, an excess of recoverable value (headroom) compared to the net book value of the individual CGUs emerged.

C. INTANGIBLE ASSETS

Intangible assets at 31 December 2020 amounted to Euro 5,168 thousand (Euro 7,837 thousand at 31 December 2019).

OTHER INTANGIBLE ASSETS (thousands of Euro)	Customer list	PROGEO prototype	Development costs	Other intangible fixed assets	Intangible assets in progress	Total
Net value at 31.12.2019	1.942	1.759	-	4.136	-	7.837
Business combination IFRS3 - Schmack Biogas S.r.l.	759	-	323	7	-	1.089
Increases	-	-	281	47	62	390
Decreases	-	-	-	(2.840)	-	(2.840)
Amortisations and depreciations	(528)	(705)	(65)	(63)	-	(1.361)
Use of accumulated depreciation	-	-	-	56	-	56
Other changes and exchange rate difference	-	-	-	(2)	-	(2)
Net value at 31.12.2020	2.173	1.054	539	1.340	62	5.168

In the comparativeperiod the other intangible fixed assets were mainly related, for Euro 4,136 thousand, to the fair value of the authorizations already obtained and the authorization processes in progress relating to no. 5 wind farms acquired in 2018 and recognised, in the same year, following the completion of the PPA process envisaged by IFRS 3. At 31 December 2020, due to the sale of the vehicles C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l., the other intangible assets recorded a significant decrease. In consideration of the capital gains realized from the sale of the aforementioned vehicles, as well as the presumed realizable value of C&C Tre Energy S.r.l., there are no indicators of impairment with reference to the residual value of the other intangible assets.

D. EQUITY INVESTMENTS IN ASSOCIATES

EQUITY INVESTMENTS IN ASSOCIATES (thousands of Euro)	% held	31.12.2019	Business combinations IFRS3	Increases	Decreases	Reclassification	31.12.2020
Solar Project One S.r.l.	50%	340	-	-	(340)	-	-
MSD Service S.r.l.	45%	5	-	-	-	(5)	-
Monsson Poland zoo	26%	-	-	-	-	-	-
Monsson South Africa Ltd	25%	-	-	-	-	-	-
Sicily Biomethan S.r.l.	26%	-	7	-	(1)	-	6
Total		345	7	-	(341)	(5)	6

Equity investments in associates at 31 December 2020 amounted to Euro 6 thousand (Euro 345 thousand at 31 December 2019). The changes that occurred during the year refer to (i) the sale of the 50% stake held in Solar Project One S.r.l. in September 2020 and (ii) the recognition of the investment held in Sicily Biomethan S.r.l. through Schmack Biogas S.r.l.

EQUITY INVESTMENTS IN ASSOCIATES (thousands of Euro)	REG. OFFICE	Share capital	PN 31.12.2020	Result 31.12.2020	% held	Share of shareholders' equity	Carrying amount
Monsson Poland zoo	Warsaw (PL)	1	(56)	(12)	26%	(15)	-
Monsson South Africa Ltd	Cape Town (ZA)	-	(29)	(1)	25%	(7)	-
Sicily Biomethan S.r.l.	Castelvetrano (IT)	13	10	(3)	26%	3	6
Total		14	(75)	(16)	1	(19)	6

E. EQUITY INVESTMENTS IN OTHER COMPANIES

EQUITY INVESTMENTS IN OTHER COMPANIES (thousands of Euro)	31.12.2019	Increases	Decreases	31.12.2020
Banca Del Sud equity investment	10	-	-	10
Consorzio EnelSi equity investment (*)	-	-	-	-
Credit equity investment (*)	-	-	-	-
Other equity investments	2	-	-	2
Total	12	-	-	12

(*) Equity investments fully written down in previous years

Equity investments in other companies amounted to Euro 12 thousand at 31 December 2020, unchanged compared to 31 December 2019.

EQUITY INVESTMENTS ALLOWANCE (thousands of Euro)	31.12.2019	Increases	Decreases	31.12.2020
Equity investments allowance	(30)	-	-	(30)

F. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2020 equal Euro 853 thousand (Euro 471 thousand at 31 December 2019).

DEFERRED TAX ASSETS (thousands of Euro)	31.12.2019	Increases	Decreases	31.12.2020
Deferred tax assets	471	404	(22)	853
Total	471	404	(22)	853

The increases for the period, equal to Euro 404 thousand, mainly relate, for Euro 306 thousand, to the recording of deferred tax assets accrued on the tax loss under development by the parent company PLC S.p.A. and the subsidiary PLC System S.r.l.

The other increases and decreases relate to temporary differences between the book values and the fiscally recognized values of some items in the financial statements, mainly related to the discounting of the employee severance pay in accordance with IAS 19.

G. RECEIVABLES AND OTHER NON-CURRENT ASSETS

NON-CURRENT RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Non-current receivables from related parties	103	83
Non-current receivables from others	1,835	2,035
Total	1,938	2,118

The item “Receivables and other non-current assets”, equal to Euro 1,938 thousand at 31 December 2020 (Euro 2,118 thousand at 31 December 2019) mainly relate to the portion of trade receivables falling due after the next financial year due to interest-bearing repayment plans underwritten with some customers.

Non-current receivables from related parties are illustrated in paragraph 3.2.4.

H. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments, with a value of Euro zero thousand at 31 December 2020 (Euro 1 thousand at 31 December 2019), pertain to the cap strike contract signed in relation to the BNL loan, to hedge the interest rate risk. It should be noted that with reference to this contract, the Group opted for fair value measurement with recognition of changes in the income statement.

I. INVENTORIES AND CONTRACTUAL ASSETS

INVENTORIES AND CONTRACTUAL ASSETS (thousands of Euro)	31.12.2020	31.12.2019
Raw material inventories	4,972	3,976
Raw material write-down provision	(633)	(540)
Raw material inventories	**4,339**	**3,436**
CONTRACTUAL ASSETS	6,045	4,615
Total	10,384	8,051

Inventories

At 31 December 2020, inventories amounted to Euro 4,339 thousand (Euro 3,436 thousand at 31 December 2019); the increase over the previous year is mainly due to the consolidation of Schmack Biogas S.r.l. Inventories, which include raw materials intended for EPC activities and spare parts mainly intended for O&M activities, are shown net of a bad debt provision equal to Euro 633 thousand.

The movements in the inventory allowance provision are shown below.

INVENTORY ALLOWANCE (thousands of Euro)	31.12.2019	Business combinations IFRS3	Increases	Decreases	31.12.2020
Inventory allowance	(540)	(76)	(38)	21	(633)

Contractual assets

Contractual assets at 31 December 2020 amounted to Euro 6,045 thousand (Euro 4,615 thousand at 31 December 2019). The contractual assets entry is determined by the time difference between the operational progress of the projects and the achievement of contractual progress that allow invoicing. The amount of contractual assets increased mainly due to the recognition of the progress of the contracts acquired by the subsidiary Monsson Operation GmbH.

J. TRADE RECEIVABLES

Trade receivables at 31 December 2020 amounted to Euro 22,162 thousand compared to Euro 19,339 thousand at 31 December 2019. Trade receivables are shown net of the related provision for bad debt, equal to Euro 1,279 thousand increased through the net effect of the provisions/uses for the period as a result of the definition of some disputed receivables, and the recognition of the share relating to Schmack Biogas S.r.l.

TRADE RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Trade receivables from related parties	**58**	**858**
Trade receivables from others	23,383	19,592
Bad debt provision from others	(1,279)	(1,111)
Trade receivables from others	**22,104**	**18,481**
Total	**22,162**	**19,339**

The movements in the bad debt provision are shown below.

BAD DEBT PROVISION (thousands of Euro)	31.12.2019	Business combinations IFRS3	Increases	Decreases	31.12.2020
Bad debt provision	(1,111)	(237)	(116)	185	(1,279)

Trade receivables from related parties are illustrated in paragraph 3.2.4.

K. CURRENT FINANCIAL RECEIVABLES

Current financial receivables at 31 December 2020 amount to Euro 107 thousand (Euro 400 thousand at 31 December 2019): the decrease mainly relates to the readjustment of shareholder loans paid to the former subsidiary Panmed Renewables for Euro 277 thousand, as part of the photovoltaic park development project.

CURRENT FINANCIAL RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Current financial receivables from related parties	**5**	**20**
Current financial receivables from others	109	387
Current financial receivables from others write-down provision	(7)	(7)
Current financial receivables from others	**102**	**380**
Total	**107**	**400**

Financial receivables from related parties are illustrated in paragraph 3.2.4.

L. OTHER RECEIVABLES

Total other receivables at 31 December 2020 amounted to Euro 3,124 thousand (Euro 2,355 thousand at 31 December 2019).

OTHER CURRENT RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Other receivables from related parties	11	7
Augmented Reality project receivables	154	-
Tax receivables	1.078	916
Instalments, deposits and securities	757	404
Prepayments and accrued income	802	592
Other receivables	322	436
Other receivables from others	3.113	2.348
Total	3.124	2.355

Tax receivables, equal to Euro 1,078 thousand at 31 December 2020 (Euro 916 thousand at 31 December 2019) mainly relate to VAT credits.

Other receivables from related parties are illustrated in paragraph 3.2.4.

M. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets amount to Euro 158 thousand at 31 December 2020 (Euro 308 thousand at 31 December 2019) and include securities and funds falling due within the year.

N. SHAREHOLDERS' EQUITY

The consolidated shareholders’ equity as of 31 December 2020 is equal to Euro 24,833 thousand, of which Euro zero thousand pertaining to third parties. The changes in shareholders’ equity items are mainly related to (i) the total comprehensive incomefor Euro 101 thousand and (ii) to other changes in shareholders' equity for Euro 31 thousand. Lastly, it should be noted that the market capitalization of the PLC share at 31 December 2020, equal to Euro 32,440 thousand, is greater than its consolidated shareholders’ equity on the reference date.

O. NET FINANCIAL POSITION

NET FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents (*)	10.198	6.340
A. CASH AND CASH EQUIVALENTS	**10.198**	**6.340**
Current financial receivables	107	400
Financial assets held for sale	-	-
B. CURRENT FINANCIAL RECEIVABLES	**107**	**400**
Current financial liabilities	(5.112)	(7.710)
Financial liabilities held for sale	-	-
B. CURRENT FINANCIAL PAYABLES	**(5.112)**	**(7.710)**
D. CURRENT NET FINANCIAL DEBT (A+B+C)	**5.193**	**(970)**
Non-current financial liabilities	(9.306)	(7.026)
E. NON-CURRENT NET FINANCIAL DEBT	**(9.306)**	**(7.026)**
F. NET FINANCIAL POSITION (D+E)	**(4.113)**	**(7.996)**

(*) of which Euro 82 thousand restricted at 31 December 2020 (Euro 32 thousand subsequently released in September 2021) (Euro 201 thousand at 31 December 2019)

The net financial position of the PLC Group at 31 December 2020 was negative for Euro 4,113 thousand (negative for Euro 3,025 thousand net of the recognition of financial payables recognized in application of IFRS 16) and recorded a positive change of Euro 3,883 thousand.

The value of the net financial position benefits from the partial collection of the fees arising from the sale of C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l., for Euro 1,498 thousand, and also highlights how, at the moment, the PLC Group has not been significantly impacted by Covid-19 either in terms of increased liquidity risk or credit risk; this confirms the extreme positivity of 2020 which resulted in satisfactory levels of profitability, with particular reference to the Services Segment, and an important cash generation.

Financial liabilities go from Euro 14,736 thousand to Euro 14,418 thousand, mainly due to the lower use of credit lines for approximately Euro 2,300 thousand, in consideration of the greater liquidity available, net of the new loan signed with Banco BPM for Euro 2,000 thousand aided by the 90% direct guarantee by the Guarantee Fund for SMEs.

It should be noted that, in order to mitigate the possible negative effects of Covid-19 on the financial situation, the PLC Group has (i) requested access to the support measures provided for by the Liquidity Decree which includes moratoriums on existing loans. new finance and consolidation of existing lines pursuant to art. 13 Legislative Decree 08 April 2020, no. 23.

Loans outstanding at 31 December 2020

The list of existing loans at 31 December 2020 is shown below for the capital share only, with evidence of the contractually established deadlines following moratoriums provided for by the Liquidity Decree being obtained.

Loans (thousands of Euro)	Company	Last expiry date	Short -term portion	Long-term portion	Total remaining loans 31.12.2020
BPM loan	PLC S.p.A.	31/12/2022	1,193	1,213	2,406
BNL loan	PLC S.p.A.	22/07/2024	951	3,997	4,948
BPM loan (Guarantee MCC 90%)	PLC S.p.A.	03/07/2024	427	1,579	2,006
Unicredit Factoring advance	PLC System S.r.l.	Cancellation	5	-	5
BPER loan	PLC System S.r.l.	15/02/2022	448	452	900
BPER loan	PLC System S.r.l.	02/02/2021	1,000	-	1,000
BNL Contract advance	PLC System S.r.l.	Cancellation	500	-	500
BNL loan	PLC Service S.r.l.	31/07/2029	105	1,145	1,250
ITALEASE loan	PLC Service S.r.l.	31/12/2022	2	3	5
Unicredit advance	PLC Service Wind S.r.l.	Cancellation	4	-	4
Massimo Rossetto shareholder loan	Schmack Biogas S.r.l.	31/01/2023	-	51	52
Nicolò Cariboni shareholder loan	Schmack Biogas S.r.l.	31/01/2023	-	154	154
Martop Development loan	Monsson Operation S.r.l. (RO)	30/12/2021	7	-	7
Subsidized loan	Monsson Operation S.r.l. (RO) - Greek Branch	31/01/2027	-	89	89
Total			4,642	8,683	13,326

It should be noted that on 9 February 2021 PLC System S.r.l. signed with BPER Banca S.p.A. an unsecured loan agreement for Euro 2,375 thousand pursuant to art. 13 Legislative Decree. 8 April 2020 no. 23 backed by a direct guarantee from the Guarantee Fund for SMEs for 80%. The loan, with a duration of 5 years, one of which for pre-amortization, was allocated, for Euro 1,900 thousand, to the consolidation of the existing lines maturing in the short term. Together with the loan, an Interest Rate Option Cap (IRO Cap) contract was signed to hedge the risk deriving from changes in interest rates.

With reference to hedging the risk deriving from the change in interest rates, we remind that the parent company PLC S.p.A. has also signed a cap strike contract on the loan in place with BNL (for further details, see note H. "Non-current derivative instruments").

The guarantees given in favour of the loans granted to the Group are detailed in the Note relating to commitments and guarantees.

P. PROVISIONS FOR NON-CURRENT RISKS AND CHARGES

On 31 December 2020 the provisions for risks and charges amounted to Euro 178 thousand (Euro 74 thousand at 31 December 2019).

PROVISIONS FOR NON-CURRENT RISKS AND CHARGES (thousands of Euro)	31.12.2019	Business combinations IFRS3	Increases	Decreases	31.12.2020
Provision for contractual penalties	50	-	-	-	50
Provision for hedging losses of subsidiaries	24	-	6	-	30
Other provisions for risks	-	121	81	(104)	98
Total	74	121	87	(104)	178

The increases in the period, equal to Euro 87 thousand, mainly relate to the increase in the provisions for risks to orders and interventions under guarantee of Schmack Biogas S.r.l.

Q. EMPLOYEE SEVERANCE INDEMNITY

The provision for employee severance indemnities (" **TFR**") at 31 December 2020 is equal to Euro 2,592 thousand (Euro 1,570 thousand at 31 December 2019).

EMPLOYEE SEVERANCE INDEMNITY (thousands of Euro)	31.12.2019	Business combinations IFRS3	Provisions	Uses	Actuarial profit / loss	31.12.2020
Employee severance indemnity	1,570	564	506	(153)	105	2,592

The employee severance indemnity includes what is due to employees and not transferred to complementary pension schemes or to the treasury fund set up at INPS. Employee severance indemnity is identified in the type of benefit plans defined under IAS 19, and is therefore subject to actuarial assessments, in order to express the present value of the benefit payable at the end of the employment relationship that employees have accrued at financial statement date.

At 31 December 2020, the Group had 503 employees, including 21 managers, 185 middle managers and clerical staff and 297 workers. The average number of employees in 2020 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (in units)	31.12.2020	31.12.2019
Managers	23	23
Middle managers and clerical staff	169	140
Workers	292	251
Total	**483**	**414**

The change from the previous year is influenced by the consolidation of Schmack Biogas S.r.l.

R. DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES

DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES (thousands of Euro)	31.12.2019	Business combinations IFRS3	Increases	Decreases	31.12.2020
Deferred tax liabilities and other non-current taxes	1,795	212	7	(1,236)	778
Total	**1,795**	**212**	**7**	**(1,236)**	**778**

At 31 December 2020 the balance of liabilities for deferred taxes and other non-current liabilities is equal to Euro 778 thousand (Euro 1,795 thousand at 31 December 2019) and consists of: (i) for Euro 347 from the residual amount of deferred tax liabilities calculated on the fair value of the authorizations relating to the C&C Transaction; in 2020 they decreased by Euro 771 thousand due to the sale of the C&C Uno Energy S.r.l. and

C&C Castelvetere S.r.l. vehicles; (ii) deferred tax liabilities calculated on the fair value of the customer lists relating to the Monsson Operation Perimeter and Schmack Biogas S.r.l. for Euro 424 thousand, respectively recognized in 2019 and 2020 following the completion of the PPA process envisaged by IFRS 3, and (iii) for Euro 7 thousand from the recognition of temporary differences between the book values and the fiscally recognized values of some financial statement items.

S. TRADE PAYABLES

Trade payables at 31 December 2020 amounted to Euro 19,787 thousand (Euro 14,138 thousand at 31 December 2019). Trade payables to related parties are illustrated in paragraph 3.2.4.

TRADE PAYABLES (thousands of Euro)	31.12.2020	31.12.2019
Trade payables to related parties	**373**	**144**
Trade payables to others	19,414	13,994
Total	**19,787**	**14,138**

T. CONTRACTUAL LIABILITIES

Contractual liabilities, equal to Euro 1,032 thousand (Euro 294 thousand at 31 December 2019) mainly refer to part-payment and advances invoiced against multi-year contracts and to adjust revenues in order to comply with the principle of economic and contractual competence in application of the evaluation criterion based on the contractual fees accrued. The increase compared to the previous year relates to the orders acquired as a result of the incentive mechanisms contained in the FER 1 Decree, whose activities began in the last quarter of 2020.

U. OTHER PAYABLES

Other payables at 31 December 2020 amounted to Euro 7,571 thousand (Euro 8,124 thousand at 31 December 2019).

OTHER PAYABLES (thousands of Euro)	31.12.2020	31.12.2019
Other payables to related parties	7	2
Other payables to related parties	**7**	**2**
Residual debt for the purchase of Schmack Biogas S.r.l.	706	-
Payables to tax authorities	2.415	1.977
Accrued expenses and deferred income	903	1.947
Earn out C&C transaction	773	987
Payables to Enel Green Power	-	619
Payables to social security institutions	725	728
Payables to directors	128	232
Other current payables	1.914	1.632
Other payables to others	**7.564**	**8.122**
Total	**7.571**	**8.124**

At 31 December 2020, the payable relating to the valorization of the put option for the acquisition of the remaining 49% of the share capital in Schmack Biogas S.r.l. was recognized for Euro 706 thousand.

Deferred income, equal to Euro 903 thousand, relate, for Euro 776 thousand to the contribution relating to the Progeo Project which is recognized in the years in which the amortization of the project is charged (for further information, see the Management Report and note C. “Intangible assets").

Other payables of Euro 1,914 thousand mainly include (i) Euro 1,254 thousand due to employees for accrued wages, holidays and Working Time Reduction not taken and (iii) advances to suppliers for Euro 497.

AA. CORE BUSINESS REVENUES

CORE BUSINESS REVENUES (thousands of Euro)	31.12.2020	31.12.2019
Revenues from related parties	**210**	**1,253**
Construction Segment revenue	13,291	14,360
Service Segment revenue	45,829	29,150
Trading Segment revenue	2,829	-
Revenues from other segments	-	-
Revenues from others	**61,949**	**43,510**
Total	**62,159**	**44,763**

Revenues at 31 December 2020 amounted to Euro 62,159 thousand (Euro 44,763 thousand at 31 December 2019).

Revenues relating to the Services Segment amounted to Euro 45,829 thousand net of the related revenues from related parties (equal to 73% of the total) and recorded a significant growth compared to the comparative period (+57%) despite the epidemiological emergency from Covid-19 still in progress on a global scale; this increase is partly due to the positive performance of the O&M service component, which continued its maintenance and intervention operations on the plants even during the lockdown period, and partly from the acquisition of Schmack Biogas S.r.l. which, at 31 December 2020, contributes to the Services Segment for Euro 5,136 thousand. For further details, see the management report.

The breakdown of revenues by geographical area compared with the previous year is shown below.

REVENUES BY GEOGRAPHIC AREA (thousands of Euro)	ITALY	FOREIGN COUNTRIES	TOTAL 2020
Construction Segment revenue	13.291	-	13.291
Service Segment revenue	21.861	24.178	46.039
Trading Segment revenue	2.829	-	2.829
Revenues from other segments	-	-	-
Total	**37.981**	**24.178**	**62.159**
% incidence on total revenues	*61%*	*39%*	*100%*

REVENUES BY GEOGRAPHIC AREA (thousands of Euro)	ITALY	FOREIGN COUNTRIES	TOTAL 2019
Construction Segment revenue	13.797	563	14.360
Service Segment revenue	15.012	15.378	30.390
Trading Segment revenue	-	-	-
Revenues from other segments	13	-	13
Total	**28.822**	**15.941**	**44.763**
% incidence on total revenues	*61%*	*39%*	*100%*

BB. OTHER OPERATING REVENUES

Other revenues amount to Euro 3,379 thousand at 31 December 2020 (Euro 852 thousand at 31 December 2019) and mainly include (i) the capital gain realized on the sale of the C&C Uno Energy S.r.l. and C&C Castelvetere S.r.l. equal to Euro 1,832 thousand, as falling within the BOT activity (ii) the capital gain realized on the sale of the investment held in Solar Project One S.r.l., equal to Euro 231 thousand, also falling within the BOT activity (iii) the contribution relating to the Progeo Project equal to Euro 495 thousand and (iv) the contribution relating to the PON MISE M4.0 - Augmented Reality project equal to Euro 154 thousand.

OTHER OPERATING REVENUES (thousands of Euro)	31.12.2020	31.12.2019
Other operating revenues from related parties	7	90
Revenues from BOT activities	1.832	-
Other revenues	1.540	762
Other operating revenues from others	3.372	762
Total	3.379	852

CC. EXPENSES FOR RAW MATERIALS

EXPENSES FOR RAW MATERIAL (thousands of Euro)	31.12.2020	31.12.2019
Purchase of raw materials from related parties	-	-
Purchase of raw materials from third parties	14,581	9,085
Total	**14,581**	**9,085**

Expenses for raw materials at 31 December 2020 amounted to Euro 14,581 thousand (Euro 9,085 thousand at 31 December 2019).

DD. EXPENSES FOR SERVICES

The breakdown of expenses for services totalling Euro 25,947 thousand (Euro 17,690 thousand at 31 December 2019) is shown below.

EXPENSES FOR SERVICES (thousands of Euro)	31.12.2020	31.12.2019
Expenses for services to related parties	739	757
Expenses for services to related parties	**739**	**757**
Costs for non-recurring consultancy	-	528
Administrative and tax consultancy	438	356
Legal and notarial consultancy	402	267
Technical and professional consulting	244	341
Control bodies remuneration	187	123
Independent Auditors fees	161	116
Maintenance and utilities	620	394
Insurance	488	400
Rentals and other costs on third-party assets	3,152	1,794
Leases payable and charges	259	90
Services and other goods	19,257	12,524
Expenses for services from others	**25,208**	**16,933**
Total	**25,947**	**17,690**

The entry "Rentals and other costs on third party assets" includes costs relating mainly to the rental of equipment and machinery (i.e. cranes, platforms, etc.) for short periods and which do not fall within the scope of IFRS 16; the increase over the previous year is mainly due to the start of some projects by the Swedish subsidiary Monsson Energy AB. The entry “Services and other assets” mainly includes (i) the costs relating to third party services at the plant construction sites and (ii) the costs for third party services relating to ordinary and extraordinary maintenance services on the managed plants; the increase over the previous year is mainly related to crane rental services offered by the subsidiary Monsson Operation GmbH through third party suppliers.

EE. PERSONNEL COSTS

Personnel costs at 31 December 2020 is equal to Euro 19,468 thousand (Euro 15,600 thousand at 31 December 2019). The increase during the period is essentially due to the contribution of Schmack Biogas S.r.l. as well as the strengthening of the Group structure.

FF. OTHER OPERATING EXPENSES

The other operating expenses, at 31 December 2020, amounted to Euro 2,158 thousand (Euro 2,841 thousand at 31 December 2019) and mainly include costs for indirect goods and services such as fuel costs, hotels and restaurants and employee travel expenses, as well as accruals to the bad debt provision and to the inventory allowance provision. The reduction compared to the comparative period is partly due to lower provisions and partly to the containment of costs for travel and transfers as a result of the Covid-19 emergency.

GG. AMORTISATIONS AND DEPRECIATIONS

AMORTISATIONS AND DEPRECIATIONS (thousands of Euro)	31.12.2020	31.12.2019
Depreciation of tangible assets	1,340	1,036
Amortisation of intangible assets	1,361	811
Total	2,701	1,847

Amortisations and depreciations at 31 December 2019 amounted to Euro 2,701 thousand (Euro 1,874 thousand at 31 December 2019).

With reference to tangible assets, the increase in the period derives mainly from the contribution of Schmack Biogas S.r.l. With reference to the amortization of intangible assets, the increase is also due to the amortization of the customer list recorded with reference to Schmack Biogas S.r.l. following the completion of the PPA envisaged by IFRS 3 and to the amortization of the prototype relating to the Progeo Project, both started from the second half of 2020.

HH. FINANCIAL INCOME

Financial income at 31 December 2020 amounted to Euro 171 thousand (Euro 426 thousand at 31 December 2019).

II. FINANCIAL EXPENSES

Financial expenses at 31 December 2020 amounted to Euro 1,148 thousand (Euro 928 thousand at 31 December 2019).

JJ. SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS IN SHAREHOLDERS' EQUITY

The portion of the result of equity investments accounted for using the equity method is negative for Euro 115 thousand (negative for Euro 94 thousand at 31 December 2019).

SHARE OF RESULT OF EQUITY INVESTMENTS (thousands of Euro)	31.12.2020	31.12.2019
Solar Project One S.r.l.	-	9
MSD Service S.r.l. (*)	(108)	(77)
Monsson South Africa Ltd.	-	(14)
Monsson Poland SP.ZO.o	(6)	(12)
Sicily Biomethan S.r.l.	(1)	-
Total	(115)	(94)

(*) valued with the equity method up to the takeover date

KK. INCOME TAXES

INCOME TAXES (thousands of Euro)	31.12.2020	31.12.2019
Current income taxes	144	370
Deferred income taxes	(367)	(435)
Taxes relating to previous years	(58)	279
Total	(281)	214

The balance of the tax item, positive for Euro 281 thousand at 31 December 2020 (negative for Euro 214 thousand at 31 December 2019) is made up of Euro 144 thousand by the negative balance of the current taxes, Euro 367 thousand for the net positive balance of deferred tax assets and liabilities and for Euro 58 thousand for the negative balance of taxes relating to previous years.

At 31 December 2020, deferred tax assets were recognized on the tax loss for the year of the parent company PLC S.p.A. and of the subsidiary PLC System S.r.l., for Euro 232 thousand, transferred to the group under the national tax consolidation scheme. Deferred tax assets have been recognized since the formation of future taxable income at "Consolidato Fiscale Nazionale"level is considered reasonable.

The reconciliation between the tax charge from the financial statements and the theoretical corporate income tax charge is shown below.

Theoretical tax charge (thousands of Euro)	Taxable income	31.12.2020
Pre-tax profit	(347)	
Theoretical tax charge		-
Temporary differences	(1,027)	
Temporary differences in previous years	(260)	
Permanent differences	346	
Actual taxable profit	(1,288)	
Actual tax charge		(106)

LL. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The components of the comprehensive income statement that cannot be reclassified to the income statement relate to the effect of the actuarial calculation on the Severance Pay under IAS 19 and are equal to Euro 106 thousand net of the related tax effect of Euro 29 thousand.

The components of the comprehensive income statement that can be reclassified to the income statement relate to exchange differences from the conversion of financial statements in currencies other than the Euro.

MM. COMMITMENTS AND GUARANTEES

PLC S.p.A.

- surety issued by PLC System S.r.l. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 5,000 thousand;
- guarantee issued by SACE S.p.A. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 2,500 thousand;

PLC SYSTEM S.r.l.

- bank sureties issued by Unicredit in favour of domestic customers for Euro 240 thousand;
- bank sureties issued by BNL in favour of domestic customers for Euro 768 thousand;
- bank sureties issued by Sace, Generali, Coface and Reale Mutua in favour of domestic customers for Euro 4,274 thousand;
- Surety issued by PLC S.p.A. in the interest of PLC System S.r.l. in favour of Banca Nazionale del Lavoro to guarantee the bank credit granted for Euro 3,185 thousand;
- surety issued by Esposito F. and Scognamiglio A. in the interest of PLC System S.r.l. in favour of Unicredit to guarantee the loan granted of Euro 2,698 thousand;
- comfort letter issued by PLC S.p.A. in favour of Unicredit for Euro 312 thousand;
- corporate guarantee issued by PLC S.p.A. in favour of C&C Lucania S.r.l. for Euro 260 thousand;
- corporate guarantee issued by PLC S.p.A. in favour of Siemens Gamesa Renewable Energy Italy S.p.A for Euro 114 thousand.

PLC SERVICE S.r.l.

- bank sureties issued by Unicredit in favour of domestic customers for Euro 75 thousand;
- insurance sureties issued by Atradius, Sace and Coface in favour of national customers for Euro 245 thousand;
- surety issued by Esposito F. and Scognamiglio A. on behalf of PLC Service S.r.l. in favour of Unicredit for Euro 46 thousand;
- first mortgage on the property located in Acerra - Pantano district, for Euro 2,886 thousand to guarantee the loan granted by BNL.
- comfort letter issued by PLC S.p.A. in favour of Unicredit for Euro 52 thousand;

PLC SERVICE WIND S.r.l.

- surety issued by PLC Service S.r.l. on behalf of PLC Service Wind S.r.l. in favour of Unicredit to guarantee the loan granted of Euro 325 thousand.

PLC POWER S.r.l.

- corporate guarantee, for a total of Euro 3,175 thousand, issued by PLC S.p.A. in the interest of PLC Power S.r.l. in favour of EDPR, in relation to the possible enforcement of the guarantee issued to GSE as part of the preliminary contract for the sale of the investment held in C&C Tre Energy S.r.l.;

IDROELETTRICA 2014 S.r.l.

- insurance guarantee issued by Atradius in favour of the Municipality of Pergola for Euro 182 thousand;
- insurance guarantee issued by Reale Mutua di Assicurazioni in favour of Enel Distribuzione S.p.A. for Euro 17 thousand.

SCHMACK BIOGAS S.r.l.

- bank sureties issued by Unicredit S.p.A. in favour of domestic and foreign customers for Euro 724 thousand;
- bank guarantees issued by Sparkasse - Cassa di Risparmio di Bolzano S.p.A. in favour of national suppliers for Euro 36 thousand.
- no. 2 sureties issued by PLC S.p.A. in the interest of Schmack Biogas S.r.l. in favour of Unicredit S.p.A. to guarantee the credit lines granted up to Euro 3,000 thousand.

MSD SERVICE S.r.l.

- insurance guarantee issued by Reale Mutua di Assicurazioni in favour of Burgentia Energia S.r.l. for Euro 500 thousand;
- insurance guarantee issued by Reale Mutua di Assicurazioni in favour of Energia Pulita S.r.l. for Euro 500 thousand;
- insurance guarantee issued by Reale Mutua di Assicurazioni in favour of Libeccio Energia S.r.l. for Euro 500 thousand;
- bank guarantee issued by Banca Nazionale del Lavoro S.p.A. in favour of Terna S.p.A. for a total of Euro 50 thousand.

MONSSON OPERATION S.r.l.

- bank sureties issued by BNL in favour of foreign customers for Euro 322 thousand;
- guarantees issued in favour of foreign customers for Euro 13 thousand

MONSSON OPERATION GmbH

- bank sureties issued by BNL in favour of foreign customers for Euro 231 thousand;

WIND POWER ENERGY S.r.l.

- bank sureties issued by BNL in favour of foreign customers for Euro 66 thousand.

NN. SEGMENT REPORTING

An operating segment is a component of an entity that undertakes business activities generating revenues and costs (including revenues and costs relating to operations with other sectors of the same entity), whose operating results are periodically reviewed at the highest operational decision-making level of the Company for the purpose of making decisions on the resources to be allocated to the sector, evaluating the results and for which separate financial statement information is available.

The following operating segments are identified in line with the Group's activities:

Construction Segment: which includes PLC System S.r.l., its subsidiaries and part of Schmack Biogas S.r.l.;

Services Segment: which includes PLC Service S.r.l., its subsidiary PLC Service Wind S.r.l., the Monsson Operation Perimeter and part of Schmack Biogas S.r.l.;

Holding Segment: which includes the parent company PLC S.p.A.

Trading Segment: which includes MSD Service S.r.l.

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	Trading	31.12.2020
Non-current assets					
Tangible assets	4,060	4,660	169	-	8,889
Goodwill	20	3,420	4,710	40	8,190
Other intangible assets	2,393	2,748	27	-	5,168
Equity investments in associates	-	6	-	-	6
Equity investments in other companies	11	1	-	-	12
Deferred tax assets	54	98	701	-	853
Non current receivables and other non-current assets	1,371	567	-	-	1,938
Other non-current financial assets	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-current assets	**7,909**	**11,500**	**5,607**	**40**	**25,056**
Current assets					
Inventories	1,778	2,561	-	-	4,339
Contractual assets	6,045	-	-	-	6,045
Trade receivables	6,712	14,311	1	1,138	22,162
Financial receivables	85	9	13	-	107
Other receivables	1,439	1,568	94	23	3,124
Cash and cash equivalents	3,398	5,677	1,110	13	10,198
Other current financial assets	158	-	-	-	158
Current derivative instruments	-	-	-	-	-
Total current assets	**19,615**	**24,126**	**1,218**	**1,174**	**46,133**
Assets held for sale / disposal	-	-	-	-	-
TOTAL ASSETS	**27,524**	**35,626**	**6,825**	**1,214**	**71,189**

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	Trading	31.12.2020
TOTAL SHAREHOLDERS' EQUITY	**12,499**	**16,851**	**(4,525)**	**8**	**24,833**
Non-current liabilities					
Non-current financial liabilities	472	2,022	6,812	-	9,306
Provisions for non-current risks and charges	-	178	-	-	178
Employee severance indemnity	642	1,592	358	-	2,592
Deferred tax liabilities and other non-current taxes	347	431	-	-	778
Non-current payables and other non-current liabilities	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-current liabilities	**1,461**	**4,223**	**7,170**	**-**	**12,854**
Current liabilities					
Current financial liabilities	2,001	517	2,594	-	5,112
Provision for current risks and charges	-	-	-	-	-
Trade payables	8,163	9,917	504	1,203	19,787
Contractual liabilities	1,032	-	-	-	1,032
Other current payables	2,368	4,118	1,082	3	7,571
Current derivative instruments	-	-	-	-	-
Total current liabilities	**13,564**	**14,552**	**4,180**	**1,206**	**33,502**
Liabilities held for sale / disposal	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,524**	**35,626**	**6,825**	**1,214**	**71,189**

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	Trading	31.12.2019
Non-current assets					
Tangible assets	4,872	4,773	60	-	9,705
Goodwill	20	3,420	4,710	-	8,150
Other intangible assets	5,814	2,003	20	-	7,837
Equity investments in associates	340	-	5	-	345
Equity investments in other companies	12	-	-	-	12
Deferred tax assets	39	51	381	-	471
Non current receivables and other non-current assets	1,753	365	-	-	2,118
Other non-current financial assets	-	-	-	-	-
Non-current derivative instruments	-	-	1	-	1
Total non-current assets	**12,850**	**10,612**	**5,177**	**-**	**28,639**
Current assets					
Inventories	1,274	2,162	-	-	3,436
Contractual assets	4,615	-	-	-	4,615
Trade receivables	8,858	10,451	30	-	19,339
Financial receivables	362	10	28	-	400
Other receivables	1,168	696	491	-	2,355
Cash and cash equivalents	1,465	3,038	1,837	-	6,340
Other current financial assets	308	-	-	-	308
Current derivative instruments	-	-	-	-	-
Total current assets	**18,050**	**16,357**	**2,386**	**-**	**36,793**
Assets held for sale / disposal	-	-	-	-	-
TOTAL ASSETS	**30,900**	**26,969**	**7,563**	**-**	**65,432**

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	Trading	31.12.2019
TOTAL SHAREHOLDERS' EQUITY	**10,467**	**15,590**	**(1,356)**	**-**	**24,701**
Non-current liabilities					
Non-current financial liabilities	31	1,819	5,176	-	7,026
Provisions for non-current risks and charges	-	74	-	-	74
Employee severance indemnity	553	832	185	-	1,570
Deferred tax liabilities and other non-current taxes	1,374	421	-	-	1,795
Non-current payables and other non-current liabilities	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-current liabilities	**1,958**	**3,146**	**5,361**	**-**	**10,465**
Current liabilities					
Current financial liabilities	4,637	919	2,154	-	7,710
Provision for current risks and charges	-	-	-	-	-
Trade payables	8,849	4,412	877	-	14,138
Contractual liabilities	266	28	-	-	294
Other current payables	4,723	2,874	527	-	8,124
Current derivative instruments	-	-	-	-	-
Total current liabilities	**18,475**	**8,233**	**3,558**	**-**	**30,266**
Liabilities held for sale / disposal	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**30,900**	**26,969**	**7,563**	**-**	**65,432**

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	Trading	01.01.2020 31.12.2020
Core business revenues	13,291	46,039	-	2,829	62,159
Other operating revenues	2,922	414	-	43	3,379
Total revenues	16,213	46,453	-	2,872	65,538
Operating costs	(14,920)	(39,543)	(2,744)	(2,789)	(59,996)
Other operating expenses	(560)	(1,494)	(103)	(2)	(2,158)
GROSS OPERATING MARGIN (EBITDA)	734	5,417	(2,847)	81	3,384
Depreciations, amortisations and impairment losses	(950)	(1,710)	(41)	-	(2,701)
OPERATING RESULT (EBIT)	(217)	3,707	(2,888)	81	683
Net financial income (expenses)	(220)	(506)	(226)	(25)	(977)
Profit (loss) from equity investments	62	(7)	-	(108)	(53)
Income taxes	298	(589)	572	-	281
Profit (loss) for the period from continuing operations	(77)	2,605	(2,542)	(52)	(66)
Profit (loss) for the period from discontinued operations	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	(77)	2,605	(2,542)	(52)	(66)
Total other components of comprehensive income	(19)	(48)	234	-	167
TOTAL COMPREHENSIVE INCOME	(96)	2,557	(2,308)	(52)	101

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	Trading	01.01.2019 31.12.2019
Core business revenues	14.360	30.390	13	-	44.763
Other operating revenues	584	268	-	-	852
Total revenues	14.944	30.658	13	-	45.615
Operating costs	(15.923)	(23.956)	(2.496)	-	(42.375)
Other operating expenses	(783)	(1.915)	(143)	-	(2.841)
GROSS OPERATING MARGIN (EBITDA)	(1.762)	4.787	(2.626)	-	399
Depreciations, amortisations and impairment losses	(657)	(1.291)	(17)	-	(1.965)
OPERATING RESULT (EBIT)	(2.419)	3.496	(2.643)	-	(1.566)
Net financial income (expenses)	(105)	(161)	(236)	-	(502)
Profit (loss) from equity investments	9	(26)	(77)	-	(94)
Income taxes	58	(753)	481	-	(214)
Profit (loss) for the period from continuing operations	(2.457)	2.556	(2.475)	-	(2.376)
Profit (loss) for the period from discontinued operations	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	(2.457)	2.556	(2.475)	-	(2.376)
Total other components of comprehensive income	(23)	(57)	62	-	(86)
TOTAL COMPREHENSIVE INCOME	(2.480)	2.499	(2.413)	-	(2.462)

3.2.4 RELATED PARTIES TRANSACTIONS

In relation to the requirements of the international accounting standard IAS 24 (revised) concerning "related party disclosure" and the additional information required by Consob communication no. 6064293 of 28 July 2006, the statements summarizing the economic and financial relations of the Group with related parties are shown below.

Revenues and costs from related parties

REVENUES FROM AND COSTS TO RELATED PARTIES (thousands of Euro)	Revenues			Costs			
	Revenues	Research and development	Financial income	Raw materials	Services	Personnel and others	Financial expenses
2ALL Ross S.r.l.	17	-	-	-	49	-	-
Antonio Carrano	-	-	-	-	28	-	-
Eco Power Wind S.r.l.	76	-	-	-	-	-	-
Massimo Rossetto	-	-	-	-	-	-	2
Monsson Logistic S.r.l.	87	-	-	-	434	-	-
Monsson Poland SP.ZO.o.	-	-	2	-	-	-	-
Monsson South Africa PTY LTD	-	-	1	-	-	-	-
Monsson Trading S.r.l.	37	-	-	-	-	-	-
Nicolò Cariboni	-	-	-	-	-	-	4
Nelke S.r.l.	-	-	-	-	218	-	-
RWEA - Romanian Wind Energy Association	-	-	-	-	10	-	-
Total	217	-	3	-	739	-	6
% impact on the balance sheet item	*0%*	*0%*	*2%*	*0%*	*3%*	*0%*	*1%*

Receivables from and payables to related parties

RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES *(Amounts in Euro)*	Receivables			Payables		
	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other current payables
2ALL Ross S.r.l.	20	-	-	29	-	-
Antonio Carrano	-	-	-	18	-	-
Dragos Blanaru	-	-	3	-	-	-
Eco Power Wind S.r.l.	13	-	-	-	-	-
FRAES S.r.l.	1	-	-	-	-	2
Idea S.r.l.	-	5	-	-	-	-
Massimo Rossetto	-	-	-	-	52	-
Monsson Logistic S.r.l.	19	-	3	213	-	-
Monsson Poland SP.ZO.o.	-	52	-	-	-	-
Monsson South Africa PTY LTD	-	34	-	-	-	-
Monsson Trading S.r.l.	5	-	-	-	-	-
Nicolò Cariboni	-	-	-	-	154	-
Nelke S.r.l.	-	-	-	113	-	-
Sicily Biomethan S.r.l.	-	17	-	-	-	-
Tolga Ozkarakas	-	-	5	-	-	5
Total	*58*	*108*	*11*	*373*	*206*	*7*
% impact on the balance sheet item	*0%*	*51%*	*0%*	*2%*	*1%*	*0%*

It should be noted that, starting from the second half of 2020, the balances due to some of the Monsson Group companies not included in the scope of the acquisition ("Monsson Operation Perimeter") have been reclassified among the balances due to others, in consideration of the termination of the correlation.

3.2.5 FINANCIAL RISK MANAGEMENT POLICY

The financial risks to which the PLC Group is exposed are the following: (i) credit risk arising from the possibility of counterparty default and (ii) the exchange rate risk deriving from the performance of its business on foreign markets and (iii) interest rate risk arising from financial exposure.

Financial risk management is an integral part of the management of the Group activities and is done 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 (thousands of Euro)	Measurement criteria adopted				31.12.2020	31.12.2019
	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	-	-	-	210	210	483
Cash and cash equivalents	10,198	Level 1	-	-	10,198	6,340
Trade receivables	-	-	-	22,162	22,162	19,339
Other current receivables	-	-	-	3,124	3,124	2,355
Other non-current receivables	1	Level 1	-	1,835	1,836	2,036
Financial assets available for sale					-	-
Equity investments in other companies measured at fair value	-	-	-	-	-	-
Equity investments in other companies measured at cost	-	-	12	-	12	12
Other financial assets	-	-	-	158	158	308
Financial assets held for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**10,199**	**-**	**12**	**27,489**	**37,700**	**30,873**
Financial liabilities at amortised cost						
Trade payables	-	-	-	20,819	20,819	14,138
Other current payables	-	-	-	7,571	7,571	8,418
Current financial payables	-	-	-	5,112	5,112	7,710
Non-current financial payables	-	-	-	9,306	9,306	7,026
Financial liabilities held for sale	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**42,808**	**42,808**	**37,292**

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 needs is strongly influenced by the timing of invoicing for work in progress (with reference to the Construction Segment) and services (with reference to the Services 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 the projects and/or in the definition of the positions being finalized with customers, could have an impact on the capacity and/or timing in generating cash flows.

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 Company's business at risk. The Group’s risk management objective, 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.

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.

In order to mitigate the possible increase in liquidity risk due to Covid-19, the PLC Group has requested the credit institutions with which it operates access to the support measures provided for by the Liquidity Decree, including (i) moratoriums on existing loans and (ii) new finance and consolidation of existing lines pursuant to art. 13 Legislative Decree 08 April 2020, no. 23.

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 market context being negatively impacted by the Covid-

19 pandemic, credit risk has currently remained contained; however, it cannot be ruled out that some customers may delay or fail to honour payments under the agreed terms and conditions, with a consequent increase in credit risk.

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 2020, 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.

Currency exchange risk

During 2020, 61% of the Group's business was carried out on the Italian market and 39% abroad mainly through the Monsson Operation perimeter. The Group does not currently have any exchange rate hedging contracts in place.

Interest rate risk

The Group's exposure to risk deriving from changes in interest rates originates from variable rate financial payables which 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 expenses 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. At 31 December 2020, there is a cap strike contract on the loan agreement in place with BNL.

Capital management

The objectives identified by the Group in capital management are the creation of value for the majority of shareholders, the safeguarding of business continuity and support for the Group's development in which the new management is strongly committed.

3.3 ADVERTISING OF FEES AND INFORMATION PURSUANT TO ART. 149-DUODECIES OF THE ISSUERS REGULATION

In relation to the provisions of article 149-duodecies of the Issuers Regulation, the information relating to the fees pertaining to the year for auditing services and services other than auditing provided by the auditing firm and entities belonging to the network of the auditing firm for the parent company and other PLC Group companies, divided between auditing services aimed at issuing a certificate and other services, distinguished by type, is shown below.

Nature of the service	Company that provided the service	Recipient	Fees for 2020 (thousands of Euro)
Auditing	EY S.p.A.	PLC S.p.A.	38
Auditing	EY S.p.A.	Group Companies	113
Certification services	EY S.p.A.	PLC S.p.A.	15
Total			**166**

(*) refer to (i) audit services aimed at signing the 2020 VAT return and the CNM 2020 Model, (ii) services for the certification of financial covenants and (iii) services for the certification of the sustainability report

3.4 CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

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

- The suitability in relation to the company's characteristics and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements as at 31 December 2020.

In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2020:

- have been prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the book results and accounting records;
- are suitable for providing a true and correct representation of the equity, economic and financial situation of the issuer and of all the companies included in the consolidation.

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

Milan, 31 March 2021

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

3.5 INDEPENDENT AUDITOR'S REPORT

PLC S.p.A.

Consolidated financial statements as at 31 December 2020

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

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
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 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 2020, the income statement, the comprehensive income statement, statement of changes in 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 2020, 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.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

We identified the following key audit matters:

Key Audit Matter	Audit Response
Revenue recognition and evaluation of construction contracts The consolidated financial statements as of 31 December 2020 include revenues related to construction contracts for Euro 13.3 million and assets and liabilities related to the component accrued at the balance sheet date of Euro 6 million and Euro 1 million respectively. Revenues related to construction contracts, as well as the related margins, are recognized based on the project 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, in accordance with the applicable accounting principle for the revenues recognition on an “over time” method. 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 net income for the current year of the changes of estimate, we assessed this matter as a key audit matter. The section on “Contractual Assets and Liabilities” and the paragraph on “Revenues from contracts with customers” as well as the note "I - Inventories and Contractual 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; - with reference to the most significant projects, the analysis 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 verified 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.

Goodwill evaluation	
Goodwill as at 31 December 2020 amounted to EUR 8.2 million and was primarily generated as a result of the Reverse Merger operation, related to the acquisition of subsidiaries PLC System S.r.l. and PLC Service S.r.l., as well as the Monsson Group acquisition. The process as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of the value in use, are based on assumptions that sometimes may be complex by nature and that imply the judgement of the directors, especially with regard to the forecast of cash flows, also in light of the Covid-19 pandemic in progress, the determination of normalized cash flows used for the terminal value estimation and the determination of the growth and discount rates applied to future cash flows forecast. In consideration of the judgement required and given the complexity of the assumptions used to estimate the recoverable value of each GCU and related Goodwill, we assessed this matter as a key audit matter. The paragraph on “Business Combinations and Goodwill” and the paragraph on “Impairment of Tangible and Intangible Assets” as well as the note "B - Goodwill" of the explanatory notes to the financial statement, describe the criteria for determining the recoverable amount of each CGU, the assumptions used and the sensitivity analysis of the recoverable amount as the main assumptions change.	Our audit procedures in response to the key audit matter concerned, among other things: - analysis of the Impairment test procedure approved by Board of Directors on 9 March 2021 and of the key controls implemented by the Group, in connection with assumption adopted; - verification of correctness of CGUs perimeter and the cost allocation to the assets and liabilities of each CGU; - the examination of future cash flows forecast through: (i) the analysis of the consistency on the forecast of future cash flows for each CGU with the Business Plan for the period 2021-2024; (ii) the evaluation of the forecast quality throughout a look-back analysis on previous cash flow estimation; - verification of growth and discount rates apply over the explicit period of Business plan. Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the valuation of the recoverable amount as the main assumptions change. Finally, we verified the adequacy of the information provided in the explanatory notes to the financial statements related to the key audit matter concerned.

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 PLC Group as at 31 December 2020, 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 2020 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 31 December 2020 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.

Milano, 7 aprile 2021

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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

4 FINANCIAL STATEMENTS

4.1 FINANCIALSTATEMENTS

4.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Notes	31.12.2020	*of which from related parties*	31.12.2019	*of which from related parties*
Non-current assets					
Tangible assets	A	169,294	-	59,650	-
Goodwill		-	-	-	-
Intangible assets	B	27,265	-	20,012	-
Equity investments in subsidiaries	C	49,933,320	-	48,340,000	-
Equity investments in associated companies	D	-	-	93,318	-
Equity investments in other companies		-	-	-	-
Deferred tax assets	E	672,333	-	359,280	-
Non current receivables and other non-current assets	F	4,044,134	*4,044,134*	3,785,956	*3,785,956*
Other non-current financial assets		-	-	-	-
Non-current derivative instruments	G	327	-	1,260	-
Total non-currents assets		**54,846,673**		**52,659,476**	
Current assets					
Inventories		-	-	-	-
Contractual assets		-	-	-	-
Trade receivables	H	814,746	*814,746*	1,152,539	*1,127,039*
Financial receivables	I , L	12,572	-	27,506	-
Other receivables	J	1,883,389	*1,789,404*	1,328,426	*837,622*
Cash and cash equivalents	L	1,109,592	-	1,837,419	-
Other current financial assets		-	-	-	-
Current derivative instruments		-		-	
Total current assets		**3,820,299**		**4,345,890**	
Non-current assets held for sale / disposal		-	-	-	-
TOTAL ASSETS		**58,666,972**		**57,005,366**	

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Notes	31.12.2020	*of which from related parties*	31.12.2019	*of which from related parties*
Share capital and reserves		47,729,595	-	44,988,403	
Profit (loss) for the period		(273,429)	-	2,741,192	
TOTAL SHAREHOLDERS' EQUITY	K	**47,456,166**		**47,729,595**	
Non-current liabilities					
Non-current financial liabilities	L	6,812,286	-	5,175,556	-
Provisions for non-current risks and charges		-	-	-	-
Employee severance indemnity	M	253,667	-	185,465	-
Deferred tax liabilities and other non-current taxes		-	-	-	-
Non-current payables and other non-current liabilities		-	-	-	-
Non-current derivative instruments		-	-	-	-
Total non-current liabilities		**7,065,953**		**5,361,021**	
Current liabilities					
Current financial liabilities	L	2,593,955	-	2,154,158	-
Provision for current risks and charges		-	-	-	-
Trade payables	N	515,194	*124,070*	903,688	*139,097*
Contractual liabilities		-	-	-	-
Other current payables	O	1,035,704	*660,392*	856,904	*332,191*
Current derivative instruments		-		-	
Total current liabilities		**4,144,853**		**3,914,750**	
Non-current liabilities held for sale / disposal		-	-	-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**58,666,972**		**57,005,366**	

4.1.2 INCOME STATEMENT

INCOME STATEMENT (thousands of Euro)	Notes	01.01.2020 31.12.2020	*of which from related parties*	01.01.2019 31.12.2019	*of which from related parties*
Core business revenues	AA	1,187,059	1,182,906	1,497,741	1,497,741
Other operating revenues		-	-	-	-
Expenses for raw materials		-	-	-	-
Expenses for services	BB	(1,076,369)	(220,725)	(1,502,206)	(227,000)
Personnel costs	CC	(1,673,524)	-	(1,674,891)	-
Other operating expenses	DD	(103,353)	-	(142,544)	-
GROSS OPERATING MARGIN (EBITDA)		(1,666,187)		(1,821,900)	
Amortisations and depreciations	EE	(41,099)		(14,411)	
Impairment losses		-		(1,676)	
OPERATING RESULT (EBIT)		(1,707,286)		(1,837,987)	
Financial income	FF	238,892	238,877	167,702	167,641
Financial expenses	FF	(226,155)	-	(239,426)	-
Profit (loss) from equity investments					
Dividends	GG	958,251	-	4,256,088	-
Share of profit (loss) from equity investments		-	-	-	-
Other profit (loss) from equity investments		-	-	-	-
Income taxes	HH	472,435	-	394,815	-
Profit (loss) for the period from continuing operations		(263,863)		2,741,192	
Profit (loss) for the period from discontinued assets (liabilities)		-	-	-	-
PROFIT (LOSS) FOR THE PERIOD		(263,863)		2,741,192	

4.1.3 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Notes	01.01.2020 31.12.2020	01.01.2019 31.12.2019
PROFIT (LOSS) FOR THE PERIOD		(263.863)	2.741.192
Other components of comprehensive income			
Components that will not be reclassified to profit (loss)		(13.267)	(8.183)
Income tax relating to components that will not be reclassified		3.701	2.283
Total components that will not be reclassified to profit (loss)		(9.566)	(5.900)
Components that may be reclassified to profit (loss)		-	-
Income tax relating to components that will be reclassified		-	-
Total components that will be reclassified to profit (loss)		-	-
Total other components of comprehensive income	II	(9.566)	(5.900)
TOTAL COMPREHENSIVE INCOME		(273.429)	2.735.292

4.1.4 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of Euro)	01.01.2020 31.12.2020	01.01.2019 31.12.2019
Comprehensive income / (loss)	(274)	2.735
Comprehensive income/(loss) from discontinued operations	-	-
Total profit / (loss) on ongoing operations	(274)	2.735
(Gain)/Loss from assets sold	-	-
Adjustment to property investment	-	-
Amortisation, Depreciations and impairment of fixed assets	41	14
Write-downs (Revaluations) of financial assets	-	-
Write-downs (Revaluations) of fixed assets	-	-
Share of comprehensive income (loss) from equity investments	-	-
Net financial expenses (income)	(13)	72
Dividends	(958)	(4.256)
Other non-monetary items included in the income statement	-	-
Net changes in working capital		
Contractual assets	-	-
Inventories	-	-
Trade receivables and other receivables	721	(1.329)
Trade payables and other payables	(210)	280
Change in other provisions and deferred tax assets and liabilities	(245)	(334)
Gross Cash Flow	(938)	(2.818)
Interest paid	(211)	(40)
Interest received	154	-
Income taxes (paid) received	-	-
Income taxes	-	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	(995)	(2.858)
(Investments) in tangible and intangible fixed assets	(193)	(69)
Divestment of tangible and intangible fixed assets	36	-
(Investments) in subsidiaries	(1.500)	(6)
Disinvestment in subsidiaries	-	9
(Investments) in other financial assets	-	-
Divestment in other financial assets	-	-
Dividends received	120	3.618
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	(1.536)	3.552
Increase/(Reduction) of Share capital net of ancillary charges	-	-
Obtainment of loans, financing and other financial liabilities	2.077	4.917
(Repayments) of loans, financing and other financial liabilities	(15)	(582)
Repayments of loans, financing and other financial assets	292	-
(Disbursement) of loans, financing and other financial assets	(550)	(2.252)
Dividends paid	-	(956)
CASH FLOW FROM FINANCING ACTIVITIES [C]	1.804	1.127
CASH FLOW ARISING FROM DISCONTINUED ACTIVITIES [D]	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	(728)	1.821
Cash and cash equivalents at the beginning of the period	1.837	16
Cash and cash equivalents at the end of the period	1.110	1.837

4.1.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MOVEMENT IN SHAREHOLDERS' EQUITY (thousands of Euro)	Share capital	Legal reserve	Other Comprehensive Income	Other reserves	Retained earnings / losses carried forward	Profit (loss) for the year	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2018	**37.136**	**1.008**	**(30)**	**3.086**	**-**	**1.007**	**42.207**
Allocation of 2018 result		50			957	(1.007)	-
Distribution of dividends					(956)		(956)
Capital increases	2.039			1.705			3.744
Resolution on share capital reduction	(12.149)	3.942		8.207			-
Profit (loss) at 31.12.2019						2.741	2.741
Other components of comprehensive income (loss)			(6)				(6)
Comprehensive profit (loss) for the period	-	-	*(6)*	-	-	*2.741*	*2.735*
SHAREHOLDERS' EQUITY AT 31.12.2019	**27.026**	**5.000**	**(36)**	**12.998**	**1**	**2.741**	**47.730**
Allocation of 2019 result		405			2.336	(2.741)	-
Distribution of dividends							-
Capital increases							-
Profit (loss) at 31.12.2020			(10)			(264)	(274)
Other components of comprehensive income (loss)							-
Comprehensive profit (loss) for the period	-	-	*(10)*	-	-	*(264)*	*(274)*
SHAREHOLDERS' EQUITY AT 31.12.2020	**27.026**	**5.405**	**(46)**	**12.998**	**2.337**	**(264)**	**47.456**

4.2 NOTES TO THE FINANCIAL STATEMENTS

4.2.1 ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements of PLC S.p.A. 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 2020.

The consolidated financial statements as at 31 December 2020 were authorized for publication by the Board of Directors on 31 March 2021.

PLC S.p.A. as parent company, also prepared the consolidated financial statements of the PLC Group.

FINANCIAL STATEMENT FORMATS ADOPTED

Starting from the 2020 financial year, some items in the statement of financial position and comprehensive income statement have had a change of description and / or to the order of presentation, also in order to provide a clearer representation.

Starting from the 2020 financial year, PLC S.p.A. presents the comprehensive income statement in two separate statements (i) the statement of profit and loss for the period and (ii) the statement of the other components of the comprehensive income 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 ongoing concern assumption was met by the Directors and therefore the financial statements were prepared using the standards 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.

Amortisations and depreciations

are calculated on the basis of rates considered suitable for distributing the value of 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 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 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 sales costs, 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.

LEASING AND RIGHT OF USE

Leasing, rental and hire contracts, starting from 1 January 2019, are recognized in accordance with the accounting standard IFRS 16, which defines the principles for the recognition, measurement, presentation and reporting of leases and requires the lessees to account for these contracts, whether operational and financial based on a model similar to the financial model previously provided for by IAS 17 for financial leasing contracts. The standard provides for two exemptions for the recognition by lessees - leases relating to "low value" assets and short-term leases expiring within 12 months or less.

At the start date of the leasing contract, a liability is recorded against the leasing payments (leasing liability) equal to the current value of the payments taking into account an average debt ratio and an asset of equal value, which represents the right to use the underlying asset for the duration of the contract (the right to use the asset). The interest on the leasing liability and the amortization of the right to use the asset over the contractual term are ascribed to the income statement.

If a re-measurement of the leasing liability becomes necessary (e.g. changes in the terms of the contract, changes in future payments or of a rate used to determine payments), the amount of the re-measurement is recorded as an adjustment to the right of use of the asset.

With reference to the contracts for which the Company is the Lessor (and not the lessee), the recording method remains substantially unchanged with respect to the previous accounting in accordance with IAS 17 and therefore distinguishing between operating and financial leasing.

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 and recognised in the income statement". After initial recognition at cost, these financial assets are measured at fair value; valuation gains or losses are recognised in an income statement item. In the event that 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 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 components of the statement of 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 expenses.

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 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 IFRS 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. 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 re-presented or reclassified unless they fall under 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 (Loss) 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 "expenses for services"; net financial expenses 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, the provisions are determined by discounting the 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.

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 recognized on the date of the resolution being taken by the shareholders' meeting.

INTEREST AND FINANCIAL EXPENSES

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. Financial expenses 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 "Other payables". 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".
The parent company PLC S.p.A. together with its subsidiaries PLC System S.r.l. , PLC Service S.r.l., PLC Service Wind S.r.l. and PLC Power S.r.l. has participated in the "national tax consolidation" for the three-year period 2019-2021, pursuant to articles 117 et seq. of the consolidated tax act (TUIR), which allows transfer of the total net income or tax loss of the individual participating companies to the parent company which will establish a single taxable income of the PLC Group or a single tax loss that can be carried forward, as an algebraic sum of income and / or losses, and, therefore, will record a single tax debt or credit for the tax authorities.
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 amortisations and depreciations, 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 financial statement entries 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.

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2020

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 2020. The Company has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

Amendments to IFRS 3 - Business Combinations

With regulation no. 2020/51, issued by the European Commission on 21 April 2020, the amendments to IFRS 3 "Business combinations" were approved, aimed at providing clarification on the definition of business. In particular, there is a business acquisition if the contract provides for the acquisition of one or more inputs and a substantial process that, together, significantly contribute to the ability to create an output. Conversely, if all the conditions described above are missing, there is an acquisition of a group of assets which determines the capitalization of their acquisition cost and their amortization according to the provisions of IAS 16. The amendments to IFRS 3 are effective for financial years beginning on 1 January 2020. Its application did not entail significant changes.

Amendments to IAS 1 and IAS 8 - Definition of material

With regulation of 2019/2104, issued by the European Commission on 29 November 2019, amendments to IAS 1 and IAS 8 were approved 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 are applicable from 1 January 2020. Its application did not entail significant changes.

IFRS Conceptual Framework

With Regulation no. 2019/2075 of the European Commission on 29 November 2019, the amendments to the references to the IFRS Conceptual Framework were adopted. The amendments aim to update, with different accounting standards and different interpretations, the existing references to the previous Conceptual Framework replacing them with the references to the revised Conceptual Framework. The changes will apply from 1 January 2020. Its application did not entail significant changes.

Amendments to IFRS 16 - Leases

With Regulation no. 2020/1434 of the European Commission on 12 October 2020 the amendments to IFRS 16 were adopted which introduced a practical expedient by which lessees are allowed to recognize the incentives relating to leases, deriving from the Covid-19 pandemic, as negative variable rents without having to remeasure leasing assets and liabilities, in compliance with the following requirements: (i) the concessions only refer to reductions in payments due by 30 June 2021, (ii) the total contractual payments, after the incentives, are equal to or lower than the payments originally envisaged and (iii) other substantial changes have not been agreed with the lessor. The aforementioned provisions are effective from 1 June 2020. The changes introduced did not impact the Company.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform Phase 1

The IASB has published the Interest Rate Benchmark Reform document which amends the hedge accounting provisions of IFRS 9 and IAS 39. The amendments (i) identify the useful financial information to be provided during the period of uncertainty resulting from the gradual elimination of the interest rate reference values, such as the interbank rates offered (IBOS) (ii) alter some specific requirements of hedge accounting aimed at

mitigating the potential effects caused by the IBOR reform, (iii) require the provision of additional information on the hedging relationships that are directly affected by these uncertainties.
The amendments were approved by the European Commission with Regulation no. 2019/2104 of 29 November 2019, and are applicable from 1 January 2022; however, early application is permitted.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2

The IASB completed its response to the ongoing reform of offered interbank rates and other interest rate benchmarks by issuing a set of amendments to the standards. The amendments, which aim to help companies provide investors with useful information on the effects of the reform on the financial statements, integrate those issued with Phase 1 and focus on the effects generated by the transition to an alternative reference rate following the reform.
The amendments, endorsed with Regulation no. 2021/25 by the European Commission on 13 January 2021, apply starting from 1 January 2021 with the possibility of early adoption.

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. On 25 June 2020, the IASB issued amendments to IFRS 17 which define the accounting treatment of insurance contracts issued and reinsurance contracts owned; the amendments are effective and applicable from 1 January 2023. The standard and subsequent amendments, not yet endorsed by the European Commission, are not applicable to the Company.

Amendments to IAS 1- Classification of current and non-current liabilities

The IASB has published some amendments to IAS 1 with the aim of clarifying the classification of certain liabilities from among current or non-current ones. The amendments aim to promote a consistent application in the classification by providing useful elements to determine whether a liability, financial or non-financial, with an uncertain liquidation date, should be classified as a current or non-current liability. The amendments also include clarifications regarding the classification of a payable that could be liquidated through its conversion into capital.
Due to the Covid-19 pandemic, on 25 July 2020 the IASB postponed its adoption from 1 January 2023: these changes have not yet been approved by the European Commission.

Annual cycle of improvements to IFRS 2018-2020

On 14 May 2020, the IASB issued the document "Annual cycle of improvements to IFRS 2018-2020" containing amendments to IAS 16 "Property, plant and equipment", to IAS 37 "Provisions, contingent liabilities and assets", to IFRS 3 “Business combinations”, IFRS 1 “First-time adoption of IFRS”, IFRS 9 “Financial instruments” and IAS 41 “Agriculture”. All changes, not yet approved by the European Commission, will come into force on 1 January 2022.

Amendments to IAS 1 and IFRS Practice Statements 2 and Amendments to IAS 8

On 12 February 2020, the IASB published some amendments to IAS 1 "Presentation of financial statements", to IFRS Practice Statements 2 "Formulating judgements of relevance" and to IAS 8 "Accounting standards, changes in accounting estimates and errors" with the objective of improving the disclosure relating to the accounting postings used (disclosure on accounting policies) in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting postings used. The amendments to IAS 1 and IAS 8, not yet endorsed by the European Commission, will come into effect from 1 January 2023 with the possibility of early adoption.

4.2.2 NOTES ON THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

A. TANGIBLE ASSETS

TANGIBLE ASSETS (thousands of Euro)	General and Specific Plant	Office machines and other assets	Rights to use tangible assets	Total
Net value at 31.12.2019	-	30	29	59
Increases	93	39	34	165
Decreases	-	(13)	(13)	(26)
Amortisations and depreciations	(13)	(12)	(15)	(41)
Use of accumulated depreciation	-	3	8	11
Net value at 31.12.2020	80	46	43	169

Tangible assets at 31 December 2020 amounted to Euro 169 thousand (Euro 59 thousand at 31 December 2019). Increases for the year, equal to Euro 165 thousand, relate to (i) investments in IT infrastructures, (ii) the purchase of IT equipment supplied to employees, (iii) the registration of the rights of use deriving from long-term rental contracts of cars, in application of the provisions of IFRS 16.

B. INTANGIBLE ASSETS

INTANGIBLE ASSETS (thousands of Euro)	Surface rights	Other intangible assets	Total
Net value at 31.12.2019	-	20	20
Increases	-	28	28
Decreases	-	(77)	(77)
Amortisations and depreciations	-	-	-
Use of accumulated depreciation	-	56	56
Net value at 31.12.2020	-	27	27

“Intangible assets at 31 December 2020 amounted to Euro 27 thousand (Euro 20 thousand at 31 December 2019). The investments for the year, equal to Euro 28 thousand, relate to the purchase of software licenses.

C. EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at 31 December 2020 amounted to Euro 49,933 thousand (Euro 48,340 thousand at 31 December 2019).

INVESTMENTS IN SUBSIDIARIES (thousands of Euro)	% held	31.12.2019	Increases	Decreases	Reclassification	31.12.2020
PLC System S.r.l.	100%	32,227	-	-	-	32,227
PLC Service S.r.l.	100%	10,773	-	-	-	10,773
Monsson Operation Ltd.	100%	5,340	-	-	-	5,340
Schmack Biogas S.r.l.	51%	-	-	1,500	-	1,500
MSD Service S.r.l.	92.5%	-	93	-	-	93
Total		48,340	93	1,500	-	49,933

The changes compared to the previous year relate to (i) the acquisition of 51% of the share capital of Schmack Biogas S.r.l. and (ii) the acquisition of an additional 47.5% of the share capital of MSD Service S.r.l.; through this effect, the company is currently 92.5% controlled by PLC S.p.A.

INVESTMENTS IN SUBSIDIARIES (thousands of Euro)	REG. OFFICE	Share capital	PN 31.12.2020	Result 31.12.2020	% held	Share of shareholders' equity	Carrying amount
PLC System S.r.l.	Acerra (IT)	10,000	12,368	(1,168)	100%	12,368	32,227
PLC Service S.r.l.	Acerra (IT)	100	2,851	1,792	100%	2,851	10,773
Monsson Operation Ltd. (*)	Dublin (IE)	-	946	(151)	100%	946	5,340
Schmack Biogas S.r.l.	Bolzano (IT)	204	1,312	(422)	51%	669	1,500
MSD Service S.r.l.	Acerra (IT)	10	(51)	(61)	93%	(47)	93
Total		10,314	17,426	(10)		16,787	49,933

(*) Shareholders' equity and results refer to the "aggregated data" of the Monsson Operation perimeter

Impairment

As required by the reference accounting standards, and as highlighted in the most recent recommendations of the national and international Supervisory Authorities[6], all investments in subsidiaries have been subjected to the impairment test, regardless of the presence or absence of indicators of potential impairment. Consistent with previous years, checking recoverability of the carrying values of equity investments was carried out by comparing the net book value with the recoverable value which is determined on the basis of the value in use, obtained by discounting the future cash flows generated at the weighted average cost of capital (WACC) specifically by business segment and geographical area in which the subsidiary operates.

The expected cash flows for estimating the recoverable value of the individual subsidiaries have been determined on the basis of the best information available and of the expectations at the time of the estimate and, having reference also to the final data, by considering future management expectations in relation to the respective reference markets also in order to include any impacts deriving from the Covid-19 epidemiological emergency. Cash flows were determined based on an explicit 4-year horizon; for subsequent years, cash flows are calculated on the basis of a terminal value determined on the basis of the perpetuity method by applying a long-term 0% growth rate "g" to the terminal cash flow.

These estimates, in accordance with the provisions of IAS 36, do not consider any incoming or outgoing flows deriving from (i) a future restructuring not yet approved or for which the entity has not yet committed or (ii) from the improvement or optimization of business performance based on initiatives not yet started or approved.

The value of use at 31 December 2020 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area. The discount rates used at 31 December 2020 have been updated with respect to those used at 31 December 2019.

[6] Reference is made to (i) ESMA's Public Statement "European common enforcement priorities for 2020 annual financial reports" issued on 28 October 2020, (ii) warning no. 1/21 "Covid-19 - Call for attention to financial information" issued by Consob on 16 February 2021,

Evolution of the discount rates used for the impairment test	31.12.2020	31.12.2019
PLC System S.r.l. - Construction Segment - Italy	6,85%	7,45%
PLC Service S.r.l. - Services Segment - Italy	7,97%	7,01%
Monsson Operation Ltd. - Services Segment - Abroad	10,47%	8,65%
Schmack Biogas S.r.l. - Services Segment - Italy(*)	7,97%	n.a.
MSD Service S.r.l. - Services Segment - Italy	7,97%	n.a.

(*) it should be noted that, although the company carries out its operations both in the Services Segment and in the Construction Segment, at 31 December 2020 the discount rate calculated for the Italian Services Segment was used, as the Services component was prevalent compared to the Construction component

The results of the impairment tests were also subjected to a sensitivity analysis by applying +/- 1% and 2% variations both to the discount rate (WACC) and to the long-term growth rate "g".

From the implementation of the impairment tests and the sensitivity analysis, an excess of recoverable value (headroom) compared to the net book value of the individual investments emerged.

D. EQUITY INVESTMENTS IN ASSOCIATE COMPANIES

The item "Investments in associate companies", equal to Euro zero thousand at 31 December 2020, included the 45% equity investment in MSD Service S.r.l. at 31 December 2019.

Following the acquisition of an additional 47.5% of the share capital, MSD Service S.r.l. is currently 92.5% controlled by PLC S.p.A. and classified among equity investments in subsidiaries.

INVESTMENTS IN ASSOCIATED COMPANIES (thousands of Euro)	31.12.2019	Increases	Decreases	Reclassification	31.12.2020
MSD Service S.r.l.	93	-	(93)	-	-
Total	93	-	(93)	-	-

E. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2020 amounted to Euro 672 thousand (Euro 359 thousand at 31 December 2019). The increases for the period, equal to Euro 313 thousand, relate (i) to temporary differences of Euro 7 thousand between the book values and the recognized tax values of some items in the financial statements, mainly relating to the discounting of the employee severance indemnity in accordance with IAS 19 and (ii) Euro 306 thousand for the recognition of the deferred tax assets accrued on the 2020 tax loss, attributable to it and transferred by the subsidiaries belonging to the national tax consolidation.

DEFERRED TAX ASSETS (thousands of Euro)	31.12.2019	Increases	Decreases	31.12.2020
Deferred tax assets	359	313	-	672
Total	359	313	-	672

F. NON-CURRENT RECEIVABLES

NON-CURRENT RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Loans Monsson Operation Ltd	3,494	3,786
PLC System S.r.l. loan	550	
Total	4,044	3,786

Non-current receivables, equal to Euro 4,044 thousand at 31 December 2020 (Euro 3,786 thousand at 31 December 2019), relate to the shareholder loans paid to the subsidiary Monsson Operation Ltd. (interest-bearing) and to the subsidiary PLC System S.r.l. (non-interest bearing) to support working capital.

G. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments, equal to Euro zero thousand at 31 December 2020 (Euro 1 thousand at 31 December 2019), pertain to the cap strike contract signed in relation to the BNL loan, to hedge the interest rate risk. It should be noted that with reference to this contract, PLC S.p.A. opted for fair value measurement with recognition of changes in the income statement.

H. TRADE RECEIVABLES

Trade receivables at 31 December 2020 amount to Euro 815 thousand (Euro 1,152 thousand at 31 December 2019) and mainly refer to invoices issued and to be issued to subsidiaries for staff services performed centrally by the parent company PLC S.p.A.

TRADE RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Trade receivables from related parties	815	1,127
Trade receivables from others	-	25
Bad debt provision from others	-	-
Trade receivables from others	-	25
Total	815	1,152

I. FINANCIAL RECEIVABLES

Financial receivables at 31 December 2020 amounted to Euro 13 thousand (Euro 28 thousand at 31 December 2019).

CURRENT FINANCIAL RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Current financial receivables from related parties	-	-
Current financial receivables from others	20	35
Current financial receivables from others write-down provision	(7)	(7)
Current financial receivables from others	13	28
Total	13	28

BAD DEBT PROVISION (thousands of Euro)	31.12.2019	Increases	Decreases	31.12.2020
Bad debt provision	(7)	-	-	(7)

J. OTHER RECEIVABLES

Other receivables at 31 December 2020 amounted to Euro 1,883 thousand (Euro 1,328 thousand at 31 December 2019).

OTHER CURRENT RECEIVABLES (thousands of Euro)	31.12.2020	31.12.2019
Other receivables from related parties	1,789	838
Tax receivables	12	415
Prepaid expenses	56	48
Security deposits	3	5
Other receivables	23	22
Other receivables from others	94	490
Total	1,883	1,328

The other receivables from related parties, equal to Euro 1,789 thousand, mainly refer (i) for Euro 95 thousand to receivables from the subsidiary PLC System S.r.l. emerged following offsetting of items relating to accruals by personnel transferred to the parent company, (ii) for Euro 838 in receivables from the subsidiary PLC Service S.r.l. for approved and not yet paid dividends and (iii) for Euro 848 thousand in receivables from the subsidiary PLC Service S.r.l. arisen in the context of the national tax consolidation.

K. SHAREHOLDERS' EQUITY

At 31 December 2020, the shareholders’ equity of PLC S.p.A. amounted to Euro 47,456 thousand.
The changes in the shareholders' equity items refer exclusively to the recognition of the result for the period, negative for Euro 274 thousand.

The share capital at 31 December 2020 is equal to Euro 27,026 thousand and is made up of 25,960,575 ordinary listed shares with no 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.

DISTRIBUTION OF SHAREHOLDERS 'EQUITY (thousands of Euro)	Amount	Possibility of use	Amount available	Uses over last 3 years	
				Loss coverage	Other reasons
Share capital	27.026	B			12.150
Capital reserves					
Share premium reserve	12.998	A/B/C	12.998	6.448	2.000
Profit reserves					
Legal reserve	5.405	B	5.405		
Reserve Other Comprehensive Income	(46)	B			
Profit (loss) carried forward	2.337	A/B/C	2.337	20.164	
Total	**47.720**		**20.740**	**26.612**	**14.150**

Key:

A: For capital increase

B: to cover losses

C: for distribution to shareholders

L. NET FINANCIAL POSITION

The net financial position of PLC Spa at 31 December 2020 was negative for Euro 8,284 thousand (negative for Euro 5,465 thousand at 31 December 2019).

NET FINANCIAL POSITION (thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents	1,110	1,837
A. CASH AND CASH EQUIVALENTS	**1,110**	**1,837**
Current financial receivables	12	28
Non-current financial assets held for sale	-	-
B. CURRENT FINANCIAL RECEIVABLES	**12**	**28**
Current financial liabilities	(2,594)	(2,154)
Non-current financial liabilities held for sale / disposal	-	-
B. CURRENT FINANCIAL PAYABLES	**(2,594)**	**(2,154)**
D. CURRENT NET FINANCIAL DEBT (A+B+C)	**(1,472)**	**(289)**
Non-current financial liabilities	(6,812)	(5,176)
E. NON-CURRENT NET FINANCIAL DEBT	**(6,812)**	**(5,176)**
F. NET FINANCIAL POSITION (D+E)	**(8,284)**	**(5,465)**

The total financial debt, equal to Euro 9,406 thousand (of which Euro 2,594 thousand short-term), consists of (i) the residual portion of the loan with Banco BPM for Euro 2,406 thousand, (ii) the medium-long term loan signed with BNL for Euro 4,948 thousand, with a nominal value of Euro 5,000 thousand and valued at amortized cost, (iii) the new loan granted by Banco BPM for Euro 2,006 thousand backed by the direct guarantee of the Guarantee Fund for SMEs for 90% and undersigned as part of the recourse to the support measures provided for by the Liquidity Decree, together with obtaining moratoriums on existing loans with the aim of mitigating the possible effects of Covid-19 on the financial situation of the Company and (iv) the recognition of financial liabilities deriving from long-term car rental agreements for Euro 46 thousand, in accordance with the provisions of IFRS 16.

Cash and cash equivalents, equal to Euro 1,110 thousand at 31 December 2020, include income from service contracts and dividends collected from subsidiaries, net of current management costs and dividends paid.

The table below provides a breakdown of bank loans:

Loans (thousands of Euro)	Amount of loan / advance	Last expiry date	Short -term portion	Long-term portion	Total residual loan
BPM loan	3,000	31/12/2022	1,193	1,213	2,406
BNL loan	5,000	22/07/2024	951	3,997	4,948
BPM loan (Guarantee MCC 90%)	2,000	03/07/2024	427	1,579	2,006
Total	10,000		2,571	6,789	9,360

With reference to hedging the risk deriving from the change in interest rates, PLC S.p.A. has signed a cap strike contract on the loan in place with BNL (for further details, see note G. "Non-current derivative instruments").

M. EMPLOYEE SEVERANCE INDEMNITY

The Employee severance indemnity (“TFR”) provision at 31 December 2020 amounted to Euro 254 thousand (Euro 185 thousand at 31 December 2019); the change compared to the previous year was due to the provisions for the year net of the amounts paid, as well as to the effects of the actuarial calculation in accordance with IAS 19.

EMPLOYEE SEVERANCE INDEMNITY (thousands of Euro)	31.12.2019	Increases	Provisions	Uses	Actuarial profit / loss	31.12.2020
Employee severance indemnity	185	-	56	-	13	254

The employee severance indemnity includes what is due to employees and not transferred to complementary pension schemes or to the treasury fund set up at INPS. Employee severance indemnity is identified in the type of benefit plans defined under IAS 19, and is therefore subject to actuarial assessments, in order to express the present value of the benefit payable at the end of the employment relationship that employees have accrued at financial statement date.

At 31 December 2020, the Company had 22 employees, including 2 managers, 5 middle managers and 15 clerical staff. The average number of employees in 2020 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (in units)	31.12.2020	31.12.2019
Managers	3	3
Middle managers and clerical staff	18	16
Workers	-	-
Total	21	20

N. TRADE PAYABLES

Trade payables at 31 December 2020 amounted to Euro 515 thousand (Euro 904 thousand at 31 December 2019). Trade payables to related parties are illustrated in note 4.2.3

TRADE PAYABLES (thousands of Euro)	31.12.2020	31.12.2019
Trade payables to related parties	124	139
Trade payables to others	391	765
Total	515	904

O. OTHER PAYABLES

Other payables at 31 December 2020 amounted to a total of Euro 1,036 thousand (Euro 857 thousand at 31 December 2019). The other payables to related parties mainly refer to payables to subsidiaries that arose in the context of the national tax consolidation.

OTHER PAYABLES (thousands of Euro)	31.12.2020	31.12.2019
Other payables to related parties	660	332
Other payables to related parties	660	332
Payables to employees	46	92
Payables to directors	128	233
Payables to tax authorities	111	101
Payables to social security institutions	84	99
Other current payables	-	-
Accrued expenses and deferred income	7	-
Other payables to others	376	525
Total	1,036	857

AA. CORE BUSINESS REVENUES

Revenues from core business at 31 December 2020 amount to Euro 1,187 thousand (Euro 1,498 thousand at 31 December 2019) and are mainly related to services performed centrally by PLC S.p.A. and lent to Group companies.

BB. EXPENSES FOR SERVICES

Expenses for services at 31 December 2020 amounted to Euro 1,077 thousand (Euro 1,502 thousand at 31 December 2019).

Expenses for services to related parties are illustrated in note 4.2.3

EXPENSES FOR SERVICES (thousands of Euro)	31.12.2020	31.12.2019
Consultancy from related parties	194	200
Expenses for services to related parties	27	27
Expenses for services to related parties	**221**	**227**
Costs for non-recurring consultancy	-	528
Administrative and tax consultancy	160	92
Legal and notarial consultancy	90	126
Control bodies remuneration	125	107
Independent Auditors fees	59	42
Technical and professional consulting	90	63
Maintenance and utilities	147	94
Insurance	75	66
Rentals and other costs on third-party assets	24	29
Services and other goods	86	128
Expenses for services from others	**856**	**1.275**
Total	**1.077**	**1.502**

The increase in the item "Maintenance and utilities" is mainly related to the centralization in PLC S.p.A. of costs related to the IT system for the whole group. The increase in the "Costs for administrative and tax consultancy" item is mainly related to the organization's expansion.

CC. PERSONNEL COSTS

Personnel costs at 31 December 2020 amounted to Euro 1,674 thousand (Euro 1,675 thousand at 31 December 2019) and included directors' fees of Euro 386 thousand.

DD. OTHER OPERATING EXPENSES

Other operating expenses at 31 December 2020 amounted to Euro 103 thousand (Euro 143 thousand at 31 December 2019).

OTHER OPERATING COSTS (thousands of Euro)	31.12.2020	31.12.2019
Indirect taxes and fees	13	44
Write-down of receivables	-	-
Other operating expenses	90	99
Total	**103**	**143**

EE. AMORTISATIONS AND DEPRECIATIONS

Amortizations and depreciations for the period amounted to Euro 41 thousand (Euro 14 thousand at 31 December 2019). The increase compared to the previous year is connected to investments in IT material and software licenses and to the recognition of the amortization of the rights of use deriving from long-term car rental contracts, in application of the provisions of IFRS 16.

FF. FINANCIAL INCOME AND EXPENSES

Financial income amounted to Euro 239 thousand at 31 December 2020 (Euro 167 thousand at 31 December 2019) and relates to (i) interest income accrued on the shareholder loan granted to the subsidiary Monsson Operation Ltd. for Euro 155 thousand and (ii) to the fees accrued following the issue of Parent Company Guarantees in the interest of the subsidiaries for Euro 84 thousand.

Financial expenses at 31 December 2020 amounted to Euro 226 thousand (Euro 239 thousand at 31 December 2019).

GG. OTHER PROFIT (LOSS) FROM EQUITY INVESTMENTS

This item includes dividends distributed by the subsidiary PLC Service S.r.l. for Euro 958 thousand.

HH. INCOME TAXES

The balance of the tax item at 31 December 2020 is positive for Euro 472 thousand (positive for Euro 395 thousand at 31 December 2019) and mainly relates to the recognition of deferred tax assets on the tax loss for the year, transferred to the group under the national tax consolidation scheme, in which the Company has consolidating equity investment. Deferred tax assets have been recognized since the formation of future taxable income at "Consolidato Fiscale Nazionale" level is considered reasonable.

It should be remembered that prudently, PLC has not recognized deferred tax assets on previous losses relating to previous years - therefore not falling under the tax consolidation regime - for a total of Euro 15,300 thousand, since given the nature of the Company's holding operation it is difficult to determine the estimate of the formation of taxable income and the years of its manifestation in which tax losses can be used.
The reconciliation between the tax charge from the financial statements and the theoretical corporate income tax charge is shown below.

Theoretical tax charge (thousands of Euro)	Taxable income	31.12.2020
Pre-tax profit	**(736)**	
Theoretical tax charge		**177**
Temporary differences	152	
Temporary differences in previous years	(260)	
Permanent differences	(890)	
Actual taxable profit	**(1,734)**	
Actual tax charge		**416**

II. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The components of the comprehensive income statement that cannot be reclassified to the income statement relate to the effect of the actuarial calculation on the Severance Pay under IAS 19 and are equal to Euro 13 thousand net of the related tax effect of Euro 4 thousand.

JJ. COMMITMENTS AND GUARANTEES

The commitments and guarantees outstanding at 31 December 2020 are set out below:

- surety issued by PLC System S.r.l. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 5,000 thousand;
- guarantee issued by SACE S.p.A. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 2,500 thousand;
- comfort letter issued in the interest of PLC System S.r.l. in favour of Unicredit for Euro 312 thousand;
- corporate guarantee issued in the interest of PLC System S.r.l. in favour of C&C Lucania S.r.l. for Euro 260 thousand;
- corporate guarantee issued in the interest of PLC System S.r.l. in favour of Siemens Gamesa Renewable Energy Italy S.p.A for Euro 114 thousand.
- comfort letter issued in the interest of PLC Service S.r.l. in favour of Unicredit for Euro 52 thousand;
- corporate guarantee, for a total of Euro 3,175 thousand, issued in the interest of PLC Power S.r.l. in favour of EDPR, in relation to the possible enforcement of the guarantee issued to GSE as part of the preliminary contract for the sale of the investment held in C&C Tre Energy S.r.l.;
- no. 2 sureties issued in the interest of Schmack Biogas S.r.l. in favour of Unicredit S.p.A. to guarantee the credit lines granted up to Euro 3,000 thousand.

KK. SEGMENT REPORTING

With reference to the parent company PLC S.p.A., the segment reporting at 31 December 2020 does not appear to be significant since the Company operates exclusively as the Group’s operation holding company and therefore in a single "holding" segment.

4.2.3 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

In relation to the requirements of the international accounting standard IAS 24 (revised) concerning "related party disclosure" and the additional information required by Consob communication no. 6064293 of 28 July 2006, the tables summarizing the Company's economic and equity relationships with related parties and intergroup are shown below.

Revenues and costs from related parties

REVENUES FROM AND COSTS TO RELATED PARTIES (thousands of Euro)	Revenues			Costs			
	Revenues	Research and development	Financial income	Raw materials	Services	Personnel and other expenses	Financial expenses
MSD Service S.r.l.	4	-	-	-	-	-	-
Schmack Biogas S.r.l.	-	-	51	-	-	-	-
PLC Service S.r.l.	325	-	-	-	-	-	-
PLC Service Wind S.r.l.	50	-	-	-	-	-	-
PLC System S.r.l.	686	-	1	-	2	-	-
Idroelettrica 2014 S.r.l.	9	-	-	-	-	-	-
PLC Power S.r.l.	9	-	33	-	-	-	-
C&C Irsina S.r.l.	7	-	-	-	-	-	-
C&C Tre Energy S.r.l.	8	-	-	-	-	-	-
Alisei Wind S.r.l.	8	-	-	-	-	-	-
Tirreno S.r.l.	5	-	-	-	-	-	-
Monsson Operation LTD	12	-	155	-	-	-	-
Monsson Operation S.r.l.	60	-	-	-	-	-	-
Total subsidiaries	1.183	-	239	-	2	-	-
Fraes S.r.l. (formerly PLC Group S.p.A)	-	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	-	218	-	-
Total other related parties	-	-	-	-	218	-	-
Total	1.183	-	239	-	221	-	-
% impact on the balance sheet item	*100%*	*0%*	*100%*	*0%*	*100%*	*0%*	*0%*

Receivables from and payables to related parties

RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (thousands of Euro)	Receivables			Payables		
	Trade	Financial	Others	Trade	Financial	Others
MSD Service S.r.l.	9	-	8	-	-	-
Schmack Biogas S.r.l.	51	-	-	-	-	-
PLC Service S.r.l.	198	-	1.686	-	-	-
PLC Service Wind S.r.l.	286	-	-	-	-	14
PLC System S.r.l.	23	550	96	12	-	638
Idroelettrica 2014 S.r.l.	24	-	-	-	-	-
PLC Power S.r.l.	64	-	-	-	-	7
C&C Irsina S.r.l.	24	-	-	-	-	-
C&C Tre Energy S.r.l.	25	-	-	-	-	-
Alisei Wind S.r.l.	20	-	-	-	-	-
Tirreno S.r.l.	15	-	-	-	-	-
Monsson Operation LTD	16	3.494	-	-	-	-
Monsson Operation S.r.l.	60	-	-	-	-	-
Total subsidiaries	**814**	**4.044**	**1.789**	**12**	**-**	**659**
Fraes S.r.l. (formerly PLC Group S.p.A)	1	-	-	-	-	2
Nelke S.r.l.	-	-	-	113	-	-
Total other related parties	**1**	**-**	**-**	**113**	**-**	**2**
Total	**815**	**4.044**	**1.789**	**124**	**-**	**660**
% impact on the balance sheet item	*100%*	*100%*	*95%*	*24%*	*0%*	*64%*

4.2.4 FINANCIAL RISK MANAGEMENT POLICY

PLC S.p.A. operates as an operating holding and therefore its economic results and profitability depend (i) on dividends distributed by subsidiaries and associates and (ii) on fees paid by subsidiaries for structures centralized in the parent company and associated with holding status. This implies a current significant dependence on the economic and management 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 activities and is done 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 (thousands of Euro)	Measurement criteria adopted				31.12.2020	31.12.2019
	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	-	-	-	4,057	4,057	3,813
Cash and cash equivalents	1,110	Level 1	-	-	1,110	1,837
Trade receivables	-	-	-	815	815	1,153
Other current receivables	-	-	-	1,883	1,883	1,328
Other non-current receivables	-	-	-	672	672	360
Financial assets available for sale					-	-
Equity investments in other companies measured at fair value	-	-	-	-	-	-
Equity investments in other companies measured at cost	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Financial assets held for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	1,110	-	-	7,427	8,537	8,491
Financial liabilities at amortised cost						
Trade payables	-	-	-	515	515	904
Other current payables	-	-	-	1,036	1,036	857
Current financial payables	-	-	-	2,594	2,594	2,154
Non-current financial payables	-	-	-	6,812	6,812	5,176
Financial liabilities held for sale	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	-	-	-	10,957	10,957	9,091

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 Company's net working capital and financial needs is highly dependent on the results and profitability of the subsidiaries and associated companies.

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. Taking into account the Company’s role as holding, the risk management objective managed on a 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.

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.

In order to mitigate the possible increase in liquidity risk due to Covid-19, the Company has requested the credit institutions with which it operates access to the support measures provided for by the Liquidity Decree, including (i) moratoriums on existing loans and (ii) new finance pursuant to art. 13 Legislative Decree 08 April 2020, no. 23.

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. Taking into account its nature as an industrial holding company, the Company is exposed directly to other Group companies but indirectly to third-party customers of subsidiaries and associated companies, as its economic results and profitability depend on results and profitability. of the other Group companies in turn directly exposed to this risk. Credit risk is generally mitigated by the fact that the Company 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 market context being negatively impacted by the Covid-19 pandemic, credit risk has currently remained contained; however, it cannot be ruled out that some Group customers may delay or fail to honour payments under the agreed terms and conditions, with a consequent increase in credit risk.

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 2020, 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

The Company is exposed to the risk deriving from changes in interest rates in consideration of the existing loans with Banco BPM and BNL. This risk originates from the fact that these loans, being at a variable rate 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 expenses 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. At 31 December 2020, the Company has a cap strike contract to hedge interest rate risk in relation to the BNL loan.

Capital management

The objectives identified by the Company in capital management are the creation of value for the majority of shareholders, the safeguarding of business continuity and support for the Company's and Group's development in which the management is strongly committed.

4.3 CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

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

- The suitability in relation to the company's characteristics and
- the effective application

of the administrative and accounting procedures in preparing the financial statements as at 31 December 2020. In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2020:

- have been prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the book results and accounting records;
- are suitable for providing a true and correct representation of the equity, economic and financial situation of the issuer.

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

Milan, 31 March 2021

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

4.4 BOARD OF DIRECTORS' PROPOSALS AT THE SHAREHOLDERS' MEETING

Dear Shareholders,

- having taken note of the financial statements and, in particular, of the report by the Board of Directors on the situation of the Group and on the management trend, of the report by the Board of Statutory Auditors and by the company in charge of the statutory audit of the accounts EY S.p.A.;
- having examined the draft financial statements as at 31 December 2020 which highlights an operating loss of Euro 263,863;
- having examined the consolidated financial statements as at 31 December 2020;

the Board of Directors proposes to carry forward the loss of Euro 263,863.

4.5 REPORT BY THE BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020, PURSUANT TO ART. 153 of LEGISLATIVE DECREE No. 58/98

At the Shareholders' Meeting of the Company PLC S.p.A.

Dear Shareholders,

The next Shareholders' Meeting convened for 30 April 2021 will be called, among other things, to approve the draft financial statements at 31 December 2020, approved by the meeting of the Board of Directors on 31 March 2021.
This report has been prepared by the Board of Statutory Auditors appointed for the three-year period 2018-2020 by the Shareholders' Meeting of 27 June 2018 and consisting of the Chairman Massimo Invernizzi and the Standing Auditors Claudio Sottoriva and Maria Francesca Talamonti.
In its current composition, the Board of Statutory Auditors therefore comes to the end of its mandate, thanks the Shareholders for their trust and invites the Annual Shareholders' Meeting, called for 30 April 2021, to take the related and consequent resolutions.
The financial statements for the year ended 31 December 2020 show a shareholders' equityof Euro 47,456,166, including a loss for the year of Euro 263,863.

Supervisory activities on compliance with the law, regulations and articles of association

During the year ended 31 December 2020, the Board of Statutory Auditors carried out supervisory activities based on the tasks attributed to it by Legislative Decree 24 February 1998 no. 58 and current legislation, also taking into account the indications recommended by the Rules of Conduct of the Board of Statutory Auditors of listed companies drawn up by the National Council of Chartered Accountants and Accounting Experts, by the Consob provisions on corporate controls and by the indications contained in the Corporate Governance Code for listed companies promoted by Borsa Italiana, which the Company has declared that it endorses.
Furthermore, as PLC S.p.A. (hereinafter also "PLC" or the "Company") has adopted the "traditional" model of governance, the Board of Statutory Auditors allies itself with the "Internal Control and Audit Committee" which have additional specific control and monitoring over financial reporting and statutory auditing, pursuant to art. 19 of Legislative Decree 27 January 2010, no. 39, as amended by Legislative Decree 17 July 2016 no. 135, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC concerning the statutory audit of annual accounts and consolidated accounts and of European Regulation 537/2014.

With reference to the supervisory activities carried out during the year, considering the indications provided by Consob with communication dated 6 April 2001, amended and integrated with communication DEM/3021582 of 4 April 2003, and subsequently with communication no. DEM/6031329 of 7 April 2006, the Board of Statutory Auditors accounts for the following.
The Board of Statutory Auditors supervised compliance with the law and the articles of association, acquiring the information that is instrumental to the performance of its functions by attending the meetings of the Board of Directors and the Board Committees, the management hearings, the meetings with the corporate units of the Company and the Group and the analysis of the information flows acquired by the competent corporate units. The Board of Statutory Auditors also met with the Supervisory Body set up by the Company pursuant to art. 6 of Legislative Decree no. 231/2001 and, in the context of the exchange of information between the control body and the auditor required by law, held numerous meetings with the auditing firm and with the corresponding control bodies of Group companies.
During the 2020 financial year, the Board of Statutory Auditors met 20 times in addition to having participated in 12 Board of Directors meetings. After the closure of the 2020 financial year and until the date this Report was prepared, the Board of Statutory Auditors met 6 times and has participated in 6 meetings of the Board of Directors.

Supervision of compliance with the principles of correct administration

The Board of Statutory Auditors participated in all the Shareholders' Meetings and those of the Board of Directors acquiring knowledge on the activities carried out and on the most important operations carried out by the Company or its subsidiaries, according to the provisions of the law and the articles of association; the Board also acknowledges that it has held numerous joint meetings with the Control and Risk Committee and that it has nevertheless participated, through one or more of its members, in the meetings of the Board Committees set up and operating within the scope of the Board of Directors.
The Directors have given us, on a monthly basis, extensive information on the activities carried out and on the most important economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as in general on the management performance and on the events that had the greatest influence in determining the operating result, not least the effects and repercussions of the Covid-19 pandemic.
The Board has verified that the actions resolved and implemented are in compliance with the law and the articles of association and do not appear manifestly imprudent, risky, in potential conflict of interest or in conflict with the resolutions adopted in the Shareholders' Meeting or such as to compromise the integrity of the corporate assets.
With regard to the approval processes of the Board of Directors, the Board of Auditors has ascertained, also by participating in board meetings, the compliance with the law and the articles of association of the management choices made by the Directors and has verified that the related resolutions were supported by analyses and assessments concerning, in particular, the adequacy of the transactions and their consequent compliance with the interests of the Company.

During the meetings of the Board of Directors, the periodic management results, as well as all the aspects relating to the most significant operations carried out, were carefully analysed and discussed in depth.
The Board of Statutory Auditors also found that adequate documentation in support of the subjects under discussion with the Boards of Directors was made available reasonably in advance to directors and statutory auditors.

Supervisory activities on the adequacy of the organisational structure

The Board of Statutory Auditors supervised the adequacy of the Company's organisational structure, compliance with the principles of correct administration and the adequacy of the instructions given by the parent company to the subsidiaries pursuant to art. 114, paragraph 2, of Legislative Decree no. 58/1998, through the acquisition of information from the heads of the competent corporate departments and through meetings and exchanges of documents with the Independent Auditor, also for the purpose of mutual sharing of relevant data and information. In this regard, the Board has no particular comments to report, maintaining that the Company's organisational structure is substantially adequate to its needs and suitable for ensuring compliance with the principles of correct administration.
With particular reference to the subsidiaries, the Board of Statutory Auditors has found that the Company is able to promptly and regularly fulfil the disclosure obligations established by law; this also through the collection of information from the heads of the organisational departments, for the purpose of mutual exchange of data and relevant information: in this regard, there are no particular comments to report.
The Board of Statutory Auditors monitored the evolution of the organisational structure and the continuing strengthening of the controls in the parent company.

Supervision of the adequacy of the internal control and risk management system

The Board of Statutory Auditors supervised the adequacy of the internal control and risk management system and the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent the management facts, by:
- obtaining information from the managers of the respective corporate departments;
- examining the positive assessment expressed by the Board of Directors on the adequacy of the Company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system, pursuant to art. 2381, paragraph 3, of the Italian Civil Code and Application Criterion 1.C.1 of the Code of Self-regulation (a point also envisaged by Application criterion 1.d) of the new Corporate Governance Code issued in January 2020 and in force, for PLC, from 1 January 2021);
- examining the reports of the Manager in charge of financial reporting on the administrative and accounting structure, on the internal control system and on corporate disclosure, as well as meetings with the same which, together with the Chief Executive Officer, on 31 March 2021, issued the declaration required by art. 154-bis of Legislative Decree no. 58/1998 with reference to the 2020 financial statements and the 2020 consolidated financial statements of PLC.

- examining the Report by the Control and Risk Committee, as well as participating in its work and, when the issues have required it, addressing them jointly;
- examining the annual report by the head of the Internal Audit department and the Internal Audit reports;
- examining the half-yearly reports by the PLC Supervisory Body, established by the Company in accordance with the provisions contained in Legislative Decree no. 231/2001, which shows that no elements have been identified that highlight the inadequacy of Model 231 adopted by the Company;
- examining the additional report by the Independent Auditor, issued pursuant to art. 11 of European Regulation no. 537 of 16 April 2014;
- exchanging information with the control bodies of the subsidiaries, pursuant to paragraphs 1 and 2 of art. 151 of Legislative Decree no. 58/1998.

The Board of Statutory Auditors found no facts and circumstances implying the unsuitability of the administrative and accounting system of the non-EU subsidiaries to regularly send the parent company's management and auditor the economic, equity and financial data necessary for preparing the consolidated financial statements, as required by art. 15, paragraph 1, letter c, point ii), of the Market Regulation (conditions for the listing of shares of parent companies, companies established and regulated by the law of states not belonging to the European Union).
The Board notes that, during the year, the Company launched a project aimed at strengthening the Internal Control and Risk Management System, with a view to increasing coordination and strengthening of control activities.
All this considered, the Board of Statutory Auditors has assessed the substantial effectiveness of the internal control system on the whole.
The Board of Statutory Auditors also supervised:
- the analysis process carried out by the Company's Board of Directors, as part of the 2021 Budget preparation programme;
- the investigation carried out by the Control and Risk Committee, aimed at expressing its opinion to the Board of Directors on the method to be used for carrying out the impairment test at 31 December 2020, carried out with the support of an independent consultant;
- the fulfilment of the obligations related to the "Market abuse" and "Protection of savings" regulations regarding corporate disclosure and "Internal Dealing", with particular reference to the treatment of privileged information and the procedure for the dissemination of press releases and information to the public.

Internal Control and Audit Committee pursuant to art. 19, Legislative Decree no. 39/2010 and Legislative Decree no. 135/2016 issued in implementation of Directive 2014/56/EU which amends Directive 2006/43/EC and European Regulation 537/2014

As the Internal Control and Audit Committee pursuant to art. 19, Legislative Decree no. 39/2010, the Board of Statutory Auditors supervised the financial reporting process.

With the assistance of the Manager in charge of Financial Reporting, The Board of Statutory Auditors has examined the procedures relating to the preparation of the Company's financial statements and consolidated financial statements, as well as any other financial communication.

The Board of Statutory Auditors has been informed that these procedures are prepared under the responsibility of the Manager in charge of Financial Reporting, who, together with the Chief Executive Officer and the Chairman of the Board of Directors, certifies their adequacy and effective application when drafting the financial statements and consolidated and half-yearly financial report.

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 2020 financial year.

As required by art. 16 of Legislative Decree 39/2010, the Independent Auditors carried out the exclusive control:

- that corporate accounts are regularly kept and management events are correctly recorded in the accounting records;
- on the correspondence of the financial statements with the results of the accounting records and on compliance with the rules that govern it.

As part of the supervision of the statutory audit of the annual and consolidated accounts, the Board of Auditors *i*) examined the Group audit plan at 31 December 2020 prepared by the Independent Auditors - which highlights the significant risks identified in relation to the main areas of the financial statements - noting that it is in line with the characteristics and dimensions of the Group and *ii*) supervised the effectiveness of the legal audit process, noting that it was carried out in compliance with the audit plan and according to the International Standards on Audit (ISAs). In this regard, we have no particular comments to report.

During the periodic meetings, the Board of Statutory Auditors discussed the Key Audit Matters highlighted by EY, relating to the Evaluation of equity investments in subsidiaries, as regards the PLC S.p.A Financial Statements, and the Recognition of revenues and evaluation of contract work in progress and the Goodwill Assessment, as regards the Consolidated Financial Statements.

Independent Auditors EY S.p.A. (hereinafter also “EY”) today released the reports pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of European Regulation 537/2014, for the financial statements and the consolidated financial statements of the Group at 31 December 2020, prepared in accordance with the International Financial Reporting Standards - IFRS adopted by the European Union, as well as with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005. From these reports it appears that the financial statements and the consolidated financial statements provide a true and correct representation of the balance sheet and financial position, the economic result and the cash flows for the year ended on that date. The aforementioned reports do not contain any remarks or references to information.

The Independent Auditor has sent to the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, the "Additional report for the Internal Control and Audit Committee" which explains the results of the statutory audit of the accounts made and includes the declaration relating to independence pursuant to art. 6, paragraph 2, letter a) of Regulation (EU) no. 537 of 16 April 2014, as well as the information required by art. 11 of the same Regulation. The Independent Auditors have confirmed that no elements have come to its attention that suggest that there are significant deficiencies in the internal control system in relation to the financial reporting process of the financial statements and consolidated financial statements as at 31 December 2020, such as to be reported to the Internal Control and Audit Committee. The Board of Statutory Auditors will inform the Company's administrative body about the results of the statutory audit, and send the additional report pursuant to art. 11 of European Regulation no. 537/2014, accompanied by any observations, pursuant to art. 19 of Legislative Decree no. 39/2010.

During the year, we held meetings with the managers of the Independent Auditor, pursuant to art. 150, paragraph 3, of Legislative Decree no. 58/1998, during which appropriate information exchanges were carried out and no facts or situations emerged worthy of being highlighted. The Board of Statutory Auditors (i) analysed the activity carried out by the Independent Auditor, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work and (ii) shared with the Independent Auditor the problems relating to corporate risks, thus being able to appreciate the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and the Group.

In accordance with the indications of the joint document of the Bank of Italy / Consob / ISVAP (the insurance watchdog) of 3 March 2010, the Board of Directors of the Company has examined the compliance of the impairment test procedure with the requirements of the international accounting standard IAS 36, benefiting also from the confirmation expressed by specialist consultants, which was followed by the approval of the procedure itself on 09 March 2021 and the approval of the results of the impairment test, which took place on 19 March 2021.

As is clear from the information provided pursuant to art. 149-duodecies of the Consob Issuers' Regulation shown in the Financial Report, the Company and the Group companies conferred on EY S.p.A, during the 2020 financial year, in addition to the mandate for the statutory audit of the financial statements, the consolidated financial statements, the half-yearly report and checks that the corporate accounts have been regularly kept, non-audit assignments relating to (i) the verification services aimed at signing the 2020 VAT return and the 2020 CNM (Consolidato Nazionale Mondiale) Model, (ii) services for the certification of financial covenants and (iii) services for the certification of the sustainability report. The total fees due to the Independent Auditor for the aforementioned certification services amount to Euro 15,000.

These positions were previously approved by the Board of Statutory Auditors and, based on the checks made, the Board did not consider that there were any critical issues regarding the independence of the Independent Auditor.

As required by art. 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors verified and monitored the independence of the Independent Auditor pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and art. 6 of the European Regulation, in particular as regards the adequacy of the provision of services other than auditing, in accordance with art. 5 of this Regulation.

The Board received from the Independent Auditors, pursuant to the provisions of art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010, confirmation that, in the period from 1 January 2020 to the date of the communication (7 April 2021), it did not find situations that could compromise their independence or causes of incompatibility indicated by articles 10 and 17 of Legislative Decree no. 39/2010 and related implementation provisions.
Therefore, also taking into account the communication issued by EY S.p.A. and the tasks assigned it and to the companies belonging to its network by the Company and the Group companies, based on the supervisory activity carried out pursuant to art. 19 of Legislative Decree no. 39/2010, critical aspects regarding the independence of the Independent Auditor EY S.p.A. have not emerged.

Other activities

Significant transactions

In order to monitor compliance with the principles of correct administration, in addition to having participated, as described above, in all the meetings of the Board of Directors and the Board Committees, the Board of Statutory Auditors, pursuant to art. 2381, paragraph 5, of the Civil Code, of art. 150 of Legislative Decree no. 58/98, obtained from the directors the information on the activities carried out and on the more significant economic, financial and equity transactions approved and implemented during the year by PLC and subsidiaries; this information is fully represented in the Report on operations, to which reference should be made.

Transactions with interests of directors and statutory auditors and transactions with related parties

The Board of Statutory Auditors assesses the information provided by the Board of Directors in the Management Report as appropriate for intra-group and related party transactions.
The Board has not identified the existence of atypical and / or unusual transactions with Group companies, with third parties or with related parties, finding confirmation of this in the indications by the Board of Directors, the Independent Auditor EY S.p.A., the Related Party Committee and the Internal Control Manager.
During the 2020 financial year, based on the information received, some transactions were carried out with related parties, both within the group and with third parties; as far as we know:

− they were carried out in compliance with the Regulations for carrying out transactions with related parties, approved by the Board of Directors on 29 November 2010, as well as subsequent amendments and additions, drawn up in accordance with Consob resolution no. 17221 of 12 March 2010, and subsequent amendments, containing the Regulations for Related Party Transactions;
− they were carried out in the interest of the Company, were ordinary and concluded at conditions equivalent to market or standard conditions;
− they do not include atypical or unusual transactions.

Transactions with related parties are adequately described in the financial statements, where the main economic and equity balances deriving from relations with related parties are also reported.

Complaints pursuant to art. 2408 of the Civil Code

During the year, the Board of Statutory Auditors received no complaints pursuant to art. 2408 of the Civil Code.

Code of Self-regulation (Corporate Governance Code)

The Board of Statutory Auditors supervised, pursuant to art. 149, paragraph 1, letter c-bis of Legislative Decree no. 58/1998, on the methods of actual implementation of the Corporate Governance system envisaged by the Corporate Governance Code of listed companies, promoted by Borsa Italiana S.p.A, to whose recommendations and principles the Company has adhered, incorporating over time the relative updates and recommendations. Since adherence to the Code of Self-regulation, and the new version of January 2020 as the Corporate Governance Code, the Board of Directors has taken specific resolutions to implement and specify the provisions of the Code. In particular, having taken note of the assessments made by the Board of Directors and by the Control and Risk Committee, the Board of Statutory Auditors verified *i*) that the assessment criteria and procedures adopted by the board to assess the independence of its members have been correctly applied, *ii*) in relation to the needs and operations of the Company, the adequacy of the size, composition and operation of the Board and its Committees, as well as *iii*) compliance with the independence criteria by the individual members of the Board of Statutory Auditors.

In this context, the Board has taken note that the annual report on corporate governance and ownership structure, prepared in accordance with art. 123-bis, Legislative Decree 58/98 and art. 89-bis, Issuers Regulation, contains information on ownership structures, adherence to codes of conduct and compliance with the consequent commitments, highlighting the choices that the Company has made in applying the principles of governance. With regard to its contents, there are no particular comments to report.

Self-assessment of the Board of Statutory Auditors

The Board of Statutory Auditors has periodically checked compliance with the independence criteria and its members professionalism and integrity, as required both by law, and by the principles set out in the Rules of Conduct of the Board of Statutory Auditors of listed companies recommended by the National Association of Chartered Accountants and Accounting Experts, as well as the Governance Code, acknowledging that its members:

- do not come into any situation of ineligibility, incompatibility and forfeiture foreseen in relation to the office of Statutory Auditor by law, regulation and Articles of Association;
- possess the integrity requirements prescribed by applicable legislation and, specifically, the requirements established for members of the control bodies with the Regulations issued pursuant to art. 148, paragraph 4 of Legislative Decree no. 58/1998; and
- comply with the provisions relating to the limits on the overlapping of offices required by current legislation.

In the composition of the Board of Statutory Auditors, gender balance is guaranteed in the bodies of companies with listed shares, in accordance with the provisions of the Articles of Association and law no. 160 ("Budget Law 2020"), whose art. 1, paragraphs 302, 303 and 304, amends art. 147-ter, paragraph 1 ter, and 148, paragraph 1 bis, of Legislative Decree 24 February 1998, no. 58 "Consolidated Law on Finance" ("TUF"), introduced by law no. 20 ("Golfo-Mosca" law) and by Consob Communication no. 1 of 30 January 2020.

As for its operation, the Board of Statutory Auditors:

(i) verified the consistent participation of its members (in the quantitative terms indicated above) both in the board meetings frequently held jointly with the Company's Control and Risk Committee, and in all the meetings of the administrative body and in general of the Board Committees; and

(ii) assessed the relevance of the topics dealt with based on planning aimed at identifying the main risk profiles (risk based approach), as well as on the basis of an adequate programming of the periodic information flows held with the Company's management, with the internal control functions and with the Supervisory Body. The specific control and monitoring functions regarding financial reporting and statutory auditing, provided for by art. 19 of Legislative Decree 27 January 2010, no. 39, provided, inter alia, for a constant and reciprocal exchange of information periodically held with the auditing company and with the Manager in charge of Financial Reporting, ensuring correct and effective operation of the Board of Statutory Auditors also as the Internal Control and Audit Committee.

Opinions expressed by the Board of Statutory Auditors

The Board of Statutory Auditors issued the following opinions regarding:

- the appointment of the new Internal Audit manager;
- the integration of the salary reserved for the Chairman of the Board of Directors.

Financial statements at 31/12/2020

Preliminarily, we highlight that the draft financial statements and the consolidated financial statements as at 31 December 2020 were made available to the Board of Statutory Auditors following their approval by the administrative body on 31 March 2021.

The Board of Statutory Auditors verified compliance with the legal provisions relating to the preparation of the financial statements for the year ended 31 December 2020 - drawn up in accordance with the IFRS international accounting standards issued by the IASB - and the Directors' Report, through direct checks and information acquired by the Auditing firm.

In their Report and in the Explanatory Notes to the Financial Statements, the Directors provided ample information regarding the management trend, the main operations that took place during the 2020 financial year and the events that occurred after the year end.

We highlight that neither PLC nor the Group's companies are subject to Legislative Decree no. 254/2016 concerning the communication of non-financial information, as the Company does not fall within the scope of application of art. 2 of this decree, nor since the Group companies are public interest entities. The company will voluntarily publish the Consolidated Sustainability Report for the year 2020.

On 7 April 2021, the Independent Auditor made its reports pursuant to art. 14 Legislative Decree 27 January 2010, no. 39, on the consolidated financial statements and on the financial statements of the Company at 31 December 2020, which highlight an “unmodified opinion". The Independent Auditor expressed its opinion highlighting that *“the financial statements provide a true and correct representation of the Company’s balance sheet and financial position as at 31 December 2020, the economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of art. 9 of Legislative Decree 28 February 2005, no. 38.”*.

* * *

The Board of Statutory Auditors, taking into account all the above, based on the control activities carried out, considering the results of the activity of the Independent Auditor, from the standpoints of its competence and on the basis of its own knowledge, does not identify reasons that prevent the approval of the financial statements for the year ended 31 December 2020, as prepared by the administrative body, and the proposed resolution concerning carrying forward the loss for the year amounting to Euro 263,863.

Milan, 07 April 2021

BOARD OF STATUTORY AUDITORS

Massimo Invernizzi (Chairman)

Claudio Sottoriva

Maria Francesca Talamonti

4.6 INDEPENDENT AUDITOR'S REPORT

PLC S.p.A.

Financial statements as at 31 December 2020

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

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 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 2020, the income statement, the comprehensive income statement, statement of changes in 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 2020, 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, we do not provide a separate opinion on these matters.

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 2020 includes Equity investments in subsidiaries for an amount of EUR 4.9 million. Equity investment in subsidiaries are accounted for at acquisition cost, eventually reduced for impairment losses. The Company, at least once per year, performs an assessment on impairment indicators for each subsidiary, and subjects them to impairment test if trigger events occur. Processes and procedures to evaluate and determine the recoverable amount of each equity investment are based on assumptions, sometimes complex, which require the judgment of Directors, in particular with reference to the prospective cash flows, also in light of the Covid-19 pandemic in progress, and to the determination of the discount rates applied to such forecasts. 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 audit matter have, among other things, concerned: - analysis of the Company's impairment test procedure, approved by the Board of Directors on March 9, 2021, 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 of the assumptions underlying the prospective cash flows, with particular reference to the rates used; - sensitivity analysis on key assumptions in order to determine any significant impacts on the evaluation of the recoverable value; - the assessment of the quality of the forecasts compared to the historical accuracy of the previous forecasts. Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the valuation of the recoverable amount as the main assumptions change. 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 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 2020, 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 2020 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 2020 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, 7 April 2021

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

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

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

Pursuant to art. 2429 paragraph 3 and 4 of the Civil Code, below is a summary statement of the essential data of the companies included in the consolidation scope.

SUBSIDIARIES

	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 Irsina S.r.l.	C&C Tre Energy S.r.l.	Alisei Wind S.r.l.	Tirreno S.r.l.
Statement of financial position (thousands of Euro)											
INTANGIBLE ASSETS	4,000	208	8,582	1,920	-	-	3,369	218	612	213	189
CURRENT ASSETS	10,923	1,764	17,969	470	88	346	3,047	8	44	29	10
TOTAL ASSETS	**14,923**	**1,972**	**26,551**	**2,390**	**88**	**346**	**6,416**	**226**	**656**	**242**	**199**
SHAREHOLDERS' EQUITY	**2,852**	**292**	**12,368**	**(14)**	**88**	**75**	**3,226**	**177**	**202**	**94**	**11**
NON-CURRENT LIABILITIES	4,854	702	1,664	38	-	-	2,196	21	254	68	158
CURRENT LIABILITIES	7,217	978	12,519	2,366	-	271	994	28	200	80	30
TOTAL LIABILITIES	**14,923**	**1,972**	**26,551**	**2,390**	**88**	**346**	**6,416**	**226**	**656**	**242**	**199**
Income statement (thousands of Euro)											
REVENUES	14,399	2,862	12,658	5	13	-	1,477	-	-	-	-
PRODUCTION COSTS	12,220	2,633	13,866	26	63	29	97	11	16	14	10
OPERATING RESULT	**2,179**	**229**	**(1,208)**	**(21)**	**(50)**	**(29)**	**1,380**	**(11)**	**(16)**	**(14)**	**(10)**
FINANCIAL INCOME AND (EXPENSES)	175	(4)	(289)	(5)	-	-	(86)	-	12	2	7
PROFIT FROM EQUITY INVESTMENTS	-	-	62	-	-	-	-	-	-	-	-
PRE-TAX RESULT	**2,354**	**225**	**(1,435)**	**(26)**	**(50)**	**(29)**	**1,294**	**(11)**	**(4)**	**(12)**	**(3)**
TAXES	504	3	(287)	-	-	-	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**1,850**	**222**	**(1,148)**	**(26)**	**(50)**	**(29)**	**1,294**	**(11)**	**(4)**	**(12)**	**(3)**

	Pangreen Moçambique LDA	MSD Service S.r.l.	Schmack Biogas S.r.l.	BioForCH4 S.r.l.	Monsson Operation Ltd	Monsson Energy AB	Monsson Operation GmbH	Monsson Operation S.r.l.	Monsson Turkey	Wind Power Energy	Monsson Energostroy LLC
Statement of financial position (thousands of Euro)											
INTANGIBLE ASSETS	281	-	637	-	135	-	257	2,260	4	246	1
CURRENT ASSETS	2	1,174	3,319	10	2,971	1,023	7,029	5,250	58	387	70
TOTAL ASSETS	**283**	**1,174**	**3,956**	**10**	**3,106**	**1,023**	**7,286**	**7,510**	**62**	**633**	**71**
SHAREHOLDERS' EQUITY	**(107)**	**(51)**	**1,311**	**8**	**(426)**	**52**	**791**	**1,063**	**(990)**	**484**	**(28)**
NON-CURRENT LIABILITIES	-	-	776	-	3,494	8	-	217	939	4	-
CURRENT LIABILITIES	390	1,225	1,869	2	38	963	6,495	6,230	113	145	99
TOTAL LIABILITIES	**283**	**1,174**	**3,956**	**10**	**3,106**	**1,023**	**7,286**	**7,510**	**62**	**633**	**71**
Income statement (thousands of Euro)											
REVENUES	-	4,754	7,924	-	30	2,220	15,676	13,572	8	722	164
PRODUCTION COSTS	20	4,776	8,297	2	160	2,164	15,480	13,090	109	627	197
OPERATING RESULT	**(20)**	**(22)**	**(373)**	**(2)**	**(130)**	**56**	**196**	**482**	**(101)**	**95**	**(33)**
FINANCIAL INCOME AND (EXPENSES)	(104)	(39)	(51)	-	(18)	(27)	(2)	(258)	(291)	6	(21)
PROFIT FROM EQUITY INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRE-TAX RESULT	**(124)**	**(61)**	**(424)**	**(2)**	**(148)**	**29**	**194**	**224**	**(392)**	**101**	**(54)**
TAXES	-	-	(2)	-	-	13	63	33	(3)	5	(7)
PROFIT (LOSS) FOR THE PERIOD	**(124)**	**(61)**	**(422)**	**(2)**	**(148)**	**16**	**131**	**191**	**(389)**	**96**	**(47)**

RELATED COMPANIES

	Monsson Poland SP Z.o.o.	Monsson South Africa	Sicily Biomethan S.r.l.
Statement of financial position (thousands of Euro)			
INTANGIBLE ASSETS	-	-	42
CURRENT ASSETS	13	-	2
TOTAL ASSETS	**13**	**-**	**44**
SHAREHOLDERS' EQUITY	**(56)**	**(29)**	**10**
NON-CURRENT LIABILITIES	53	29	34
CURRENT LIABILITIES	17	-	-
TOTAL LIABILITIES	**13**	**-**	**44**
Income statement (thousands of Euro)			
REVENUES	-	-	-
PRODUCTION COSTS	7	1	3
OPERATING RESULT	**(7)**	**(1)**	**(3)**
FINANCIAL INCOME AND (EXPENSES)	(6)	-	-
PROFIT FROM EQUITY INVESTMENTS	-	-	-
PRE-TAX RESULT	**(13)**	**(1)**	**(3)**
TAXES	-	-	(1)
PROFIT (LOSS) FOR THE PERIOD	**(13)**	**(1)**	**(2)**

ANNEX 2 - REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Pursuant to art. 123-*bis* of TUF

(traditional administration and control model)

Issuer: PLC S.p.A.

Website: www.plc-spa.com

Year to which the Report refers: 2020

Report approval date: 31/03/2021

PLC SPA
Registered office: Via Lanzone, 31 – 20123 Milan – Italy
Tel.: 0249535741– Fax: 0691281491
VAT No. and Tax Code 05346630964 – Economic Administrative Index MI-1814188 – Share Capital € 27,026,480.35 fully paid up
Certified email: plcspa@pec.it – WEB: www.plc-spa.com

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GLOSSARY

Meeting: the issuer's shareholders' meeting.

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in March 2006, modified in March 2010 and updated in July 2018 by the Corporate Governance Committee, accessible to the public on the website: www.borsaitaliana.it.

Civ. Cod. / or C.C.: Italian Civil Code.

Board or BoD: the Issuer's Board of Directors.

Issuer or PLC or Company: the issuer of listed shares admitted to trading on the Electronic Share Market organized and managed by Borsa Italiana S.p.A., to which the Report refers.

Financial Year: the financial year ended on 31 December 2020, to which the Report refers.

Group: the Issuer together with the companies directly or indirectly controlled by it.

Consob Issuer Regulations: the Regulations issued by Consob with resolution no. 11971 of 1999 regarding issuers, as subsequently amended and supplemented.

Consob Market Regulations: the Regulations issued by Consob with resolution no. 20249 of 2017 regarding markets, as subsequently amended and supplemented.

Regulation on related party transactions: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended and supplemented) on related party transactions.

Report: this corporate governance report.

Articles of Association: the Issuer's articles of association in force at the date of this Report.

TUF (Testo Unico della Finanza): Legislative Decree 24 February 1998, no. 58.

INTRODUCTION

This Report describes, in accordance with the provisions of art. 123-bis of the TUF, the Corporate Governance model adopted by PLC, illustrating the level of compliance with the recommendations of the Corporate Governance Code, as well as the ownership structure of the Company.

This document has been approved by the Board of PLC on 31 March 2021 and conforms, in its structure, to the “Format for the report on corporate governance and ownership structures" prepared by Borsa Italiana S.p.A., VIII edition (January 2019).

Making this Report available at the registered office, Borsa Italiana S.p.A. and its publication on the website www.plc-spa.com will take place within the terms prescribed by current legislation on the matter.

1. ISSUER'SPROFILE

It should be noted that the Issuer falls within the definition of S.M.E. pursuant to art. 1, paragraph 1, letter w-quater 1), of the TUF and art. 2-ter of the Consob Issuer Regulations. The value of the average market capitalisation for the year is equal to Euro 34,341 thousand while the value of the turnover as of 31.12.2020 is equal to Euro 65,538 thousand.

With regard to the corporate governance model, the Issuer has adopted the traditional administration and control system, pursuant to articles 2380-bis ss. Civil Code, which provides for the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors and the assignment of accounting control to the auditing company (currently EY S.p.A.). In compliance with the Articles of Association and the relevant provisions of law and regulations, the aforementioned bodies are assigned the following functions and powers:

Shareholders' Meeting

This body is ordinarily and extraordinarily competent to resolve on the matters reserved to it by law and / or by the Company's Articles of Association.

Board of Directors.

This body is vested with the broadest powers for the ordinary and extraordinary administration of the Company, with the right to perform all the appropriate deeds to achieve the corporate purposes, with the exception of those deeds reserved - by law and / or by the Articles of Association - for the Meeting. It can therefore perform all deeds, including dispositions, which it deems appropriate to achieve the corporate purpose.

At the date of this Report, the Board is made up of 6 members in office, 2 of whom independent pursuant to Criterion 3.C.1 of the Code, as will be better explained further on in this Report, and 4 executives pursuant to Criterion 2.C.1 of the same Code.

As of the date of this Report, the following Committees have been set up within the Board to which the duties set out in the Code are attributed:

- Control and Risk Committee;
- Appointments, Remuneration and *Stock Option* Plans Committee.

With regard to the Board Committee for transactions with related parties, it should be noted that, based on the regulation on transactions with related parties approved by the Board on 29 November 2010 as last updated on 15 May 2018, the Committee in question identifies itself, according to the matter under examination, with the Control and Risk Committee or with the Nominations, Remuneration and Stock Option Plans Committee, and is, in any case, made up of independent non-executive and unrelated directors.

<u>Board of Statutory Auditors</u>

The aforementioned body has the task of supervising:

- compliance with the law and the Articles of Association as well as compliance with the principles of correct administration;
- on the adequacy of the Company's organisational structure, the internal control system and the administrative and accounting system, also in reference to the reliability of the latter in correctly portraying the affairs of the company;
- on the methods of actually implementing the corporate governance rules provided for by codes of conduct drawn up by companies managing regulated markets or by trade associations, which the Company declares to comply with by means of public disclosure;
- on the adequacy of the instructions given to the subsidiaries in relation to the information to be provided to fulfil communication obligations.

In addition, the Board of Statutory Auditors, following the entry into force of Legislative Decree 27 January 2010, no. 39 is responsible for:

- examining the work plan prepared by the Head of the Internal Audit Department as well as the periodic reports prepared by him;
- assessing the proposals made by the Independent Auditor to obtain the assignment of the relevant task, as well as the work plan prepared for the audit and the results set out in the report and in any letter of suggestions;
- supervising the effectiveness of the audit process.

<u>Independent auditor</u>

Auditing is done by a specialised company registered in the Special Register of statutory auditors held by Consob, specifically appointed by the Shareholders' Meeting after obtaining the opinion of the Board of Statutory Auditors.

The Independent Auditor 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 as at 31 December 2023.

At the date of this Report, the Company also has the following Codes, Regulations and procedures:

- Procedure for the handling of inside information;
- Internal dealing procedure;
- Procedure for fulfilling the information obligations pursuant to art. 150, para. 1, TUF on Finance;
- Group Regulations for carrying out transactions with related parties;
- Code of Ethics of the Group;
- Organisation and management model pursuant to Legislative Decree 231/01 ("Modello 231");
- "The Internal Regulatory System" manual;
- Global Quality Group policy;
- Health, Safety and Environment Group policy;
- Anti-corruption Group Policy;
- Procedure for the preparation of the Consolidated Financial Statements and management of Intercompany relationships;
- Procedure on the preparation of the financial statements and reporting;
- Group Budget Procedure;
- Financial Disclosure Procedure;
- Procedure for Legal and Corporate Affairs Management;
- Financial Planning and Treasury Management Procedure;
- Procedure for access and use of computer data;
- New Business Development Management procedure;
- Procedure for event management, sponsorships, public initiatives and contributions;
- HQSE Resource Management Procedure;
- Procedure for the management of relations with the Public Administration and the Supervisory Authorities;
- Procedure for the management of free gifts, gratuities and entertainment expenses;
- Procedure for the management of purchases of goods, services, consultancy and professional services;
- Active invoicing procedure;
- Procedure for the selection, hiring and placement of personnel;
- HR and Payroll procedure;
- Actual Group vs Budget Quarterly Review Procedure;
- Whistleblowing procedure;
- Procedure on evaluation and approval of investments in information systems;
- Procedure for entrusting of tasks to the company in charge of the Legal Audit and to the related Network.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123-bis, paragraph 1, TUF) 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-in share capital of PLC amounts to Euro 27,026,480.35, divided into 25,960,575 shares with no nominal value. The shares are all ordinary and registered. There are no other categories of shares. See, in particular, what is shown in the following table:

SHARE CAPITAL STRUCTURE				
	No. of shares	**% with respect to share capital**	**Listed on the MTA - Standard Segment**	**Rights and obligations**
Ordinary shares	25,960,575	100%	100% listed on the MTA Market	Ordinary
Multiple voting shares	N/A	N/A	N/A	N/A
Shares with limited voting rights	N/A	N/A	N/A	N/A
Shares without voting rights	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A

OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe newly issued shares)				
	Listed on the MTA– Standard Segment	**no. of instruments in circulation**	**Category of shares serving the conversion / business**	**number of shares serving the conversion / business**
Convertible bonds	N/A	N/A	N/A	N/A
Warrant	N/A	N/A	N/A	N/A

At the date of the Report, the Company has not adopted share-based incentive plans that entail increases, even free of charge, in the share capital.

b) *Restrictions on the transfer of securities (pursuant to art.123-bis, paragraph 1, letter b), TUF)*

There is no limitation to the free transferability of the shares issued by the Company, nor limits to their possession, pursuant to the law or the Articles of Association.

c) *Significant equity investments (pursuant to art.123-bis, paragraph 1, letter c), TUF)*

Based on the results of the shareholders' book and taking into account the communications received pursuant to art. 120 of TUF and other available information, as of the date of this Report, the persons who hold a significant shareholding of more than 5% in the Company's share capital (as it is qualifiable as an S.M.E.), are shown in the following table:

SIGNIFICANT SHAREHOLDINGS IN THE SHARE CAPITAL			
Declarant or person placed at the top of the shareholding chain	**Direct shareholder**	**Share % in the capital Ordinary**	**Share % in the capital Voting**
Annamaria Scognamiglio	FRAES S.r.l.	*73.530%*	*73.530%*
Emmanuel Muntmark	Emmanuel Muntmark	*5.662%*	*5.662%*

d) Stocks that confer special rights (ex art. 123-bis, comma 1, letter d), TUF)

The Company has not issued stocks that confer special control rights or multiple or increased voting shares. There are no individuals with special powers (such as those, for example, referred to in Law 474/94) capable of affecting the economic, commercial and / or financial policy of the Issuer.

e) Employee share ownership: mechanism for exercising voting rights (pursuant to art.123-bis, paragraph 1, letter e), TUF)

There are no shareholding systems for employees of the Issuer.

f) Restrictions on the right to vote (pursuant to art.123-bis, paragraph 1, letter f), TUF)

There are no restrictions on the right to vote on the shares of the Company.

g) Agreements between shareholders (pursuant to art.123-bis, paragraph 1, letter g), TUF)

As of the date of this Report, as far as the Company is aware, there are no agreements between the Company's shareholders that are relevant pursuant to art. 122 of TUF.

h) Change of control clauses (pursuant to art.123-bis, paragraph 1, letter h), TUF) and statutory provisions regarding takeover bids (pursuant to articles 104, paragraph 1-ter, and 104-bis, paragraph 1)

At the date of drafting this Report, the Issuer has not entered into any relevant contracts that include change of control clauses. With reference to the other Group companies, the following is reported on the date this Report was drafted.

As part of the framework agreement entered into between Monsson Operation GmbH and Monsson Operation S.rl., a German and Romanian company respectively, and the company Enercon GmbH for the installation of wind turbines, on 2 June 2020 Monsson Operation GmbH, as contractor, and Enercon GmbH, as customer, were awarded a contract for the installation of 15 type E-138 ENERCON wind turbines at the wind farm of Markbygden - Sweden, with the expected start of operations in the second quarter of 2020. The installation contract, which is part of the ordinary activities of the Group companies, includes lifting services and wiring work, for a value of approximately Euro 2 and a half million.

Art. 17.1 of the contract provides that if during the term of the contract the controlling company of the contractor ceases to control the latter, the customer will have the right to withdraw from the contract.

Notwithstanding the provisions of art. 104 paragraph 1 of the TUF, art. 8 of the Articles of Association provides 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 necessary for the deeds or operations that could thwart achieving the objectives of the offer, during the period between the communication referred to in article 102, paragraph 1, of the same Decree and the closing of the offer*.".

Notwithstanding the provisions of article 104, paragraph 1 - bis, of the TUF, art. 8 of the Articles of Association provides that "the authorisation of the meeting is not necessary even for the implementation of any decision taken before the beginning of the period indicated in the previous paragraph that has not yet been wholly or partially implemented, which does not fall within the normal course of the Company's activities and the implementation of which may hinder the achievement of the offer's objectives.".

i) Delegations to increase the 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 are no delegations to increase the capital pursuant to art. 2443 of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 11 October 2011 introduced the option of increasing the share capital in the Articles of Association, with the exclusion of the option right and within the limits of 10% of the pre-existing share capital, provided that the issue price of the new shares corresponds to the regulated market value of the shares and this is confirmed in a specific report by the company appointed to audit, pursuant to art. 2441, fourth paragraph, second sentence, Civil Code.

Lastly, it should be noted that the ordinary Shareholders' Meeting of PLC, on 25 June 2019, authorised (i) the purchase of treasury shares, to be carried out on one or more occasions, for a maximum duration of 18 months from the date of the resolution (expired on 28 December 2020), with a maximum outlay of Euro 1,500,000.00 and, in any case, up to a maximum of no. 850,000 shares, equal to 3.53% of the subscribed and released share capital and, therefore, without exceeding the limit of 20% of the share capital; as well as (ii) the fulfilment, over one or more times, without time limits and even before having exhausted the acquisitions, of disposal deeds for all or part of the Company's own shares purchased on the basis of the same shareholders' resolution. The shareholders' resolution specifies the terms and conditions of the purchase price of treasury shares which will be purchased by virtue of the authorisation granted. At the closing date of the Financial Year, the Board did not exercise the aforementioned delegation and, therefore, the Company does not hold treasury shares.

For any details on the aforementioned authorisation to purchase and dispose of treasury shares, please refer to the explanatory report prepared pursuant to and for the purposes of articles 125-ter and 132 of TUF and art. 73 of the Issuers Regulation and its Annex 3A, Scheme 4, published on the Company website www.plc-spa.com, in the Investor relations / Corporate governance / Shareholders 'Meeting / Extraordinary and Ordinary Shareholders' Meeting of 25 June 2019 section.

l) Management and coordination activities (pursuant to art. 2497 et seq. of the Civil Code)

The Issuer is not subject to management and coordination activities pursuant to art. 2497 et seq. of the Civil Code and also has organisational controls and governance rules such as to ensure compliance of corporate decisions with the principles of correct management and business interest.

With specific reference to the assessments made regarding the absence of the parent company Fraes S.r.l. exercising management and coordination, it must be noted that Fraes S.r.l. communicated to the Issuer not to exercise management and coordination for the reasons summarised below:

a) the Issuer operates in full autonomy with respect to management relations with the companies controlled by it, without there being 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-operational link between Fraes S.r.l. and the Issuer;

e) Fraes S.r.l. does not issue directives or instructions regarding financial and credit decisions;

f) Fraes S.r.l. limits its relationship with the Issuer to the simple exercising of administrative and equity rights deriving from *shareholder status*, such as, by way of example, voting at the shareholders' meeting and collecting dividends;

g) Fraes S.r.l. does not issue directives for the Issuer regarding the performance of extraordinary operations, such as, inter alia, capital increases, listing of financial instruments, acquisitions, divestitures, concentrations, contributions, mergers and demergers.

It is specified that:

- the information required by article 123-bis, first paragraph, letter i) ("*the agreements between the company and the directors ... which provide indemnity in the event of resignation or dismissal without just cause or if their employment relationship ceases as a result of a takeover bid*") are contained in the Remuneration Report published pursuant to art. 123-ter of TUF;
- the information required by article 123-bis, first paragraph, letter l) (" the rules applicable to the appointment and replacement of directors ... as well as to the modification of the articles of association, applicable additionally if different from the laws and regulations") are illustrated in the section of this Report dedicated to the Board (following Section 4.1).

The governance structure of the Group headed by the Company is as follows:

- the Chairman of the Board, Mr. Francesco Esposito, on 29 December 2020 and with effect from the date the new administrative body was established (i.e, 30 December 2020) as illustrated below, resigned from the role of Sole Director held in two companies directly controlled by PLC, namely PLC System S.r.l. and PLC Service S.r.l.; on 30 December 2020, following the reorganization of the governance system of the aforementioned subsidiaries, a new collective administrative body was appointed for each of them;
- the Sole Director of the company indirectly controlled by PLC, PLC Service Wind S.r.l., in the person of Mr. Fabrizio Fiorenzano (cohabiting spouse of Chiara Esposito, member of the Company's Board) on 28 December 2020 and with effect from the date of incorporation of the new administrative body (i.e., 28 December 2020) as illustrated below, resigned from the aforementioned office; on 28 December 2020, following the reorganization of the governance system of PLC Service Wind S.r.l. a new collective administrative body was appointed, within which Mr. Fiorenzano currently holds the office of Chairman of the Board of Directors and Chief Executive Officer;
- following changes made, up to the preparation date of this Report, in the composition of the administrative bodies of some companies controlled directly or indirectly by PLC, some members of the Board are also members of the administrative bodies of just some of the aforementioned subsidiaries[1].

In the Board meeting on 24 April 2018, also acknowledging the fact that the subsidiaries (directly or indirectly) are included in the consolidation perimeter of PLC, it was recognized that the Issuer exercises management and coordination activities pursuant to art. 2497 et. seq. of the Civil Code on the aforementioned subsidiaries.

3. *COMPLIANCE* (pursuant to art.123-bis, paragraph 2, letter a), TUF)

The Company adheres to the Code (accessible to the public on the Borsa Italiana S.p.A. website on the page http://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf).

The corporate governance system adopted has as its primary objective the creation of value for shareholders. Aware of the need to set up an effective internal control system, the Issuer is constantly engaged in identifying and pursuing initiatives and actions aimed at improving the overall governance system.

In compliance with the applicable legislation, the Report illustrates the PLC "Corporate Governance" system, describing the Company's tangible methods of implementing the provisions of the Code.

According to the "comply or explain" principle, which is the basis of the Corporate Governance Code and in line with EU Recommendation no. 208/2014 - this Report takes into account the recommendations to which the Company has not, at present, deemed it necessary to comply partially or fully.

[1]These are the companies concerned: PLC System South Africa Pty Ltd, MSD Service S.r.l., Schmack Biogas S.r.l., Monsson Operation Ltd, Monsson Operation S.r.l. and Wind Power Energy S.r.l. For the details of the offices, please refer to section 4.2 of this Report.

To the best of the Issuer's knowledge, there are no non-Italian legal provisions applicable to the latter or its subsidiaries with strategic relevance, which influence its corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to art.123-bis, paragraph 1, letter l), TUF)

With reference to the possibility for the appointment and replacement of directors, art. 12 of the Articles of Association provides that:

"The Company is managed by a Board of Directors made up of 5 to 19 members, who remain in office for the period established upon being appointed, in any case not exceeding three years.

Their appointment expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their office and can be re-elected. They resign and are re-elected or replaced in accordance with the law and the articles of association.

The directors must possess the requisites provided for by the law and by the relevant regulatory rules; of them, a minimum number corresponding to the minimum required by law must meet the independence requirements pursuant to article 148, paragraph 3, of Legislative Decree 58/1998.

Failure to meet the requirements entails the forfeiture of the director. The absence of the independence requirement by a director as defined above does not entail their forfeiture if the requirements remain with the minimum number of directors who according to current legislation must possess this requirement. Before proceeding with their appointment, the Shareholders' Meeting establishes the duration and number of members of the Board. If a lesser number of Directors has been determined compared to the maximum envisaged, during the Board's term in office, the Shareholders' Meeting may increase this number through approval with the legal majorities, without observing 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 article 148, paragraph 3, of Legislative Decree 58/1998 equal to at least the minimum required by law. The new directors thus appointed will cease to hold office together with those in office at the time of their appointment.

The appointment of the Board of Directors will take place, in compliance with the pro tem regulation in force concerning gender balance, based on lists presented by the shareholders in the manner specified below, in which the candidates must be listed using a progressive number.

The lists submitted by the shareholders, signed by those who present them, must be filed at the Company's registered office, available to anyone who requests them, at least twenty-five days before the date set for the Shareholders' Meeting on first call and will be subject to other forms of advertising required by current pro tem legislation. Each shareholder, members adhering to a significant shareholder agreement pursuant to art. 122 of Legislative Decree 58/1998, the controlling entity, the subsidiaries and those subject to common control pursuant to art. 93 of Legislative Decree 58/1998, cannot present or participate in the presentation, not even

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through a third party or trust company, of more than one list nor can they vote for different lists, and each candidate may appear on only one list under penalty of ineligibility. Subscriptions and votes cast in violation of this prohibition will not be attributed to any list.

Only those shareholders who, alone or together with other presenting shareholders, hold shares representing at least 2.5% of the share capital with voting rights in the ordinary Shareholders' Meeting or, if different, the maximum permitted percentage by law or regulation will have the right to present the lists.

Together with each list, within the respective terms indicated above, the following must be filed: ***(i)*** *an indication of the identity of the shareholders who presented the lists, the percentage of equity investment held by them overall;* ***(ii)*** *the declarations with which the individual candidates accept their candidacy and certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed for their respective offices;* ***(iii)*** *exhaustive information on the personal and professional characteristics of each candidate with the possible indication of their suitability to qualify as independent pursuant to art. 148, paragraph 3, of Legislative Decree 58/1998.*

Lists with a number of candidates equal to or greater than three must consist of candidates belonging to both genders, so that at least two fifths of the candidates belong to the least represented gender (this number is rounded up to the next higher unit, with the exception of lists consisting of three candidates), or the different percentage required by current legislation.

The appropriate certification issued by an intermediary authorised by law proving the ownership, at the time of filing the first list with the Company, must also be filed, within the term provided for by the applicable regulations for the publication of the lists by the Company, of the number of shares necessary for the presentation.

The lists must indicate which directors are in possession of the independence requirements.

Lists submitted without observing the above provisions are considered as not presented.

The election of the Board of Directors will be carried out as follows:

a) *the Directors to be elected except 1 (one) are taken, in the progressive order in which they are listed, from the list that obtained the highest number of votes;*

b) *the remaining Director is taken from the minority list which is not connected in any way, not even indirectly neither with the list referred to in letter a) above, nor with those who presented or voted for the list referred to in letter a) above, and who got the second highest number of votes. For this purpose, however, lists that have not obtained a percentage of votes at least equal to half of that required for the presentation of the lists, referred to in the eighth paragraph of this article, will not be taken into account.*

If with the candidates elected as above, the appointment is not assured of a number of Directors in possession of the independence requirements established for the statutory auditors by article 148, paragraph 3, of Legislative Decree 58/1998 equal to the minimum number established by law in relation to the total number of Directors, the non-independent candidate elected last in progressive order on the list that has the highest number of votes, referred to in letter a) of the preceding paragraph, will be replaced by the first independent non-elected candidate on the same list in progressive order or, failing that, by the first independent candidate *in the unelected progressive order of the other lists, according to the number of votes obtained by each. This replacement procedure will take place until the Board of Directors is made up of a number of members who meet the requirements of article 148, paragraph 3, of Legislative Decree 58/1998 equal to at least the minimum required by law. Finally, if this procedure does not ensure the result indicated above, the replacement will take place with a resolution passed by the Shareholders' Meeting by a relative majority, upon presentation of candidates of persons in possession of the aforementioned requirements.*

If, moreover, with the candidates elected in the manner indicated above, the composition of the Board of Directors in accordance with the pro tem regulation concerning the gender balance is not ensured, the candidate of the most represented gender elected last in progressive order in the list that had the highest number of votes will be replaced by the first candidate of the less 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 accordance with the pro tem regulation in force concerning gender balance. Finally, if this procedure does not ensure the result indicated above, the replacement will take place with a resolution passed by the Shareholders' Meeting with a relative majority, upon presentation of candidates of persons in possession of the aforementioned requirements.

In the event that a single list is presented, in the event that no list is presented, or in the event that only lists are presented by subjects who hold, even jointly, a majority controlling stake and / or subjects connected with the latter pursuant to the provisions of art. 144-quinquies of Consob regulation 11971/99, the Shareholders' Meeting resolves with legal majorities, without observing the above procedure, without prejudice to compliance with the pro tem regulation in force concerning gender balance. However, there are different and further provisions provided for by mandatory laws or regulations.

If during the year one or more directors are missing, provided that the majority is always made up of directors appointed by the Shareholders' Meeting, pursuant to art. 2386 of the Civil Code, the following will be provided for:

a) *the Board of Directors replaces the members of the same list to which the outgoing directors belonged and the Shareholders' Meeting resolves, with the majorities required by law, respecting the same criterion;*

b) *if candidates not previously elected or candidates with the requisites required do not remain on the aforementioned list, or in any case when for any reason it is not possible to comply with the provisions of letter a), the Board of Directors replaces them, as the Meeting subsequently provides, with the legal majorities without list vote.*

In any case, the Board and the Shareholders' Meeting will proceed with the appointment in order to ensure (i) the presence of independent directors in the minimum overall number required by the current pro tem regulations, and (ii) compliance with the pro tem regulations in force regarding gender balance.

However, the Shareholders' Meeting may resolve to reduce the number of members of the Board to that of the Directors in office for the residual duration of their term in office. If for any reason at least half of the directors appointed by the Shareholders' Meeting cease to serve, the entire Board shall be deemed forfeit; in this case, the directors remaining in office must urgently convene the Shareholders' Meeting to appoint the new Board.

The Board will also remain in office until the Shareholders’ Meeting resolves to renew it; up to that moment, the Board of Directors may only perform day-to-day administration.
Members of the Board of Directors are entitled to compensation to be accounted in the Company costs; this remuneration is established by the Shareholders' Meeting and will remain unchanged until further resolution.
The members of the Board of Directors are also responsible for the reimbursement of expenses incurred due to their office.".

The Company has not adopted a succession plan for executive directors, requesting the related assessment on a case-by-case basis, also taking into account the individual relationship between the Company and the directors and, in this case, the characteristics of each of these relationships and people. If during the year one or more executive directors are missing, they will be replaced according to the provisions of the Articles of Association.

4.2 *COMPOSITION (pursuant to art.123-bis, paragraph 2, letter d and d-bis), TUF)*

On 26 March 2018, the Company’s Ordinary Shareholders’ Meeting unanimously appointed, for three financial years and, therefore, until the date of approval of the financial statements which will close on 31 December 2020, a Board consisting of 6 Directors.

The members of the Board were identified from among the candidates proposed in the only list filed at the registered office by the majority shareholder FRAES S.r.l., owner, at the date of filing the list, of a total of no. 530,209,618 ordinary shares of the Company, equal to 88.35% of the share capital with voting rights at the Shareholders' Meeting. The quorum required for the presentation of the lists on the occasion of the last appointment was 2.5%, as established by Consob with resolution no. 20273 of 24 January 2018.

Since only one list of candidates was presented, in accordance with the provisions of the Articles of Association, the resolution to appoint the Board was made with the legal majority, without observing the appointment procedure by means of the so-called list vote.

On 26 March 2018, the Board appointed Giuseppe Maria Garofano as Honorary Chairman until the date of the meeting called to approve the financial statements as of 31 December 2020.

In addition to the office of Honorary President, therefore, the current Board, appointed on 26 March 2018, consists of the following:

Office	Members	Date of birth	Date of first appointment	In office Since	In office up to	List	Esecutive	Non Esecutive	Independent Code	Independent TUF	(*)	Number of other roles
Chairman	Francesco Esposito	1953	26/03/2018	26/03/2018	Financial statements approval for 2020	M	X				12/12	13
CEO	Michele Scoppio	1975	26/03/2018	26/03/2018	Financial statements approval for 2020	M	X				12/12	7
Director •	Chiara Esposito	1978	26/03/2018	26/03/2018	Financial statements approval for 2020	M	X				12/12	1
Director	Luciano Maria Garofano	1975	26/03/2018	26/03/2018	Financial statements approval for 2020	M	X				12/12	10
Director	Graziano Gianmichele Visentin	1950	28/04/2010	26/03/2018	Financial statements approval for 2020	M		X	X	X	1212	12
Director	Marina D'Artibale	1965	26/03/2018	26/03/2018	Financial statements approval for 2020	M		X	X	X	11/12	1

Number of meetings held during the financial year:

Board of Directors	Control and Risk Committee	Appointments, Remuneration and Stock Option Plans Committee	Board Committee for Related Party Transactions
12	6	2	1

Information is provided below on the personal and professional characteristics of each director (art. 144-octies and 144-decies of the Consob Issuer Regulations) in office at the date of this report.

Francesco Esposito

Born in Naples in 1953, he graduated as an electrical engineering technician from State industrial and technical institute A. Volta in Naples.

After obtaining his diploma, he immediately began his professional career, at a high level, with the major energy sector operators on the Italian market, holding various positions, from Project Management to Technical Management.

After years of experience he decided to create a small company up to becoming today Chairman of the Board of a company listed on the MTA electronic stock 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 FIAT’s Isvor economic school, acquiring skills in issues related to "problem solving", macro and micro economics and creativity techniques.

He is qualified as an engineer.

After a short experience in the automotive sector and business consultancy in the Altran group, he began his adventure in the Energy sector in 2003, almost always in the context of listed companies such as Enertad, Alerion, Iberdrola Renovables.

As part of his professional career in the energy sector, and in particular in the renewable energy sector, he managed the engineering, construction, financing, M&A and the construction and operation of approximately 1,000 MW of plants at various levels (over 25 production plants), with particular reference to the wind and photovoltaic sector and, to a small extent, to the hydroelectric one, 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 a scientific diploma in 1996, two years later in 1998 she began her work experience at the PLC System S.r.l. dealing with customer relations and contracts, coordinator of trade fairs and technical events and company contact for training courses and school internships; over time, she gained mastery in the tasks assigned her by becoming Head of the Technical Service of the aforementioned company. This position was held until 2005, before being transferred in 2006 to PLC Service S.r.l., also part of the Group, holding the position of Commercial - Marketing Manager and Human Resources Manager, always taking care of customer management and relations, also covering other roles, such as:

- responsible for internal and external personnel management;
- *Chief operating officer*.

These positions are still held today, becoming a pivotal point of the 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 worked in an industrial field in the steel sector in the Netherlands, Germany, France and the United States, for about 14 years he has worked in the financial field in the renewable energy sector, he has structured around 30 equity and debt transactions on energy for a total value of about Euro 1.2 billion.

Graziano Gianmichele Visentin

Born in Albano Laziale in 1950, he graduated in Law from the University of Pavia and graduated in Economic Sciences and Financial Security - Faculty of Law from the Tor Vergata University in Rome.

He is qualified in the profession of accountant and auditor.

From October 1969 to May 1973 he attended a four-year academic course (Academy and Application) by the Guardia di Finanza (Italian finance police).

For four years he managed some Tax Inspectorate departments; he was an official for two years in the Tax Department of the "old Banco Ambrosiano"; for four years, Head of Tax Services of Banca Cattolica del Veneto; Director, for nine years, Tax and Budgetary Affairs of the COIN group; General Manager of Premafin Finanziaria for two years; he founded the firm "Visentin & Partners - Law and Tax Firm" in Treviso in 1985, which deals with corporate and tax consultancy, also international for large corporate groups and M&A.

He has significant experience as a director, member of the board of statutory auditors of companies (banking, insurance, stock brokerage companies (SIM), asset management companies (SGR), financial, commercial and industrial), some of which are listed on the stock exchange (Premafin Finanziaria; Fondiaria SAI; Milano Assicurazioni; Alleanza Assicurazioni; Stefanel; Coin group; Alerion; Ascopiave; Marcolin; Roncadin; Richard Ginori 1735; Indesit Company; Piaggio & C; H-Farm).

Marina D'Artibale

Born in Taranto in 1965, she graduated with honours in Economics and Commerce in Rome from the University "La Sapienza" in 1988. She is qualified in the profession of accountant and auditor.

She has gained long-standing Management experience in US multinationals, with experience in various business sectors from Finance to Supply Chain and Logistics, Information Systems, Commercial and Marketing Management, up to becoming General Manager in Johnson & Johnson CH BU. She is currently Senior Advisor in Eurogroup Consulting where she deals with Processes and Organisation, Strategy and Marketing.

In 2015 she was included in the "In the Boardroom" Valore D training programme, dedicated to women who sit and will sit on the boards of directors and control bodies of listed Italian companies, promoted by Egon Zehnder and Linklaters, which trained 330 women. in 6 years. She is currently President of the ITB (Institute of biomedical technologies) National Committee representing 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 in Pfizer CH where she oversaw the start-up of the OTC business and led several restructuring and merger projects.

She started her career at Arthur Andersen in 1988 in corporate auditing and financial statement certification.

Following the usual annual audit, the list of Director or Auditor offices held by the current Directors in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies is shown below:

Members	List of Roles
Francesco Esposito	1. Sole Director of PLC System S.r.l. (up to 30/12/2020) 2. Sole Director of PLC Service S.r.l. (up to 30/12/2020) 3. Chairman of the Board of Directors of Idroelettrica 2014 S.r.l. Sole shareholder[2] 4. Director of Solar Project One S.r.l. (up to 16/09/2020) 5. Director of PLC South Africa Ltd 6. Sole Director of PLC Power S.r.l.[3] 7. Sole Director of C&C Irsina S.r.l.[4] 8. Sole Director of C&C Castelvetere S.r.l. (up to 26/05/2020) 9. Sole Director of C&C Tre Energy S.r.l.[5] 10. Director of Monsson Operation LTD 11. Director of Monsson Operation S.r.l. 12. Director of Wind Power Energy S.r.l. 13. Chairman of the Board of Directors of Schmack Biogas S.r.l. (since 16 January 2020)
Michele Scoppio	1. Director of MSD Service S.r.l. 2. Director of Idroelettrica 2014 S.r.l. Sole shareholder[6] 3. Director of PLC South Africa Ltd 4. Director of Monsson Operation LTD 5. Director of Monsson Operation S.r.l. 6. Director of Wind Power Energy S.r.l. 7. Director of Schmack Biogas S.r.l. (since 16 January 2020)
Chiara Esposito	1. Director of Idroelettrica 2014 S.r.l. Sole shareholder[7]
Luciano Maria Garofano	1. Managing Director Nelke S.r.l. 2. Sole Director Gardil S.r.l. 3. Sole Director Iron Re S.r.l. 4. Director of the Sasso di Maremma Foundation 5. Sole Director Richini Due S.r.l. 6. Sole Director Hope 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. 10. Director of Schmack Biogas S.r.l. (since 16 January 2020)
Graziano Gianmichele Visentin	1. Sole Auditor of Whirpool Italia S.r.l. 2. Standing statutory auditor of Coima SGR S.p.A.

[2] Office held until 8 February 2021
[3] Office held until 9 February 2021
[4] Office held until 5 February 2021
[5] Office held until 5 February 2021
[6] Office held until 8 February 2021
[7] Office held until 8 February 2021

	3. Standing statutory auditor of Ricerca 12 S.p.A. 4. Standing statutory auditor of Air One S.p.A. 5. Standing statutory auditor of Compagnia Aerea Italiana S.p.A. 6. Standing statutory auditor of Eurostazioni S.p.A. 7. Standing statutory auditor of H-Farm S.p.A. 8. Standing statutory auditor of Istituto Europeo di Oncologia S.p.A. 9. Director of Piaggio & C. S.p.A. 10. Director of 21 Investimenti SGR S.p.A. 11. Standing statutory auditor of Ricerca Finanziaria S.p.A. 12. Standing statutory auditor of Centomilacandele S.c.p.A.
Marina D'Artibale	1. Sole director San Damiano Dental S.r.l.

With reference to Criterion 1.C.3 of the Code, at the date of this Report, the Board did not deem it appropriate to define general criteria regarding the maximum number of administration and control positions that can be taken on 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 administration and control positions held with the diligent performance of the tasks taken on as Director of the Issuer, it was considered possible to leave the shareholders presenting the lists for the appointment of the directors wide discretion in the choice of candidates, possibly also taking into account, if need be, the criteria proposed by the Code. The Board also believes, due to the professional profiles and the contribution made during the year, that the current members do not hold a number of positions that do not allow the proper performance of their duties within the Company.
In accordance with Criterion 2.C.3 of the Code, one third of the Board 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 the administrative bodies.
Finally, it should be noted that, as part of the specific training sessions for directors (so-called induction programme), all the members of the Board, in addition to the Board of Statutory Auditors, took part in an induction session organized ad hoc for the Issuer by a primary Italian law firm having as its object, inter alia, the regulation on market abuse and the illustration of the main innovations introduced by the Corporate Governance Code, which is applied starting from the first financial year starting after 31 December 2020 and the adoption of which will be formalized by PLC during the 2021 financial year; the related information to the market will therefore be provided on the occasion of the publication of the report on corporate governance and on the ownership structure of the Company relating to the aforementioned 2021 financial year.
Taking into account the size of the Company and the activities it carries out, it was considered that the directors in office, in light of their experience and the professional skills of each, generally have adequate knowledge of the sector in which the Issuer operates, the corporate dynamics and the principles of correct risk management. In case of need, the Issuer will assess organising further induction sessions in order to provide updates and / or insights on specific issues of interest to the directors.

4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to art.123-bis, paragraph 2, letter d), TUF)

12 meetings were held by the Board during the year. The participation percentages of each director in the Board meetings held during the year are shown below.

Office	Members	% BoD
Chairman	Francesco Esposito	100
CEO	Michele Scoppio	100
Director	Chiara Esposito	100
Director	Luciano Maria Garofano	100
Director	Graziano Gianmichele Visentin	100
Director	Marina D'Artibale	92

The average duration of the Board meetings for the year was 78.83 minutes.
For the current year, in addition to the meetings of 21 January, 15 February, 18 February, 9 March, 19 March, 31 March, just one further meeting is scheduled, as shown in the calendar of events 2021 sent to Borsa Italiana S.p.A. and published on the Company website, which provides for the following time references:

- 30.09.2021: approval of the half-yearly financial report at 30 June 2021.

In accordance with the provisions of the recommendations of the Code, the Chairman of the Board - also with the help of the Chief Executive Officer – endeavours to ensure that the members of the Board are provided with the appropriate methods and timing, the documentation and information necessary for making decisions. To ensure that the directors act in an informed manner and to ensure a correct and complete evaluation of the facts brought to the attention of the Board, the documentation and information is sent to the Directors in reasonable time before the date of the meeting, taking due account that any need for confidentiality and price sensitivity related to certain topics (in compliance with the applicable laws and regulations), as well as any urgency connected to certain topics (on which the Board is called to rule upon) may not be recommended or not allowed.
During the self-assessment process conducted by the Board in relation to the Financial Year (of which below), the adequacy and timeliness of the pre-board information was specifically addressed by the Directors. In this regard, it should be noted that the Directors have essentially agreed that this information is constantly circulated in a timely and adequate manner.
The rules governing the call and conduct of board meetings are contained in article 14 of the current Articles of Association. In particular, this statutory provision provides that the Board meets whenever the Chairman, or

whoever takes his place, deems it appropriate, or if a written request is made to the Chairman by at least two Directors or at least one Auditor.

The notice of Board meetings are made by the Chairman, or entrusted by him to another Director or 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 case of urgency, also by telegram, fax or e-mail, to be sent at least the day before the date set for the meeting. In the absence of these formalities, the meeting is considered 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 registered office or elsewhere indicated in the notice of meeting.

The meetings of the Board may also be held via audio conference or video conference, provided that all participants can be identified and allowed to follow the discussion, receive or transmit documentation and to intervene in real time in the discussion of the topics addressed. If these requirements are met, the Board is considered to be held in the place where the Chairman and Secretary of the meeting are located.

It should be noted that during the year to which this Report refers, some meetings of the Board were held by means of telecommunication in accordance with the provisions of art. 106 of the Law Decree no. 18 of 17 March 2020, containing *"Measures to enhance the health service and economic support for families, workers and businesses related to the epidemiological emergency from COVID-19"*.

The Company's Board resolves on matters that concern it, in the presence of the majority of the directors in office by a majority of the votes of those present and, in the event of a tie, the Chairman's vote prevails.

The Chairman ensures that adequate information is provided on the matters to be discussed, also making use of the presentations and slides prepared for this purpose and of the possible participation of the managers of the Issuer and / or the Group companies responsible for the competent corporate departments depending on the matters on the agenda to be discussed (for example the Executive in charge, the Head of Legal and Corporate Affairs and the Strategic Planning and Business Development Manager have participated in some Board meetings during the year), consultants and / or outside experts.

The Board is the central body of the PLC corporate governance system; pursuant to Article 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 exclusion of those whose responsibility is assigned, by law or on the basis of provisions of the Articles of Association, to the Shareholders' Meeting.

Without prejudice to the provisions of articles 2420-ter and 2443 of the Civil Code resolutions are also the responsibility of the Board, pursuant to the Articles of Association, to be made in any case in compliance with art. 2436 of the Civil Code where required, relating to:

a) merger resolutions 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 share capital in the event of shareholder withdrawal;

d) the adaptation of the Articles of Association to regulatory provisions;

e) the transfer of the registered office within national boundaries;

f) the establishment or closing of branch offices.

Lastly, the Board is reserved the examination and approval:

- of the strategic, business and financial plans of the Issuer, as well as the periodic monitoring of their implementation;
- of the strategic, business and financial plans of the Group, as well as the periodic monitoring of their implementation;
- of the Issuer's corporate governance system.

The definition of the Group's structure is also reserved for the Board.

The Board, usually on an annual basis, assesses the adequacy of the organisational, administrative and accounting structure of the Issuer and of the subsidiaries having strategic relevance with particular reference to the internal control and risk management system. The evaluation process involves the Control and Risk Committee carrying out a preliminary check which, for this purpose, can avail itself of the support of the Head of the Internal Audit Department and of the Manager in charge of Financial Reporting of the Company. The results of this verification are shown to the first useful Board meeting which takes them into account for the respective evaluation.

The remuneration of the Company's managing directors and of the other directors holding particular offices is determined by the Board with the opinion of the Board of Statutory Auditors and upon proposal by the Nomination, Remuneration and Stock Option Plans Committee.

As of the date of this Report, the Company's Board has carried out an assessment of the general operating performance taking into account, in particular, the information received from the Executive Committee.

The examination and approval of the Issuer's and its subsidiaries' operations that have strategic, economic, equity or financial significance are carried out, in advance, by the Issuer's Board. In particular, the Company's Board has defined the operations of significant strategic importance to be submitted to the prior opinion of the Board, pursuant to Criterion 1.C.1., Letter f), of the Corporate Governance Code, and in particular: *i)* the extraordinary operations carried out by the Italian subsidiaries for an amount individually greater than Euro 1,500,000.00 and *ii)* the ordinary operations carried out by the Italian subsidiaries for an amount individually greater than the thresholds set from time to time, based on annual revenues, for the Company's price sensitive press releases. At the end of the financial year, transactions of significant strategic interest (and, therefore, among those subject to the prior assessment and approval of the Board) were not included in those concluded by the Issuer's foreign subsidiaries, also considering that (i) the administrative bodies of these companies are essentially corporate in nature and (ii) the governance system, through the shareholders' agreements, regulates the approval of transactions of significant strategic importance.

The examination and prior approval of the Company's operations in which one or more directors are themselves stakeholders or on behalf of third parties is also reserved for the Board.

As regards the execution of transactions with related parties, the Regulation adopted by the Company's Board on 29 November 2010, as last amended on 15 May 2018, introduces a specific procedure for the examination and approval of the aforementioned transactions - whether they are performed by the Issuer and its subsidiaries - better described in paragraph 11 below to which reference should be made.

By drafting a specific questionnaire filled in by the individual members, the Board assessed the size, composition and functioning of the Board and its Committees as well as the role that the Board played in defining the strategies and monitoring management performance and the adequacy of the internal control and risk management system. This assessment process, in relation to the financial year, was initiated by the Appointments, Remuneration and Stock Option Plans Committee on 1 March 2021 and was presented to the Board at the meeting of 9 March 2021. The assessment process and results was examined in the Board meeting of 19 March 2021 during which the Board, with the support of the Appointments, Remuneration and Stock Option Plans Committee, assessed as adequate, in relation to the needs and operations of the Company, the composition and operation of the Board and its committees. The process aimed at carrying out this assessment did not involve third parties.

With reference to the authorisations for the directors to perform relevant activities pursuant to art. 2390 of the Italian Civil Code, the ordinary Shareholders' Meeting of the Company in the meeting of 26 March 2018 resolved to exempt the Company directors from the prohibition of competition pursuant to art. 2390 of the Italian Civil Code. The Board will assess any problematic cases and report any critical issues where necessary to the Shareholders' Meeting. At the date of the Report, there were no problematic cases assessed by the Board.

4.4 DELEGATED BODIES

CEO

At the meeting of 26 March 2018, the Board resolved to appoint as CEO, Eng. Michele Scoppio attributing to him, in addition to all the powers and responsibilities deriving from the office by law and by the Articles of Association, the powers of representation of the Company vis-à-vis third parties and in court as well as the use of the corporate signature, of all powers for the ordinary management of the Company, to be exercised with a single signature and for amounts individually not exceeding Euro 500,000.00 and with joint signature with the Chairman of the Board for single amounts not exceeding Euro 5 million. With reference to this, including but not limited to, the following powers are included:

- propose the guidelines of the company policy and the planning of the corporate business to the corporate bodies;
- monitor the progress of corporate affairs, verifying the correct implementation of the guidelines and resolutions of the corporate bodies;
- ensure that sufficient information is provided to the Board so that they can adequately take their formal resolutions and, in general, exercise their powers of management, direction and control over the activities of the Company and the Group;

- to represent the Company in the meetings of the companies and entities in which the Company has a stake, exercising the right to vote;
- to coordinate 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 contract loans with them, in order to optimise the Group's financial resources;
- enter into, sign, accept, modify and terminate contracts with third parties relating to the corporate purpose;
- to acquire and dispose of holdings in companies and entities, set up or being set up;
- stipulate, modify and terminate credit, mortgage and loan opening contracts, active and passive, agree on credit lines and other bank facilities;
- request, contract and stipulate with banks, financial and insurance institutions, the release, by them, of security deposits and / or sureties connected with ongoing corporate activities;
- issue sureties in favour of third parties in the interest of the subsidiaries as well;
- enter into, modify and terminate current and deposit accounts, carry out credit and debit transactions within the limits of the credit lines granted;
- make deposits and withdrawals both on available funds and on the overdraft within the limits of the credit lines granted, by cash or by letter or by issuing cheques and money orders issued or endorsed to the Company's order;
- collect the sums owed to the Company both by private individuals and by any public administration, or by other public or private entities, issuing the relative receipts;
- carry out, with a single signature and without limitation of amount, money transfers between the accounts held by the Company;
- carry out, with a single signature and without limitation of amount, money transfers in favour of subsidiaries and associated companies;
- take on, promote, fire, adopt disciplinary measures, establish the contractual conditions and confer the appropriate powers on the employees with the qualification of middle manager or office employee or executive (in the latter case subject to the opinion of the Appointments, Remuneration and Stock Option Plans Committee limited to senior managers);
- stipulate, modify and terminate purchase, supply, service and tender contracts, leasing contracts, including financial contracts, also of a multi-year duration, with the warning that the contractual relations relating to or in any case connected to the same transaction contribute to forming the limit, even if to be concluded through several deeds;
- conclude and sign transactions, reach arbitration compromises;
- actively and passively represent the Company before any administrative, tax and judicial, ordinary and special authority, in any procedure, in any degree and venue, and therefore with powers to sign any procedural document, with powers to resolve, propose and sign any application or defence, appeals

for any reason, any procedural document, even enforcement proceedings, bankruptcy, composition proceedings;

- confer special powers of attorney and operational delegations to Company employees or third parties within the scope of the powers conferred.

Eng. Scoppio is the Issuer's chief executive officer and does not hold any other positions in other listed issuers, there not being recourse to the interlocking directorate situation.

Chairman of the Board of Directors

In the meeting of 26 March 2018, the Board resolved to appoint Mr. Francesco Esposito as its Chairman, and to confer on the Chairman, due to his specific role in the Company's business and his particular skills, all the powers and attributions deriving from the office by law and by the Articles of Association, thus, 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 a single signature and for amounts individually not exceeding Euro 500,000.00 and with joint signature with the Chief Executive Officer for amounts not exceeding Euro 5 million individually. Thus, including but not limited to, the following powers are included:

- propose the guidelines of the company policy and the planning of the corporate business to the corporate bodies;
- monitor the progress of corporate affairs, verifying the correct implementation of the guidelines and resolutions of the corporate bodies;
- ensure that sufficient information is provided to the Board so that they can adequately take their formal resolutions and, in general, exercise their powers of management, direction and control over the activities of the Company and the Group;
- to represent the Company in the meetings of the companies and entities in which the Company has a stake, exercising the right to vote;
- to coordinate 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 contract loans with them, in order to optimise the Group's financial resources;
- enter into, sign, accept, modify and terminate contracts with third parties relating to the corporate purpose;
- to acquire and dispose of holdings in companies and entities, set up or being set up;
- stipulate, modify and terminate credit, mortgage and loan opening contracts, active and passive, agree on credit lines and other bank facilities;
- request, contract and stipulate with banks, financial and insurance institutions, the release, by them, of security deposits and / or sureties connected with ongoing corporate activities;
- issue sureties in favour of third parties in the interest of the subsidiaries as well;

- enter into, modify and terminate current and deposit accounts, carry out credit and debit transactions within the limits of the credit lines granted;
- make deposits and withdrawals both on available funds and on the overdraft within the limits of the credit lines granted, by cash or by letter or by issuing cheques and money orders issued or endorsed to the Company's order;
- collect the sums owed to the Company both by private individuals and by any public administration, or by other public or private entities, issuing the relative receipts;
- carry out, with a single signature and without limitation of amount, money transfers between the accounts held by the Company;
- carry out, with a single signature and without limitation of amount, money transfers in favour of subsidiaries and associated companies;
- take on, promote, fire, adopt disciplinary measures, establish the contractual conditions and confer the appropriate powers on the employees with the qualification of middle manager or office employee or executive (in the latter case subject to the opinion of the Appointments, Remuneration and Stock Option Plans Committee limited to senior managers);
- stipulate, modify and terminate purchase, supply, service and tender contracts, leasing contracts, including financial contracts, also of a multi-year duration, with the warning that the contractual relations relating to or in any case connected to the same transaction contribute to forming the limit, even if to be concluded through several deeds;
- conclude and sign transactions, reach arbitration compromises;
- actively and passively represent the Company before any administrative, tax and judicial, ordinary and special authority, in any procedure, in any degree and venue, and therefore with powers to sign any procedural document, with powers to resolve, propose and sign any application or defence, appeals for any reason, any procedural document, even enforcement proceedings, bankruptcy, composition proceedings;
- confer special powers of attorney and operational delegations to Company employees or third parties within the scope of the powers conferred;
- to attribute also to Mr. Esposito mandate as employer with unlimited amount of expenditure according to Legislative Decree 81/08

Other directors holding management powers

At the meeting of 26 March 2018, the Board resolved to assign human resource duties to the Director Chiara Esposito - without prejudice to the competences and powers envisaged for the Appointments, Remuneration and Stock Option Plans Committee -, with the attribution of the following powers:

- take on, promote, fire, adopt disciplinary measures, establish the contractual conditions and confer the appropriate powers on the employees with the qualification of middle manager or office employee or executive (in the latter case subject to the opinion of the Appointments, Remuneration and Stock Option Plans Committee limited to senior managers).

At the meeting of 26 March 2018, the Board resolved to assign to the Director Luciano Maria Garofano powers in the matter of identification and investigation in relation to extraordinary finance and extraordinary transactions, with the attribution of the following powers:

- to represent the Company in negotiations with banks in relation to the granting of loans and lines of credit;
- represent the Company in the preliminary investigation and in the negotiations relating to extraordinary transactions, with the power to sign - subject to the resolution of the Board - in relation to confidentiality agreements and expressions of interest towards third parties.

Executive Committee

The Board did not set up an Executive Committee.

Disclosure to the Board

In accordance with the provisions of art. 17 of the Articles of Association which, in turn, incorporates the provisions referred to in paragraph 1 of Article 150 of TUF, the Chief Executive Officer reports, on a quarterly basis, on the activities carried out and on the operations of greatest economic, financial and equity significance by the Company, declaring, if applicable, the existence of a conflict of interest with itself or third parties and the existence of atypical or unusual transactions.

4.5 OTHER EXECUTIVE DIRECTORS

From 26 March 2018 to the date of this Report, Eng. Michele Scoppio by virtue of the position of Chief Executive Officer of the Decree 81 Issuer, Mr. Francesco Esposito by virtue of the office of Chairman of the Board of the Issuer, as well as Ms Chiara Esposito and Dr. Luciano Maria Garofano, by virtue of the powers delegated to them by the Board, as indicated above, are deemed to be executive directors.

4.6 INDEPENDENT DIRECTORS

As of the date of this Report, there are two independent directors.

The Board assesses the existence of the directors' independence and non-executive conditions pursuant to the Code on the occasion of the first useful meeting following 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 met to assess, amongst other things, the existence of the independence requirements of Directors Graziano Gianmichele Visentin e Marina D'Artibale on the aforementioned date. This assessment was successful and, in this regard, a press release was also issued on 26 March 2018.

This assessment was again carried out and confirmed by the Board during the meeting first of 17 April 2019 and, subsequently, of 27 March 2020 and, lastly, of 31 March 2021 (a meeting which inter alia approved this Report).

With specific reference to director Graziano Gianmichele Visentin, even though he has held the position of director of the Issuer for more than nine years out of the last ten years, the Board - also in consideration of the high level of professionalism and in light of the information provided by this director - confirmed that in assessing the independence requirement, one must have regard to substantial and non-formal criteria pursuant to the provisions of art. 3.C.1 of the Corporate Governance Code, having taken into account a widespread tendency among listed companies. In this perspective, having assessed the ethical and professional qualities of the interested party, as well as his acting role and his autonomy of judgement, the Board deemed the requirement of independence pursuant to the Code to be met by this director for the financial year.

The Board of Statutory Auditors normally verifies the correct application of the assessment criteria and procedures adopted by the Board to assess the independence of its members.

With reference to the supervisory activities carried out during the year, please refer entirely to the Report by the Board of Statutory Auditors on the PLC Financial Statements as published in accordance with the relevant laws and regulations.

The independent directors met in an ad hoc meeting and in the absence of the other directors, separately from the meetings of the board committees (which, moreover, in the Issuer consist only of the independent directors), on 9 January 2020 to discuss the topics judged of interest with respect to the operation of the Board and the related resolutions during the year.

4.7 LEAD INDEPENDENT DIRECTOR

At the date of this Report, the Board has not appointed an independent director as lead independent director. With reference to Criterion 2.C.4 of the Code, the Company considered that it was not necessary to appoint such a figure, since a complete and timely flow of information between the directors is in fact guaranteed by company practice and procedures. In addition, regardless of this appointment, during the year all the independent directors of the Company were able to coordinate their activities and discuss any requests through participation in the Board's internal committees.

In addition, the Chairman of the Board appointed on 26 March 2018, despite being the holder of management powers, does not believe he can be considered the main person responsible for the management of the issuer, since a CEO is also present on the Board having separately substantially the same powers and the Chairman of the Board does not hold equity interests in the Issuer, nor does he indirectly control the Issuer.

5. PROCESSING CORPORATE INFORMATION

Procedure for the handling of inside information

The Company has adopted a procedure for internal management and external communication of confidential and / or inside information, which governs the management and handling of inside information, as well as the procedures to be observed for communication, both internally and outside the Company, documents and information regarding PLC and its subsidiaries, with particular reference to inside information. This procedure effective from 24 April 2018 and last amended on 1 December 2020, defines, among others, the concept of "Inside Information" and identifies the general behaviour the recipients must have with regard to processing these types of information as well as the roles and responsibilities of the various Department managers. This procedure also contains a descriptive part of the internal management methods for confidential and inside information, an indicative part of the methods for communicating confidential and inside information to the outside and a section dedicated to the penalties to be imposed on recipients in case of abuse or violations of law and procedure. In compliance with the provisions of the aforementioned procedure, the directors, statutory auditors, managers and all employees of the Group companies must keep inside information relating to the Issuer and to the subsidiaries that has come to their attention in the performance of their duties, confidential and comply with the procedures described in the document for the identification, internal management and communication of this information to the market.

The person in charge of fulfilling the disclosure obligations established by the procedure is the Head of Legal and Corporate Affairs. The procedure is published on the website www.plc-spa.com in the Internal risk management system / PLC section.

6. INTERNALBOARD COMMITTEES (pursuant to art.123-bis, paragraph 2, letter d), TUF)

To date the Company has established the following internal Board committees:

- Appointments, Remuneration and Stock Option Plans Committee;
- Control and Risk Committee.

This Report, referring to the financial year, will show the structure of the internal committees during this period.

The Board has assigned the functions of the Board Committee for related party transactions, as provided in the Group Regulations for carrying out related party transactions currently in force, to the Control and Risk Committee and / or to the Appointments, Remuneration and Stock Option Plans Committee, depending on the competence for the subject of the approved transaction.

Minutes of each Committee's meetings are prepared by the Chairman of the Committee.

All the Committees have purely proactive functions and assist the Board in the preliminary investigations regarding the matters of their respective competence.

7. APPOINTMENTS, REMUNERATION, AND STOCK OPTION PLANS COMMITTEE

On 26 March 2018, the Board established a single Appointments, Remuneration and Stock Option Plans Committee, made up of the following non-executive and independent directors pursuant to the Code and TUF: Dr. Marina D'Artibale (Chairman) and Prof. Graziano Gianmichele Visentin, both with knowledge and experience in accounting and financial matters, and / or in remuneration policies, deemed acceptable by the Board at the time of appointment.

The composition of the aforementioned Committee complies with the criteria set out in the Corporate Governance Code with reference to both the Appointments Committee and the Remuneration Committee. In accordance with Criterion 4.C.1. of the Corporate Governance Code, in fact, the Appointments, Remuneration and Stock Option Plans Committee - given that the Board is made up of six members - is made up of only two Directors, both independent.

At the date of this Report, the Committee has not been assigned functions and tasks other than those provided for by the Code.

During the Financial Year, the Appointments, Remuneration and Stock Option Plans Committee met 2 times to resolve on: (i) approval of the Remuneration Report, pursuant to the provisions of art. 123-ter of TUF, relating to the 2019 financial year; as well as (ii) the integration of the Board Chairman's salary.

The average duration of the Appointments, Remuneration and Stock Option Plans Committee meetings for the year was 19 minutes.

The number of meetings for the current year is 3, the first held on 1 March 2021, the second on 18 March 2021 and the third on 31 March 2021. At this meeting, the Committee resolved on: (i) the self-assessment process of the Board members; (ii) the results of the self-assessment process of the Board members; (iii) the proposals to the Board with reference to the setting of the performance objectives for 2021 to which the recognition of the variable remuneration and the identification of criteria for the precise determination of the aforementioned variable remuneration must be linked; (iv) approval of the Remuneration Report relating to the financial year, pursuant to what is provided for in art. 123-ter of the TUF.

The Company directors refrain from participating in the Committee meetings in which proposals are made to the Board relating to their remuneration; if applicable, the Chairman and / or the CEO only intervene as speakers, absent at the time of the vote.

Participation in Committee meetings by third parties usually takes place at the invitation of the Committee itself with reference to individual items on the agenda.

Composition and operation of the Appointments, Remuneration and Stock Option Plans Committee

Office	Name	Non-executive	Independence from Code	Independence from TUF	% shareholding
P	Marina D'Artibale	X	X	X	100
M	Graziano Gianmichele Visentin	X	X	X	100

Functions of the Appointments, Remuneration and Stock Option Plans Committee.

The Committee puts forward the proposals for the remuneration of the managing directors and those vested with particular offices, monitoring the application of the decisions taken.

At the date of this Report, the Committee has not been assigned functions and tasks other than those provided for by the Code which are to:

- make suggestions to the Board regarding its size and composition and express recommendations regarding the professional figures whose presence within the Board is deemed appropriate;
- propose candidates to the Board for the office of director in cases of co-optation, where independent directors need to be replaced;
- in the event that the Board considers adopting a plan for the succession of executive directors, carry out the preliminary examination on the preparation of the plan;
- evaluate and formulate any proposals for the Board regarding the remuneration policy proposed by the Company for directors and executives with strategic responsibilities;
- evaluate and formulate any proposals to the Board regarding share incentive plans, stock options, widespread shareholder plans and similar incentive and loyalty plans for *management* and employees or collaborators of the Group companies, also with reference to the suitability of the pursuit of the characteristic objectives of these plans, the methods of their effective implementation by the competent corporate bodies and any amendments or additions thereto;
- to make proposals or express opinions to the Board, in the absence of those directly involved, on the remuneration of executive directors and executives with strategic responsibilities;
- to make proposals to the Board, in the absence of those directly involved, for the remuneration of the non-executive directors, which must be commensurate with the commitment required of each of them, taking into account any participation in one or more of the Company's internal committees. An insignificant part of this remuneration may be linked to the economic results of the Company. These non-executive directors may be recipients of share incentive plans, only if based on a justified decision of the Shareholders' Meeting.

The activities carried out by the Committee regarding remuneration are described in detail in the Remuneration Report prepared pursuant to art. 123-ter of TUF.

The Committee meetings held during the financial year were regularly minuted.

In carrying out its functions, the Committee had the opportunity to access the information of the corporate departments necessary for the performance of its duties, as well as to make use of external consultants (a faculty which was never exercised during the year).

During the financial year, the Committee did not have to incur expenses of any kind in performing its duties (e.g. consultancy, opinions, etc.).

The entire Board of Statutory Auditors attended the Committee meetings, held during the year, at the invitation of the Committee.

The Committee does not have specific financial resources available to carry out its duties.

8. DIRECTORS' REMUNERATION

For the information in this section, for the relevant parts, please refer to the Remuneration Report that will be published pursuant to art. 123-ter of the TUF within the terms provided therein.

9. CONTROL AND RISK COMMITTEE

On 26 March 2018, the Board appointed non-executive and independent directors as Committee members pursuant to the Code and TUF: Prof. Graziano Gianmichele Visentin (Chairman) and Dr. D'Artibale. The work of the Control and Risk Committee is coordinated by the Chairman.

During the financial year, the Committee met 6 times to carry out assessments and proposals, inter alia, on: (i) the accounting principles used for the preparation of the Company's financial statements; (ii) the meeting with the auditing company; (iii) the Annual Report of the Control and Risks Committee relating to 2019; (iv) updates on the Half-Year Financial Report as at 30 June 2020 and the statutory audit activity; (v) the Report of the Control and Risks Committee relating to the first half of 2020; (vi) the opinion on the adoption and / or updating of some company procedures; (vii) the plan of the activities of the Internal Audit Department relating to the financial year and the half-yearly reports by the Head of the Internal Audit Department; (viii) the appointment of the new Head of the Internal Audit Department and the Department's mandate; (ix) information on the management of the Covid - 19 contingency; (x) the Modello 231 update; (xi) the sustainability report. The aforementioned meetings were duly minuted.

The average duration of the Risk and Control Committee meetings for the year was 43.3 minutes.

The number of meetings for the current year is 2, already held on 05 March 2021 and 24 March 2021. Participation in Committee meetings by third parties usually takes place at the invitation of the Committee itself with reference to individual items on the agenda.

All Committee members have adequate accounting and financial expertise.

Control and Risk Committee composition and operation

Office	Name	Non-executive	Independence from Code	Independence from TUF	% shareholding
M	Graziano Gianmichele Visentin	X	X	X	100
P	Marina D'Artibale	X	X	X	100

Functions attributed to the Control and Risk Committee

The Control and Risk Committee is responsible for carrying out the following activities:

- together with the Manager in charge of Financial Reporting and after consulting the statutory auditor and the Board of Statutory Auditors, assesses the correct use of the accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- expresses opinions on specific aspects relating to the identification of the main corporate risks;
- examines the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular relevance prepared by the Head of the Internal Audit Department;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;
- may request the Head of the Internal Audit Department to carry out checks on specific operating areas, giving simultaneous communication to the Chairman of the Board of Statutory Auditors;
- reports to the Board every six months on the occasion of the approval of the yearly and half yearly financial report, on the activities carried out as well as on the adequacy of the internal control and risk management system;
- supports, with adequate preliminary examination, the assessments and decisions of the Board relating to the management of risks deriving from prejudicial events of which the Board has become aware.

At the date of this Report, the Committee has not been assigned tasks other than those provided for by the Code.

During the year, the Committee dealt with the activities indicated above with particular reference to the tasks relating to internal control and to inform the Board of the activities carried out during the period, to assess the adequacy of the Issuer's internal control system, to verify the correct use of the accounting principles and their homogeneity for the purposes of preparing the consolidated financial statements.

The Chairman of the Board of Statutory Auditors also took part in the meetings of the Control and Risk Committee, which took place during the year, and another Auditor also attended some meetings.

The Head of the Internal Audit Department, the Auditing Firm and the Supervisory Body also participated in the meetings of the Control and Risks Committee, held during the year, at the invitation of the Committee.

The Control and Risk Committee meetings held during the financial year were regularly minuted.

In carrying out its functions, the Control and Risk Committee has the right to access the company information and departments necessary for the performance of its duties and to make use of external consultants.

The Control and Risk Committee does not have specific financial resources available to carry out its duties.

10. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The internal control system in place with the Issuer is divided 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, the management of a healthy, correct business and 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 entrepreneurial management, the completeness, reliability and timeliness of accounting and management information, compliance with applicable laws and regulations, as well as the safeguarding of corporate assets and corporate integrity, also in order to prevent fraud that could damage the Company and the financial markets.

As part of its specific duties and responsibilities regarding the operation of the internal control system, the Board:

(i) has set up the Control and Risk Committee;

(ii) has set up a Supervisory Body for monitoring the operation of Modello 231;

(iii) has appointed the executive Director responsible for supervising the operation of the internal control and risk management system;

(iv) has appointed a Head of the Internal Audit Department;

(v) in accordance with the recommendations of the Corporate Governance Code and the principles of governance of international best practice for listed companies, has approved the following documents:

- **(a)** Group Regulations for carrying out transactions with related parties;
- **(b)** Procedure for the handling of inside information;
- **(c)** Procedure for fulfilling the information obligations pursuant to art. 150, para. 1, TUF;
- **(d)** Internal dealing procedure;
- **(e)** Code of Ethics of the Group;
- **(f)** Group Anti-corruption Policy;
- **(g)** Modello 231 consisting of:
  - General Section;
  - Special Section.

In this regard, it should be noted that, pursuant to art. 114, paragraph 2, of TUF, the Issuer notifies its subsidiaries **(i)** the Procedure for processing inside information; and **(ii)** the Procedure for the fulfilment of the information obligations art. 150, paragraph 1, TUF.

In order to identify and monitor the main risks pertaining to the Issuer and its subsidiaries, in accordance with the pre-established strategies and objectives of sound and correct management, the Issuer has adopted an approach to corporate risk management based on reducing the possibility of negative events happening.

In particular, the objectives attributed to the Group's internal control system can be summarised as follows:

- ensure the business activities are conducted effectively and efficiently;

- guarantee the reliability, adequacy and correctness of the accounting records, as well as the safeguarding of the company's assets;
- ensure compliance with current legislation and with the Group's internal regulations and procedures.

The elements underlying the internal control system adopted by the Company, subject to continuous monitoring and updating, are the following:

- separation of roles and functions in carrying out the operations considered more delicate in terms of the interests involved (so-called segregation of functions);
- traceability of operations;
- control documentation (through the drafting of minutes / reports / mail / subscription etc.);
- management of decision-making processes based on criteria that are as objective as possible.

This system is implemented through policies, procedures, organisational structures and controls implemented by the Group companies on the most significant business processes in terms of risk.

The types of control implemented are divided into:

- automatic or manual line checks, both preventive with respect to the single transaction and subsequent;
- directional checks carried out on the performance of companies and individual processes compared to forecasts.

The Board is responsible for the management of this system, defines its guidelines, periodically assesses, at least annually, its adequacy, efficacy and effective functioning, making use, in exercising these functions, of the support of the Control and Risk Committee, of the Director in charge of supervising the operation of the internal control and risk management system, of the Head of the Internal Audit Department and the Head of the Organisation Department.

The assessment process starts from the results of the control activities entrusted to the Head of the Internal Audit Department, who reports regularly to the Control and Risk Committee which, in turn, also on the basis of the elements observed directly, informs the Board every six months with a specific report on the adequacy and effectiveness of the internal control system, formulating, where deemed appropriate, its previously shared recommendations also with the Director in charge of supervising the operation of the internal control and risk management system.

During the financial year, the Board positively assessed the adequacy, effectiveness and effective operation of the internal control system.

The Company has prepared a whistleblowing procedure for its employees and third parties. Whistleblowing is the reporting system with which anyone who wishes can contribute to the emergence of risks and / or situations potentially harmful to the Company such as fraud, generic risk or a potentially hazardous situation, by sending a specific report.

The ultimate goal of whistleblowing is to manage any reports in order to identify any problems that could arise from a significant corporate offence pursuant to Legislative Decree 231/01.

The Supervisory Body of PLC is responsible for managing the reports.

The Procedure falls within the scope of the internal control and risk management system tools adopted by the Company to combat corruption, ensure fairness and transparency in the conduct of business and the activities carried out and protect its position and reputation.

Whistleblowing therefore is a further and important part of the internal control and risk management system.

On 09 March 2021, the Board, having heard the Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of supervising the operation of the internal control and risk management system, approved the three-yearly Internal Audit Department's plan (2021-2023) and acknowledged the activity carried out by the Head of the Internal Audit Department in 2020. As better detailed below, it must be noted that the Head of the Internal Audit Department changed during 2020.

10.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 26 March 2018, the Board appointed as executive director in charge of supervising the operation of the internal control and risk management system for the financial years 2018-2019-2020 and, more precisely, until the date of the Meeting called for approval of the financial statements as of 31 December 2020, the Director Chiara Esposito.

The Director in charge of supervising the operation of the internal control and risk management system participates in the meetings and activities of the Control and Risk Committee and also constantly reports to the Head of the Internal Audit Department, in this role and context, pursuant to Criterion 7.C.4 of the Code:

- takes care in identifying the main business risks (strategic, operational, financial and compliance), taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, and periodically submits them to the Board for examination;
- implements the guidelines defined by the Board, taking care of the planning, implementation and management of the internal control system, and of risk management and constantly checking its adequacy and effectiveness;
- deals with the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory landscape;
- may request from the Head of the Internal Audit Department to carry out checks on specific operating areas and compliance with internal rules and procedures in the execution of company operations, simultaneously informing the Chairman of the Board, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- promptly reports to the Control and Risks Committee (or to the Board) regarding problems and critical issues that emerged in the performance of its business or of which it has in any case been informed so that the Committee (or the Board) can take the appropriate initiatives.

10.2 INTERNAL AUDIT DEPARTMENT HEAD

Following the assignment of the current Board, the latter - in compliance with Criterion 7.C.6 of the Code, pursuant to which the Internal Audit Department can be entrusted to a subject external to the Issuer, provided it has adequate professionalism and independence requirements - on 24 April 2018, appointed Dr. Salvatore Montano as Head of the aforementioned Department. On 6 August 2020, the Board then appointed Dr. Renato Marro, partner of the Risk Advisory Services of the consulting company BDO Italia S.p.A., as a replacement and, therefore, as the new Head of the aforementioned Department, starting from 1 July 2020 and until 31 December 2023.

The appointment was made on the proposal of the Director in charge of supervising the operation of the internal control and risk management system, after obtaining the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors.

The Board defined the remuneration of the Head of the Internal Audit Department in a manner consistent with company policies.

The Head of the Company's Internal Audit Department at the date of this Report is not responsible for any operating area and does not hierarchically depend on any area manager.

The Head of the Company's Internal Audit Department has direct access to all information useful for the performance of his assignment, reports on his work to the Control and Risk Committee, to the Board of Statutory Auditors and to the Executive Director in charge of supervising the operation of the internal control and risk management system.

The internal control activity done by the Head of the Internal Audit Department from the date of assignment was carried out in accordance with the mandate received from the Board and through sharing the plan of activities on which the Control and Risk Committee issued a positive opinion and also shared with the Board of Statutory Auditors[8].

In particular, as part of his activity, the Head of the Internal Audit Department:

I. proposes to the Board of Directors its own activity plan based on a structured process of risk analysis and prioritization and on corporate strategic objectives, which takes into consideration the main organizational changes and the control activities implemented;
II. verifies, both on an ongoing basis and in relation to specific needs, in compliance with international standards and the principles of the Corporate Governance Code, the operation and suitability of the internal control and risk management system, through the Internal Audit Department's activity plan referred to in the previous point;

[8] It should be noted that the three-year plan (2021-2023) prepared by the Head of the Internal Audit Department, Dr. Marro, was presented to the Control and Risks Committee, which issued its positive opinion on it, on 5 March 2021.

III. carries out the activities set out in the Internal Audit Department's activity plan, as well as any additional activities assigned by the Board of Directors, also through the Chairman and the Chief Executive Officer, and by the other corporate bodies in charge, proposing and sharing with the management, if necessary, possible improvement actions;

IV. prepares the reports that describe the results of each audit and the state of implementation of the action plans shared with the management, making them available to the Board of Directors and the other corporate bodies in charge;

V. issues the Half-Year Report and the Annual Report on the activities of the Internal Audit Department addressed to the Board of Directors, the Control and Risks Committee, the Board of Statutory Auditors, the Executive Director in charge of supervising the operations of the internal control and risk management system, illustrating the activities carried out, the ways in which risk management is monitored, the development of the plans defined by their content, providing an assessment on the suitability of the internal control and risk management system;

VI. prepares and promptly transmits to the Board of Directors and other bodies in charge the reports on events of particular importance, also prepared at the request of the Board of Statutory Auditors, identified through the activity of the Internal Audit Department and promptly informs these bodies, if specifically requested or necessary, on the already verified critical issues or illegal and fraudulent conduct to be managed promptly, the progress of the activities and any obstacle to their execution;

VII. verifies, as part of the activity plan, the reliability of information systems including accounting systems;

VIII. supports the PLC Supervisory Body in the activities aimed at verifying the adequacy of the design and the effective implementation of Modello 231;

IX. supports the Executive in Charge in the activities aimed at verifying the adequacy and effective application of the administrative and accounting procedures prepared pursuant to Law 262/05;

X. assigns specific Internal Audit activities to qualified personnel with adequate knowledge, skills, experience and professionalism;

XI. cooperates with the other control departments in order to make the internal control and risk management system and the risk management process more effective on a Group level, within the scope of the activities set out in the supervisory activity plan of PLC's Supervisory Body and the other offices and objectives assigned by the Board of Directors, also through the Chairman and the Chief Executive Officer, and by the other corporate governing bodies.

At the start of the 2021 financial year, the Head of the Internal Audit Department:

- prepared the three-year plan (2021-2023) developed on a risk-based logic following a risk assessment activity, approved by the Board of Directors on 9 March 2021;
- reported on his work and the results of the activities carried out to the Risk Control Committee, to the Board of Statutory Auditors of the Company, to the executive director in charge of overseeing the operations of the internal control and risk management system and to the Board of Directors.

10.3 ORGANISATION AND MANAGEMENT MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

The Issuer has adopted its own Modello 231 and, during the year, started, with the support of an external consultant, the activities for updating corporate documents on the administrative liability of entities pursuant to Legislative Decree 231/01.

This update was necessary, on the one hand, in light of the organizational changes that affected the Company after the approval of the last update and, on the other hand, following the introduction of further types of crime within the so-called catalogue of predicate offences referred to in Legislative Decree 231/01, so as to ensure its effectiveness in the face of the evolution of company activity and the risks associated with the monitored offences. The procedures and operating instructions for the control of the crime areas have also been revised.

Modello 231 is made up of the following documents:

(i) Code of Ethics of the Group;

(ii) Modello 231 for Organisation and Management - General Section;

(iii) Modello 231 for Organisation and Management - Special Section;

As part of the current Modello 231, all the relevant crime categories were analysed pursuant to Legislative Decree 231/01, as in force at the time of the last update, and upon the outcome of this analysis, the crime groups deemed relevant for the Company were identified, such as:

- crimes against the public administration;
- computer crimes and illegal data processing;
- organised crime offences, transnational crimes and inducement not to make statements or to make false statements to the judicial authority;
- crimes of coin, public credit cards, stamps and instruments or signs of recognition counterfeiting;
- crimes against industry and commerce;
- corporate offences;
- crimes of terrorism or subversion of the democratic order;
- crimes against individual personality;
- market abuse;
- manslaughter or serious or very serious injuries committed in violation of the rules on the protection of health and safety at work;
- receiving, laundering and using money, goods or benefits of illegal origin, as well as self-laundering;
- copyright infringement crimes;
- environmental crimes;
- employment of third-country nationals whose stay is illegal;
- racism and xenophobia.

After updating the Model, still being finalized at the date of this Report, all the relevant categories of offences pursuant to Legislative Decree 231/01 will be analysed on the delivery date of the related risk assessment report such as, for example, the following crimes: violation of the cyber security perimeter introduced in art. 24-bis of Legislative Decree 231/01 by Law 133 of 18 November 2019; tax offences provided for by art. 25-quinquiesdecies of Legislative Decree 231/01; offences introduced by Legislative Decree 14 July 2020, no.75 ("Implementation of Directive (EU) 2017/1371, relating to the fight against fraud affecting the financial interests of the Union through criminal law").

On 26 March 2018 the Board appointed the new Supervisory Body in the persons of Dr. Alfonso Dell'Isola (Chairman), of attorney Silvana Del Monaco and attorney Federica La Rocca, who will remain in office until the approval of the Issuer's financial statements at 31 December 2020.

The updating of Modello 231 also involves the subsidiaries PLC System S.r.l., PLC Service S.r.l. and PLC Service Wind S.r.l. which have each adopted its own organisation and management model, pursuant to Legislative Decree 231/01.

The documentation relating to the current Modello 231 - General Section - of the Issuer and of the three companies as identified above is available on the Company's institutional website at the address www.plc-spa.com, Internal risk management system section.

With reference to the Company's acquisition of the controlling interest in Schmack Biogas S.r.l., it should be noted that the aforementioned company: (i) has already adopted the Group's Code of Ethics; as well as (ii) is finalizing the preparatory activities for the adoption of its own Model 231.

10.4 INDEPENDENT AUDITOR

The Independent Auditor at the date of this Report is EY S.p.A., appointed by the Shareholders' Meeting on 23 June 2015 for a term of 9 years and, therefore, until the date of the Meeting convened to approve the financial statements at 31 December 2023.

10.5 MANAGER IN CHARGE OF FINANCIAL REPORTING OF THE COMPANY AND OTHER COMPANY ROLES AND DEPARTMENTS

Given that the Issuer's Articles of Association provide that the Manager in charge of preparing corporate documents is appointed by the Board, subject to the mandatory opinion of the Board of Statutory Auditors, on 5 July 2018 the Board appointed Ms. Cecilia Mastelli as Manager in charge the preparation of corporate documents, up to the approval of the financial statements relating to the financial year which closed on 31 December 2020, unless anticipated revocation, attributing all the necessary powers and related organisational responsibilities, directives, provisions, supervision, control, 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 specific to this Department.

The Manager in charge is in possession, in compliance with the provisions of the Articles of Association, of the integrity requirements prescribed by current legislation for those who carry out administration and management functions, as well as the professionalism requirements characterised by specific expertise in administrative, accounting and financial matters. The Company's Manager in charge has the necessary powers and resources to carry out the assignment and an annual financial allocation of Euro 15,000.

10.6 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company provides methods of coordination between the various parties involved in the internal control and risk management system (Board, Director in charge of supervising the operation of the internal control and risk management system, Control and Risk Committee, Board of Statutory Auditors, Supervisory Body, Head of the Internal Audit Department, Manager in charge of Financial Reporting and other corporate roles and departments with specific tasks regarding internal control and risk management), in order to maximise the efficiency of the internal control system and risk management and to reduce duplication of activities, as required by the Code.

As PLC Directors are members of the Control and Risk Committee on the one hand, participating in the Board meetings, they always have constant knowledge of the performance of the corporate activity, while, on the other, they constantly inform the Board, during its meetings, of the activities carried out by the Committee.

Furthermore:

(a) the Head of the Internal Audit Department participates in the Risk Control Committee meetings;

(b) the Board of Statutory Auditors routinely participates in the Risk Control Committee meetings;

(c) the Head of the Internal Audit Department sends the Audit Reports relating to the audits to the persons directly involved within the Company.

The coordination between the subjects listed above is carried out through continuous comparison also in specific meetings aimed at this, in which the individuals report on the activity carried out in the single period.

In particular, during the year various joint meetings were held in which the Supervisory Body, the Manager in charge of Financial Reporting, the Head of the Internal Audit Department, the Control and Risk Committee, the Director in charge of supervising the operation of the internal control and risk management system, the Board of Statutory Auditors and the audit firm attended, for an exchange of information on the activities carried out in the reference period, the analysis of the supervisory activities entrusted by the Supervisory Body to Internal Audit and in general, updating and coordination activities.

11. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 29 November 2010, the Board adopted the new Group Regulation for carrying out transactions with related parties (the "**RPT Regulations**"), as amended on 15 May 2018, in compliance with the provisions laid down by applicable laws and regulations.

The RPT Regulations - in order to take into account the current composition of the internal board committees - provides that the Committee must (as defined in the RPT Regulations), independently of the value of the transaction with related parties, consist of two independent directors who are not related.

The RPT Regulations which implements the definitions, principles and guidelines contained in the Regulations on related party transactions is available on the website www.plc-spa.com (Internal risk management system / PLC section) and includes, among other things:

- **i.** the establishment of a computerised archive by the Company, in which the related parties of the Group are included;
- **ii.** the distinction between:
  - **a)** transactions of greater relevance, or those in which at least one of the "relevance indices" envisaged (index of relevance of the equivalent value, index of relevance of the assets and index of relevance of the liabilities), is greater than the 5% threshold;
  - **b)** transactions of lesser relevance, or by exclusion those other than the previous ones;
  - **c)** transactions of greater relevance following the accumulation of transactions;
- **iii.** the regulation, both of the composition and of the operation of the Board Committee (as defined in the RPT Regulations), whose functions were assigned by the Board on 14 May 2014, as well as subsequently on 2 February 2015 and 15 May 2018, to the Control and Risk Committee and / or to the Appointments, Remuneration and Stock Option Plans Committee depending on the subject matter of the approved transaction;
- **iv.** the provision of:
  - **a)** a preliminary procedure to check the applicability of the RPT Regulations to a specific transaction if who is delegated to carry out the transaction (as defined in the RPT Regulations) deems it appropriate;
  - **b)** a procedure for transactions of lesser importance which subordinates the approval resolution to the preventive and justified favourable opinion of the Board Committee on **(i)** the existence of an interest by the Company in the completion of the transaction and **(ii)** the convenience and substantial correctness of the related conditions and provides for at least quarterly reporting by the CEO to the Board and the Board of Statutory Auditors on the execution of the transaction;
  - **c)** a procedure for transactions of greater relevance which **(i)** is reserved exclusively for the Board; **(ii)** subordinates the approval resolution to the preventive and motivated favourable opinion of the Board Committee regarding **(a)** the existence of a Company interest in completing the transaction and **(b)** the significant convenience and correctness of the related conditions; **(iii)** provides for the involvement of the Committee in the negotiations and in the preliminary phase by receiving a complete and timely flow of information; **(iv)** provides for the preparation of an information document in compliance with the requirements of Consob regulations in this regard; **(v)** provides for at least quarterly reporting by the CEO to the Board and the Board of Statutory Auditors on the execution of the transaction;

d) a procedure for the transactions that are the responsibility of the shareholders' meeting which envisages **(i)** the preparation of an illustrative report by the directors, **(ii)** the application of the procedures described above for the transactions of greater and lesser relevance and **(iii)** the disclosure at least quarterly by the CEO to the Board and the Board of Statutory Auditors on the execution of the transaction;

e) specific procedures for transactions with related parties put in place by the Issuer's subsidiaries, for which reference is made in § 11 of the RPT Regulations;

f) the possibility of adopting framework resolutions relating to a series of homogeneous transactions that take place with certain categories of related parties;

g) exclusion from the application of the RPT Regulations for: **(i)** transactions for a small amount, or with a value of less than Euro 25,000.00; **(ii)** compensation plans based on financial instruments approved by the shareholders' meeting pursuant to Article 114-bis of the TUF and the related executive transactions; **(iii)** shareholders' meeting resolutions referred to in article 2389, first paragraph, of the Italian Civil Code, relating to the remuneration due to the Board members and the Executive Committee, as well as the resolutions regarding the remuneration of directors vested with particular offices falling within the amount overall, determined in advance by the shareholders' meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code; **(iv)** shareholders' meeting resolutions referred to in Article 2402 of the Italian Civil Code, relating to the fees due to members of the Board of Statutory Auditors; **(v)** operations to be carried out based on instructions for the purpose of stability issued by the Supervisory Authority or on the basis of provisions issued by the Company in execution of the aforementioned instructions, without prejudice to the provisions of § 12 of the RPT Regulations regarding accounting information; **(vi)** transactions that comply with certain strict conditions.

There are no suitable specific operational solutions to facilitate the identification and adequate management of situations in which a director is stakeholder on his own behalf or on behalf of third parties pursuant to art. 2391 of the Italian Civil Code.

In any case, in accordance with the provisions of art. 2391 of the Italian Civil Code, the directors who have a stake (own or third parties, even potential or indirect) in the Company's operations, promptly and fully inform the Board about the existence and nature of this stake; communication can be made in any way, even orally, during board meetings, or by sending a written note to the Chairman of the Board of Statutory Auditors.

If the stake lies with the chief executive officers, they will refrain from carrying out the transaction in question and invest the Board thereof.

12. APPOINTMENT OF STATUTORY AUDITORS

With reference to the appointment and replacement of the members of the Board of Statutory Auditors, art. 18 of the Articles of Association provides as follows:

"The Shareholders' Meeting appoints the Board of Statutory Auditors made up of three standing members and two substitute members, who can be re-elected, establishing their remuneration. The attributions, duties and duration are those established by law.

The Statutory Auditors must possess the requisites envisaged by current legislation, including regulatory ones.

The appointment of the Statutory Auditors is done based on lists presented by the Shareholders according to the procedures referred to in the following paragraphs, in order to ensure the minority the appointment of a standing Auditor and a substitute Auditor, and in compliance with the pro tem regulations in force concerning gender balance.

The lists, which bear the names, marked by a progressive number, of one or more candidates, indicate whether the individual candidacy is presented for the office of standing auditor or for the office of substitute auditor.

The lists 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 with a total number of candidates equal to or greater than three must consist of candidates belonging to both genders so that at least two fifths belong to the less represented gender in the same list, (this number is rounded up to the next higher unit, with the exception of lists consisting of three candidates), or the different percentage required by the current pro tem legislation, for candidates for the office of standing auditor as well as the candidates for the office of alternate auditor.

Those shareholders who, alone or together with other others, hold shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary Shareholders' Meeting or, if different, the maximum permitted percentage by law or regulation will have the right to present the lists.

Each shareholder, members adhering to a significant shareholder agreement pursuant to art. 122 of Legislative Decree 58/1998, the parent company, the subsidiaries and those subject to common control cannot present or participate in the presentation, not even through a third party or trust company, of more than one list nor can they vote for different lists, and each candidate may appear on only one list under penalty of ineligibility.

Subscriptions and votes cast in violation of this prohibition will not be attributed to any list.

The lists, signed by those who present them, must be filed at the Company's registered office 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 additional and different terms prescribed by the current pro tem regulation.

Without prejudice to compliance with any further procedural burden prescribed by the regulations, including current regulations, together with each list, the shareholders must simultaneously submit to the registered office:

(i) *information relating to the identity of the shareholders who presented the lists, with an indication of the overall percentage of equity investment held;*

(ii) *exhaustive information on the professional and personal characteristics of each candidate, the declarations with which the individual candidates accept their candidacies and certify, under their own responsibility, the absence of causes for ineligibility and incompatibility, as well as the existence of the requirements prescribed by current legislation to hold the office of auditor and the list of any management and control offices held in other companies;*

(iii) *a declaration by the shareholders other than those who hold, even jointly, a controlling stake or relative majority stake, certifying the absence of relationships with the latter as envisaged by article 144-quinquies of Consob regulation 11971/99.*

The first two candidates on the list obtaining the highest number of votes

and the first candidate on the list that will be second in number of votes and that is not connected, even indirectly, with those who presented or voted for the list that obtained the highest number of votes will be elected as standing auditors.

The first substitute candidate on the list that has obtained the highest number of votes and the first substitute candidate on the list that will be second in number of votes pursuant to the preceding paragraph will be elected as substitute auditors.

In the event of a tie between two or more lists, the oldest candidates by age up to the number of positions to be assigned will be elected Auditors.

If , in accordance with the current pro tem regulation concerning gender balance the composition of the Board of Statutory Auditors, in its standing members is not ensured in the manner indicated above, the necessary substitutions will be made from among candidates who hold the position of standing auditor of the list that has obtained the highest number of votes, according to the progressive order in which the candidates are listed.

The Chairmanship of the Board of Statutory Auditors belongs to the candidate on the list that will be second in number of votes, always according to what is established in the preceding paragraphs.

In the event that a single list is presented, in the event that no list is presented, or in the event that only lists are presented by subjects who hold, even jointly, a majority controlling stake and / or subjects connected with the latter pursuant to the provisions of art. 144-quinquies of Consob regulation 11971/99, the candidates present on the list itself or those voted by the Shareholders‘ Meeting will be elected as standing and substitute Auditors, provided that they obtain the relative majority of the votes cast at the Shareholders’ Meeting, subject to compliance with the pro tem regulations in force regarding gender balance.

In the event of termination of the office of a statutory auditor, the substitute belonging to the same list as the auditor to be replaced takes over.

If the requirements of the law and / or the Articles of Association are no longer met, the Auditor lapses from office.

In the event of replacement of a Statutory Auditor, the substitute belonging to the same list as the one being replaced takes over, or, failing that, in the event of the termination of the minority auditor, the next candidate

on the same list to which the one being replaced belonged or, alternatively, the first candidate on the minority list who obtained the second highest number of votes.
It remains understood that the chairmanship of the Board of Statutory Auditors will remain with the minority auditor and that the composition of the Board of Statutory Auditors must comply with the pro tem regulations in force concerning gender balance.
When the Shareholders' Meeting is required to appoint the standing Auditors and / or substitutes necessary for the integration of the Board of Statutory Auditors, the following shall apply: if the auditors elected from the majority list have to be replaced, the appointment takes place by relative majority vote without any list constraint; if, however, it is necessary to replace statutory auditors elected from the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing them from among the candidates indicated in the list to which the statutory auditor to be replaced belonged, or in the minority list that had the second most votes.
If the application of these procedures does not allow, for any reason, the replacement of the auditors designated by the minority, the Shareholders' Meeting will proceed with a relative majority vote; however, in ascertaining the results of this last vote, the votes of the shareholders who, according to the communications made in accordance with the current regulations, will hold, even indirectly or jointly with other shareholders adhering to a significant shareholders' agreement will not be calculated 122 of Legislative Decree 58/1998, the relative majority of the votes that can be exercised at the Shareholders' Meeting, as well as the shareholders who control, are controlled or are subject to joint control of the same or of the shareholders in an association relationship with the shareholders who hold, even jointly, a controlling interest or relative majority pursuant to art. 144-quinquies of Consob regulation 11971/99.
The replacement procedures referred to in the preceding paragraphs must in any case ensure compliance with the current regulation concerning gender balance.
The members of the Board of Statutory Auditors attend the Shareholders' Meetings and meetings of the Board of Directors and the Executive Committee, where established.
The Board of Statutory Auditors must meet at least every ninety days.
The meetings of the Board of Statutory Auditors may also be held via audio conference or video conference, provided that all participants can be identified and allowed to follow the discussion, and to intervene in real time in the discussion of the topics addressed. If these requirements are met, the Board of Statutory Auditors is considered held at the registered office, where at least one auditor must be present. The subjects strictly related to the company's business are: financial market law, commercial law, architecture, engineering.".

13. COMPOSITION AND FUNCTION OF THE BOARD OF STATUTORY AUDITORS (pursuant to art.123-bis, paragraph 2, letter d and d-bis), TUF)

The ordinary Shareholders' Meeting of the Company, on 27 June 2018, unanimously appointed as members of the Company's Board of Statutory Auditors, who will remain in office for three years and, therefore, until the date of approval of the financial statements at 31 December 2020, the candidates proposed on the only list filed at the registered office presented by the shareholder FRAES S.r.l., owner at the time of 85.70% of the Company's share capital.

The quorum required for the presentation of the lists on the occasion of the last appointment was 2.5%, as established by Consob with resolution no. 20273 of 24 January 2018.

The Board of Statutory Auditors met 20 times during the Financial Year.

The average duration of the Board meetings for the year was 75 minutes.

At the time of appointment, the Shareholders' Meeting verified the existence of all the requisites prescribed by the regulations in force for assuming this office and the Board of Statutory Auditors in office at the date of this Report has annually assessed the continued independence of its members also in light of all the criteria indicated for directors by the Code.

The assessment of the continuity of the independence requirements was again carried out and confirmed by the Board during the meeting of 18 March 2021, and this was highlighted in the meeting of the Board on 19 March 2021. It should be noted that as a result of the entry into force of Legislative Decree 27 January 2010, no. 39 the following functions have been attributed to the Board of Statutory Auditors, which therefore:

- examines the work plan prepared by the Head of the Internal Audit Department as well as the periodic reports prepared by him;
- assesses the proposals made by the auditing firm to obtain the assignment of the relevant task, 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 the company's scale and sector.

The Issuer's Board of Statutory Auditors adheres to the recommendation of the Code that the auditor who, on his own behalf or on behalf of third parties, has a stake in a specific transaction by the Issuer must promptly and comprehensively inform the other auditors and the chairman of the Board about the nature, terms, origin and extent of his stake. During the year, the Board of Statutory Auditors supervised the independence of the auditing firm, verifying both compliance with the relevant regulatory provisions, as well as the nature and extent of services other than accounting control provided to the Issuer and its subsidiaries by the same auditing company and entities belonging to the same network.

During the year, the Board of Statutory Auditors coordinated with the Company's Control and Risk Committee, planning in most cases joint meetings through the participation of the Chairman and at least one of its members in the meetings of the Control and Risk Committee.

The Board of Statutory Auditors has regularly interrelated both with the Internal Audit Department and with the Company's Supervisory Body.

Lastly, following the adoption of the RPT Regulations, the Board of Statutory Auditors verified the compliance of the procedures adopted with the principles indicated by the relevant laws and regulations in force at the time.

The composition of the Company's Board of Statutory Auditors is as follows:

Office	Members	Year of birth	Date of first appointment	In office since	In office until	List	Independence from Code	Attendance in the Statutory Auditors meetings	Number of other positions
Chairman	Massimo Invernizzi	1960	23/06/2015	27/06/2018	Financial statements approval for 2020	M	X	20/20	19
Standing statutory auditor	Claudio Sottoriva	1973	23/06/2015	27/06/2018	Financial statements approval for 2020	M	X	20/20	18
Standing statutory auditor	Maria Francesca Talamonti	1978	27/06/2018	27/06/2018	Financial statements approval for 2020	M	X	19/20	20
Substitute statutory auditor	Giovanni Pinna	1966	23/06/2015	27/06/2018	Financial statements approval for 2020	M	X	0	12
Substitute statutory auditor	Francesca Michela Maurelli	1971	27/06/2018	27/06/2018	Financial statements approval for 2020	M	X	0	7

In accordance with Criterion 8.C.3 of the Governance Code, two fifths of the standing and substitute members of the Board of Statutory Auditors is made up of Auditors of the least represented gender. The Company has not applied other diversity criteria or adopted specific diversity policies in relation to the composition of the administration and control bodies.

Notwithstanding that the induction session indicated in section 4.2 of this Report also saw the participation of the Board of Statutory Auditors, it should be noted that no specific training sessions have been scheduled for the Statutory Auditors (so-called induction programme). Taking into account the size of the Company and the activities it carries out, it was considered that the Statutory Auditors in office, in light of their experience and the professional skills of each, have adequate knowledge of the sector in which the Issuer operates, the corporate dynamics and the principles of correct risk management. In case of need, the Issuer will assess organising induction sessions in order to provide updates and / or insights on specific issues of interest to the directors.

Information is provided below on the personal and professional characteristics of each member of the Board of Statutory Auditors at the closing date of the 2020 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 carries out consultancy activities on economic matters and business management, corporate finance, securities markets and corporate governance, evaluation of companies and branches of activity for M&A operations, transfers, transformations, disposals, estimation of share swaps, valuation of tangible and intangible assets; office and party-appointed expert during arbitration and judicial proceedings; judicial liquidator for the Court of Milan.

He is Special Commissioner for the Ministry of Economic Development.

He is a member of the Board and the Board of Statutory Auditors of joint stock companies operating in the industrial, financial and services sectors.

Claudio Sottoriva

Born in ALA (TN) in 1973.

He graduated with honours in Economics and Commerce from the Catholic University of the Sacred Heart in Milan in 1997.

He is qualified in the profession of chartered accountant.

He received his PhD in Business Economics from the Faculty of Economics of the University of Pavia.

He is registered in the Register of Chartered Accountants and Accounting Experts of Milan and in the Register of Statutory Auditors.

He is a researcher of Business methodology and quantitative analysis at the Faculty of Economics of the Catholic University of Milan; carries out numerous academic and scientific research activities.

He is a member of the Italian Academy of Business Economics (AIDEA), the European Accounting Association (EAA) and the European Corporate Governance Institute (ECGI). He is registered with NedCommunity, the Italian association of non-executive and independent directors, members of the corporate governance and control bodies.

He is a member of the working group on international accounting standards of the Italian Accounting Body (OIC) and a member of the Italian Association for Financial Analysis (AIAF).

He is a member of the Faculty of the II level Master Corporate Governance of the Catholic University of the Sacred Heart of Milan.

Specialisation in the various areas of the financial statements and in company assessments in the context of extraordinary operations.

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 the LUISS Guido Carli University of Rome in 2002 and obtained a PhD in Business Economics from the University of Roma Tre in 2014.

She is registered in the Register of Chartered Accountants and Accounting Experts of Rome since 2006 and in the Register of Independent Auditors since 2007. As a freelancer, she carries out consultancy on corporate, accounting, company and financial matters. In particular: evaluation of companies, shareholdings and business branches, drafting of recovery plans and certifications pursuant to art. 67, paragraph 3, letter d), art. 182-bis and art. 161 of the Bankruptcy Law, drafting of business plans, opinions and technical advice on accounting and corporate matters.

He is a member of the administrative and control bodies of listed and unlisted companies.

Giovanni Pinna

Born in Cagliari in 1966.

He graduated in Economics and Commerce in 1991 from the University of Cagliari.

He is registered with the Order of Chartered Accountants of Cagliari at no. 1247 A.

He has been a technical consultant to the Court of Cagliari since 1996.

He is registered in the Register of Auditors.

He exercises his profession mainly in small and medium-sized enterprises operating in national and international markets. The important collaborations gained also with reputable firms have allowed him to gain particular experience in the areas of business consultancy and business development strategy and in the analysis, business evaluation, and related extraordinary operations and restructuring of ownership structures.

Francesca Michela Maurelli

Born in Rome in 1971.

He graduated in Economics and Commerce from the La Sapienza University of Rome in 1994 with an economic-business specialisation.

He is registered in the Register of Chartered Accountants of Rome (no. AA6936) since 1999 and in the Register of Auditors (no. 105863).

He has been a technical consultant to the Civil Court of Rome and the Criminal Court of Rome since 2004.

He is a consultant on strategic, organisational and financial aspects for private and public companies, with particular reference to corporate and financial aspects of ordinary and extraordinary operations (i.e. transformations, mergers, demergers, contributions, capital increases) and restructuring plans both in judicial and out-of-court settlements. He is also an office and party-appointed expert during both criminal and civil proceedings.

Furthermore, below is a list of the other offices of director and statutory auditor held by the statutory auditors in office in other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or large companies:

Members	List of Roles
Massimo Invernizzi	1. Chairman of the Board of Statutory Auditors of Cinemeccanica 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 Istituto Javotte Bocconi 7. Standing statutory auditor of Charme Capital Partners SGR S.p.A. 8. Standing statutory auditor of Rosetti Marino S.p.A. 9. Standing statutory auditor of Orefici Finance S.p.A. 10. Sole Auditor of Snam 4 Enviroment S.r.l. 11. Sole Auditor of Renerwaste S.r.l. 12. Sole Auditor of Renerwaste Lodi S.r.l. 13. Sole Auditor of Ecoprogetto Tortona S.r.l. 14. Sole Auditor of Ecoprogetto Milano S.r.l. 15. Board member of BancAssurance Popolari S.p.A. 16. Board member of Itaca Comunicazione S.r.l. 17. Liquidator of Immobiliare Pietra S.r.l. in liquidation 18. Liquidator of Pomposi S.r.l. in liquidation following arrangement with creditors 19. Special Commissioner of Sipro Sicurezza Professionale S.r.l. in receivership
Claudio Sottoriva	1. Chairman of the Board of Statutory Auditors of Sella Personal Credit S.p.A. 2. Chairman of the Board of Statutory Auditors of Sella Leasing S.p.A. 3. Chairman of the Board of Statutory Auditors of Smartika S.p.A. 4. Chairman of the Board of Auditors of Fondazione Luigi Clerici 5. Standing statutory auditor of ENEL S.p.A. 6. Standing statutory auditor of Banca Sella S.p.A. 7. Standing statutory auditor of IPG Photonics Italia S.r.l. 8. Standing statutory auditor of Nephis S.r.l. 9. Standing statutory auditor of Fluorsid Alkeemia S.p.A. 10. Substitute Auditor of Michelin Italia S.p.A. 11. Director of C.P.S. Consulenti S.r.l. 12. Sole Auditor of Fondazione Casa Verdi 13. Sole Auditor of Fondazione Casa dei Musicisti

	14. Member of the Supervisory Body of the Fondazione Don Carlo Gnocchi (non-profit organisation) 15. Chairman of the Supervisory Body of Trentino Trasporti S.p.A. 16. Sole Director of Immobiliare Cinca S.r.l. 17. Sole Director of Immobiliare Delvin S.r.l. 18. 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 statutory auditor of Acea S.p.A. 4. Standing statutory auditor of Armonia SGR S.p.A. 5. Standing statutory auditor of Bluwater S.p.A. 6. Standing statutory auditor of D-Share S.p.A. 7. Standing statutory auditor of DigiTouch S.p.A. 8. Standing statutory auditor of Costiero Gas Livorno S.p.A. 9. Member of the Board of Auditors of the FIN-Federazione Italiana Nuoto [Italian Swimming Federation] 10. Standing statutory auditor of Musinet Engineering S.p.A. 11. Standing statutory auditor of PS Parchi S.p.A. 12. Standing statutory auditor of Raffineria di Gela S.p.A. 13. Standing statutory auditor of Raffineria di Milazzo S.c.p.A. 14. Standing statutory auditor of Rainbow Magicland S.p.A. 15. Independent Director of Elettra Investimenti S.p.A. 16. Sole Director of Vette SPV S.r.l. 17. Sole Director of Bramito SPV S.r.l. 18. Sole Director of Convento SPV S.r.l. 19. Sole Director of Ponente SPV S.r.l. 20. Sole Director of New Levante SPV S.r.l.
Giovanni Pinna	1. Standing statutory auditor of Logistica Mediterranea S.p.A. 2. Standing statutory auditor of Agricola Mediterranea S.p.A. 3. Standing statutory auditor of Iconium S.p.A. 4. Chairman of the Auditors of the Teatro alla Scala Pension Fund in Milan 5. Sole Auditor of Finma S.r.l. 6. Standing statutory auditor of Ifras S.p.A. 7. Director of Gest.Por.Tur S.r.l. 8. Chairman of the Board of Statutory Auditors of Alis Cargo Airlines S.p.A. 9. Sole Statutory Auditor of Geoparco S.c.a.r.l. 10. Standing statutory auditor of ILTA Alimentari S.p.A. 11. Sole Auditor of Holding Fabbri S.r.l. 12. Chairman of the Board of Statutory Auditors of Sestile S.p.A.
Francesca Michela Maurelli	1. Chairman of the Board of Statutory Auditors of Credito Valtellinese S.p.A. 2. Sole Director of Cosmo Spv S.r.l. 3. Sole Director of Corallo Spv S.r.l. 4. Sole Director of Resloc IT S.r.l.

	5. Standing Statutory Auditor of Acque Blu Fiorentine S.p.A. 6. Standing Statutory Auditor of Am.e.a. S.p.A. 7. Auditor of the Fitetrec Ante – Federazione Italiana Turismo Equestre [Italian Equestrian Tourism Federation]

14. RELATIONS WITH SHAREHOLDERS

The Issuer has set up a special section within its website in which the information concerning the Issuer that is relevant to its shareholders is made available, so as to allow the latter to consciously exercise their rights.
As of the date of this Report, the Issuer has picked out Dr. Cecilia Mastelli as the person responsible for managing relations with shareholders (Investor Relations). Taking into account the size and real business of the Company, she did not consider it appropriate to establish a specific corporate structure in charge of managing relations with shareholders. The Issuer has always endeavoured to make access to the information of relevance to its shareholders timely and easy, highlighting, for example, their publication on the home page of its institutional website.

15. *SHAREHOLDERS' MEETINGS* (pursuant to art.123-bis, paragraph 2, letter c), TUF)

During the Financial Year, a Shareholders' Meeting was held on 28 April 2020 (behind closed doors and pursuant to the provisions of Law Decree No. 18 of 17 March 2020), the minutes of which were duly published on the Company's website in which all the members of the Board in office and all the members of the Board of Statutory Auditors in office took part in the ways specified.
Below are the texts of the articles in the Articles of Association governing the mechanisms of operation of the Shareholders' Meeting, its main powers, the rights of the shareholders and the ways of exercising them:

Article 8 - Call

The legally convened and validly constituted Shareholders' Meeting represents the universality of the members and its resolutions, taken in accordance with the law and these articles of association, commit all members, 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 regulations, including current pro tem regulations.
The Shareholders' Meeting can also take place outside the Municipality where the headquarters are located, provided that it is in Italy or, if abroad, in another state of the European Union.
In the same notice of call, the day for the second and, in the case of an extraordinary Shareholders' Meeting, of the third call, can be indicated if the share capital required to resolve does not participate in the previous meetings. In the absence of this indication, the second and / or third call Shareholders' Meeting must be reconvened in the manner and within the terms of the law.

The Board of Directors can establish, if it deems it appropriate, that the Ordinary and Extraordinary Shareholders' Meetings are held following a single call. In the event of a single call, the majorities required by law apply.
The Shareholders' Meeting is Ordinary and Extraordinary and resolves on the matters reserved for 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 draw up the consolidated financial statements or special needs relating to the structure and purpose of the company require it, within 180 days of the end of the financial year. The Directors note in the report provided for by art. 2428 of the Italian Civil Code, the reasons for this delay.
Notwithstanding the provisions of art. 104 paragraph 1 of the TUF, art. 58 of the Articles of Association provides 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 necessary for the deeds or operations that could thwart achieving the objectives of the offer, during the period between the communication referred to in article 102, paragraph 1, of the same Decree and the closing of the offer.".
Notwithstanding the provisions of article 104, paragraph 1 - bis, of TUF, art. 58 of the Articles of Association provides that "the authorisation of the meeting is not necessary even for the implementation of any decision taken before the beginning of the period indicated in the previous paragraph that has not yet been wholly or partially implemented, which does not fall within the normal course of the Company's activities and the implementation of which may hinder the achievement of the offer's objectives.".
Except as otherwise provided by law and by the relevant regulatory provisions, the Board of Directors convenes the Shareholders' Meeting within thirty days of the request when so many shareholders who represent at least five percent of the share capital request it.
The request must be sent to the Chairman of the Board of Directors by registered letter and must contain a list of the topics to be discussed as well as an indication of the requesting shareholders, attaching suitable certification, in compliance with the laws and regulations in force, certifying the individual shareholdings on the date of sending the aforementioned request.
The Shareholders' Meeting can be convened by the Board of Statutory Auditors, upon communication to the Chairman of the Board of Directors, if this power is exercised by at least two members of the aforementioned Board.
Article 9 - Right to participate and representation
Those who prove their legitimacy in the manner provided for by current legislation may participate in the Assembly. Those entitled to attend the meeting may be represented at the meeting pursuant to the law.
For each Shareholders' Meeting the Company can designate, giving express indication in the call notice, one or more subjects to whom the entitled parties can confer a proxy, with voting instructions on all or some of the proposals on the agenda, with the manners provided by the applicable legislation.
The notification to the Company of the proxy participating in the Shareholders' Meeting can also be done by sending the document to the email address indicated in the call notice.

Article 10 - Constitution of the shareholders' 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 merger or demerger operations will be precluded only if the majority of shareholders opposed to the related shareholders' meeting resolution - established based on the provisions of the applicable legislation - represents at least 7.5% of the share capital with voting rights.

Article 11 - Chairmanship

The 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 his absence or impediment, by another person designated by the meeting.

The Chairman is assisted by a Secretary, even if not a shareholder, appointed by the Shareholders' Meeting: the assistance of the Secretary is not necessary when the minutes, in legal cases or when the Chairman deems it appropriate, are drawn up by a Notary.

If he deems it necessary, the Chairman of the Shareholders' Meeting will appoint two scrutineers by choosing them from the statutory auditors or members present.

The minutes signed by the Chairman and the Secretary constitute full proof.

The Chairman of the meeting, also by means of special appointees, verifies its regular constitution, ascertains the identity and legitimacy of the participants, regulates the progress of the work, establishing methods for discussion and voting and ascertains the voting results.

Resolutions are taken by a show of hands, unless the Chairman deems the roll call or other forms of vote more appropriate.

The resolutions of the Shareholders' Meeting must be recorded in minutes drawn up in accordance with art. 2375 of the Civil Code, signed by the Chairman and the Secretary or the Notary.".

For anything not illustrated in the Report regarding shareholder rights, please refer to the current and applicable pro tem laws and regulations (also in light of the current pandemic emergency from Covid-19).

It should be noted that the Board has decided not to propose to the shareholders the adoption of a Shareholders 'Meeting regulation, reserving the right to carry out a periodic evaluation of its possible adoption in the future, also taking into account what emerged from the Shareholders' Meetings already held. In this regard, it should be noted that the Chairman of the Shareholders' Meeting has always provided, also by virtue of the statutory and legal prerogatives, to ensure that the meetings took place in an atmosphere of general orderly participation and rigorous respect for the rights of the shareholders, but also in mutual respect between shareholders and with a balanced reconciliation of their approval rights.

16. *ADDITIONAL CORPORATE GOVERNANCE PRACTICES* (pursuant to art.123-bis, paragraph 2, letter a), TUF)

With regard to those already indicated in the previous points, and to the adoption of Model 231, the Company has not applied any further corporate governance practices beyond the obligations established by legislative and regulatory provisions.

17. CHANGES SINCE THE END OF THE REFERENCE YEAR

Except as indicated above, no further significant changes have occurred in the Company's corporate governance system since the end of the Financial Year to the date of this Report.

18. CONSIDERATIONS ON THE LETTER OF 22 December 2020 FROM THE CORPORATE GOVERNANCE COMMITTEE CHAIRMAN

The recommendations made in the aforementioned letter were first sent to the directors and Statutory Auditors and subsequently brought to the attention of the Board. During the meeting of 18 February 2021, in order to identify possible changes in governance or to fill any gaps in the application or in the explanations provided, the latter expressed some considerations regarding the implementation of the Corporate Governance Code by the Company, believing that the administrative body respects the indications of the Code and has adopted adequate practices, in the awareness that, in any case, we must always strive for continuous improvement.

In particular, on the integration of the sustainability of the business activity in the definition of strategies, of the internal control and risk management system and of the remuneration policy, also on the basis of a relevance analysis of the factors that may affect the generation of long-term value, during the year the process aimed at reporting non-financial parameters was launched, reaching the sustainability report for the year.

At the Board meeting of 31 March 2021, the Board approved this Report.

Annex 1: Main characteristics of the existing risk management and internal control systems in relation to the Financial Disclosure process (pursuant to art.123-bis, paragraph 2, letter b),TUF).

1. *Premise*

In compliance with the indications included in the format disseminated by Borsa Italiana, it is specified that the management and control system inherent to the risks relating to the financial reporting process is an integral part, and is part of the broader system of internal controls of the Company and of the Group which includes components widespread to the entire corporate organisation, including:

- the Code of Ethics of the Group;
- Modello 231;
- Internal dealing procedure;
- Group Regulations for carrying out transactions with related parties;
- Procedure for fulfilling the information obligations pursuant to art. 150, para. 1, TUF;
- the system of responsibility and delegation and the company organisation chart.

The internal control system on financial reporting is configured as a set of activities aimed at identifying and evaluating actions and / or events capable of compromising, in case of occurrence, the reliability, accuracy, reliability and timeliness of financial information.

The internal control system relating to the financial reporting process adopted by the Company is aimed at ensuring that the administrative and accounting procedures in place guarantee with "reasonable certainty" the effectiveness and efficiency of the operating activities, the reliability of the financial statement information, compliance with the laws and regulations in force and with the reference accounting standards.

For the analysis of the controls on financial reporting, reference was made to the model provided by the CoSo Report Framework that allows the synergies to be grouped with the activities carried out in the context of the analysis of the control system for the purposes of Legislative Decree 231/2001 with the activities carried out by the Internal Audit Department.

2. *Description of the main characteristics 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;
- the risk assessment activity aimed at identifying and assessing the risk areas in which events could occur which could compromise achieving the reliability of the financial report. Through this activity - which considers both quantitative / dimensional and qualitative aspects (specific, potential or previous risk, linked to the activities carried out) - Group companies and so-called “relevant” company processes are identified;
- the analysis of the control system, both on a company and process level, both in terms of design and operation;

- the assessment of the deficiencies of the control system on financial reporting and corrective actions. If deficiencies / anomalies in the financial reporting control system emerge from the verification of the operation of the controls, the Manager in charge (i) identifies and assesses the deficiencies found and (ii) coordinates the corrective actions to be taken for their closure.

Role and departments involved

The financial reporting control system is headed by the Manager in charge of Financial Reporting and involves, for various reasons, the following corporate departments and roles:

- the various department managers, which, in relation to their area of responsibility, ensure the completeness and reliability of the information flows directed to the Manager in charge for the purposes of preparing financial and accounting information;
- the administrative bodies of the subsidiaries.

The Manager in charge also interacts with the corporate bodies and precisely with the Board, the Risk Control Committee, the Board of Statutory Auditors, the Supervisory Body and Head of the Internal Audit Department, as well as with the auditing firm.

The Manager in charge of Financial Reporting reports to the Risk Control Committee, the Board and the Board of Statutory Auditors every six months regarding the adequacy and operation of the administrative and accounting system.

From the checks mentioned, no risks or situations emerged 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, paragraph 5, TUF.