



Annual financial report at 31 December 2019

PLCS.p.A.

Registered office in Milan, Via Lanzone no.31

Fully paid up Share Capital € 27,026,480.35

Tax Code and VAT No. 05346630964



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1 GENERAL INFORMATION



1.1 CORPORATE BOARDS

BOARD OF DIRECTORS¹

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 AUDITORS²

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

INDEPENDENT AUDITORS³

EY S.p.A.
Via Po, 32
00198 Rome

¹ appointed by the Shareholders' Meeting of 26 March 2018

² appointed by the Shareholders' Meeting of 27 June 2018

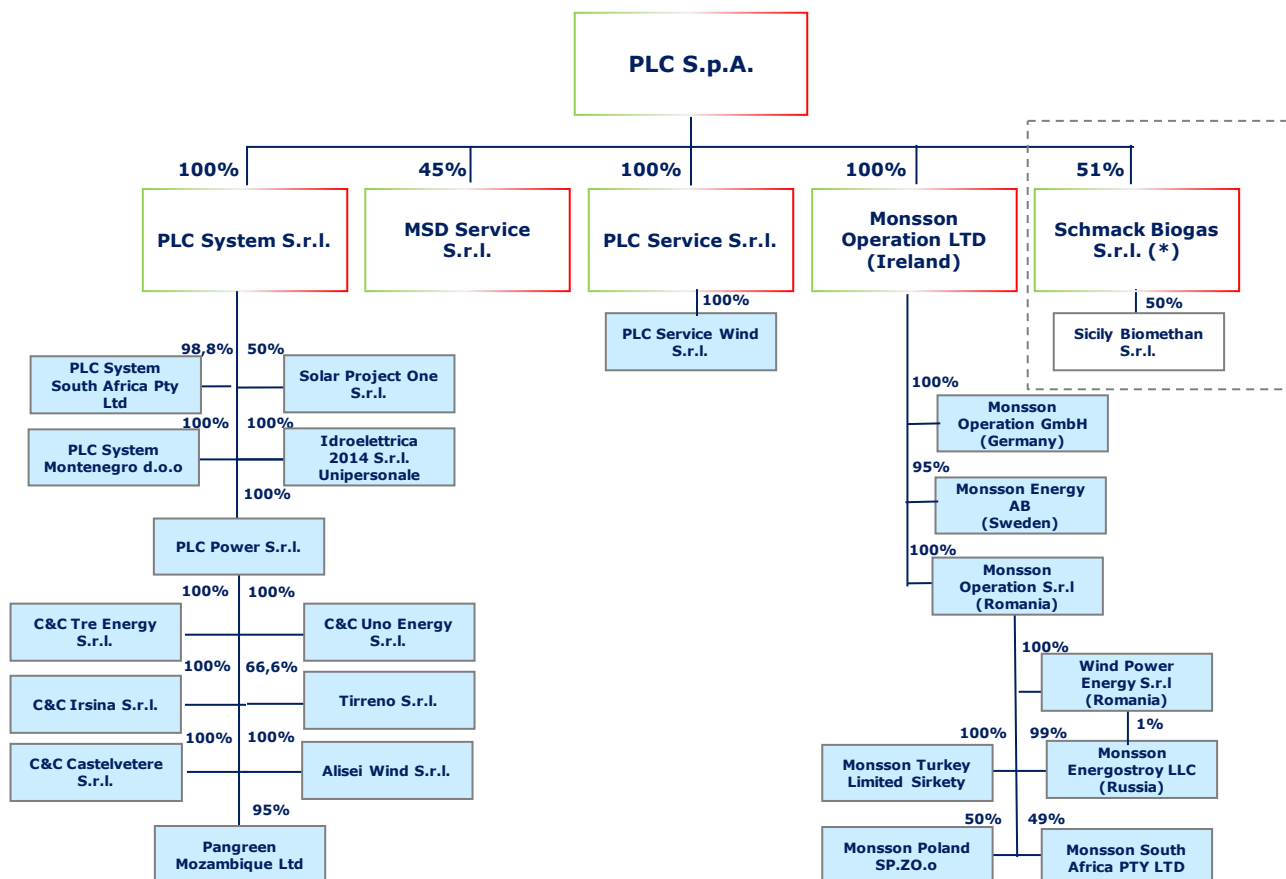
³ appointed by the Shareholders' Meeting of 23 June 2015

(*) members of the Control and Risk Committee

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



1.2 STRUCTURE OF THE PLC GROUP

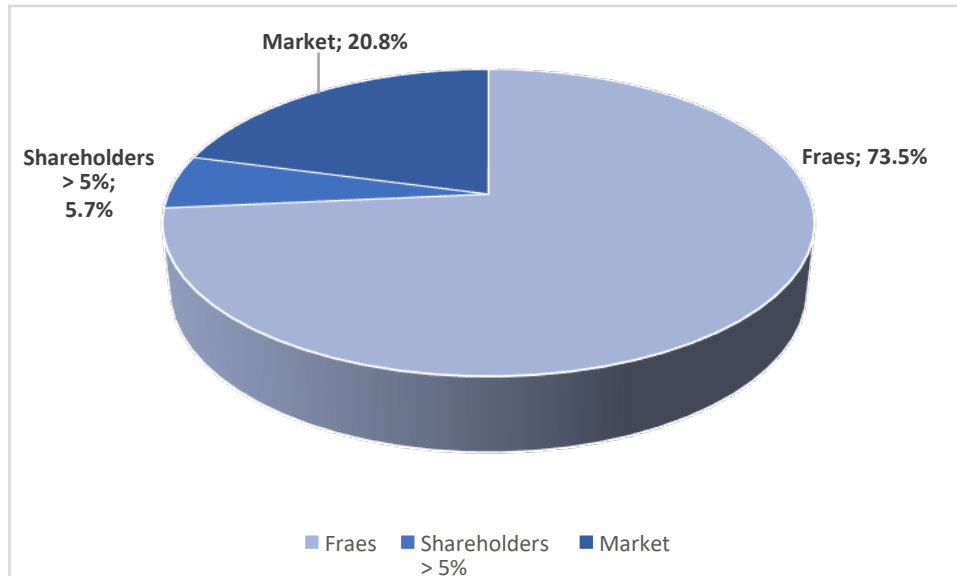


(*) It should be noted that the purchase of 51% of Schmack Biogas S.r.l. was concluded in January 2020



1.3 SHAREHOLDERS

The situation concerning the shareholding structure of PLC S.p.A. ("Company" or "Parent Company" or "Issuer") on the date of approval of the Annual Financial Report at 31 December 2019⁴ is shown below.



⁴ Source: Corporate and Consob data



2 PLC GROUP MANAGEMENT REPORT



2.1 MAIN PLC GROUP OPERATIONS DURING THE YEAR 2019

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

On 22 January 2019 PLC signed with Banca Nazionale del Lavoro S.p.A. ("BNL") a loan agreement for Euro 5,000 thousand, intended to finance the needs relating to the purchase of 51% of Monsson Operation Ltd. and fully disbursed on 31 December 2019.

The loan agreement is supported by (i) an autonomous first demand guarantee issued by SACE for the amount of Euro 2,500 thousand and (ii) a joint guarantee issued by the subsidiary PLC System S.r.l. for the entire amount of Euro 5,000 thousand.

The loan provides for, as a further guarantee, the option for BNL to register a first mortgage on the property of the subsidiary PLC System S.r.l. equal to Euro 10,000 thousand; this option has not been exercised to date.

The loan also provides for compliance with certain financial covenants, subject to annual verification.

Lastly, it should be noted that, at the same time as the loan, the Company signed a derivative cap strike contract to hedge the interest rate risk.

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

On April 15, 2019, in execution of the investment agreement signed on June 12, 2017, the notarial deed was signed concerning the sale to ACE Renewable Holding S.A. ("ACE") of 20% of the share capital of Tolve Windfarms Holding S.r.l. ("TWH"), 80% of which was already owned by ACE. In particular, ACE purchased 18% of the share capital from PLC System S.r.l. and the remaining 2% from the other minority shareholder in the company. The amount collected by PLC System S.r.l., already reflected in the value of the equity investment at 31 December 2018, was Euro 6,030 thousand.

Signing of preliminary contracts for the sale of the equity investments held in C&C Uno Energy S.r.l. and in C&C Castelvetero S.r.l.

On April 17, 2019, two preliminary contracts were entered into regarding the sale by the subsidiary PLC Power S.r.l. to Enel Green Power S.p.A. ("EGP") of C&C Castelvetero 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 Castelvetero 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. The completion of both purchase and sale operations is subject to the fulfilment of certain conditions precedent - which concern obtaining permits and other authorization provisions and confirmations - whose fulfilment term was extended by the parties until April 2020. The agreements also identify some conditions that terminate the effectiveness of the transfer of shares, including the failure to obtain variants concerning changes to the project lay-out. The total value of the



transactions exceeds Euro 4 million.

It should be noted that C&C Castelvetero S.r.l. participated in the first auction for the recognition of the incentive tariff pursuant to the FER 1 Decree and was in a suitable position, while C&C Uno Energy S.r.l. participated in the second auction, the results of which are expected by 31 May 2020.

As part of the transaction, PLC System S.r.l. will keep the EPC contracts for the construction of wind farms for a total amount of approximately Euro 13,500 thousand, and PLC Service S.r.l. will keep full service contracts for the O&M services of the civil and electrical works of the aforementioned plants for a period of 2 years and renewable for the following 3 years.

Purchase of the remaining 49% of the share capital of Monsson Operation Ltd.

Following the request by the sellers to anticipate exercising the put option on the remaining 49% of the share capital of Monsson Operation Ltd. and further negotiations, PLC S.p.A. and the sellers signed, on 28 June 2019, an amending agreement to the contract signed in November 2018 which provided for:

- (i) compared to the term of 31 July 2019, anticipating exercising the put option by the sellers on 49% of Monsson Operation Ltd., establishing the strike price in Euro 2,617 thousand;
- (ii) the quantification of the residual portion of the price relating to the initial purchase of 51% of Monsson Operation Ltd. in Euro 1,179 thousand, flat-rate negotiating the price adjustment and earn-out components provided for in the initial contract;
- (iii) subject to approval by the Shareholders' Meeting of PLC SpA, the completion of the purchase of 49% of the share capital of Monsson Operation Ltd. and the payment of the residual share of the price relating to the initial purchase of 51% of the share capital of Monsson Operation Ltd. above, through a capital increase in kind and a paid capital increase, both reserved for the sellers and subsequently carried out in July 2019.

In view of the fact that four of the five recipients of the capital increases are PLC S.p.A. related parties being executive directors of subsidiaries, the proposal by the Board of Directors at the Shareholders' Meeting was resolved upon unanimous favourable opinion of the Board Committee in compliance with the procedures provided for in Consob Regulation no. 17221 of 12 March 2010; subsequently, on 5 July 2019 the disclosure document relating to transactions of Greater Importance with related parties was published.

The capital increases were approved unanimously by the extraordinary Shareholders' Meeting of 31 July 2019 and were regularly carried out in the following month of August; as a result, the sellers have become shareholders of PLC S.p.A. holding approximately 7.5% of the Issuer's shares in total.



2.2 SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2019

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 Renewable 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. The completion of the sale transaction is subject to the fulfilment of conditions precedent that concern obtaining certain permits and other authorizations provisions and confirmations, as well as the positioning of the system in the ranking list useful for the recognition of the incentive tariff envisaged by the FER 1 Decree (in this regard, it should be noted that C&C Tre Energy S.r.l. participated in the second auction, the results of which are expected by 31st May). The deadline for meeting the conditions precedent is set at 90 days from the publication of the ranking list pursuant to the FER 1 Decree. 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 that will be paid to C&C Tre Energy S.r.l. 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 completeness, it should be noted that, as part of the agreement, the parent company PLC S.p.A. has issued a corporate guarantee to EDPR concerning the possible exclusion from the ranking, for a maximum amount of Euro 1,588 thousand valid until the closing date or the final award date of the incentive rate if first.

As part of the transaction, PLC System S.r.l. will keep 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. will keep 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.

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

On 16 January 2020 PLC acquired 51% of the share capital of Schmack Biogas S.r.l. a company active in the design, development, construction and maintenance of biogas plants; this operation is part of the broader growth strategy of the PLC Group which has the objective of qualifying itself as a multi-technological and multi-regional operator.

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 surcharge, which led to the simultaneous dilution of the other two shareholders to 49%.

Further envisaged is: (i) the provision 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.



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 SpA 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.

Information on the possible impacts of Coronavirus (Covid-19) on the economic and financial results of the PLC Group

Following the Coronavirus epidemiological emergency (Covid-19), 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 ("smart working", blocking travel, etc.) 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 plants whose nature is considered of public utility and cannot be deferred.

The renewable energy market in which the PLC Group operates is not among the sectors directly affected by the emergency, however, given the general context of uncertainty, it is currently not possible to make a reasonable estimate to quantify the actual impact on the Group's economic, equity and financial position, also depending on the possible contribution of numerous external factors (including the evolution of the contagion and the related government measures) with unpredictable and potentially significant effects on operating activities.

In accordance with the provisions of the applied international accounting standards, this event is classified as "non adjusting". In order to limit the possible impact of Covid-19 on its economic and financial situation, the Company is proceeding with adding to newly stipulated contracts, suitable contractual clauses with respect to the obligations taken on both in terms of possible delays and in terms of possible higher costs.



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 and, secondarily, hydroelectric sectors, 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 ("Services Segment").

During the 2019 financial year, the PLC Group was affected by the negative effects deriving from the uncertainty in the reference regulatory framework, due to the delay in the publication of the FER 1 Decree, initially expected in the second half of 2018 and actually signed by the competent Ministries only in July 2019 and published in the Official Journal on 9 August 2019. In particular, in the first half of 2019, there was a sharp slowdown in the Construction Segment's activities with a significant impact on the interim results while, in the second half of the year, this impact was more contained thanks to the positive contribution of the Services Segment, which achieved results exceeding expectations, and the partial recovery of the profitability and margins of the Construction Segment, mainly due to the important progress of the framework contract with Terna Rete Italia and the contract relating to the construction of the electrical and civil works for a wind farm with a nominal power of 15.75 MW, located in the Municipalities of Mongrassano, San Marco Argentano and Cervicati (CS).

In this context, the PLC Group has continued to implement its business strategy of qualifying as a multi-technological and multi-regional operator and in particular: (i) completed the acquisition of 100% of the Monsson Operation perimeter, strengthening the Services Segment and giving tangible implementation to the internationalization process through the presence of Monsson in Russia, Sweden, Germany, Poland, Romania, Turkey and Greece and (ii) it entered the biogas and biomethane market, through the acquisition of 51% of the share capital of Schmack Biogas S.r.l., completed in the month of January 2020. For the 2020 financial year, the forecasts for a return to margins in line with the trend of the 2017-2018 two-year period are well founded due to (i) the launch of the projects that were postponed in 2019, (ii) the new opportunities introduced by the FER 1 Decree and (iii) organic growth in the Services Segment, supported by the strengthening of the commercial structure as well as by further investments in spare parts to support business development. It should be noted that these forecasts do not include any impacts of Covid-19 since, given the general context of uncertainty, it is currently not possible to make a reasonable estimate.



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. PLC System S.r.l. also deals with the construction of highly specialised 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 aim to sell the SPVs after the final testing of the system (*Built, Operate and Transfer "BOT"*). In this way, with a modest increase in its risk profile, PLC System S.r.l. has integrated downstream the typical EPC value chain, directly facing the final investor market and maximizing the value of its skills.

During the 2019 financial year, the activities in the Construction Segment concerned almost exclusively the progress and completion of the projects and orders already underway, as the delay in the publication of the FER 1 Decree, together with the difficulty in reasonably predicting its contents, has generated considerable uncertainty in the planning of investments by operators, with their consequent postponement.

In particular, the following were essentially completed:

- the contract for electromechanical assembly activities in the Cepagatti and Kotor conversion stations, which are the termination points of the HVDC connection via land and sea cables between Italy and Montenegro (Crna Gora in Montenegrin language);
- the contract for the construction and turnkey supply of all the electromechanical and construction infrastructures of the cable duct and the 150 / 30kV electrical substation necessary for the construction of a wind farm with a total nominal power of 57 MW located in the Municipality of Morcone (BN).

Furthermore, the following have continued:

- the contract relating to electromechanical assembly at the HVDC station in the Municipality of Piossasco (TO) 81% completed as at 31 December 2019;
- the contract for the construction of electrical and civil works for the adaptation of the 150 / 20kV electrical substation located in the Municipality of Partanna (TP) 90% completed at 31 December 2019;
- the supply and installation of integrated protection, remote control and control (Shelter) systems to be installed in high and very high voltage power stations as part of the framework agreement with Terna Rete Italia.

In the 2020 financial year, the Construction Segment is expected to benefit significantly from the new opportunities deriving from the incentive mechanisms contained in the FER1 Decree, which will give a strong boost to investments in new plants and in the revamping of existing ones, without prejudice to any effects deriving from the measures introduced for the containment of Covid-19, to date not foreseeable.



Already with the first auction in fact, the results of which were published on 28 January 2020, the C&C Castelvetero S.r.l. 13.2 MW plant was in a suitable position for the recognition of the incentive tariff; in addition, the entire auction quota - of 500 MW - was assigned, with consequent good prospects for the PLC Group to acquire orders and projects for a significant portion of the incentivised MW.

The plants of C&C Uno Energy S.r.l. and C&C Tre Energy S.r.l. on the other hand, participated in the second auction with a good chance of being awarded; the results are expected by 31 May 2020.

It is therefore expected, in carrying out the contracts already signed with EGP and with EDPR, to proceed with the sale of the three vehicles (i.e. C&C Castelvetero S.r.l., C&C Uno Energy S.r.l. and C&C Tre Energy S.r.l.) and to start construction of the 3 wind farms between the second and third quarter of 2020.

Furthermore, negotiations continue for the sale of the shares in Alisei Wind S.r.l., owner of a project for the construction of a 16 MW wind farm, and Idroelettrica 2014 S.r.l. which ultimately completed the construction of a hydroelectric power plant with a total power of 327 kW in the Municipality of Pergola, Località Brotano (PU). The plant was connected to the network in February 2020 and activities are underway for the request for an incentive rate from GSE.

Additionally, in March 2020 PLC System S.r.l. signed two contracts concerning the supply and installation of the electrical and electromechanical works of a 150 kV NTG station and a 150/30 kV HV / MV substation located in the Municipality of Bompietro (PA) for a total of Euro 4,645 thousand. These works relate to the connection of a 27.60 MW wind plant called "Serra del Vento" located in the Municipality of Gangi (PA) and activities are expected to be completed by the end of 2020.

Services Segment

The PLC Group offers a wide range of services to the supply chain of renewable sources in the wind, photovoltaic and hydroelectric sectors, through PLC Service S.r.l., PLC Service Wind S.r.l. and the companies belonging to the Monsson Operation Perimeter; as from 2020 the PLC Group is also active in the biogas and biomethane sectors through the subsidiary Schmack Biogas S.r.l.

As **Operation & Maintenance (O&M)** provider, the PLC Group provides periodic monitoring of the plants to ensure maximum efficiency and takes care of their partial and / or complete maintenance, both routine and extraordinary and 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 a special control room and the final customer is informed monthly, through specialist reports, of the performance of the plants.

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

The final figures for 2019 confirm the expected growth of the Services Segment, both on the Italian and foreign market, the latter mainly due to the acquisition of the Monsson Operation Perimeter.

With reference to the main projects acquired in 2019, the following should be noted:



- the contract signed by Monsson Operation S.r.l. for the installation of no. 15 wind turbines at the Erstrask farm (Sweden) for a value of approximately Euro 3 million;
- the contract signed by Monsson Operation S.r.l. for the installation of no. 30 wind turbines at the Adygea wind farm (Sweden) for a value of approximately Euro 3.3 million;
- the contract signed by PLC Service Wind S.r.l. for the maintenance and guaranteed availability of the turbines of 3 wind farms owned by Enpower S.r.l. for a total annual payment of Euro 684 thousand;
- the contract signed by Monsson Greek (branch of Monsson Operation S.r.l.) for the installation and management of the lifting activities of no. 16 wind turbines, for a value of approximately Euro 400 thousand;
- the subcontract agreement signed by PLC Service for the full service management and maintenance of the photovoltaic power stations in Sardinia and Campania (total approx. 70 MW) owned by EF Solare Italia S.p.A. for a total annual payment of Euro 1,225 thousand.

The growth objectives of the Services Segment are confirmed for 2020 which, against a more limited margin, ensures constant flows capable of stabilizing the Group's profitability over a medium-term time horizon, to guarantee the objectives set and the creation of value.

E&I activities are expected to continue to contribute significantly to the segment results: in February 2020 the subsidiaries Monsson Operation S.r.l. and Monsson Operation GmbH have entered into a trilateral framework agreement with Enercon GmbH for the installation of wind turbines of the EP2 EP3 type in Germany, Italy, Sweden and Greece. This framework agreement should allow the PLC Group to become one of Enercon GmbH's main suppliers for installation services, using at least 21 teams of installers in parallel during the mid-year peak period.

TRADING

The PLC Group, in partnership with SunCity Energy S.r.l. (owned by A2A Energy Solutions S.r.l.), has been operating in the electricity trading market from renewable sources since 2018 through the 45% owned MSD Service S.r.l.

MSD Service S.r.l. aims to support producers of distributed renewable energy to operate in the “dispatching” services market by combining the experience of the PLC Group in the monitoring, remote reading and remote control of plants for the production of electricity from renewable sources, with the skills of SunCity Energy S.r.l. in trading energy products. In particular, MSD Service S.r.l., in anticipation of a market development, which will increasingly focus on self-production and energy sharing among users, intends offering itself as an alternative to centralised management services for “dispatching” services.

During 2019 the subsidiary continued its activity in the dispatching services and trading sector of electricity from renewable sources and, starting from 1 January 2020, two new contracts for the sale and purchase of electricity relating to as many plants located in Sicily are active, which are added to the two existing contracts.



Furthermore, thanks to the installation of the “concentrator” at the offices of PLC Service S.r.l., which collects the production readings of the plants installed in the Acerra remote control centre, it will be possible to provide further services to the plants, allowing (i) to regulate the network voltage to which they are connected and (ii) to operate as "UVAM" (Mixed Virtual Housing Units). It will therefore be possible to formulate a commercial proposal for a maximum of 35 plants (approximately 830 MW) which may include:

- the purchase of the energy they produce and the management of the dispatching contract, also in anticipation of the implementation during the year of continuous bargaining;
- the supply of the services necessary for the transfer of reactive power (regulation of the network voltage).

PHOTOVOLTAIC

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 plants, due to the reduction of capex as well as the increase in energy prices, has in fact awakened a great interest from investors especially for photovoltaic systems. 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). It is expected to obtain authorization by the end of 2020 in order to start contacts with potential investors interested in purchasing the already authorised plant.



2.4 ANALYSIS OF THE PLC GROUP ECONOMIC, EQUITY AND FINANCIAL RESULTS AS OF 31 DECEMBER 2019

As more fully described in the notes to the consolidated financial statements, the data as of 31 December 2018 have been restated in order to represent, with retroactive effect, the effects deriving from the completion of the process of accounting allocation required by IFRS 3 in relation to the acquisition of the Monsson Operation perimeter.

RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)
Core business revenues	44,763	47,255
Other operating revenues	852	2,632
Total revenues	45,615	49,887
Operating costs	(42,375)	(40,665)
Other operating costs	(2,841)	(1,905)
GROSS OPERATING MARGIN (EBITDA)	399	7,317
Depreciation, amortisations and impairment loss	(1,965)	(613)
OPERATING RESULT (EBIT)	(1,566)	6,704
Net financial income (expenses)	(502)	(232)
Profit (loss) from equity investments	(94)	(26)
Income taxes	(214)	(1,526)
Profit (loss) from continuing operations	(2,376)	4,920
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	(2,376)	4,920
Total other components of comprehensive income statement	(86)	(4)
TOTAL COMPREHENSIVE INCOME	(2,462)	4,916

(*) data restated in application of IFRS 3

The consolidated results as at 31 December 2019, while benefiting from the important growth of the Services Segment, consistent with the Group's strategic lines, on the other hand significantly reduce the negative effects deriving mainly from the delay in the publication of the FER 1 Decree which caused, in the first half of 2019, a sharp slowdown in the launch of new projects relating to the Construction Segment.

This negative effect has already been partially reabsorbed in the second part of the year, allowing the achievement of a situation of substantial rebalancing on an EBITDA level; in 2020, the gap is expected to be further recovered as it derives mostly from the temporal shift of projects already in portfolio. The breakdown of the gross operating margin by operating segment is shown below.



RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	01.01.2019 31.12.2019
Core business revenue	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 costs	(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

The activities in the Construction Segment concerned almost exclusively the progress and completion of projects and orders already in progress, as, as mentioned, the delay in the publication of the FER 1 Decree generated a shift in investments by operators with consequent repercussions on the activities of the PLC Group mainly in the first part of the year.

Construction		
RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)
Core business revenue	14,360	33,558
Other operating revenues	584	2,420
Total revenues	14,944	35,978
Operating costs	(15,923)	(29,022)
Other operating costs	(783)	(531)
GROSS OPERATING MARGIN (EBITDA)	(1,762)	6,424

(*) data restated in application of IFRS 3

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	H1 2019	H2 2019	01.01.2019 31.12.2019
Core business revenue	4,193	10,167	14,360
Other operating revenue	130	454	584
Total revenues	4,323	10,621	14,944
Operating costs	(5,511)	(10,412)	(15,923)
Other operating costs	(409)	(374)	(783)
GROSS OPERATING MARGIN (EBITDA)	(1,597)	(165)	(1,762)

The data are shown net of intergroup balances

In line with forecasts, in the second half of the year, there was a partial recovery of profitability and margins mainly due to (i) the important progress of the framework contract with Terna Rete Italia, which generated revenues totalling Euro 5,369 thousand in 2019 with a first margin of 15.2% and (ii) the contract relating to



the construction of electrical and civil works for the construction of a wind farm with a total nominal power of 15.75 MW located in the Municipalities of Mongrassano (CS), San Marco Argentano (CS) and Cervicati (CS) launched in May 2019, which contributed to the Segment's revenues for Euro 2,055 thousand with a first margin of 20%. The data for the second half of 2019, although they did not generate sufficient margins to recover the negative effects recorded in the first six months, show that expected turnaround which in 2020 will reasonably allow results to be achieved in line with the 2017 and 2018 financial years.

SERVICES SEGMENT

The final figures at 31 December 2019 confirm the expected growth of the Services Segment, both on the Italian and foreign markets, the latter mainly due to the acquisition of the Monsson Operation Perimeter, concluded during 2019.

Services		
RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)
Core business revenue	30,390	13,695
Other operating revenue	268	212
Total revenues	30,658	13,907
Operating costs	(23,956)	(10,381)
Other operating costs	(1,915)	(1,173)
GROSS OPERATING MARGIN (EBITDA)	4,787	2,354

(*) data restated in application of IFRS 3

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Italian Perimeter (*)	Monsson Operation Perimeter	01.01.2019 31.12.2019
Core business revenue	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 costs	(976)	(938)	(1,915)
GROSS OPERATING MARGIN (EBITDA)	3,029	1,758	4,787

(*) includes the subsidiaries PLC Service and PLC Service Wind

The data are shown net of intergroup balances

The Services Segment contributes to consolidated revenues of Euro 30,658 thousand (equal to 67.2% of total revenues and growing by more than 100% compared to the previous year) and has a margin of Euro 4,787 thousand (equal to 15.6 %). The Italian Perimeter, which includes the subsidiaries PLC Service S.r.l. and PLC Service Wind S.r.l., generated revenues for a total of Euro 15,177 thousand (equal to 49.5% of the Segment) with a margin of Euro 3,029 thousand (equal to 19.9%).



Contributing to the Italian Perimeter revenues are: (i) services in the photovoltaic sector for Euro 6,490 thousand (equal to 42.8%), (ii) services for electrical and civil infrastructure (BOP) for 5,075 thousand (equal to 33.4%), and (iii) services in the wind sector for Euro 3,612 thousand (equal to 23.8%).

The Monsson Operation perimeter generated revenues of Euro 15,481 thousand (equal to 50.5% of the Segment) with a margin of Euro 1,758 thousand (equal to 11.3%); in 2019 there was a significant increase in turnover mainly due to the effect (i) of the Erection & Installation contracts, with particular reference to the installation contract of no. 30 turbines at the Adygeea wind farm (Russia) and (ii) of the Hot Spot contracts signed with Enercon GmbH for extraordinary maintenance activities on wind turbine towers. Business development was also possible thanks to the Group's financial support, both with reference to the shareholder loans granted in support of the working capital and to the guarantees.

HOLDING SEGMENT

The Holding Segment essentially includes the structural 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.

Holding		
RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)
Core business revenue	13	2
Other operating revenue	-	0
Total revenues	13	2
Operating costs	(2,496)	(1,262)
Other operating costs	(143)	(201)
GROSS OPERATING MARGIN (EBITDA)	(2,626)	(1,461)

(*) data restated in application of IFRS 3
The data are shown net of intergroup balances

The increase in operating costs compared to the previous year is related to: (i) the increase in staff also as a result of the expansion of the Group's perimeter, (ii) the consultancy costs for acquisitions and other extraordinary operations as well as (iii) the costs necessary for starting the integration of the newly acquired companies, which remain the responsibility of PLC SpA.



RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (thousands of Euro)	31.12.2019	31.12.2018 (*)
Net tangible assets	9,705	7,545
Net intangible assets	15,987	16,360
Equity investments	357	411
Other non-current assets	2,590	1,960
Fixed assets	28,639	26,276
Net working capital	4,058	(2,707)
Non-current assets held for sale / disposal	-	8,079
NET INVESTED CAPITAL	32,697	31,648
Net financial position	(7,996)	(5,218)
Net financial position relating to assets /liabilities held for sale / disposal	-	(2,049)
NET FINANCIAL POSITION	(7,996)	(7,267)
SHAREHOLDERS' EQUITY	24,701	24,381

(*) data restated in application of IFRS 3

The consolidated statement of financial position at 31 December 2019 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 2019 amounted to Euro 32,697 thousand compared to Euro 31,648 thousand at 31 December 2018. The positive change of Euro 1,049 thousand derives from:

- the increase in fixed assets, for Euro 2,363 thousand, as a result of investments in tangible assets (including the progress of projects under development and the completion of renovation works on the depot acquired by PLC Service S.r.l.) and the acquisition of rights of use in accordance with IFRS 16;
- the reduction in assets held for sale of Euro 8,079 thousand due to making sales (i) of the 18% stake held in TWH for Euro 6,030 thousand and (ii) of the property located in Costanta (RO) to the sellers of the Monsson perimeter Operation, for Euro 2,049 thousand, made by offsetting with part of the shareholder loans disbursed by the sellers and by companies attributable to them (recorded in current liabilities held for sale);
- the positive change in net working capital for Euro 6,765 thousand.



CONSOLIDATED NET FINANCIAL POSITION

CONSOLIDATED NET FINANCIAL POSITION (data in thousands of Euro)	31.12.2019	31.12.2018 (*)
Cash and cash equivalents (**)	6,340	5,858
Current financial receivables	400	371
Current financial liabilities	(7,710)	(4,702)
Financial assets / liabilities held for sale	-	(2,049)
Short-term net financial position	(970)	(522)
Non-current financial liabilities	(7,026)	(6,746)
Medium / long-term net financial position	(7,026)	(6,746)
NET FINANCIAL POSITION	(7,996)	(7,267)

(*) data restated in application of IFRS 3

(**) of which Euro 201 thousand restricted at 31 December 2019 (Euro 171 thousand subsequently released in February 2020) (Euro 2,223 at 31 December 2018)

The net financial position of the PLC Group at 31 December 2019 was negative for Euro 7,996 thousand (negative for Euro 7,267 thousand at 31 December 2018).

Total financial debt went from Euro 13,497 thousand (of which Euro 4,702 thousand in the short term) to Euro 14,736 thousand (of which Euro 7,710 thousand in the short term); the increase of Euro 1,239 thousand mainly derives from: (i) the subscription to the medium-term loan of Euro 5,000 thousand with BNL, intended to finance the needs relating to the acquisition of the Monsson Operation Perimeter, (ii) from the extinction of the financial liabilities destined for disposal as part of the sale of the property located in Constanta (RO) for 2,049 thousand, (iii) repayments of the loan instalments falling due for Euro 2,009 thousand and (iv) from the change in financial payables recognised in application of IFRS 16 for Euro 470 thousand.



2.5 ANALYSIS OF THE ECONOMIC, EQUITY AND FINANCIAL RESULTS OF PLC S.P.A. AT 31 DECEMBER 2019

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Core business revenue	1,498	1,700
Other operating revenues	-	0
Operating costs	(3,177)	(2,507)
Other operating costs	(143)	(199)
GROSS OPERATING MARGIN (EBITDA)	(1,822)	(1,006)
Depreciation and write-downs	(16)	(7)
OPERATING RESULT (EBIT)	(1,838)	(1,013)
Net financial income (expense)	(72)	20
Profit (loss) from equity investments	4,256	2,000
Income taxes	395	-
Profit (loss) from continuing operations	2,741	1,007
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	2,741	1,007
Total other components of comprehensive income statement	(6)	(30)
TOTAL COMPREHENSIVE INCOME	2,735	977

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.

At 31 December 2019 the positive income components include (i) revenues for services provided to subsidiaries for Euro 1,498 thousand and (ii) dividends for Euro 4,256 thousand.

Compared to the previous year, there was an increase in operating costs, which went from Euro 2,507 thousand to Euro 3,177 thousand, mainly due to the effect of (i) an expansion to the structure, with a consequent increase in personnel costs and related costs for services, (ii) the centralization of some services including legal and IT consultancy and (iii) non-recurring consultancy related to the definition of the guidelines and preparation of a new multi-year business plan, as well as strategic consultancy in relation to possible operations on the capital and, residually, to activities related to the purchase of the additional 49% of the share capital of Monsson Operation Ltd., and the purchase of 51% of the share capital of Schmack Biogas S.r.l.



RECLASSIFIED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (thousands of Euro)	31.12.2019	31.12.2018
Net tangible assets	60	18
Net intangible assets	20	6
Equity investments	48,433	46,355
Other non-current assets	4,146	1,570
Fixed assets	52,659	47,948
Net working capital	535	(2,833)
Non-current assets / liabilities held for sale / disposal	-	-
NET INVESTED CAPITAL	53,194	45,115
Net financial position	(5,465)	(2,909)
Net financial position relating to assets / liabilities held for sale / disposal	-	-
NET FINANCIAL POSITION	(5,465)	(2,909)
SHAREHOLDERS' EQUITY	47,730	42,206

The statement of financial position of PLC S.p.A. at 31 December 2019 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 2019 shows an increase in the fixed capital for a total of Euro 4,711 thousand, mainly related to the completion of the acquisition of the Monsson Operation perimeter (of which Euro 2,006 thousand relating to the net increase in the value of the equity investment and Euro 2,228 thousand relating to new shareholder loans granted). It should be noted that the transaction was partially financed by the credit status and partially carried out through the two capital increases reserved for the service Issuer, respectively, the payment of the residual portion of the price for the initial purchase of 51% of the share capital of Monsson Operation Ltd. and the subsequent purchase of the additional 49%.

NET FINANCIAL POSITION

NET FINANCIAL POSITION (data in thousands of Euro)	31.12.2019	31.12.2018
Cash and cash equivalents	1,837	16
Current financial receivables	28	57
Current financial liabilities	(2,154)	(600)
Non-current assets / liabilities held for sale	-	-
Short-term net financial position	(289)	(527)
Non-current financial liabilities	(5,176)	(2,382)
Medium / long-term net financial position	(5,176)	(2,382)
NET FINANCIAL POSITION	(5,465)	(2,909)



The net financial position of PLC S.p.A. at 31 December 2019 was negative for Euro 5,465 thousand (negative for Euro 2,909 thousand at 31 December 2018).

The increase in financial debt, totalling Euro 7,330 thousand (of which Euro 2,154 thousand in the short term), is mainly due to underwriting the medium-term loan with BNL of Euro 5,000 thousand, intended to finance the needs relating to the acquisition of the Monsson Operation perimeter, net of the repayment of the first two instalments of the unsecured loan with Banco BPM for Euro 622 thousand.

Cash and cash equivalents, equal to Euro 1,837 thousand at 31 December 2019, include income from service contracts and dividends collected by subsidiaries, net of current management costs and dividends paid.

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

(data in thousands of Euro)	Shareholders' equity 31.12.2019	Comprehensive income 31.12.2019
PLC S.p.A.	47,730	2,735
Difference between the book values of the shareholding and the corresponding share of equity	(35,616)	(4,857)
Effects of the reverse merger	4,710	-
Effects of the Monsson transaction	5,052	(338)
Effects of the C&C transaction	2,889	-
Other	(64)	(3)
PLC Group	24,701	(2,462)

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 2019 financial year (i) the "Progeo Project" presented based on the European Horizon 2020 programme was completed, and (ii) the "PON MISE M4.0" Project presented to the Ministry of Economic Development (MISE) continued.

PLC System S.r.l. – Progeo Project

The Progeo Project, started in 2016, is a "Power to Gas" (PTG) dynamic storage system aimed at reducing carbon dioxide (CO₂) emissions, known to be a by-product of several industrial processes in a closed cycle. Through Progeo, the resulting carbon dioxide can instead be increased in value by converting a cost (carbon tax) into a revenue. Progeo also allows the profitability of thermoelectric plants to be improved, leaving the possibility to dynamically decide whether to sell, convert and / or accumulate the energy produced, by freeing



the production logic from the sales opportunities. The Progeo project is based on highly efficient consolidated technologies, the novelty of which is intelligent integration and use: the application of the Sabatier reaction allows the enhancement of CO₂ as a process reagent, reducing emissions and the carbon tax, while the technologies for the accumulation and use of methane are well known and allow ample flexibility of use.

The project, developed by the subsidiary PLC System S.r.l. in collaboration with Lamep S.n.c., was admitted to non-refundable financial intervention by the European Community for 69.99% for a maximum amount of Euro 2,444 thousand of which Euro 2,026 thousand attributable to PLC System S.r.l.

During the 2019 financial year, PLC System S.r.l. incurred costs for a total of Euro 370 thousand (of which Euro 309 thousand eligible for the contribution); as the project is now in the prototype development phase, from 2018 the costs incurred were capitalised in accordance with the provisions of IAS 38 while the pertinent contribution, in accordance with the provisions of IAS 20, was fully deferred.

The project was completed in June 2019 and in October 2019 the last tranche of contribution equal to Euro 701 thousand was paid. Specifically, the testing and validation of the results confirmed the methane production capacity with characteristics that fully comply with the indications of the European regulations, proving the potential of the Progeo pilot plant in the scenario of PTG technologies.

The project is amortised over a 36-month time horizon starting from July 2019.

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. decided to undertake a research and development programme entitled “Maintenance 4.0 - innovative technological solutions for the maintenance of RES (renewable energy source) systems - Augmented Reality For Maintenance”, focused on the creation of a new integrated set of technologies aimed at the maintenance of plants for the production of energy from renewable sources, merging, in the field of Information and Communication Technology, the technologies of Augmented Reality (“AR”), Artificial Intelligence and Semantic Research aimed at content management.

During 2018, the first project in the Programme - called “Augmented Reality for Maintenance” - was carried out in order to promptly identify the critical issues to be addressed, the functional areas on which to intervene, the enabling technologies, the type of integration and the system architecture necessary to achieve the objectives of the “Maintenance 4.0 Programme”. The realization of the first project allowed PLC Service, in association with Laboratorio di Ricerca Labor S.r.l., to present 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 / maintenance of its production plants by integrating the three enabling technologies: Augmented Reality, AR, Artificial Intelligence, AI and Industrial Internet of Things (IIoT).



The activities foreseen in the 24 months of the project are:

- Application scenario definition
- Analysis and definition of the project requirements
- State of the art and selection of technologies
- System Architecture Development
- Artificial intelligence: Development and implementation
- Field test

The project was launched in September 2019 with the activities of the OR1 (Realization of Objectives belonging to the first of the three activity clusters) relating to the analysis and definition of the project requirements on the user side.

In March 2020, the project was admitted for the allocation of incentives: against a total cost of Euro 2,018 thousand, the Ministry for Economic Development ("MISE") approved a subsidised loan for Euro 404 thousand (of which Euro 280 thousand due 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.).

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

The Ordinary Shareholders' Meeting of 25 June 2019 resolved to authorise 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.

At 31 December 2019, PLC S.p.A. did not hold any of its treasury shares nor did it acquire or dispose of them during the year.

2.11 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

In compliance with the requirements of Consob communications, it should be noted that no transactions with related parties of an atypical and / or unusual nature, 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.

With reference to these risks, as already illustrated above, it should be noted that the delay in the publication of the FER 1 Decree, together with the difficulty of reasonably predicting its contents, has generated considerable uncertainty in the planning of investments, which has resulted in a significant slowdown in Construction Segment activities mainly in the first half of 2019. On the other hand, the first positive effects deriving from the important incentives contained in the Decree are already starting from the first quarter of 2020; the first auction in fact awarded the entire quota of 500 MW with the consequent possibility for operators in the sector, including the PLC Group, to acquire orders and projects for the realization of the incentivised MW.

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



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

Despite the recent difficulties linked to the overall macroeconomic scenario and the cuts in public spending with a consequent significant reduction in incentives in almost all European countries, growth prospects are still positive and the sector is proving to be dynamic in terms of both investment and from the competitive and technological point of view. In fact, the renewable energy sector, in most 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.

The reference regulatory framework

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

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

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

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

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



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

Finally, on 30 November 2016, the European Commission adopted the "Clean Energy for all Europeans" legislative package, which contains the regulatory proposals and facilitation measures needed to accelerate the transition of the EU economy towards clean energy.

The legislative proposals concern energy efficiency, renewable energies, safety of supply and the structure of the electricity market.

In Italy, the electricity market, i.e. the place where transactions involving the wholesale purchase and sale of electricity take place, arose as a result of Italian Legislative Decree no. 79 of 16 March 1999 ("Bersani Decree"), which initiated the liberalisation of the electricity sector, as part of the transposition of the first EU Directive on the creation of an internal energy market (Directive 96/92/EC). The regulatory framework for the production of electricity from renewable sources was subsequently integrated with Legislative Decree no. 387/2003, issued in implementation of Directive 2001/77/EC, and with Legislative Decree no. 28/2011, issued in implementation of Directive 2009/28/EC. The rationale of Italian Legislative Decree no. 28/2011 is to reorganise the renewable energy sector, by simplifying authorisation procedures and providing for a more efficient incentive mechanism.

In this regard, various ministerial decrees have been issued that have introduced incentive mechanisms applicable to the production of electricity from renewable sources. A great boost to the sector was provided by the incentive plan for the development of renewable energy, known as Green Certificates, which was completed in 2012 Ministerial Decree of 6 July 2012, which was based on the obligation for energy producers and importers to annually inject into the national electricity system a minimum quota of electricity produced by plants using renewable energy sources.

These incentives were issued by the GSE and subsequently exchanged between operators in the sector or redeemed by the entity itself at a fixed price. Since 1999, Green Certificates have contributed to the development of the renewable energy market, prompting the major players in the sector to carry out major investments both in research and development and in the construction of ever larger and more efficient energy production plants. Decree Law no. 145/2013 introduced a significant change to the incentive regime, establishing that producers of electricity from renewable sources, owners of plants that benefit from incentives in the form of Green Certificates, all-inclusive tariffs or premium tariffs, can alternatively choose to:



(a) continue to benefit from the incentive scheme for the remaining period or (b) opt for a reshaping of the incentive scheme.

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

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, concessions, understandings, agreements, acts of consent, however, necessary for the construction and commissioning for this type of plant.

The construction and management of the power lines necessary for the connection of production plants from renewable sources to the electricity grid requires an authorisation pursuant to Royal Decree 1775/1933 ("Consolidated Law on Water and Power Plants").

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

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

With reference to the sale of electricity, it can be carried out in Italy either on the electricity market managed by the GME ("Gestore del Mercato Elettrico", Electricity Market Operator) or through bilateral contracts. The Bersani Decree and the Legislative Decree 387/2003 provide that plants producing energy



from renewable sources have priority in the "dispatching" service, which means that electricity produced from renewable sources is supplied by producers to the grid in a preferential way over that produced from conventional sources. The priority of "dispatching", therefore, being linked to the electricity producer's status 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. With regard to the biomethane segment, in which the PLC Group has been operating since 2020, the first incentive decree was issued on 5 December 2013 and 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 gasoline 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 Ministry of the Environment Decree 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 recognised 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.

Finally, we put forward that neither PLC S.p.A. nor the Group's companies are subject to Legislative Decree no. 254/2016 concerning the communication of non-financial information. PLC S.p.A. does not fall within the scope of application of art. 2 of this decree while the Group companies are not public interest entities. The Group has less than 500 employees.

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.

For further information relating to financial risks required by IFRS 7, please refer to paragraph 3.2.5 with reference to the consolidated financial statements and to paragraph 4.2.4 with reference to the financial statements.



2.13 INFORMATION PURSUANT TO LAW 124/17

In accordance with the provisions of Law 4 August 2017, no.124 art. 1 paragraph 125, it should be noted that during 2019 the Group benefited from contributions paid by public administrations and in particular from the contribution recognised by the European Community to PLC System S.r.l. with reference to the "Progeo" project. For further information on the project and on the contribution, see paragraph 2.7.

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 2019

Trade payables

At 31 December 2019, 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 2019, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2019 there were no overdue financial payables.

PLC S.p.A.'s accounts payable as at 31 December 2019

Trade payables

At 31 December 2019 there were no overdue trade payables.

Tax, social security and employee payables

At 31 December 2019, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2019 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 constraints 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 2019, only the covenant relating to the relationship between financial debt and Shareholders' Equity has been respected.

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

The loan signed by the parent company PLC 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 2019, only the covenant relating to the relationship between financial debt and Shareholders' Equity has been respected.

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

During the 2019 financial year, the PLC Group was affected by the uncertainty in the reference regulatory framework, resulting from the delay in the publication of the FER 1 Decree, initially expected in the second half of 2018 and only published in August 2019. In the first half of 2019, this led to a sharp slowdown in the Construction Segment activities with a significant impact on the interim results. In this context, the Directors, taking into account that the deviation from the forecasts was essentially attributable to postponing the launch of some projects and, in consideration of the important incentives contained in the then issued FER 1 Decree - which made it possible to foresee a strong recovery in investments already starting from the last quarter of the year - they updated the estimates for the 2019 financial year, foreseeing, however, the rebalancing of the economic situation already in the second half of the year. The reported figures at 31 December 2019 confirmed these forecasts, with the achievement of a substantial break-even consolidated EBITDA result (Euro 339 thousand compared to the negative value of Euro 1,521 thousand at 30 June 2019), thanks both to the highly positive results of the Services Segment, and the partial recovery of the profitability and margins of the Construction Segment. As already illustrated in the half-yearly financial report, the PLC Group, with the support of a leading financial advisor, is working on the preparation of a new multi-year business plan ("New Strategic Business Plan") whose guidelines are consistent with the medium-term industrial strategy to qualify as a multi-technology and multi-regional operator, already being implemented through, among other things, the recent acquisitions of the Monsson Operation perimeter in the 2018/2019 financial years and 51% of the share capital of Schmack Biogas S.r.l. in 2020. The New Strategic Business Plan will set out the growth objectives of the PLC Group, 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 two 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. Due to the spread of the Covid-19 epidemiological emergency, the Board of Directors, despite having taken note of the New Strategic Business Plan, deemed it appropriate to postpone its implementation, in order to more fully evaluate the potential effects of Covid-19 on future operational activities. The renewable energy market in which the PLC Group operates is not among the sectors directly affected by the emergency, however the general climate of uncertainty, together with the numerous external factors that could occur (such as the evolution of the contagion and the related government measures) do not allow the exclusion of unpredictable and potentially significant effects with consequent impacts on the forecast data.



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 Virtuale Abilitata” owners of these aggregations. The aggregators are entitled to offer the MSD (Dispatching Services’ Market) 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 Energy and Climate Plan (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.

FER indicates renewable energy sources (RES)

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.

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) (Mixed Enabled Virtual Unit) 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	31.12.2019	31.12.2018 (*)	31.12.2018
Non-current assets				
Tangible assets	A	9,705	7,545	7,545
Intangible assets				
Goodwill	B	8,150	8,132	9,490
Other intangible assets	C	7,837	8,228	5,884
Equity investments Equity investments in other companies	D	346	400	400
Deferred tax assets	E	11	11	11
Non-current derivative instruments	F	471	63	63
Non-current receivables	G	1	-	-
From related parties			-	-
From others	H	83	85	85
Total non-current assets	H	2,035	1,812	1,812
Current assets		28,639	26,276	25,290
Inventories				
Contractual assets	I	3,436	3,645	3,645
Trade receivables	I	4,615	3,258	3,258
From related parties				
From others	J	858	1,018	1,018
Financial receivables	J	18,481	17,312	17,312
From related parties				
From others	K, P	20	371	371
Other receivables	K, P	380	-	-
From related parties				
From others	L	7	70	70
Cash and cash equivalents	L	2,348	2,174	2,174
Other current financial assets	P	6,340	5,858	5,858
Total current assets	M	308	482	482
Non-current assets held for sale / disposal		36,793	34,188	34,188
TOTAL ASSETS	N	-	8,079	8,079
		65,432	68,543	67,557

(*) data restated in application of IFRS 3



STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Notes	31.12.2019	31.12.2018 (*)	31.12.2018
Group's shareholders' equity		24,695	24,273	24,329
Minority interests in shareholders' equity		6	108	108
TOTAL SHAREHOLDERS' EQUITY	O	24,701	24,381	24,437
Non-current liabilities				
Non-current financial liabilities				
To related parties	P	-	386	386
To others	P	7,026	6,359	6,359
Provisions for non-current risks and charges	Q	74	-	-
Employee severance indemnity	R	1,570	1,229	1,229
Deferred tax liabilities and other non-current taxes	S	1,795	2,074	1,699
Total non-current liabilities		10,465	10,048	9,673
Current liabilities				
Current financial liabilities				
To related parties	P	207	188	188
To others	P	7,503	4,514	4,514
Trade payables				
To related parties	T	144	493	493
To others	T	13,994	15,342	15,342
Contractual liabilities	U	294	474	474
Other payables				
To related parties	V	2	54	54
To others	V	8,122	11,000	10,333
Total current liabilities		30,266	32,065	31,398
Non-current liabilities held for sale / disposal	N, P	-	2,049	2,049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		65,432	68,543	67,557

(*) data restated in application of IFRS 3



3.1.2 STATEMENT OF PROFIT (LOSS) FOR THE PERIOD AND OTHER COMPONENTS OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Notes	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)	01.01.2018 31.12.2018
Core business revenue				
From related parties	AA	1,253	351	351
From others	AA	43,510	46,904	46,904
Other operating revenues				
From related parties	BB	90	-	-
From others	BB	762	2,632	2,632
Expenses for raw materials				
From related parties	CC	-	-	-
From others	CC	(9,085)	(15,214)	(15,214)
Expenses for services				
From related parties	DD	(757)	(578)	(578)
From others	DD	(16,933)	(15,429)	(15,429)
Personnel costs				
From related parties	EE	-	-	-
From others	EE	(15,600)	(9,444)	(9,444)
Other operating expenses				
From related parties	FF	(135)	-	-
From others	FF	(2,706)	(1,905)	(1,905)
GROSS OPERATING MARGIN (EBITDA)		399	7,317	7,317
Amortisations and depreciations	GG	(1,847)	(593)	(526)
Impairment losses		(118)	(20)	(20)
OPERATING RESULT (EBIT)		(1,566)	6,704	6,771
Financial income				
From related parties	HH	5	6	6
From others	HH	421	294	294
Financial expenses				
From related parties	II	(3)	-	-
From others	II	(925)	(532)	(532)
Profit (losses) from equity investments				
Dividends		-	-	-
Share of profit (loss) from equity investments	JJ	(94)	(26)	(26)
Other profit (losses) on equity investments		-	-	-
Income taxes	KK	(214)	(1,526)	(1,537)
Profit (loss) from continuing operations		(2,376)	4,920	4,976
Profit (loss) on discontinued operations		-	-	-
PROFIT (LOSS) FOR THE PERIOD		(2,376)	4,920	4,976
Total other components of comprehensive income statement		(86)	(4)	(4)
TOTAL COMPREHENSIVE INCOME		(2,462)	4,916	4,972
Profit (loss) for the period				
pertaining to the Group		(2,374)	4,929	4,985
pertaining to third parties		(2)	(9)	(9)
Net result of discontinued operations				
pertaining to the Group		-	-	-
pertaining to third parties		-	-	-
Total comprehensive income				
pertaining to the Group		(2,460)	4,925	4,981
pertaining to third parties		(2)	(9)	(9)
Weighted average number of ordinary shares in the period		24,796,546	23,857,141	23,857,141
Earnings per share (Euro)		(0.10)	0.21	0.21
Diluted earnings per share (Euro)		(0.10)	0.21	0.21
Earnings per share of discontinued (Euro)		-	-	-

(*) data restated in application of IFRS 3



3.1.3 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018 (*)	01.01.2018 31.12.2018
Comprehensive income / (loss)	(2,462)	4,916	4,972
Comprehensive profit (loss) from discontinued operations	-	-	-
Comprehensive profit (loss) from ongoing operations	(2,462)	4,916	4,972
(Gain)/Loss from assets sold	-	-	-
Fair value adjustment	-	-	-
Amortisation, depreciation and impairment of fixed assets	1,846	531	464
Write-downs (Revaluations) of financial assets	-	(2,054)	(2,054)
Write-downs (Revaluations) of fixed assets	-	-	-
Share of comprehensive income (loss) from equity investments	94	86	86
Net financial expenses (income)	446	232	232
Other non-monetary items included in the income statement	-	-	-
Net changes in working capital			
Contractual assets	(1,357)	(1,962)	(1,962)
Inventories	209	664	664
Trade receivables and other receivables	(1,168)	(1,921)	(1,921)
Trade payables and other payables	(715)	7,347	6,680
Changes in other provisions and deferred tax assets and liabilities	399	1,137	1,148
Gross Cash Flow	(2,708)	8,976	8,309
Interest paid	(927)	(532)	(532)
Interest received	481	300	300
Income taxes (paid) received	(370)	(78)	(78)
Income tax	-	-	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	(3,524)	8,666	7,999
(Investments) in tangible and intangible assets	(3,152)	(4,869)	(4,869)
Disinvestments in tangible and intangible assets	627	8	8
(Acquisitions) net of acquired liquidity	(671)	(10,170)	(9,503)
Disinvestments net of transferred liquidity	-	-	-
(Investments) in other companies and financial assets	(77)	(20)	(20)
Disinvestments in other companies and financial assets	60	4	4
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	(3,213)	(15,047)	(14,380)
Increase/(Reduction) of Share Capital net of ancillary charges	-	3,040	3,040
Other changes in equity	(42)	235	235
Acquisition of loans, financing and other financial liabilities	4,902	6,891	6,891
(Repayment) of loans, financing and other financial liabilities	(2,686)	(2,204)	(2,204)
Repayment of loans, financing and other financial assets	-	60	60
(Disbursement) of loans, financing and other financial assets	(29)	(71)	(71)
Dividends paid	(956)	(2,000)	(2,000)
CASH FLOW FROM FINANCING ACTIVITIES [C]	1,189	5,951	5,951
CASH FLOW ARISING FROM DISCONTINUED OPERATIONS [D]	6,030	(5)	(5)
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	482	(435)	(435)
Cash and cash equivalents at the beginning of the period	5,858	6,293	6,293
Cash and cash equivalents at the end of the period	6,340	5,858	5,858

(*) data restated in application of IFRS 3

Cash and cash equivalents include restricted current accounts for Euro 201 thousand.



3.1.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (thousands of Euros)	Share capital	Legal reserve	Share premium reserve	Other reserves	Translation reserve	Retained earnings / losses carried forward	Other comprehensive income	Profit (loss) for the period	Group's shareholders' equity	Minority interests in shareholders' equity	Total Shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2017	34,846	-	10,784	(34,528)	-	-	(52)	7,140	18,190	-	18,190
Allocation of 2017 result		1,008		6,132		-		(7,140)	-	-	-
Capital increases	2,290			750					3,040	-	3,040
Extraordinary dividend distribution				(2,000)					(2,000)	-	(2,000)
Other changes in equity					118				118	117	235
Profit (loss) at 31.12.2018								4,929	4,929	(9)	4,920
Other components of comprehensive income (loss)							(4)	-	(4)	-	(4)
<i>Comprehensive profit (loss) for the period</i>							(4)	4,929	4,925	(9)	4,916
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 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)
<i>Comprehensive profit (loss) for the period</i>							(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

(*) data restated in application of IFRS 3

For comments on the individual items, see note O. "Shareholders' equity" in Notes to financial statements.



3.2 NOTES TO CONSOLIDATED FINANCIAL STATEMENT

3.2.1 ACCOUNTING STANDARDS AND VALUATION CRITERIA

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 on 31 December 2019.

The consolidated financial statements as at 31 December 2019 were authorised for publication by the Board of Directors on 27 March 2020.

FINANCIAL STATEMENT FORMATS ADOPTED

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

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

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

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

The year-end closing of the subsidiaries included in the consolidation area coincides with that of PLC with the exception of Monsson South Africa Ltd for whom an interim financial report was duly prepared referring to the date of the consolidated financial statement.

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 the result pertaining to the participant and the dividends distributed by the subsidiary.

Following the application of the equity method, it is assessed whether it is necessary to recognise a further loss in value of the investment in the joint venture or 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 residual difference that emerges, if it is positive, is allocated to goodwill, if it is negative it 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. Unrealised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised (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 recognised in the income statement. In addition, upon taking control, any amounts previously recognised in the other components of the comprehensive income statement are recognised 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 recognised 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 recognised on the acquisition date. If the fair value of the net assets acquired still exceeds the consideration, the difference (profit) is recognised 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 recognised 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. Depreciation is 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 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.

Software

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



IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

This impairment test consists in estimating the recoverable value of the asset by comparing it with the related net carrying amount recorded in the financial statements. The recoverable value of an asset is the higher of its fair value, less costs to sell, 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, starting from 1 January 2019, are recognised 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 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 SUBSIDIARIES

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 recognised at cost. The book value of the investment is increased or decreased to recognise 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 the comprehensive income statement 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 recognises 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 recognised 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 recognise 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 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 recognises 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 recognised in the income statement.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies are equity investments other than those in subsidiaries, joint ventures and associates and, following the introduction of IFRS 9, fall within the category of "financial assets measured at fair value through profit or loss". After initial recognition at cost, these financial assets are measured at fair value; valuation gains or losses are recognised in an income statement item. 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 the statement of comprehensive income" and subsequently charged to the income statement in line with the economic effects produced by the hedged transaction.

Derivatives not qualifying as hedging instruments

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

FINANCIAL ASSETS

Depending on the characteristics of the instrument and the business model adopted for their management, financial assets are classified in the following categories: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value through other comprehensive income and (iii) financial assets through profit or loss. They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price.

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

Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting contractual cash flows and realising capital gains on disposal are measured at fair value and the effects are recognised in the "Other Comprehensive Income" ("OCI") reserve. In this case the following are recognised: (i) interest income, calculated using the effective interest rate, exchange rate differences and write-downs are booked in the income statement; (ii) changes in the fair value of the



instrument are booked to shareholders' equity, under OCI. The cumulative amount of changes in fair value, recognised in the shareholders' equity reserve which includes the other components of comprehensive income, is reversed to the income statement upon derecognition of the instrument.

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

WRITE-DOWN OF FINANCIAL ASSETS

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

INVENTORIES

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



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 recognised among revenues from ordinary operations, the positive differences between the fees accrued in relation to the progress of the works and revenues recognised, 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 LIABILITIES 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 "service costs"; net financial charges calculated by applying the appropriate discount rate to the balance of the defined benefit plan net of assets at the beginning of the year must be recognised in the income statement as such; actuarial gains and losses arising from the remeasurement of liabilities and assets must be recognised in the statement of other comprehensive income (losses).

As of 1 January 2007, the Finance Act and the related implementing decrees introduced significant changes to the rules governing employee severance indemnity, including the choice made by employees as to the allocation of their accrued employee severance indemnity (to supplementary pension funds or to the "Treasury Fund" managed by INPS - Italian National Social Security Institute). Consequently, the obligation to



INPS, as well as the contributions to supplementary pension schemes, assume the nature of "Defined contribution plans" according to IAS 19, while the quotas recorded in the Employee Severance Indemnity provision retain, according to IAS 19, the nature of "Defined benefit plans".

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated in the presence of a current obligation (legal or implicit), deriving from a past event, for which it is probable that fulfilment of the obligation will be on a payment basis and its amount can be reliably estimated. Provisions are recorded at the value representing the best estimate of the amount that the Group would pay to extinguish the obligation or to transfer it to third parties at the end of the period. If the discounting effect is significant, 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 (for further details see the section on Financial assets).

SHAREHOLDERS' EQUITY:

Costs for capital transactions

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

REVENUES

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



REVENUES FROM CONTRACTS WITH CUSTOMERS

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 activities 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 recognised 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 recognised 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 CHARGES

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

TAXES

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

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

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

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

The allocation of deferred tax assets on tax losses accrued is recorded if there is a probability of obtaining in the future taxable income of an amount as such to be able to absorb the tax losses that can be carried forward. The economic contra-entry to the provision for deferred or prepaid taxes is included in the item "Taxes".

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 amortisation and depreciation, to determine write-downs of equity investments or assets, to calculate taxes and other provisions for risks and charges. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.

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



Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a cash flow discounting model. The cash flows are derived from the information obtained from the prospective data in the Industrial Plan. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on expected future cash flows and the growth rate used.

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

Valuation of financial instruments

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

Recognition of revenues from 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 recognised 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 2019

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 2019. The Group has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

IFRS 16 - Leases

By Regulation no. 2017/1986 issued by the European Commission on 31 October 2017, IFRS 16 - Leases, was endorsed, which defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements on the basis of a single model for the recognition of leases based on the recognition of an asset by the lessor, representing the right to use the asset against a liability representing the obligation to make payments under the contract and therefore according to a model similar to that used to account for finance leases in accordance with IAS 17.

The standard provides for two exemptions from recording by lessees: (i) leases relating to "low value" assets (e.g. personal computers) and short-term leases (e.g. contracts expiring within 12 months or less). At the date of commencement of the lease, the lessee will recognise a liability for the lease payments (i.e. the lease liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right to use the asset). Lessees shall account separately for interest expenses on the lease liability and amortisation of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease agreement, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the asset's right of use. The accounting required by IFRS 16 for lessors is substantially unchanged from today's accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating leases and finance leases. IFRS 16 requires lessees and lessors to disclose more information than is required by IAS 17.

At the first application, the accounting standard IFRS 16 provides for the possibility of recording the asset by right of use against a financial liability of the same amount without adopting the retrospective approach.

The application of IFRS 16 essentially concerned long-term hire contracts for vehicles and cars and rental contracts. The following table shows the effects of the first adoption of IFRS 16 on 1 January 2019 and at 31 December 2019.



Effects of adopting IFRS 16 (thousands of Euro)	01.01.2019
Material assets	991
Non-current financial liabilities	(743)
Current financial liabilities	(248)

Effects of adopting IFRS 16 (thousands of Euro)	31.12.2019
<i>Effects on net equity</i>	
Tangible assets	825
Non-current financial liabilities	(563)
Current financial liabilities	(258)
<i>Economic effects</i>	
Service costs	272
Depreciation	(266)
Financial costs	(18)

Amendments to IFRS 9

Regulation no. 2018/498, issued by the European Commission on 22 March 2018, endorsed the amendments to IFRS 9 “Financial Instruments - Prepayment Features with Negative Compensation”, which clarify the classification of certain financial assets that can be reimbursed early when IFRS 9 is applied. Its application did not entail significant changes.

IFRIC 23 - Uncertainty over income tax treatment

Regulation no. 2018/1595, issued by the European Commission on 23 October 2018, endorsed IFRIC 23 “Uncertainty over income tax treatment”, which provides guidance on how to account for uncertainties about certain conduct by an entity in applying tax regulations. It is necessary to check whether the tax authorities are likely to accept the behaviour of the entity and whether they consider the uncertainty on its own or in relation to the entity's overall tax burden. Its application did not entail significant changes.

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

Regulation no. 2019/237, issued by the European Commission on 8 February 2019, endorsed the amendments to IAS 28 “Long-term interests in associates and joint ventures”, aimed at clarifying that the provisions of IFRS 9, including those relating to impairment, also apply to financial instruments representing long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture. Its application did not entail significant changes.

Amendments to IAS 19 - Plan amendment, curtailment or settlement

Regulation no. 2019/402, issued by the European Commission on 13 March 2019, endorsed the amendments to IAS 19 “Plan amendment, curtailment or settlement”, essentially aimed at requiring the use of updated actuarial assumptions in the determination of current service cost and net interest for the period following an amendment, curtailment or settlement of an existing defined benefit plan. Its application did not entail significant changes.



Annual cycle of improvements to IFRS 2015 - 2017

Regulation no. 2019/412, issued by the European Commission on 14 March 2019, endorsed the document "Annual cycle of improvements to IFRS 2015-2017", which essentially contains changes of a technical and editorial nature, to IAS 12 "Income taxes", to IAS 23 "Financial charges" to IFRS 3 "Business combinations" and to IFRS 11 "Joint control agreements". Its application did not entail significant changes.

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

IFRS 17 - Insurance contracts

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

Amendments to IFRS 3 - Business Combinations

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

Amendments to IAS 1 and IAS 8 - Definition of material

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

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

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 (IBOR) (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, not yet endorsed by the European Commission, are applicable from 1 January 2022; however, early application is permitted.



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.

Amendments to IAS - 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.

The amendments, not yet endorsed by the European Commission, are applicable from 1 January 2022; however, early application is permitted.

3.2.2 CONSOLIDATION SCOPE

Entity	Registered office	Financial year end	Currency	Share capital	% held		Through
					Direct	Indirect	
PLC S.p.A. (formerly Industria e Innovazione)	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	31.12	ZAR	11,407,352.00		99%	PLC System S.r.l.
Idroelettrica 2014	Acerra - NA (IT)	31.12	EUR	10,000.00			PLC System S.r.l.
Montenegro D.o.o.	Podgorica - Montenegro (ME)	31.12	EUR	2,000.00		100%	PLC System S.r.l.
PLC Power S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC System S.r.l.
C&C Castelvetere S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Power S.r.l.
C&C Irsina S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Power S.r.l.
C&C Uno Energy S.r.l.	Acerra - NA (IT)	31.12	EUR	118,000.00		100%	PLC Power S.r.l.
C&C Tre Energy S.r.l.	Acerra - NA (IT)	31.12	EUR	100,000.00		100%	PLC Power S.r.l.
Aisei 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	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.
Associates consolidated according to the equity method							
Solar Project One S.r.l.	Naples (IT)	31.12	EUR	20,000.00		50%	PLC System S.r.l.
MSD Service S.r.l.	Acerra - NA (IT)	31.12	EUR	10,000.00	45%		
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.



The consolidation perimeter as at 31 December 2019 differs from the consolidation perimeter as at 31 December 2018 due to the effect (i) of the deconsolidation of Monsson Operation LLC following the closure of the company, (ii) of the deconsolidation of Richini Due S.r.l. following the sale on July 16, 2019, (iii) of the acquisition of 95% of Pangreen Moçambique Lda, (iv) of the purchase of the additional 33% stake in C&C Castelvetera S.r.l.

3.2.3 NOTES ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The explanatory notes relating to the comparative data refer to the financial statements and the comprehensive income statement as at 31 December 2018 restated in application of IFRS 3 to retroactively reflect the effects of the completion of the accounting allocation process in relation to the acquisition of the Monsson Operation perimeter. The effects on shareholders' equity and on the comprehensive income statement are shown below.

Impact on equity (thousands of Euro)	31.12.2018	31.12.2018 restated
Goodwill	9,490	8,132
Other intangible assets	5,884	8,228
Deferred tax liabilities and other non-current taxes	1,699	2,074
Other payables	10,387	11,054
Effect on equity	-	(56)

Impact on comprehensive income statement (thousands of Euro)	31.12.2018 Restated
Depreciation	(67)
Income tax	11
Effect on comprehensive income statement	(56)

ACQUISITION OF 51% OF MONSSON OPERATION LTD.

At 31 December 2018, the acquisition of Monsson Operation Ltd., accounted for in accordance with the provisions of IFRS 3, created, for the purposes of the consolidated financial statements, the emergence of a difference temporarily allocated to the item "goodwill". This difference took into account not only the price recognised for 51% of the capital of Monsson Operation Ltd but also the preliminary valuation of the "put" option recognised by the parties in the agreements. Already at the time of preparing the Half-Yearly Financial Report at 30 June 2019, it was necessary to recalculate the consideration in Euro 5,340 thousand (of which Euro 2,723 thousand for the acquisition of 51% of the share capital of Monsson Operation Ltd. and Euro 2,617 thousand for the acquisition of the remaining 49%) following the counterparty's early exercising of the put option. Following this restatement, the difference temporarily allocated to goodwill amounted to Euro 5,445 thousand.



At 31 December 2019 the accounting allocation process envisaged by IFRS 3 (Purchase Price Allocation - PPA) was completed and identified the consistency of intangible assets linked to the customer list for Euro 2,025 thousand (net of the deferred tax provision) and a goodwill of 3,420 thousand, the latter an expression, among other things, of the development and synergies expected from the integration of the Monsson Operation perimeter into the PLC Group. The Monsson Operation Perimeter is, in fact, a technological basin which complements the expertise already possessed by the subsidiary PLC Service in the wind turbines sector, as well as an international platform through which to guide the development of core activities abroad. These values are to be considered definitive.

These values were therefore reflected on the balances at 31 December 2018, thus restating the comparative data, with a net effect on the consolidated equity at 31 December 2018 amounting to Euro 56 thousand (net of the tax effect) connected with the amortization of intangible assets for the 2 months in 2018.

Acquisition of the Monsson Operation perimeter	thousands of Euro
Acquired assets	5,197
Acquired liabilities	(5,302)
A = Fair Value of net assets	(105)
B = Consideration	5,340
C = (B-A) Effect of consolidation	5,445
PPA - Customer List Allocation (*)	(2,025)
Goodwill	3,420

(*) shown net of the deferred tax fund

A. TANGIBLE ASSETS

Tangible assets at 31 December 2019 amounted to Euro 9,705 thousand (Euro 7,545 thousand at 31 December 2018).

TANGIBLE ASSETS (thousands of Euro)	Land and buildings	General and Specific Plants	Equipment	Office machines and other assets	Assets under construction	Rights to use tangible assets	Total
Net value at 31.12.2018 (*)	2,204	818	705	228	3,590	-	7,545
Increases	-	279	196	697	1,560	1,108	3,840
Decreases	(14)	(36)	(2)	(63)	(510)	(17)	(642)
Depreciation	(28)	(193)	(250)	(299)	-	(266)	(1,036)
Other changes and exchange rate difference	-	(3)	-	6	(5)	-	(2)
Net value at 31.12.2019	2,162	865	649	569	4,635	825	9,705

(*) data restated in application of IFRS 3

The increases for the year, equal to Euro 3,840 thousand mainly refer (i) for Euro 1,560 thousand to the increase in fixed assets in progress with particular reference to the construction of the hydroelectric plant in the Municipality of Pergola, to the development of a 30MW photovoltaic project in Mozambique and the development of projects for the realization of no. 3 wind farms by SPV C&C Uno Energy S.r.l., C&C Tre Energy S.r.l. and C&C Castelvetere S.r.l. and (ii) for Euro 1,108 thousand for the rights of use recognised in application of IFRS 16 and relating to long-term rental contracts for cars and leases for warehouses and depots.



B. GOODWILL

Goodwill at 31 December 2019 amounted to Euro 8,150 thousand (Euro 8,132 thousand at 31 December 2018).

GOODWILL (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	Reclassification	31.12.2019
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
Total	8,132	18	-	-	8,150

(*) data restated in application of IFRS 3

With reference to the goodwill deriving from the acquisition of the Monsson Operation Perimeter and to the accounting allocation process envisaged by IFRS 3, please refer to the relative note.

Impairment

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 2019, the Group's market capitalization, equal to Euro 39,049 thousand, is greater than the reference shareholders' equity on the same date, equal to Euro 24,701 thousand; despite the absence of this as well as other indicators of potential impairment of goodwill and / or other assets, in consideration of the negative result for the year - albeit of a transitory nature since it derives from the postponement of the assets in the Construction Segment in the first half-year 2019 due to the delay in the publication of the FER 1 Decree - the management performed the impairment test on all the Group's CGUs.

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 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. Cash flows were determined based on an explicit 5-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 2019 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area, as shown below:

Construction Segment - Italy	7.45%
Services Segment - Italy	7.01%
Services Segment - Abroad	8.65%
Second level WACC	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. OTHER INTANGIBLE ASSETS

Intangible assets at 31 December 2019 amounted to Euro 7,837 thousand (Euro 8,228 thousand at 31 December 2018).

OTHER INTANGIBLE ASSETS (thousands of Euro)	Monsson customer list	PROGEO prototype	Other intangible fixed assets	Intangible fixed assets in progress	Total
Net value at 31.12.2018 (*)	2,344	-	4,141	1,743	8,228
Increases	-	2,114	52	-	2,166
Decreases	-	-	(5)	(1,743)	(1,748)
Depreciation	(402)	(355)	(54)	-	(811)
Use of accumulated depreciation	-	-	5	-	5
Other changes and exchange rate difference	-	-	(3)	-	(3)
Net value at 31.12.2019	1,942	1,759	4,136	-	7,837

(*) data restated in application of IFRS 3

The increases for the year, equal to Euro 2,166 thousand essentially refer, for Euro 2,114 thousand, to the costs incurred relating to the realization of the Progeo Project ("Power to Gas" dynamic storage system (PTG) aimed at reducing emissions of carbon dioxide (CO₂) better commented in the report on operations) prototype completed in June 2019 and classified at 31 December 2018 among the intangible fixed assets in progress.

The other intangible fixed assets entry mainly relates, for Euro 4,006 thousand, to the fair value of the authorizations already obtained and the authorization processes at an extremely advanced stage 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.



D. EQUITY INVESTMENTS IN ASSOCIATES

EQUITY INVESTMENTS IN ASSOCIATES (thousands of Euro)	% held	31.12.2018 (*)	Increases	Decreases	Reclassification	31.12.2019
Solar Project One S.r.l.	50%	342	9	(10)	-	341
MSD Service S.r.l.	45%	5	77	(77)	-	5
Panmed Renewables	20%	50	-	(50)	-	-
Monsson Poland zoo	26%	3	-	(3)	-	-
Monsson South Africa Ltd	25%	-	-	-	-	-
Total		400	86	(140)	-	346

(*) data restated in application of IFRS 3

Equity investments in associates at 31 December 2019 amounted to Euro 346 thousand (Euro 400 thousand at 31 December 2018).

The changes during the year refer to the recognition of the portion of the result attributable to the PLC Group and to the sale of the equity investment held in Panmed Renewables.

At December 31, 2019, the item mainly includes the 50% stake held in Solar Project One S.r.l. which manages a photovoltaic system on the roof of approx. 500kWp.

E. EQUITY INVESTMENTS IN OTHER COMPANIES

EQUITY INVESTMENTS IN OTHER COMPANIES (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Banca Del Sud	10	-	-	10
Consorzio EnelSi (**)	-	-	-	-
Credit (**)	-	-	-	-
Other equity investments	1	-	-	1
Total	11	-	-	11

(*) data restated in application of IFRS 3

(**) Equity investments fully written down in previous years

Equity investments in other companies amounted to Euro 11 thousand at 31 December 2019, unchanged compared to 31 December 2018.

EQUITY INVESTMENTS ALLOWANCE (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Equity investments allowance	(30)	-	-	(30)

(*) data restated in application of IFRS 3



F. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2019 amounted to Euro 471 thousand (Euro 63 thousand at 31 December 2018).

DEFERRED TAX ASSETS (thousands of Euro)		Increases	Decreases	31.12.2019
Deferred tax assets	63	423	(15)	471
Total	63	423	(15)	471

(*) data restated in application of IFRS 3

The increases for the period, equal to Euro 423 thousand, mainly relate, for Euro 342 thousand, to the recording of deferred tax assets accrued on the 2019 tax loss by the parent company PLC S.p.A. and the subsidiaries PLC System S.r.l., PLC Service Wind S.r.l. and PLC Power S.r.l.

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

G. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments, equal to Euro 1 thousand at 31 December 2019 (Euro zero 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.

H. NON-CURRENT RECEIVABLES

NON-CURRENT RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Non-current receivables from related parties	83	85
Non-current receivables from others	2,035	1,812
Total	2,118	1,897

(*) data restated in application of IFRS 3

Non-current receivables, equal to Euro 2,118 thousand at 31 December 2019 (Euro 1,897 thousand at 31 December 2018) 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 2.11



I. INVENTORIES AND CONTRACTUAL ASSETS

INVENTORIES AND CONTRACTUAL ASSETS (thousands of Euro)	31.12.2019	31.12.2018 (*)
Raw material inventories	3,976	4,062
Raw material allowance	(540)	(417)
Raw material inventories	3,436	3,645
CONTRACTUAL ASSETS	4,615	3,258
Total	8,051	6,903

(*) data restated in application of IFRS 3

Inventories

Inventories of Euro 3,436 thousand at 31 December 2019 (Euro 3,645 thousand at 31 December 2018) are shown net of the allowance of Euro 540 thousand. Inventories include raw materials destined for the EPC business and spare parts mainly destined for the O&M business.

The movements in the inventory allowance are shown below.

INVENTORY ALLOWANCE (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Inventory allowance	(417)	(123)	-	(540)

(*) data restated in application of IFRS 3

Contract assets

Contractual assets at 31 December 2019 amounted to Euro 4,615 thousand (Euro 3,258 thousand at 31 December 2018). 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 increases mainly due to the important progress of the framework contract with Terna Rete Italia relating to the supply of integrated protection, remote control and control systems to be installed in high and very high voltage electrical stations.

J. TRADE RECEIVABLES

Trade receivables at 31 December 2019 amounted to Euro 19,339 thousand, compared to a value of Euro 18,330 thousand at 31 December 2018. Trade receivables are shown net of the related provision for doubtful accounts, equal to Euro 1,111 thousand increased through the net effect of the provisions / uses for the period as a result of the definition of some disputed receivables.



TRADE RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Trade receivables from related parties	858	1,018
Trade receivables from others	19,592	18,366
Bad debt provision	(1,111)	(1,054)
Trade receivables from others	18,481	17,312
Total	19,339	18,330

(*) data restated in application of IFRS 3

The movements in the bad debt provision are shown below.

BAD DEBT PROVISION (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Bad debt provision	(1,054)	(284)	227	(1,111)

(*) data restated in application of IFRS 3

Trade receivables from related parties are illustrated in paragraph 2.11

K. CURRENT FINANCIAL RECEIVABLES

Current financial receivables at 31 December 2019 amount to Euro 400 thousand (Euro 371 thousand at 31 December 2018) and mainly relate, for Euro 357 thousand, to shareholder loans granted to the former subsidiary Panmed Renewables which will be defined during the 2020 financial year as part of the photovoltaic park development project.

CURRENT FINANCIAL RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Financial receivables from related parties	20	371
Financial receivables from others	387	1,419
Bad debt provision financial receivables from others	(7)	(1,419)
Current financial receivables from others	380	-
Total	400	371

(*) data restated in application of IFRS 3

Financial receivables from related parties are illustrated in paragraph 2.11.

During 2019, the other financial receivables were derecognised for Euro 1,412 thousand, relating to receivables from former subsidiaries and investee companies already subject to full write-down in previous years.

L. OTHER RECEIVABLES

Total other receivables at 31 December 2019 amounted to Euro 2,355 thousand (Euro 2,244 thousand at 31 December 2018).



OTHER CURRENT RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Other receivables from related parties	7	70
Progeo project receivables	-	404
Tax receivables	916	1,021
Instalments, deposits and securities	404	161
Prepayments and accrued income	592	327
Other receivables	436	261
Other receivables from others	2,348	2,174
Total	2,355	2,244

(*) data restated in application of IFRS 3

Other receivables from related parties are illustrated in paragraph 2.11.

M. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets amount to Euro 308 thousand at 31 December 2019 (Euro 482 thousand at 31 December 2018) and include securities and funds falling due within the year.

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

Non-current assets held for sale / disposal at 31 December 2019 are eliminated as a result of the disposals (i) of the 18% stake held in TWH in execution of the investment contract signed with ACE and (ii) of the property located in Costanta (RO) included in the Monsson Operation Perimeter. The sale to the sellers, at a price of Euro 2,049 thousand to be paid by offsetting the shareholder loans disbursed by the sellers themselves and by companies attributable to them (recorded in the non-current liabilities held for sale), was envisaged pursuant to the share purchase agreement. The values of the transferred assets had already been aligned with the transfer values as at 31 December 2018, therefore there are no effects in the 2019 financial year.

31.12.2019	
(thousands of Euro)	Total
Non-current assets	-
Current assets	-
Assets held for sale-	
- of which financial-	
Non-current liabilities	-
Current liabilities	-
Liabilities held for sale-	
- of which financial-	



31.12.2018 (*)

(thousands of Euro)	TWH	Monsson property	Total
Non- current assets	6,030	2,049	8,079
Current assets	-	-	-
Assets held for sale	6,030	2,049	8,079
- of which financial	-	-	-
Non-current liabilities	-	2,049	2,049
Current liabilities	-	-	-
Liabilities held for sale	-	2,049	2,049
- of which financial	-	2,049	2,049

(*) data restated in application of IFRS 3

O. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity as of 31 December 2019 is equal to Euro 24,701 thousand, of which Euro 6 thousand pertaining to third parties. The changes in the shareholders' equity items mainly relate (i) to the distribution of the dividend of Euro 956 thousand approved by the Shareholders' Meeting of 25 June 2019, (ii) to carrying out the second tranche of the capital increase in conversion of Euro 18 thousand approved by the Extraordinary Shareholders' Meeting of 29 June 2017, (iii) to the execution of the share capital increases for a total of Euro 3,796 thousand approved by the Extraordinary Shareholders' Meeting of 31 July 2019 for the purchase of 49% of the share capital of Monsson Operation Ltd. and payment of the residual share of the price relating to the initial purchase of 51%; these capital increases are shown net of the related costs of Euro 70 thousand and (iv) to the overall negative result of Euro 2,462 thousand and (vi) to other changes in shareholders' equity for Euro 62 thousand.

Lastly, it should be noted that the market capitalization of the PLC share at 31 December 2019, equal to Euro 39,049 thousand, is greater than its consolidated shareholders' equity on the reference date.



P. NET FINANCIAL POSITION

NET FINANCIAL POSITION (thousands of Euro)	31.12.2019	31.12.2018 (*)
Cash and cash equivalents (**)	6,340	5,858
A. CASH AND CASH EQUIVALENTS	6,340	5,858
Current financial receivables	400	371
Financial assets held for sale	-	-
B. CURRENT FINANCIAL RECEIVABLES	400	371
Current financial liabilities	(7,710)	(4,702)
Financial liabilities held for sale	-	(2,049)
C. CURRENT FINANCIAL PAYABLES	(7,710)	(6,751)
D. CURRENT NET FINANCIAL DEBT (A+B+C)	(970)	(522)
Non-current financial liabilities	(7,026)	(6,746)
E. NON-CURRENT NET FINANCIAL DEBT	(7,026)	(6,746)
F. NET FINANCIAL POSITION (D+E)	(7,996)	(7,267)

(*) data restated in application of IFRS 3

(**) of which Euro 201 thousand restricted at 31 December 2019 (Euro 171 thousand subsequently released in February 2020) (Euro 2,223 at 31 December 2018)

The net financial position of the PLC Group at 31 December 2019 was negative for Euro 7,996 thousand (negative for Euro 7,267 thousand at 31 December 2018).

Total financial debt went from Euro 13,497 thousand (of which Euro 4,702 thousand in the short term) to Euro 14,736 thousand (of which Euro 7,710 thousand in the short term); the increase of Euro 1,239 thousand mainly derives from: (i) from underwriting the medium-term loan with BNL for Euro 5,000 thousand, intended to finance the needs related to the acquisition of the Monsson Operation Perimeter, (ii) from the extinction of the financial liabilities destined for disposal as part of the sale of the property located in Constanta for 2,049 thousand, (iii) repayments of the loan instalments falling due for Euro 2,009 thousand and (iv) from the change in financial payables recognised in application of IFRS 16 for Euro 470 thousand.

Loans outstanding at 31 December 2019

The list of loans outstanding at 31 December 2019 is shown below for the capital share only, with evidence of the contractually established deadlines.



Loans (thousands of Euro)	Company	Last expiry date	Short-term portion	Long-term portion	Total remaining loans 31.12.2019
BPM loan	PLC S.p.A.	31/12/2021	1,191	1,209	2,400
BNL loan	PLC S.p.A.	22/01/2024	952	3,950	4,902
Unicredit loan	PLC System S.r.l.	31/01/2020	43	-	43
Unicredit Factoring advance	PLC System S.r.l.	Cancellation	1,499	-	1,499
BPER loan (*)	PLC System S.r.l.	02/02/2020	1,000	-	1,000
BPER loan	PLC System S.r.l.	02/08/2020	1,000	-	1,000
BNL Contract advance	PLC System S.r.l.	Cancellation	1,050	-	1,050
BNL loan	PLC Service S.r.l.	31/07/2028	134	1,146	1,280
ITALEASE loan	PLC Service S.r.l.	31/12/2022	2	5	7
Unicredit advance	PLC Service Wind S.r.l.	Cancellation	252	-	252
Shareholder loan Mr. Muntmark	Monsson Operation Ltd (IE)	31/12/2020	188	-	188
Martop Development loan	Monsson Operation S.r.l. (RO)	30/12/2021	7	-	7
Muntmark Maria loan	Wind Power Energy S.r.l. (RO)	31/12/2020	12	-	12
Total			7,330	6,310	13,640

(*) Refinanced for Euro 900 thousand, expiring on 15.02.2021

With reference to hedging the risk deriving from the change in interest rates, the Group has signed a cap strike contract on the loan in place with BNL (for further details, see note G. "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.

Q. PROVISIONS FOR NON-CURRENT RISKS AND CHARGES

On 31 December 2019 the provisions for risks and charges amounted to Euro 74 thousand (Euro zero thousand at 31 December 2018).

PROVISIONS FOR NON-CURRENT RISKS AND CHARGES (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Provision for contractual penalties	-	(50)	-	(50)
Provision for hedging losses of subsidiaries	-	(24)	-	(24)
Total	-	(74)	-	(74)

(*) data restated in application of IFRS 3

The increases for the period refer (i) to provisions for contractual penalties for Euro 50 thousand and (ii) to Euro 24 thousand for loss hedging provision of the subsidiaries Monsson South Africa Ltd. and Monsson Poland SP.ZO.o, respectively for Euro 14 thousand and Euro 10 thousand, set up as a result of the recognition of the portion of the result for the period.



R. EMPLOYEE SEVERANCE INDEMNITY

The provision for employee severance indemnities ("TFR") at 31 December 2019 is equal to Euro 1,570 thousand (Euro 1,229 thousand at 31 December 2018).

EMPLOYEE SEVERANCE INDEMNITY (thousands of Euro)	31.12.2018 (*)	Increases	Provisions	Uses	Actuarial profit / loss	31.12.2019
Employee severance indemnity	1,229	-	367	(144)	118	1,570

(*) data restated in application of IFRS 3

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 2019, the Group had 403 employees, including 23 managers, 133 middle managers and clerical staff and 246 workers and 1 trainee. The average number of employees in 2019 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (units)	31.12.2019	31.12.2018
Managers	23	5
Middle managers and clerical staff	140	74
Workers	251	122
Total	414	201

S. DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES

DEFERRED TAX LIABILITIES AND OTHER NON CURRENT TAXES (thousands of Euro)	31.12.2018 (*)	Increases	Decreases	31.12.2019
Deferred tax liabilities and other non-current taxes	2,074	113	(392)	1,795
Total	2,074	113	(392)	1,795

(*) data restated in application of IFRS 3

At 31 December 2019, this item comprises mainly (i) deferred tax liabilities calculated on the fair value of the authorizations relating to the C&C Transaction for Euro 1,118 thousand, recognised in 2018 following the completion of the PPA envisaged by IFRS 3, (ii) taxes relating to previous years for Euro 360 thousand subject to ratification by the subsidiaries PLC System S.r.l. and Monsson Turkey Limited Sirkety, (iii) deferred tax liabilities for Euro 311 thousand calculated on the fair value of the customer list relating to the Monsson Operation perimeter recognised during 2019 following the completion of the PPA envisaged by IFRS 3.



T. TRADE PAYABLES

Trade payables at 31 December 2019 amounted to Euro 14,138 thousand (Euro 15,835 thousand at 31 December 2018).

TRADE PAYABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Trade payables to related parties	144	493
Trade payables to others	13,994	15,342
Total	14,138	15,835

(*) data restated in application of IFRS 3

Trade payables to related parties are illustrated in paragraph 2.11

U. CONTRACTUAL LIABILITIES

Contractual liabilities, equal to Euro 294 thousand (Euro 474 thousand at 31 December 2018) 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.

V. OTHER PAYABLES

Other payables at 31 December 2019 amounted to Euro 8,124 thousand (Euro 11,054 thousand at 31 December 2018).

OTHER PAYABLES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Other payables to related parties	2	54
Other payables to related parties	2	54
Residual purchase debt for Monsson Operation Ltd	-	3,792
Payables to tax authorities	1,977	2,947
Accrued expenses and deferred income	1,947	1,165
Earn out C&C transaction	987	987
Payables to Enel Green Power	619	-
Payables to social security institutions	728	778
Payables to directors	232	265
Other payables	1,632	1,066
Other payables to others	8,122	11,000
Total	8,124	11,054

(*) data restated in application of IFRS 3



The residual debt relating to the purchase of Monsson Operation Ltd, equal to Euro 3,792 thousand at 31 December 2018, was extinguished through the reserved capital increases resolved by the Extraordinary Shareholders' Meeting of 31 July 2019 and carried out in August.

Deferred income, equal to Euro 1,947 thousand, relate, for Euro 1,227 thousand to the contribution relating to the Progeo Project which is recognised in the years in which the amortization of the project is charged (for further information, see the Management Report and note C. "Other intangible assets").

Other payables of Euro 1,632 thousand mainly include Euro 1,092 thousand due to employees for accrued wages, holidays and Working Time Reduction not taken.

Payables to Enel Green Power S.p.A. relate to the advances received in connection with the signing of the preliminary contracts for the sale of C&C Castelvetero S.r.l. and C&C Uno Energy S.r.l.

INTRODUCTION

With reference to the consolidated economic data, it should be noted that the Monsson Operation perimeter contributed for the entire year in 2019, while in 2018 only starting from the acquisition date (November 2018).

AA. CORE BUSINESS REVENUES

CORE BUSINESS REVENUES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Construction Segment revenue	14,360	33,558
from third parties	14,360	33,548
from related parties	-	10
Service Segment revenue	30,390	13,695
from third parties	29,150	13,356
from related parties	1,240	339
Holding Segment revenue	13	2
from third parties	-	-
from related parties	13	2
Total	44,763	47,255

(*) data restated in application of IFRS 3

Revenues at 31 December 2019 amounted to Euro 44,763 thousand (Euro 47,255 thousand at 31 December 2018). The revenues relating to the Construction Segment amount to Euro 14,360 thousand and, compared to the previous year, significantly discount the delay in the publication of the FER 1 Decree which caused a postponement of the planned activities with effects mainly in the first half of 2019.

On the other hand, the Services Segment, with revenues of Euro 30,390 thousand, shows significant growth on both the Italian and foreign markets, the latter due to the contribution of the Monsson Operation Perimeter. For further details, see the management report.



The breakdown of revenues by geographical area is shown below.

REVENUES BY GEOGRAPHICAL AREA (thousands of Euro)	ITALY	FOREIGN COUNTRIES	TOTAL
Construction Segment revenue	13,797	563	14,360
Service Segment revenue	15,012	15,378	30,390
Revenues from other segments	13	-	13
Total	28,822	15,941	44,763
<i>% incidence on total revenues</i>	<i>64%</i>	<i>36%</i>	<i>100%</i>

BB. OTHER OPERATING REVENUES

Other revenues at 31 December 2019 amounted to Euro 852 thousand (Euro 2,632 thousand at 31 December 2018).

OTHER OPERATING REVENUES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Other operating revenues from related parties	90	-
Revenues from BOT	-	2,420
activities Other	76	212
Other operating revenues from others	762	2,632
Total	852	2,632

(*) data restated in application of IFRS 3

CC. EXPENSES FOR RAW MATERIALS

EXPENSES FOR RAW MATERIALS (thousands of Euro)	31.12.2019	31.12.2018 (*)
Purchase of raw materials from related parties	-	-
Purchase of raw materials from third parties	9,085	15,214
Total	9,085	15,214

(*) data restated in application of IFRS 3

Expenses for raw materials at 31 December 2019 amounted to Euro 9,085 thousand (Euro 15,214 thousand at 31 December 2018). The decrease compared to the previous year is strictly related to the postponement of activities in the Construction Segment with effects mainly in the first half of 2019.



DD. EXPENSES FOR SERVICES

The breakdown of expenses for services totalling Euro 17,690 thousand (Euro 16,007 thousand at 31 December 2019) is shown below.

EXPENSES FOR SERVICES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Service costs for related parties	757	578
Service costs from related parties	757	578
Costs for non-recurring consultancy	528	375
Administrative and tax consultancy	356	322
Legal and notarial consultancy	267	288
Technical and professional consulting	4,630	9,559
Control bodies remuneration	123	99
Independent Auditors fees	116	93
Maintenance and utilities	394	302
Insurance	400	296
Rentals and other costs on third-party assets	1,794	1,033
Leases payable and charges	90	87
Services and other goods	8,235	2,975
Costs for services from others	16,933	15,429
Total	17,690	16,007

(*) data restated in application of IFRS 3

EE. PERSONNEL COSTS

Personnel costs at 31 December 2019 amounted to Euro 15,600 thousand (Euro 9,444 thousand at 31 December 2019). The increase in the period is essentially due to the contribution of the Monsson Operation perimeter.

FF. OTHER OPERATING COSTS

The other operating costs, at 31 December 2019, amounted to Euro 2,841 thousand (Euro 1,905 thousand at 31 December 2018) 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 depreciation provision.



GG. AMORTISATION AND DEPRECIATION

AMORTISATION AND DEPRECIATION (thousands of Euro)	31.12.2019	31.12.2018 (*)
Depreciations of tangible assets	1,036	510
Amortisation of intangible assets	811	83
Total	1,847	593

(*) data restated in application of IFRS 3

Amortisation and depreciation at 31 December 2019 amounted to Euro 1,847 thousand (Euro 593 thousand at 31 December 2018). The significant increase in the period derives from the contribution of the Monsson Operation perimeter for the entire year and from the depreciation of the rights of use recognised in application of IFRS 16.

With reference to the amortization of intangible assets, the increase is also due to the amortization of the customer list recorded with reference to the Monsson Operation perimeter following the completion of the PPA envisaged by IFRS 3.

HH. FINANCIAL INCOME

Financial income at 31 December 2019 amounted to Euro 426 thousand (Euro 300 thousand at 31 December 2018).

II. FINANCIAL EXPENSES

Financial expenses at 31 December 2019 amounted to Euro 928 thousand (Euro 532 thousand at 31 December 2018).

JJ. SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS

The share of profit (loss) from equity investments is negative for Euro 94 thousand (negative for Euro 26 thousand at December 31, 2018).

SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS (thousands of Euro)	31.12.2019	31.12.2018 (*)
MSD Service S.r.l.	(77)	(12)
Solar Project One S.r.l.	9	(14)
Monsson South Africa Ltd	(14)	-
Monsson Poland SP.ZO.o.	(12)	-
Total	(94)	(26)

(*) data restated in application of IFRS 3



KK. INCOME TAXES

INCOME TAXES (thousands of Euro)	31.12.2019	31.12.2018 (*)
Current income taxes	370	1,565
Deferred income taxes	(435)	7
Taxes relating to previous years	279	(46)
Total	214	1,526

(*) data restated in application of IFRS 3

The balance of the tax item, equal to Euro 214 thousand at 31 December 2019 (Euro 1,526 thousand at 31 December 2018) is made up of Euro 370 thousand for current taxes, Euro 435 thousand for the net balance of deferred tax assets and liabilities and for Euro 279 thousand in taxes relating to previous years.

At December 31, 2019, deferred tax assets were recognised on the tax loss for the year of the parent company PLC S.p.A. and of the subsidiaries PLC System S.r.l., PLC Service Wind S.r.l. and PLC Power S.r.l., for Euro 342 thousand, transferred to the group under the national tax consolidation regime. Deferred tax assets have been recognised since the formation of future taxable income at the national tax consolidation 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	31.12.2019
Pre-tax profit	(2,162)	
Theoretical tax charge		-
Temporary differences	468	
Temporary differences in previous years	(307)	
Permanent differences	1,266	
Actual taxable profit	(735)	
Actual tax charge		394



LL. 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;
- 2 corporate guarantees, for a total of Euro 456 thousand, issued by PLC S.p.A. in the interest of PLC Power S.r.l. in favour of Enel Green Power S.p.A., in relation to the advances received under the preliminary contracts for the sale of the shareholding held in C&C Uno Energy S.r.l. and in C&C Castelvetero S.r.l.

PLC SYSTEM S.r.l.

- bank sureties issued by Unicredit in favour of domestic customers for Euro 636 thousand;
- bank sureties issued by BNL in favour of domestic customers for Euro 1,321 thousand;
- bank sureties issued by Credito Emiliano in favour of domestic customers for Euro 169 thousand;
- bank sureties issued by Atradius, Generali and Coface in favour of domestic customers for Euro 1,511 thousand;
- surety issued by Fraes S.r.l. (formerly PLC Group 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 3,135 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;
- pledge on securities to guarantee the sureties issued by Credito Emiliano for Euro 150 thousand;
- corporate guarantee issued by PLC S.p.A. in favour of Siemens Gamesa Renewable Energy Wind S.r.l. for Euro 318 thousand.

PLC SERVICE S.r.l.

- bank sureties issued by Unicredit in favour of domestic customers for Euro 35 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 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.



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.

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 Allianz in favour of the Municipality of S. Lorenzo in Campo for Euro 10 thousand.

MSD SERVICE S.r.l.

- insurance guarantee issued by Reale Mutua di Assicurazioni in the interest of Burgentia Energia S.r.l. for a total of 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 646 thousand;

WIND POWER ENERGY S.r.l.

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

MM 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 in which PLC System and its subsidiaries converge;

Services Segment: which includes PLC Service, its subsidiary PLC Service Wind and the Monsson Operation Perimeter;

HOLDING segment: into which the parent company PLC S.p.A. converges.



STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	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	341	-	5	346
Equity investments in other companies	11	-	-	11
Deferred tax assets	39	51	381	471
Non-current receivables	1,753	365	-	2,118
Non-current derivative instruments	-	-	1	1
Other non-current assets	-	-	-	-
Total non-current assets	12,850	10,612	5,177	28,639
Current assets				
Inventories	1,274	2,162	-	3,436
Contract 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
Total current assets	18,050	16,357	2,386	36,793
Non current 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	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
Other non-current liabilities	-	-	-	-
Total non-current liabilities	1,958	3,146	5,361	10,465
Current liabilities				
Current financial liabilities	4,637	919	2,154	7,710
Trade payables	8,849	4,412	877	14,138
Contractual liabilities	266	28	-	294
Other payables	4,723	2,874	527	8,124
Total current liabilities	18,475	8,233	3,558	30,266
Non current liabilities held for sale / disposal				-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30,900	26,969	7,563	65,432



STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	31.12.2018 (*)
Non-current assets				
Tangible assets	3,645	3,882	18	7,545
Goodwill	2	3,420	4,710	8,132
Other intangible assets	5,796	2,426	6	8,228
Equity investments in associates	392	3	5	400
Equity investments in other companies	11	-	-	11
Deferred tax assets	32	19	12	63
Non-current receivables	1,717	180	-	1,897
Other non-current assets	-	-	-	-
Total non-current assets	11,595	9,930	4,751	26,276
Current assets				
Inventories	1,532	2,113	-	3,645
Contract assets	3,258	-	-	3,258
Trade receivables	11,077	7,251	2	18,330
Financial receivables	299	14	58	371
Other receivables	1,492	704	48	2,244
Cash and cash equivalents	3,862	1,973	23	5,858
Other current financial assets	482	-	-	482
Total current assets	22,002	12,055	131	34,188
Non current assets held for sale / disposal	6,030	2,049	-	8,079
TOTAL ASSETS	39,627	24,034	4,882	68,543

STATEMENT OF FINANCIAL POSITION (thousands of Euro)	Construction	Services	Holding	31.12.2018 (*)
TOTAL SHAREHOLDERS' EQUITY	15,891	11,272	(2,782)	24,381
Non-current liabilities				
Non-current financial liabilities	2,128	2,236	2,381	6,745
Provisions for non-current risks and charges	-	-	-	-
Employee severance indemnity	475	583	171	1,229
Deferred tax liabilities and other non-current taxes	1,699	375	-	2,074
Other non-current liabilities	-	-	-	-
Total non-current liabilities	4,302	3,194	2,552	10,048
Current liabilities				
Current financial liabilities	3,161	940	601	4,702
Trade payables	11,837	3,124	874	15,835
Contractual liabilities	396	77	1	474
Other payables	4,040	3,378	3,636	11,054
Total current liabilities	19,434	7,519	5,112	32,065
Non current liabilities held for sale / disposal	-	2,049	-	2,049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	39,627	24,034	4,882	68,543

(*) data restated in application of IFRS 3



RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	01.01.2019 31.12.2019
Core business revenue	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 costs	(783)	(1,915)	(143)	(2,841)
GROSS OPERATING MARGIN (EBITDA)	(1,762)	4,787	(2,626)	399
Depreciation, amortization and impairment losses	(657)	(1,291)	(17)	(1,965)
OPERATING RESULT (EBIT)	(2,419)	3,496	(2,643)	(1,566)
Net financial income (expense)	(105)	(161)	(236)	(502)
Profit (loss) from equity investments	9	(26)	(77)	(94)
Income taxes	58	(753)	481	(214)
Profit (loss) from continuing operations	(2,457)	2,556	(2,475)	(2,376)
Profit (loss) from discontinued operations	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	(2,457)	2,556	(2,475)	(2,376)
Total other components of comprehensive income statement	(23)	(57)	(6)	(86)
TOTAL COMPREHENSIVE INCOME	(2,480)	2,499	(2,481)	(2,462)

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of Euro)	Construction	Services	Holding	01.01.2018 31.12.2018 (*)
Core business revenue	33,558	13,695	2	47,255
Other operating revenues	2,420	212	0	2,632
Total revenues	35,978	13,907	2	49,888
Operating costs	(29,022)	(10,381)	(1,262)	(40,665)
Other operating costs	(531)	(1,173)	(201)	(1,905)
GROSS OPERATING MARGIN (EBITDA)	6,424	2,354	(1,461)	7,317
Depreciation, amortization and impairment losses	(219)	(393)	(1)	(613)
OPERATING RESULT (EBIT)	6,205	1,961	(1,462)	6,704
Net financial income (expense)	(178)	(66)	12	(232)
Profit (loss) from equity investments	(14)	-	(12)	(26)
Income taxes	(1,182)	(344)	-	(1,526)
Profit (loss) from continuing operations	4,831	1,551	(1,462)	4,920
Profit (loss) from discontinued operations	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	4,831	1,551	(1,462)	4,920
Total other components of comprehensive income statement	(2)	28	(30)	(4)
TOTAL COMPREHENSIVE INCOME	4,829	1,579	(1,492)	4,916

(*) data restated in application of IFRS 3



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 tables summarizing the Group's economic and equity relationships with related parties are shown below.

Revenues and costs from related parties

REVENUES AND COSTS FROM RELATED PARTIES (thousands of Euro)	Revenues			Costs		
	Revenues	Research and development	Financial income	Raw materials and services	Personnel	Financial costs
ZALL Cross S.r.l.	-	-	-	7	-	-
BZEE - Bildungszentren Erneuerbare	-	-	-	5	-	-
Eco Power Wind S.r.l.	182	-	-	-	-	-
Martop Development Cypru	-	-	-	-	-	3
Mireasa Energies S.r.l.	492	-	-	-	-	-
Monsson Accounting Services S.r.l.	1	-	-	30	-	-
Monsson Alma S.r.l.	260	-	-	166	-	-
Monsson Logistic S.r.l.	39	-	-	188	-	-
Monsson Poland SP.ZO.o.	23	-	2	-	-	-
Monsson Trading S.r.l.	41	-	-	54	-	-
MSD Service S.r.l.	42	-	3	-	-	-
Muntmark Maria	-	-	-	5	-	-
Nelke S.r.l.	-	-	-	225	-	-
Orchid maintenance S.r.l.	46	-	-	3	-	-
Tolga Ozkarakas	-	-	-	209	-	-
Total natural S.r.l.	51	-	-	-	-	-
Wind Park invest S.r.l.	65	-	-	-	-	-
Wind Stars S.r.l.	101	-	-	-	-	-
Total	1,343	-	5	892	-	3
<i>% impact on the balance sheet item</i>	3%	0%	1%	3%	0%	0%



Receivables from and payables to related parties

RECEIVABLES TO AND PAYABLES FROM RELATED PARTIES (thousands of Euro)	Receivables			Payables		
	Trade Receivables	Financial receivables	Other receivables	Trade Payables	Financial payables	Other payables
Bistrav Production S.r.l.	5	-	-	-	-	-
BZEE - Bildungszentren Erneuerbare Energien	-	-	-	2	-	-
Eco Power Wind S.r.l.	77	-	-	-	-	-
Emanuel Muntmark	-	-	-	-	188	-
Enarom Expert S.r.l.	1	-	-	-	-	-
FRAES S.r.l.	1	-	-	-	-	2
Idea S.r.l.	-	5	-	-	-	-
Mario Stucchi	-	15	-	-	-	-
Martop Development Cypru	-	-	-	-	7	-
Mireasa Energies S.r.l.	133	-	-	-	-	-
Monsson Accounting Services S.r.l.	-	-	-	10	-	-
Monsson Alma S.r.l.	303	-	5	3	-	-
Monsson Hydro Services S.r.l.	13	-	-	-	-	-
Monsson Logistic S.r.l.	22	-	-	56	-	-
Monsson Manpower S.r.l.	-	-	-	-	-	-
Monsson Middle East	148	-	-	-	-	-
Monsson Poland SP.ZO.o.	-	50	-	-	-	-
Monsson South Africa PTY LTD	-	33	-	-	-	-
Monsson Trading S.r.l.	-	-	-	53	-	-
MSD Service S.r.l.	4	-	-	-	-	-
Muntmark Maria	-	-	-	20	12	-
Orchid maintenance S.r.l.	-	-	-	-	-	-
Sebastian-Petre Enache	-	-	1	-	-	-
Tolga Ozkarakas	-	-	1	-	-	-
Total natural S.r.l.	20	-	-	-	-	-
Wind Park invest S.r.l.	52	-	-	-	-	-
Wind Stars S.r.l.	79	-	-	-	-	-
Total	858	103	7	144	207	2
<i>% impact on the balance sheet item</i>	<i>4%</i>	<i>21%</i>	<i>0%</i>	<i>1%</i>	<i>1%</i>	<i>0%</i>



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 Euros)	Measurement criteria adopted				31.12.2019	31.12.2018
	Fair value	Fair Value Hierarchy	Cost	Amortised cost	Carrying amount	Carrying amount
Financial assets at fair value through profit or loss						
Loans and receivables	-	-	-	483	483	456
Cash and cash equivalents	6,340		-	-	6,340	5,858
Trade receivables	-	Level 1	-	19,339	19,339	18,330
Other current receivables	-	-	-	2,355	2,355	2,245
Other non-current receivables	1	-	-	2,035	2,036	1,812
Financial assets available for sale		Level 1			-	-
Shareholding in other companies measured at fair value	-	-	-	-	-	-
Investments in other companies measured at cost	-	-	11	-	11	11
Other financial assets	-	-	-	308	308	482
Financial assets available for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	6,341	-	11	24,520	30,872	29,194
Financial liabilities at amortised cost						
Trade payables	-	-	-	14,138	14,138	15,835
Other current payables	-	-	-	8,418	8,418	11,528
Current financial payables	-	-	-	7,710	7,710	4,702
Non-current financial payables	-	-	-	7,026	7,026	6,683
Financial assets available for sale	-	-	-	-	-	2,049
TOTAL FINANCIAL LIABILITIES	-	-	-	37,292	37,292	40,797

(*) data restated in application of IFRS 3

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 finalised 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.

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



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

At 31 December 2019, 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 2019, 64% of the Group's business was carried out on the Italian market and 36% 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 charges that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes. At 31 December 2019, 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 AUDIT 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 2019 (thousands of Euro)
Auditing	EY S.p.A.	PLC S.p.A.	42
Auditing	EY S.p.A.	Group Companies	93
Certification services (*)	EY S.p.A.	PLC S.p.A.	35
Total			169

(*) refer to professional services relating to the fairness opinion issued on the issue price of the shares relating to the share capital increases with the exclusion of the option right pursuant to art. 2441 fourth paragraph first sentence, fifth paragraph and sixth paragraph of the Civil Code and art. 158, first paragraph of Legislative Decree 58/98



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 preparing the corporate accounting documents of PLC, 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 2019.

In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2019:

- have been prepared in compliance with the applicable international accounting standards recognised 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, 27 March 2020

CEO

Manager in charge of Financial
Reporting

Signed Michele Scoppio

Signed Cecilia Mastelli



3.5 INDEPENDENT AUDITORS' REPORT



PLC S.p.A.

Consolidated financial statements as at 31 December 2019

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

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 2019, and 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Revenue recognition and evaluation of construction contracts.</p> <p>The consolidated financial statements include revenues related to construction contracts for 14.4 million and assets and liabilities related to the component accrued at the balance sheet date of Euro 4.6 million and Euro 0.3 million respectively.</p> <p>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.</p> <p>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.</p> <p>Considering the economic and financial influence of the construction contracts, of the judgment required by the complexity of the assumptions used in forecasting the costs to complete the construction contracts and of the contractual modifications under negotiation and of the potential effect on the result of the exercise of the changes of estimate, we assessed this matter as a key audit matter.</p> <p>The section on "Contract Assets and Liabilities" and the paragraph on "Revenues from contracts with customers" as well as the note "I - Inventories and Contract assets" of the explanatory notes to the financial statements, show the information relating to the revenue recognition and the evaluation of construction contracts.</p>	<p>Our audit procedures in response to the key audit matter concerned, among other things:</p> <ul style="list-style-type: none"> - 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. <p>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.</p>

Goodwill evaluation

Goodwill as at 31 December 2019 amounted to Euro 8.2 million and was 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, 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 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 10 February 2020 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 2020-2024; (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 key assumptions in order to identify the change in the assumptions that could have a significant impact on the valuation of the recoverable amount.

Finally, we verified the adequacy of the information provided in the explanatory notes to the financial statements related t.

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 2019, 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 2019 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 2019 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, 3 April 2020

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 FINANCIAL STATEMENTS

4.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (Euro)	Notes	31.12.2019	31.12.2018
Non-current assets			
Tangible assets	A	59,650	17,771
Intangible assets			
Goodwill		-	-
Other intangible assets	B	20,012	5,817
Equity investments in subsidiaries	C	48,340,000	46,337,490
Equity investments in associates	D	93,318	17,100
Deferred tax assets	E	359,280	11,795
Non-current derivative instruments	F	1,260	-
Non-current receivables			
From related parties	G	3,785,956	1,558,477
From others	G	-	-
Total non-current assets		52,659,476	47,948,450
Current assets			
Trade receivables			
From related parties	H	1,127,039	332,339
From others	H	25,500	-
Financial receivables			
From related parties	I, L	-	55,376
From others	I, L	27,506	2,100
Other receivables			
From related parties	J	837,622	158,432
From others	J	490,804	45,259
Cash and cash equivalents	L	1,837,419	15,597
Total current assets		4,345,890	609,103
Non-current assets held for sale / disposal		-	-
TOTAL ASSETS		57,005,366	48,557,553



STATEMENT OF FINANCIAL POSITION (Euro)	Notes	31.12.2019	31.12.2018
TOTAL SHAREHOLDERS' EQUITY	K	47,729,595	42,206,439
Non-current liabilities			
Non-current financial liabilities			
To related parties	L	-	-
To others	L	5,175,556	2,381,571
Employee severance indemnity	M	185,465	171,211
Total non-current liabilities		5,361,021	2,552,782
Current liabilities			
Current financial liabilities			
To related parties	L	-	-
To others	L	2,154,158	600,333
Trade payables			
To related parties	N	139,097	214,043
To others	N	764,591	681,706
Other payables			
To related parties	O	332,191	9,000
To others	O	524,713	2,293,250
Total current liabilities		3,914,750	3,798,332
Non-current liabilities held for sale / disposal		-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		57,005,366	48,557,553



4.1.2 STATEMENT OF PROFIT (LOSS) FOR THE PERIOD AND OTHER COMPONENTS OF COMPREHENSIVE INCOME

COMPREHENSIVE INCOME STATEMENT (Euro)	Notes	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Core business revenue			
From related parties	AA	1,497,741	1,699,839
From others	AA	-	-
Other operating revenues			
From related parties		-	-
From others		-	8
Expenses for raw materials			
From related parties		-	-
From others		-	-
Expenses for services			
From related parties	BB	(227,000)	(199,000)
From others	BB	(1,275,206)	(872,731)
Personnel costs			
From related parties	CC	-	-
From others	CC	(1,674,891)	(1,434,815)
Other operating costs			
From related parties	DD	-	-
From others	DD	(142,544)	(199,245)
GROSS OPERATING MARGIN (EBITDA)		(1,821,900)	(1,005,944)
Amortizations and depreciations	EE	(14,411)	(1,026)
Impairment losses	FF	(1,676)	(6,236)
OPERATING RESULT (EBIT)		(1,837,987)	(1,013,206)
Financial income			
From related parties	GG	167,641	8,553
From others	GG	61	17,220
Financial expenses			
From related parties	GG	-	-
From others	GG	(239,426)	(5,571)
Profit (loss) from equity investments			
Dividends	HH	4,256,087	2,000,000
Share of profit (loss) from equity investments		-	-
Other profit (loss) from equity investments		-	-
Income taxes	II	394,815	-
Profit (loss) from continuing operations		2,741,191	1,006,996
Profit (loss) from discontinued operations		-	-
PROFIT (LOSS) FOR THE PERIOD		2,741,191	1,006,996
Total other components of comprehensive income statement	JJ	(5,900)	(30,482)
TOTAL COMPREHENSIVE INCOME		2,735,291	976,514



4.1.3 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of Euro)	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Comprehensive income / (loss)	2,735	977
Comprehensive income/(loss) from discontinued operations	-	-
Comprehensive profit (loss) from continuing operations	2,735	977
(Gain)/Loss from assets sold	-	-
Amortisation, depreciation and impairment of fixed assets	14	2
Write-downs (Revaluations) of financial assets	-	6
Write-downs (Revaluations) of fixed assets	-	-
Share of comprehensive income (loss) from equity investments	-	-
Net financial expenses (income)	72	(20)
Dividends	(4,256)	(2,000)
Net changes in working capital		
Trade receivables and other receivables	(1,329)	(31)
Trade payables and other payables	280	(281)
Change in other provisions and deferred tax assets and liabilities	(334)	149
Gross Cash Flow	(2,818)	(1,198)
Interest paid	(40)	(5)
Interest received	-	17
Income taxes (paid) received	-	-
Income taxes	-	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	(2,858)	(1,186)
(Investments) in tangible and intangible fixed assets	(69)	(25)
Divestment of tangible and intangible fixed assets	-	-
(Investments) in subsidiaries	(6)	(3,340)
Disinvestment in subsidiaries	9	-
(Investments) in other financial assets	-	(17)
Divestment in other financial assets	-	-
Dividends collected	3,618	2,000
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	3,552	(1,382)
Increase/(Reduction) of Share Capital net of ancillary charges	-	3,040
Acquisitions of loans, financing and other financial liabilities	4,917	2,960
(Repayment) of loans, financing and other financial liabilities	(582)	(302)
Repayment of loans, financing and other financial assets	-	-
(Disbursement) of loans, financing and other financial assets	(2,252)	(1,607)
Dividends paid	(956)	(2,000)
CASH FLOW FROM FINANCING ACTIVITIES [C]	1,127	2,091
CASH FLOW ARISING FROM DISCONTINUED OPERATIONS [D]	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS [A+B+C+D]	1,821	(477)
Cash and cash equivalents at the beginning of the period	16	493
Cash and cash equivalents at the end of the period	1,837	16



4.1.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (thousands of Euro)	Share capital	Legal reserve	Other Comprehensive Income	Other reserves	Retained earnings / losses carried forward	Profit (loss) for the period	Total Shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2017	34,846	-		10,784	(25,604)	20,164	40,190
Allocation of 2017 result		1,008		(6,448)	25,604	(20,164)	-
Capital increases	2,290			750			3,040
Extraordinary dividend distribution				(2,000)			(2,000)
Profit (loss) at 31.12.2018						1,007	1,007
Other components of comprehensive income (loss)			(30)				(30)
<i>Comprehensive profit (loss) for the period</i>	-	-	(30)	-	-	1,007	977
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)
<i>Comprehensive profit (loss) for the period</i>	-	-	(6)	-	-	2,741	2,735
SHAREHOLDERS' EQUITY AT 31.12.2019	27,026	5,000	(36)	12,998	1	2,741	47,730



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 on 31 December 2019. The consolidated financial statements as at 31 December 2019 were authorised for publication by the Board of Directors on 27 March 2020.

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

FINANCIAL STATEMENT FORMATS ADOPTED

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

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

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

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



TANGIBLE ASSETS

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

Maintenance and repair costs are charged to the income statement of the year in which they are incurred if of an ordinary nature, or capitalised if they increase the value or the economic duration of the asset. Depreciation is calculated on the basis of rates considered suitable for distributing the value of 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 *Section "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 selling 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 recorded in the income statement.



LEASING AND RIGHT OF USE

Leasing, rental and hire contracts, starting from 1 January 2019, are recognised 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 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 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 associated and controlled companies held for disposal are valued at the lower of their carrying amount and fair value less the foreseeable costs of disposal.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies are equity investments other than those in subsidiaries, joint ventures and associates and, following the introduction of IFRS 9, fall within the category of "financial assets measured at fair value through profit or loss". After initial recognition at cost, these financial assets are measured at fair value; valuation gains or losses are recognised in an income statement item. 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 the statement of comprehensive income" and subsequently charged to the income statement in line with the economic effects produced by the hedged transaction.

Derivatives not qualifying as hedging instruments

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

FINANCIAL ASSETS

Depending on the characteristics of the instrument and the business model adopted for their management, financial assets are classified in the following categories: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value with recognition of the effects among the other components of the comprehensive income statement and (iii) financial assets with recognition of the effects in the income statement. They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows representing exclusively principal and interest payments are measured at amortised cost if held for the purpose of collecting contractual cash flows. The application of the amortised cost method involves the recognition in the income statement of interest income determined on the basis of the effective interest rate of the exchange differences and of any write-downs.



Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting contractual cash flows and realising capital gains on disposal are measured at fair value and the effects are recognised in the "Other Comprehensive Income" ("OCI") reserve. In this case: (i) interest income, calculated using the effective interest rate, exchange rate differences and write-downs are booked in the income statement; (ii) changes in the fair value of the instrument are booked to shareholders' equity, under OCI. The cumulative amount of changes in fair value, recognised in the shareholders' equity reserve which includes the other components of comprehensive income, is reversed to the income statement upon derecognition of the instrument. A financial asset representing a debt instrument that is not measured at amortised cost or at fair value with the effects recognised in the OCI is measured at fair value through profit or loss; this category includes financial assets held for trading. Interest income earned on financial assets held for trading is included in the overall fair value measurement of the instrument and is recognised as financial income or charges.

WRITE-DOWN OF FINANCIAL ASSETS

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

CASH AND CASH EQUIVALENTS

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



NON-CURRENT LIABILITIES 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 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 "service costs"; net financial charges calculated by applying the appropriate discount rate to the balance of the defined benefit plan net of assets at the beginning of the year must be recognised in the income



statement as such; actuarial gains and losses arising from the remeasurement of liabilities and assets must be recognised in the statement of other comprehensive income (losses).

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

PROVISIONS FOR RISKS AND CHARGES

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

FINANCIAL LIABILITIES

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

SHAREHOLDERS' EQUITY:

Costs for capital transactions

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

REVENUES

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



COSTS

Costs for the purchase of goods and services are recognised in the income statement on an accruals basis. Personnel costs include the amount of wages and salaries paid, provisions for pension funds and holidays accrued but not taken, and social security and welfare costs in application of the contracts and current legislation.

DIVIDENDS

Dividends are recognised on the date of the resolution being taken by the shareholders' meeting.

INTEREST AND FINANCIAL CHARGES

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

TAXES

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

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

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

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

The allocation of deferred tax assets on tax losses accrued is recorded if there is a probability of obtaining in the future taxable income of an amount as such to be able to absorb the tax losses that can be carried forward. The economic contra-entry to the provision for deferred or prepaid taxes is included in the item "Taxes".

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 related to market conditions at the financial statement 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. Final results may differ from the estimates made, which are based on data that reflect the current status of the information available. Estimates are used to measure goodwill, to record provisions for risks on receivables, to determine amortisation and depreciation, to determine write-downs of equity investments or assets, to calculate taxes and other provisions for risks and charges. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement. The main 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 2019

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 2019. The Company has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

IFRS 16 - Leases

By Regulation no. 2017/1986 issued by the European Commission on 31 October 2017, IFRS 16 - Leases, was endorsed, which defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements on the basis of a single model for the recognition of leases based on the recognition of an asset by the lessor, representing the right to use the asset against a liability representing the obligation to make payments under the contract and therefore according to a model similar to that used to account for finance leases in accordance with IAS 17.

The standard provides for two exemptions from recording by lessees: (i) leases relating to "low value" assets (e.g. personal computers) and short-term leases (e.g. contracts expiring within 12 months or less). At the date of commencement of the lease, the lessee will recognise a liability for the lease payments (i.e. the lease liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right to use the asset). Lessees shall account separately for interest expenses on the lease liability and amortisation of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease agreement, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the asset's right of use. The accounting required by IFRS 16 for lessors is substantially unchanged from previous



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

At the first application, the accounting standard IFRS 16 provides for the possibility of recording the asset by right of use against a financial liability of the same amount without adopting the retrospective approach.

The application of IFRS 16 essentially concerned long-term hire contracts for cars. The following table shows the effects of the first adoption of IFRS 16 on 1 January 2019 and at 31 December 2019.

Effects of adopting IFRS 16 (thousands of Euro)	01.01.2019
Tangible assets	18
Non-current financial liabilities	(12)
Current financial liabilities	(6)

Effects of adopting IFRS 16 (thousands of Euro)	31.12.2019
<i>Effects on net equity</i>	
Tangible assets	29
Non-current financial liabilities	(17)
Current financial liabilities	(12)
<i>Economic effects</i>	
Service costs	7
Depreciation	(7)
Financial costs	0

Amendments to IFRS 9

Regulation no. 2018/498, issued by the European Commission on 22 March 2018, endorsed the amendments to IFRS 9 “Financial Instruments - Prepayment Features with Negative Compensation”, which clarify the classification of certain financial assets that can be reimbursed early when IFRS 9 is applied. Its application did not entail significant changes.

IFRIC 23 - Uncertainty over income tax treatment

Regulation no. 2018/1595, issued by the European Commission on 23 October 2018, endorsed IFRIC 23 “Uncertainty over income tax treatment”, which provides guidance on how to account for uncertainties about certain conduct by an entity in applying tax regulations. It is necessary to check whether the tax authorities are likely to accept the behaviour of the entity and whether they consider the uncertainty on its own or in relation to the entity's overall tax burden. Its application did not entail significant changes.



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

With Regulation no. 2019/237, issued by the European Commission on 8 February 2019, the amendments to IAS 28 "Long-term interests in associates and joint ventures" were endorsed, aimed at clarifying that the provisions of IFRS 9, including those relating to impairment, also apply to financial instruments representing long-term interests in an associated company or a joint venture which, in essence, are part of the net investment in the associated or joint venture company. Its application did not entail significant changes.

Amendments to IAS 19 - Plan amendment, curtailment or settlement

Regulation no. 2019/402, issued by the European Commission on 13 March 2019, endorsed the amendments to IAS 19 "Plan amendment, curtailment or settlement", essentially aimed at requiring the use of updated actuarial assumptions in the determination of current service cost and net interest for the period following an amendment, curtailment or settlement of an existing defined benefit plan. Its application did not entail significant changes.

Annual cycle of improvements to IFRS 2015 - 2017

Regulation no. 2019/412, issued by the European Commission on 14 March 2019, endorsed the document "Annual cycle of improvements to IFRS 2015-2017", which essentially contains changes of a technical and editorial nature, to IAS 12 "Income taxes", to IAS 23 "Financial charges" to IFRS 3 "Business combinations" and to IFRS 11 "Joint control agreements". Its application did not entail significant changes.

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

IFRS 17 - Insurance contracts

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

Amendments to IFRS 3 - Business Combinations

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

Amendments to IAS 1 and IAS 8 - Definition of material

On 31 October 2018, the IASB issued amendments to IAS 1 and IAS 8 which aim to clarify the definition of 'material' in order to help companies assess whether information should be included in the financial statements.



In particular, information must be considered relevant if it can be reasonably assumed that its relative omission, incorrect presentation or concealment affects the main users of the financial statements when making decisions based around the financial statements. The amendments to IAS 1 and IAS 8, not yet endorsed by the European Commission, are applicable from 1 January 2020; however, early application is permitted.

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

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 (IBOR) (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, not yet endorsed by the European Commission, are applicable from 1 January 2022; however, early application is permitted.

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.

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.

The amendments, not yet endorsed by the European Commission, are applicable from 1 January 2022; however, early application is permitted.



4.2.2 NOTES ON RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

A. TANGIBLE ASSETS

TANGIBLE ASSETS (thousands of Euro)	Office machines and other assets	Rights of use tangible assets	Total
Net value at 31.12.2018	18	-	18
Increases	18	36	54
Decreases	-	-	-
Depreciation	(6)	(7)	(13)
Use of accumulated depreciation	-	-	-
Net value at 31.12.2019	30	29	59

Tangible assets at 31 December 2019 amounted to Euro 59 thousand (Euro 18 thousand at 31 December 2018). Investments for the year, equal to Euro 54 thousand, relate to (i) the purchase of IT equipment (personal computers, PDAs) and (ii) the registration of the rights of use deriving from long-term rental contracts of cars, in application of the provisions of IFRS 16.

B. OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS (thousands of Euro)	Surface rights	Other intangible assets	Total
Net value at 31.12.2018	-	6	6
Increases	-	15	15
Decreases	-	-	-
Depreciation	-	(1)	(1)
Use of accumulated depreciation	-	-	-
Net value at 31.12.2019	-	20	20

Other Intangible assets at 31 December 2019 amounted to Euro 20 thousand (Euro 6 thousand at 31 December 2018). The investments for the year, equal to Euro 15 thousand, relate to the purchase of software licenses.

C. EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at 31 December 2019 is equal to Euro 48,340 thousand (Euro 46,337 thousand at 31 December 2018).

EQUITY INVESTMENTS IN SUBSIDIARIES (thousands of Euro)	% held	31.12.2018	Increases	Decreases	Reclassification	31.12.2019
PLC System S.r.l.	100%	32,227	-	-	-	32,227
PLC Service S.r.l.	100%	10,773	-	-	-	10,773
Monsson Operation Ltd.	100%	3,334	2,006	-	-	5,340
Richini Due S.r.l. (*)	-	3	6	(9)	-	-
Total		46,337	2,012	(9)	-	48,340

(*) Sold on 16.07.2019



The changes compared to the previous year relate to (i) the net increase in the value of the investment in Monsson Operation Ltd., equal to Euro 2,006 thousand, deriving from the quantification of the residual portion of the price relating to the initial purchase of 51% of the share capital and the subsequent purchase of the remaining 49% and (ii) the recapitalization and subsequent sale of the 100% stake in Richini Due S.r.l.

With reference to the equity investment in Monsson Operation Ltd., it should be noted that the purchase of the remaining 49% and the payment of the residual share of the price relating to the initial purchase of 51% (which took place on 9 November 2018) were completed through a capital increase in kind and a paid capital increase by PLC SpA, both reserved for sellers and carried out in July 2019.

EQUITY INVESTMENTS IN SUBSIDIARIES (thousands of Euro)	Registered office	Share capital	Shareholders' Equity 31.12.2019	Result 31.12.2019	% held	Share of shareholders' equity	Carrying amount
PLC System S.r.l.	Acerra	10,000	13,535	(1,081)	100%	13,535	32,227
PLC Service S.r.l.	Acerra	100	2,018	916	100%	2,018	10,773
Monsson Operation Ltd (*)	Dublin	-	847	657	100%	847	5,340
Total		10,100	16,400	492		16,400	48,340

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

Impairment

All investments in subsidiaries have been subjected to the impairment test, regardless of the presence or absence of indicators of potential impairment. Checking recoverability of the carrying values of the equity investments was carried out by comparing the net book value of each of them 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. Cash flows were determined based on an explicit 5-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 2019 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area, as shown below:



PLC System S.r.l. – Construction Segment - Italy	7.45%
PLC Service S.r.l. – Services Segment - Italy	7.01%
Monsson Operation Ltd. – Services Segment - Abroad	8.65%

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 equity investments emerged.

D. EQUITY INVESTMENTS IN ASSOCIATES

Equity investments in associated companies, equal to Euro 93 thousand, includes the 45% shareholding in MSD Service S.r.l., a company operating in "dispatching" services.

EQUITY INVESTMENTS IN ASSOCIATES (thousands of Euro)	% held	31.12.2018	Increases	Decreases	31.12.2019
MSD Service S.r.l.	45%	17	76	-	93
Total		17	76	-	93

The increases for the year, equal to Euro 76 thousand, refer to the waiver of financial and trade receivables by PLC S.p.A. in order to financially support the associate in completing the start up phase.

EQUITY INVESTMENTS IN ASSOCIATES (thousands of Euro)	Registered office	Share capital	Shareholders' equity 31.12.2019	Result 31.12.2019	Share of shareholders' equity	Carrying amount
MSD Service S.r.l.	Acerra (IT)	10	10	(171)	4	93
Total		10	10	(171)	4	93

At 31 December 2019 the value of the investment was subjected to an impairment test; 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 basis for forecasting cash flows, the discount rate used, the long-term growth rate "g" and the parameters for the sensitivity analysis are reported in note C. "Investments in subsidiaries" to which you are referred.

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 equity investments emerged.



E. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2019 amounted to Euro 359 thousand (Euro 12 thousand at 31 December 2018). The increases for the period, equal to Euro 347 thousand, relate (i) to temporary differences of Euro 5 thousand between the book values and the recognised 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 342 thousand for the recognition of the deferred tax assets accrued on the 2019 tax loss, attributable to it and transferred by the subsidiaries belonging to the national tax consolidation.

DEFERRED TAX ASSETS (thousands of Euro)	31.12.2018	Increases	Decreases	31.12.2019
Deferred tax assets	12	347	-	359
Total	12	347	-	359

F. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments, equal to Euro 1 thousand at 31 December 2019 (Euro zero thousand at 31 December 2018), 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.

G. NON-CURRENT RECEIVABLES

Non-current receivables, equal to Euro 3,786 thousand at 31 December 2019 (Euro 1,558 thousand at 31 December 2018), relate to the interest-bearing shareholder loan granted to the subsidiary Monsson Operation Ltd. to support working capital and in accordance with contractual provisions.

H. TRADE RECEIVABLES

Trade receivables at 31 December 2019 amount to Euro 1,152 thousand (Euro 332 thousand at 31 December 2018) and mainly refer to invoices issued and to be issued to other Group companies for services performed centrally by the parent company.

TRADE RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018
Trade receivables from related parties	1,127	332
Trade receivables from others	25	125
Bad debt provision	-	(125)
Trade receivables from others	25	-
Total	1,152	332

The movements in the bad debt provision are shown below.



BAD DEBT PROVISION (thousands of Euro)	31.12.2018	Increases	Decreases	31.12.2019
Bad debt provision	(125)	-	125	-

I. FINANCIAL RECEIVABLES

Financial receivables at 31 December 2019 amounted to Euro 28 thousand (Euro 57 thousand at 31 December 2018).

CURRENT FINANCIAL RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018
Financial receivables from related parties	-	55
Financial receivables from others	35	1,421
Bad debt provision financial receivables from others	(7)	(1,419)
Current financial receivables from others	28	2
Total	28	57

Financial receivables from related parties, equal to Euro zero thousand at 31 December 2019 (Euro 55 thousand at 31 December 2018) related to the interest-bearing shareholder loan granted to the associate MSD Service S.r.l. During 2019, PLC proceeded with the recapitalization of MSD Service S.r.l., both for its own share and for the share of two of the other shareholders, renouncing, among other things, this loan; at the same time, PLC S.p.A. registered receivables from the two minority shareholders for Euro 28 thousand.

BAD DEBT PROVISION (thousands of Euro)	31.12.2018	Increases	Decreases	31.12.2019
Bad debt provision	(1,419)	-	1,412	(7)

During 2019, the other financial receivables were derecognised for Euro 1,412 thousand, relating to receivables from former subsidiaries and investee companies already subject to full write-down in previous years.

J. OTHER RECEIVABLES

Other receivables at 31 December 2019 amounted to Euro 1,328 thousand (Euro 203 thousand at 31 December 2018).

OTHER CURRENT RECEIVABLES (thousands of Euro)	31.12.2019	31.12.2018
Other receivables from related parties	838	158
Tax receivables	415	-
Prepaid expenses	48	37
Security deposits	5	5
Other receivables	22	3
Other receivables from others	490	45
Total	1,328	203



The other receivables from related parties, equal to Euro 838 thousand, refer (i) for Euro 130 thousand to receivables from the subsidiaries PLC System S.r.l. and PLC Service S.r.l. emerged following offsetting of items relating to accruals by personnel transferred to the parent company, (ii) for Euro 638 in receivables from the subsidiary PLC System for approved and not yet paid dividends and (iii) for Euro 70 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 2019, the shareholders' equity of PLC amounted to Euro 47,730 thousand.

The changes in the shareholders' equity items mainly relate (i) to the distribution of the dividend of Euro 956 thousand approved by the Shareholders' Meeting of 25 June 2019, (ii) to carrying out the second tranche of the capital increase in conversion of Euro 18 thousand approved by the Extraordinary Shareholders' Meeting of 29 June 2017, (iii) to the execution of the share capital increases for a total of Euro 3,796 thousand approved by the Extraordinary Shareholders' Meeting of 31 July 2019 for the purchase of 49% of the share capital of Monsson Operation Ltd. and payment of the residual share of the price relating to the initial purchase of 51%; these capital increases are shown net of the related costs of Euro 70 thousand and (iv) to the overall profit for the period amounting to Euro 2,735 thousand

The share capital at 31 December 2019 is equal to Euro 27,026 thousand and is made up of 25,960,575 ordinary listed shares with no nominal value.

During the 2019 financial year the shares went from 24,005,031 to 24,013,908 following the second tranche of the capital increase in conversion approved by the Shareholders' Meeting of 29 June 2017. Subsequently, following the capital increases related to the acquisition of Monsson Operation Ltd., the shares went from 24,013,908 to 25,960,575.

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

DISTRIBUTABILITY OF SHAREHOLDERS' EQUITY (thousands of Euro)	Uses over last 3 years				
	Amount	Possibility of use	Available quota	Loss coverage	Other reasons
Share capital	27,026	B		24,209	12,150
Capital reserves					
Share premium reserve	12,998			6,448	2,000
Profit reserves					
Statutory reserve	5,000	B	5,000		
Reserve Other Comprehensive Income	(36)	B			
Profit (loss) carried forward	1	A/B/C	1	20,164	
Total	44,989		5,001	50,821	14,150



L. NET FINANCIAL POSITION

The net financial position of PLC SpA at 31 December 2019 was negative for Euro 5,465 thousand (negative for Euro 2,909 thousand at 31 December 2018).

NET FINANCIAL POSITION (thousands of Euro)	31.12.2019	31.12.2018
Cash and cash equivalents	1,837	16
A. CASH AND CASH EQUIVALENTS	1,837	16
Current financial receivables	28	57
Non-current financial assets held for sale	-	-
B. CURRENT FINANCIAL RECEIVABLES	28	57
Current financial liabilities	(2,154)	(600)
Non-current financial liabilities held for sale	-	-
C. CURRENT FINANCIAL PAYABLES	(2,154)	(600)
D. CURRENT NET FINANCIAL DEBT (A+B+C)	(289)	(527)
Non-current financial liabilities	(5,176)	(2,382)
E. NON-CURRENT NET FINANCIAL DEBT	(5,176)	(2,382)
F. NET FINANCIAL POSITION (D+E)	(5,465)	(2,909)

The overall financial debt, equal to Euro 7,330 thousand (of which Euro 2,154 thousand in the short term), comprises (i) the residual portion of the loan with Banco BPM for Euro 2,400 thousand, (ii) for Euro 4,901 thousand of the medium-long term loan signed with BNL for nominal Euro 5,000 thousand and valued at amortised cost, and (ii) for Euro 29 thousand upon recognition of financial liabilities deriving from long-term car rental contracts, in accordance with IFRS 16.

Cash and cash equivalents, equal to Euro 1,837 thousand at 31 December 2019, include income from service contracts and dividends collected by subsidiaries, net of current management costs and dividends paid, approved by the Shareholders' Meeting of 25 June 2019.

The table below provides a breakdown of bank loans:

Loans (thousands of Euro)	Loan amount	Last expiry date	Short -term portion	Long-term portion	Total residual loan
BPM loan	3,000	31/12/2021	1,191	1,209	2,400
BNL loan	5,000	22/01/2024	952	3,950	4,901
Total	8,000		2,142	5,159	7,301

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 F. "Non-current derivative instruments").



M. EMPLOYEE SEVERANCE INDEMNITY

The provision for employee severance indemnities ("TFR") at 31 December 2019 is equal to Euro 185 thousand (Euro 171 thousand at 31 December 2018); 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)	31.12.2018	Increases	Provisions	Uses	Actuarial gain / loss	31.12.2019
Employee severance indemnity	171	-	47	(41)	8	185

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 2019, the Company had 20 employees, including 3 managers, 3 middle managers and 14 clerical staff. The average number of employees in 2019 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (in units)	31.12.2019	31.12.2018
Managers	3	3
Middle managers and clerical staff	16	11
Workers	-	-
Total	19	14

N. TRADE PAYABLES

Trade payables at 31 December 2019 amounted to Euro 904 thousand, substantially in line with the previous year (Euro 896 thousand at 31 December 2018).

Trade payables to related parties are illustrated in note 4.2.3

TRADE PAYABLES (thousands of Euro)	31.12.2019	31.12.2018
Trade receivables from related parties	139	214
Trade receivables from others	765	682
Total	904	896



O. OTHER PAYABLES

Other payables at 31 December 2019 amounted to a total of Euro 857 thousand (Euro 2,302 thousand at 31 December 2018). 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)	31.12.2019	31.12.2018
Other payables to related parties	332	9
Other payables to related parties	332	9
Residual purchase debt for Monsson Operation Ltd	-	1,790
Payables to employees	92	-
Payables to directors	233	265
Payables to tax authorities	101	120
Payables to social security institutions	99	59
Other payables	-	59
Other payables to others	525	2,293
Total	857	2,302

AA. CORE BUSINESS REVENUE

Revenues at 31 December 2019 amount to Euro 1,498 thousand (Euro 1,700 thousand at 31 December 2018) and are entirely 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 2019 amounted to Euro 1,502 thousand (Euro 1,072 thousand at 31 December 2018). Service costs to related parties are illustrated in note 4.2.3

EXPENSES FOR SERVICES (data in thousands of Euro)	31.12.2019	31.12.2018
Consultancy from related parties	200	172
Service costs for related parties	27	27
Service costs for related parties	227	199
Costs for non-recurring consultancy	528	375
Administrative and tax consultancy	25	93
Legal and notarial consultancy	126	49
Control bodies remuneration	107	96
Independent Auditors fees	42	55
Technical and professional consulting	130	52
Maintenance and utilities	94	45
Insurance	66	30
Rentals and other costs on third-party assets	29	24
Services and other goods	128	54
Costs for services from others	1,275	873
Total	1,502	1,072



The costs for non-recurring consultancy are linked to the definition of the guidelines and the preparation of a new multi-year business plan as well as to strategic consultancy in relation to possible capital transactions and, residually, to activities connected with the purchase of the additional 49 % of the share capital of Monsson Operation Ltd., and the purchase of 51% of the share capital of Schmack Biogas S.r.l.

At 31 December 2018, these costs referred entirely to the purchase of 51% of Monsson Operation Ltd.

The increase in the items “Costs for legal and notary consultancy” and “Maintenance and utilities” is mainly related to the centralization in PLC S.p.A. of legal advice and costs related to the IT system for the whole group. The increase in the “Costs for technical and professional consultancy” and “Services and other goods” items is mainly related to the organization’s expansion.

CC. PERSONNEL COSTS

Personnel costs at 31 December 2019 amounted to Euro 1,675 thousand (Euro 1,435 thousand at 31 December 2018) and included directors’ fees of Euro 394 thousand.

DD. OTHER OPERATING COSTS

Other operating costs at 31 December 2019 amounted to Euro 143 thousand (Euro 198 thousand at 31 December 2018).

OTHER OPERATING COSTS (housands of Euro)	31.12.2019	31.12.2018
Indirect taxes and fees	44	41
Write-down of receivables	-	-
Other operating costs	99	157
Total	143	198

EE. AMORTISATION AND DEPRECIATION

Amortization and depreciation for the period amounted to Euro 14 thousand (Euro 1 thousand at 31 December 2018). 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. IMPAIRMENT LOSSES

This item includes the impairment loss of Euro 2 thousand on the equity investment in Richini Due S.r.l. due to the loss made up to the date of sale, which took place on 16 July 2019.



GG. FINANCIAL INCOME AND EXPENSES

Financial income is equal to Euro 168 thousand at 31 December 2019 and mainly relates to interest income accrued on the shareholder loan granted to the subsidiary Monsson Operation Ltd. and on the shareholder loan granted to the associate MSD Service S.r.l. Financial expenses at 31 December 2019 amounted to Euro 239 thousand (Euro 5 thousand at 31 December 2018).

HH. PROFIT (LOSSES) FROM EQUITY INVESTMENTS

This item includes dividends distributed by the subsidiaries PLC System S.r.l. and PLC Service S.r.l. respectively for Euro 3,388 thousand and Euro 868 thousand.

II. INCOME TAXES

The tax item at 31 December 2019 is positive for Euro 395 thousand 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 a consolidating equity investment starting from the 2019 financial year. Deferred tax assets have been recognised since the formation of future taxable income at the national tax consolidation level is considered reasonable.

It should be remembered that prudently, PLC has not recognised 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 (24%) (thousands of Euro)	Taxable income	31.12.2019
Pre-tax profit	2,346	
Theoretical tax charge		(563)
Temporary differences	261	
Temporary differences in previous years	(307)	
Permanent differences	(3,935)	
Actual taxable profit	(1,635)	
Actual tax charge		392

JJ. COMPONENTS OF COMPREHENSIVE INCOME

The components of comprehensive income amount to Euro 6 thousand at 31 December 2019 (Euro 30 thousand at 31 December 2018) and relate to the effect of the actuarial calculation on the employee severance indemnity pursuant to IAS 19 (equal to Euro 8 thousand net of the relative tax effect of Euro 2 thousand).



KK. COMMITMENTS AND GUARANTEES

The commitments and guarantees outstanding at 31 December 2019 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;
- surety of Euro 2,500 thousand issued by SACE S.p.A. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted;
- corporate surety of Euro 318 thousand issued by PLC S.p.A. on behalf of PLC System S.r.l. in favour of Siemens Gamesa Renewable Energy Wind S.r.l.;

2 corporate guarantees, for a total of Euro 456 thousand, issued by PLC S.p.A. in the interest of PLC Power S.r.l. in favour of Enel Green Power S.p.A., in relation to the advances received under preliminary contracts for the sale of the equity investments held in C&C Uno Energy S.r.l. and in C&C Castelvetero S.r.l.

LL. SEGMENT REPORTING

With reference to the parent company PLC S.p.A., the segment reporting at 31 December 2019 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 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 AND COSTS FROM RELATED PARTIES (thousands of Euro)	Revenues			Costs		
	Revenues	Research and development	Financial income	Raw materials and services	Personnel	Financial costs
PLC Service S.r.l.	525	-	-	-	-	-
PLC Service Wind S.r.l.	225	-	-	-	-	-
PLC System S.r.l.	680	-	3	2	-	-
PLC System South Africa PTY LTD	-	-	-	-	-	-
Idroelettrica 2014 S.r.l.	7	-	-	-	-	-
PLC System Montenegro d.o.o.	-	-	-	-	-	-
PLC Power S.r.l.	7	-	5	-	-	-
C&C Castelvetero S.r.l.	5	-	-	-	-	-
C&C Irsina S.r.l.	7	-	-	-	-	-
C&C Uno Energy S.r.l.	5	-	-	-	-	-
C&C Tre Energy S.r.l.	7	-	-	-	-	-
Alisei Wind S.r.l.	7	-	-	-	-	-
Tirreno S.r.l.	5	-	-	-	-	-
Monsson Operation LTD	4	-	157	-	-	-
Monsson Operation GmbH	-	-	-	-	-	-
Monsson Energy AB	-	-	-	-	-	-
Monsson Operation S.r.l.	-	-	-	-	-	-
Wind Power Energy S.r.l.	-	-	-	-	-	-
Monsson Turkey	-	-	-	-	-	-
Monsson Energostroy LLC	-	-	-	-	-	-
Total subsidiary companies	1,484	-	165	2	-	-
MSD Service S.r.l.	14	-	3	-	-	-
Total associated companies	14	-	3	-	-	-
Fraes S.r.l. (formerly PLC Group S.p.A)	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	225	-	-
Total other related parties	-	-	-	225	-	-
Total	1,498	-	168	227	-	-
<i>% impact on the balance sheet item</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>15%</i>	<i>0%</i>	<i>0%</i>



Receivables from and payables to related parties

RECEIVABLE FROM AND PAYABLES TO RELATED PARTIES (thousands of Euro)	Receivables			Payables		
	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other payables
PLC Service S.r.l.	264	-	104	16	-	-
PLC Service Wind S.r.l.	249	-	-	-	-	7
PLC System S.r.l.	507	-	734	10	-	317
PLC System South Africa PTY LTD	-	-	-	-	-	-
Idroelettrica 2014 S.r.l.	12	-	-	-	-	-
PLC System Montenegro d.o.o.	-	-	-	-	-	-
PLC Power S.r.l.	20	-	-	-	-	7
C&C Castelvete S.r.l.	10	-	-	-	-	-
C&C Irsina S.r.l.	15	-	-	-	-	-
C&C Uno Energy S.r.l.	9	-	-	-	-	-
C&C Tre Energy S.r.l.	15	-	-	-	-	-
Alisei Wind S.r.l.	10	-	-	-	-	-
Tirreno S.r.l.	8	-	-	-	-	-
Monsson Operation LTD	4	3.786	-	-	-	-
Monsson Operation GmbH	-	-	-	-	-	-
Monsson Energy AB	-	-	-	-	-	-
Monsson Operation S.r.l.	-	-	-	-	-	-
Wind Power Energy S.r.l.	-	-	-	-	-	-
Monsson Turkey	-	-	-	-	-	-
Monsson Energostroy LLC	-	-	-	-	-	-
Total subsidiary companies	1.123	3.786	838	26	-	331
MSD Service S.r.l.	3	-	-	-	-	-
Total associated companies	3	-	-	-	-	-
Fraes S.r.l. (già PLC Group S.p.A.)	1	-	-	-	-	2
Nelke S.r.l.	-	-	-	113	-	-
Total other related parties	1	-	-	113	-	2
Total	1.127	3.786	838	139	-	333
<i>% impact on the balance sheet item</i>	<i>98%</i>	<i>100%</i>	<i>63%</i>	<i>15%</i>	<i>0%</i>	<i>39%</i>



4.2.4 FINANCIAL RISK MANAGEMENT POLICY

PLC operates as an operating holding company 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 centralised 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				31.12.2019	31.12.2018
	Fair value	Fair Value Hierarchy	Cost	Amortised cost	Carrying amount	Carrying amount
Financial assets at fair value through profit or loss						
Loans and receivables	-	-	-	3,813	3,813	1,616
Cash and cash equivalents	1,837	Level 1	-	-	1,837	16
Trade receivables	-	-	-	1,153	1,153	332
Other current receivables	-	-	-	1,328	1,328	204
Other non-current receivables	1	-	-	359	360	-
Financial assets available for sale					-	-
Shareholding in other companies measured at fair value	-	-	-	-	-	-
Shareholding in other companies measured at cost	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	1,838	-	-	6,653	8,491	2,168
Financial liabilities at amortised cost						
Trade payables	-	-	-	904	904	896
Other current payables	-	-	-	857	857	2,302
Current financial payables	-	-	-	2,154	2,154	600
Non-current financial payables	-	-	-	5,176	5,176	2,396
Financial assets available for sale	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	-	-	-	9,091	9,091	6,194

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 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.

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

Where there are changes in the creditworthiness of a counterparty, the value of the credit is adjusted accordingly to bring it into line with the actual probability of recovery. At 31 December 2019, 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 charges that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes. At 31 December 2019, 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 preparing the corporate accounting documents of PLC, 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 2019. In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2019:

- have been prepared in compliance with the applicable international accounting standards recognised 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, 27 March 2020

CEO

The Manager in charge of Financial Reporting

Signed Michele Scoppio

Signed Cecilia Mastelli



4.4 STATUTORY AUDITORS' REPORT

REPORT BY THE BOARD OF STATUTORY AUDITORS ON THE
SHAREHOLDERS' MEETING CONVENED FOR THE APPROVAL OF THE
FINANCIAL STATEMENTS AT 31 DECEMBER 2019 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 28 April 2020 will be called, among other things, to approve the draft financial statements at 31 December 2019, approved by the meeting of the Board of Directors on 27 March 2020.

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 therefore consisting of the Chairman Massimo Invernizzi and the Standing Auditors Claudio Sottoriva and Maria Francesca Talamonti.

The financial statements for the year ended 31 December 2019 show a net worth of Euro 47,729,595, including a loss for the year of Euro 2,741,191.

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

During the year ended 31 December 2019, 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, to 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 and consolidated accounts and by 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 2019 financial year, the Board of Statutory Auditors met 12 times in addition to having participated in 13 Board of Directors meetings. After the closure of the 2019 financial year and until the date this Report was prepared, the Board of Statutory Auditors met 7 times and has participated in 5 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 of the Board of Directors. The Directors have given us, at least on a quarterly 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 the events that have influenced more the result for the year.

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 is 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 auditing firm, 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 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 Corporate Governance Code;
- examining the reports by the Manager in charge of preparing the corporate accounting documents 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 27 March 2020, issued the declaration required by art. 154-bis of Legislative Decree no. 58/1998 with reference to the 2019 financial statements and the 2019 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 auditing firm, 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 2020 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 2019, 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 processing of inside 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 drafting the corporate accounting documents, 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, 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 2019 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 2019 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 SpA 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 2019, 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 auditing firm 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, in addition to 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 2019, 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 auditing firm, 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 auditing firm, 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 auditing firm 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 10 February 2020 and the approval of the results of the impairment test, which took place on 13 March 2020.

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 SpA, during the 2019 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 2019 VAT return and (ii) the professional services relating to the fairness opinion issued on the issue price of the shares relating to capital increases with exclusion of the option right pursuant to art. 2441, fourth paragraph, first sentence, fifth paragraph and sixth paragraph of the Civil Code and art. 158, first paragraph of Legislative Decree 58/1998. The total fees due to the auditing firm for the aforementioned certification services amount to Euro 35,000.

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 auditing firm.

As required by art. 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors verified and monitored the independence of the statutory auditing firm pursuant to articles 10, 10-bis, 10-ter, 10-quarter 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 2019 to the date of the communication (3 April 2020), 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 auditing firm 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 by the subsidiaries; this information is fully illustrated in the Management Report, to which reference is made.

The Extraordinary Shareholders' Meeting of 31 July 2019 resolved a capital increase in kind and a paid capital increase as part of the purchase transaction of the company Monsson Operation Ltd. The capital increases were approved unanimously and were regularly carried out in the following month of August; as a result, the sellers have become shareholders of PLC S.p.A. holding approximately 7.5% of the Issuer's shares in total.

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 auditing company EY SpA, the Related Party Committee and the Internal Control Manager.

During the 2019 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 November 29, 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.

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 SpA, to whose recommendations and principles the Company has adhered, incorporating over time the relative updates and recommendations. Since adherence to the Corporate Governance Code, the Board of Directors has adopted 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.

Gender balance is guaranteed in the composition of the Board of Statutory Auditors, in accordance with the Articles of Association, by law 12 July 2011, no. 120 *“Amendments to the consolidated text of the provisions on financial intermediation, pursuant to legislative decree 24*

February 1998, no. 58, concerning equal access to the administration and control bodies of companies listed on regulated markets”, as amended by law no. 145/2019, and by Consob resolution no. 18098 of 8 February 2012, also pursuant to art 123-bis of Legislative Decree no. 58/1998, updated with the changes made by law no. 145/2018.

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 preparing the corporate accounting documents, 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 did not issue specific opinions during the Financial Year.

Financial statements at 31 December 2019

Preliminarily, we highlight that the draft financial statements and the consolidated financial statements as at 31 December 2019 were made available to the Board of Statutory Auditors following their approval by the administrative body on 27 March 2020. 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 2019 - 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 2019 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 are the Group companies public

interest entities.

On April 3, 2020, the Independent Auditors made their 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 2019, which highlight an “unmodified opinion”.

The Independent Auditors expressed their 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 2019, 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.”*.

Coronavirus (COVID-19) Impact Assessment

The Board cannot fail to point out that at the closing date of this Report there is a mighty health emergency due to the spread of the COVID-19 virus (which had already flared up in December 2019 in China), in consideration of which the Italian authorities have issued regulations, reserving the right to further increase their restrictive content from time to time, which imposes strong restrictions on the movement of people and prohibitions of assemblies, also declaring stringent health protocols for the protection of people, especially in the workplace.

This context, as far as relevant here, in addition to imposing an audio conference on the Board of Directors’ meeting of 27 March 2020 - which, inter alia, as already noted, has terminated the annual financial information for 2019 and has convened the Shareholders’ Meeting for 28 April 2020 -, entailed that the Board of Statutory Auditors also had to operate exclusively by means of “remote” meetings as regards the related duties (the Auditing Firm proceeded similarly).

In the face of the progressive deterioration of the situation, especially in Lombardy and Veneto, the Authorities have ordered the closure of shops open to the public and a generalised call to limit the movements of people to the maximum extent possible; the generalised use of smart working was followed by multiple closings of factories in Northern Italy, with the aim of protecting the health and safety of workers and employees.

Furthermore, news learned at the end of this Report indicates that the spread of the COVID-19 virus is affecting not just the whole of Europe, but also the USA, South America and could affect the whole world, with the consequence of the competent foreign authorities imposing restrictive measures similar to those already taken in Italy.

With regard to the Annual Shareholders’ Meeting, as a reminder convened for 28 April 2020, the Board notes that, with regard to the aforementioned restrictive rules adopted by the Authorities, at the emission date of this Report, extraordinary law and regulatory provisions were announced to allow a generalised recourse to a longer approval term for companies’ financial statements, both for listed and unlisted ones, as well as ways of holding the

shareholders' meetings, and their exercising the vote, suited to the moment. In this regard, the Board will work in close coordination with the Board of Directors, so that the annual Shareholders' Meeting can be held in an orderly manner, and the rights of the shareholders duly exercised, in compliance with the aforementioned provisions.

The Board of Statutory Auditors, clearly, ensures the utmost attention, in close coordination with the Administrative Body, organised to appreciate the economic and financial impacts that the COVID-19 pandemic will have on the world economic market and, therefore, for the Company.

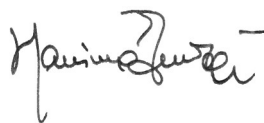
* * *

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 Auditors, 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 2019, as prepared by the administrative body, as well as of the proposed resolution concerning the allocation of the profit for the year.

Milan, 03 April 2020

BOARD OF STATUTORY AUDITORS

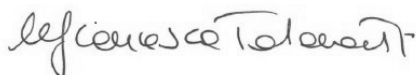
Massimo Invernizzi (Chairman)



Claudio Sottoriva



Maria Francesca Talamonti





4.5 INDEPENDENT AUDITORS' REPORT



PLC S.p.A.

Financial statements as at 31 December 2019

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

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 2019, and the statement of comprehensive income, 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matter:

Key Audit Matter	Audit Response
<p>Valuation of Equity investment in subsidiaries</p> <p>The financial statement as at 31 December 2019 includes Equity investments in subsidiaries for an amount of EUR 48.3 million.</p> <p>Equity investment in subsidiaries are accounted for at acquisition cost, eventually reduced for impairment losses.</p> <p>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 are based on assumptions, sometimes complex, which require the judgment of Directors, in particular with reference to the prospective cash flows, and to the determination of the discount rates applied to such forecast. In consideration of the required judgment and the complexity of the assumptions used in estimating the recoverable amount of the controlled entities, we considered that this issue was a key audit matter.</p> <p>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.</p>	<p>Our audit procedures in response to the key audit matter have, among other things, concerned:</p> <ul style="list-style-type: none"> - analysis of the Company's procedures and key controls on the identification of any losses and then the subsidiary evaluation; - Examination of the correct application of the procedure for the controlled entities evaluation with reference to how recoverable amount, discount rates and actual values of the companies being evaluated have been determined; - accuracy and reasonableness analysis, compared to the balance values, of the assumptions underlying the prospective cash flows, with particular reference to the rates used; - Sensitivity analysis on key assumptions in order to determine changes in the assumptions that could significantly impact the evaluation of the recoverable value; <p>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.</p>

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 2019, 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 2019 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 2019 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, 3 April 2020

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 AREA

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 area.

	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 Castelvetro S.r.l.	C&C Irsina S.r.l.	C&C Uno Energy S.r.l.	C&C Tre Energy S.r.l.	Alsel Wind S.r.l.	Tirreno S.r.l.	Pangreen Moçambique LDA	Monsson Operation Ltd	Monsson Energy AB	Monsson Operation GmbH	Monsson Operation S.r.l.	Monsson Turkey	Wind Power Energy	Monsson Energostroy LLC
Balance sheet (data in thousands of Euro)																					
FIXED ASSETS	4,258	252	11,475	1,683	8	-	6,505	470	218	789	330	173	56	370	136	-	43	2,198	3	113	1
CURRENT ASSETS	7,565	1,962	20,557	176	175	457	96	16	5	36	20	16	6	0	3,577	230	1,730	5,638	306	450	865
TOTAL ASSETS	11,824	2,214	32,031	1,859	183	457	6,601	487	223	825	350	189	62	371	3,713	230	1,773	7,837	309	563	866
NET EQUITY	2,018	70	13,535	13	159	104	1,932	193	189	389	206	106	13	0	(278)	34	660	901	(885)	395	20
NON-CURRENT LIABILITIES	5,314	697	835	133	3	-	2,938	215	16	351	94	38	38	-	3,782	-	-	125	883	8	-
CURRENT LIABILITIES	4,492	1,448	17,662	1,713	20	353	1,731	79	18	85	50	45	11	370	209	196	1,113	6,811	311	160	846
TOTAL LIABILITIES	11,824	2,214	32,031	1,859	183	457	6,601	487	223	825	350	189	62	371	3,713	230	1,773	7,837	309	563	866
Income statement (data in thousands of Euro)																					
REVENUES	11,694	3,654	15,569	93	31	539	49	-	-	-	-	-	-	-	-	416	2,916	12,624	351	668	733
PRODUCTION COSTS	10,322	3,655	17,370	127	339	448	77	31	12	37	15	13	9	-	110	405	2,149	11,852	532	640	699
OPERATING INCOME	1,372	(1)	(1,801)	(34)	(309)	91	(28)	(31)	(12)	(37)	(15)	(13)	(9)	-	(110)	11	767	772	(181)	28	34
FINANCIAL INCOME (CHARGES)	(44)	(4)	(107)	1	3	0	(18)	5	(0)	5	3	1	1	-	(15)	(9)	(2)	(175)	(70)	(0)	(7)
INCOME FROM EQUITY INVESTMENTS	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRE-TAX RESULT	1,327	(5)	(1,407)	(34)	(306)	91	(46)	(26)	(12)	(32)	(11)	(11)	(7)	-	(125)	2	766	597	(251)	27	27
TAXES	369	5	(349)	-	-	8	(6)	97	-	186	-	0	-	-	-	1	236	135	0	5	8
PROFIT (LOSS) FOR THE YEAR	958	(10)	(1,058)	(34)	(306)	83	(39)	(123)	(12)	(218)	(11)	(11)	(7)	-	(125)	1	529	462	(252)	22	19

RELATED COMPANIES			
Monsson Poland SP Z.o.o.	Monsson South Africa	Solar Project One S.r.l.	MSD Service S.r.l.

Statement of financial position (figures in thousands of Euros)

FIXED ASSETS	-	-	545	-
CURRENT ASSETS	18	4	150	293
TOTAL ASSETS	18	4	695	293
NET EQUITY	(47)	(29)	681	10
NON-CURRENT LIABILITIES	50	33	-	-
CURRENT LIABILITIES	15	-	14	283
TOTAL LIABILITIES	18	4	695	293

Income statement (data in thousands of Euro)

REVENUES	73	-	169	1,599
PRODUCTION COSTS	82	30	146	1,764
OPERATING INCOME	(9)	(30)	23	(165)
FINANCIAL INCOME (CHARGES)	(6)	1	1	(6)
INCOME FROM EQUITY	-	-	-	-
PRE-TAX RESULT	(15)	(28)	24	(171)
TAXES	-	-	6	-
PROFIT (LOSS) FOR THE YEAR	(15)	(28)	18	(171)



ANNEX 2 - REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
Pursuant to art. 123-bis of the Consolidated Law on Finance
(traditional administration and control model)

Issuer: PLC S.p.A.

Website: www.plc-spa.com

Year to which the Report refers: 2019

Report approval date: 27 March 2020

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



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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 and promoted by Borsa Italiana S.p.A., 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 to which the Report refers.

Financial Year: Year to which the Report refers.

Group: the Issuer together with the companies directly or indirectly controlled by it pursuant to art. 2359, paragraph 1, arts. 1 and 2, of the Civil Code.

Consob Issuer Regulations: the Regulations issued by Consob with resolution no. 11971 of 1999 regarding issuers.

Consob Market Regulations: the Regulations issued by Consob with resolution no. 20249 of 2017 regarding markets.

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

Consolidated Law on Finance (TUF): Legislative Decree 24 February 1998, no. 58.

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INTRODUCTION

This Report describes, in accordance with the provisions of art. 123-bis of the Consolidated Law on Finance, the Corporate Governance model adopted by PLC S.p.A., illustrating the level of compliance with the recommendations of the Corporate Governance Code, as well as the ownership structure of the Company.

This document has been approved by the Board of Directors of PLC S.p.A. on 27 March 2020 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'S PROFILE

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 Consolidated Law on Finance and art. 2-ter of the Consob Issuer Regulations. The value of the average market capitalisation for 2019 is equal to Euro 40,596 thousand while the value of the turnover as of 31.12.2019 is equal to Euro 45,615 thousand.

As already widely communicated to the market, in previous years PLC has embarked on a restructuring process which had already ended on the date the last report on corporate governance and ownership structure was prepared.

In this regard, it is noted that on 8 February 2019, the second tranche of the capital increase in conversion envisaged by the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law ("**Restructuring Agreement**") was signed by Nelke S.r.l., approved and signed on 5 April 2017 and approved by the Court of Milan on 8 June 2017. Through the capital transactions resolved by the Shareholders' Meeting of 29 June 2017 and an adequate financial manoeuvre, the Restructuring Agreement allowed the recapitalisation of the Company and the Group as well as the rebalancing of the financial situation. Through the subscription by Nelke S.r.l. of the aforementioned second tranche of the capital increase in conversion, all the activities provided for in the Restructuring Agreement have been completed.

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 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.

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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 Company's Board of Directors 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 Issuer's Board of Directors 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 of Directors on 29 November 2010 and subsequently updated on 2 February 2015 and, secondly, on 15 May 2018, the Committee in question identifies itself, according to the matter under examination, in 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.

Board of Statutory Auditors

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 Internal Audit Manager as well as the periodic reports prepared by him;
- assessing the proposals made by the auditing firm to obtain the assignment of the relevant task, as well

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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.

Independent auditors

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 auditing company 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, Consolidated Law on Finance;
- Group Regulations for carrying out transactions with related parties;
- Code of Ethics of the PLC Group;
- Organisation and management model pursuant to Legislative Decree 231/01;
- "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 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;

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- 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 information investments.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123-bis, paragraph 1, Consolidated Law on Finance)) at the date of this report

a) Share capital structure (pursuant to art.123-bis, paragraph 1, letter a), Consolidated Law on Finance)

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. According to 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.

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

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), Consolidated Law on Finance)

Based on the results of the shareholders' book and taking into account the communications received pursuant to art. 120 of the Consolidated Law on Finance 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.	73.53%	73.53%
Emmanuel Muntmark	Emmanuel Muntmark	5.66	5.66

d) Stocks that confer special rights (pursuant to art.123-bis, paragraph 1, letter d), Consolidated Law on Finance)

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), Consolidated Law on Finance)

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), Consolidated Law on Finance)

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

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g) Agreements between shareholders (pursuant to art.123-bis, paragraph 1, letter g), Consolidated Law on Finance)

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 the Consolidated Law on Finance.

h) Change of control clauses (pursuant to art.123-bis, paragraph 1, letter h), Consolidated Law on Finance) 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 1 January 2017, PLC Service S.r.l. and Novenergia Italia S.r.l. Signed a 5-year full service management and maintenance contract (from 1 January 2017 to 31 December 2021) for the provision of routine and extraordinary maintenance activities, video surveillance service, spare parts and remote control for the 14 MWp photovoltaic plant in Castellaneta owned by Novenergia Italia Srl, for a total value of Euro 1,050,000.00. In particular, the contract provides for the obligation of PLC Service S.r.l. to carry out, inter alia, the following activities: routine maintenance, extraordinary maintenance, replacement of system components (excluding modules, inverters and transformers), video surveillance, remote control available at any time of day and for every day of the year, managing spare parts owned by the customer.

Article 13 of the contract provides for Novenergia Italia S.r.l. the right to withdraw from the contract if, inter alia, a corporate reorganisation is started which is capable of objectively jeopardising the ability of PLC Service S.r.l. to fulfil the obligations contractually taken on.

On 1 December 2016, PLC Service Wind S.r.l. and Siemens Gamesa Renewable Energy Wind S.r.l. signed a contract for the maintenance of wind turbines concerning the supply of routine maintenance activities, small corrective interventions, availability, with an initial duration of 2 years from 1 December 2016 to 30 November 2018, recently renewed with an addendum on 25 September 2019. The total amount of the order for 2019 amounts to Euro 1,425,148.93.

Article 17 of the contract provides that Siemens Gamesa Renewable Energy Wind S.r.l. will have the right to withdraw from the contract if PLC Service Wind S.r.l. becomes a subsidiary of a company directly competing with Siemens Gamesa Renewable Energy Wind S.r.l.

On 27 March 2019, PLC Service Wind S.r.l. and Enpower S.r.l. signed three contracts concerning maintenance activity on wind turbines and a guarantee of availability, lasting until 31 December 2020, for a total annual fee of Euro 684,000.00.

Each of the contracts provides that none of the parties may assign the contracts in the absence of written consent by the other party, by assignment meaning (pursuant to the definitions given in Annex 1

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to the contracts) also a change in the control of a party. In particular, "change of control" means a transaction or a series of transactions as a result of which those who hold a percentage equal to or greater than 50% of the shareholding in a part of the contract or have power over the management of this part ceases to hold 50% or more of the stake itself or to have power over the management of that party. Article 11 of each contract provides, for Enpower S.r.l., the right to withdraw from the contract if, inter alia, a transfer of the same occurs in violation of the provisions of the aforementioned provisions on "change of control".

Notwithstanding the provisions of art. 104 paragraph 1 of the Consolidated Law on Finance, 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 Consolidated Law on Finance, 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), Consolidated Law on Finance)

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, 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

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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.

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 the Consolidated Law on Finance 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.

At the closing date of the Financial Year, the Board of Directors did not exercise the aforementioned delegation and, therefore, the Company does not hold treasury shares.

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 the Consolidated Law on Finance;

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- 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 of Directors (following Section 4.1).

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

- at the same time the Chairman of the Board of Directors of the Company holds the position of Sole Director of the two companies directly controlled by PLC, i.e. PLC System S.r.l. and PLC Service S.r.l.;
- in all other companies directly or indirectly controlled by PLC, the administrative bodies mainly consist of members of the Company's Board of Directors or a cohabiting spouse.

Therefore, in the meeting of the Board of Directors on 24 April 2018, having taken note of the substantial coincidence of the administrative body of the parent company with the administrative bodies of the subsidiaries, together with the fact that the aforementioned companies are included in the consolidation area of PLC, we acknowledged that the Issuer exercises management and coordination over the subsidiaries pursuant to art. 2497 et seq. of the Civil Code.

3. COMPLIANCE (pursuant to art.123-bis, paragraph 2, letter g), Consolidated Law on Finance)

The Company adheres to the Code (accessible to the public on the Corporate Governance Committee website on the page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>).

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.

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.

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4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to art.123-bis, paragraph 1, letter I), Consolidated Law on Finance)

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 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

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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 one fifth belong to the least represented gender (on the occasion of the first term following 12 August 2012) and then a third (however rounded up) of the candidates.

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

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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

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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 director and the characteristics of each of them. 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), Consolidated Law on Finance)

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 of Directors 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 of Directors 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 of Directors appointed Giuseppe Maria Garofano as Honorary Chairman until the date of the meeting called to approve the financial statements as of 31 December 2020.

The current Board of Directors, appointed on 26 March 2018, consists of the following:

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Office	Members	Date of birth	Date of first appointment	In office Since	In office Up to	List	Executive	Non executive	Independent Code	Independent Consolidated Law on Finance	(*)	Number of other roles
Chairman	Francesco Esposito	1953	26 March 2018	26 March 2018	Financial statements approval for 2020	M	X				13/13	15
CEO	Michele Scoppio	1975	26 March 2018	26 March 2018	Financial statements approval for 2020	M	X				13/13	10
Director	Chiara Esposito	1978	26 March 2018	26 March 2018	Financial statements approval for 2020	M	X				13/13	1
Director	Luciano Garofano	1975	26 March 2018	26 March 2018	Financial statements approval for 2020	M	X				13/13	8
Director	Visentin Graziano	1950	28 April 2010	26 March 2018	Financial statements approval for 2020	M		X	X	X	13/13	15
Director	Marina D'Artibale	1965	26 March 2018	26 March 2018	Financial statements approval for 2020	M		X	X	X	13/13	1

Number of meetings held during the 2019 financial year:

Board of Directors	Control and Risk Committee	Appointments, Remuneration and Stock Option Plans Committee	Board Committee for Related Party Transactions
13	11	2	2

Information is provided below on the personal and professional characteristics of each director (art. 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 Directors 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

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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 Srl, also part of the PLC 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 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

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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.).

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, and collaborates as lecturer with Luiss Business School.

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 270 women in 3 years. She is currently a member 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:

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Members	List of Roles
Francesco Esposito	<ol style="list-style-type: none"> 1. Sole Director of PLC System S.r.l. 2. Sole Director of PLC Service S.r.l. 3. Chairman of the Board of Directors of Idroelettrica 2014 S.r.l. Sole shareholder 4. Chairman of the Board of Directors of C&C Tolve S.r.l. (up to 15/04/2019) 5. Chairman of the Board of Directors of Serra Energie S.r.l. (up to 15/04/2019) 6. Chairman of the Board of Directors of Parco Eolico Forleto Nuovo 2 S.r.l. (up to 15/04/2019) 7. Director of Solar Project One S.r.l. 8. Director of PLC System South Africa Ltd. 9. Sole Director of PLC Power S.r.l. 10. Sole Director of C&C Irsina S.r.l. 11. Sole Director of C&C Castelvetere S.r.l. 12. Sole Director of C&C Castelvetere S.r.l. 13. Director of Monsson Operation LTD 14. Director of Monsson Operation S.r.l. 15. Director of Wind Power Energy S.r.l.
Michele Scoppio	<ol style="list-style-type: none"> 1. Director of MSD Service S.r.l. 2. Director of Idroelettrica 2014 S.r.l. Sole shareholder 3. CEO of C&C Tolve S.r.l. (up to 15/04/2019) 4. CEO of Serra Energie S.r.l. (up to 15/04/2019) 5. CEO of Parco Eolico Forleto Nuovo 2 S.r.l. (up to 15/04/2019) 6. Director of PLC System South Africa Ltd 7. Director of Panmed Renewable Co. (up to 01/06/2019) 8. Director of Monsson Operation LTD 9. Director of Monsson Operation S.r.l. 10. Director of Wind Power Energy S.r.l.
Chiara Esposito	<ol style="list-style-type: none"> 1. Director of Idroelettrica 2014 S.r.l. Sole shareholder
Luciano Maria Garofano	<ol style="list-style-type: none"> 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. Director of Monsson Operation LTD 7. Director of Monsson Operation S.r.l. 8. Director of Wind Power Energy S.r.l.

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Graziano Visentin	<ol style="list-style-type: none"> 1. Chairman of the Board of Statutory Auditors of Whirpool Italia Holdings S.r.l. 2. Sole Auditor of Whirpool Italia S.r.l. 3. Standing statutory auditor of Coima SGR S.p.A. 4. Standing statutory auditor of Ricerca 12 S.p.A. 5. Standing statutory auditor of Air One S.p.A. 6. Standing statutory auditor of Compagnia Aerea Italiana S.p.A. 7. Standing statutory auditor of Eurostazioni S.p.A. 8. Standing statutory auditor of H-Farm S.p.A. 9. Standing statutory auditor of Istituto Europeo di Oncologia S.p.A. 10. Director of Piaggio & C. S.p.A. 11. Director of Investimenti SGR S.p.A. 12. Standing statutory auditor of Schemaquattordici S.p.A. in liquidation 13. Standing statutory auditor of Ricerca Finanziaria S.p.A. 14. Standing statutory auditor of Centomilacandele S.c.p.A. 15. Director of Miroglio S.p.A.
Marina D'Artibale	<ol style="list-style-type: none"> 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 of Directors 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 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 of Directors is made up of directors of the least represented gender. The Company has not applied other diversity criteria or adopted specific diversity policies in relation to the composition of the administrative bodies.

Finally, it should be noted that specific training sessions for directors have not been scheduled (the so-called induction programme). 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, 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. In particular, the Issuer has already provided for an induction session in 2020 concerning, in particular, the regulation on market abuse and a focus on the new corporate governance code approved by Borsa Italiana S.p.A. in 2020.

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

13 meetings were held by the Board of Directors 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 Garofano	100
Director	Visentin Graziano	100
Director	Marina D'Artibale	100

The average duration of the Board meetings for the year was 71.53 minutes.

For the current year, in addition to the meetings already held on 10 February 2020, 11, 13, 19 and 27 March 2020, only one further meeting is scheduled, as shown in the calendar of events 2020 sent to Borsa Italiana S.p.A. and published on the Company website, which provides for the following time references:

- 30.09.2020: approval of the half-yearly financial report at 30 June 2020.

In accordance with the provisions of the recommendations of the Code, the Chairman of the Board of Directors - 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, 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 of Directors 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

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of Association. In particular, this statutory provision provides that the Board of Directors 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 of Directors 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 of Directors is considered to be held in the place where the Chairman and Secretary of the meeting are located.

The Company's Board of Directors 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 Organisation Manager, the Head of Legal and Corporate Affairs and the Planning and Control Manager have participated in some Board meetings during the year), consultants and / or outside experts.

The Board of Directors 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;

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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 of Directors, 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 Internal Audit Manager and of the Executive Responsible for the preparation of the Company's corporate accounting documents. The results of this verification are shown to the first useful Board of Directors 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 of Directors 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 of Directors 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 of Directors. In particular, the Company's Board of Directors 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 of Directors) 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 .

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As regards the execution of transactions with related parties, the Regulation adopted by the Company's Board on 29 November 2010, as subsequently amended and integrated on 2 February 2015 and 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 12 below to which reference should be made.

The Board of Directors has carried out, by drawing up a specific questionnaire filled in by the individual members, the assessment of the size, composition and operation of the Board and its Committees. The assessment process was examined in the meeting of 13 March 2020 and the results of this assessment were examined in the meeting of 27 March 2020 during which the Board of Directors assessed as adequate, in relation to the needs and operations of the Company, the composition and operation of the Board of Directors 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 of Directors.

4.4 DELEGATED BODIES

CEO

At the meeting of March 26, 2018, the Board of Directors resolved to appoint 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 of Directors for amounts individually 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 of Directors 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

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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 Remuneration 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,

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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 of Directors 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 of Directors 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;

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- 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 Remuneration 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 of Directors resolved to assign human resource duties envisaged by the Remuneration Committee to the Director Chiara Esposito, 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 Remuneration Committee limited to senior managers);

At the meeting of 26 March 2018, the Board of Directors resolved to assign to the Director Luciano Maria

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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 of Directors - in relation to confidentiality agreements and expressions of interest towards third parties.

Executive Committee

The Board of Directors 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 the first paragraph of Article 150 of the Consolidated Law on Finance, 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 Issuer, Mr. Francesco Esposito by virtue of the office of Chairman of the Board of Directors 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 of Directors, 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 of Directors met to assess the existence of the independence and non-executive conditions 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 of Directors during the meeting first of 17 April 2019 and, subsequently, of 27 March 2020.

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With specific reference to director Graziano Gianmichele Visentin, despite the fact that he has held the position of director of the Issuer for more than nine years out of the last ten years, the Board of Directors - 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, also taking into account of 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.

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 in full to the Report by the Board of Statutory Auditors on the PLC Financial Statements.

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 of Directors 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 of Directors 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 the same powers and the Chairman of the Board of Directors 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

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information regarding PLC and its subsidiaries, with particular reference to Inside Information. This procedure 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), Consolidated Law on Finance)

To date the Company has established the following internal Board of Directors committees:

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

This Report, referring to the 2019 financial year, will show the structure of the internal committees during this period.

The Board of Directors 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 of Directors in the preliminary investigations regarding the matters of their respective competence.

7. APPOINTMENTS, REMUNERATION, AND STOCK OPTION PLANS COMMITTEE

On 26 March 2018, the PLC Board of Directors 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 Consolidated Law on Finance: Dr. Marina D'Artibale (Chairman) and Prof. Graziano Gianmichele Visentin, both with knowledge and experience in accounting and financial matters, and / or in remuneration

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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.

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) the proposals to the Board as regards the precise determination of the variable remuneration to be paid to the managing directors with regard to the 2018 financial year and the setting of the performance objectives for the 2019 financial year to which the recognition of the variable remuneration and the identification of criteria for the precise determination of the aforementioned variable remuneration is linked; (ii) approval of the remuneration report.

The average duration of the Appointments, Remuneration and Stock Option Plans Committee meetings for the year was 30 minutes.

The number of meetings for the current year is 1, already held on 25 March 2020. At this meeting, the Committee resolved on: (i) the proposals to the Board with reference to the setting of the performance objectives for 2020 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; (ii) approval of the Remuneration Report, pursuant to art. 123-ter Legislative Decree 58/1998.

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 Consolidated Law on Finance	% shareholding
P	Marina D'Artibale	X	X	X	100
M	Visentin Graziano	X	X	X	100

Functions of the Appointments, Remuneration and Stock Option Plans Committee.

The Committee 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

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provided for by the Code which are:

- to make suggestions to the Board of Directors regarding its size and composition and express recommendations regarding the professional figures whose presence within the Board is deemed appropriate;
- to propose candidates to the Board of Directors for the office of director in cases of cooptation, where independent directors need to be replaced;
- in the event that the Board of Directors 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 of Directors regarding the remuneration policy proposed by the Company for directors and executives with strategic responsibilities;
- evaluate and formulate any proposals to the Board of Directors 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 of Directors, in the absence of those directly involved, on the remuneration of executive directors and executives with strategic responsibilities;
- to make proposals to the Board of Directors, 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 Remuneration Committee with reference to the functions listed above are described in detail in the Remuneration Report prepared pursuant to art. 123-ter of the Consolidated Law on Finance.

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 Chairman of the Board of Statutory Auditors and at least one other Auditor attended the Committee meetings held during the Financial Year.

The Committee does not have specific financial resources available to carry out its duties.

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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 Consolidated Law on Finance within the terms provided therein.

9. CONTROL AND RISK COMMITTEE

On 26 March 2018, the PLC Board of Directors appointed non-executive and independent directors as Committee members pursuant to the Code and Consolidated Law on Finance: 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 11 times to carry out assessments and proposals, inter alia, on: (i) assessment of the adequacy of the accounting principles used for the preparation of the Company's financial statements and their homogeneity for the purpose of preparing the consolidated financial statements; (ii) meeting with the auditing firm; (iii) Annual report of the Control and Risk Committee; (iv) updates on the Half-Yearly Financial Report at 30 June 2019 and on the statutory audit; (v) Report by the Control and Risk Committee relating to the first half of 2019; (vi) opinion on the adoption of the Group Code of Ethics and the Group Anti-corruption Policy, the updating of the "Internal Regulatory System" manual, the adoption and updating of some corporate procedures; (vii) Internal Audit activity plan for 2020. The aforementioned meetings were duly minuted.

The average duration of the Risk and Control Committee meetings for the year was 38 minutes.

The number of meetings for the current year is 3, already held on 10 February 2020, 13 March 2020 and 25 March 2020. Participation in Committee meetings by third parties usually takes place at the invitation of the Committee on individual items on the agenda.

All Committee members have adequate accounting and financial expertise.

Control and Risk composition and operation

Office	Name	Non-executive	Independence from Code	Independence from Consolidated Law on Finance	% shareholding
M	Visentin Graziano	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 responsible for the preparation of the corporate accounting documents

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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 Internal Audit Officer;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Officer;
- may request the Internal Audit Officer to carry out checks on specific operating areas, giving simultaneous communication to the Chairman of the Board of Statutory Auditors;
- reports to the Board of Directors every six months on the occasion of the approval of the 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 of Directors relating to the management of risks deriving from prejudicial events of which the Board of Directors 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 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

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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 Company's Board of Directors:

- (i) has set up the Control and Risk Committee;
- (ii) has set up a Supervisory Body for monitoring the operation of the organisational model pursuant to Legislative Decree 231/2001;
- (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 of Borsa Italiana and the principles of governance of international best practice for listed companies, has approved the updated version of the following documents for the new Group corporate structure:
 - (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, Consolidated Law on Finance;
 - (d) Internal dealing procedure;
 - (e) The Code of Ethics of the PLC Group;
 - (f) Group Anti-corruption Policy;
 - (g) Organisation and management model pursuant to Legislative Decree 231/01 (MOG [Organisation and Management Model]) consisting of:
 - General Section;
 - Special Section.

In this regard, it should be noted that, pursuant to art. 114, paragraph 2, of the Consolidated Law on Finance, the Issuer notifies its subsidiaries (i) the Procedure for processing Inside Information; and (ii) the Procedure for the fulfilment of the information obligations art. 150, paragraph 1, Consolidated Law on Finance.

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.

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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 of Directors 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

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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 13 March 2020, the Board of Directors, 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 Internal Audit Plan 2020 and acknowledged the activity carried out by the Head of the Internal Audit Department in 2019.

10.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 26 March 2018, the Board of Directors 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 that the Internal Audit Department carries 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 of Directors, 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 of Directors) 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 MANAGER

Following the installation of the current Board of Directors, 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

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Issuer, provided it has adequate professionalism and independence requirements - on 24 April 2018, appointed Dr. Salvatore Montano as Head of the aforementioned Department.

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 of Directors 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 Internal Audit Manager from the date of assignment was carried out in accordance with the mandate received from the Board of Directors and through sharing the plan of activities approved by the Control and Risk Committee and also shared with the Board of Statutory Auditors.

In particular, as part of his activity, the Head of the Internal Audit Department:

- (i) assists (also with advisory functions) the Control and Risk Committee in defining the internal control and risk management system tools;
- (ii) proposes to the Control and Risk Committee the activity plan (audit plan) which will be followed up with the implementation of specific operational audits;
- (iii) performs compliance activities regarding compliance with corporate regulatory obligations, including: statutory requirements, meetings of the Administrative Body, information flow to the Supervisory Bodies, verification of compliance with the PLC Group's Code of Ethics, verification of procedures concerning the processing of inside information, verification of the updating of the Insider register, etc.;
- (iv) carries out constant verification and analysis, through interviews with the managers of the main corporate departments, in order to monitor the adequacy of the organisational structure and the application of corporate procedures;
- (v) constantly reports to the Control and Risk Committee, the auditing firm, the Board of Statutory Auditors and the Company's management;
- (vi) provides consultancy to the corporate departments;
- (vii) verifies the preparation and, through audit testing on a half-yearly basis, the application of the administrative and accounting procedures applied by the Manager in charge of preparing the corporate accounting documents;
- (viii) actively participates in the verifications and training activities required by the Supervisory Body to verify the adequacy and constant application of the Organisational Model pursuant to Legislative Decree

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231/2001;

- (ix) constantly reports to the Board of Statutory Auditors also through participation in its meetings;
- (x) performs specific control activities on behalf of the Supervisory Body pursuant to Legislative Decree 231/2001.

10.3 ORGANIZATIONAL MODEL pursuant to Legislative Decree 231/2001

The Issuer has adopted its own Organisation and management model pursuant to Legislative Decree 231/01, which during the year underwent a major overhaul following the new Group structure and the new business areas developed, so as to ensure its effectiveness in the face of the evolution of the corporate activity and the risks associated with monitored crimes. The policies, procedures and operating instructions for the control of the crime areas have also been revised.

The Model is made up of the following documents:

- (i) Code of Ethics of the PLC Group;
- (ii) Organisation and Management Model - General Section;
- (iii) Organisation and Management Model - Special Section;

As part of the Model, all the relevant crime categories were analysed pursuant to Legislative Decree 231/01 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.

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On 26 March 2018 the Board of Directors appointed, until the approval of the Issuer's financial statements which will close on 31 December 2020, the new Supervisory Body in the persons of Dr. Alfonso Dell'Isola (Chairman), of attorney Silvana Del Monaco and attorney Federica La Rocca.

The updating of the Model also involved 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 Organisation and Management Model - 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.

10.4 INDEPENDENT AUDITOR

The auditing firm of the Company 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 end of the 2023 financial year.

10.5 MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY ACCOUNTING DOCUMENTS 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 of Directors, subject to the mandatory opinion of the Board of Statutory Auditors, on 5 July 2018 the Board of Directors 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 will close 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 of Directors, Director in charge of supervising the operation of the internal control and risk management system, Control and Risk Committee, Board of Statutory Auditors,

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Supervisory Body, Head of the Internal Audit Department, Manager in charge of drafting the corporate accounting documents 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.

This coordination has its foundation in the fact that all the members of the Control and Risk Committee are internal to the Board of Directors and, on the one hand, by participating in the meetings of the Board, 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:

- (h) the Internal Audit Manager and the Board of Statutory Auditors participate in the Risk Control Committee meetings;
- (i) the Internal Audit Manager sends the 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, in 2019 various joint meetings were held in which the Supervisory Body, the Manager responsible for the preparation of the corporate accounting documents, 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 and the Board of Statutory Auditors 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 of Directors adopted the new Group Regulation for carrying out transactions with related parties, subsequently amended and integrated on 2 February 2015 and on 15 May 2018, in compliance with the provisions laid down on the subject by the Supervisory Authority.

The Group Regulation for carrying out transactions with related parties - in order to take into account the current composition of the internal board committees - provides that the Committee must, independently of the value of the transaction with related parties, consist of two independent directors who are not related.

The Regulation which implements the definitions, principles and guidelines contained in the Regulation on related party transactions adopted by Consob with resolution no. 17221 of 12 March 2010 and its subsequent amendments and additions, is available on the website www.plc-spa.com (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 PLC S.p.A Group are included;
- ii. the distinction between:

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- a) Transactions of Greater Relevance, or those in which at least one of the "relevance indexes" 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, whose functions were assigned by the Board of Directors of 14 May 2014, as well as by the subsequent ones of 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 competence for the subject of the approved transaction;
- iv. the provision of:
- a) a preliminary procedure to check the applicability of the Regulation to a specific transaction if who is delegated to carry out the transaction 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 of Directors 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 of Directors; (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) the preparation of an information document in compliance with the requirements of Consob regulations in this regard; (v) at least quarterly reporting by the CEO to the Board of Directors 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 of Directors 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 Group Regulation for carrying out transactions with related parties;

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- 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 Regulation of: **(i)** transactions of a small amount, or of a value lower than Euro 25,000.00; **(ii)** compensation plans based on financial instruments approved by the shareholders' meeting pursuant to article 114-bis of the Consolidated Law on Finance and related executive operations; **(iii)** shareholders' meeting resolutions pursuant to article 2389, first paragraph, of the Italian Civil Code. , relating to the fees due to the members of the Board of Directors and the executive committee, as well as the resolutions regarding the remuneration of the directors vested with particular offices falling within the overall amount previously determined by the shareholders' meeting pursuant to article 2389, paragraph 3, of the 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 Group Regulation for carrying out transactions with related parties regarding accounting information; **(iv)** transactions that comply with certain strict conditions.

There are no suitable 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 of Directors 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.

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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 one fifth belong to the least represented gender on the list itself (on the occasion of the first mandate after 12 August 2012) and then a third (however rounded up) of the candidates for the office of Standing Auditor and at least a fifth (on the occasion of the first mandate after 12 August 2012) and then a third (however rounded up) of the candidates for the office of Substitute 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*

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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

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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 pursuant to art. 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), Consolidated Law on Finance)

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 which will close on 31 December 2020, the candidates proposed on the only list filed at the registered office presented by the shareholder FRAES Srl, 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

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12 times during the Financial Year.

The average duration of the Board meetings for the year was 135 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 assessed the continued independence of its members 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 12 March 2020, and this was highlighted in the meeting of the Board of Directors on 27 March 2020.

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:

- examining the work plan prepared by the Internal Audit Manager as well as the periodic reports prepared by him;
- assessing 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;
- supervising 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 an 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 / or 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.

Finally, following the adoption of the Group Regulation for carrying out transactions with related parties, the Board of Statutory Auditors verified the compliance of the procedures adopted with the principles indicated by the relevant Consob Regulation.

The composition of the Company's Board of Statutory Auditors is as follows:

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Office	Members	Year of birth	Date of first appointment	In office since	In office until	List	Independence from Code	Participation In the Statutory Auditors meetings	Number of other positions
Chairman	Massimo Invernizzi	1960	23 June 2015	27 June 2018	Financial statements approval for 2020	M	X	12/12	19
Standing statutory auditor	Claudio Sottoriva	1973	23 June 2015	27 June 2018	Financial statements approval for 2020	M	X	10/12	20
Standing statutory auditor	Maria Francesca Talamonti	1978	27 June 2018	27 June 2018	Financial statements approval for 2020	M	X	12/12	18
Substitute statutory auditor	Giovanni Pinna	1966	23 June 2015	27 June 2018	Financial statements approval for 2020	M	X	0	17
Substitute statutory auditor	Francesca Michela Maurelli	1971	27 June 2018	27 June 2018	Financial statements approval for 2020	M	X	0	7

In accordance with Criterion 8.C.3 of the Governance Code, one third 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.

Finally, it should be noted that specific training sessions for Auditors have not been scheduled (the 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. The Issuer has already provided that the 2020 induction session indicated in section 4.2 of this Report will also be extended to the Board of Statutory Auditors.

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 2019 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.

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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 of Directors 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.

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

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on accounting and corporate matters.

Giovanni Pinna

Born in Cagliari in 1966.

He graduated in Economics and Commerce in 1991 from the University of Cagliari.

He is 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.

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:

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Members	List of Roles
<p style="text-align: center;">Massimo Invernizzi</p>	<ol style="list-style-type: none"> 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 the Foundation for Financial Education and Savings - Feduf 7. Chairman of the Board of Auditors of Istituto Javotte Bocconi 8. Standing statutory auditor of Charme Capital Partners SGR S.p.A. 9. Standing statutory auditor of Rosetti Marino S.p.A. 10. Sole Auditor of Renerwaste S.r.l. 11. Sole Auditor of Renerwaste Lodi S.r.l. 12. Sole Auditor of Ecoprogetto Tortona S.r.l. 13. Sole Auditor of Ecoprogetto Milano S.r.l. 14. Board member of BancAssurance Popolari S.p.A. 15. Board member of UBI Sicura 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

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<p>Claudio Sottoriva</p>	<ol style="list-style-type: none"> 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 Alkeemia S.p.A. 10. Member of the Board of Auditors of the Fondazione Teatro Carlo Felice in Genoa 11. Member of the Board of Auditors of the Fondazione Don Carlo Gnocchi (non-profit organisation) 12. Substitute Auditor of Michelin Italia S.p.A. 13. Director of C.P.S. Consulenti S.r.l. 14. Sole Auditor of Fondazione Casa Verdi 15. Sole Auditor of Fondazione Casa dei Musicisti 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. 19. Judicial Liquidator of Lario 92 Immobiliare S.r.l. in liquidation 20. Chairman of the Board of Auditors of the Fondazione Museo storico del Trentino
<p>Maria Francesca Talamonti</p>	<ol style="list-style-type: none"> 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 SpA 4. Standing statutory auditor of Armonia SGR SpA 5. Standing statutory auditor of D-Share SpA 6. Standing statutory auditor of DigiTouch S.p.A. 7. Standing statutory auditor of Costiero Gas Livorno S.p.A. 8. Member of the Board of Auditors of the FIN-Federazione Italiana Nuoto [Italian Swimming Federation]. 9. Standing statutory auditor of Musinet Engineering S.p.A. 10. Standing statutory auditor of PS Parchi S.p.A. 11. Standing statutory auditor of Raffineria di Milazzo S.c.p.A. 12. Standing statutory auditor of Rainbow Magicland S.p.A. 13. Independent Director of Elettra Investimenti S.p.A. 14. Sole Director of Vette SPV S.r.l. 15. Sole Director of Bramito SPV S.r.l. 16. Sole Director of Convento SPV S.r.l. 17. Sole Director of Ponente SPV S.r.l. 18. Sole Director of New Levante SPV S.r.l.

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Giovanni Pinna	<ol style="list-style-type: none"> 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. Director of Sardinia Green Island S.p.A. 5. Sole Director of Voisoft S.r.l. 6. Sole Director of Berenix S.r.l. 7. Chairman of the Auditors of the Teatro alla Scala Pension Fund in Milan 8. Sole Auditor of Finma S.r.l. 9. Standing statutory auditor of Ifras S.p.A. 10. Director of Gest.Por.Tur S.r.l. 11. Director of Alis Cargo S.r.l. 12. Sole Statutory Auditor of Geoparco S.c.a.r.l. 13. Chairman of the Board of Statutory Auditors of Pometon Power S.p.A. 14. Supervisory Board member of Pometon Power S.p.A. 15. Sole Director of Micra S.r.l. 16. Liquidator of Logistiche del Nord S.r.l. 17. Sole Director of Twt S.p.A.
Francesca Michela Maurelli	<ol style="list-style-type: none"> 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, which is easily identifiable and accessible, 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), Consolidated Law on Finance)

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Two meetings were held in 2019, one on 25 June 2019 and the other on 31 July 2019, the minutes of which were regularly published on the company's website and in which the majority of the members of the Board of Directors in office and the majority of the members of the Board of Statutory Auditors in office took part.

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 Consolidated Law on Finance, 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 Consolidated Law on Finance, art. 8 of the Articles of Association provides that "the authorisation of the meeting is not necessary even for the

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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.

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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.

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), Consolidated Law on Finance)

Compared to those already indicated in the previous points, and the adoption of the organisational model pursuant to Legislative Decree 231/2001, 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 19 DECEMBER 2019 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 of Directors. During the meeting of 13 March 2020, the latter expressed considerations regarding the existence of a good level of implementation of the

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Corporate Governance Code by the Company, believing that the administrative body respects the indications of the Code and has adopted appropriate practices.

At the Board meeting of 27 March 2020, the Board of Directors approved this Report.



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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), Consolidated Law on Finance).

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 PLC Group;
- Organisation and management model pursuant to Legislative Decree 231/2001;
- Internal dealing procedure;
- Group Regulations for carrying out transactions with related parties;
- Procedure for fulfilling the information obligations pursuant to art. 150, para. 1, Consolidated Law on Finance;
- 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

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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 preparing the corporate accounting documents 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 of Directors, the Risk Control Committee, the Board of Statutory Auditors, the Supervisory Body and Internal Audit, as well as with the auditing firm.

The Manager in charge of preparing the corporate accounting documents reports to the Risk Control Committee, the Board of Directors 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 preparing the corporate accounting documents, together with the Chief Executive Officer, provides the certification required by art. 154-bis, paragraph 5, Consolidated Law on Finance.

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