Annual financial report at 31 December 2021

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

1 GENERAL INFORMATION

1.1 CORPORATE BODIES

BOARD OF DIRECTORS[1]

Francesco Esposito	- Chairman
Michele Scoppio	- CEO
Chiara Esposito	- Director
Luciano Garofano (***)	- Director
Claudia Crivelli (*) (**)	- Independent Director
Marina D'Artibale (*) (**)	- Independent Director
Graziano Gianmichele Visentin (*) (**)	- Independent Director

BOARD OF STATUTORY AUDITORS[2]

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

IINDEPENDENT AUDITORS[3]

EY S.p.A.

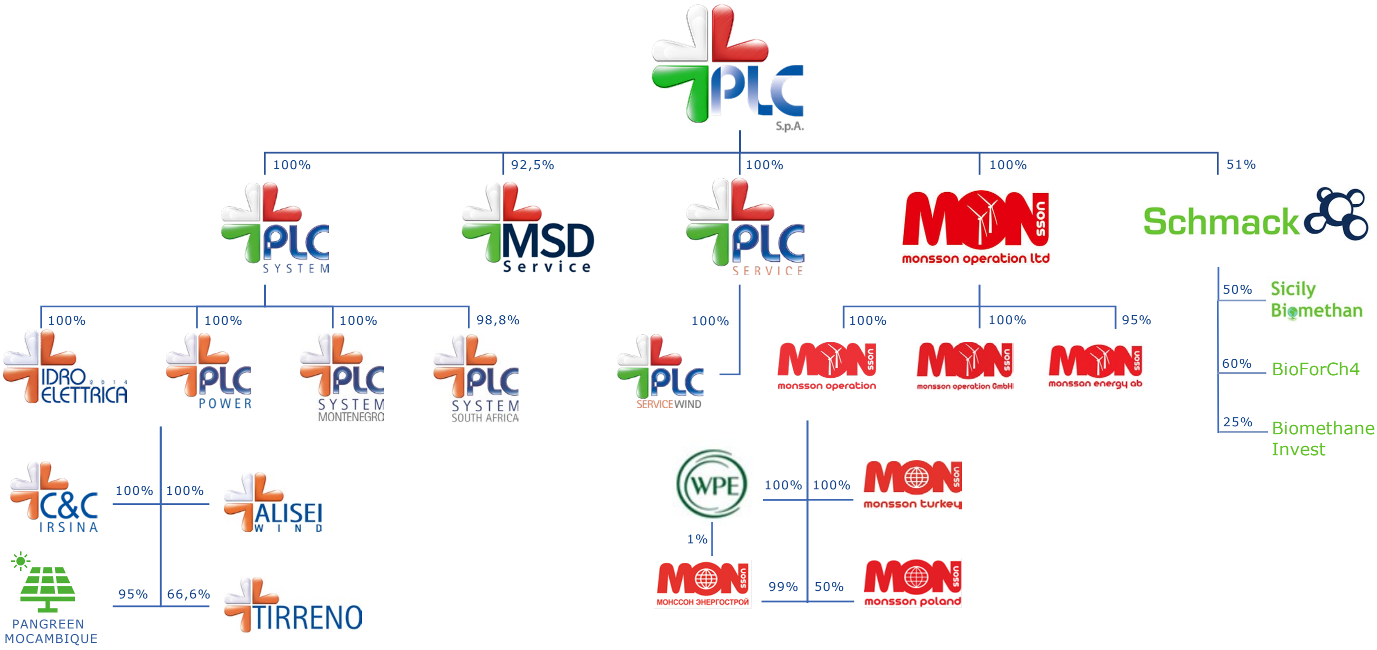
Via Meravigli, 12

20123 Milan

[1] appointed by the Shareholders' Meeting of 30 April 2021
[2] appointed by the Shareholders' Meeting of 30 June 2021
[3]appointed by the Shareholders' Meeting of 23 June 2015

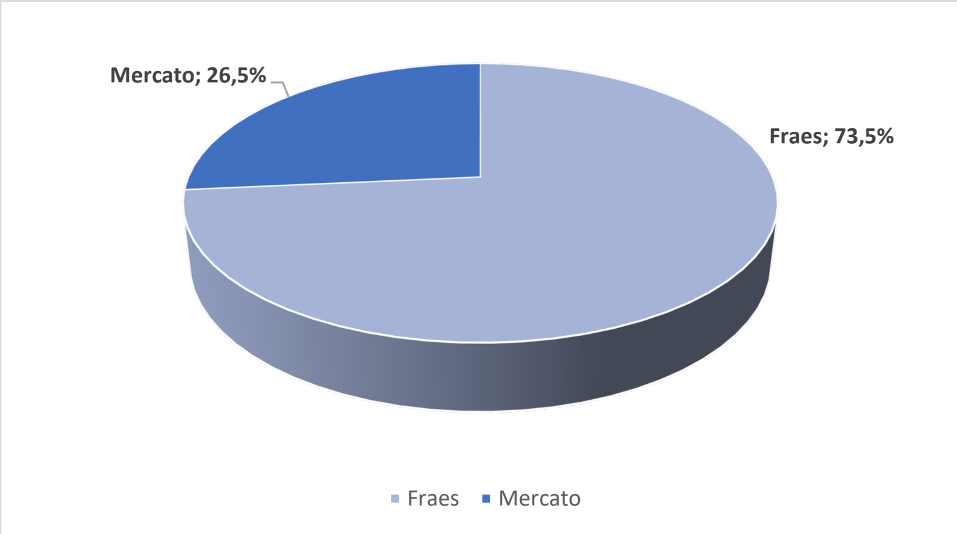
(*) members of the Control, Risk and Sustainability Committee
(**) members of the Appointments, Remuneration and Stock Option Plans Committee
(***) It should be noted that the Director Luciano Garofano has resigned with effect from 29 March 2022

1.2 SHARE STRUCTURE OF THE PLC GROUP



1.3 SHAREHOLDERS

Below is the situation concerning the shareholding of PLC S.p.A. ("**Company**" or "**Parent Company**" or "**Issuer**") on the date of approval of the Annual Financial Report at 31 December 2021[4]. 73.5% is held by FRAES S.r.l. and the remaining 26.5% is floating on the market.



[4] Source: Corporate and Consob data

2 PLC GROUP REPORT ON OPERATIONS

2.1 MAIN PLC GROUP OPERATIONS DURING THE YEAR 2021

Inclusion in the Register for the construction of a photovoltaic roof

In January 2021 PLC Service S.r.l. obtained registration in the Register and the incentive rate for the construction of no. 1 photovoltaic system with a power of 498,560 kW to be installed on the roof of the owned warehouse located in Acerra (NA) for the self-production of electricity. In particular, the project also includes the installation of some columns for recharging the first vehicles with electric motors that will be part of the company fleet as a further commitment of the PLC Group for the energy transition.

The value of the investment, of approx. Euro 400 thousand, 80% of which was covered by a medium-term loan granted by Banca Nazionale del Lavoro S.p.A. backed by the direct guarantee of the Guarantee Fund for SMEs for 90%.

Consolidation of existing financial lines with BPER Banca S.p.A.

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

Signing of an amendment to the pre-existing contract for the construction of a biomethane plant located in the Municipality of Marsala (TP)

On 26 March 2021 Schmack Biogas S.r.l. and Ago Renewables S.p.A. signed an amendment to the pre-existing contract concerning the construction of a biomethane plant in Marsala (TP), fuelled with the organic fraction of solid urban waste. With this amendment, the parties extended the supply limits and defined the new time schedule; by virtue of the changes requested by the customer, the price was redefined at Euro 9,437 thousand, compared to the previous value of Euro 8,700 thousand.

The sale of the equity investment held in C&C Tre Energy S.r.l.was finalized

On 21 June 2021 PLC Power S.r.l. finalized the sale to EDP Renewables Italia Holding S.r.l. ("EDPR") of 100% of the share capital of C&C Tre Energy Srl, 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.

Please note that the transaction, governed by the contract signed between the parties on 28 February 2020, was subject to the fulfilment of certain conditions precedent regarding authorization provisions and confirmations as well as the recognition of the incentive rate provided for by the FER 1 Decree.
The sale price was fixed at Euro 4,659 thousand (of which Euro 4,559 thousand paid upon closing and Euro 100 thousand retained as guarantee of some post-closing obligations by PLC Power S.r.l.) with the generation of a capital gain of Euro 3,797 thousand on a consolidated level.
At the same time as the closing, EDPR repaid the corporate guarantee of Euro 3,175 thousand issued by PLC S.p.A. and concerning the possible enforcement of the guarantee issued to the GSE.
As part of the transaction, PLC System S.r.l. and PLC Service S.r.l. retained the EPC contract for the construction of the wind power plant for a total amount of over Euro 10,000 thousand, as renegotiated and already in progress, and a full service contract for O&M services against payment of Euro 89.5 thousand/year for a period of 10 years from the take-over of the plant.

Information on the impacts of the Coronavirus (Covid-19) on the organizational structure and the economic, equity and financial results of the PLC Group during the 2021 financial year

During the 2021 financial year, the PLC Group continued to constantly monitor the Covid-19 health emergency, due to the continuous evolution of the phenomenon and the possible effects in terms of (i) the evolution of the reference regulatory contexts, (ii) management of relationships with customers and partners, (iii) management of active and passive contracts (specific clauses have been introduced, where possible, to mitigate the possible negative effects of the pandemic) and (iv) impacts on project execution activities and on performance levels. The PLC Group immediately established a series of measures and protocols at all levels of the organization in order to prevent any risks and guarantee the health and safety of its employees, customers and suppliers as well as the continuity of its operating activities, where possible and in compliance with government regulations, ensuring the running of the power production plants whose nature is considered of public utility and cannot be deferred.

Impacts on the organizational structure

Given the continuation of the health emergency, in 2021 the PLC Group continued to implement all the necessary measures to ensure the health of its employees on the one hand and operational continuity on the other. The main organizational measure taken was the continuation of smart working for staff, with the exception of that located on the sites and construction sites, which made it possible to minimize the presence in the offices, as well as the continuous provision of personal protection equipment. With reference to operational personnel, a series of measures have been adopted to minimize, as much as possible, so-called potential "direct contacts".

The task force has remained active for the preparation of a specific behavioural protocol containing the adoption of appropriate “organizational” safety measures (suitable for guaranteeing social distancing and remodelling activities) and of "prevention and protection" (such as training and information, personal protective equipment, personal hygiene measures, cleaning and sanitizing of the workplace) in compliance with the instructions of the competent authorities.

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

As required by Law Decree no. 127 of 21 September 2021, starting from 15 October 2021 it is mandatory to be in possession and exhibit, upon request, the Covid-19 Green Pass to access the workplace, except for those who are exempted from the vaccination campaign depending on suitable medical certification.

Impacts on the economic and financial situation of the PLC Group

In line with the indications provided by ESMA (European Securities and Markets Authority) in the Public Statement of 28 October 2020 and Consob’s subsequent Call for attention no. 1/21 of 16 February 2021, and with what is described in the same paragraph of the Annual Financial Report at 31 December 2020, the information on the actual and potential impacts of the Covid-19 emergency on the PLC Group’s economic and financial situation and the mitigation measures implemented by management are provided below.

The renewable energy sector was marginally impacted by the Covid-19 pandemic; in fact, production from RES has always remained at relatively normal levels, while, starting from the first half of 2021, there has been a recovery in investments also thanks to favourable regulatory updates.

In this market context, the effects of Covid-19 on the results of the PLC Group remained limited, even in 2021; as more fully illustrated below, at 31 December 2021 the PLC Group generated total revenues of Euro 75,118 thousand, with a positive EBITDA of Euro 7,677 thousand and an overall positive net result of Euro 3,553 thousand. There was also a significant improvement in the consolidated net financial position, which went from Euro 4,220 thousand at 31 December 2020 to Euro 2,795 thousand at 31 December 2021 confirming that the PLC Group is not exposed to an increase in liquidity and/or credit risk. The 2021 results therefore stand at more than positive values and, to date, there are no critical issues or points of attention regarding the Group's business continuity.

In the market scenario, however, longer-term uncertainties remain, linked both to the evolution of pandemic scenarios in the various regions, and to the risk of an uneven economic recovery. In this situation, future negative effects on the economic and financial situation of the PLC Group cannot in any case be excluded.

2.2 SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2021

Information on the possible impacts of the war in Ukraine on the market and on the economic, equity and financial results of the PLC Group

Russia's armed intervention in Ukraine began in February 2022, the continuation of which is causing economic consequences that are currently already very serious in all industrial sectors and with impacts on the global economy. The International Monetary Fund ("IMF") has already detected a further increase in the prices of energy and raw materials, increasing inflationary pressures on the supply chain that was already hit by the effects of the Covid19 pandemic.

As required by the ESMA Public Statement of 14 March 2022 and by the subsequent Consob call for attention of 21 March 2022, it should be noted that no particular repercussions of the conflict are currently expected on the PLC Group's business, also in consideration of the insignificant exposure to the markets concerned.

As of 31 December 2021 the PLC Group's credit exposure was less than 1% of the total.

However, taking into account the changing situation and the highly uncertain prospects, future negative effects on the financial and economic situation of the PLC Group cannot be excluded.

On the other hand, the conflict has further increased awareness of the risk of the European bloc's energy dependence on non-European raw materials, accelerating the process of research and development of renewable and sustainable sources, through which the European Union aims at its energy independence; this could represent a further opportunity for the development of the PLC business.

2.3 ANALYSIS OF THE OPERATING PERFORMANCE AND OUTLOOK

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

<u>The market context</u>

2021 was characterized by a gradual return to normality. While the diffusion and efficacy of vaccines, together with strong fiscal and monetary support, have contributed to an economic recovery that exceeds expectations, particularly in some advanced economies, on the other hand, longer-term uncertainties still remain, linked both to the evolution of pandemic scenarios in the various regions, and to the risk of an uneven economic recovery, further aggravated by the ongoing war conflict between Russia and Ukraine.

In this context, the renewable energy sector, driven by the renewed commitment of the European Union and national governments to achieve the objectives of the energy transition, proves to be a market in huge expansion; indeed, the conflict seems to have indelibly traced the path for the energy independence of the European bloc, through the increasing use of energy production systems from renewable sources and biomethane, as well as through the use of storage systems both electrochemical and chemical. In fact, the 2021 financial year was already characterized by important regulatory and institutional updates aimed at supporting a vigorous recovery in the growth of renewables, encouraging investments and ensuring the speed of project execution, through a simplification of procedures.

PLC Group

The 2021 results of the PLC Group are on the whole at more than positive levels, in consideration of the still uncertain market context, even if there have been partially different trends compared to those expected for the various operating segments. The Construction Segment recorded a strong recovery due to the start of the numerous orders in its portfolio both in the sector of traditional renewable sources and biogas and biomethane, exceeding the set objectives. The O&M component of the Services Segment also continued its positive trend, confirming the linearity of the annual growth curve; on the other hand, there was a sharp slowdown in E&I activities, of a temporary and non-recurring nature, essentially attributable to the negative effects deriving from a dispute with a customer. This caused a general slowdown in installation services, also in order to carry out the necessary and expected training required to expand the customer portfolio on new technologies.

The updated forecasts for the 2022 FY are confirmed, at present, overall in line with the objectives set by the Guidance. These forecasts have been drawn up on the assumption (i) of the definitive exit from the pandemic crisis from Covid-19 and (ii) that the additional regulatory provisions already provided for in the Legislative Decree of 8 November 2021, no. 199 (transposition of the European RED II directive) are promptly implemented, with regard to the Italian market both with reference to renewables from wind and photovoltaic sources and from biomethane. Signals worthy of particular attention include the approval of the "Simplification Decree bis" no.77/2021 of 28 July 2021 which placed the long-standing theme of the slowness and bureaucratic length of the Italian market at the centre of the political agenda as the main barrier to the development of renewable investments. It should also be noted that in 2022 the draft of the FER 2 Decree was drawn up.

Nevertheless, possible negative impacts deriving from a possible flare-up of Covid-19, from delays in the adoption of legislative and regulatory provisions and, lastly, from the evolution of the recent conflict between Russia and Ukraine cannot be excluded, with unknown effects to date on business.

<u>Construction Segment</u>

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 Schmack Biogas S.r.l. which carries out the same activities in the biogas and biomethane sectors. The PLC Group also deals with the construction of highly specialized industrial plants as well as, through special SPVs (" Special Purpose Vehicles"), the construction of "turnkey" plants for the production of electricity from renewable sources, with the aim of selling, through the sale of SPVs to investors, utilities, or Independent Power Producers ***Built, Operate and Transfer (BOT)***.

In the last quarter of 2021, a corporate reorganization process was initiated which intends to enhance the BOT business model relating to the development of new initiatives in the renewable energy sector both with a green field and brown field logic; the operation - which will take place through the partial and proportional demerger of PLC System S.r.l. in favour of the sole shareholder PLC S.p.A. with the assignment of 100% of the share capital of PLC Power S.r.l. - currently being worked on.

With reference to the construction activities, the following have been completed or are in the process of being completed:

- a contract for the design, supply and installation of the electrical and electromechanical works of a HV/MV 150/30 kV Utility Substation located in the Municipality of Laterza (TA;
- two contracts signed with AM Energie Rinnovabili for the supply and installation of the electrical and electromechanical works of a 150kV RTN (National Transmission Grid) Station and a HV/MV 150/30 kV Utility Substation located in the Municipality of Bompietro (PA);
- a supply and installation contract for the construction of electrical works for the cable connection to a Terna Substation and a user Substation of a thermodynamic plant located in the Municipality of Stromboli (TP);
- a contract for the "turnkey" construction of a 150/30kV user substation for a wind power plant to be built in the Municipality of Melfi (PZ) in Basilicata;
- the supply and assembly contract for the construction of electrical works for connection to the national transmission grid and a 150/30kV user substation for a wind plant to be built in the province of Potenza and located in the countryside of the Municipalities of Avigliano, Bella and Ruoti.

With reference to the projects in progress as at 31 December 2021, the following should be noted:

- the contract relating to the construction of the wind farm with a total power of 36MW, located in the municipalities of Baselice (BN), Molinara (BN) and Foiano di Val Fortore (BN) owned by C&C Uno Energy S.r.l. (sold to Enel Green Power Italia S.r.l in 2020), with a completion rate of 96%;
- the contract relating to the construction of the wind farm with a total power of 13.2MW located in the municipality of Castelvetere (BN) owned by C&C Castelvetere S.r.l. (sold to Enel Green Power Italia S.r.l in 2020), with a completion rate of 65%;
- the contract relating to the construction of the wind farm with a total power of 28.8MW, located in the municipality of Casalbore (AV) owned by C&C Tre Energy S.r.l. (sold to EDPR in 2021), with a completion rate of 42%;
- the supply of Shelters under the framework agreement with Terna Rete Italia S.p.A.;
- a contract for the "turnkey" construction of the 150/30kV electrical transformer substation serving a renewable energy production plant located in the Municipality of Paternò (CT), with a completion percentage of 81%.

With regard to biogas and biomethane, construction activities mainly concerned:

- the start of the project for the construction of a biomethane plant in Marsala (TP), fuelled with the organic fraction of municipal solid waste, with a completion rate of 73%;
- the start of a project for the construction of a new biogas plant in Geer (Belgium), fuelled with agricultural and agro-industrial waste, together with the rehabilitation of an existing plant, with a completion rate of 74%.

The final 2021 data for the Construction Segment benefited from the first positive effects deriving from the incentive mechanisms contained in the FER 1 Decree which, as expected, gave a significant boost to investments in new plants and in the revamping of existing ones.

All this is perfectly in line with the strategic vision of the Group which aims to put at the service of the important investment season planned for the next three years, both in the RES sector and in the biogas and biomethane sector, as confirmed by the new targets in line with the European strategy of the Green Deal for the reduction of CO_2 emissions, the great technological expertise of PLC, with the aim of maximizing the income returns that will serve a more accelerated growth in the Services Segment.

The forecasts for the 2022 FY provide for the achievement of results in improvement with respect to the Guidance; the PLC Group currently has an order book capable of guaranteeing 52% of the target set for revenues at the end of the year, unless there are any delays and/or postponements, currently not foreseeable, and potentially deriving from a flare-up of the Covid-19 emergency or from delays in the adoption of legislative and regulatory provisions, as well as from what could be the macroeconomic impacts, not yet foreseeable, deriving from the protraction of the Russia-Ukraine conflict.

New Plants Development Segment

The PLC Group, through its subsidiary PLC Power S.r.l. and through special purpose vehicles (SPVs), carries on the development activities of new energy production plants from renewable sources, until it obtains the permits, to be offered to the market according to the BOT Business model, while maintaining at the same time, both the creation of the Balance of Plant of the plants themselves and the subsequent management and operation in-house thanks to multi-year service contracts. In this way, with a modest increase in its risk profile, PLC Group has integrated downstream the typical EPC value chain, directly facing the final investor market and maximizing the value of its skills. These activities contribute to the constitution of the so-called “pipeline” of the group of new plants.

In this context, during the first half of 2021, the sale to EDPR of 100% of the share capital of C&C Tre Energy S.r.l. was completed. with the realization of a capital gain, on a consolidated level, equal to Euro 3,797 thousand.

With reference, however, to the development of new plants, the PLC Group has the following assets in the wind and photovoltaic sectors, at different stages of progress in permitting:

- a 16 MW wind farm in the Basilicata Region;
- a 15 MWp photovoltaic plant in the Sicily Region;
- a 120 MW wind farm in the Campania Region;
- a 30 MWp photovoltaic plant in Mozambique (Africa);

and four 500 Sm3/h anaerobic digestion plants, with reference to the development in the biogas and biomethane sector, also in this case at different stages of progress in permitting.

However, the PLC Group is always committed to expanding its project pipeline, paying attention to both "greenfield" and "brownfield" initiatives. It should be noted, in fact, that there is an increasing market interest in the development of new initiatives in line with the energy transition process, which just on the Italian market, according to the agenda of the Ministry of Energy Transition, provides for the ''installation by 2030 of new wind power plants for 12 GW and new photovoltaic systems for 41 GW.

Services Segment

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

As **Operation & Maintenance (O&M)** provider, the PLC Group provides periodic monitoring of the plants to ensure maximum efficiency, and takes care of their maintenance with a "full service" or "customized" logic, both routine and extraordinary as well as predictive. An extensive range of services is offered and differs according to the type of end customer. To guarantee performance levels, the systems are monitored 24 hours a day from special control rooms and the end customer is informed monthly, through specialist reports, of the performance of the systems. In particular, at present there are two control rooms, one at the Acerra (NA) headquarters, for monitoring the national market, and one at the Romanian headquarters in Constanta, for monitoring the other European markets where the PLC Group offers its maintenance activities. The main logistic centres through which the service activities are provided are in Italy in Acerra (NA), San Pietro Vernotico (BR), Lentini (SR), Borgo Montello (LT), Monreale (PA), Castel di Iudica (CT).), Bolzano and Verona and abroad Constanta (Romania) and Hamburg (Germany). In line with the 4.0 digitization strategy, a dedicated division has been created that will lead the PLC Group into the new dimension of maintenance through augmented reality and virtual reality systems. Among the investments in 2022, the construction of a new control centre at the new Acerra site is expected, which will allow better control of the plants with higher performance and services in line with the new 4.0 technological evolution.

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

In the last quarter of 2021, a corporate reorganization process was launched which intends to enhance the Italian services segment based on the reference technology sector, thus separating the services offered on HV/MV equipment, electrical networks, transformers, photovoltaic systems and accessories owned by PLC Service S.r.l., from ordinary and extraordinary maintenance services offered on wind power plants, as well as installation of wind turbines belonging to PLC Service Wind S.r.l .. The operation - which will take place through the partial and proportional demerger of PLC Service S.r.l. in favour of the sole shareholder PLC S.p.A. with allocation of 100% of the share capital of PLC Service Wind S.r.l. - currently being worked on. In particular, PLC Service Wind S.r.l. aims to centralize all the expertise inherent in wind technology internally, both in the area of maintenance and installation, identifying itself within the scope of the PLC Group, as the technological hub of reference.

The final 2021 data of the Services Segment confirmed the positive growth trend of the O&M component, with results in line with or above forecasts, despite the market context still characterized by a situation of uncertainty and the constant increase in competitiveness.

However, the E&I component recorded significant impacts that failed to achieve the expected results, mainly due to events of a temporary, non-recurring nature, generated following a dispute with a customer in relation to some contracts for the installation of wind turbines in Germany and Sweden, then concluded out of court between the parties in 2022. The E&I activities have, among other things, negatively affected both the slowdown of the other projects in progress with the same customer, pending negotiations, and the completion of activities functional to the expansion of the customer base, with particular reference to the necessary training on new technologies.

Lastly, as anticipated, the activities of the new "Special Projects" division continue, created in 2020 with the aim of expanding high-tech services and guiding the transition towards intelligent and digital maintenance logics. In this regard, augmented reality and virtual reality applied to predictive maintenance will have a fundamental role. For more information, see paragraph 2.7 “Research and development activities”.

With reference to the forecasts for the 2022 FY, the objectives of the Guidance for the O&M sector are confirmed, while the targets for the E & I have been reshaped to take into account the necessary reorganization of the sector also according to, as mentioned, the progressive expansion of expertise also in other technologies. With particular reference to E&I activities, the whole European bloc is pushing strongly towards accelerating the energy transition process, but it must be pointed out that at present it is difficult to predict what the impacts may be, especially in the short-term scenario, resulting from the Russian-Ukrainian conflict.

Trading Segment

During 2021 the PLC Group continued its activity in the dispatching services and trading sector of electricity from renewable sources through its subsidiary MSD Service S.r.l.; the PLC Group currently manages just one plant and does not intend, at present, to further develop its activities in this segment which will continue to have a marginal role with regard to volumes. In contrast MSD Service S.r.l. will play an increasingly strategic role in spreading knowledge of the new dynamics in the electricity market within the Group, with the aim of developing and expanding the range of services offered.

2.4 ANALYSIS OF THE GROUP'S ECONOMIC, EQUITY AND FINANCIAL RESULTS AS OF 31 December 2021

RECLASSIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	**69.419**	**62.159**
Other operating revenues	5.699	3.379
Total revenues	**75.118**	**65.538**
Operating costs	(65.031)	(59.996)
Other operating costs	(2.410)	(2.158)
GROSS OPERATING MARGIN (EBITDA)	**7.677**	**3.384**
EBITDA %	*10%*	*5%*
Depreciations, amortisations and impairment losses	(2.796)	(2.701)
OPERATING RESULTS (EBIT)	**4.881**	**683**
Net financial income (expenses)	(940)	(977)
Profit (loss) from equity investments	42	(53)
Income taxes	(1.012)	281
Profit (loss) from continuing operations	**2.971**	**(66)**
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	**2.971**	**(66)**
Total other components of comprehensive income	582	167
TOTAL COMPREHENSIVE INCOME	**3.553**	**101**

During the 2021 financial year, the PLC Group recorded total revenues of Euro 75,118 thousand (up by 14.6% compared to the previous year) and an EBITDA of Euro 7,677 thousand (up by Euro 4,293 thousand) with an average margin of 10%.

The 2021 consolidated results confirm the expected recovery of the Construction Segment, with particular reference to the traditional renewable sources sector, driven by the incentive mechanisms of the FER 1 Decree and the objectives of the Green Deal; this is perfectly in line with the strategic vision of the PLC Group, which aims to put its great technological skills at the service of the important investment season planned for the next three years, with the aim of maximizing the income returns that will work towards more accelerated growth in the Services Segment.

The Services Segment, on the one hand, confirmed its growth trend in the O&M sector, recording an increase in the average margin of approx. 3% compared to the previous year, on the other hand it was significantly impacted by temporary and non-recurring events in the E&I sector.

It should be noted that the comparative data as at 31 December 2020 were affected by the slowdowns, recorded mainly in the first half for the Construction Segment and in the E&I activities, most impacted by the lockdown period following the emerging Covid-19 epidemic.

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

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Construction	Services	Holding	Trading	01.01.2021 31.12.2021
Core business revenues	37.931	28.060	-	3.428	69.419
Other operating revenues	4.682	951	66	-	5.699
Total revenues	42.613	29.011	66	3.428	75.118
Operating costs	(33.148)	(24.621)	(3.840)	(3.422)	(65.031)
Other operating costs	(579)	(1.723)	(107)	(1)	(2.410)
GROSS OPERATING MARGIN (EBITDA)	8.886	2.667	(3.881)	5	7.677
EBITDA %	*21%*	*9%*	*n.a.*	*0%*	*10%*

The data are shown net of intergroup balances

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Construction	Services	Holding	Trading	01.01.2020 31.12.2020
Core business revenues	13.291	46.039	-	2.829	62.159
Other operating revenues	2.922	414	-	43	3.379
Total revenues	16.213	46.453	-	2.872	65.538
Operating costs	(14.920)	(39.543)	(2.744)	(2.789)	(59.996)
Other operating costs	(560)	(1.493)	(103)	(2)	(2.158)
GROSS OPERATING MARGIN (EBITDA)	733	5.417	(2.847)	81	3.384
EBITDA %	5%	12%	n.a.	3%	5%

The data are shown net of intergroup balances

Construction segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	37.931	13.291
Other operating revenues	4.682	2.922
Total revenues	42.613	16.213
Operating costs	(33.148)	(14.920)
Other operating costs	(579)	(560)
GROSS OPERATING MARGIN (EBITDA)	8.886	733
EBITDA %	*21%*	*5%*

The data are shown net of intergroup balances

As already mentioned, in 2021 the Construction Segment recorded significantly positive results, backing up forecasts of a strong recovery of investments, driven by the incentive mechanisms of the FER 1 Decree and the Green Deal objectives; it should also be remembered that the comparative data as at 31 December 2020 were strongly impacted by the lockdown period and the consequent closure of the construction sites.

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	PLC System S.r.l. (*)	Schmack Biogas S.r.l.	01.01.2021 31.12.2021
Core business revenues	27.883	10.048	37.931
Other operating revenues	4.370	312	4.682
Total revenues	32.253	10.360	42.613
Operating costs	(23.375)	(9.773)	(33.148)
Other operating costs	(420)	(159)	(579)
GROSS OPERATING MARGIN (EBITDA)	8.458	428	8.886
EBITDA %	*26%*	*4%*	*21%*

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

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	PLC System S.r.l. (*)	Schmack Biogas S.r.l.	01.01.2020 31.12.2020
Core business revenues	10.784	2.507	13.291
Other operating revenues	2.642	280	2.922
Total revenues	13.426	2.787	16.213
Operating costs	(11.690)	(3.230)	(14.920)
Other operating costs	(418)	(142)	(560)
GROSS OPERATING MARGIN (EBITDA)	1.318	(585)	733
EBITDA %	*10%*	*n.a.*	*5%*

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

The Construction Segment includes: (i) the activities carried out in the sectors of traditional renewable sources, with revenues of Euro 32,253 thousand (equal to 75.6%)- of which Euro 3,797 thousand relating to the capital gain generated by the sale of the vehicle C&C Tre Energy S.r.l. - with a margin of Euro 8,458 thousand and (ii) the activities in the biogas sector, with revenues of Euro 10,360 thousand and a margin of Euro 428 thousand.

The recovery of investments in the biogas sector was less marked than that recorded in the traditional renewable sources sector, pending the publication of the new incentive system. In any case, during the 2021 financial year, two important contracts were finalized for the construction of a biomethane plant in the Municipality of Marsala (TP) and of a biogas plant in Belgium which, together with other projects, allowed the return to positive margins. However, there is a great ferment in the market both with reference to the Italian and European economic fabric.

Services segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	28.060	46.039
Other operating revenues	951	414
Total revenues	**29.011**	**46.453**
Operating costs	(24.621)	(39.543)
Other operating costs	(1.723)	(1.493)
GROSS OPERATING MARGIN (EBITDA)	**2.667**	**5.417**
EBITDA %	*9%*	*12%*

The data are shown net of intergroup balances

During the 2021 FY, the Services Segment generated revenues of Euro 29,011 thousand with a margin of Euro 2,667 thousand (equal to 9%). The data for this Segment are affected, as mentioned, by the negative trend of the Monsson Perimeter which, due to temporary and non-recurring events related to a dispute, recorded a significant contraction in volumes and an operating loss of Euro 2,069 thousand.
With reference to O&M activities, on the other hand, there is an increase in the average margins both with regard to the traditional renewable sources sector and to the biogas and biomethane sector with results in line with or higher than forecasts.

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	PLC Service / PLC Service Wind	Schmack	Monsson Operation Perimeter	01.01.2021 31.12.2021
Core business revenues	17.180	3.784	7.096	28.060
Other operating revenues	501	75	375	951
Total revenues	**17.681**	**3.859**	**7.471**	**29.011**
Operating costs	(12.408)	(3.175)	(9.039)	(24.622)
Other operating costs	(1.062)	(159)	(501)	(1.722)
GROSS OPERATING MARGIN (EBITDA)	**4.211**	**525**	**(2.069)**	**2.667**
EBITDA %	*24%*	*14%*	*n.a.*	*9%*

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	PLC Service / PLC Service Wind	Schmack	Monsson Operation Perimeter	01.01.2020 31.12.2020
Core business revenues	16.748	5.113	24.178	46.039
Other operating revenues	264	23	127	414
Total revenues	**17.012**	**5.136**	**24.305**	**46.453**
Operating costs	(12.476)	(4.529)	(22.538)	(39.543)
Other operating costs	(737)	(142)	(614)	(1.493)
GROSS OPERATING MARGIN (EBITDA)	**3.799**	**465**	**1.153**	**5.417**
EBITDA %	*22%*	*9%*	*5%*	*12%*

The Services Segment includes (i) the activities carried out in Italy in the traditional renewable sources sectors through the subsidiaries PLC Service S.r.l. and PLC Service Wind S.r.l., (ii) the activities carried out in the biogas and biomethane sector by the subsidiary Schmack Biogas S.r.l. and (iii) the activities carried out in foreign markets through the companies belonging to the Monsson Operation Perimeter.

Activities in the renewable sources sector in Italy generated revenues of Euro 17,681 thousand with a margin of Euro 4,210 thousand (equal to 24%); compared to the comparative year, there was a 4% increase in volumes, in line with the annual growth curve, and an increase in average margins of 2% (from 22% to 24%), deriving from the higher incidence of BOP services (Balance of Plant), which have higher margins than those in the photovoltaic sector and in line with the PLC Group's vision of limiting its operations in low-tech activities. Also in the biogas and biomethane sector there was a different mix of services provided, favouring those with higher margins (from 9% to 14%) even with reduced volumes.

The Monsson Operation Perimeter recorded revenues of Euro 7,471 thousand with a negative margin of Euro 2,068 thousand. The data for 2021 are significantly affected by the effects arising from the dispute with a customer in relation to the claim for damages on two E&I projects carried out in Sweden and in Germany. The dispute, which was then concluded in January 2022, with the signing of an out-of-court agreement to end all litigation and with a commitment by the parties to continue in professional relationships, also with the awarding of new contracts, led to the recognition of a charge of Euro 2,360 thousand.

Trading segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	**3.428**	**2.829**
Other operating revenues	-	43
Total revenues	**3.428**	**2.872**
Operating costs	(3.422)	(2.789)
Other operating costs	(1)	(2)
GROSS OPERATING MARGIN (EBITDA)	**5**	**81**
EBITDA %	*0%*	*3%*

The data are shown net of intergroup balances

The Trading Segment includes the dispatching activities carried out by the subsidiary MSD Service S.r.l.

The PLC Group does not intend, at present, to further develop its activities in this segment in terms of volumes, which will continue to have a marginal role in the 2022 FY.

Holding segment

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	-	-
Other operating revenues	66	-
Total revenues	66	-
Operating costs	(3.840)	(2.744)
Other operating costs	(107)	(103)
GROSS OPERATING MARGIN (EBITDA)	(3.881)	(2.847)

The data are shown net of intergroup balances

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

The increase in costs compared to the same period of the previous year is mainly related to personnel costs and in particular (i) to the strengthening of some staff functions (ICT and HR), (ii) to the integration of the Chairman of the Board of Directors'[5] emolument and (iii) the provision for bonuses relating to the 2021 FY.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020
Net tangible assets	8.511	8.889
Net intagible assets	12.530	13.358
Equity investments	19	18
Other non-current assets	2.103	2.791
Fixed assets	23.163	25.056
Net working capital	8.020	3.997
Non-currents assets held for sale / disposal	-	-
NET INVESTED CAPITAL	31.183	29.053
Net financial position	(2.795)	(4.220)
Net financial position relating to assets / liabilities held for sale / disposal	-	-
NET FINANCIAL POSITION	(2.795)	(4.220)
SHAREHOLDERS' EQUITY	28.388	24.833

[5] Please refer to the report on the remuneration policy and the remuneration paid pursuant to Article 123-ter of Legislative Decree 58/1998, as amended by Legislative Decree 49/2019 and art. 84-quater of the Regulation adopted by Consob with resolution no. 11971/1999, approved by the Shareholders' Meeting of 30 April 2021

The consolidated statement of financial position at 31 December 2021 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 2021 amounted to Euro 31,183 thousand compared to Euro 29,053 thousand at 31 December 2020. The positive change of Euro 2,130 thousand derives from:

- the reduction in fixed capital of Euro 1,893 thousand mainly due to the sale of the vehicle C&C Tre Energy S.r.l. and the negative net balance between new investments and amortization for the period; the use of deferred tax assets recognized in previous years to reduce the 2021 tax burden as part of the national tax consolidation should also be noted;
- the positive change in net working capital of Euro 4,023 thousand which mainly contributes to a significant increase in contractual activities and related trade payables, mainly attributable to the significant recovery of the activities of the Construction Segment.

CONSOLIDATED NET FINANCIAL POSITION

CONSOLIDATED NET FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020 (**)
Cash and cash equivalent (*)	10.729	10.198
Current financial indebtedness	(4.666)	(4.647)
Non-current financial indebtedness	(7.516)	(8.683)
Net financial position before IFRS16	**(1.453)**	**(3.132)**
IFRS 16 financial liabilities	(1.342)	(1.088)
NET FINANCIAL POSITION	**(2.795)**	**(4.220)**

(*) of which restricted zero euro thousands as at 31 December 2021 (82 euro thousands as at 31 December 2020)

(**) FY2020 data have been restated due to the effect od comparability, acccording to the new provision set out in Consob document 5/21 of 29 April 2021 which acknowledges the ESMA guidelines; the negative impact of euro 107 thousands, compared to the original data, originates from the exclusion of current financial liabilities.

The net financial position of the PLC Group at 31 December 2021 was negative for Euro 2,795 thousand (negative for Euro 1,453 thousand net of the recognition of financial payables recognized in application of IFRS 16) and recorded a positive change of Euro 1,425 thousand compared to the previous year. The NFP/EBITDA ratio at 31 December 2021 amounted to 0.36 (1.24 at 31 December 2020). The value of the net financial position benefits from the partial collection of the fees arising from the sale of C&C Tre Energy S.r.l. for Euro 4,559 thousand, and also highlights how the PLC Group has not been significantly impacted by Covid-19 either in terms of increased liquidity risk or credit risk.

The positive trend of the net financial position, which in the last two years has recorded an improvement of more than Euro 5.2 million (net financial position at 31 December 2019 negative for Euro 7,996 thousand), is a sign of the solidity and profitability of the Group's business and its cash generation capacity, as well as its capital strength that can be used for growth in line with the objectives of the Business Plan.

The overall amount of financial debt decreased by Euro 1,148 thousand: in the face of the new disbursements obtained, repayments of existing loans were resumed in line with the respective amortization plans, following the conclusion of the moratoriums obtained in 2020 pursuant to the Liquidity Decree.

The new disbursements, equal to approx. Euro 1,047 thousand, relate to (i) the consolidation of the exposure with BPER Banca S.p.A. with the disbursement of new finance for Euro 475 thousand, (ii) the loan taken out with Banca Nazionale del Lavoro S.p.A. for Euro 320 thousand in relation to the investment for the construction of the photovoltaic roof to be installed on the warehouse owned by PLC Service S.r.l. and (iii) the subsidized loan received in relation to the PON Project for Euro 252 thousand.

2.5 ANALYSIS OF THE ECONOMIC, BALANCE SHEET AND FINANCIAL RESULTS OF PLC S.P.A. AS AT 31 DECEMBER 2021

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Core business revenues	**2.417**	**1.187**
Other operating revenues	66	-
Operating costs	(3.851)	(2.750)
Other operating costs	(108)	(103)
GROSS OPERATING MARGIN (EBITDA)	**(1.476)**	**(1.666)**
Depreciations, amortisations and impairment losses	(81)	(41)
OPERATING RESULTS (EBIT)	**(1.557)**	**(1.707)**
Net financial income (expenses)	(47)	13
Profit (loss) from equity investments	1.850	958
Income taxes	491	472
Profit (loss) from continuing operations	**737**	**(264)**
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	**737**	**(264)**
Total other components of comprehensive income	(17)	(10)
TOTAL COMPREHENSIVE INCOME	**720**	**(274)**

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.

In 2021 there was an increase in operating costs mainly relating to personnel costs due (i) to the strengthening of some staff functions (ICT and HR), (ii) to the integration of the Chairman of the Board of Directors' emolument and (iii) the provision for bonuses relating to the 2021 FY. This increase is reabsorbed by the higher revenues for services provided to the subsidiaries.

Other positive income components include dividends of Euro 1,850 thousand distributed by the subsidiary PLC Service S.r.l.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020
Net tangible assets	194	169
Net intagible assets	196	27
Equity investments	49.933	49.933
Other non-current assets	5.285	4.717
Fixed assets	**55.608**	**54.846**
Net working capital	1.047	906
Non-currents assets held for sale / disposal	-	-
NET INVESTED CAPITAL	**56.655**	**55.752**
Net financial position	(8.479)	(8.296)
Net financial position relating to assets / liabilities held for sale / disposal	-	-
NET FINANCIAL POSITION	**(8.479)**	**(8.296)**
SHAREHOLDERS' EQUITY	**48.176**	**47.456**

The statement of financial position of PLC SpA at 31 December 2021 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 as at 31 December 2021 shows an increase in fixed capital for a total of Euro 762 thousand due (i) to the increase in shareholder loans disbursed to subsidiaries as a net balance between disbursements and repayments during the year and (ii) from the use of deferred tax assets, recognized in previous years, to reduce the 2021 tax burden as part of the national tax consolidation.

NET FINANCIAL POSITION

CONSOLIDATED NET FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020 (*)
Cash and cash equivalent	605	1.110
Current financial indebdetness	(9.060)	(9.364)
Non-current financial indebdetness	-	-
Net financial position before IFRS16	**(8.455)**	**(8.254)**
IFRS 16 financial liabilities	(24)	(42)
NET FINANCIAL POSITION	**(8.479)**	**(8.296)**

(*) FY2020 data have been restated due to the effect od comparability, acccording to the new provision set out in Consob document 5/21 of 29 April 2021 which acknowledges the ESMA guidelines; the negative impact of euro 12 thousands, compared to the original data, originates from the exclusion of current financial liabilities.

The net financial position of PLC S.p.A. at 31 December 2021 was negative for Euro 8,479 thousand (negative for Euro 8,455 thousand net of the recognition of financial payables recognized in application of IFRS 16) and recorded a negative change of Euro 183 thousand.

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

thousands of euro	Shareholders' equity 31.12.2021	Profit / (loss) 31.12.2021
PLC S.p.A.	**48.176**	**720**
Difference between book values of equity investments and the corresponding share of equity	(29.702)	2.731
Effects of the reverse merger	4.710	0
Effects of Monsson acquisition (*)	4.378	(338)
Effects of C&C acquisition	606	514
Effects of Schmack Biogas acquisition (**)	290	(91)
Other	(70)	17
PLC Group	**28.388**	**3.553**

(*) includes customer list for Euro 2,025 thousands net of the related tax provision. The impact on P&L for the period is Euro 338 thousands (amortization net of income taxes)
(**) includes customer list for Euro 547 thousands net of the related tax provision. The impact on P&L for the period is Euro 91 thousands (amortization net of income taxes)

2.7 RESEARCH AND DEVELOPMENT ACTIVITIES

The PLC Group has always been involved in research and development activities focused on improving the quality of the service offered to its customers and optimizing its organization as part of "Industry 4.0".

During the 2021 financial year, the "PON MISE M4.0" project presented to the Ministry of Economic Development (MISE) by the subsidiary PLC Service S.r.l. got started.

The new Special Projects division, that arose at the end of 2020, has been rounded out with new senior and junior resources, with the aim of guiding the PLC Group in the process of the industrial revolution that will substantially change the way each of us works, projecting the company towards an internalized management of specialist know-how, taking advantage of expert staff and training technicians in the use of technologies in step with industry 4.0, to react quickly to the technological change in progress.

The use of technologies such as Augmented Reality (AR), Virtual Reality (VR), Artificial Intelligence (AI), and Machine Learning, will allow the creation of an integrated system aimed at optimizing the core business of the PLC Group. The ultimate goal is to further improve the quality and professionalism of the service provided to customers, with a strategy aimed at increasing the volume of business relating to "full service" contracts.

The division has also started an intense "brainstorming" work during which the conditions for the future organization chart will be built. When fully operational, the structure will have to integrate the Research & Development functions, the Control Centre and the Training Centre. It will also have the objective of absorbing new future projects aimed at the improvement and economic/managerial development of the entire PLC group.

Inter-departmental collaboration with the divisions concerned (PV, BoP, Wind, Management Control, IT, Remote Control, etc.) will be fundamental to help the Special Projects division in guiding the very delicate steps of Change Management and Knowledge Management.

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

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

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

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

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

- application scenario definition
- analysis and definition of the project requirements
- analysis of the state of the art in the reference sectors and selection of technologies
- system architecture development
- development and implementation of solutions based on the use of artificial intelligence
- field test to verify / review the solutions developed

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

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

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

From the start of the project to 31 December 2021, the research activities were completed, relating to:

- current scenario analysis - type of systems, Control Room, failure cases and intervention procedures;
- definition of the future scenario - identification of the 'core' model integrated with IOT, AI, AR technology;
- definition of requirements (functional and otherwise) in the AR / IOT / AI environment;
- AR platform customization start for the foreseen applications;
- experimentation, scouting and selection of innovative technologies;

as well as the following development activities:

- implementation of development platforms and AR hardware for "pilot" plants;

- start of implementation of IoT solutions to be integrated into the "Pilot" plants system;
- launch of development platform tests for the AI model;
- field tests on the use of AR devices for assisted video calling;
- start of development of technical tutorials in VR mode (virtual reality).

Starting from this scenario, the Special Projects division has launched a series of supplementary projects to optimize O&M processes, reduce operating costs and maximize margins for which it is expected to be able to access subsidized loans, such as the "Training Bonus 4.0" and subsidy measures such as the tax credit for investments in the South.

In particular, the following additions are noted:

- starting construction of a Control Centre, that is a highly competent technological centre where the specialist know-how in support all the PLC Group divisions is centralized. When fully operational, activities relating to advanced monitoring systems, engineering at the service of the “service and operation” world, technical assistance in AR and R&D on potential future scenarios will be managed;

- creation, by the end of 2022, of an advanced Control Room (SCADA 4.0) for the optimized management of remote control systems and resources;

- start of the project aimed at the construction of a training centre (PLC Academy), to be completed in 2023, a technical training centre that should project the company towards an internalized management of specialist know-how, taking advantage of expert staff and train technicians in the use of technologies in step with Industry 4.0. In a second stage, the possibility of providing specialized training courses to third-party customers will also be assessed.

- support for the "new ERP" project for the introduction of a new Work Force Management (WFM) module, which will allow an increase in organizational performance in a strategic way including the management of human resources, performance and training management, data collection, budgeting and forecasts, planning and analysis;

It is believed that these closely interconnected projects can significantly contribute to the development of the Services Segment, bearing witness to the company's vision of positioning itself on the market as an Independent Service Provider (ISP).

The research costs incurred in 2021 amounted to Euro 527 thousand, fully capitalized.

It should also be noted that in May 2021 the first tranche of the subsidized loan was collected from Medio Credito Centrale, for Euro 252 thousand.

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

The Company has started the process of adhering to the Corporate Governance Code, effective from 1 January 2021, starting from the 2021 financial year in order to align the corporate governance model with the principles and recommendations of the Corporate Governance Code. Previously, the Company adhered to the Corporate Governance Code adopted by the Italian Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

For the description of the main characteristics of the corporate governance system adopted by PLC S.p.A. pursuant to art. 123-bis of the Consolidated Law on Finance, see Annex 2 "Report on corporate governance and ownership structures".

2.10 TREASURY SHARES

At 31 December 2021, 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.

On 28 June 2021, The Board of Directors of PLC S.p.A. approved, with the favourable opinion of the Related Parties Committee, the new Procedure for Transactions with Related Parties in order to adapt it to the provisions of Consob Regulation no. 17221 of 12 March 2010, as most recently amended by Consob Resolution no. 21624 of 2020, in addition to making formal and substantial changes aimed at improving the application of the related regulations; the new Procedure for Related Party Transactions 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.

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 (i) the regulations relating to authorisation processes for the localisation and installation of renewable energy generation plants and (ii) 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.

In 1997, with the signing of the Kyoto Protocol of the Convention on Climate Change, the European Union, for the first time, developed an energy strategy aimed at encouraging the use of renewable energy sources and 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. Subsequent EU directives have set increasingly challenging objectives, aimed at increasing the share of energy produced from renewable sources, reducing energy consumption by increasing energy efficiency and reducing net greenhouse gas emissions, starting what is today the process of "phasing out" from traditional forms of electricity.

The most recent provisions issued by the European Union include EU Directive 2018/2001 (so-called RED II) which set a binding target of 32% for renewable sources by 2030 and the Regulation on the Governance of the Energy Union and Climate Action (EU 2018/1999) under which, each member state has prepared its own Integrated National Energy and Climate Plan (NECP) containing detailed indications relating to the policy tools to be implemented in order to achieve the community targets by 2030.

Lastly, in December 2019, the increasing awareness of the enormous threat posed by climate change and environmental degradation led the European Union to adopt a new strategy for growth (so-called Green Deal) with the aim of achieving climate neutrality in 2050 through:

- investments in environmentally friendly technologies;
- support for industry in innovation;
- introducing cleaner, cheaper and healthier forms of private and public transport;

- decarbonising the energy sector;
- greater energy efficiency of buildings;
- collaborating with international partners to improve global environmental standards.

In this context, in 2020 the European Commission launched a consultation process for the revision of the Directives on renewable energy and energy efficiency, in order to assess the introduction of more ambitious climate objectives for 2030, including the definition of the new target for the reduction of greenhouse gas emissions from 40% to 55% and an increase from 32% to 40% of the share of renewable energies.

Significant regulatory and institutional updates during the year

- *European Union - Funds for post-pandemic recovery: Next Generation EU*

As part of the review process of the Community Directives launched in 2020, the European Union has set up an extraordinary fund - called Next Generation EU (NGEU) - in response to the epidemiological emergency from Covid-19 and whose use is subject to exclusive use for investments aimed at the Green Deal and digitization. To access the funds, the Member States presented their National Recovery and Resilience Plans (NRRP) highlighting the projects functional to the Green Deal and in line with the NECPs already presented to the European Commission. In June 2021, the European Commission positively assessed most of the plans presented, including the Italian one.

- *Italy - Recovery and Resilience Plan (NRRP)*

In June 2021, the European Commission approved the Recovery and Resilience Plan (NRRP) presented by Italy for access to financial resources allocated with the Next Generation EU fund. Within the NRRP, the Italian government has included a set of projects that aim to strengthen the growth of the country by encouraging investments in digitization, innovation, competitiveness, training and research, and ensuring the speed of execution of projects through a simplification of tools. The NRRP, with which the Italian Government requested the maximum amount of resources due equal to Euro 191.5 billion, is fully consistent with the pillars of the Next Generation EU in terms of quotas foreseen for green (37%) and digital investments (20%).

- *Italy - Simplification Decree 2021 (Legislative Decree no. 77/2021)*

In May 2021, the Simplification Decree was approved containing the governance of the National Recovery and Resilience Plan and the first measures to strengthen administrative structures and streamline procedures. Among the main provisions relating to the renewable sources sector, there are (i) the establishment of a "NECP - NRRP" Commission with the task of evaluating projects considered substantial for the execution of the plans, including the electricity generation plants powered from wind and solar sources, both "greenfield" and repowering, (ii) the reduction of the timing of the authorization procedures for projects connected with the NECP - NRRP, (iii) the definition of cases in which the revamping and repowering interventions of existing photovoltaic, hydroelectric and wind power plants can be considered "non-substantial" and therefore can be authorized through the simplified authorization procedure (PAS).

- *Italy - Legislative Decree of 8 November 2021 no. 199*

Decree no. 199/2021 contains provisions on energy from renewable sources, in line with the European objectives of decarbonisation of the energy system by 2030 and complete decarbonisation by 2050. For these purposes, the decree defines the tools, mechanisms, incentives and the institutional, financial and legal framework necessary to achieve the objectives of increasing the share of energy from renewable sources by 2030, in implementation of Directive (EU) 2018/2001 and in compliance with the criteria established by Law no. 53 of 22 April 2021, as well as the provisions necessary for the implementation of the NRRP measures in accordance with the NECP.

The incentive framework in Italy

The incentive for electricity production from renewable sources consists of various mechanisms that are applied in relation to (i) the date of entry into operation of the plant, (ii) the type of renewable source and (iii) the power of the plant.

The mechanisms currently in force and pertaining to the Group's business can be identified with:

- incentive tariffs (formerly Green Certificates) for renewable plants with the exception of the solar source;
- the feed-in tariff for solar photovoltaic systems;
- the incentive referred to in the FER 1 Decree for both photovoltaic and onshore wind farms
- the CICs - Certificates of Release for Consumption

- *Incentive tariffs (formerly Green Certificates)*

As envisaged by Ministerial Decree of 6 July 2012, from 2016 the Green Certificates mechanism was replaced by a new form of incentive which guarantees, on the net energy production, the payment of a tariff by the GSE in addition to the revenues deriving from the exploitation of the power. To allocate the incentive, bid mechanisms were defined for the construction of RES plants with a power greater than 5MW and registration mechanisms for power plants below 5MW.

Annually, the Regulatory Authority for Energy, Networks and the Environment (ARERA) determines the average value of the electricity sale price for the purpose of quantifying the value of the replacement incentives for Green Certificates (value of the incentive for 2021 amounts to Euro 109.36/MWh).

- *the feed-in tariff for solar photovoltaic systems*

The Feed-in tariff represents the incentive tool for photovoltaic plants in force in Italy from 2005 to 2013 through five different programmes, each leaving behind, adjusting or redefining the previous one. The fifth Feed-in tariff ended on 6 July 2012 without the issuance of a new incentive plan on the energy produced, but replaced by tax relief on the cost of the plant.

- *Incentives pursuant to the FER 1 Decree (Ministerial Decree of 4 July 2019)*

The Ministerial Decree of 4 July 2019 - widely known as the FER 1 Decree - is the tool that supports the production of energy from renewable sources to achieve the European 2030 targets defined in the INECP. The Decree provides for incentives through bid mechanisms 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 from 30 September 2019 to 30 October 2021. The incentive is calculated as a "Two-way Contract for Difference", generating the indifference of the market price with respect to a price level determined as a result of the bid or register procedures. 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 Italian government is currently evaluating the extension to 2026 of the incentive mechanism provided for by the FER 1 decree.

The establishment, by the "Draghi" government, of the new Ministry of Ecological Transition (MiTE) is a clear signal of the will of the Italian government to accelerate the process of profound and radical transformation of the productive energy fabric increasingly in favour of renewable sources and of biofuels. In this regard, Minister Cingolani has already proposed to extend the RES bids to 2030 and the subsidies for biomethane (so-called CICs) to 2028, gathering the right attention and consensus from all political forces and public opinion.

- *the CICs - Certificates of Release for Consumption*

The Certificates of Release for Consumption represent the incentive tool for advanced biomethane production plants that come into operation by 31 December 2022. The incentive system provides for (i) the recognition of the fixed value of Euro 375 for each CIC recognized for 10 years; subsequently, one only has the right to be issued the CICs that can be sold to other operators and (ii) the withdrawal by the GSE, even for 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 made independently.

Notes on the regulatory and incentive framework in Europe

The development of RES in Europe, was driven by the large FiT (Feed in Tariff) programmes which in the years between 2008 and 2015 - with particular intensity between 2009 and 2012 - allowed the installation of large quantities of plants, guaranteeing revenues that minimized the risks for operators and that allowed them to obtain abundant margins in the following years. In most countries, including Romania, these incentives have been completely eliminated and, in some cases, not replaced by equally effective alternatives, resulting in a decline in new installations.

Since 2019, increasingly structured and effective auction tools - in application of European directives - and important developments in market parity, in particular with the corporate PPA tool, are driving a particularly visible recovery.

Auctions remain the main development factor for the wind market; those planned in European countries for wind technology and according to a "technology-neutral" logic envisage public tenders for the installation of 55.8 GW between 2020 and 2023; assuming an award factor of 66%, it would imply an increase of around 24% in installed wind power compared to 2019. Given that these figures only refer to officially announced auctions, the number is likely to grow in the future. The update of the Integrated National Energy and Climate Plans (INECP) will likely lead to the announcement of further auctions.

In 2019, most of the auctions related to the United Kingdom and to a lesser extent to Poland, Germany, France, Greece and the Netherlands; from 2021, important auctions are also planned in Germany, France and the Netherlands.

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

* * *

It should be noted that from the 2020 FY, the PLC Group, even though it is not subject to the mandatory drafting of the “Consolidated non-financial statement” required by articles no. 3 and 4 of Legislative Decree no. 254/2016, publishes the Consolidated Sustainability Report, following the best international reporting standards, defined by the Global Reporting Initiative (GRI). In fact, the PLC Group aware of the importance of the Sustainable Development Goals of the 2030 Agenda (SDGs), and considering the role it intends to play in the epochal challenge towards the energy transition given its positioning in the renewable energy supply chain, has decided to communicate to its stakeholders the future objectives in the economic, environmental and social spheres and how they tangibly reverberate on its business and governance model, with the aim of communicating the real value created by the entire organization and the impact on all stakeholders. The Consolidated Sustainability Report as at 31 December 2021 will be published on the website in the "Investor Relations/Sustainability" section.

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.

Also in 2021 the PLC Group was not exposed to an increase in financial risks due to the Covid-19 pandemic. However, given the persistence of a longer-term situation of uncertainty, linked both to the evolution of the pandemic scenarios in the various regions, and to the risk of an uneven economic recovery, further aggravated by the ongoing war conflict between Russia and Ukraine, a potential worsening of financial stress scenarios cannot be excluded, deriving from a deterioration of liquidity in general, delays in payments by customers, and a slowdown in operational activities on projects with delays in the relative invoicing to customers.

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.

Legal Risks

Active litigation

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

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

Subsequently PLC System S.r.l. assessed the advisability of taking an ordinary civil case against the insurance company, challenging the arbitration award. Apart from this judgement PLC System S.r.l. also considered taking action against the director of works, as it was him who endorsed the correct execution of each foundation, putting his stamp and signature in the space reserved for "Casting approval" on the report "assembly of foundation plinth and cast concrete". Among other things, after the casting, the director of works also authorized the "wind generator assembly", erroneously confirming that the concrete casting had been made in accordance with the project.

The value of the dispute against the insurance company is approx. Euro 740 thousand, while the value of the dispute against the director of works is approx. Euro 940 thousand (including also Euro 200 thousand relating to the non-recognition of the acceleration fee).

The proceedings of first instance with the insurance company ended with the declaration of invalidity of the arbitration award, but rejected the application, holding that the policy does not cover material and direct damage to third party things, PLC lacking any interest in this regard. PLC System S.r.l. intends to appeal the aforementioned sentence, while the dispute against the director of works is still in the introductory phase.

Passive litigation

PLC System S.r.l.

In April 2019, the subsidiary PLC System S.r.l. finalized the sale of the equity investments held in Tolve Windfarms Holding S.r.l. ("TWH") in favour of ACE Renewable Holding S.A. ("ACE" or "the buyer").

Complaining of the violation of the declarations and guarantees of the investment agreement signed between the aforementioned parties in 2017, and in particular the undue payment of a sum by way of the final price for the purchase of the shares of TWH, ACE has summoned PLC System Srl before the court.

In particular, the buyer complained about the alleged lack of information on the part of the seller regarding the costs arising from the contract between C&C Lucania S.r.l. and the vehicle companies Serra Energie S.r.l., C&C Tolve S.r.l. and Parco Eolico Forleto Nuovo 2 S.r.l. (whose stake was held by TWH) for the construction and common use of a substation that was supposed to connect the wind farms under construction to a 150/30 KV power station, located on the Genzano Tricarico line.
ACE's compensation request amounted to a total of Euro 150 thousand (of which Euro 135 thousand relating to PLC System S.r.l.), plus interest from the date of the request to when it is paid. In appearing in court, PLC System S.r.l. requested the rejection of all the claims by ACE, as unfounded in fact and in law, deducing in particular that (i) PLC System S.r.l. has made available to ACE all the necessary documentation so that the price was correctly determined according to the contractual provisions and (ii) ACE could not be unaware of the data, also considering their installation in the management.
The parties, also following an invitation from the judge, then initiated a dialogue aimed at settling the dispute, also in consideration of other relationships between the two corporate groups to which they belong.
In fact, precisely because of the relationships existing between the respective corporate groups to which they belong, the Parties reached a settlement agreement which, adding value to further pending entries, did not entail any disbursement by PLC System S.r.l. or of other PLC Group companies.

Monsson Operation S.r.l. and Monsson Operation GmbH
During the first half of 2021, Monsson Operation Gmbh and Monsson Operation S.r.l. received a damage claim from a customer in relation to two E&I projects carried out in Sweden and Germany. The companies therefore first started the appropriate checks, also in order to assess any co-responsibility of some subcontractors, and subsequently entered into negotiations with the customer and with the subcontractors in order to reach an out-of-court settlement agreement.
In January 2022, an agreement was reached with the customer for the closure of all disputes and with a commitment by the parties to continue in professional relationships also with the awarding of new orders.
On the other hand, two judicial proceedings remain pending against Monsson Operation Gmbh and Monsson Operation S.r.l. initiated by a subcontractor for the recognition of extra costs relating to crane services provided as part of the aforementioned projects. Taking into account certain clauses provided for in the subcontracting agreement, as well as the co-responsibility of the subcontractor in relation to the claims for compensation for damages from delay put forward by the customer, it is not believed that the extra costs claimed by the subcontractor can be exclusively attributable to Monsson Operation Gmbh and Monsson Operation S.r.l. which, among other things, had already been the subject of a formal dispute by Monsson Operation Gmbh and Monsson Operation S.r.l. Regarding the proceedings against Monsson Operation Gmbh,

the first hearing is scheduled for November 2022, while regarding the proceedings against Monsson Operation S.r.l. the first hearing has not yet been set. In consideration of the above, we proceeded with the recognition of a provision in the financial statements that reflects the best estimate of the possible obligations of the PLC Group with regard to the aforementioned procedures, based on the information available to date which also takes into account (i) the evaluation elements acquired by external consultants and (ii) the uncertainty that characterizes any judicial proceedings.

2.13 INFORMATION PURSUANT TO LAW 124/17

In compliance with the provisions of Law no. 124 of 4 August 2017, art. 1 paragraph 125, it should be noted that during the 2021 financial year the Group did not benefit from grants disbursed by public administrations. It should be noted that in May 2021, PLC Service S.r.l., as part of the PON Project, collected the first tranche of the subsidized loan for Euro 252 thousand from Medio Credito Centrale (for further details, see paragraph 2.7 "Research and Development").

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 2021

Trade payables

At 31 December 2021, 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 2021, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2021 there were no overdue financial payables.

PLC S.p.A.'s accounts payable as at 31 December 2021

Trade payables

At 31 December 2021 there were no overdue trade payables.

Tax, social security and employee payables

At 31 December 2021, there were no tax, social security and employee payables due.

Financial payables

At 31 December 2021 there were no overdue financial payables.

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

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

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

The loan signed by the subsidiary PLC Service S.r.l. with BNL on 31 July 2018, requires joint compliance with two financial covenants subject to annual verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 10 years); failure to comply with both financial covenants may result in the forfeiture of the term benefit. These covenants, to be recognised on the values resulting from the consolidated financial statements of the PLC Group, envisage (i) a ratio between financial indebtedness and EBITDA of less than 3.0 and (ii) a ratio between financial indebtedness and Shareholders' Equity of less than 3.5. At 31 December 2021, both the covenants had been complied with.

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

The loan signed by the parent company PLC Service S.p.A. with BNL on 22 January 2019, requires joint compliance with two financial covenants subject to annual verification starting from 31 December 2018 and for the entire duration of the loan (i.e. 22 January 2024); the simultaneous failure to comply with the financial covenants constitutes a significant event pursuant to the loan agreement. These covenants, to be recognised on the values resulting from the consolidated financial statements of the PLC Group, envisage (i) a ratio between financial indebtedness and EBITDA of less than 2.0 and (ii) a ratio between financial indebtedness and Shareholders' Equity of less than 1.5. At 31 December 2021, both the covenants had been complied with.

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

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

In March 2021, the PLC Group presented the 2021-2024 Business Plan to the Financial Community whose guidelines, it should be remembered, are consistent with the medium-term industrial strategy, and provide for the evolution of the business model towards the transformation of the PLC Group into an international Integrated Service Provider (ISP).
In particular, the Plan provides for significant organic growth up to 2023, supported by significant corporate know-how and the great opportunities offered by the incentive tools of economic policy (green economy) in

the Construction Segment, with the contribution of incremental financial resources to be allocated to the Services Segment.

Overall, the 2021 consolidated results stood at more than positive values despite the still uncertain market context and the negative results recorded in the E&I sector due, as extensively described in the previous paragraphs, to events of a temporary and non-recurring nature.

In fact, the 2021 consolidated figures show total revenues of Euro 75,118 thousand, an EBITDA of Euro 7,677 thousand (EBITDA % of 10%) and a net financial position of Euro 2,795 thousand.

The discrepancy between the final data and the Guidance for the 2021 FY remained at low overall levels (-10% in terms of revenues with a 1% reduction in EBITDA %); with the exception of the E&I sector, in fact, all the other Segments have reached or exceeded the targets set for 2021.

The forecasts for 2022 have also been updated which prove to be, at present, overall in line with the objectives set by the Guidance, although with different trends between the various Operating Segments. With reference to the Construction Segment, the targets were revised upwards in consideration of both the final 2021 data and the important regulatory and institutional updates, partially offsetting the targets of the E&I component which were restructured to take into account the necessary reorganization of the sector also, as mentioned, according to the progressive expansion of expertise in other technologies. On the other hand, the targets for O&M services are confirmed both with reference to traditional renewable sources and to biogas and biomethane.

The update of the forecasts for 2022 was drawn up on the assumption (i) of the definitive exit from the pandemic crisis from Covid-19 and (ii) of the timely implementation of the additional decrees already provided for in Legislative Decree 8 November 2021 no. 199 (transposition of the European RED II directive), both with reference to renewables from wind and photovoltaic sources and from biomethane.

However, possible negative impacts deriving from a possible flare-up of Covid-19, from delays in the adoption of legislative and regulatory provisions and, lastly, from the evolution of the recent conflict between Russia and Ukraine cannot be excluded, with unknown effects to date on business.

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.

Guidance means the forecast data, with particular reference to those included in the 2021-2024 Business Plan approved by the Board of Directors on 31 March 2021 and disclosed to the market

Operating activities

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

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

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

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

RES (FER) indicates renewable energy sources

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

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

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

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

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

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

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

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

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED FINANCIAL STATEMENTS

3.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Notes	31.12.2021	*of which from related parties*	31.12.2020	*of which from related parties*
Non-current assets					
Tangible assets	A	8.511	-	8.889	-
Goodwill	B	8.190	-	8.190	-
Intangible assets	C	4.340	-	5.168	-
Equity investments in associates	D	7	-	6	-
Equity investments in other companies	E	12	-	12	-
Deferred tax assets	F	188	-	853	-
Non current receivables and other non-current assets	G	1.899	*176*	1.938	*103*
Other non-current financial assets		-	-	-	-
Non-current derivative instruments	H	17	-	-	-
Total non-currents assets		**23.164**		**25.056**	
Current assets					
Inventories	I	4.508	-	4.339	-
Contractual assets	I	16.028	-	6.045	-
Trade receivables	J	20.264	*20*	22.162	*58*
Financial receivables	K	120	*26*	107	*5*
Other receivables	L	3.865	*3*	3.124	*11*
Cash and cash equivalents	O	10.729	-	10.198	-
Other current financial assets	M	-	-	158	-
Current derivative instruments		-	-	-	-
Total current assets		**55.514**		**46.133**	
Non current assets held for sale / disposal		-	-	-	-
TOTAL ASSETS		**78.678**		**71.189**	

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Note	31.12.2021	*of which from related parties*	31.12.2020	*of which from related parties*
Share capital and reserves		24.826	-	24.732	-
Profit (loss) for the period pertaining to the Group		3.553	-	101	-
Group shareholders' equity		**28.379**		**24.833**	
Minority interests in shareholders' equity		9	-	-	-
TOTAL SHAREHOLDERS' EQUITY	N	**28.388**		**24.833**	
Non-current liabilities					
Non-current financial liabilities	O	8.474	*211*	9.306	*206*
Provision for non-current risks and charges	P	988	-	178	-
Employee severance indemnity	Q	2.828	-	2.592	-
Deferred tax liabilities and other non-current taxes	R	607	-	778	-
Non-current payables and non-current other liabilities		-	-	-	-
Non-current derivative instruments		-	-	-	-
Total non-current liabilities		**12.897**		**12.854**	
Current liabilities					
Current financial liabilities	O	5.050	-	5.112	-
Provision for current risks and charges		-	-	-	-
Trade payables	S	24.615	*150*	19.787	*373*
Contractual liabilities	T	1.217	-	1.032	-
Other current payables	U	6.511	-	7.571	*7*
Current derivative instruments		-	-	-	-
Total current liabilities		**37.393**		**33.502**	
Non-current liabilities held for sale / disposal		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**78.678**		**71.189**	

3.1.2 INCOME STATEMENT

INCOME STATEMENT (thousands of euro)	Notes	01.01.2021 31.12.2021	*of which from related parties*	01.01.2020 31.12.2020	*of which from related parties*
Core business revenues	AA	69.419	38	62.159	210
Other operating revenues	BB	5.699	-	3.379	7
Expenses for raw materials	CC	(23.436)	-	(14.581)	-
Expenses for services	DD	(21.604)	(243)	(25.947)	(739)
Personnel costs	EE	(19.991)	-	(19.468)	-
Other operating expenses	FF	(2.410)	-	(2.158)	-
GROSS OPERATING MARGIN (EBITDA)		7.677		3.384	
Amortisations and depreciations	GG	(2.796)	-	(2.701)	-
Impairment losses		-	-	-	-
OPERATING RESULT (EBIT)		4.881		683	
Financial income	HH	293	10	171	3
Financial expenses	II	(1.233)	(6)	(1.148)	(6)
Profit (loss) from equity investments					
Dividends		-	-	-	-
Share of profit (loss) from equity investments	JJ	(17)	-	(115)	-
Other profit (loss) from equity investments		59	-	62	-
Income taxes	KK	(1.012)	-	281	-
Profit (loss) for the period from continuing operations		2.971		(66)	
Profit (loss) from discontinued operations		-	-	-	-
PROFIT (LOSS) FOR THE PERIOD		2.971		(66)	
pertaining to the Group		2.970	-	(3)	-
pertaining to third parties		1	-	(63)	-
Weighted average number of ordinary shares in the period		25.960.575	-	25.960.575	-
Earnings per share (Euro)		0,11	-	(0,01)	-
Diluted earnings per share (Euro)		0,11	-	(0,01)	-
Earnings per share of discontinued operations (Euro)		-	-	-	-

3.1.3 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Notes	01.01.2021 31.12.2021	01.01.2020 31.12.2020
PROFIT (LOSS) FOR THE PERIOD		2.971	(66)
Other components of comprensive income			
Components that will not be reclassified to profit (loss)		39	(106)
Income tax relating to components that will not be reclassified		(11)	29
Total components that will not be reclassified to profit (loss)		28	(77)
Components that may be reclassified to profit (loss)		554	244
Income tax relating to components that may be reclassified		-	-
Total components that may be reclassified to profit (loss)		554	244
Total other components of comprehensive income	LL	582	167
TOTAL COMPREHENSIVE INCOME		3.553	101
pertaining to the Group		3.553	164
pertaining to third parties		-	(63)

3.1.4 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Comprehensive income (loss)	3.553	101
Comprehensive income (loss) from discontinued operations	-	-
Comprehensive income (loss) from continuing operations	3.553	101
(Gain)/Loss from assets sold	(3.856)	(231)
Fair value adjustments	-	-
Amortisation, Depreciations and impairment of fixed assets	2.796	2.701
Write-downs (Revaluations) of financial assets	-	-
Write-downs (Revaluations) of fixed assets	-	-
Share of comprehensive income (loss) from equity investments	-	115
Net financial expenses (income)	940	416
Dividends	-	(62)
Other non-monetary items included in the income statement	-	-
Net changes in working capital		
Contractual assets	(9.983)	(1.429)
Inventories	(169)	(903)
Trade receivables and other receivables	1.167	(3.393)
Trade payables and other payables	3.407	5.764
Changes in other provision and deffered tax assets and liabilities	457	(273)
Gross cash flow	(1.688)	2.806
Interest paid	(296)	(411)
Interest received	37	10
Income taxes (paid) received	(157)	(74)
Income taxes	1.241	144
CASH FLOW FROM OPERATING ACTIVITIES [A]	(863)	2.475
(Investments) in tangible and intangible fixed assets	(2.543)	(3.397)
Divestments in tangible and intangible fixed assets	953	4.180
(Acquisitions) net of acquired liquidity	-	(154)
Divestments net of transferred liquidity	3.797	570
(Investments) in other companies and financial assets	-	-
Divestments in other companies and financial assets	217	152
Dividends received	-	62
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	2.424	1.413
Increase/(Reduction) of Share capital net of ancillar charges	-	-
Other changes in shareholders' equity	6	30
Obtainment of loans, financing and other financial liablities	1.949	2.000
(Repayment) of loans, financing and other financial liablities	(2.985)	(2.333)
Repayment of loans, financing and other financial assets	-	293
(Disbursement) of loans, financing and other financial assets	-	(20)
Dividends paid	-	-
CASH FLOW FROM FINANCING ACTIVITIES [C]	(1.030)	(30)
CASH FLOW ARISING FROM DISCONTINUED OPERATIONS [D]	-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS [A+B+C+D]	531	3.858
Cash and cash equivalents at the beginning of the period	10.198	6.340
Cash and cash equivalents at the end of the period	10.729	10.198

Cash and cash equivalents do not include restricted current accounts at 31 December 2021 (Euro 82 thousand at 31 December 2020)

3.1.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (thousands of euro)	Share capital	Legal reserve	Share premium reserve	Other reserves	Translation reserve	Retained earnings / losses carried forward	Other comprehensive income	Profit (loss) for the period	Group's shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
SHAREHOLDERS' EQUITY 31.12.2019	27.026	5.000	12.484	(21.408)	186	3.923	(142)	(2.374)	24.695	6	24.701
Allocation of 2019 result	-	405	-	-	-	(2.779)	-	2.374	-	-	-
Other changes in shareholders' equity	-	-	-	(26)	-	-	-	-	(26)	57	31
Profit (Loss) at 31.12.2020	-	-	-	-	-	-	-	(3)	(3)	(63)	(66)
Other components of comprehensive income	-	-	-	-	244	-	(77)	-	167	-	167
Comprehensive profit (loss) for the period	*-*	*-*	*-*	*-*	*244*	*-*	*(77)*	*(3)*	***164***	***(63)***	***101***
SHAREHOLDERS' EQUITY 31.12.2020	27.026	5.405	12.484	(21.434)	430	1.144	(219)	(3)	24.833	-	24.833
Allocation of 2020 result	-	-	-	-	-	(3)	-	3	-	-	-
Other changes in shareholders' equity	-	-	-	-	-	(7)	-	-	(7)	9	2
Profit (Loss) at 31.12.2021	-	-	-	-	-	-	-	2.970	2.970	1	2.971
Other components of comprehensive income	-	-	-	-	554	-	29	-	583	(1)	582
Comprehensive profit (loss) for the period	*-*	*-*	*-*	*-*	*554*	*-*	*29*	*2.970*	***3.553***	-	***3.553***
SHAREHOLDERS' EQUITY 31.12.2021	27.026	5.405	12.484	(21.434)	984	1.134	(190)	2.970	28.379	9	28.388

For comments on the individual items, see note N. “Shareholders’ Equity” in the Notes to the consolidated financial statements.

3.2.1 NOTES TO CONSOLIDATED FINANCIAL STATEMENT

The financial statements of the PLC Group have been prepared in accordance with the international accounting standards (International Financial Reporting Standards - hereinafter "IFRS" or "International Accounting Standards") issued by the International Accounting Standards Board (" IASB") and endorsed by the European Union pursuant to Regulation no. 1606/2002, as well as the provisions issued pursuant to Article 9 of Italian Legislative Decree no. 38/2005. These standards are supplemented by the interpretative documents issued by the *International Financial Reporting Interpretations* Committee ("IFRIC"), which were also endorsed by the European Union at 31 December 2021.

The English version of the consolidated financial statements constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

The consolidated financial statements as at 31 December 2021 were authorized for publication by the Board of Directors on 28 March 2022.

FINANCIAL STATEMENT FORMATS ADOPTED

The PLC Group presents the comprehensive income statement in two separate statements (i) the statement of profit and loss for the period and (ii) the statement of the other components of the comprehensive income statement using a classification of the individual components based on their nature.

With reference to the statement of financial position, assets and liabilities are distinguished into either current and non-current, as permitted by IAS 1.

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

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

It should be noted that in the statement of financial position and in the statement of comprehensive income, transactions with related parties, where significant, have been shown under specific items. With reference to positive and/or negative income items relating to non-recurring transactions, information is provided separately. In preparing these financial statements, the ongoing concern assumption was met by the Directors and therefore the financial statements were prepared using the standards and criteria applicable to operating companies.

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

CONSOLIDATION PRINCIPLES

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

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

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

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

The main consolidation criteria adopted are shown below:

- the subsidiaries are consolidated according to the line-by-line method, according to which:
  i. line by line, the assets, liabilities, as well as the costs and revenues of the subsidiaries are taken on, for their full amount, attributing to the minority shareholders, in specific items on the statement of financial position and income statement, the share of the shareholders' equity and the result due to them;
  ii. the book value of the individual investments is eliminated against the corresponding portion of shareholders' equity including adjustments to the fair value, at the acquisition date, of the related assets and liabilities; any emerging residual difference, if it is positive is allocated to goodwill, if it is negative is recognised in the income statement;

iii. the equity and economic relations between the fully consolidated companies, including dividends distributed within the Group, are cancelled. Unrealized intergroup losses are considered if the transaction provides evidence of a reduction in the value of the transferred asset.

Foreign currency transactions

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

Conversion of financial statements into foreign currency

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

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

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

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

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

Any impairment of goodwill must be recognized in the event that the recoverable value of all the operating assets and liabilities relating to the CGU or group of CGUs, to which the goodwill has been allocated, is lower than its carrying amount on the balance sheet.

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

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

TANGIBLE ASSETS

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

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

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

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

The depreciation rates applied are shown below:

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

INTANGIBLE ASSETS

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

Other intangible assets include:

<u>Research and development costs</u>

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

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

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

<u>Software</u>

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

LEASING AND RIGHT OF USE

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

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

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

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

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

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

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

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

The aggregate portion of the operating result of the associated companies pertaining to the Group is recognized in the consolidated income statement for the year immediately after the operating result and represents the result net of taxes and of the portions due to the other shareholders of the associated company, as well as any distributed dividends and ascertained impairment losses.

The financial statements of associated companies prepared for the purpose of consolidation are presented on the same closing date of the Group financial statements and appropriately adjusted to bring them into line with the Group's accounting principles.

After applying the equity method, the Group assesses whether it is necessary to recognize a loss in value of its equity investment in associated companies. At each financial statement date, the Group assesses whether there is objective evidence that the equity investments in associated companies have suffered an impairment loss. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and its book value in its consolidated financial statements, recognizing this difference in the income statement under the item "portion pertaining to the result of associated companies" .

At the time of the loss of significant influence over an associated company, the Group evaluates and recognizes the residual equity investment at fair value. When the significant influence ceases, the difference between the book value of the equity investment and the fair value of the equity investment in the residual portion is recognized in the income statement.

EQUITY INVESTMENTS IN OTHER COMPANIES

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

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

DERIVATIVES

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

<u>Derivatives qualifying as hedging instruments</u>

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

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

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

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

<u>Derivatives not qualifying as hedging instruments</u>

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

FINANCIAL ASSETS

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

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

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

Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting

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

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

WRITE-DOWN OF FINANCIAL ASSETS

The recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is measured on the basis of the so-called "expected credit loss model". In particular, expected losses are generally determined on the basis of the product of: (i) the exposure to the counterparty net of the relevant mitigating factors; (ii) the probability that the counterparty will not meet its payment obligation; (iii) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of default.

The management model adopted by the Company provides for a simplified approach for trade receivables, as they do not contain a significant financial component. This approach requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the credit. The bad debt provision allocated after an analysis of individual past due receivables, which in fact already includes a prospective view of the project, is accompanied by an assessment of the customer's creditworthiness. Trade receivables and other receivables are shown in the statement of financial position net of the related bad debt provision. Write-downs of these receivables are recorded in the income statement net of any reversals of impairment losses.

INVENTORIES

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

CONTRACTUAL ASSETS AND LIABILITIES

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

CASH AND CASH EQUIVALENTS

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

NON-CURRENT ASSETS HELD FOR SALE / DISPOSAL

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

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

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

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

EMPLOYEE SEVERANCE INDEMNITY

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

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

PROVISIONS FOR RISKS AND CHARGES

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

Changes in estimates are reflected in the income statement for the period in which the change occurred.

FINANCIAL LIABILITIES

Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs, and are subsequently measured using the amortised cost method.

SHAREHOLDERS' EQUITY

Costs for capital transactions

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

REVENUES

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

REVENUES FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

COSTS

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

INTEREST AND FINANCIAL EXPENSES

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

TAXES

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

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

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

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

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

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

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

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

DETERMINATION OF THE *FAIR VALUE* OF FINANCIAL INSTRUMENTS

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

EXCHANGE DIFFERENCES

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

EARNING PER SHARE

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

USE OF ESTIMATES

The preparation of the financial statements and related notes, in accordance with international accounting standards, requires the use of discretionary valuations and accounting estimates that have an effect on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the date of the financial statements. The final results may differ from the estimates made, which are based on data that reflect the current status of the information available. Estimates are used to measure goodwill, to record provisions for risks on receivables, to determine amortisations and depreciations, to determine write-downs of equity investments or assets, to calculate taxes and other provisions for risks and charges. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.
The main estimates used in the preparation of the financial statements affected by the use of assumptions that could entail a significant risk of resulting in significant adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of non-current assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a cash flow discounting model.
The cash flows are derived from the information obtained from the prospective data in the Business Plans prepared. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on expected future cash flows and the growth rate used.
The Group has adopted a procedure with which it monitors at least annually all items subject to impairment testing or that identify indicators of impairment.

Valuation of financial instruments

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

Recognition of revenues from contract work in progress

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

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

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

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2021

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 2021. The Group has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

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

The IASB completed its response to the ongoing reform of offered interbank rates and other interest rate benchmarks by issuing a set of amendments to the standards. The amendments, which aim to help companies provide investors with useful information on the effects of the reform on the financial statements, integrate those issued with Phase 1 and focus on the effects generated by the transition to an alternative reference rate following the reform. The amendments, endorsed with Regulation no. 2021/25 by the European Commission on 13 January 2021, apply starting from 1 January 2021 with the possibility of early adoption. Its application did not entail changes.

Amendments to IFRS 16 - Leasing

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends the period of application of the amendment to the IFRS 16, issued in 2020, relating to the accounting of the concessions granted to lessees, due to Covid-19. The amendments, approved with European Commission Regulation no. 2021/1421, are applicable from 1 April 2021 for financial years starting on 1 January 2021 or later. Its application did not entail changes.

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

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

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

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

IFRS 17 - Insurance contracts

The IASB has decided to propose that the entry into force of IFRS 17, the new standard on insurance contracts, be deferred by one year, i.e. until 2022. On 25 June 2020, the IASB issued amendments to IFRS 17 which define the accounting treatment of insurance contracts issued and reinsurance contracts owned. The standard, and subsequent amendments, were approved with European Commission Regulation no. 2021/2036 of 19 November 2021. The Regulation recognizes the possibility for companies not to apply the obligation set out in paragraph 22 of the standard (i.e. aggregation into annual groups) to contracts characterized by intergenerational sharing and fulfilment financial flows. The Commission is expected to review this exemption by 31 December 2027. The companies apply the provisions starting from 1 January 2023. The standard is not applicable to the Group.

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

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

Annual cycle of improvements to IFRS 2018-2020

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

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

On 12 February 2020, the IASB published some amendments to IAS 1 "Presentation of financial statements", to IFRS Practice Statements 2 "Formulating judgements of relevance" and to IAS 8 "Accounting standards, changes in accounting estimates and errors" with the objective of improving the disclosure relating to the accounting postings used (disclosure on accounting policies) in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting postings used. The amendments to IAS 1 and IAS 8, approved with European Commission Regulation no. 2022/357 of 2 March 2022, will come into force on 1 January 2023.

Amendments to IAS 12 - Income taxes

On 7 May 2021, the IASB published some amendments to IAS 12 to specify how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. Amendments not yet endorsed by the European Commission, are applicable from 1 January 2023; however, early application is permitted.

3.2.2 CONSOLIDATION SCOPE

Entity	Registered office	Financial year end	CCY	Share capital	Profit / (loss) 31.12.2021	Shareholders' equity 31.12.2021	% held		Through
							Direct	Indirect	
PLC S.p.A.	Milano (IT)	31.12	EUR	27.026.480	737.160	48.176.077	-	-	-
Subsidiaries consolidated according to the global integration method									
PLC System S.r.l.	Acerra - NA (IT)	31.12	EUR	10.000.000	3.430.424	15.798.032	100%		
PLC South Africa Ltd	Johannesburg - Sud Africa (ZA)	31.12	ZAR	11.407.352	(9.246)	78.446		99%	PLC System S.r.l.
Idroelettrica 2014	Acerra - NA (IT)	31.12	EUR	10.000	(39.308)	(12.876)		100%	PLC System S.r.l.
Montenegro D.o.o.	Podgorica - Montenegro (ME)	31.12	EUR	2.000	(19.202)	56.124		100%	PLC System S.r.l.
PLC Power S.r.l.	Acerra - NA (IT)	31.12	EUR	100.000	3.076.832	5.008.938		100%	PLC System S.r.l.
C&C Irsina S.r.l.	Acerra - NA (IT)	31.12	EUR	100.000	(8.523)	168.825		100%	PLC Power S.r.l.
Alisei Wind S.r.l.	Acerra - NA (IT)	31.12	EUR	130.000	(11.504)	94.013		100%	PLC Power S.r.l.
Tirreno S.r.l.	Porto Empedocle - AG (IT)	31.12	EUR	10.000	(11.013)	11.666		66,6%	PLC Power S.r.l.
Pangreen Moçambique LDA	Maputo (MZ)	31.12	MZN	20.000	57.604	(73.117)		95%	PLC Power S.r.l.
PLC Service S.r.l.	Acerra - NA (IT)	31.12	EUR	100.000	1.465.508	2.467.009	100%		
PLC Service Wind S.r.l.	Acerra - NA (IT)	31.12	EUR	100.000	(19.305)	272.621		100%	PLC Service S.r.l.
Monsson Operation Ltd	Dublino (IE)	31.12	EUR	100	(62.192)	(487.975)	100%		
Monsson Operation Gmbh	Hamburg (DE)	31.12	EUR	135.000	(921.848)	(131.270)		100%	Monsson Operation Ltd
Monsson Operation S.r.l.	Costanta (RO)	31.12	RON	2.000	(1.773.488)	(724.142)		100%	Monsson Operation Ltd
Monsson Energy AB	Stoccolma (SE)	31.12	SEK	50.000	92.325	142.497		95%	Monsson Operation Ltd
Monsson Turkey Limited Sirkety	Istanbul (TR)	31.12	TRY	165.000	(643.583)	(1.035.349)		100%	Monsson Operation S.r.l.
Wind Power Energy Srl	Costanta (RO)	31.12	RON	1.000	121.978	597.639		100%	Monsson Operation S.r.l.
Monsson Energostroy LLC	Tyumen (RU)	31.12	RUB	10.000	(13.396)	(44.185)		100%	Monsson Operation S.r.l.
MSD Service S.r.l.	Acerra - NA (IT)	31.12	EUR	10.000	3.358	(47.996)	92,5%		-
Schmack Biogas S.r.l.	Bolzano (IT)	31.12	EUR	204.081	539.096	1.851.317	51%		-
BioForCH4 S.r.l.	Canino - VT (IT)	31.12	EUR	10.000	(5.989)	12.311		60%	Schmack Biogas S.r.l.
Associates consolidated according to the equity method									
Monsson Poland SP.ZO.o	Varsavia (PL)	31.12	PLN	5.000	(7.317)	(63.343)		50%	Monsson Operation S.r.l.
Sicily Biomethan S.r.l.	Castelvetrano - TP (IT)	31.12	EUR	13.000	3.003	12.707		50%	Schmack Biogas S.r.l.
Biomethan Invest S.r.l.	Milano (IT)	31.12	EUR	100.000	(44.389)	55.611		25%	Schmack Biogas S.r.l.

The consolidation perimeter as at 31 December 2021 differs from the consolidation perimeter as at 31 December 2020 due to (i) the acquisition of 25% of Biomethane Invest S.r.l. by the subsidiary Schmack Biogas S.r.l., (ii) the reclassification of the vehicle C&C Tre Energy S.r.l. following its sale on 21 June 2021 and (iii) the sale of Monsson South Africa PTY LTD by the subsidiary Monsson Operation S.r.l.

3.2.3 NOTES ON THE CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

A. TANGIBLE ASSETS

Tangible assets at 31 December 2021 amounted to Euro 8,511 thousand (Euro 8,889 thousand at 31 December 2020).

TANGIBLE ASSETS (thousands of euro)	Lands and buildings	RES plants	General and specific plants	Equipment	Office machines and other assets	Tangible assets in progress	Rights of use tangible assets	Total
Net book value 31.12.2020	**2.872**	**1.797**	**701**	**450**	**760**	**1.381**	**928**	**8.889**
Increases	151	29	63	73	145	255	813	1.529
Decreases	-	-	-	(1)	(7)	(581)	(25)	(614)
Amortisations and depreciations	(98)	(93)	(200)	(212)	(318)	-	(434)	(1.355)
Other changes and exchange rate difference	3	1	(6)	1	(3)	69	(3)	62
Net book value 31.12.2021	**2.928**	**1.734**	**558**	**311**	**577**	**1.124**	**1.279**	**8.511**

The increases for the year of Euro 1,529 thousand mainly refer to:

(i) Euro 813 for the rights of use of tangible assets, recognized in application of IFRS 16 and relating to the long-term rental of cars and motor vehicles and the rental of properties;

(ii) Euro 233 thousand for the construction of the photovoltaic system to be installed on the warehouse roof owned by the subsidiary PLC Service S.r.l.;

(iii) Euro 151 thousand for extraordinary maintenance performed on the factory owned by the subsidiary PLC Service S.r.l.;

(iv) Euro 145 thousand for the purchase of hardware devices;

(v) Euro 73 thousand for the purchase of equipment for construction sites by the subsidiaries PLC Service S.r.l. and PLC Service Wind S.r.l.;

(vi) Euro 38 thousand for the purchase of plants for construction sites by the companies belonging to the Monsson Operation Perimeter;

(vii) Euro 29 thousand for extraordinary maintenance performed on the hydroelectric power plant owned by the subsidiary Idroelettrica 2014 S.r.l.

The decreases for the year, equal to Euro 614 thousand, are mainly related to reclassification of fixed assets under construction of the vehicle C&C Tre Energy S.r.l. following its sale.

B. GOODWILL

Goodwill at 31 December 2021 amounted to Euro 8,190 thousand, unvaried compared to 31 December 2020

GOODWILL (thousands of euro)	31.12.2020	Increases	Decreases	Reclassification	31.12.2021
Acquisition of Monsson Operation Perimeter	3.420	-	-	-	3.420
Reverse merger	4.710	-	-	-	4.710
Acquisition of Idroelettrica	2	-	-	-	2
Acquisition of Pangreen	18	-	-	-	18
Acquisition of MSD Service	40	-	-	-	40
Total	8.190	-	-	-	8.190

Impairment

As required by the reference accounting standards, and as highlighted in the most recent recommendations of the national and international Supervisory Authorities[6], as at 31 December 2021, the management updated the impairment test on all the Group's CGUs, regardless of the presence or absence of indicators of potential 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 2021, the market capitalization of the Group, equal to Euro 53,680 thousand, is higher than the shareholders' equity of the same date, equal to Euro 28,388 thousand.

Consistent with previous years, checking recoverability of the carrying values of the CGUs was carried out by comparing the net book value of each of them with the recoverable value which is determined on the basis of 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 based on the data of the 2020-2024 Business Plan as subsequently updated, also in consideration of the best information available and of the expectations at the time of the estimate and, referring also to the final data of the 2021 FY and considering future management expectations in relation to the respective reference markets.

Cash flows were determined based on an explicit 3-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.

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

The value of use at 31 December 2021 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area. The discount rates used at 31 December 2021 have been updated with respect to those used at 30 June 2021 and 31 December 2020.

Evolution of discount rates used for Impairment testing	31.12.2021	30.06.2021	31.12.2020
Construction segment - Italy	7,37%	6,68%	6,85%
Services segment - Italy	7,50%	7,74%	7,97%
Services segment - Foreign countries	9,99%	9,48%	10,47%
Second level WACC	8,39%	7,55%	8,04%

The results of the impairment tests were also subjected to a sensitivity analysis by applying +/- 1% and 2% variations both to the discount rate (WACC) and to the long-term growth rate "g".
From the implementation of the impairment tests and the sensitivity analysis, an excess of recoverable value (headroom) compared to the net book value of the individual CGUs emerged.

C. INTANGIBLE ASSETS

Intangible assets at 31 December 2021 amounted to Euro 4,340 thousand (Euro 5,168 thousand at 31 December 2020).

INTANGIBLE ASSETS (thousands of euro)	Customer lists	PROGEO prototype	Development costs	Other intangible fixed assets	Intangible assets in progress	Total
Net book value 31.12.2020	**2.173**	**1.054**	**539**	**1.340**	**62**	**5.168**
Increases	-	-	702	207	105	1.014
Decreases	-	-	-	(401)	-	(401)
Amortisations and depreciations	(528)	(705)	(145)	(63)	-	(1.441)
Use of accumulated depreciation	-	-	-	-	-	-
Other changes and exchange rate difference	-	-	-	-	-	-
Net book value 31.12.2021	**1.645**	**349**	**1.096**	**1.083**	**167**	**4.340**

The increases for the year of Euro 1,014 thousand mainly refer to:

(i) Euro 702 thousand under the entry “Development costs”, of which Euro 546 thousand relate to the PON MISE M4.0 project developed by PLC Service S.r.l.;

(ii) Euro 207 thousand for investments in software infrastructures, of which Euro 121 thousand relate to the implementation of a new management software on a Group level;

(iii) Euro 82 thousand for the costs incurred in relation to the development of 2 wind farms by the subsidiary PLC Power S.r.l., with a power of approx. 54 MW and 66 MW, both to be built in the Campania Region.

The decreases for the year, amounting to Euro 401 thousand, refer entirely to the reclassification of the fair value of the authorization relating to the Casalbore wind farm, following the sale of the vehicle C&C Tre Energy S.r.l.

D. EQUITY INVESTMENTS IN ASSOCIATES

EQUITY INVESTMENTS IN ASSOCIATES (thousands of euro)	% held	31.12.2020	Increases	Decreases	Reclassification	31.12.2021
Monsson Poland zoo	26%	-	-	-	-	-
Sicily Biomethan S.r.l.	26%	6	1	-	-	7
Biomethan Invest S.r.l.	25%	-	25	(25)	-	-
Total		**6**	**26**	**(25)**	**-**	**7**

Equity investments in associates at 31 December 2021 amounted to Euro 7 thousand (Euro 6 thousand at 31 December 2020).

The changes that occurred during the year refer to (i) the sale of the investment in Monsson South Africa PTY LTD by the subsidiary Monsson Operation S.r.l., (ii) the acquisition of the shareholding in Biomethane Invest S.r.l. by the subsidiary Schmack Biogas S.r.l. and (iii) the recognition of the result for the year.

EQUITY INVESTMENTS IN ASSOCIATES (thousands of euro)	Registered office	Share capital	Shareholder's equity 31.12.2021	Profit / (loss) 31.12.2021	% held	Share of shareholder's equity	Carrying amount
Monsson Poland zoo	Varsavia (PL)	1	(63)	(7)	26%	(16)	-
Sicily Biomethan S.r.l.	Castelvetrano (TP)	13	13	3	26%	3	7
Biomethan Invest S.r.l.	Milano	100	56	(44)	25%	14	25
Total		**114**	**6**	**(48)**		**1**	**32**

E. EQUITY INVESTMENTS IN OTHER COMPANIES

EQUITY INVESTMENTS IN OTHER COMPANIES (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Banca Del Sud	10	-	-	10
Consorzio EnelSi (*)	-	-	-	-
Credit (*)	-	-	-	-
Other equity investments	2	-	-	2
Total	**12**	**-**	**-**	**12**

(*) fully written down in previous years

Equity investments in other companies amounted to Euro 12 thousand at 31 December 2021, unchanged compared to 31 December 2020.

EQUITY INVESTMENT ALLOWANCE (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Equity investments allowance	(30)	-	-	(30)

F. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2021 equal Euro 188 thousand (Euro 853 thousand at 31 December 2020).

DEFERRED TAX ASSETS (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Deferred tax assets	853	168	(833)	188
Total	**853**	**168**	**(833)**	**188**

The movements over the period mainly refer to the registration of deferred tax assets (for Euro 156 thousand), and their subsequent use (for Euro 804 thousand) to reduce the 2021 tax burden as part of the national tax consolidation.

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

G. NON-CURRENT RECEIVABLES AND OTHER NON-CURRENT ASSETS

NON CURRENT RECEIVABLES AND OTHER NON-CURRENT ASSETS (thousands of euro)	31.12.2021	31.12.2020
Non-current receivables from related parties	176	103
Non-current receivables from third parties	1.723	1.835
Total	**1.899**	**1.938**

The item "Receivables and other non-current assets", equal to Euro 1,899 thousand at 31 December 2021 (Euro 1,938 thousand at 31 December 2020) mainly relate to the portion of trade receivables falling due after the next financial year due to interest-bearing repayment plans underwritten with some customers.

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

H. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments have a value of Euro 17 thousand at 31 December 2021 (Euro zero thousand at 31 December 2020). The increase over the previous year relates to the Interest Rate Option Cap (IRO Cap) contract signed by the subsidiary PLC System S.r.l. in relation to the BPER loan, to hedge the interest rate risk.

NON-CURRENT DERIVATIVES INSTRUMENTS (thousands of euro)	31.12.2021	31.12.2020
Interest rate contracts	17	-
Total	**17**	**-**

It should be noted that with reference to these contracts, the Group opted for fair value measurement with recognition of changes in the income statement.

I. INVENTORIES AND CONTRACTUAL ASSETS

INVENTORIES AND CONTRACTUAL ASSETS (thousands of euro)	31.12.2021	31.12.2020
Raw materials inventories	5.184	4.972
Raw materials allowance	(676)	(633)
Raw materials inventories	**4.508**	**4.339**
Contractual assets	**16.028**	**6.045**
Total	**20.536**	**10.384**

Inventories

Amortisations and depreciations at 31 December 2021 amounted to Euro 4,508 thousand (Euro 4,339 thousand at 31 December 2020). Inventories, which include raw materials intended for EPC activities and spare parts mainly intended for O&M activities, are shown net of a bad debt provision equal to Euro 676 thousand. The movements in the inventory allowance provision are shown below.

RAW MATERIALS ALLOWANCE (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Raw materials allowance	(633)	(43)	-	(676)

Contractual assets

Contractual assets at 31 December 2021 amounted to Euro 16,028 thousand (Euro 6,045 thousand at 31 December 2020). 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 increase compared to the previous year is closely related to the significant recovery of activities in the Construction segment, driven by the incentive mechanisms of the FER 1 Decree and the objectives of the Green Deal.

J. TRADE RECEIVABLES

Trade receivables at 31 December 2021 amounted to Euro 20,264 thousand compared to Euro 22,162 thousand at 31 December 2020. Trade receivables are shown net of the related provision for doubtful accounts, equal to Euro 1,341 thousand increased through the net effect of the provisions and uses for the period as a result of the definition of some disputed receivables.

TRADE RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Trade receivables from related parties	**20**	**58**
Trade receivables from third parties	21.585	23.383
Bad debt provision	(1.341)	(1.279)
Trade receivables from third parties	**20.244**	**22.104**
Total	**20.264**	**22.162**

The movements in the bad debt provision are shown below.

BAD DEBT PROVISION (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Bad debt provision	(1.279)	(114)	52	(1.341)

Trade receivables from related parties are illustrated in paragraph 3.2.4.

K. CURRENT FINANCIAL RECEIVABLES

Current financial receivables at 31 December 2021 amounted to Euro 120 thousand (Euro 107 thousand at 31 December 2020).

CURRENT FINANCIAL RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Current financial receivables from related parties	**26**	**5**
Current financial receivables from third parties	101	109
Current financial receivables from third parties - provision	(7)	(7)
Current financial receivables from third parties	**94**	**102**
Total	**120**	**107**

Financial receivables from related parties are illustrated in paragraph 3.2.4.

L. OTHER RECEIVABLES

Total other receivables at 31 December 2021 amounted to Euro 3,865 thousand (Euro 3,124 thousand at 31 December 2020).

OTHER RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Other receivables from related parties	**3**	**11**
Augmented reality project receivables	277	154
Tax receivables	1.538	1.078
Advances, deposits e securities	787	757
Prepaiments and accrued income	815	802
Other receivables	445	322
Other receivables from other	**3.862**	**3.113**
Total	**3.865**	**3.124**

Tax receivables, equal to Euro 1,538 thousand at 31 December 2021 (Euro 1,078 thousand at 31 December 2020) mainly relate to VAT credits.

Other receivables from related parties are illustrated in paragraph 3.2.4.

M. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets amount to Euro zero thousand at 31 December 2021 (Euro 158 thousand at 31 December 2020); the decrease compared to the previous year relates to the disinvestment of securities and funds falling due during the year.

N. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity as of 31 December 2021 is equal to Euro 28,388 thousand, of which Euro 9 thousand pertaining to third parties. The changes in shareholders' equity items are related to (i) the overall positive result for Euro 3,553 thousand and (ii) to other changes in shareholders' equity for Euro 2 thousand. Lastly, it should be noted that the market capitalization of the PLC share at 31 December 2021, equal to Euro 53,680 thousand, is greater than its consolidated shareholders' equity on the reference date.

O. NET FINANCIAL POSITION

The table of the net financial position prepared is shown according to the new provisions set out in Consob document 5/21 of 29 April 2021 which acknowledges the ESMA guidelines. The data as at 31 December 2020 have been restated for comparability.

NET FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020 (**)
A. CASH (*)	10.729	10.198
B. CASH EQUIVALENTS	-	-
C. OTHER CURRENT FINANCIAL ASSETS	-	-
D. LIQUIDITY (A + B + C)	10.729	10.198
E. CURRENT FINANCIAL PAYABLES	(2.151)	(1.521)
Long-term financial payables	(2.515)	(3.126)
Financial liabilities IFRS 16	(384)	(465)
F. CURRENT PORTION OF NON-CURRENT FINANCIAL PAYABLES	(2.899)	(3.591)
G. CURRENT FINANCIAL INDEBTEDNESS (E + F)	(5.050)	(5.112)
H. NET CURRENT FINANCIAL INDEBTEDNESS (G - D)	5.679	5.086
Long-term financial payables	(7.516)	(8.683)
Financial liabilities IFRS 16	(958)	(623)
I. NON-CURRENT FINANCIAL PAYABLES	(8.474)	(9.306)
J. DEBT INSTRUMENTS	-	-
K. NON-CURRENT TARDE AND OTHER PAYABLES	-	-
L. NON CURRENT FINANCIAL INDEBTEDNESS (I + J + K)	(8.474)	(9.306)
M. NET FINANCIAL POSITION (H + L)	(2.795)	(4.220)

(*) of which restricted zero euro thousands as at 31 December 2021 (82 euro thousands as at 31 December 2020)

(**) FY2020 data have been restated due to the effect od comparability, acccording to the new provision set out in Consob document 5/21 of 29 April 2021 which acknowledges the ESMA guidelines; the negative impact of euro 107 thousands, compared to the original data, originates from the exclusion of current financial liabilities.

The net financial position of the PLC Group at 31 December 2021 was negative for Euro 2,795 thousand (negative for Euro 1,453 thousand net of the recognition of financial payables in application of IFRS 16) and recorded a positive change of Euro 1,425 thousand. The NFP/EBITDA ratio at 31 December 2021 amounted 0.36% (1.24 at 31 December 2020). The value of the net financial position benefits from the partial collection of the fees arising from the sale of C&C Tre Energy S.r.l. for Euro 4,559 thousand, and also highlights how the PLC Group has not been significantly impacted by Covid-19 either in terms of increased liquidity risk or credit risk.

The positive trend of the net financial position, which in the last two years has recorded an improvement of more than Euro 5.2 million (net financial position at 31 December 2019 negative for Euro 7,996 thousand), is a sign of the solidity and profitability of the Group's business and its cash generation capacity, as well as its capital strength that can be used for growth in line with the objectives of the Business Plan.

Loans outstanding at 31 December 2021

The list of loans outstanding at 31 December 2021 is shown below for the capital share only.

Loans (thousands of euro)	Entity	Last installment	Current portion	Non-current portion	Total oustanding loan 31.12.2021
BPM Loan	PLC S.p.A.	31/12/2022	1.222	-	1.222
BNL Loan	PLC S.p.A.	22/01/2025	1.261	2.782	4.043
BPM Loan (Guaranted MCC 90%)	PLC S.p.A.	03/07/2024	573	1.011	1.584
Unicredit Factoring	PLC System S.r.l.	Until revoked	453	-	453
BPER Loan (Guaranted MCC 80%)	PLC System S.r.l.	02/02/2027	485	1.874	2.359
BNL advance	PLC System S.r.l.	Until revoked	350	-	350
BNL Loan	PLC Service S.r.l.	31/07/2029	138	1.009	1.147
BNL Loan (FV rooftop)	PLC Service S.r.l.	28/06/2027	58	262	320
PON project facilitated loan	PLC Service S.r.l.	30/06/2031	-	252	252
ITALEASE Loan	PLC Service S.r.l.	31/12/2022	2	-	2
Unicredit advance	PLC Service Wind S.r.l.	Until revoked	-	-	-
Shareholders' loan Massimo Rossetto	Schmack Biogas S.r.l.	31/01/2023	-	54	54
Shareholders' loan Nicolò Cariboni	Schmack Biogas S.r.l.	31/01/2023	-	157	157
Facilitated loan	Monnson Operation S.r.l. (RO) - Greek Branch	31/01/2027	-	115	115
Unicredit advance	Wind Power Energy S.r.l.	26/07/2023	120	-	120
Total			**4.662**	**7.516**	**12.178**

The overall amount of loans decreased by Euro 1,148 thousand compared to 31 December 2020; in the face of the new disbursements obtained, repayments of existing loans were resumed in line with the respective amortization plans, following the conclusion of the moratoriums obtained in 2020 pursuant to the Liquidity Decree.

The new disbursements, equal to approx. Euro 1,047 thousand, relate to (i) the consolidation of the exposure with BPER Banca S.p.A. with the disbursement of new finance for Euro 475 thousand, (ii) the loan taken out with Banca Nazionale del Lavoro S.p.A. for Euro 320 thousand in relation to the investment for the construction of the photovoltaic roof to be installed on the warehouse owned by PLC Service S.r.l. and (iii) the subsidized loan received in relation to the PON Project for Euro 252 thousand.

With reference to hedging the risk deriving from the change in interest rates, we remind that the parent company PLC S.p.A. has signed a cap strike contract on the loan in place with BNL and that the subsidiary PLC System S.r.l. signed an Interest Rate Option Cap (IRO Cap) contract on the existing loan with BPER (for further details see note H. "Non-current derivative instruments").

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

P. PROVISIONS FOR NON-CURRENT RISKS AND CHARGES

At 31 December 2021 the provisions for risks and charges amounted to Euro 988 thousand (Euro 178 thousand at 31 December 2020) and include the best estimate, based on the information available on the date and taking into account the evaluation elements acquired by external consultants, of the possible obligations of the PLC Group concerning ongoing disputes.

PROVISIONS FOR NON-CURRENT RISKS AND CHARGES (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Provision for contractual penalties	50	75	-	125
Provision for equity investments' loss coverage	30	9	(16)	23
Other provisions	98	849	(107)	840
Total	178	933	(123)	988

Q. EMPLOYEE SEVERANCE INDEMNITY

The provision for employee severance indemnities ("**TFR**") at 31 December 2021 is equal to Euro 2,828 thousand (Euro 2,592 thousand at 31 December 2020).

EMPLOYEE SEVERANCE INDEMNITY (thousands of euro)	31.12.2020	Increases (Decreases)	Accruals	Uses	Actuarial gain / (loss)	31.12.2021
Employee severance indemnity	2.592	-	609	(334)	(39)	2.828

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 2021, the Group had 434 employees, including 12 managers, 185 middle managers and clerical staff and 237 workers. The average number of employees by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (units)	31.12.2021	31.12.2020
Directors	15	23
Managers & employees	190	169
Workers	249	292
Total	**455**	**483**

R. DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES

DEFERRED TAX LIABILITIES AND OTHER NON-CURRENT TAXES (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Deferred tax liabilities and other non-current taxes	778	42	(214)	607
Total	**778**	**42**	**(214)**	**607**

At 31 December 2021 the balance of liabilities for deferred taxes and other non-current liabilities is equal to Euro 607 thousand (Euro 778 thousand at 31 December 2020) and consists of: (i) for Euro 235 from the residual amount of deferred tax liabilities calculated on the fair value of the authorizations relating to the C&C Transaction which in 2021 decreased by Euro 113 thousand due to the sale of the C&C Tre Energy S.r.l. vehicle; (ii) deferred tax liabilities calculated on the fair value of the customer lists relating to the Monsson Operation Perimeter and Schmack Biogas Srl for Euro 323 thousand, respectively recognized in 2019 and 2020 following the completion of the PPA process envisaged by IFRS 3, and (iii) for Euro 49 thousand from the recognition of temporary differences between the book values and the fiscally recognized values of some financial statement items.

S. TRADE PAYABLES

Trade payables at 31 December 2021 amounted to Euro 24,615 thousand (Euro 19,787 thousand at 31 December 2020). Trade payables to related parties are illustrated in paragraph 3.2.4.

TRADE PAYABLES (thousands of euro)	31.12.2021	31.12.2020
Trade payables towards related parties	**150**	**373**
Trade payables towards third parties	24.465	19.414
Total	**24.615**	**19.787**

T. CONTRACTUAL LIABILITIES

Contractual liabilities, equal to Euro 1,217 thousand (Euro 1,032 thousand at 31 December 2020) 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.

U. OTHER PAYABLES

Other payables at 31 December 2021 amounted to Euro 6,511 thousand (Euro 7,751 thousand at 31 December 2020).

OTHER PAYABLES (thousands of euro)	31.12.2021	31.12.2020
Other payables towards related parties	-	7
Other payables towards related parties	**-**	**7**
Residual debt for the acquistion of Schmack Biogas S.r.l	706	706
Tax payables	1.331	2.415
Accrued expenses and deferred income	634	903
Earn out C&C	163	773
Payables to social security institutions	899	725
Payables to directors	361	128
Other payables	2.417	1.914
Other payables towards third parties	**6.511**	**7.564**
Total	**6.511**	**7.571**

Deferred income, equal to Euro 634 thousand, relate, for Euro 244 thousand to the contribution relating to the Progeo Project which ended in 2019 and is recognized in the years in which the amortization of the project is charged.

Other payables of Euro 2,417 thousand mainly include (i) Euro 1,766 thousand due to employees for accrued wages, holidays and Working Time Reduction not taken and (ii) advances from customers for Euro 460.

AA. CORE BUSINESS REVENUES

CORE BUSINESS REVENUES (thousands of euro)	31.12.2021	31.12.2020
Revenues from related parties	**38**	**210**
Construction segment revenues	37.931	13.291
Services segment revenues	28.022	45.829
Trading segment revenues	3.428	2.829
Other segment revenues	-	-
Revenues from third parties	**69.381**	**61.949**
Total	**69.419**	**62.159**

Revenues at 31 December 2021 amounted to Euro 69,419 thousand (Euro 62,159 thousand at 31 December 2020).

Revenues relating to the Construction Segment, amounting to Euro 37,931 thousand, recorded a significant increase compared to the comparative figure at 31 December 2020 (Euro 13,291 thousand), in line with the forecasts of a strong recovery in investments, driven by the incentive mechanisms of the FER 1 decree and the objectives of the Green Deal. Furthermore, it should be noted that the comparative data as at 31 December 2020 were impacted by the lockdown period and the consequent closure of the construction sites.

Revenues relating to the Services Segment amounted to Euro 28,022 thousand, net of the related revenues from related parties (Euro 45,829 thousand at 31 December 2020). The data for this Segment are affected, as mentioned, by the negative trend of the Monsson Perimeter which, due to temporary and non-recurring events related to a dispute, recorded a significant contraction in volumes and E&I activities.

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

REVENUES BY GEOGRAPHICAL AREA (thousands of euro)	ITALY	FOREIGN COUNTRIES	TOTAL 31.12.2021
Construction segment revenues	37.931	-	37.931
Services segment revenues	20.964	7.096	28.060
Trading segment revenues	3.428	-	3.428
Other segment revenues	-	-	-
Total	**62.323**	**7.096**	**69.419**
% on total revenues	*90%*	*10%*	*100%*

REVENUES BY GEOGRAPHICAL AREA (thousands of euro)	ITALY	FOREIGN COUNTRIES	TOTAL 31.12.2021
Construction segment revenues	13.291	-	13.291
Services segment revenues	21.861	24.178	46.039
Trading segment revenues	2.829	-	2.829
Other segment revenues	-	-	-
Total	**37.981**	**24.178**	**62.159**
% on total revenues	*61%*	*39%*	*100%*

BB. OTHER OPERATING REVENUES

Other revenues amounted to Euro 5,699 thousand at 31 December 2021 (Euro 3,379 thousand at 31 December 2020) and mainly include (i) the capital gain realized on the sale of the vehicle C&C Tre Energy S.r.l. equal to Euro 3,797 thousand; (ii) the contribution relating to the Progeo Project equal to Euro 491 thousand and (iii) the capitalization of the development costs relating to the PON MISE M4.0 Project for Euro 450 thousand.

OTHER OPERATING REVENUES (thousands of euro)	31.12.2021	31.12.2020
Other operating revenues from related parties	-	7
Revenues from BOT activities	3.797	1.832
Other operating revenues	1.902	1.540
Other operating revenues from third parties	5.699	3.372
Total	5.699	3.379

CC. EXPENSES FOR RAW MATERIALS

EXPENSES FOR RAW MATERIALS (thousands of euro)	31.12.2021	31.12.2020
Purchase of raw materials from related parties	-	-
Purchase of raw materials from third parties	23.436	14.581
Total	**23.436**	**14.581**

Expenses for raw materials at 31 December 2021 amounted to Euro 23,436 thousand (Euro 14,581 thousand at 31 December 2020). The increase compared to the previous year is closely related to the significant increase in the activities of the Construction Segment.

DD. EXPENSES FOR SERVICES

The breakdown of expenses for services totalling Euro 21,604 thousand (Euro 25,947 thousand at 31 December 2020) is shown below.

EXPENSES FOR SERVICES (thousands of euro)	31.12.2021	31.12.2020
Expenses for services from related parties	243	739
Expenses for services from related parties	**243**	**739**
Other services	16.705	19.249
Administrative and tax consultancy	340	438
Legal and notarial consultancy	474	402
Technical and professional consultancy	472	244
Remuneration of statutory auditors	204	187
Remuneration of independent auditors	184	169
Maintenance and utilities	728	620
Insurance	513	488
Other rent & related charges	1.489	3.152
Property rent & related charges	252	259
Expenses for services from third parties	**21.361**	**25.208**
Total	**21.604**	**25.947**

The entry “Services and other assets” mainly includes (i) the costs relating to third party services at the plant construction sites and (ii) the costs for third party services relating to ordinary and extraordinary maintenance services on the managed plants; the decrease compared to the previous year is mainly due to the slowdown in E&I activities.

The entry "Rentals and other costs on third party assets" includes costs relating mainly to the rental of equipment and machinery (i.e. cranes, platforms, etc.) for short periods and which do not fall within the scope of IFRS 16; the decrease over the previous year is mainly due to the slowdown in E&I activities.

EE. PERSONNEL COSTS

Personnel costs at 31 December 2021 is equal to Euro 19,991 thousand (Euro 19,468 thousand at 31 December 2020).

FF. OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES (thousands of euro)	31.12.2021	31.12.2020
Other operating expenses from related parties	-	-
Indirect taxes	159	141
Bad debt provision and inventory allowance	132	(59)
Other provision	50	42
Other operating expenses	2.069	2.034
Other operating expenses from third parties	2.410	2.158
Total	2.410	2.158

Other operating expenses at 31 December 2021 amounted to Euro 2,410 thousand (Euro 2,158 thousand at 31 December 2020). The item "Other operating expenses" mainly includes costs for indirect goods and services such as expenses for fuel, hotels and restaurants and expenses for employee travel.

GG. AMORTISATIONS AND DEPRECIATIONS

AMORTISATIONS AND DEPRECIATIONS (thousands of euro)	31.12.2021	31.12.2020
Depreciation of tangible assets	1.355	1.340
Amortisation of intangible assets	1.441	1.361
Total	2.796	2.701

Amortisations and depreciations at 31 December 2020 amounted to Euro 2,796 thousand (Euro 2,701 thousand at 31 December 2019).

Amortisation and depreciation of intangible assets mainly includes: (i) the amortisation and depreciation of the customer lists identified with reference to the Monsson Operation Perimeter and Schmack Biogas S.r.l. following the completion of the PPA provided for by IFRS 3, respectively equal to Euro 402 thousand to Euro 127 thousand and (ii) the amortisation and depreciation of the prototype relating to the Progeo Project for Euro 705 thousand.

HH. FINANCIAL INCOME

Financial income amounted to Euro 293 thousand as at 31 December 2021 (Euro 171 thousand as at 31 December 2020) and refer to exchange rate differences for Euro 256 thousand.

II. FINANCIAL EXPENSES

Financial expenses amounted to Euro 1,233 thousand as at 31 December 2021 (Euro 1,148 thousand as at 31 December 2020) and refer to exchange rate differences for Euro 672 thousand.

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

The portion of the result of equity investments accounted for using the equity method is negative for Euro 17 thousand (negative for Euro 115 thousand at 31 December 2020).

SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS (thousands of euro)	31.12.2021	31.12.2020
MSD Service S.r.l. (*)	-	(108)
Monsson South Africa Ltd. (**)	14	-
Monsson Poland SP.ZO.o	(4)	(6)
Sicily Biomethan S.r.l.	1	(1)
Biomethan Invest S.r.l.	(28)	-
Total	**(17)**	**(115)**

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

(**) sold on 17 december 2021

KK. INCOME TAXES

INCOME TAXES (thousands of euro)	31.12.2021	31.12.2020
Current income taxes	(1.241)	(144)
Deferred income taxes	209	367
Taxes related to previous years	20	58
Total	**(1.012)**	**281**

The balance of the tax entry, negative by Euro 1,012 thousand 31 December 2021 (positive by Euro 281 thousand at 31 December 2020 comprises: (i) Euro 1,241 thousand from current taxes, of which Euro 976 thousand recognized under the National Tax Consolidation regime; (ii) Euro 209 thousand from the positive net balance of deferred tax assets and liabilities, and (iii) Euro 20 thousand from the positive balance of taxes relating to previous years.

LL. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The components of the comprehensive income statement that cannot be reclassified to the income statement relate to the effect of the actuarial calculation on the Severance Pay under IAS 19 and are equal to Euro 39 thousand net of the related tax effect of Euro 11 thousand.

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

MM. COMMITMENTS AND GUARANTEES

The commitments and guarantees outstanding at 31 December 2021 are set out below:

PLC S.p.A.

- surety issued by PLC System S.r.l. on behalf of PLC S.p.A. in favour of Banca Nazionale del Lavoro S.p.A. 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 Banca Nazionale del Lavoro S.p.A. to guarantee the loan granted of Euro 2,500 thousand

PLC SYSTEM S.r.l.

- bank sureties issued by Unicredit in favour of domestic customers for Euro 120 thousand;
- bank sureties issued by Banca Nazionale del Lavoro S.p.A. in favour of domestic customers for a total of Euro 1,040 thousand.
- sureties issued by BPM S.p.A. in favour of domestic customers for Euro 1,222
- surety issued by PLC S.p.A. on behalf of PLC System S.r.l. in favour of Banco BPM S.p.A. for Euro 1,223
- insurance sureties issued by Sace, Generali, Reale Mutua and Axa in favour of domestic customers for a total of Euro 4,133 thousand
- surety issued by PLC S.p.A. on behalf of PLC System S.r.l. in favour of Banca Nazionale del Lavoro to guarantee the bank credit granted for Euro 2,450 thousand.
- surety issued by Esposito F. and Scognamiglio A. in the interest of PLC System S.r.l. in favour of Unicredit to guarantee the loan granted of Euro 2,698 thousand
- comfort letter issued by PLC S.p.A. in favour of Unicredit S.p.A. for Euro 156 thousand
- corporate guarantee issued by PLC S.p.A. in favour of C&C Lucania S.r.l. for Euro 82 thousand
- corporate guarantee issued by PLC S.p.A. in favour of Siemens Gamesa Renewable Energy Italy S.p.A for Euro 114 thousand.
- corporate guarantee issued by PLC S.p.A. in favour of Ferro Berica S.r.l. for Euro 550 thousand

PLC SERVICE S.r.l.

- bank sureties issued by Unicredit S.p.A. in favour of domestic customers for Euro 40 thousand

- bank surety issued by Unicredit S.p.A. in favour of the Ministry of Economic Development as part of the PON MISE M4.0 project for Euro 252 thousand
- bank sureties issued by Banca Nazionale del Lavoro S.p.A. in favour of domestic customers for a total of Euro 62 thousand.
- insurance sureties issued by Atradius, Sace, Coface and Axa in favour of domestic customers for Euro 366 thousand
- surety issued by Esposito F. and Scognamiglio A. on behalf of PLC Service S.r.l. in favour of Unicredit for Euro 46 thousand;
- first mortgage on the property located in Acerra - Pantano district, for Euro 2,886 thousand to guarantee the loan granted by Banca Nazionale del Lavoro S.p.A.
- comfort letter issued by PLC S.p.A. in favour of Unicredit S.p.A. for Euro 442 thousand

PLC SERVICE WIND S.r.l.

- surety issued by PLC Service S.r.l. on behalf of PLC Service Wind S.r.l. in favour of Unicredit S.p.A. 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 Reale Mutua di Assicurazioni in favour of Enel Distribuzione S.p.A. for Euro 17 thousand.

SCHMACK BIOGAS S.r.l.

- bank sureties issued by Unicredit S.p.A. in favour of domestic and foreign customers for Euro 1,419 thousand;
- bank sureties issued by Sparkasse - Cassa di Risparmio di Bolzano S.p.A. in favour of domestic suppliers for Euro 9 thousand.
- insurance surety issued by Axa Assicurazioni S.p.A. in favour of Ago Renewables S.p.A. for Euro 1,415 thousand with the co-obligation of PLC S.p.A.
- no. 3 sureties issued by PLC S.p.A. in the interest of Schmack Biogas S.r.l. in favour of Unicredit S.p.A. to guarantee the credit lines granted up to Euro 3,369 thousand.

MSD SERVICE S.r.l.

- 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 Banca Nazionale del Lavoro S.p.A. in favour of foreign customers for a total of Euro 371 thousand;

WIND POWER ENERGY S.r.l.

- bank sureties issued by Banca Nazionale del Lavoro S.p.A. in favour of foreign customers for a total of Euro 149 thousand.

NN. SEGMENT REPORTING

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

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

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

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

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

TradingSegment: which includes MSD Service S.r.l.

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Construction	Services	Holding	Trading	31.12.2021
Non-current assets					
Tangible assets	3.436	4.881	194	-	8.511
Goodwill	20	3.420	4.710	40	8.190
Intangible assets	1.389	2.754	197	-	4.340
Equity investments in associates	-	7	-	-	7
Equity investments in other companies	11	1	-	-	12
Deferred tax assets	43	88	57	-	188
Non current receivables and other non-current assets	1.250	649	-	-	1.899
Other non-current financial assets	-	-	-	-	-
Non-current derivative instruments	16	-	1	-	17
Total non-currents assets	6.165	11.800	5.159	40	23.164
Current assets					
Inventories	1.439	3.069	-	-	4.508
Contractual assets	16.028	-	-	-	16.028
Trade receivables	6.343	12.324	17	1.580	20.264
Financial receivables	89	18	13	-	120
Other receivables	2.018	1.674	142	31	3.865
Cash and cash equivalents	4.311	5.570	605	243	10.729
Other current financial assets	-	-	-	-	-
Current derivative instruments	-	-	-	-	-
Total current assets	30.228	22.655	777	1.854	55.514
Non current assets held for sale / disposal	-	-	-	-	-
TOTAL ASSETS	36.393	34.455	5.936	1.894	78.678

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Construction	Services	Holding	Trading	31.12.2021
TOTAL SHAREHOLDERS' EQUITY	17.849	14.001	(3.699)	237	28.388
Non-current liabilities					
Non-current financial liabilities	1.890	2.786	3.798	-	8.474
Provision for non-current risks and charges	-	988	-	-	988
Employee severance indemnity	624	1.701	503	-	2.828
Deferred tax liabilities and other non-current taxes	235	372	-	-	607
Non-current payables and non-current other liabilities	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-current liabilities	2.749	5.847	4.301	-	12.897
Current liabilities					
Current financial liabilities	1.309	665	3.076	-	5.050
Provision for current risks and charges	-	-	-	-	-
Trade payables	13.005	9.487	466	1.657	24.615
Contractual liabilities	217	1.000	-	-	1.217
Other current payables	1.264	3.455	1.792	-	6.511
Current derivative instruments	-	-	-	-	-
Total current liabilities	15.795	14.607	5.334	1.657	37.393
Non-current liabilities held for sale / disposal	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36.393	34.455	5.936	1.894	78.678

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Construction	Services	Holding	Trading	31.12.2020
Non-current assets					
Tangible assets	4.060	4.660	169	-	8.889
Goodwill	20	3.420	4.710	40	8.190
Intangible assets	2.393	2.748	27	-	5.168
Equity investments in associates	-	6	-	-	6
Equity investments in other companies	11	1	-	-	12
Deferred tax assets	54	98	701	-	853
Non current receivables and other non-current assets	1.371	567	-	-	1.938
Other non-current financial assets	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-currents assets	**7.909**	**11.500**	**5.607**	**40**	**25.056**
Current assets					
Inventories	1.778	2.561	-	-	4.339
Contractual assets	6.045	-	-	-	6.045
Trade receivables	6.712	14.311	1	1.138	22.162
Financial receivables	85	9	13	-	107
Other receivables	1.439	1.568	94	23	3.124
Cash and cash equivalents	3.398	5.677	1.110	13	10.198
Other current financial assets	158	-	-	-	158
Current derivative instruments	-	-	-	-	-
Total current assets	**19.615**	**24.126**	**1.218**	**1.174**	**46.133**
Non current assets held for sale / disposal	-	-	-	-	-
TOTAL ASSETS	**27.524**	**35.626**	**6.825**	**1.214**	**71.189**

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Construction	Services	Holding	Trading	31.12.2020
TOTAL SHAREHOLDERS' EQUITY	**12.499**	**16.851**	**(4.525)**	**8**	**24.833**
Non-current liabilities					
Non-current financial liabilities	472	2.022	6.812	-	9.306
Provision for non-current risks and charges	-	178	-	-	178
Employee severance indemnity	642	1.592	358	-	2.592
Deferred tax liabilities and other non-current taxes	347	431	-	-	778
Non-current payables and non-current other liabilities	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-
Total non-current liabilities	**1.461**	**4.223**	**7.170**	**-**	**12.854**
Current liabilities					
Current financial liabilities	2.001	517	2.594	-	5.112
Provision for current risks and charges	-	-	-	-	-
Trade payables	8.163	9.917	504	1.203	19.787
Contractual liabilities	1.032	-	-	-	1.032
Other current payables	2.368	4.118	1.082	3	7.571
Current derivative instruments	-	-	-	-	-
Total current liabilities	**13.564**	**14.552**	**4.180**	**1.206**	**33.502**
Non-current liabilities held for sale / disposal	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27.524**	**35.626**	**6.825**	**1.214**	**71.189**

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Construction	Services	Holding	Trading	01.01.2021 31.12.2021
Core business revenues	37.931	28.060	-	3.428	69.419
Other operating revenues	4.682	951	66	-	5.699
Total revenues	42.613	29.011	66	3.428	75.118
Operating costs	(33.148)	(24.621)	(3.840)	(3.422)	(65.031)
Other operating costs	(579)	(1.723)	(107)	(1)	(2.410)
GROSS OPERATING MARGIN (EBITDA)	8.886	2.667	(3.881)	5	7.677
EBITDA %	*21%*	*9%*	*n.a.*	*0%*	*10%*
Depreciations, amortisations and impairment losses	(1.077)	(1.637)	(82)	-	(2.796)
OPERATING RESULTS (EBIT)	7.809	1.030	(3.963)	5	4.881
Net financial income (expenses)	(33)	(714)	(192)	(1)	(940)
Profit (loss) from equity investments	-	42	-	-	42
Income taxes	(942)	(561)	491	-	(1.012)
Profit (loss) from continuing operations	6.834	(203)	(3.664)	4	2.971
Profit (loss) from discontinued operations	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	6.834	(203)	(3.664)	4	2.971
Total other components of comprehensive income	2	43	537	-	582
TOTAL COMPREHENSIVE INCOME	6.836	(160)	(3.127)	4	3.553

RECLASSIFIED STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Construction	Services	Holding	Trading	01.01.2020 31.12.2020
Core business revenues	13.291	46.039	-	2.829	62.159
Other operating revenues	2.922	414	-	43	3.379
Total revenues	16.213	46.453	-	2.872	65.538
Operating costs	(14.920)	(39.543)	(2.744)	(2.789)	(59.996)
Other operating costs	(560)	(1.493)	(103)	(2)	(2.158)
GROSS OPERATING MARGIN (EBITDA)	733	5.417	(2.847)	81	3.384
EBITDA %	5%	12%	n.a.	3%	5%
Depreciations, amortisations and impairment losses	(950)	(1.710)	(41)	-	(2.701)
OPERATING RESULTS (EBIT)	(217)	3.706	(2.888)	81	683
Net financial income (expenses)	(220)	(506)	(226)	(25)	(977)
Profit (loss) from equity investments	62	(7)	-	(108)	(53)
Income taxes	298	(589)	572	-	281
Profit (loss) from continuing operations	(77)	2.605	(2.542)	(52)	(66)
Profit (loss) from discontinued operations	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	(77)	2.605	(2.542)	(52)	(66)
Total other components of comprehensive income	(19)	(48)	234		167
TOTAL COMPREHENSIVE INCOME	(96)	2.557	(2.308)	(52)	101

3.2.4 RELATED PARTIES TRANSACTIONS

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

Revenues and costs from related parties

REVENUES AND COSTS FROM RELATED PARTIES (thousands of euro)	Revenues			Costs			
	Revenues	R&D	Financial income	Raw materials	Services	Personnel and others	Financial expenses
Antonio Carrano	-	-	-	-	18	-	-
Biomethane Invest S.r.l.	-	-	7	-	-	-	-
Massimo Rossetto	-	-	-	-	-	-	2
Monsson Poland Sp.ZO.o.	-	-	3	-	-	-	-
Monsson Trading S.r.l.	38	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	-	225	-	-
Nicolò Cariboni	-	-	-	-	-	-	4
Total	**38**	**-**	**10**	**-**	**243**	**-**	**6**
% on P&L item	*0%*	*n.a.*	*0%*	*n.a.*	*1%*	*n.a.*	*0%*

Receivables from and payables to related parties

RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (thousands of euro)	Receivables			Payables		
	Trade	Financial	Other	Trade	Financial	Other
Antonio Carrano	-	13	-	37	-	-
Biomethane Invest S.r.l.	16	94	-	-	-	-
Dragos Blanaru	-	-	3	-	-	-
Idea S.r.l.	-	9	-	-	-	-
Marcello Bardini	-	2	-	-	-	-
Massimo Rossetto	-	-	-	-	53	-
Monsson Poland Sp.ZO.o.	-	63	-	-	-	-
Monsson Trading S.r.l.	4	-	-	-	-	-
Nelke S.r.l.	-	-	-	113	-	-
Nicolò Cariboni	-	-	-	-	158	-
P&P IMPRESA S.r.l.	-	2	-	-	-	-
Sicily Biomethan S.r.l.	-	19	-	-	-	-
Total	*20*	*202*	*3*	*150*	*211*	-
% on balance sheet item	*0%*	*68%*	*0%*	*1%*	*2%*	*0%*

*   *   *

Relations with related parties of the Parent Company PLC S.p.A are shown below as at 31 December 2021 as per Consob request no. 0294634 of 6 August 2018.

Revenues and costs from related parties

REVENUES AND COSTS FROM RELATED PARTIES (thousands of euro)	Revenues			Costs			
	Revenues	R&D	Financial income	Raw materials	Services	Personnel and others	Financial expenses
MSD Service S.r.l.	5	-	-	-	-	-	9
Schmack Biogas S.r.l.	48	-	-	-	-	-	49
PLC Service S.r.l.	825	-	4	-	8	-	-
PLC Service Wind S.r.l.	215	-	-	-	-	-	-
PLC System S.r.l.	1.212	-	39	-	2	-	11
Idroelettrica 2014 S.r.l.	4	-	-	-	-	-	-
PLC System Montenegro d.o.o.	-	-	-	-	-	-	-
PLC Power S.r.l.	4	-	13	-	-	-	-
C&C Irsina S.r.l.	4	-	-	-	-	-	-
Alisei Wind S.r.l.	4	-	-	-	-	-	-
Tirreno S.r.l.	4	-	-	-	-	-	-
Monsson Operation LTD	6	-	150	-	-	-	-
Monsson Operation GmbH	-	-	1	-	-	-	-
Monsson Operation S.r.l.	84	-	7	-	-	-	-
Total subsidiaries	**2.416**	**-**	**214**	**-**	**10**	**-**	**69**
Nelke S.r.l.	-	-	-	-	225	-	-
Totale other related parties	**-**	**-**	**-**	**-**	**225**	**-**	**-**
Total	**2.416**	**-**	**214**	**-**	**235**	**-**	**69**
% on P&L item	*100%*	*0%*	*100%*	*0%*	*100%*	*0%*	*26%*

Receivables from and payables to related parties

RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (thousands of euro)	Receivables			Payables		
	Trade	Financial	Other	Trade	Financial	Other
MSD Service S.r.l.	14	216	8	-	-	-
Schmack Biogas S.r.l.	120	729	-	-	-	-
BioForCH4 S.r.l.	-	-	-	-	-	-
PLC Service S.r.l.	94	-	1.521	8	-	-
PLC Service Wind S.r.l.	397	-	-	-	-	16
PLC System S.r.l.	-	-	270	9	2.211	-
PLC System South Africa PTY LTD	-	-	-	-	-	-
Idroelettrica 2014 S.r.l.	29	-	-	-	-	-
PLC System Montenegro d.o.o.	-	-	-	-	-	-
PLC Power S.r.l.	2	-	16	-	-	-
C&C Irsina S.r.l.	2	-	-	-	-	-
Alisei Wind S.r.l.	2	-	-	-	-	-
Tirreno S.r.l.	2	-	-	-	-	-
Pangreen Moçambique LDA	-	-	-	-	-	-
Monsson Operation LTD	16	3.494	-	-	-	-
Monsson Operation GmbH	-	221	-	-	-	-
Monsson Energy AB	-	-	-	-	-	-
Monsson Operation S.r.l.	144	817	-	-	-	-
Wind Power Energy S.r.l.	-	-	-	-	-	-
Monsson Turkey	-	-	-	-	-	-
Monsson Energostroy LLC	-	-	-	-	-	-
Total subsidiaries	**823**	**5.477**	**1.815**	**18**	**2.211**	**16**
Fraes S.r.l. (già PLC Group S.p.A.)	-	-	-	-	-	-
Nelke S.r.l.	-	-	-	113	-	-
Total other related parties	**-**	**-**	**-**	**113**	**-**	**-**
Total	**823**	**5.477**	**1.815**	**130**	**2.211**	**16**
% on balance sheet item	*99%*	*99,77%*	*93%*	*27%*	*24%*	*1%*

3.2.5 FINANCIAL RISK MANAGEMENT POLICY

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

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

Types of financial instruments and fair value hierarchy

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

FINANCIAL ASSETS AND LIABILITIES - IFRS 9 (thousands of euro)	Measurement criteria				31.12.2021	31.12.2020
	Fair Value	Fair Value Hierarchy	Measurement at cost	Amortised cost	Carrying amount	Carrying amount
Loans and receivables	-	-	-	296	296	210
Cash and cash equivalent	10.729	Livello 1	-	-	10.729	10.198
Trade receivables	-	-	-	20.264	20.264	22.162
Other current receivables	-	-	-	3.865	3.865	3.124
Other non-current receivables	1	Livello 1	-	1.723	1.724	1.836
Equity investments in other entities measured at fair value	-	-	-	-	-	-
Equity investments in other entities measured at costs	-	-	12	-	12	12
Other financial assets	-	-	-	-	-	158
TOTAL FINANCIAL ASSETS	10.730	-	12	26.148	36.890	37.700
Trade payables	-	-	-	25.832	25.832	20.819
Other current payables	-	-	-	6.511	6.511	7.571
Current financial payables	-	-	-	5.050	5.050	5.112
Non-current financial payables	-	-	-	8.474	8.474	9.306
TOTAL FINANCIAL LIABILITIES	-	-	-	45.867	45.867	42.808

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

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

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

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

- level 1 - listed (unadjusted) prices in active markets for identical assets or liabilities available to the entity at the measurement date;

- level 2 - inputs other than the listed prices referred to in the previous point, which are observable on the market directly (as in the case of prices) or indirectly (i.e. derived from prices);
- level 3 - inputs that are not based on observable market data.

Liquidity Risk

The evolution of the Group's net working capital and financial needs is strongly influenced by the timing of invoicing for work in progress (with reference to the Construction Segment) and services (with reference to the Services Segment) and collection of the related receivables. Consequently, although the Group has put in place measures to ensure that adequate levels of working capital and liquidity are maintained, any delays in the progress of the projects and/or in the definition of the positions being finalized with customers, could have an impact on the capacity and/or timing in generating cash flows.

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

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

At present, the PLC Group has not been exposed to an increase in liquidity risk due to the Covid-19 pandemic even if, given the persistence of a long-term situation of uncertainty, linked both to the evolution of the pandemic scenarios in the various regions, and to the risk of an uneven economic recovery, further aggravated by the ongoing war conflict between Russia and Ukraine, a potential worsening of financial stress scenarios cannot be excluded, deriving from a deterioration of liquidity in general, delays in payments by customers, and a slowdown in operational activities on projects with delays in the relative invoicing to customers.

Credit Risk

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

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

19 pandemic, credit risk has currently remained contained; however, it cannot be ruled out that some customers may delay or fail to honour payments under the agreed terms and conditions, with a consequent increase in credit risk. Where there are changes in the creditworthiness of a counterparty, the value of the credit is adjusted accordingly to bring it into line with the actual probability of recovery. At 31 December 2021, 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 2021, 90% of the Group's business was carried out on the Italian market and 10% abroad mainly through the Monsson Operation perimeter. The Group does not currently have any exchange rate hedging contracts in place.

Interest rate risk

The Group's exposure to risk deriving from changes in interest rates originates from variable rate financial payables which expose the Group to a cash flow risk linked to the volatility of the Euribor curve. Generally, the objective of the management is to limit the fluctuation of the financial expenses that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes. At 31 December 2021 there are (i) a cap strike contract on the existing loan agreement with BNL and (ii) an Interest Rate Option Cap (IRO Cap) agreement on the existing loan with BPER Banca S.p.A.

Capital management

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

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

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

Nature of the service	Company that provided the service	Recipient	2021 fees (thousands of euro)
Audit	EY S.p.A.	PLC S.p.A.	38
Certification services (*)	EY S.p.A.	PLC S.p.A.	33
Audit	EY S.p.A.	Group companies	109
Certification services (**)	EY S.p.A.	Group companies	4
Total			**184**

(*) refer to (i) services for certification of financial covenants and (ii) services for the certification of sustainability report

(**) refer to services for certification of financial covenants

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

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

- The suitability in relation to the company's characteristics and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements as at 31 December 2021.

In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2021:

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

The report on operations 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, 28 March 2022

CEO	Manager in charge of Financial Reporting
Signed Michele Scoppio	*Signed Cecilia Mastelli*

3.5 INDEPENDENT AUDITOR'S REPORT

PLC S.p.A.

Consolidated Financial statements as at 31 December 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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

To the Shareholders of
PLC S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PLC Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2021, 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 the PLC S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

We identified the following key audit matters:

Key Audit Matter	Audit Response
Revenue recognition and evaluation of construction contracts	
The consolidated financial statements as of 31 December 2021 include revenues related to construction contracts for Euro 37,9 million and assets and liabilities related to the component accrued at the balance sheet date of Euro 16 million and Euro 1,2 million respectively. Revenues related to construction contracts, as well as the related margins, are recognized based on the project progress in accordance with the percentage of completion method, based on the ratio between the costs incurred and the total costs expected to complete the construction contracts, in accordance with the applicable accounting principle for the revenues recognition on an "over time" method. The processes and methods related to the revenues recognition and construction contracts evaluation are based on assumptions which are sometimes complex and which imply the Directors judgment, in particular with reference to the cost forecast to complete each project, including the estimation of risks and penalties, where applicable, as well as to contract modifications either expected or under negotiation. Considering the economic and financial influence of the construction contracts, of the judgment required by the complexity of the assumptions used in forecasting the costs to complete the construction contracts and of the contractual modifications under negotiation and of the potential effect on the net income for the current year of the changes of estimate, we assessed this matter as a key audit matter. The paragraph "Contractual Assets and Liabilities" and the paragraph "Revenues from contracts with customers" as well as the note "I - Inventories and Contractual assets" of the explanatory notes to the financial statements, show the information relating to the revenue recognition and the evaluation of construction contracts.	Our audit procedures in response to the key audit matter concerned, among other matters: - analysis of the procedure and key controls implemented by the company, including verification of revenue recognition criteria; - with reference to the most significant projects, the analysis of the main assumptions used in forecasting the costs to complete the contract orders and to determine the overall revenues, by examining the construction contracts reports, contractual documentation and project managers interviews; - comparative analysis of the main changes in construction contracts results compared to the original budget or to the previous year; - execution of substantive audit procedures on a sample basis on construction contracts' costs; - the examination on the actual progress of the projects; - external confirmation procedures, on a sample basis for major projects, to contractors. Finally, we verified the adequacy of the information provided in the explanatory notes to the financial statements related to the revenues recognition and the evaluation of construction contracts.

Goodwill evaluation

Goodwill as at 31 December 2021 amounted to EUR 8,2 million and was primarily generated as a result of the Reverse Merger operation, related to the acquisition of subsidiaries PLC System S.r.l. and PLC Service S.r.l., as well as the Monsson Group acquisition.

The process as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of the value in use, are based on assumptions that sometimes may be complex by nature and that imply the judgement of the directors, especially with regard to the forecast of cash flows, also in light of the Covid-19 pandemic in progress, the determination of normalized cash flows used for the terminal value estimation and the determination of the growth and discount rates applied to future cash flows forecast.

In consideration of the judgement required and given the complexity of the assumptions used to estimate the recoverable value of each GCU and related Goodwill, we assessed this matter as a key audit matter.

The paragraph "Business Combinations and Goodwill" and the paragraph "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 matters:

- analysis of the Impairment test procedure approved by Board of Directors on 26 January 2022 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 Group Business Plan; (ii) the evaluation of the forecast quality throughout a look-back analysis on previous cash flow estimation;
- verification of growth and discount rates apply over the explicit period of Business plan.

Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the valuation of the recoverable amount as the main assumptions change.

Finally, we verified the adequacy of the information provided in the explanatory notes to the financial statements related to the key audit matter concerned.

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

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

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

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

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

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

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

- we have identified and assessed the risks of material misstatement of the 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 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 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 Group in conducting the audit.

We confirm that the opinion on the financial consolidated 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 on the compliance with Delegated Regulation (EU) 2019/815

The Directors of PLC S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

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

The Directors of PLC S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group PLC as at 31 December 2021, 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 2021 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 2021 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, 5 April 2022

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

As disclosed by the Directors on page 54, the accompanying consolidated financial statements of PLC S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

4 FINANCIAL STATEMENTS

4.1 ACCOUNTS STATEMENTS

4.1.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Notes	31.12.2021	*of which from related parties*	31.12.2020	*of which from related parties*
Non-current assets					
Tangible assets	A	193.776	-	169.294	-
Goodwill		-	-	-	-
Intangible assets	B	196.150	-	27.265	-
Equity investments in subsidiaries	C	49.933.320	-	49.933.320	-
Equity investments in associates		-	-	-	-
Equity investments in other companies		-	-	-	-
Deferred tax assets	D	28.146	-	672.333	-
Non current receivables and other non-current assets	E	5.256.068	*5.256.068*	4.044.134	*4.044.134*
Other non-current financial assets		-	-	-	-
Non-current derivative instruments	F	1.092	-	327	-
Total non-currents assets		**55.608.552**		**54.846.673**	
Current assets					
Inventories		-	-	-	-
Contractual assets		-	-	-	-
Trade receivables	G	831.768	*823.406*	814.746	*814.746*
Financial receivables	H	233.276	*220.572*	12.572	-
Other receivables	I	1.957.795	*1.815.548*	1.883.389	*1.789.404*
Cash and cash equivalents	K	604.667	-	1.109.592	-
Other current financial assets		-	-	-	-
Current derivative instruments		-		-	
Total current assets		**3.627.506**		**3.820.299**	
Non current assets held for sale / disposal		-	-	-	-
TOTAL ASSETS		**59.236.058**		**58.666.972**	

STATEMENT OF FINANCIAL POSITION (thousands of euro)	Notes	31.12.2021	*of which from related parties*	31.12.2020	*of which from related parties*
Share capital and reserves		47.456.166	-	47.729.595	
Profit (loss) for the period		719.911	-	(273.429)	
TOTAL SHAREHOLDERS' EQUITY	J	**48.176.077**		**47.456.166**	
Non-current liabilities					
Non-current financial liabilities	K	3.797.758	-	6.812.286	-
Provision for non-current risks and charges		-	-	-	-
Employee severance indemnity	L	398.989	-	253.667	-
Deferred tax liabilities and other non-current taxes		-	-	-	-
Non-current payables and non-current other liabilities		-	-	-	-
Non-current derivative instruments		-	-	-	-
Total non-current liabilities		**4.196.747**		**7.065.953**	
Current liabilities					
Current financial liabilities	K	5.286.209	*2.210.729*	2.593.955	-
Provision for current risks and charges		-	-	-	-
Trade payables	M	475.332	*130.352*	515.194	*124.070*
Contractual liabilities		-	-	-	-
Other current payables	N	1.101.693	*16.123*	1.035.704	*660.392*
Current derivative instruments		-		-	
Total current liabilities		**6.863.234**		**4.144.853**	
Non-current liabilities held for sale / disposal		-	-	-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**59.236.058**		**58.666.972**	

4.1.2 INCOME STATEMENT

INCOME STATEMENT (thousands of euro)	Notes	01.01.2021 31.12.2021	*of which from related parties*	01.01.2020 31.12.2020	*of which from related parties*
Core business revenues	AA	2.417.360	2.415.881	1.187.059	1.182.906
Other operating revenues	BB	66.471	-	-	-
Expenses for raw materials		-	-	-	-
Expenses for services	CC	(1.200.843)	(235.494)	(1.076.369)	(220.725)
Personnel costs	DD	(2.650.361)	-	(1.673.524)	-
Other operating expenses	EE	(107.502)	-	(103.353)	-
GROSS OPERATING MARGIN (EBITDA)		(1.474.875)		(1.666.187)	
Amortisations and depreciations	FF	(81.492)		(41.099)	
Impairment losses		-		-	
OPERATING RESULT (EBIT)		(1.556.367)		(1.707.286)	
Financial income	GG	214.740	213.932	238.892	238.877
Financial expenses	GG	(261.533)	(68.427)	(226.155)	-
Profit (loss) from equity investments					
Dividends	HH	1.849.719	-	958.251	-
Share of profit (loss) from equity investments		-	-	-	-
Other profit (loss) from equity investments		-	-	-	-
Income taxes	II	490.601	-	472.435	-
Profit (loss) for the period from continuing operations		737.160		(263.863)	
Profit (loss) from discontinued operations		-	-	-	-
PROFIT (LOSS) FOR THE PERIOD		737.160		(263.863)	

4.1.3 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (thousands of euro)	Notes	01.01.2021 31.12.2021	01.01.2020 31.12.2020
PROFIT (LOSS) FOR THE PERIOD		2.971	(66)
Other components of comprensive income			
Components that will not be reclassified to profit (loss)		39	(106)
Income tax relating to components that will not be reclassified		(11)	29
Total components that will not be reclassified to profit (loss)		28	(77)
Components that may be reclassified to profit (loss)		554	244
Income tax relating to components that may be reclassified		-	-
Total components that may be reclassified to profit (loss)		554	244
Total other components of comprehensive income	LL	582	167
TOTAL COMPREHENSIVE INCOME		3.553	101

4.1.4 CASH FLOW STATEMENT

CASH FLOW STATEMENT (thousands of euro)	01.01.2021 31.12.2021	01.01.2020 31.12.2020
Comprehensive income (loss)	720	(274)
Comprehensive income (loss) from discontinued operations	-	-
Comprehensive income (loss) from continuing operations	720	(274)
(Gain)/Loss from assets sold	-	-
Fair value adjustments	-	-
Amortisation, Depreciations and impairment of fixed assets	81	41
Write-downs (Revaluations) of financial assets	-	-
Write-downs (Revaluations) of fixed assets	-	-
Share of comprehensive income (loss) from equity investments	-	-
Net financial expenses (income)	47	(13)
Dividends	(1.850)	(958)
Other non-monetary items included in the income statement	-	-
Net changes in working capital		
Contractual assets	-	-
Inventories	-	-
Trade receivables and other receivables	361	721
Trade payables and other payables	26	(210)
Changes in other provision and deffered tax assets and liabilities	792	(245)
Gross cash flow	177	(938)
Interest paid	(150)	(211)
Interest received	-	154
Income taxes (paid) received	-	-
Income taxes	-	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	27	(995)
(Investments) in tangible and intangible fixed assets	(277)	(193)
Divestments in tangible and intangible fixed assets	-	36
(Acquisitions) net of acquired liquidity	-	(1.500)
Divestments net of transferred liquidity	-	-
(Investments) in other companies and financial assets	-	-
Divestments in other companies and financial assets	-	-
Dividends received	1.350	120
CASH FLOW FROM INVESTMENT ACTIVITIES [B]	1.073	(1.537)
Increase/(Reduction) of Share capital net of ancillar charges	-	-
Obtainment of loans, financing and other financial liablities	2.211	2.077
(Repayment) of loans, financing and other financial liablities	(2.383)	(15)
Repayment of loans, financing and other financial assets	550	292
(Disbursement) of loans, financing and other financial assets	(1.983)	(550)
Dividends paid	-	-
CASH FLOW FROM FINANCING ACTIVITIES [C]	(1.605)	1.804
CASH FLOW ARISING FROM DISCONTINUED OPERATIONS [D]	-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS [A+B+C+D]	(505)	(728)
Cash and cash equivalents at the beginning of the period	1.110	1.837
Cash and cash equivalents at the end of the period	605	1.110

4.1.5 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 31.12.2019	27.026	5.000	(36)	12.998	1	2.741	47.730
Allocation of 2019 result	-	405	-	-	2.336	(2.741)	-
Dividend distribution	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-
Profit (Loss) at 31.12.2020	-	-	-	-	-	(264)	(264)
Other components of comprehensive income	-	-	(10)	-	-	-	(10)
Comprehensive profit (loss) for the period	-	-	*(10)*	-	-	*(264)*	*(274)*
SHAREHOLDERS' EQUITY 31.12.2020	27.026	5.405	(46)	12.998	2.337	(264)	47.456
Allocation of 2020 result	-	-	-	-	(264)	264	-
Dividend distribution	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-
Profit (Loss) at 31.12.2021	-	-	-	-	-	737	737
Other components of comprehensive income	-	-	(17)	-	-	-	(17)
Comprehensive profit (loss) for the period	-	-	*(17)*	-	-	*737*	*720*
SHAREHOLDERS' EQUITY 31.12.2021	27.026	5.405	(63)	12.998	2.073	737	48.176

4.2 NOTES TO THE FINANCIAL STATEMENTS

4.2.1 ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements of PLC S.p.A. have been prepared in accordance with the international accounting standards (International Financial Reporting Standards - hereinafter "IFRS" or "International Accounting Standards") issued by the International Accounting Standards Board (" IASB") and endorsed by the European Union pursuant to Regulation no. 1606/2002, as well as the provisions issued pursuant to Article 9 of Italian Legislative Decree no. 38/2005. These standards are supplemented by the interpretative documents issued by the *International Financial Reporting Interpretations* Committee ("IFRIC"), which were also endorsed by the European Union at 31 December 2021.

The English version of the financial statements of PLC S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. The financial statements as at 31 December 2021 were authorized for publication by the Board of Directors on 28 March 2022.

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

FINANCIAL STATEMENT FORMATS ADOPTED

PLC S.p.A. presents the comprehensive income statement in two separate statements (i) the statement of profit and loss for the period and (ii) the statement of the other components of the comprehensive income statement using a classification of the individual components based on their nature. With reference to the statement of financial position, assets and liabilities are distinguished into either current and non-current, as permitted by IAS 1.

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

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

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

In preparing these financial statements, the ongoing concern assumption was met by the Directors and therefore the financial statements were prepared using the standards and criteria applicable to operating companies.

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

TANGIBLE ASSETS

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

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

Amortisations and depreciations

are calculated on the basis of rates considered suitable for distributing the value of fixed assets over their respective useful lives, understood as an estimate of the period in which the asset will be used by the company; the recoverability of their book value is verified by adopting the criteria indicated in the Section "Impairment of tangible and intangible assets". Land, whether free of construction or attached to buildings, is not depreciated. Tangible assets are derecognised from the statement of financial position at the time of disposal or when they are permanently withdrawn from use and, consequently, no future economic benefits are expected from their sale or use. Gains and losses arising on the disinvestment or disposal of tangible assets are determined as the difference between the net disposal consideration and the carrying amount of the asset.

The depreciation rates applied are shown below:

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

INTANGIBLE ASSETS

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

Other intangible assets include:

<u>Research and development costs</u>

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

Development costs incurred in relation to a given project are capitalised only when the 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.

<u>Software</u>

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

LEASING AND RIGHT OF USE

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

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

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

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

EQUITY INVESTMENTS IN SUBSIDIARIES

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

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

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

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

EQUITY INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED COMPANIES

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

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

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

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

EQUITY INVESTMENTS IN OTHER COMPANIES

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

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

DERIVATIVES

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

Derivatives qualifying as hedging instruments

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

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

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

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

Derivatives not qualifying as hedging instruments

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

FINANCIAL ASSETS

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

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

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

Differently, financial assets representing debt instruments whose business model provides for the possibility of both collecting

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

WRITE-DOWN OF FINANCIAL ASSETS

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

CASH AND CASH EQUIVALENTS

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

NON-CURRENT ASSETS HELD FOR SALE / DISPOSAL

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

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

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

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

EMPLOYEE SEVERANCE INDEMNITY

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

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

PROVISIONS FOR RISKS AND CHARGES

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

FINANCIAL LIABILITIES

Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs, and are subsequently measured using the amortised cost method.

SHAREHOLDERS' EQUITY

Costs for capital transactions

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

REVENUES

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

COSTS

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

DIVIDENDS

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

INTEREST AND FINANCIAL EXPENSES

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

TAXES

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

Deferred taxes are calculated by applying the tax rates expected to be applied in the year in which the assets will be realised or the liabilities settled to the temporary differences existing between the carrying amount

attributed to an asset or a liability and the corresponding values recognised for tax purposes (the so-called liability method), considering the rates in force or already issued at the date of the financial statements.
The item "Deferred taxes" includes any deferred tax liabilities on temporary differences, the taxation of which is deferred to future years in accordance with current tax laws.
"Deferred tax assets" include any taxes which, although pertaining to future years, refer to the current year and are recognised when there is a likelihood that future taxable income will be sufficient to absorb their recovery.
The allocation of deferred tax assets on tax losses accrued is recorded if there is a probability of obtaining in the future taxable income of an amount as such to be able to absorb the tax losses that can be carried forward.
The economic contra-entry to the provision for deferred or prepaid taxes is included in the item "Taxes".
The parent company PLC S.p.A. together with its subsidiaries PLC System S.r.l. , PLC Service S.r.l., PLC Service Wind S.r.l. and PLC Power S.r.l. has participated in the “national tax consolidation” for the three-year period 2019-2021, pursuant to articles 117 et seq. of the consolidated tax act (TUIR), which allows transfer of the total net income or tax loss of the individual participating companies to the parent company which will establish a single taxable income of the PLC Group or a single tax loss that can be carried forward, as an algebraic sum of income and / or losses, and, therefore, will record a single tax debt or credit for the tax authorities.
Costs, revenues and assets are recognised net of value added tax (VAT) except where this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement. The net amount of indirect sales taxes that can be recovered or paid to the tax authorities is included in other receivables or payables depending on the whether the balance is positive or negative.

DETERMINATION OF THE *FAIR VALUE* OF FINANCIAL INSTRUMENTS

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

EXCHANGE DIFFERENCES

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

USE OF ESTIMATES

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

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

Impairment of non-current assets

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

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

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

ADOPTION OF APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS, EFFECTIVE FROM 1 JANUARY 2021

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 2021. The Company has not arranged for the early adoption of any new standards, interpretations or amendments issued but not yet in force.

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

The IASB completed its response to the ongoing reform of offered interbank rates and other interest rate benchmarks by issuing a set of amendments to the standards. The amendments, which aim to help companies provide investors with useful information on the effects of the reform on the financial statements, integrate those issued with Phase 1 and focus on the effects generated by the transition to an alternative reference rate following the reform. The amendments, endorsed with Regulation no. 2021/25 by the European Commission on 13 January 2021, apply starting from 1 January 2021 with the possibility of early adoption. Its application did not entail changes.

Amendments to IFRS 16 - Leasing

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends the period of application of the amendment to the IFRS 16, issued in 2020, relating to the accounting of the concessions granted to lessees, due to Covid-19. The amendments, approved with European Commission Regulation no. 2021/1421, are applicable from 1 April 2021 for financial years starting on 1 January 2021 or later. Its application did not entail changes.

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

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

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

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

IFRS 17 - Insurance contracts

The IASB has decided to propose that the entry into force of IFRS 17, the new standard on insurance contracts, be deferred by one year, i.e. until 2022. On 25 June 2020, the IASB issued amendments to IFRS 17 which define the accounting treatment of insurance contracts issued and reinsurance contracts owned. The standard, and subsequent amendments, were approved with European Commission Regulation no. 2021/2036 of 19

November 2021. The Regulation recognizes the possibility for companies not to apply the obligation set out in paragraph 22 of the standard (i.e. aggregation into annual groups) to contracts characterized by intergenerational sharing and fulfilment financial flows. The Commission is expected to review this exemption by 31 December 2027. The companies apply the provisions starting from 1 January 2023. The standard is not applicable to the Company.

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

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

Annual cycle of improvements to IFRS 2018-2020

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

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

On 12 February 2020, the IASB published some amendments to IAS 1 "Presentation of financial statements", to IFRS Practice Statements 2 "Formulating judgements of relevance" and to IAS 8 "Accounting standards, changes in accounting estimates and errors" with the objective of improving the disclosure relating to the accounting postings used (disclosure on accounting policies) in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting postings used. The amendments to IAS 1 and IAS 8, approved with European Commission Regulation no. 2022/357 of 2 March 2022, will come into force on 1 January 2023.

Amendments to IAS 12 - Income taxes

On 7 May 2021, the IASB published some amendments to IAS 12 to specify how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. Amendments not yet endorsed by the European Commission, are applicable from 1 January 2023; however, early application is permitted.

4.2.2 NOTES ON THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

A. TANGIBLE ASSETS

TANGIBLE ASSETS (thousands of euro)	General and specific plants	Office machines and other assets	Rights of use tangible assets	Total
Net book value 31.12.2020	**80**	**46**	**43**	**169**
Increases	25	74	-	100
Decreases	-	-	-	-
Amortisations and depreciations	(27)	(28)	(19)	(74)
Other changes and exchange rate difference	-	-	-	-
Net book value 31.12.2021	**78**	**92**	**24**	**194**

Tangible assets at 31 December 2021 amounted to Euro 194 thousand (Euro 169 thousand at 31 December 2020). The increases for the year, equal to Euro 100 thousand, mainly relate to the purchase of hardware devices.

B. INTANGIBLE ASSETS

INTANGIBLE ASSETS (thousands of euro)	New ERP development	Other intangible fixed assets	Total
Net book value 31.12.2020	**-**	**27**	**27**
Increases	121	57	177
Decreases	-	-	-
Amortisations and depreciations	-	(7)	(7)
Use of accumulated depreciation	-	-	-
Net book value 31.12.2021	**121**	**76**	**196**

"Intangible assets at 31 December 2021 amounted to Euro 196 thousand (Euro 27 thousand at 31 December 2020). Investments for the year, equal to Euro 177 thousand, relate, for Euro 121 thousand, to the implementation of a new management software on a Group level;

C. EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at 31 December 2021 amounted to Euro 49,933 thousand, unvaried compared to the previous year.

EQUITY INVESTMENT IN SUBSIDIARIES (thousands of euro)	% held	31.12.2020	Increases	Decreases	Reclassification	31.12.2021
PLC System S.r.l.	100%	32.227	-	-	-	32.227
PLC Service S.r.l.	100%	10.773	-	-	-	10.773
Monsson Operation Ltd.	100%	5.340	-	-	-	5.340
Schmack Biogas S.r.l.	51%	1.500	-	-	-	1.500
MSD Service S.r.l.	92,5%	93	-	-	-	93
Total		**49.933**	**-**	**-**	**-**	**49.933**

EQUITY INVESTMENT IN SUBSIDIARIES (thousands of euro)	Registered office	Share capital	Shareholder's equity 31.12.2021	Profit / (loss) 31.12.2021	% held	Share of shareholder's equity	Carrying amount
PLC System S.r.l.	Acerra (IT)	10.000	15.798	3.430	100%	15.798	32.227
PLC Service S.r.l.	Acerra (IT)	100	2.467	1.466	100%	2.467	10.773
Monsson Operation Ltd. (*)	Dublin (IE)	-	(1.683)	(3.200)	100%	(1.683)	5.340
Schmack Biogas S.r.l.	Bolzano (IT)	204	1.851	539	51%	944	1.500
MSD Service S.r.l.	Acerra (IT)	10	(48)	3	93%	(44)	93
Total		**10.314**	**18.385**	**2.238**		**17.482**	**49.933**

(*) Shareholders' equity and profit / (loss) refer to the aggregated data of Monsson Operation perimeter

Impairment

As required by the reference accounting standards, and as highlighted in the most recent recommendations of the national and international Supervisory Authorities[7], all investments in subsidiaries have been subjected to the impairment test, regardless of the presence or absence of indicators of potential impairment. Consistent with previous years, checking recoverability of the carrying values of equity investments was carried out by comparing the net book value with the recoverable value which is determined on the basis of the value in use, obtained by discounting the future cash flows generated at the weighted average cost of capital (WACC) specifically by business segment and geographical area in which the subsidiary operates.

The expected cash flows for estimating the recoverable value of the individual CGUs have been determined based on the data of the 2020-2024 Business Plan as subsequently updated, also in consideration of the best information available and of the expectations at the time of the estimate, referring also to the final data of the 2021 FY considering future management expectations in relation to the respective reference markets. Cash flows were determined based on an explicit 3-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 2021 was therefore determined by discounting cash flows after tax with a specific discount rate for each business segment and geographical area. The discount rates used at 31 December 2021 have been updated with respect to those used at 31 December 2020.

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

Evolution of discount rates used for Impairment testing	31.12.2021	31.12.2020
PLC System S.r.l. - Construction segment - Italy	7,37%	6,85%
PLC Service S.r.l. - Services segment - Italy	7,50%	7,97%
Monsson Operation LTD - Services segment - Foreing countries	9,99%	10,47%
Schmack Biogas S.r.l. - Services segment - Italy	7,50%	7,97%
MSD Service S.r.l. - Services segment - Italiy	7,50%	7,97%

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

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

D. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2021 amounted to Euro 28 thousand (Euro 672 thousand at 31 December 2020). The movements over the period mainly refer to the registration of deferred tax assets (for Euro 156 thousand), and their subsequent use (for Euro 804 thousand) to reduce the 2021 tax burden as part of the national tax consolidation.

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

DEFERRED TAX ASSETS (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Deferred tax assets	672	160	(804)	28
Total	**672**	**160**	**(804)**	**28**

E. NON-CURRENT RECEIVABLES

NON-CURRENT RECEIVABLES (thousands of Euro)	31.12.2021	31.12.2020
Monsson Operation Ltd Loan	3.494	3.494
Monsson Operation S.r.l. Loan	817	-
MSD Service S.r.l. Loan	216	-
Schmack Biogas S.r.l. Loan	729	-
PLC System S.r.l. Loan	-	550
Total	**5.256**	**4.044**

Non-current receivables, equal to Euro 5,256 thousand at 31 December 2021 (Euro 4,044 thousand at 31 December 2020), relate to the shareholder loans paid to the subsidiary net of refunds received during the year.

F. NON-CURRENT DERIVATIVE INSTRUMENTS

Non-current derivative instruments, equal to Euro 1 thousand at 31 December 2021 (Euro zero thousand at 31 December 2020), pertain to the cap strike contract signed in relation to the BNL loan, to hedge the interest rate risk. It should be remembered that with reference to this contract, PLC S.p.A. opted for fair value measurement with recognition of changes in the income statement.

G. TRADE RECEIVABLES

Trade receivables at 31 December 2021 amount to Euro 832 thousand (Euro 815 thousand at 31 December 2020) and mainly refer to invoices issued and to be issued to subsidiaries for staff services performed centrally by the parent company PLC S.p.A.

TRADE RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Trade receivables from related parties	823	815
Trade receivables from third parties	9	-
Bad debt provision	-	-
Trade receivables from third parties	9	-
Total	832	815

H. FINANCIAL RECEIVABLES

Financial receivables at 31 December 2021 amounted to Euro 233 thousand (Euro 13 thousand at 31 December 2020). The increase for the period refers to the disbursement of a short-term shareholder loan to the indirect subsidiary Monsson Operation Gmbh.

CURRENT FINANCIAL RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Current financial receivables from related parties	220	-
Current financial receivables from third parties	20	20
Current financial receivables from third parties - provision	(7)	(7)
Current financial receivables from third parties	13	13
Total	233	13

BAD DEBT PROVISION - FINANCIAL RECEIVABLES (thousands of euro)	31.12.2020	Increases	Decreases	31.12.2021
Bad debt provision	(7)	-	-	(7)

I. OTHER RECEIVABLES

Other receivables at 31 December 2021 amounted to Euro 1,958 thousand (Euro 1,883 thousand at 31 December 2020).

OTHER RECEIVABLES (thousands of euro)	31.12.2021	31.12.2020
Other receivables from related parties	**1.816**	**1.789**
Tax receivables	1	12
Prepaiments and accrued income	102	56
Advances, deposits e securities	-	-
Other receivables	39	26
Other receivables from other	**142**	**94**
Total	**1.958**	**1.883**

Other receivables from related parties, equal to Euro 1,816 thousand, mainly relate to (i) receivables from subsidiaries arising from the national tax consolidation for Euro 1,308 thousand and (ii) receivables from the subsidiary PLC Service S.r.l. for Euro 500 thousand for dividends approved and not yet paid.

J. SHAREHOLDERS' EQUITY

At 31 December 2021, the shareholders' equity of PLC S.p.A. amounted to Euro 48,176 thousand.

The changes in the shareholders' equity items refer exclusively to the recognition of the overall result for the period, positive for Euro 720 thousand.

The share capital at 31 December 2021 is equal to Euro 27,026 thousand and is made up of 25,960,575 ordinary listed shares with no nominal value.

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

DISTRIBUTABILITY OF SHAREHOLDERS 'EQUITY (thousands of Euros)				Uses over last years	
	Amount	Possibility of use	Available amount	Loss coverage	Other reasons
Share capital	27.026	B		-	12.150
Capital reserves					
Share premium reserve	12.998	A/B/C	12.998	-	-
Profit reserves					
Legal reserve	5.405	B	5.405	-	-
Other Comprehensive Income	(63)	B		-	-
Retained earnings / losses carried forward	2.073	A/B/C	2.073	-	-
Total	**47.439**		**20.476**	-	**12.150**

Key:

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

K. NET FINANCIAL POSITION

The net financial position of PLC S.p.A. at 31 December 2021 was negative for Euro 8,479 thousand (negative for Euro 8,296 thousand at 31 December 2020).

NET FINANCIAL POSITION (thousands of euro)	31.12.2021	31.12.2020 (*)
A. CASH	605	1.110
B. CASH EQUIVALENTS	-	-
C. OTHER CURRENT FINANCIAL ASSETS	-	-
D. LIQUIDITY (A + B + C)	605	1.110
E. CURRENT FINANCIAL PAYABLES	(3.433)	(4)
Long-term financial payables	(1.834)	(2.571)
Financial liabilities IFRS 16	(19)	(19)
F. CURRENT PORTION OF NON-CURRENT FINANCIAL PAYABLES	(1.853)	(2.590)
G. CURRENT FINANCIAL INDEBTEDNESS (E + F)	(5.286)	(2.594)
H. NET CURRENT FINANCIAL INDEBTEDNESS (G - D)	(4.681)	(1.484)
Long-term financial payables	(3.793)	(6.789)
Financial liabilities IFRS 16	(5)	(23)
I. NON-CURRENT FINANCIAL PAYABLES	(3.798)	(6.812)
J. DEBT INSTRUMENTS	-	-
K. NON-CURRENT TARDE AND OTHER PAYABLES	-	-
L. NON CURRENT FINANCIAL INDEBTEDNESS (I + J + K)	(3.798)	(6.812)
M. NET FINANCIAL POSITION (H + L)	(8.479)	(8.296)

(*) FY2020 data have been restated due to the effect od comparability, acccording to the new provision set out in Consob document 5/21 of 29 April 2021 which acknowledges the ESMA guidelines; the negative impact of euro 12 thousands, compared to the original data, originates from the exclusion of current financial liabilities.

The total financial debt, equal to Euro 9,084 thousand (of which Euro 5,286 thousand short-term), consists of (i) the residual portion of the loan with Banco BPM for Euro 1,222 thousand, (ii) the medium-long term loan signed with BNL for Euro 4,043 thousand, with a nominal value of Euro 5,000 thousand and valued at amortized cost, (iii) the loan granted by Banco BPM for Euro 1,584 thousand backed by the direct guarantee of the Guarantee Fund for SMEs for 90%; (iv) 2,211 thousand from a loan granted by the subsidiary PLC System S.r.l. and (v) the recognition of financial liabilities deriving from long-term car rental agreements for Euro 24 thousand, in accordance with the provisions of IFRS 16.

Cash and cash equivalents, equal to Euro 605 thousand at 31 December 2021, include income from service contracts and dividends collected from subsidiaries, net of current management costs and dividends paid.

The table below provides a breakdown of bank loans:

Loans (thousands of euro)	Financed amount	Last installment	Current portion	Non-current portion	Total oustanding loan 31.12.2021
Finanziamento BPM	3.000	31/12/2022	1.222	-	1.222
Finanziamento BNL	5.000	22/01/2025	1.261	2.782	4.043
Finanziamento BPM (Garanzia MCC 90%)	2.000	03/07/2024	573	1.011	1.584
Totale	10.000		3.056	3.793	6.849

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").

L. EMPLOYEE SEVERANCE INDEMNITY

The Employee severance indemnity ("TFR") provision at 31 December 2021 amounted to Euro 399 thousand (Euro 254 thousand at 31 December 2020); 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)	31.12.2020	Increases (Decreases)	Accruals	Uses	Actuarial gain / (loss)	31.12.2021
Employee severance indemnity	254	59	87	(25)	24	399

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 and the severance pay of the directors. 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 2021, the Company had 32 employees, including 3 managers, 5 middle managers and 23 clerical staff and 1 worker. The average number of employees in 2021 by category and the comparison with the previous year are shown in the table below.

AVERAGE NUMBER OF EMPLOYEES (units)	31.12.2021	31.12.2020
Directors	3	3
Managers & employees	26	18
Workers	1	-
Total	**30**	**21**

M. TRADE PAYABLES

Trade payables at 31 December 2021 amounted to Euro 475 thousand (Euro 515 thousand at 31 December 2020). Trade payables to related parties are illustrated in note 4.2.3

TRADE PAYABLES (thousands of euro)	31.12.2021	31.12.2020
Trade payables towards related parties	130	124
Trade payables towards third parties	345	391
Total	**475**	**515**

N. OTHER PAYABLES

Other payables at 31 December 2021 amounted to a total of Euro 1,102 thousand (Euro 1,036 thousand at 31 December 2020).

OTHER PAYABLES (thousands of euro)	31.12.2021	31.12.2020
Other payables towards related parties	16	660
Other payables towards related parties	**16**	**660**
Payables to employee	204	46
Payables to directors	332	128
Tax payables	418	111
Payables to social security institutions	125	84
Other payables	7	-
Accrued expenses and deferred income	-	7
Other payables towards third parties	**1.086**	**376**
Total	**1.102**	**1.036**

The decrease in other payables to related parties is due to remuneration of payables to subsidiaries that arose in 2020 in the context of the national tax consolidation.

Payables to tax authorities of Euro 418 thousand include (i) Euro 171 thousand for the IRES (corporation tax) debt arising as part of the 2021 national tax consolidation, (ii) Euro 124 thousand for VAT and (iii) Euro 121 thousand for withholdings tax.

AA. CORE BUSINESS REVENUES

Core business revenues at 31 December 2021 amount to Euro 2,417 thousand (Euro 1,187 thousand at 31 December 2020) and are mainly related to services performed centrally by PLC S.p.A. and lent to Group companies.

BB. OTHER OPERATING REVENUES

The other operating revenues, equal to Euro 66 thousand (Euro zero thousand at 31 December 2020) are entirely related to the capitalization of the costs of the personnel involved in the implementation project of the new management software on a Group level.

CC. EXPENSES FOR SERVICES

Expenses for services at 31 December 2021 amounted to Euro 1,200 thousand (Euro 1,077 thousand at 31 December 2020).

Expenses for services to related parties are illustrated in note 4.2.3

EXPENSES FOR SERVICES (thousands of euro)	31.12.2021	31.12.2020
Expenses for consultancies from related parties	200	194
Expenses for services from related parties	35	27
Expenses for services from related parties	235	221
Costs for non recurring consultancies	-	-
Administrative and tax consultancy	94	160
Legal and notarial consultancy	100	90
Remuneration of statutory auditors	143	125
Remuneration of independent auditors	75	59
Technical and professional consultancy	102	109
Maintenance and utilities	239	122
Insurance	95	75
Other rent & related charges	25	24
Other services	92	92
Expenses for services from third parties	965	856
Total	1.200	1.077

The increase in the item "Maintenance and utilities" is mainly related to the centralization in PLC S.p.A. of costs related to the IT system for the whole group.

DD. PERSONNEL COSTS

Personnel costs at 31 December 2021 amounted to Euro 2,650 thousand (Euro 1,674 thousand at 31 December 2020) and included directors' fees of Euro 798 thousand and relative allocation to the provision for severance indemnities for Euro 25 thousand. The increase compared to the previous year is due (i) to the strengthening of some staff functions (ICT and HR), (ii) to the integration of the Chairman of the Board of Directors' emolument and (iii) the provision for bonuses relating to the 2021 FY.

EE. OTHER OPERATING EXPENSES

Other operating expenses at 31 December 2021 amounted to Euro 108 thousand (Euro 103 thousand at 31 December 2020).

OTHER OPERATING EXPENSES (thousands of euro)	31.12.2021	31.12.2020
Indirect taxes	14	13
Bad debt provision	-	-
Other operating expenses	94	90
Totale	108	103

FF. AMORTISATIONS AND DEPRECIATIONS

Amortizations and depreciations for the period amounted to Euro 81 thousand (Euro 41 thousand at 31 December 2020). 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.

GG. FINANCIAL INCOME AND EXPENSES

Financial income amounted to Euro 215 thousand at 31 December 2021 (Euro 239 thousand at 31 December 2020) and mainly relates to (i) interest income accrued on the interest-bearing loans granted to the subsidiaries Monsson Operation Ltd., Monsson Operation GmbH and Monsson Operation S.r.l. for Euro 158 thousand and (ii) to the fees accrued following the issue of Parent Company Guarantees in the interest of the subsidiaries for Euro 56 thousand.

Financial expenses at 31 December 2021 amounted to Euro 261 thousand (Euro 226 thousand at 31 December 2020).

HH. OTHER PROFIT (LOSS) FROM EQUITY INVESTMENTS

This item includes dividends distributed by the subsidiary PLC Service S.r.l. for Euro 1,850 thousand.

II. INCOME TAXES

INCOME TAXES (thousands of euro)	31.12.2021	31.12.2020
Current income taxes	360	353
Deferred income taxes	130	90
Taxes related to previous years	-	29
Total	490	472

The balance of the tax item at 31 December 2021 is positive for Euro 490 thousand (positive for Euro 472 thousand at 31 December 2020) and mainly includes the recognition of income relating to the transfer of the tax loss for the 2021 FY to the group under the national tax consolidation scheme, in which the Company has consolidating equity investment.

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

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

Theoretical tax charge (thousands of euro)	Taxable income	31.12.2021
Pre-tax profit	**272**	
Theoretical tax charge		**(65)**
Temporary differences	330	
Temporary differences -reversal previous years	(151)	
Permanent differences	(1.681)	
Actual taxable profit	**(1.230)**	
Actual tax charges		**360**

JJ. COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME

The components of the comprehensive income statement that cannot be reclassified to the income statement relate to the effect of the actuarial calculation on the Severance Pay under IAS 19 and are negative for Euro 24 thousand net of the related tax effect of Euro 7 thousand.

KK. COMMITMENTS AND GUARANTEES

The commitments and guarantees outstanding at 31 December 2021 are set out below:

- surety issued by PLC System S.r.l. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 5,000 thousand
- guarantee issued by SACE S.p.A. on behalf of PLC S.p.A. in favour of BNL to guarantee the loan granted of Euro 2,500 thousand
- surety issued in the interest of PLC System S.r.l. in favour of Banco BPM S.p.A. for Euro 1,223
- Surety issued by in the interest of PLC System S.r.l. in favour of Banca Nazionale del Lavoro to guarantee the bank credit granted for Euro 2,450 thousand
- comfort letter issued in the interest of PLC System S.r.l. in favour of Unicredit for Euro 156 thousand
- corporate guarantee issued in the interest of PLC System S.r.l. in favour of C&C Lucania S.r.l. for Euro 82 thousand
- corporate guarantee issued in the interest of PLC System S.r.l. in favour of Siemens Gamesa Renewable Energy Italy S.p.A for Euro 114 thousand
- corporate guarantee issued in the interest of PLC System S.r.l. in favour of Ferro Berica S.r.l. for Euro 550 thousand
- comfort letter issued in the interest of PLC Service S.r.l. in favour of Unicredit for Euro 442 thousand
- co-obligation insurance surety issued by Axa Assicurazioni S.p.A. in the interest of Schmack Biogas S.r.l. in favour of Ago Renewables S.p.A. for Euro 1,415 thousand
- no. 3 sureties issued in the interest of Schmack Biogas S.r.l. in favour of Unicredit S.p.A. to guarantee the credit lines granted up to Euro 3,369 thousand.

LL. SEGMENT REPORTING

With reference to the parent company PLC S.p.A., the segment reporting at 31 December 2021 does not appear to be significant since the Company operates exclusively as the Group’s operation holding company and therefore in a single "holding" segment.

4.2.3 RELATED PARTIES TRANSACTIONS AND INTERCOMPANY TRANSACTIONS

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

Revenues and costs from related parties

REVENUES AND COSTS FROM RELATED PARTIES (thousands of euro)	Revenues			Costs			
	Revenues	R&D	Financial income	Raw materials	Services	Personnel and others	Financial expenses
MSD Service S.r.l.	5	-	-	-	-	-	9
Schmack Biogas S.r.l.	48	-	-	-	-	-	49
PLC Service S.r.l.	825	-	4	-	8	-	-
PLC Service Wind S.r.l.	215	-	-	-	-	-	-
PLC System S.r.l.	1.212	-	39	-	2	-	11
Idroelettrica 2014 S.r.l.	4	-	-	-	-	-	-
PLC Power S.r.l.	4	-	13	-	-	-	-
C&C Irsina S.r.l.	4	-	-	-	-	-	-
Alisei Wind S.r.l.	4	-	-	-	-	-	-
Tirreno S.r.l.	4	-	-	-	-	-	-
Monsson Operation LTD	6	-	150	-	-	-	-
Monsson Operation GmbH	-	-	1	-	-	-	-
Monsson Operation S.r.l.	84	-	7	-	-	-	-
Total subsidiaries	**2.416**	**-**	**214**	**-**	**10**	**-**	**68**
Nelke S.r.l.	-	-	-	-	225	-	-
Total other related parties	**-**	**-**	**-**	**-**	**225**	**-**	**-**
Total	**2.416**	**-**	**214**	**-**	**235**	**-**	**68**
% impact on P&L item	*100%*	*0%*	*100%*	*0%*	*100%*	*0%*	*26%*

Receivables from and payables to related parties

RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (thousands of euro)	Receivables			Payables		
	Trade	Financial	Other	Trade	Financial	Other
MSD Service S.r.l.	14	216	8	-	-	-
Schmack Biogas S.r.l.	120	729	-	-	-	-
PLC Service S.r.l.	94	-	1.521	8	-	-
PLC Service Wind S.r.l.	397	-	-	-	-	16
PLC System S.r.l.	-	-	270	9	2.211	-
Idroelettrica 2014 S.r.l.	29	-	-	-	-	-
PLC Power S.r.l.	2	-	16	-	-	-
C&C Irsina S.r.l.	2	-	-	-	-	-
Alisei Wind S.r.l.	2	-	-	-	-	-
Tirreno S.r.l.	2	-	-	-	-	-
Monsson Operation LTD	16	3.494	-	-	-	-
Monsson Operation GmbH	-	221	-	-	-	-
Monsson Operation S.r.l.	144	817	-	-	-	-
Total subsidiaries	**823**	**5.477**	**1.816**	**18**	**2.211**	**16**
Nelke S.r.l.	-	-	-	113	-	-
Total other related parties	**-**	**-**	**-**	**113**	**-**	**-**
Total	**823**	**5.477**	**1.816**	**130**	**2.211**	**16**
% impact on BS item	*99%*	*100%*	*93%*	*27%*	*24%*	*1%*

4.2.4 FINANCIAL RISK MANAGEMENT POLICY

PLC S.p.A. operates as an operating holding and therefore its economic results and profitability depend (i) on dividends distributed by subsidiaries and associates and (ii) on fees paid by subsidiaries for structures centralized in the parent company and associated with holding status. This implies a current significant dependence on the economic and management results of the subsidiaries.

In this context, the Company is exposed to liquidity risk, credit risk and interest rate risk deriving from financial exposure.

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

Types of financial instruments and fair value hierarchy

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

FINANCIAL ASSETS AND LIABILITIES - IFRS 9 (thousands of euro)	Measurement criteria				31.12.2021	31.12.2020
	Fair Value	Fair Value Hierarchy	Measurement at cost	Amortised cost	Carrying amount	Carrying amount
Financial assets at fair value through profit or loss						
Loans and receivables	-	-	-	5.489	5.489	4.057
Cash and cash equivalent	605	Level 1	-	-	605	1.110
Trade receivables	-	-	-	832	832	815
Other current receivables	-	-	-	1.958	1.958	1.883
Other non-current receivables	1	-	-	28	29	672
Financial assets available for sale					-	-
Equity investments in other entities measured at fair value	-	-	-	-	-	-
Equity investments in other entities measured at costs	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Financial assets held for sale	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	606	-	-	8.307	8.913	8.537
Financial liabilities at amortized cost						
Trade payables	-	-	-	475	475	515
Other current payables	-	-	-	1.102	1.102	1.036
Current financial payables	-	-	-	5.286	5.286	2.594
Non-current financial payables	-	-	-	3.798	3.798	6.812
Financial liabilities held for sale	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	-	-	-	10.661	10.661	10.957

With reference 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 market context being negatively impacted by the Covid-19 pandemic, credit risk has currently remained contained; however, it cannot be ruled out that some Group customers may delay or fail to honour payments under the agreed terms and conditions, with a consequent increase in credit risk.

Where there are changes in the creditworthiness of a counterparty, the value of the credit is adjusted accordingly to bring it into line with the actual probability of recovery. At 31 December 2021, the maximum exposure to credit risk was equal to the carrying amount of the receivables in the financial statements.

Market risk

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

Interest rate risk

The Company is exposed to the risk deriving from changes in interest rates in consideration of the existing loans with Banco BPM and BNL. This risk originates from the fact that these loans, being at a variable rate expose the Company to a cash flow risk linked to the volatility of the Euribor curve. Generally, the objective of the management is to limit the fluctuation of the financial expenses that have an impact on the economic result, limiting the risk of a potential increase in interest rates, possibly through the use of derivative contracts for hedging purposes. At 31 December 2021, the Company has a cap strike contract to hedge interest rate risk in relation to the BNL loan.

Capital management

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

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

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

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

of the administrative and accounting procedures in preparing the financial statements as at 31 December 2021.

In this regard, no significant aspects emerged to report.

We also certify that:

the consolidated financial statements as at 31 December 2021:

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

The report on operations 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, 28 March 2022

CEO	Manager in charge of Financial Reporting
Signed Michele Scoppio	*Signed Cecilia Mastelli*

4.4 BOARD OF DIRECTORS' PROPOSALS AT THE SHAREHOLDERS' MEETING

Dear Shareholders,

- having taken note of the financial statements and, in particular, of the report by the Board of Directors on the situation of the Group and on the management trend, of the report by the Board of Statutory Auditors and by the company in charge of the statutory audit of the accounts EY S.p.A.;
- having examined the draft financial statements as at 31 December 2021 which highlights an operating profit of Euro 737,160;
- having examined the consolidated financial statements as at 31 December 2021;

the Board of Directors proposes to carry over the year's profit.

4.5 REPORT BY THE BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AT 31 December 2021,

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 27 April 2022 will be called, among other things, to deliberate the draft financial statements at 31 December 2021, approved by the Board of Directors during the meeting on 28 March 2022.

This report has been prepared by the Board of Statutory Auditors appointed for the three-year period 2021-2023 by the Shareholders' Meeting of 30 April 2021 and 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 2021 show a shareholders' net equity of Euro 48,176,077, including the profit for the year of Euro 737,160 which, after the non-reclassifiable components in the income statement, equal to -17,249, leads to a total profit of Euro 719,911.

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

During the year ended 31 December 2021, 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 modified 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 accounts and consolidated accounts and of European Regulation 537/2014.

The tasks of statutory auditing of accounts, pursuant to "Legislative Decree 39/2010 "(as subsequently amended by Legislative Decree 135/2016), have been attributed to the auditing firm EY S.p.A. (hereinafter "Auditing Company" or "EY"), appointed by the Shareholders' Meeting of 23 June 2015 for the nine-year period 2015-2023.

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 2021 financial year, the Board of Statutory Auditors met 15 times in addition to having participated in 14 Board of Directors meetings. After the closure of the 2021 financial year and until the date this Report was prepared, the Board of Statutory Auditors met 5 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 acknowledges that it has held numerous joint meetings with the Control, Risk and Sustainability Committee and that it has nevertheless participated, through one or more of its members, in the meetings of the Board Committees set up and operating within the scope of the Board of Directors.

The Directors have given us, on a monthly basis, extensive information on the activities carried out and on the most important economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as in general on the management performance and on the events that had the greatest influence in determining the operating result, not least the effects and repercussions of the Covid-19 pandemic.

The Board has verified that the actions resolved and implemented are in compliance with the law and the articles of association and do not appear manifestly imprudent, risky, in potential conflict of interest or in conflict with the resolutions adopted in the Shareholders' Meeting or such as to compromise the integrity of the corporate assets.
With regard to the approval processes of the Board of Directors, the Board of Auditors has ascertained, also by participating in board meetings, the compliance with the law and the articles of association of the management choices made by the Directors and has verified that the related resolutions were supported by analyses and assessments concerning, in particular, the adequacy of the transactions and their consequent compliance with the interests of the Company.
During the meetings of the Board of Directors, the periodic management results, as well as all the aspects relating to the most significant operations carried out, were carefully analysed and discussed in depth.
The Board of Statutory Auditors also found that adequate documentation in support of the subjects under discussion with the Boards of Directors was made available reasonably in advance to directors and statutory auditors.

Supervisory activity on the adequacy of the organizational structure and on the adequacy of the instructions given to the subsidiaries

The Board of Statutory Auditors supervised the adequacy of the Company's organisational structure, 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 continuing strengthening of the controls in the parent company.

Supervision of the adequacy of the internal control and risk management system on the adequacy of the administrative and accounting 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 Recommendation 1.d) of art. 1 of the new Corporate Governance Code issued in January 2020 and in force, for PLC, from 1 January 2021;
- examining the reports of the Manager in charge of 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 28 March 2022, issued the declaration required by art. 154-bis of Legislative Decree no. 58/1998 with reference to the 2021 financial statements and the 2021 consolidated financial statements of PLC.
- examining the Report by the Control, Risk and Sustainability 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).

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 2022 Budget preparation programme;
- the investigation carried out by the Control, Risk and Sustainability 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 2021, carried out with the support of an independent consultant;
- the fulfilment of the obligations related to the "Market abuse" and "Protection of savings" regulations regarding corporate disclosure and "Internal Dealing", with particular reference to the treatment of privileged information and the procedure for the dissemination of press releases and information to the public.

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

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

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

The Board of Statutory Auditors has been informed that these procedures are prepared under the responsibility of the Manager in charge, 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 2021 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 2021 prepared by the Independent Auditors - which highlights the significant risks identified in relation to the 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.
The auditing firm EY S.p.A. 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 2021, 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.
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, as well as the information required by art. 11 of the same Regulation.
The Independent Auditors confirmed that during the audit of the Company's financial statements and the Group's consolidated financial statements as of 31 December 2021, no significant deficiencies were identified in the internal control system for financial reporting and/or in the accounting system.
During the periodic meetings, the Board of Statutory Auditors discussed the Key Audit Matters highlighted by EY in the additional Report, 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.
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 exam-

ined 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 26 January 2022 and the approval of the results of the impairment test, which took place on 17 March 2022.

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 2021 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) verification services aimed at the certification of financial covenants and (ii) services for the limited assurance engagement of the consolidated sustainability report.

The total fees due to the auditing firm for the aforementioned certification services amount to Euro 38,000.

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-quater and 17 of the aforementioned decree and art. 6 of the European Regulation, in particular as regards the adequacy of the provision of services other than auditing, in accordance with art. 5 of this Regulation.

The Board received from the Independent Auditors, pursuant to the provisions of art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010, confirmation that, in the period from 1 January 2021 to the date of the communication 5 April 2022, 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 subsidiaries; this information is fully represented in the Report on operations, to which reference should be made.

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

The Board of Statutory Auditors assesses the information provided by the Board of Directors in the Management Report as appropriate for intra-group and related party transactions.

The Board has not identified the existence of atypical and / or unusual transactions with Group companies, with third parties or with related parties, finding confirmation of this in the indications by the Board of Directors, the auditing company EY SpA, the Related Party Committee and the Internal Control Manager.

During the 2021 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 Procedure for Related Party Transactions, as last updated on 28 June 2021, 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, incor-

porating over time the relative updates and recommendations. Since adherence to the Code of Self-regulation, up to the latest version of January 2020 as the Corporate Governance Code, the Board of Directors has taken specific resolutions to implement and specify the provisions of the Code.
In particular, having taken note of the assessments made by the Board of Directors and by the Control, Risk and Sustainability 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 it's 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 Corporate Governance Code, acknowledging that its members:

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

In the composition of the Board of Statutory Auditors, gender balance is guaranteed in the bodies of companies with listed shares, in accordance with the provisions of the Articles of Association and law no. 160 of 27 December 2019 ("Budget Law 2020"), whose art. 1, paragraphs 302, 303 and 304, amends art. 147-ter, paragraph 1 ter, and 148, paragraph 1 bis, of Legislative Decree 24 February 1998, no. 58 "Consolidated Law on Finance" ("TUF"), introduced by law no. 20 of 12 July 2011 (“Golfo-Mosca” law) and by Consob Communication no. 1 of 30 January 2020.

As for its operation, the Board of Statutory Auditors:

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

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

Opinions expressed by the Board of Statutory Auditors

During the year, the Board of Statutory Auditors issued the advice required by current legislation, in particular with regard to the appointment of the Manager in charge of preparing the accounts and corporate documents.

War conflict Russia Ukraine

In relation to the joint call for attention of the Bank of Italy, Consob, Ivass and UIF "Notice of compliance with the restrictive measures adopted by the EU in response to the Russian military aggression in Ukraine" of 7 March 2022 and the further Consob call for attention "On the impact of the war in Ukraine with regard to privileged information and financial reporting" of 18 March 2022, the Company showed in the management report the information on the possible current and foreseeable direct and indirect effects of the aforementioned war crisis on the activities, on the financial situation and on the economic results: there are currently no particular repercussions on PLC’s business, also in consideration of the insignificant exposure on the markets affected by the conflict, although not excluding possible future negative effects, taking into account the changeability and highly uncertain situation.

Non-financial statement

The Board highlights that neither PLC nor the Group's companies are subject to Legislative Decree no. 254/2016 concerning the communication of non-financial information, as the Company does not fall within the scope of application of art. 2 of this decree, nor since the Group companies are not entities of public interest. The company voluntarily published the Consolidated Sustainability Report for the year 2020 on 30 April 2021 as a separate document from the management report. In the report issued on 29 April 2021, the Independent Auditors highlighted that no elements came to its attention that would suggest that the Consolidated Sustainability Report of the PLC Group for the year ended 31 December 2020 has not been drawn up, in all significant aspects, in compliance with the requirements of the GRI ("Global Reporting Initiative") Standards.

The Board of Statutory Auditors obtained, also by attending the meetings of the Control, Risks and Sustainability Committee, periodic updates on the performance of the preparatory activities for the preparation of the Consolidated Sustainability Report and, as part of its activities, it was not aware of any violations of the related regulatory provisions.

The Company will voluntarily publish the Consolidated Sustainability Report for the 2021 FY.

Financial statements at 31/12/2021

Preliminarily, we highlight that the draft financial statements and the consolidated financial statements as at 31 December 2021 were made available to the Board of Statutory Auditors following their approval by the administrative body on 28 March 2022.

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 2021 - 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 2021 financial year and the events that occurred after the year end.

On 5 April 2022, 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 2021, 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 2021, the economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the Euro-*

pean Union, as well as with the provisions issued in implementation of art. 9 of Legislative Decree 28 February 2005, no. 38.”.

* * *

The Board of Statutory Auditors, taking into account all the above, based on the control activities carried out, considering the results of the activity of the Independent 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 2021, as prepared by the administrative body, and the proposed resolution concerning the new allocation of the profit for the year amounting to Euro 737,160.

Milan, 05 April 2022

BOARD OF STATUTORY AUDITORS

Massimo Invernizzi (Chairman)

Claudio Sottoriva

Maria Francesca Talamonti

4.6 INDEPENDENT AUDITOR'S REPORT

PLC S.p.A.

Financial statements as at 31 December 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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

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ey.com

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

To the Shareholders of
PLC S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PLC S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of income, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Equity investment in subsidiaries	
The financial statement as at 31 December 2021 includes Equity investments in subsidiaries for an amount of EUR 49,9 million. Equity investment in subsidiaries are accounted for at acquisition cost, eventually reduced for impairment losses. The Company, at least once per year, performs an assessment on impairment indicators for each subsidiary, and subjects them to impairment test if trigger events occur. Processes and procedures to evaluate and determine the recoverable amount of each equity investment are based on assumptions, sometimes complex, which require the judgment of Directors, in particular with reference to the prospective cash flows, also in light of the Covid-19 pandemic in progress, and to the determination of the discount rates applied to such forecasts. In consideration of the required judgment and the complexity of the assumptions used in estimating the recoverable amount of the controlled entities, we considered that this issue was a key audit matter. The note "C - Equity investments in subsidiaries" of the financial statement's explanatory note describes the assumptions used for the impairment test.	Our audit procedures in response to the key audit matter have, among other matters, concerned: - analysis of the Company's impairment test procedure, approved by the Board of Directors on 26 January 2022 and of the key controls on the identification of any losses and then on the valuation of equity investment in subsidiaries; - examination of the correct application of the procedure for the controlled entities evaluation with reference to how recoverable amount, discount rates and actual values of the companies being evaluated have been determined; - accuracy and reasonableness analysis of the assumptions underlying the prospective cash flows, with particular reference to the rates used; - sensitivity analysis on key assumptions in order to determine any significant impacts on the evaluation of the recoverable value; - the assessment of the quality of the forecasts compared to the historical accuracy of the previous forecasts. Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the valuation of the recoverable amount as the main assumptions change. Finally, we verified the adequacy of the information provided in the explanatory notes to the financial statements related to the key audit matter concerned.

Responsibilities of Directors and Those Charged with Governance for the 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 on the compliance with Delegated Regulation (EU) 2019/815

The Directors of PLC S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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 2021, 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 2021 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 2021 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, 5 April 2022

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

As disclosed by the Directors on page 111, the accompanying financial statements of PLC S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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

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

SUBSIDIARIES

	PLC Service S.r.l.	PLC Service Wind S.r.l.	PLC System S.r.l.	Idroelettrica 2014 S.r.l.	PLC System South Africa	PLC System Montenegro	PLC POWER S.r.l.	C&C Irsina S.r.l.	Alisei Wind S.r.l.	Tirreno S.r.l.
Statement of financial position (thousands of euro)										
FIXED ASSETS	4.441	152	6.446	1.857	-	-	2.318	218	232	195
CURRENT ASSETS	10.889	1.894	27.696	569	78	58	4.195	7	25	9
TOTAL ASSETS	**15.330**	**2.046**	**34.142**	**2.426**	**78**	**58**	**6.513**	**225**	**257**	**204**
SHAREHOLDERS' EQUITY	**2.467**	**273**	**15.798**	**(13)**	**78**	**56**	**5.009**	**169**	**94**	**12**
NON-CURRENT LIABILITIES	5.102	492	2.514	20	-	-	1.226	50	110	183
CURRENT LIABILITIES	7.761	1.281	15.830	2.419	-	2	278	6	53	9
TOTAL LIABILITIES	**15.330**	**2.046**	**34.142**	**2.426**	**78**	**58**	**6.513**	**225**	**257**	**204**
INCOME STATEMENT (thousands of euro)										
REVENUES	14.933	2.977	28.908	121	-	5	3.205	-	-	-
COSTS	12.797	2.999	25.788	161	9	24	53	10	14	10
OPERATING RESULT	**2.136**	**(22)**	**3.120**	**(40)**	**(9)**	**(19)**	**3.152**	**(10)**	**(14)**	**(10)**
FINANCIAL INCOME (EXPENSES)	(85)	(4)	(73)	1	-	-	(56)	1	2	(1)
PROFIT (LOSS) FROM EQUITY INVESTMENTS	-	-	1.294	-	-	-	-	-	-	-
PRE-TAX RESULTS	**2.051**	**(26)**	**4.341**	**(39)**	**(9)**	**(19)**	**3.096**	**(9)**	**(12)**	**(11)**
TAXES	601	(7)	912	-	-	-	19	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**1.450**	**(19)**	**3.429**	**(39)**	**(9)**	**(19)**	**3.077**	**(9)**	**(12)**	**(11)**

	Pangreen Moçambique LDA	MSD Service S.r.l.	Schmack Biogas S.r.l.	BioForCH4 S.r.l.	Monsson Operation Ltd	Monsson Energy AB	Monsson Operation GmbH	Monsson Operation S.r.l.	Monsson Turkey	Wind Power Energy	Monsson Energostroy LLC
Statement of financial position (thousands of euro)											
FIXED ASSETS	371	-	822	24	135	-	263	2.130	-	340	-
CURRENT ASSETS	7	1.855	8.647	21	2.909	1.082	2.451	3.876	27	500	13
TOTAL ASSETS	**378**	**1.855**	**9.469**	**45**	**3.044**	**1.082**	**2.714**	**6.006**	**27**	**840**	**13**
SHAREHOLDERS' EQUITY	**(73)**	**(48)**	**1.851**	**12**	**(488)**	**142**	**(131)**	**(724)**	**(1.035)**	**598**	**(44)**
NON-CURRENT LIABILITIES	57	216	1.448	30	3.494	48	498	1.744	995	-	-
CURRENT LIABILITIES	394	1.687	6.170	3	38	892	2.347	4.986	67	242	57
TOTAL LIABILITIES	**378**	**1.855**	**9.469**	**45**	**3.044**	**1.082**	**2.714**	**6.006**	**27**	**840**	**13**
INCOME STATEMENT (thousands of euro)											
REVENUES	-	3.428	14.220	-	-	1.397	2.375	5.952	4	1.196	1
COSTS	38	3.433	13.687	6	23	1.238	3.324	7.636	28	1.072	14
OPERATING RESULT	**(38)**	**(5)**	**533**	**(6)**	**(23)**	**159**	**(949)**	**(1.684)**	**(24)**	**124**	**(13)**
FINANCIAL INCOME (EXPENSES)	96	8	22	-	(39)	-	7	(148)	(615)	6	-
PROFIT (LOSS) FROM EQUITY INVESTMENTS	-	-	-	-	-	-	-	59	-	-	-
PRE-TAX RESULTS	**58**	**3**	**555**	**(6)**	**(62)**	**159**	**(942)**	**(1.773)**	**(639)**	**130**	**(13)**
TAXES	-	-	16	-	-	67	(20)	-	5	8	-
PROFIT (LOSS) FOR THE PERIOD	**58**	**3**	**539**	**(6)**	**(62)**	**92**	**(922)**	**(1.773)**	**(644)**	**122**	**(13)**

ASSOCIATES

	Monsson Poland SP Z.o.o.	Biomethane Invest S.r.l.	Sicily Biomethan S.r.l.
Statement of financial position (thousands of euro)			
FIXED ASSETS	-	383	45
CURRENT ASSETS	9	70	5
TOTAL ASSETS	**9**	**453**	**50**
SHAREHOLDERS' EQUITY	**(63)**	**55**	**12**
NON-CURRENT LIABILITIES	63	378	37
CURRENT LIABILITIES	9	20	1
TOTAL LIABILITIES	**9**	**453**	**50**
INCOME STATEMENT (thousands of euro)			
REVENUES	-	-	4
COSTS	5	43	1
OPERATING RESULT	**(5)**	**(43)**	**3**
FINANCIAL INCOME (EXPENSES)	(3)	(1)	-
PROFIT (LOSS) FROM EQUITY INVESTMENTS	-	-	-
PRE-TAX RESULTS	**(7)**	**(44)**	**3**
TAXES	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**(7)**	**(44)**	**3**

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: 2021

Report approval date: 28/03/2022

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

CONTENTS

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

GLOSSARY

Below is a list of the main terms used in the Report and their definitions. These terms and definitions, unless otherwise specified, have the meaning shown below. The additional terms used in the Report have the meaning attributed to them and shown in the text. The definitions of directors, executive directors, chief executive officer (CEO), administrative body, control body, company with concentrated ownership, large company, sustainable success, top management referred to in the Code are referred to in full.

Meeting: the issuer's shareholders' meeting.

Code / CG Code: the Corporate Governance Code of listed companies approved in January 2020 by the Corporate Governance Committee.

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

Committee / CG Committee / Corporate Governance Committee: the Italian Committee for Corporate Governance of listed companies, promoted not only by Borsa Italiana S.p.A., but also by ABI, Ania, Assogestioni, Assonime and Confindustria.

Board / Board Directors: the Issuer's Board of Directors.

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

Financial Year: the financial year ended on 31 December 2021, to which the Report refers.

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

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

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

Consob Related Party Regulations: the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 regarding transactions with related parties, as subsequently amended and supplemented.

Report: this report on corporate governance and corporate structures that the Company is required to draw up and publish pursuant to art. 123-bis of the Consolidated Law on Finance.

Remuneration Report: the report on the remuneration policy and remuneration paid that the Company is required to draw up and publish pursuant to art. 123-ter Consolidated Law on Finance and 84-quater of the Consob Issuers' Regulation.

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

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

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, illustrating the level of compliance with the recommendations of the Code, as well as the ownership structure of the Company.

This document has been approved by the Board of PLC on 28 March 2022 and conforms, in its structure, to the "Format for the report on corporate governance and ownership structures" prepared by Borsa Italiana S.p.A., IX edition (January 2022).

Making this Report available at the registered office, sending it to Borsa Italiana S.p.A. and its publication on the website www.plc-spa.com will take place within the terms and in accordance with the provisions of the legislation, including regulations, in force on the matter.

1. PROFILE OF THEISSUER AND CORPORATE GOVERNANCE SYSTEM

1.1. Issuers 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 the year is equal to Euro 49,408 thousand while the value of the turnover as of 31.12.2021 is equal to Euro 75,118 thousand. In addition, the Issuer also falls within the definition of "concentrated ownership company" pursuant to the CG Code, due to the fact that the shareholder Fraes S.r.l. holds a stake in the Issuer's share capital equal to 73.53%. Given the above, it should be noted that the Board has made use of some flexibility options with respect to the provisions of the Code relating to concentrated ownership companies: in this regard, reference is made to paragraph 4.2 (with reference to the definition and adoption of a succession plan for executive directors) and paragraph 4.7 (with reference to meetings of independent directors only).

The Issuer has not published a non-financial statement pursuant to Legislative Decree 254/2016

Nonetheless, with reference to non-financial data, the Company published its first consolidated sustainability report on 30 April 2021, reporting the data relating to the 2020 FY, available on the institutional website at the following link: plc-bilancio-di-sostenibilita-2020.pdf (plc-spa.com). With reference to the Financial Year, the Issuer will proceed in continuity with the previous year.

1.2. Corporate mission and sustainability

The Issuer's current corporate mission is focused on continuing the transformation of the Group into a multi-technological and multi-regional independent service provider (ISP) with a European footprint, offering a complete range of services, including the construction for the Italian market of electrical infrastructures and renewable plants with particular focus on wind, photovoltaic and biomethane technologies.

Following the acquisition of Monsson Operation LTD and the shareholdings controlled by the latter in 2018/2019, the Group has expanded its geographical presence in Europe and strengthened the offer of services and know-how in the field of wind farms with erection & installation and training services for both internal staff and third parties.

In addition, the Group has expanded its offer, through the acquisition of Schmack Biogas S.r.l., completed in 2020, so as also to be present on the market in services and in the construction of biogas and biomethane plants.

Therefore, in the near future the mission will turn its attention to optimizing the synergies of the various segments of the Group, with a consolidation of the commercial structure in order to further strengthen its presence in Italy and Europe.

This objective will also be pursued with a strengthening of the financial strategy aimed at encouraging the organic growth of the Group through internal lines, up to 2023/2024, when it could also be appropriate to opt for growth through external lines, in line with what has already been illustrated in the presentation. relating to the 2021-2024 business plan, available on the Issuer's institutional website in the Investor relation / Presentations section.

Furthermore, already in the road map drawn up for the period 2021-2024, the Board of Directors has identified the ways in which it intends to pursue sustainable success. For more detailed information in this regard, please refer to Section 4.1 below. With reference, however, to the integration of the remuneration policies adopted, please refer to Section 8 and Section 9 for the internal control and risk management system. In fact, as better explained in Section 6, the Control and Risks Committee has also been assigned responsibility for matters of sustainability, consequently also changing the name of the committee to "Control, Risk and Sustainability Committee".

In this regard, it should be noted as of now that the Board of Directors, in pursuing the economic/financial objectives of the Group and of the shareholders, has decided to pay maximum attention to the pursuit of sustainable success, also with a view to preserving the capacity of future generations to satisfy their needs. The objectives identified by the Board of Directors are the following:

- development of corporate skills and talents, involving all human capital in all company activities, enhancing diversity, promoting gender equality, increasing training hours and educating towards sustainable thinking; and
- pursuit of sustainable thinking also through the improvement of the certification path of all operating companies to ISO 14000 and ISO 45001 as well as actively contributing to technological development and the 4.0 revolution of the economic system.

In particular, of the 17 ESGs identified by the UN, the Company has identified its short-term goals among the following:

- specialist training of personnel;

- pursuit of gender equality;
- protection of decent working conditions;
- industrial innovation;
- proactivity in the fight against climate change and biodiversity on the planet;
- pursuit of wide-ranging objectives such as peace and justice, also strengthening the dialogue with institutional stakeholders.

With reference to non-financial data, as mentioned above, the Company published its first consolidated sustainability report on 30 April 2021, reporting the data relating to the 2020 FY, available on the institutional website at the following link: plc-bilancio-di-sostenibilita-2020.pdf (plc-spa.com).

With reference to the 2021 Financial Year, the Issuer will proceed in continuity with the previous year.

1.3. Corporate governance system

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

Shareholders' Meeting

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

Board of Directors.

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

As of 28 March 2022, the Board is made up of 7 members, of which 3 independent pursuant to Article 2 Recommendation 7 of the Code, as will be better explained later in this Report, and 4 executive members as defined by the same Code[1].

[1] It should be noted that following the approval of this Report, the Director Luciano Garofano has resigned with effect from 29 March 2022.

As of the date of this Report, the following Committees have been established within the Board, which are assigned the duties provided for by the Code:

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

With regard to the Board Committee for transactions with related parties, it is specified that, based on the "Procedure for Transactions with Related Parties" approved by the Board, most recently, on 28 June 2021 (hereinafter also the "**TRP Procedure**"), the Committee in question, depending on the matter being examined, refers to the Control, Risk and Sustainability Committee or with the Appointments, Remuneration and Stock Option Plans Committee and is made up, in any case, of non-executive and unrelated directors, each in possession of the independence requisites envisaged by art. 147-ter of the Consolidated Law on Finance and the CG Code.

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 Head of the *Internal Audit* Department 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;
- assessing the proposals made by the auditing firm to be awarded any further assignments;
- 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:

- Regulations of the Board of Directors;
- 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;
- Procedure for Related Party Transactions;
- Code of Ethics of the PLC Group;
- Organisation and management model pursuant to Legislative Decree 231/01 ("**Model 231**");
- "*The Internal Regulatory System*" manual;
- Policy for managing dialogue with the majority of shareholders;
- 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;
- Access and use of information systems procedure;
- New Business Development Management procedure;
- Procedure for event management, sponsorships, public initiatives and contributions;
- HQSE Resource Management Procedure;
- Procedure for the management of relations with the Public Administration and the Supervisory Authorities;

- Procedure for the management of free gifts, gratuities and entertainment expenses;
- Procedure for the management of purchases of goods, services, consultancy and professional services;
- Active invoicing procedure;
- Procedure for the selection, hiring and placement of personnel;
- HR and Payroll procedure;
- Actual vs Budget Quarterly Review Procedure;
- Whistleblowing procedure;
- Procedure on evaluation and approval of investments in information systems;
- Procedure on entrusting of tasks to the company in charge of the Legal Audit and to the related Network;
- Facility Management procedure.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-*BIS*, PARAGRAPH 1, CONSOLIDATED LAW ON FINANCE) ON 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. See, in particular, what is shown in the following table:

SHARE CAPITAL STRUCTURE				
	No. of shares	**% with respect to share capital**	**Listed on Euronext Milan - Standard Segment**	**Rights and obligations**
Ordinary shares	25960575	100%	100% listed on the Euronext Milan Market	Ordinary
Preferred shares	N/A	N/A	N/A	N/A
Plural voting shares	N/A	N/A	N/A	N/A
Other categories of shares with voting rights	N/A	N/A	N/A	N/A
Savings shares	N/A	N/A	N/A	N/A
Convertible savings shares	N/A	N/A	N/A	N/A
Other categories of 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 Euronext Milan– 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 this Report, the Company has not adopted share-based incentive plans that entail increases, even free of charge, in the share capital.

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

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 subjects with special powers (such as, for example, the powers referred to in Law 474/94 or the special powers of the Italian State in strategic sectors, referred to in Decree-Law no.21 of 15 March 2021, converted into Law on 11 May 2012, no. 56) capable of affecting the Issuer's economic, commercial and/or financial policy.

The Articles of Association do not provide for plural or increased voting shares.

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.

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

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)

Change of control clauses

No relevant contracts have been stipulated that provide for change of control clauses neither by the Issuer nor by its subsidiaries.

Statutory provisions on takeover bids

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 *"...omitted 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...omitted"*.

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.

It should be noted, to the extent necessary, that the Shareholders' Meeting on 25 June 2019 authorized 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. At the expiration date of the aforementioned authorization, which was on 28 December 2020, the Board had not exercised the aforementioned delegation and, in subsequent Shareholders' Meetings, no further authorization was issued for the purchase of 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 the latter 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 management 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. In this regard, reference should also be made to Section 8.1 of this Report;
- 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 (Section 4, paragraph 2);
- the information required by article 123-bis, first paragraph, letter l), second part (*" the rules applicable ... 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 (Section 13).

3. *COMPLIANCE* (pursuant to art.123-bis, paragraph 2, letter a), first part of the 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.

The Issuer's adherence to the Code is almost complete, except for limited deviations which are the subject of appropriate information as required by the Code.

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

4. BOARD OF DIRECTORS

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

The Board of Directors is the collective body entrusted with the management of the Company and is committed to pursuing the sustainable success of the Issuer and the Group, with a view to generating value for shareholders in the medium to long term. In this regard, in the 2021-2024 business plan approved on 31 March 2021, the Board of Directors decided to pay maximum attention to the pursuit of sustainable success, also with a view to preserving the ability of future generations to meet their own needs. For further details, please refer, among other things, to the previous Section 1.2 and to the sustainability reports published from time to time on the Company's institutional website.

The Board of Directors therefore plays a central role in the PLC Corporate Governance system and, pursuant to art. 15 of the Articles of Association, is invested with the widest powers for the ordinary and extraordinary administration of the Company.

The management of the Company therefore rests exclusively with the Board of Directors, which carries out the operations necessary for the implementation of the corporate purpose with the sole exclusion of those that the law or the Articles of Association expressly reserve for the Shareholders' Meeting.

In addition, on 1 December 2021, the Board resolved to approve, in accordance with the provisions of Article 3, Recommendation 11 of the Code, the *"Regulations of the Board of Directors: Role, Organization and Operating Procedures"* (the "**Regulations of the Board**"). Therefore, the Company's Board of Directors, based on the regulatory and statutory provisions applicable from time to time and pursuant to the aforementioned Regulations of the Board, has the power to pass resolutions, without prejudice to the provisions of Articles 2420-ter and 2443 of the Italian Civil Code and in compliance with art. 2436 of the Italian Civil Code, where required, about:

a) mergers by incorporation or demergers, pursuant to art. 2505, 2505-bis and 2506-ter, of the Italian Civil Code;

b) the establishment or closing of branch offices;

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

d) an indication of which Directors represent the Company;

e) the reduction of share capital in the event of shareholder withdrawal;

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

g) the replacement, pursuant to article 2386 of the Italian Civil Code, within the members of the same list to which the outgoing directors belonged, of any directors who died during the year, provided that the majority is always made up of directors appointed by the Shareholders' Meeting, in compliance with the statutory provisions.

Furthermore, the Board of Directors, as expressly referred to in the adopted Regulations of the Board:

a) on the proposal of the Chairman, formulated in agreement with the Chief Executive Officer, adopts and describes in the report on corporate governance the policy for managing dialogue with the entirety of shareholders, also taking into account the engagement policies adopted by institutional investors and asset managers;

b) ensures - through the Chairman and with the help of the Secretary - that all the members of the Board of Directors and the Board of Statutory Auditors can participate, after their appointment and during their mandate, in initiatives, including through the periodic presentation of the information on the general management trend and its foreseeable evolution, aimed at providing them with adequate knowledge of the business sectors in which the Company operates, the business dynamics and their evolution, also with a view to the sustainable success of the Company, as well as the principles of correct risk management and the reference regulatory and self-regulatory framework;

c) resolves, on the proposal of the Chairman, the appointment and dismissal of the Secretary of the Board of Directors;

d) examines and approves the business plans and any strategic and financial plans of the Company and of the Group at its head, also based on the analysis of the relevant issues for the generation of long-term value carried out with the possible support of an internal committee of which the Board of Directors determines the composition and functions, periodically monitoring their implementation;

e) evaluates the general management performance, taking into consideration, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with those planned;

f) defines the corporate governance system of the Company and the structure of the Group at its head and assesses the adequacy of the organizational, administrative and accounting structure of the Company and of the subsidiaries of strategic importance, with particular reference to the internal control system and management of risks, also defining the principles concerning the coordination and information flows between the various parties involved in the aforementioned system, in order to maximize the efficiency of this system, reduce duplication of activities and ensure effective performance of the duties of the Board of Statutory Auditors;

g) defines the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments all the elements that may be relevant in view of the Company's sustainable success;

h) resolves on the operations of the Company and its subsidiaries that have a significant strategic, economic, equity or financial importance for the Company; to this end, it establishes the general criteria for identifying transactions of significant importance;

i) in order to ensure the proper management of corporate information, it adopts, on the proposal of the Chairman in agreement with the Chief Executive Officer, a procedure for the treatment of privileged information and a memorandum on the disclosure obligations of the Group companies with regard to the Company;

j) assigns and revokes proxies to one or more Directors and/or general managers, without prejudice to what is reserved for the exclusive competence of the Board of Directors pursuant to art. 2381 of the Civil Code, as well as in relation to the provisions of art. 13 of the Articles of Association, defining the limits and methods of operation;

k) defines, on the proposal of the Appointments, Remuneration and Stock Option Plans Committee, a policy for the remuneration of Directors, Statutory Auditors and executives with strategic responsibilities functional to the pursuit of the Company's sustainable success;

l) determines, having examined the proposals of the Appointments, Remuneration and Stock Option Plans Committee and having heard the Board of Statutory Auditors pursuant to art. 2389, paragraph 3, of the Civil Code, the economic and regulatory treatment of the Chief Executive Officers and of the other Directors who hold particular offices, also taking into account the relative participation in the Committees established within the Board of Directors. It also provides, where necessary, for the distribution of the overall emolument approved by the Assembly among the individual members of the Board of Directors;

m) carries out, assisted by the Appointments, Remuneration and Stock Option Plans Committee, at least every three years, in view of the renewal of the Board of Directors, an assessment of the size, composition and operation of the Board of Directors and of the Committees established within it (so-called self-assessment);

n) assesses the advisability of adopting - and possibly prepares, updates and implements, with the assistance of the Appointments, Remuneration and Stock Option Plans Committee - a plan for the succession of executive Directors;

o) provides information, in the corporate governance report:

- on its composition, indicating for each member the qualification, the role covered within the Board of Directors, the main professional characteristics as well as the length of office since the first appointment;
- on the performance of the tasks listed above and, in particular, on the number and average duration of the meetings of the Board of Directors held during the year and on the relative attendance percentage of each Director;
- on the main characteristics of the internal control and risk management system, expressing its assessment on its adequacy and effectiveness, with respect to the characteristics of the PLC Group and the risk profile assumed;

p) assesses on the merits, if the Assembly, in order to meet organizational needs, authorizes, in a general and preventive manner, exceptions to the prohibition of competition provided for by art. 2390 of the Civil Code, each problematic case in point and reports any critical issues to the first useful Shareholders' Meeting. To this end, each Director, upon accepting the appointment, promptly informs the Board of Directors of any activities exercised in competition with the Company and, subsequently, of any relevant changes.

In order to better and more efficiently manage the Company, the Board of Directors appoints one or more Managing Directors from among its members, to whom it delegates the responsibility of directing and managing the company, its offices and representatives, deliberating and fulfilling all the acts that fall within the ordinary administration of the Company, without prejudice to the matters reserved to the exclusive competence of the Board of Directors pursuant to art. 2381 of the Civil Code. On the occasion of the meetings of the Board of Directors, at least on a quarterly basis, the Chief Executive Officer provides the Board with information on the general management trend and its foreseeable evolution, on the most significant economic, financial and equity transactions carried out by the Company and/or by subsidiaries; the Chief Executive Officer also reports on transactions in potential conflict of interest, atypical or unusual, and on transactions with related parties.

The Chairman of the Board of Directors, with the support of the competent corporate functions, provides information on any legislative and regulatory changes regarding the Company and the corporate bodies, subsidiaries and investee companies, and supports each Director in studying particular issues that are of interest to them in carrying out their mandate. Furthermore, the Chairman of the Board of Directors can take the initiatives deemed useful so that the Directors can increase their knowledge of the reality and company dynamics for the purpose of more effective performance of their role.

* * *

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

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

With reference to the Financial Year, the Board - in the Board meeting of 28 March 2022 and at the same time as the approval of the draft financial statements - carried out an assessment of the general management trend taking into account, in particular, the information received from the delegated bodies.

As previously highlighted, the Board is the competent body for examining and approving the transactions of the Issuer and its subsidiaries that have a significant strategic, economic, equity or financial significance identified based on general criteria established by Board.

In particular, the Board, in its meeting of 30 April 2021, identified which operations of significant strategic importance to be submitted to the prior opinion of the Board pursuant to Article 1, Recommendation 1, letter e) of the Code, from among the following operations:

- extraordinary transactions (such as, by way of example and not limited to, acquisitions, disposals, establishment of joint ventures, etc.) carried out by the Italian and foreign subsidiaries, for an amount individually greater than 2% of the total assets resulting from the consolidated financial statements at 31 December of each year; and
- ordinary operations pertaining to the normal conduct of business (such as, by way of example and not limited to, procurement contracts relating to the construction of plants, the management and maintenance of plants, etc.) always carried out by the Italian and foreign subsidiaries, for an individual amount exceeding 5% of total revenues, calculated by differentiating the revenues relating to the services segment and the revenues relating to the construction segment (based on the consolidated financial statements as at 31 December of each year).

It is also specified that, with reference to contracts lasting more than one year, the calculation of the value will be carried out for the entire duration of the contract in the case of fixed-term contracts or, in the case of permanent contracts, in relation to the presumed payments for the duration of the single financial year (or, if the notice period for withdrawal is greater than one year, for the entire longer duration of this period).

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.

In the meeting of 28 June 2021, the Board updated the "*Procedure for Transactions with Related Parties*", which entered into force on 1 July, which governs the approval and execution of transactions with related parties carried out by Issuer, directly or through subsidiaries, in order to ensure the transparency and substantial and procedural correctness of the transactions. For more information, please refer to section 10 of this Report.

With reference to the authorizations for the performance, by the directors, of relevant activities pursuant to art. 2390 of the Civil Code, it is recalled that, in the meeting of 30 April 2021, the ordinary shareholders' meeting resolved to authorize the members of the Board of Directors to take on other offices pursuant to art. 2390, first paragraph, of the Italian Civil Code, without prejudice to compliance with the additional legal obligations imposed on them. In this regard, the Board will assess any problematic cases and report any critical issues where necessary to the Shareholders' Meeting.

It should also be noted that in the meeting of 19 March 2021 the outgoing Board of Directors formulated a *"Shareholder orientation for the renewal of the Board of Directors for the three-year period 2021-2023"*, deeming it appropriate to raise the number of directors from 6 to 7 of the Company, also due to its structure and operational needs, as well as the potentially offshooting positive effects in terms of broadening the debate in the board meeting. On this point, it should be noted that the Shareholders' Meeting followed up the orientation of the Board by proceeding to appoint 7 directors in the Shareholders' Meeting of 30 April 2021.

In addition to the above, no problematic cases emerged during the Financial Year in relation to which the Board deemed it necessary or appropriate to draw up reasoned proposals to be submitted to the Shareholders' Meeting for the definition of a corporate governance system more functional to the needs of the company.

On the proposal of the Chairman, in agreement with the Chief Executive Officer, on 26 January 2022 the Board of Directors adopted a policy for managing dialogue with the majority of the shareholders (the "**Policy Dialogue**"), which specifies the ways of managing dialogue between the Company and current and potential shareholders. For more information, please refer to section 12 of this Report.

Below are the descriptions relating to the further duties of the Board of Directors regarding: composition (Paragraph 4.3), operation (Paragraph 4.4), appointment and self-assessment (Paragraphs 4.1 and 7.1), remuneration policy (Paragraph 8); internal control and risk management system (Paragraph 9).

4.2 APPOINTMENT AND REPLACEMENT (pursuant to art.123-bis, paragraph 1, letter l), first part, 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 of this prohibition will not be attributed to any list.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board will also remain in office until the Shareholders' Meeting resolves to renew it; up to that moment, the Board of Directors may only perform day-to-day administration.

Members of the Board of Directors are entitled to compensation to be accounted in the Company costs; this remuneration is established by the Shareholders' Meeting and will remain unchanged until further resolution.

The members of the Board of Directors are also responsible for the reimbursement of expenses incurred due to their office".

It is recalled here that the Code provides for the definition and adoption of a succession plan for executive directors by large companies. In this regard, also in consideration of the qualification of the Company as a company with concentrated ownership, the nature of the shareholding structure of the Company, the individual relationship between the Company and the directors, as well as the peculiarities, in this case, of each of these relationships and subjects as well as of the statutory and regulatory rules envisaged for the appointment and renewal of the Board of Directors, the Board has assessed that it does not have to formalize the adoption of a succession plan for executive directors. If during the year one or more executive directors resign, they will be replaced according to the provisions of the Articles of Association.

On the date of this Report, there are no statutory provisions that allow the presentation of a list by the outgoing Board for the renewal of the administrative body or the Board of Directors, due to expire upon approval of the financial statements at 31 December 2020, but presented its own list for this purpose for the Shareholders' Meeting of 30 April 2021 which had, inter alia, the appointment of the administrative body on the agenda.

As regards further information on the role of the Board of Directors and the internal Board Committees in the functional processes of self-assessment, appointment and succession with reference to the members of the administrative body and/or top management, please refer to Section 7 of this Report.

4.3 COMPOSITION (pursuant to art.123-bis, paragraph 2, letter d and d-bis), Consolidated Law on Finance)

Pursuant to art. 12 of the Articles of Association, the Company is managed by a Board of Directors composed of a number of members not less than 5 and not more than 19, with adequate competence and professionalism. The directors remain in office for the period set by the shareholders' meeting resolution for appointment, up to a maximum of 3 financial years and can be re-elected. They resign and are re-elected or replaced in accordance with the law and the articles of association.

On 30 April 2021, 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 2023, a Board consisting of 7 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. 19,087,545 ordinary shares of the Company, equal to 73.53% 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. 44 of 29 January 2021.

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

In the meeting of 30 April 2021, the Board appointed Giuseppe Maria Garofano as Honorary Chairman until the date of the Meeting called to approve the financial statements as of 31 December 2023.

Therefore Board appointed on 30 April 2021, consists of the following:

Board of Directors.												
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	26/03/2018	30/04/2021	Financial statements approval for 2023	M	X				13/14	9
CEO	Michele Scoppio	1975	26/03/2018	30/04/2021	Financial statements approval for 2023	M	X				14/14	7
Director	Chiara Esposito	1978	26/03/2018	30/04/2021	Financial statements approval for 2023	M	X				14/14	1
Director	Luciano Maria Garofano	1975	26/03/2018	30/04/2021	Financial statements approval for 2023[2]	M	X				14/14	11

[2] It should be noted that the Director Luciano Maria Garofano has resigned with effect from 29 March 2022.

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

Director	Graziano Gianmichele Visentin	1950	28/04/2010	30/04/2021	Financial statements approval for 2023	M		X	X	X	13/14	11
Director	Marina D'Artibale	1965	26/03/2018	30/04/2021	Financial statements approval for 2023	M		X	X	X	14/14	1
Director	Claudia Crivelli	1973	30/04/2021	30/04/2021	Financial statements approval for 2023	M		X	X	X	6/7	0

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The number of meetings held by the Board during the year and the internal board committees are shown below:

Board of Directors	Control Risk and Sustainability Committee	Appointments, Remuneration and Stock Option Plans Committee	Board Committee for Related Party Transactions
14	6	4	3

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

Francesco Esposito

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

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

Michele Scoppio

Born in Bari in 1975, he graduated in Electrical Engineering with honours from the Polytechnic of Bari. He completed his training by attending a specialisation course in 2000 in “total quality management” techniques and in 2001 at FIAT’s Isvor economic school, acquiring skills in issues related to "problem solving", macro and micro economics and creativity techniques.

He is qualified as an engineer.

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

As part of his professional career in the energy sector, and in particular in the renewable energy sector, he managed the engineering, construction, financing, M&A, 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 with 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 Group, holding the position of 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*.

To date she is a manager of PLC S.p.A.

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 16 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 1.5 billion.

Graziano Gianmichele Visentin

Born in Albano Laziale in 1950, he graduated in Law from the University of Pavia and 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.

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

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

Marina D'Artibale

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

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

In 2015 she was included in the "In the Boardroom" Valore D training programme, dedicated to women who sit and will sit on the boards of directors and control bodies of listed Italian companies, promoted by Egon Zehnder and Linklaters, which trained 330 women. in 6 years. She is currently President of the ITB (Institute of biomedical technologies) National Committee representing the ITB Alumnae in Valore D.

She has been a member of the Board of Directors of companies in the Johnson & Johnson Italy group and Pfizer Italia.

During her career she has managed several complex projects in the area of Internal Control and *Corporate Governance*.

She was Market Operations Director in Pfizer CH where she oversaw the start-up of the OTC business and led several restructuring and merger projects.

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

Claudia Crivelli

She was born in Lugano in 1973 and graduated magna cum laude in Law from the University of Basel and, subsequently, obtained a Master of Laws (LL.M.) in commercial and corporate law from the London School of Economics. She is licensed to practice as a lawyer both in Italy and in Switzerland.

She worked for years in leading Italian law firms where she mainly dealt with M&A and Corporate Governance, but also with banking and restructuring. She also worked in-house, as head of the legal area of TE Wind S.A.

In recent years she has taken on positions as an independent director in listed companies.

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

Members	List of Roles
Francesco Esposito	1. Chairman of the Board of Directors of Idroelettrica 2014 S.r.l. Sole shareholder[3] 2. Director of PLC South Africa Ltd 3. Sole Director of PLC Power S.r.l.[4] 4. Sole Director of C&C Irsina S.r.l.[5] 5. Sole Director of C&C Tre Energy S.r.l.[6] 6. Director of Monsson Operation LTD 7. Director of Monsson Operation S.r.l. 8. Director of Wind Power Energy S.r.l. 9. Chairman of the Board of Directors of Schmack Biogas S.r.l.
Michele Scoppio	1. Director of MSD Service S.r.l. 2. Director of Idroelettrica 2014 S.r.l. Sole shareholder[7] 3. Director of PLC South Africa Ltd 4. Director of Monsson Operation LTD 5. Director of Monsson Operation S.r.l. 6. Director of Wind Power Energy S.r.l. 7. Director of Schmack Biogas S.r.l.
Chiara Esposito	1. Director of Idroelettrica 2014 S.r.l. Sole shareholder[8]
Luciano Maria Garofano	1. Managing Director Nelke S.r.l. 2. Sole Director Gardil S.r.l. 3. Sole Director Iron Re S.r.l. 4. Director of the Sasso di Maremma Foundation 5. Sole Director Richini Due S.r.l. 6. Director of Monsson Operation LTD 7. Director of Monsson Operation S.r.l. 8. Director of Wind Power Energy S.r.l. 9. Director of Schmack Biogas S.r.l. 10. Director of TeleLombardia S.p.A. 11. Director of MFZ S.r.l.
Graziano Gianmichele Visentin	1. Sole Auditor of Whirpool Italia S.r.l. 2. Standing statutory auditor of Coima SGR S.p.A. 3. Standing statutory auditor of Ricerca 12 S.p.A.

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

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

Diversity criteria and policies in the composition of the Board and in the company organization

In accordance with Article 2, Recommendation 8 of the Code, over one third of the Board is made up of directors of the least represented gender. The Company has not applied other diversity criteria or adopted specific diversity policies in relation to the composition of the administrative bodies. The Issuer and its subsidiaries are aware of the importance of human capital; the sustainable approach is therefore also expressed through policies aimed at its protection and evolution. The Issuer and its subsidiaries adopt principles of equality and equal opportunities in the management of human resources and reject any type of discrimination against their employees and collaborators. In addition, all employees of the Issuer and its subsidiaries adhere to the Code of Ethics of the PLC Group, available at the following link: Codice Etico (plc-spa.com), and promote compliance with the principles of equality and equal opportunities in personnel selection and recruitment activities. In fact, in internal and external relations behaviour that is discriminatory based on political and trade union opinions, religious orientation, racial or ethnic origins, nationality, age, sex, sexual orientation and personal and social conditions are not allowed. For detailed data on the monitoring of equal treatment and opportunities between genders within the entire company organization, please refer to the sustainability reports published from time to time on the Company's institutional website.

Maximum number of offices held in other companies

As the Company does not qualify as a large company pursuant to the Code, the Board did not deem it appropriate to define general criteria regarding the maximum number of administration and control positions that can be taken on in other companies - listed or unlisted - by its members. In fact, without prejudice to the duty of each Director to personally assess the compatibility of the administration and control positions held with the diligent performance of the tasks taken on as director of the Issuer, it was considered possible to leave the shareholders presenting the lists for the appointment of the directors wide discretion in the choice of candidates, possibly also taking into account, if need be, the criteria proposed by the Code. The Board also believes, due to the professional profiles and the contribution made during the FY, that the current members do not hold a number of positions that do not allow the proper performance of their duties within the Company.

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

In accordance with the provisions of the Recommendations of the Code, the Chairman of the Board - also with the help of the Secretary – endeavours to ensure that the members of the Board are provided with the appropriate methods and timing, the documentation and information necessary to act in an informed manner in performing their duties. 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 on the same date the meeting is called, where possible, and in any case, as a rule, by the third day prior to the day fixed for the meeting, except in cases of urgency in which the documentation is made available as soon as possible, duly taking into account the possibility any confidentiality and price sensitivity requirements linked to certain topics (in compliance with the applicable laws and regulations), as well as any urgency related to certain topics (on which the Board is called to rule upon) may not be recommended or not allowed.

The rules governing the call and conduct of board meetings are contained in the Regulations of the Board and in article 14 of the current Articles of Association, both already recalled. In particular, the aforementioned board regulation provides that the Board of Directors be convened by the Chairman or by the Chief Executive Officer or, on behalf of the latter, also by another Director or by the Secretary or other person in charge, through a notice containing an indication of the day, time and place of the meeting, as well as the items on the agenda on which to discuss and approve, in compliance with the provisions of art. 14 of the Articles of Association and individual directors may request the Chairman to include items on the agenda.

It is possible that the meetings of the Board of Directors are held by video-conference or audio-conference, or that only some Directors participate through one of these methods, provided that all the participants can be identified, that it is ascertained (unless otherwise specified in legal and regulatory provisions in force at the time) that the Chairman and Secretary are in the same place and that the participants are allowed to follow the discussion and to intervene in the discussion of the topics and to express their vote, as well as to view any documentation distributed during the meeting in real time. The Chairman or the Chief Executive Officer may invite employees of the Company or subsidiaries or other persons or external consultants, whose presence is deemed useful in relation to the matters to be discussed, to participate in the Board of Directors' meeting.

These persons will in any case be required to comply with the confidentiality obligations envisaged for Board meetings.

The meeting of the Board of Directors is conducted by the Chairman or by the Chief Executive Officer in the manner deemed most appropriate by them to allow the Board's work to be best performed. The related resolutions are adopted in accordance with the law and the Articles of Association.

Furthermore, pursuant to article 14 of the Articles of Association, the Board meets whenever the Chairman, or whoever takes his place, deems it appropriate, or if a written request is made to the Chairman by at least two Directors or at least one Auditor.

The notice of Board meetings are made by the Chairman, or entrusted by him to another Director or the Secretary, by registered letter, telegram, fax or e-mail, to be sent at least three days before the date set for the meeting and, in case of urgency, also by telegram, fax or e-mail, to be sent at least the day before the date set for the meeting. In the absence of these formalities, the meeting is considered validly constituted with the presence of all the Directors in office and all the standing members in office of the Board of Statutory Auditors.

Board meetings are held at the registered office or elsewhere indicated in the notice of meeting.

It should be noted that during the year to which this Report refers, some meetings of the Board were held by means of telecommunication in accordance with the provisions of art. 106 of the Law Decree no.18 of17 March 2020, containing *"Measures to enhance the health service and economic support for families, workers and businesses related to the epidemiological emergency from COVID-19"*.

The Board resolves on matters that concern it, with the presence of the majority of the directors in office and 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 Financial Reporting Manager, the Head of Legal and Corporate Affairs, the Strategic Planning and Business Development Manager and representatives from the subsidiary Schmack Biogas S.r.l. have participated in some Board meetings during the year), consultants and / or outside experts.

On the date of this Report, the provisions of the Regulations of the Board, also taking into account its recent approval, have been duly observed.

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

Office	Members	% BoD
Chairman	Francesco Esposito	92.85
CEO	Michele Scoppio	100
Director	Chiara Esposito	100
Director	Luciano Maria Garofano	100

Director	Graziano Gianmichele Visentin	92.85
Director	Marina D'Artibale	100
Director	Claudia Crivelli	85

The average duration of the Board meetings for the year was 62.57 minutes.

For the current year, in addition to the meetings of 26 January, 15, 17, 25 and 28 March 2022, just one further meeting is scheduled, as shown in the calendar of corporate events for 2022 sent to Borsa Italiana S.p.A. and published on the Company website, which provides for the following time references: 12 August 2022 for approval of the half-yearly financial report at 30 June 2022.

4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

In the meeting of 30 April 2021, the Board resolved to attribute to the Chairman of the Board, Mr. Francesco Esposito, due to his specific role in the Company's business and his particular expertise, all the powers and attributions deriving from the office by law and by the Articles of Association. In particular, the Chairman of the Board of Directors is entitled to represent the Company before third parties and in court as well as using the corporate signature, all the powers for the ordinary management of the Company, to be exercised with single signature and for amounts not exceeding individually Euro 500,000.00 and with joint signature with the Chief Executive Officer for individual amounts not exceeding Euro 5 million, it being understood that for making money transfers between the accounts held by the Company, as well as for making money transfers in favour of subsidiaries and associates, a joint signature with the Chief Executive Officer is always required.

The Chairman of the Board of Directors is also attributed, by way of example and not limited to, the following powers:

- 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 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;
- 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;
- hire and / or dismiss and / or transfer employees, including executives (in the latter case subject to the opinion of the Remuneration Committee limited to executives with strategic responsibilities), deciding and changing their qualifications, functions, salaries (including benefits and ancillary remuneration), and liquidations, categories and duties, apply disciplinary measures against employees within the terms, limits and with the formalities provided for by law, collective and labour agreements and internal staff regulations. He can represent the Company in trade union negotiations, enter into trade union agreements with trade union representatives and with worker and category associations and negotiate trade union disputes and / or employment relationships with the right to settle and reconcile with trade unions or Local Directorate of Labour. He will also be able to maintain relations with welfare institutions with reference to all the staff employed, ensuring compliance with the relative legal obligations on the matter;
- 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;

Mr. Esposito, in his role as Chairman of the Board of Directors, also has the mandate as employer with an unlimited amount of expenditure in accordance with Legislative Decree 81/08

In addition, the Chairman of the Board of Directors, with the help of the Secretary, oversaw:

- the pre-meeting information and the complementary information provided during the meetings so that they were suitable to allow the directors to act in an informed manner in performing their role, allowing all the directors to speak, when requested, and to formulate all questions deemed necessary and / or appropriate, always receiving the necessary and timely clarifications;
- coordination between the activities of the internal Board Committees and the Board of Directors, ensuring that the statements of the competent Committees were represented during the Board meetings;
- in agreement with the Chief Executive Officer, that the executives of the Issuer and those of the subsidiaries attend the board meetings to provide appropriate information on the items on the agenda, inviting them to participate in the board meetings and asking them to prepare presentations and documentation in support of the discussion to be left on the records of the Issuer;
- the communication to all the members of the administration and control bodies, after the appointment and during the mandate, of all the initiatives, also through the periodic presentation of the information on the general management trend and its foreseeable evolution, which could provide them with adequate knowledge of the business of the Issuer and its subsidiaries, also with a view to the sustainable success of the Issuer, also providing information regarding risk management and the reference regulatory and self-regulatory framework;
- so that it is adequate and transparent, the self-assessment process of the management body, with the support of the Appointments, Remuneration and Stock Option Plans Committee, allows the self-assessment process, as structured by the Committee and the related results, to be an issue subject to discussion by the entire Board of Directors and the Board of Statutory Auditors.

Furthermore, the Chairman, with the support of the competent corporate functions, provides information on any legislative and regulatory changes regarding the Company and the corporate bodies, subsidiaries and investees, and supports each Director in studying particular issues that are of interest to them in carrying out their mandate. The Chairman of the Board of Directors can also take the initiatives deemed useful so that the Directors can increase their knowledge of the reality and company dynamics for the purpose of more effective performance of their role. In performing this function, a specific training session was organized (so-called induction programme) reserved for all members of the Board and of the Board of Statutory Auditors, with a leading Italian law firm having as its object, inter alia, the discipline on related parties as amended by Legislative Decree 10 June 2019, no. 49, by which Directive (EU) 2017/828 relating to the encouragement of the long-term commitment of shareholders was transposed into Italian law. Art. 7, paragraph 3, of the aforementioned legislative decree provided for specific proxies in favour of Consob for the adoption of implementing regulations for the amendment of secondary legislation, by virtue of the power attributed to it, in particular, by art. 2391-bis of the Italian Civil Code and by art. 123-ter of the Consolidated Law on Finance, as amended by the Decree. The induction programme also took into account resolutions no. 21623, 21624 and 21625, approved on 10 December 2020 by Consob relating to: the Consob Issuers' Regulation; to the Consob Related Party Regulations and the Consob Market Regulations. The new RPT Procedure was formalized by PLC following the aforementioned training session, on 28 June 2021. Taking into account the size of the Company and the activities it carries out, it was considered that the directors in office, in light of their experience and the professional skills of each, generally have adequate knowledge of the sector in which the Issuer operates, the corporate dynamics and the principles of correct risk management. In case of need, the Issuer will assess organising further induction sessions in order to provide updates and / or insights on specific issues of interest to the directors[9].

In addition, the Chairman of the Board, despite being the holder of management powers, does not believe he can be considered the main person responsible for the management of the Issuer, since a CEO is also present on the Board having separately substantially the same powers. As of the date of this Report, the Chairman of the Board does not hold shares in the Issuer, nor does he indirectly control the Issuer.

Board Secretary

Pursuant to art. 13 of the Articles of Association - and in accordance with Recommendation 18 of the Code - the Board of Directors appoints and dismisses, on the proposal of the Chairman, a Secretary, who can also be chosen from among people outside the Company and the Board of Directors, and establishes the duration of his office. The current Secretary is Mr. Fausto Tramontin, head of the Issuer's Legal and Corporate Affairs Department, appointed by the Board of Directors in the session of 1 December 2021.

The Secretary has a solid background in the legal and / or economic field, as well as a consolidated experience in the management of corporate activities and compliance.

The Secretary supports the activities of the Chairman and provides impartial judgement, assistance and advice to the Board of Directors on every aspect relevant to the proper functioning of the corporate governance system. The Secretary has the following powers, already carried out during the Financial Year:

[9] It should be noted that all the members of the Board and of the Board of Statutory Auditors were also invited to the training session relating to the updating of the Company's Model 231 held on 14 March 2022, by the Law Firm which supported the Issuer in the preparatory activities for the update.

- drawing up the minutes of each meeting of the Board of Directors and signing them together with the Chairman;
- take care of the conservation of the minutes and of the company books;
- supporting the activity of the Chairman;
- providing impartial assistance to the Board of Directors on every aspect relevant to the proper functioning of the corporate governance system.

In case of absence of the Secretary, the Board of Directors, on the occasion of the individual Board meeting and on the proposal of the Chairman, designates an interim replacement.

4.6 EXECUTIVE DIRECTORS

CEO

Pursuant to art. 13 of the Articles of Association, the Board of Directors can delegate its powers to one or more Managing Directors and / or General Managers, determining the limits of the delegation and the signature and representation powers.

At the meeting of 30 April 2021, the Board resolved to appoint as CEO, Eng. Michele Scoppio attributing to him, in addition to all the powers and attributions deriving from the office pursuant to the law and the Articles of Association, the powers to represent the Company before third parties and in court as well as using the corporate signature, all the powers for the ordinary management of the Company, to be exercised (**i**) with single signature for amounts not exceeding individually Euro 500,000.00 and (**ii**) with joint signature with the Chairman of the Board for individual amounts not exceeding Euro 5 million, it being understood that for making money transfers between the accounts held by the Company, as well as for making money transfers in favour of subsidiaries and associates, a joint signature with the Chairman of the Board is always required.

The CEO is also attributed, by way of example and not limited to, the following powers:

- 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 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;
- 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;
- hire and / or dismiss and / or transfer employees, including executives (in the latter case subject to the opinion of the Remuneration Committee limited to executives with strategic responsibilities), deciding and changing their qualifications, functions, salaries (including benefits and ancillary remuneration), and liquidations, categories and duties, apply disciplinary measures against employees within the terms, limits and with the formalities provided for by law, collective and labour agreements and internal staff regulations. He can represent the Company in trade union negotiations, enter into trade union agreements with trade union representatives and with worker and category associations and negotiate trade union disputes and / or employment relationships with the right to settle and reconcile with trade unions or Local Directorate of Labour. He will also be able to maintain relations with Welfare institutions with reference to all the staff employed, ensuring compliance with the relative legal obligations on the matter;
- stipulate, modify and terminate purchase, supply, service and tender contracts, leasing contracts, including financial contracts, also of a multi-year duration, with the warning that the contractual relations relating to or in any case connected to the same transaction contribute to forming the limit, even if to be concluded through several deeds;
- conclude and sign transactions, reach arbitration compromises;

- actively and passively represent the Company before any administrative, tax and judicial, ordinary and special authority, in any procedure, in any degree and venue, and therefore with powers to sign any procedural document, with powers to resolve, propose and sign any application or defence, appeals for any reason, any procedural document, even enforcement proceedings, bankruptcy, composition proceedings;
- confer special powers of attorney and operational delegations to Company employees or third parties within the scope of the powers conferred.

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

Executive Committee

The Board did not set up an Executive Committee.

Disclosure to the Board

In accordance with the provisions of art. 17 of the Articles of Association which, in turn, incorporates the provisions referred to in paragraph 1 of Article 150 of 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 and its subsidiaries, declaring, if applicable, the existence of a conflict of interest with itself or third parties and the existence of atypical or unusual transactions.

Other executive directors

At the meeting of 30 April 2021, the Board resolved to assign human resource management duties to the Director Chiara Esposito - without prejudice to the competences and powers envisaged for the Appointments, Remuneration and Stock Option Plans Committee -, with the attribution of the following powers:

- hire and / or dismiss and / or transfer employees, excluding executives, deciding and changing their qualifications, functions, salaries (including benefits and ancillary remuneration), and liquidations, categories and duties, apply disciplinary measures against employees within the terms, limits and with the formalities provided for by law, collective and labour agreements and internal staff regulations. She can represent the Company in trade union negotiations, enter into trade union agreements with trade union representatives and with worker and category associations and negotiate trade union disputes and / or employment relationships with the right to settle and reconcile with trade unions or Local Directorate of Labour. She will also be able to maintain relations with Welfare institutions with reference to all the staff employed, ensuring compliance with the relative legal obligations.

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

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

From 26 March 2018, also following the renewal of the administrative body on 30 April 2021, and up to the date of this Report, the following are therefore considered to be executive directors:

(i) Eng. Michele Scoppio, by virtue of the position of Chief Executive Officer held by him directly within the Issuer;

(ii) Mr. Francesco Esposito, by virtue of the office of Chairman of the Board with proxies; held by him directly within the Issuer; and

(iii) Dr. Chiara Esposito and Dr. Luciano Maria Garofano[10], by virtue of the powers assigned to them by the Board, as indicated above.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

As of the date of this Report, 3 (three) members of the Issuer's Board of Directors are in possession of the independence requirements provided for by art. 147-ter of the Consolidated Law on Finance and the CG Code.

The Board assesses the existence of the directors' independence and non-executive conditions pursuant to the Consolidated Law on Finance and 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 30 April 2021, the Board met to assess, amongst other things, the existence of the independence requirements of Directors Graziano Gianmichele Visentin, Marina D'Artibale and Claudia Crivelli on the same date. This assessment was successful and, in this regard, a specific press release was also issued on 30 April 2021.

This assessment was again carried out and confirmed by the Board during the meeting of 25 March 2022 (a meeting immediately preceding the one which, among other things, approved this Report).

With specific reference to the director Graziano Gianmichele Visentin, it should be noted that he declared that he did not formally possess the independence requirements provided for by art. 2 of the Code (having held the position of Director of the Issuer for a period of more than nine years in the last thirteen years). Considering

[10] See previous notes relating to the resignation of the Director Garofano.

the high ethical and professional qualities of the person concerned, as well as his exemplary work while in office and the constant autonomy of judgement, The Board of Directors has deemed it appropriate to evaluate the prevalence of substance over form and, therefore, to recognize the existence, for this Director, of the independence requirement pursuant to the Code.

Lastly, it should be noted that, in the meeting of 1 December 2021, the Board approved, on the proposal formulated by the Appointments, Remuneration and Stock Option Plans Committee, the following qualitative and quantitative criteria for assessing the significance of the additional relationships and remuneration envisaged from Recommendation no. 7, letter c) and d) of the Code, to be considered applicable as an alternative:

a) performing additional professional services for the Company with respect to the services due by the director for the Company, by reason of his / her office, where the relative annual amount exceeds the sum of Euro 90,000.00;
b) performing additional professional services for the Company with respect to the services due by the director for the Company by reason of his / her office, where they represent more than 7.5% of the director's annual turnover or more than 7.5% of the annual turnover of the company or body of which the director has control or is an executive director or of the professional firm, or of the consultancy company, of which he / she is a partner or shareholder;
c) personal and financial situations that may lead to conflicts of interest and even only potentially hinder the independence of judgement of the director, leaving the assessment case by case to the board of statutory auditors.

The Board of Statutory Auditors normally verifies the correct application of the assessment criteria and procedures adopted by the Board to assess the independence of its members. With reference to the supervisory activities carried out during the year, please refer entirely to the Report by the Board of Statutory Auditors on the PLC Financial Statements for the year as published in accordance with the relevant laws and regulations.

Due to the qualification of the Company as a company with concentrated ownership, no specific meeting of the directors qualifying as independent pursuant to Article 2, Recommendation 5 of the Code was held in the absence of the other directors, other than the meetings of the Control, Risk and Sustainability Committee and of the Appointments, Remuneration and Stock Option Plans Committee (which, moreover, consists solely of independent directors).

Lead Independent Director

At the date of this Report, the Board has not appointed an independent director as lead independent director. With reference to Article 3, Recommendation 14 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, the latter made up solely of independent and non-executive directors.

5. MANAGING 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 this information, as well as the procedures to be observed for communication, both internally and outside the Company, documents and information regarding the Issuer and its subsidiaries, with particular reference to inside information.

This procedure effective from 24 April 2018 and last amended on 1 December 2020, defines, among others, the concept of "Inside Information" and identifies the general behaviour the recipients must have with regard to processing these types of information as well as the roles and responsibilities of the various department managers. This procedure also contains a descriptive part of the internal management methods for confidential and inside information, an indicative part of the methods for communicating confidential and inside information to the outside and a section dedicated to the penalties to be imposed on recipients in case of abuse or violations of law and procedure. In compliance with the provisions of the aforementioned procedure, the directors, statutory auditors, managers and all employees of the Group companies must keep inside information relating to the Issuer and to the subsidiaries that has come to their attention in the performance of their duties, confidential and comply with the procedures described in the document for the identification, internal management and communication of this information to the market.

The person in charge of fulfilling the disclosure obligations established by the procedure is the Head of Legal and Corporate Affairs. The procedure is published on the website www.plc-spa.comin the Internal risk management system / PLC section.

6. INTERNALBOARD COMMITTEES (pursuant to art.123-bis, paragraph 2, letter d), Consolidated Law on Finance)

As of the date of this Report, the Company has established the following internal Board Committees:

- Appointments, Remuneration and Stock Option Plans Committee, for the details of which see Section 7.2 below;
- Control, Risk and Sustainability Committee, for the details of which see Section 9.2.

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

The Board has allocated the functions of the Related Party Transactions Committee, for details of which see Section 10 below, as provided for in the *"Procedure for Related Party Transactions"* currently in force, to the Control, Risk and Sustainability Committee and / or to the Appointments, Remuneration and Stock Option Plans Committee, depending on whichever is competent in the subject matter of the transaction to be resolved.

Minutes of each Committee's meetings are prepared by the Chairman of the Committee.

All the Committees have investigative, propositional and consultative functions and assist the Board in matters falling within their respective competence.

Each Committee has its own internal operating rules and the relative Chairman, or in his absence another member of the same Committee, reports to the entire Board at the first useful meeting.

The duties and composition of each Committee are established by resolution of the Board of Directors when they are established.

The Board determined the composition of the Committees by favouring the skills, experience and professionalism of the relative members, also avoiding an excessive concentration of offices. For more specific information on the composition and professionalism of the Committee members, please refer to the Sections below.

For the sake of completeness, it should be noted that the functions attributed by the Code to the Committees have not been reserved for the entire Board of Directors.

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – APPOINTMENTS, REMUNERATION AND STOCK OPTION PLANS COMMITTEE

Self-assessment and succession of Directors – Appointments, Remuneration and Stock Option Plans Committee

In accordance with Article 4, Recommendation 22 of the Code, the Board periodically assesses its size, composition and functioning of its internal Board Committees at least every three years, in view of the renewal of the management body.

This self-assessment was most recently carried out by the Board in the meeting of 19 March 2021, with reference to the 2020 financial year. The self-assessment process was structured, with the support of the Appointments, Remuneration and Stock Option Plans Committee, but without resorting to external consultants, by submitting self-assessment questionnaires to all Board members and, subsequently, by examining the results that emerged. The questionnaire concerned the size, composition and tangible functioning of the management body and its committees, also considering the role it played in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system. From the analysis of the results, no significant criticalities emerged, without prejudice to room for improvement with a view to continuous improvement, aimed at refining the proper operation of the PLC management body and its committees.

With reference to the orientation expressed in view of the renewal of the Board of Directors, please refer to what has already been highlighted in the previous Section 4.1.

In view of the renewal of the Board of Directors, which took place during the Financial Year, the directors, also taking into account the results of the annual self-assessment, expressed their orientation to the shareholders on the size and composition of the Board of Directors, also in consideration of the diversity provided for by the applicable laws, regulations and the Code. The orientation was disclosed in accordance with the law and is available at the following link: plc-relazione-sulle-materie-all-ordine-del-giorno-nomina-cda.pdf (plc-spa.com)

7.2 Appointments, Remuneration and *Stock Option* Plans Committee

On 30 April 2021, the Board established a single Appointments, Remuneration and Stock Option Plans Committee, made up of the following non-executive directors and in possession of the independence requirements pursuant to the Code and Consolidated Law on Finance: Dr. Marina D'Artibale (Chairman), Ms. Claudia Crivelli and Prof. Graziano Gianmichele Visentin. All the aforementioned members of the Appointments, Remuneration and Stock Option Plans Committee are in possession of detailed information knowledge and experience in accounting and financial matters, and / or in remuneration policies, deemed acceptable by the Board at the time of appointment.

Composition and operation

The composition of the aforementioned Committee complies with the criteria set out in the Code with reference to both the Appointments Committee and the Remuneration Committee. In accordance with art. 4, Recommendations 19 and 20 of the Code, in fact, the Appointments, Remuneration and Stock Option Plans Committee is made up of three independent Directors.

At the date of this Report, the Committee has not been assigned functions and tasks other than those provided for by the Code.

The meetings of the Appointments, Remuneration and Stock Option Plans Committee are coordinated by the Chairman, are regularly minuted and the Chairman gives a statement at the first useful meeting of the Board of Directors.

During the Financial Year, the Appointments, Remuneration and Stock Option Plans Committee met 4 times, amongst other things, to resolve on: (**I**) the self-assessment process of the members of the Board of Directors and its outcomes; (**ii**) the proposals for setting the performance objectives for the year 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; (**iii**) approval of the Remuneration Report, pursuant to art. 123-*ter* Legislative Decree 58/1998, as amended by legislative decree 49/2019 and art. 84-quater of the Consob Issuers' Regulation; (**iv**) the definition of the parameters of the MBO plan applicable to the Financial Reporting Manager; (**v**) the formulation of a proposal for the remuneration of directors vested with particular offices; (**vi**) to the appointment of the Investor Relator and the Financial Reporting Manager, as executive with strategic responsibilities, to the preparation of accounting and corporate documents; (**v**ii) the activities for defining the criteria for assessing the significance of the additional relationships and remuneration envisaged by Recommendation no. 7, letter c) and d) of the Code.

The average duration of the Appointments, Remuneration and Stock Option Plans Committee meetings for the year was 31.25 minutes.

The number of meetings for the current year is 3, already held on 8, 22 and 25 March 2022. At these meetings, the Committee, amongst other things, resolved on: (**i**) the proposals to the Board with reference to the setting of the *performance* objectives for 2022 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 for the FY, pursuant to art. 123-ter of the Consolidated Law on Finance.

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.

At least one representative of the Board of Statutory Auditors attended the Committee meetings, held during the year, at the invitation of the Committee.

The Board of Statutory Auditors participated in the meetings with a propositional and consultative contribution, making its knowledge and experience available to the Committee, allowing it to be kept updated also on the regulatory changes.

Structure of the Appointments, Remuneration and Stock Option Plans Committee					
Office	**Members**	**Non-executive**	**Independence from Code**	**Independence from Consolidated Law on Finance**	**% shareholding**
P	Marina D'Artibale	X	X	X	100
M	Graziano Gianmichele Visentin	X	X	X	100

M	Claudia Crivelli[11]	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.

As of the date of this Report, the Committee performs functions and tasks in line with those envisaged by the Code, to which reference is made in this regard.

The activities carried out by the Committee regarding remuneration are described in detail in the Remuneration Report prepared pursuant to art. 123-ter of the Consolidated Law on Finance.

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.).

8. DIRECTORS' REMUNERATION

8.1 Directors' remuneration

For the information in this section, for the relevant parts, please refer to the Remuneration Report published pursuant to art. 123-ter of the Consolidated Law on Finance.

In particular, for more information on:

- the remuneration of executive directors and top management, please refer to Section I para. 6.2 and 8 of the Remuneration Report;

- the remuneration of non-executive directors please refer to Section I para. 6.1 of the Remuneration Report;

- on the accrual and disbursement of the remuneration, please refer to Section II, first part letter A of the Remuneration Report; and

- to the compensation of the directors in the event of resignation, dismissal or termination of the relationship following a takeover bid, please refer to Section I, para. 4 of the Remuneration Report.

8.2 Remunerations Committee

For the information in this section, please refer to Section 7.2 above and for the remaining relevant parts in Section I of the Remuneration Report published pursuant to art. 123-ter of the Consolidated Law on Finance.

[11] Ms. Crivelli is a member of the Appointments, Remuneration and Stock Option Plans Committee since 30 April 2021.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – CONTROL AND RISKS COMMITTEE

The internal control and risk management 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, also aimed at pursuing the Issuer's sustainable success.

The overall adequacy of the system contributes to ensuring the achievement of objectives such as the efficiency of corporate and entrepreneurial management, the completeness, reliability and timeliness of accounting and management information, compliance with applicable laws and regulations, as well as the safeguarding of corporate assets and corporate integrity, also in order to prevent fraud that could damage the Company and the financial markets.

As part of its specific duties and responsibilities regarding the operation of the internal control system, the Board of Directors:

- has set up the Control, Risk and Sustainability Committee;
- has set up a Supervisory Body for monitoring the operation of Model 231;
- has appointed the CEO responsible for supervising the operation of the internal control and risk management system;
- has appointed a Head of the Internal Audit Department;
- in accordance with the recommendations of the Code and the principles of governance of international best practice for listed companies, has approved the following documents:
    - Procedure for Related Party Transactions;
    - Procedure for the handling of Inside Information;
    - Procedure for fulfilling the information obligations pursuant to art. 150, para. 1, Consolidated Law on Finance;
    - Internal dealing procedure;
    - the Code of Ethics of the PLC Group;
    - Group Anti-corruption Policy;
    - Model 231 consisting of: (i) General Part and (ii) Special Part.

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 handling of Inside Information; and (ii) the Procedure for the fulfilment of disclosure obligations art. 150, paragraph 1, of the 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.

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.

It should be noted that the Issuer and the entire Group are, to date, involved in the activities for the adoption of a new management system (so-called "**ERP**") which has the further objective of strengthening, standardizing minimum levels of control and making the Group's internal control and risk management system even more effective and efficient, with a view to continuous improvement.

The Board is responsible for the management of the Issuer's internal control and risk management 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, Risk and Sustainability 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, Risk and Sustainability Committee which, in turn, also on the basis of the elements observed directly, informs the Board every six months with a specific report on the adequacy and effectiveness of the internal control system, formulating, where deemed appropriate, its previously shared recommendations also with the Director in charge of supervising the operation of the internal control and risk management system, also taking into account what may be highlighted by the Supervisory Body, Internal Audit, the independent auditors and the Board of Statutory Auditors in their respective periodic reports and / or in any joint meetings, periodically convened.

During the financial year, the Board positively assessed the adequacy, effectiveness and effective operation of the internal control system. During the Financial Year and also after 31 December 2021, the control bodies such as the Control, Risk and Sustainability Committee, the Board of Statutory Auditors, the Internal Audit, the Supervisory Body, the auditing company (EY S.p.A.), the Director in charge of the internal control system, the Financial Reporting Manager met several times in order to exchange information relating to the internal control system for which they are responsible. In this regard, the Internal Audit and the Supervisory Body prepared their own periodic reports and, after their examination, also with the direct participation of those directly involved, the Control, Risk and Sustainability Committee prepared and brought to the attention of the entire Board of Directors its own periodic report.

With reference to the main features of the existing risk management and internal control system in relation to the financial reporting process, it should be noted how the Issuer referred to the model provided for by the CoSO Report Framework. The choice of this model made it possible to grasp the synergies with the activities carried out as part of the analysis of the control system for the purposes of Legislative Decree 231/01 or with the activities carried out by Internal Audit. The control system is made up of 5 interconnected components which are strongly integrated with the management processes. All five components, listed below, must coexist for the control system to be effective:

monitoring: the totality of activities necessary to periodically evaluate and check the adequacy, operation and effectiveness of internal controls; the monitoring activity is done, among other things, through (**i**) the process owners in the certification phase, (**ii**) the Internal Audit as part of its activities to verify the adequacy and effectiveness of administrative procedures and accounting and (**iii**) the statutory auditor;

information & communication: the process is set up to ensure the accurate and timely collection and communication of information; this process provides, among other things, (**i**) the dissemination of the administrative and accounting procedures and the related training activities by the Company's internal departments, (**ii**) the sharing of the results of the internal audit activities both with the company departments audited and with the Financial Reporting Manager, the Control, Risk and Sustainability Committee and the Board of Directors, (**iii**) sharing the results of the activities of the company in charge of the statutory audit regarding the internal control system for financial reporting and the accounting system;

control activities: the totality of practices and control procedures established to define the reduction of risks to a sustainable level, ensuring the achievement of company objectives;

risk assessment: the process aimed at ensuring the identification, analysis and management of business risks;

control environment: the environment in which individuals operate, representing the culture of control dominant in the company organization.

The objectives of these control activities must clearly be developed, implemented and effectively applied to the entire company organization, in its various processes.

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 231/2001.

The Company's Supervisory Body is responsible for managing the reports.

The above procedure falls within the scope of the internal control and risk management system tools adopted by the Company to combat corruption, ensure fairness and transparency in the conduct of business and the activities carried out and protect its position and reputation.

Whistleblowing therefore is a further and important part of the internal control and risk management system.

On 09 March 2021, the Board, having heard the Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of supervising the operation of the internal control and risk management system, approved the three-yearly Internal Audit Department's plan (2021-2023) and during the year (and also subsequently) met with the head of the Internal Audit Department to be updated on the activity carried out in 2021. In March 2022, Internal Audit confirmed to the Control, Risk and Sustainability Committee that no elements emerged that would require an update of the three-year plan of the Internal Audit Department (2021-2023), confirming the interventions already originally planned. After obtaining the opinion of the Control, Risk and Sustainability Committee, the Board of Directors approved the Internal Audit plan relating to 2022 in the meeting of 25 March 2022.

9.1 CHIEF EXECUTIVE OFFICER

On 30 April 2021, the Board appointed as executive director in charge of supervising the operation of the internal control and risk management system until the date of the meeting called for approval of the financial statements as of 31 December 2023, the CEO, Eng. Michele Scoppio.

In accordance with Recommendation 32 of the Code, the Chief Executive Officer is therefore in charge of supervising the operation of the internal control and risk management system, participates in the meetings and activities of the Control, Risk and Sustainability Committee and also constantly reports to the Head of the Internal Audit Department, in this role and context, pursuant to Article 6, Recommendation 34 of the Code:

a. takes care in identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and periodically submits them to the management body for examination;

b. implements the guidelines defined by the Board, taking care of the planning, implementation and management of the internal control and risk management system, as well as taking care of its adaptation to the dynamics of operating conditions and the legislative and regulatory landscape;

c. may entrust Internal Audit Department with carrying out checks on specific operating areas and compliance with internal rules and procedures in the execution of company operations, simultaneously informing the Chairman of the Board, the Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors;

d. promptly reports to the Control, Risk and Sustainability Committee 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 can take the appropriate initiatives.

The Director in charge of the internal control and risk management system also participated, as a guest, in the meetings of the Control, Risk and Sustainability Committee, also taking part in discussions between the various control bodies such as: the Committee itself, Internal Audit Department, the Board of Statutory Auditors, the Supervisory Body, the independent auditors, EY S.p.A.

9.2 CONTROL AND RISK COMMITTEE

On 30 April 2021, the Board established a Control, Risk and Sustainability Committee, made up of the following non-executive directors and in possession of the independence requirements pursuant to the Consolidated Law on Finance and the Code: Prof. Graziano Gianmichele Visentin (Chairman), Claudia Crivelli and Dr. Marina D'Artibale.

Composition and function of the Control, Risk and Sustainability Committee (pursuant to art.123-bis, paragraph 2, letter d), Consolidated Law on Finance)

During the financial year, the Committee met 6 times to carry out assessments and proposals, inter alia, on: (i) the accounting principles used for the preparation of the Company's financial statements; (ii) the meeting with the auditing company; (iii) examining the Internal Audit reports and the risk assessment instrumental to the three-year Internal Audit plan (iv) examining the Internal Audit report and the report of the Supervisory Body relating to the second half of 2020; (v) the appointment of the Supervisory Body; (vi) the meeting with Internal Audit and the Supervisory Body; (vii) the Annual Report of the Control and Risks Committee relating to 2020; (viii) updates on the Half-Year Financial Report as at 30 June 2021 and the statutory audit activity; (ix) the Report by the Control, Risk and Sustainability Committee relating to the first half of 2021; (x) the opinion on the adoption and / or updating of some company procedures; (xi) the information on the management of the Covid - 19 contingency; (xii) the sustainability report for the 2020 FY.

The meetings of the Control, Risk and Sustainability Committee; are coordinated by the Chairman, are regularly minuted and the Chairman gives a statement at the first useful meeting of the Board of Directors.

The average duration of the Control, Risk and Sustainability Committee meetings for the year was 69.16 minutes.

The number of meetings for the current year is 3, held respectively on 25 January 2022, 16 March 2022 and 24 March 2022. 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, also informing the Director in charge of the internal control system.

At least one representative of the Board of Statutory Auditors attended the Committee meetings, held during the year, at the invitation of the Committee.

The Board of Statutory Auditors participated in the meetings with a propositional and consultative contribution, making its knowledge and experience available to the Committee, thus allowing the latter to be updated also on the regulatory changes and ensuring a constant flow between the two control bodies.

All Committee members have adequate accounting and financial expertise.

Structure of the Control, Risk and Sustainability Committee					
Office	**Name**	**Non-executive**	**Independence from Code**	**Independence from Consolidated Law on Finance**	**% shareholding**
P	Graziano Gianmichele Visentin	X	X	X	100
M	Marina D'Artibale	X	X	X	100
M	Claudia Crivelli	X	X	X	100

Functions attributed to the Control, Risk and Sustainability Committee

As of the date of this Report, the Committee performs functions and tasks in line with those envisaged by the Code, to which reference is made in this regard:

a. it supports the Board in carrying out the tasks entrusted to the latter by the Code regarding internal control and risk management;

b. after consulting the Manager in charge of preparing the corporate accounting documents, the statutory auditor and the control body, it assesses the correct use of the accounting principles and, in case of groups, their uniformity for the purpose of drawing up the consolidated financial statements;

c. it evaluates the suitability of periodic, financial and non-financial information, to correctly represent the business model, the strategies of the Company, the impact of its activities and the performances achieved, coordinating with any committee envisaged by Recommendation 1, letter a) of the Code;

d. it examines the content of periodic non-financial information relevant to the internal control and risk management system;

e. it expresses opinions on specific aspects relating to the identification of the main business risks and supports the assessments and decisions of the management body relating to the management of risks deriving from prejudicial facts of which the latter has become aware;

f. it examines the periodic reports and those of particular importance prepared by the Internal Audit department;

g. it monitors the autonomy, adequacy, effectiveness and efficiency of the *Internal Audit* Department;

h. it may request that the *Internal Audit* department carry out checks on specific operating areas, giving simultaneous communication to the Chairman of the Board of Statutory Auditors;

i. it reports to the management body at least 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.

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. During the Financial Year, the Committee also dealt with and was involved in the activities aimed at the preparation and subsequent publication of the sustainability report relating to the 2020 financial year and the reporting of non-financial data for the Financial Year (starting from the update of the materiality analysis).

The Head of the *Internal Audit* Department, the Auditing Firm, the Supervisory Body, the Financial Reporting Manager and the Director in charge of the internal control system also participated in the meetings of the Control, Risk and Sustainability Committee, held during the year, at the invitation of the Committee.

In carrying out its functions, the Control, Risk and Sustainability 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, Risk and Sustainability Committee does not have specific financial resources available to carry out its duties.

9.3 INTERNAL AUDIT DEPARTMENT HEAD

In the meeting of 6 August 2020, the Board of Directors appointed - in compliance with Article 6, Recommendation 33 letter b) of the Code, pursuant to which the Internal Audit can be entrusted to a person external to the Issuer, provided that he / she has adequate requisites of professionalism, independence and organization - Dr. Renato Marro, partner of the Risk Advisory Services of the consulting company BDO Italia S.p.A., with mandate expiry scheduled for 31 December 2023.

The appointment was made on the proposal of the Director in charge of supervising the operation of the internal control and risk management system, after obtaining the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors.

The Board determined the remuneration of the Head of the Internal Audit Function in a manner consistent with company policies, making sure that the resources available to the Internal Audit Department are adequate for the performance of its duties.

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, Risk and Sustainability Committee, to the Board of Statutory Auditors and to the Director in charge of supervising the operation of the internal control and risk management system.

The internal control activity done by the Head of the *Internal Audit* Department from the date of assignment was carried out in accordance with the mandate received from the Board and through sharing the plan of activities on which the Control and Risk Committee, after consulting the CEO and the Board of Statutory Auditors, issued a positive opinion[12].

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

a) verified, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors, based on a structured process of analysis and order of priority of the main risks;
b) prepared periodic reports containing adequate information on his activities, on the ways in which risk management is conducted as well as on compliance with the plans defined for their containment. The periodic reports contain an assessment of the suitability of the internal control and risk management system;

[12] It should be noted that the three-year plan (2021-2023) prepared by the Head of the Internal Audit Department, Dr. Marro, was presented to the Control and Risks Committee, which issued its positive opinion on it, on 5 March 2021.

c) also at the request of the supervisory body, he promptly prepares reports on events of particular significance, or those that could occur up to the date of this Report;
d) he sent the reports referred to in letters b) and c) (where requested) to the chairmen of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and the Board of Directors, as well as to the Chief Executive Officer, except in cases in which the subject of these reports specifically concern the activities of such persons;
e) he verified, as part of the audit plan, the reliability of information systems including accounting.

At the start of the 2022 financial year, the Head of the *Internal Audit* Department:

- reported on his work and the results of the activities carried out to the Control, Risk and Sustainability Committee, to the Board of Statutory Auditors of the Company, to the Director in charge of supervising the operation of the internal control and risk management system in a joint meeting between the control bodies which was also attended by the Supervisory Body and the auditing company EY S.p.A.;
- sent the audit plan for the 2022 financial year, confirming the interventions already provided for in the three-year plan of the Internal Audit Department (2021-2023), approved during the financial year.

9.4 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Issuer has adopted its own Model 231 and, during the year, started, with the support of an external consultant, the activities for updating corporate documents on the administrative liability of entities pursuant to Legislative Decree 231/2001

This update was necessary, on the one hand, in light of the organizational changes that affected the Company after the approval of the last update and, on the other hand, following the introduction of further types of crime within the so-called catalogue of predicate offences referred to in Legislative Decree 231/2001, so as to ensure its effectiveness in the face of the evolution of company activity and the risks associated with the monitored offences. The updated Model was approved on 26 January 2022.

The procedures and operating instructions for the control of the crime areas have also been revised.

Model 231 is made up of the following documents:

(i) Code of Ethics of the PLC Group;

(ii) Model 231 - General Section;

(iii) Model 231 - Special Section.

As part of the current Model 231, all the relevant crime categories were analysed pursuant to Legislative Decree 231/2001 will be analysed on the delivery date of the related risk assessment report such as, for example, the following crimes: violation of the cyber security perimeter introduced in art. 24-bis of Legislative Decree 231/2001 by Law 133 of 18 November 2019; tax offences provided for by art. 25-*quinquiesdecies* of Legislative Decree 231/2001; offences introduced by Legislative Decree 14 July 2020, no.75 ("Implementation of Directive *(EU) 2017/1371, relating to the fight against fraud affecting the financial interests of the Union* through criminal law").

Upon the outcome of this analysis, the crime groups deemed relevant for the Company were identified:

- computer crimes and unlawful data processing (article 24-bis of Legislative Decree 231/2001);
- organized crime offences (article 24-ter of Legislative Decree 231/2001);
- corporate crimes (article 25-ter of Legislative Decree 231/2001);
- market abuse crimes (article 25-sexies of Legislative Decree 231/2001);
- manslaughter or serious or very serious injuries committed in violation of the rules on the protection of health and safety at work (article 25-septies of Legislative Decree 231/2001);
- receiving, laundering and using money, goods or benefits of illegal origin, as well as self-laundering (article 25-octies of Legislative Decree 231/2001);
- crimes relating to violation of copyright (article 25-novies of Legislative Decree 231/2001);
- inducement not to make statements or to make false statements to the judicial authority (Article 25-decies of Legislative Decree 231/2001);
- employment of third-country nationals whose stay is illegal (Article 25-duodecies of Legislative Decree 231/2001);
- racism and xenophobia (article 25-terdecies of Legislative Decree 231/2001);
- tax offences (article 25-quinquiesdecies of the Decree);
- transnational crimes (article 10, Law 146/2006).

On 28 June 2021 the Board appointed the new Supervisory Body in the persons of Dr. Alfonso Dell'Isola (Chairman), of attorney Silvana Del Monaco and attorney Fausto Tramontin, who will remain in office for three years starting from the appointment.

The updating of Model 231 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 Model 231 - General Section - of the Issuer and of the three companies as identified above is available on the Company's institutional website at the address www.plc-spa.com, Internal risk management system section.

With reference to the subsidiary Schmack Biogas S.r.l., it should be noted that the aforementioned company: (i) has already adopted the PLC Group Code of Ethics; as well as approved its 231 Model during the year, the General Section of which is available on the subsidiary's institutional website in the Internal Risk Management System section.

9.5 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 date of the Meeting convened to approve the financial statements at 31 December 2023.

In the meeting of 10 June 2021, the Board of Directors, among other things, acknowledged and examined the additional report of the statutory auditing firm and the related observations made by the Board of Statutory Auditors.

9.6 MANAGER IN CHARGE OF FINANCIAL REPORTING OF THE COMPANY AND OTHER COMPANY ROLES AND DEPARTMENTS

Given that the Issuer's Articles of Association provide that the Manager in charge of preparing corporate documents is appointed by the Board of Directors. subject to the mandatory opinion of the Board of Statutory Auditors, most recently on 10 June 2021 the Board appointed Ms. Cecilia Mastelli as Manager in charge the preparation of corporate documents, up to the approval of the financial statements relating to the financial year which closed on 31 December 2023, 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.

9.7 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

During the Financial Year, coordination between the parties involved in the internal control and risk management system was ensured by the meetings, including informal ones, held between the members of these bodies, as well as by the periodic meetings in which all control bodies took part. Furthermore, after these the Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors reported to the Board about the results of these meetings and any aspects for improvement that emerged from the discussions held.

The Company provides methods of coordination between the various parties involved in the internal control and risk management system (Board, Director in charge of supervising the operation of the internal control and risk management system, Control, Risk and Sustainability Committee, Board of Statutory Auditors, Supervisory Body, Head of the Internal Audit Department, Manager in charge of Financial Reporting, independent auditors and other corporate roles and departments with specific tasks regarding internal control and risk management), in order to maximise the efficiency of the internal control system and risk management and to reduce duplication of activities, as required by the Code.

As PLC Directors are members of the Control, Risk and Sustainability Committee, and by participating in the Board meetings, they always have constant knowledge of the performance of the corporate activity on the one hand, while, on the other, they constantly inform the Board, during its meetings, of the activities carried out by the Committee.

Furthermore:

(a) the Head *of the Internal Audit Department* periodically participates in the Control, Risk and Sustainability Committee meetings;

(b) the Board of Statutory Auditors routinely participates in the Control, Risk and Sustainability Committee meetings;

(c) the Head of the Internal Audit Department sends the Audit Reports relating to the audits directly to the interested parties within the Company and reports on the outcome of the audits and the follow-ups carried out to the relevant control bodies, including the Control, Risk and Sustainability Committee.

The coordination between the subjects listed above is carried out through continuous comparison also in specific, periodic meetings, in which the individuals report on the activity carried out in the single reference period.

10. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 28 June 2021, the Board updated the "*Procedure for Transactions with Related Parties* ", which entered into force on 1 July 2021, in compliance with the requirements laid down by the applicable laws and regulations.

The RPT Procedure - in order to take into account the current composition of the internal board committees - provides that the RPT Committee (as defined in the aforementioned RPT Procedure), independently of the value of the transaction with related parties, must consist of three independent directors who are not related.

The RPT Procedure which implements the definitions, principles and guidelines contained in the Consob Regulations on Related Party Transactions is available on the website www.plc-spa.com (Internal risk management system / PLC section) and includes, among other things:

i. the establishment of a register by the Company, in which the related parties of the Group are included;

ii. the distinction between:

   a) transactions of greater relevance, or those in which at least one of the "relevance indices" envisaged (index of relevance of the equivalent value, index of relevance of the assets and index of relevance of the liabilities), is greater than the 5% threshold;

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b) transactions of small amounts, or those in which the relevance indices referred to in the previous letter a), applicable according to the specific transaction, are below the threshold: (i) equal to Euro 80,000.00 in the case of contracts concluded with Related Parties physical persons; (ii) equal to Euro 160,000.00 in the case of contracts concluded with Related Parties legal entities;

c) transactions of lesser relevance, or by exclusion those other than the previous ones;

d) transactions of greater relevance following the accumulation of transactions;

iii. the regulation, both of the composition and of the operation of the Related Parties Committee, whose functions were assigned by the Board most recently on 30 April 2021, to the Control, Risk and Sustainability Committee and / or to the Appointments, Remuneration and Stock Option Plans Committee depending on the competence for the subject of the approved transaction and as better illustrated above;

iv. the provision, due to its qualification as a smaller company pursuant to the Consob Related Party Regulation, that the procedure for approving transactions with related parties (which are not the responsibility of the Shareholders' Meeting, for which there are ad hoc provisions, and must not be authorized by it) is the same for both the transactions of greater significance and for transactions of lesser significance.

The procedure distinguishes, inter alia:

a) specific procedures for transactions with related parties put in place by the Issuer's subsidiaries;

b) the possibility of adopting framework resolutions relating to a series of homogeneous transactions that take place with certain categories of related parties;

c) exclusion from the application of the procedure in question:

(i) to shareholders' meeting resolutions:

- referred to in Article 2389, first paragraph, of the Italian Civil Code, relating to the remuneration due to the members of the Board of Directors and the executive committee if appointed;
- regarding the remuneration of directors vested with particular offices falling within the total amount previously determined by the Shareholders' Meeting pursuant to Article 2389, third paragraph, of the Italian Civil Code, referred to in Article 2402 of the Italian Civil Code
- relating to the remuneration of the members of the board of statutory auditors;

(ii) to Small Amount transactions, as defined therein.

(iii) to transactions approved by the Company and addressed to all shareholders on equal terms, including:

- capital increases with option rights, also in the service of convertible bond loans, and free share capital increases provided for in Article 2442 of the Civil Code;
- full or partial demergers strictly speaking, with proportional share allocation criteria;

- the reduction of the share capital by reimbursement to shareholders provided for in Article 2445 of the Italian Civil Code and purchases of treasury shares pursuant to Article 132 of the Consolidated Law on Finance;

(iv) the compensation plans based on financial instruments approved by the shareholders' meeting pursuant to Article 114-bis of the Consolidated Law on Finance and the related executive transactions;

(v) to resolutions, other than those indicated above, regarding the remuneration of directors vested with special offices, as well as other executives with strategic responsibilities, provided that the Company has adopted a remuneration policy, with the involvement of the Company's Appointments, Remuneration and Stock Option Plans Committee, consisting exclusively of non-executive directors, the majority of which are independent, approved by the Shareholders' Meeting; the remuneration awarded is identified in accordance with this policy and quantified based on criteria that do not involve discretionary assessments;

(vi) to ordinary transactions concluded at conditions equivalent to those of the market.

(vii) to transactions carried out with or between subsidiaries, including jointly, as well as transactions with associated companies, if there are no significant interests of other related parties of the Company in the subsidiaries or associated counterparties to the transaction. The assessment of the significance of the interests will be carried out by the Company from time to time, based on any equity and / or shareholding relations between the subsidiaries or associates and the other related parties of the Company.

In particular, the RPT Committee carries out the tasks assigned to it by the RPT Procedure and, in particular, holds an advisory and propositional role for the Board of Directors on RPT matters, also being able to make proposals to the Board of Directors regarding the amendment and / or revision of the RPT Procedure. Furthermore, the RPT Committee is called upon to verify - based on the information received from the Company - the correct application of the RPT Procedure and, in particular, the conditions of exemption for transactions of greater importance, as required by art. 10 of the RPT Procedure.

For the purpose of carrying out its duties, the RPT Committee may request the assistance of the Company's internal departments relevant for this purpose, or request and obtain the information deemed necessary.

The RPT Committee may be assisted, at the Company's expense, by one or more independent experts of its choice, as identified in the RPT Procedure.

To perform its activities, the RPT Committee may be recognized by the Board of Directors an annual budget to be included in the Company's budget, the use of which the RPT Committee will subsequently provide appropriate reporting during the first useful Board of Directors' meeting after its use. In this case, the expenses for independent expert opinions exceeding the amount established by the Board of Directors must be communicated in advance to the Chief Executive Officer or the Chairman of the Board of Directors.

For full details, refer to the procedure available at the following link: [procedura-operazioni-con-parti-correlate.pdf (plc-spa.com)](procedura-operazioni-con-parti-correlate.pdf).

There are no suitable specific operational solutions to facilitate the identification and adequate management of situations in which a director is stakeholder on his own behalf or on behalf of third parties pursuant to art. 2391 of the Italian Civil Code.

In any case, in accordance with the provisions of art. 2391 of the Italian Civil Code, the directors who have a stake (own or third parties, even potential or indirect) in the Company's operations, promptly and fully inform the Board about the existence and nature of this stake; communication can be made in any way, even orally, during board meetings, or by sending a written note to the Chairman of the Board of Statutory Auditors.

If the stake lies with the chief executive officers, they will refrain from carrying out the transaction in question and invest the Board thereof.

11. BOARD OF STATUTORY AUDITORS

11.1 Appointment and replacement

With reference to the appointment and replacement of the members of the Board of Statutory Auditors, art. 18 of the Articles of Association provides as follows:

"The Shareholders' Meeting appoints the Board of Statutory Auditors made up of three standing members and two substitute members, who can be re-elected, establishing their remuneration. The attributions, duties and duration are those established by law.

The Statutory Auditors must possess the requisites envisaged by current legislation, including regulatory ones.

The appointment of the Statutory Auditors is done based on lists presented by the Shareholders according to the procedures referred to in the following paragraphs, in order to ensure the minority the appointment of a standing Auditor and a substitute Auditor, and in compliance with the pro tem regulations in force concerning gender balance.

The lists, which bear the names, marked by a progressive number, of one or more candidates, indicate whether the individual candidacy is presented for the office of standing auditor or for the office of substitute auditor.

The lists contain a number of candidates not exceeding the number of members to be elected. Each candidate may appear on only one list under penalty of ineligibility.

Lists with a total number of candidates equal to or greater than three must consist of candidates belonging to both genders so that at least two fifths belong to the less represented gender in the same list, (this number is rounded up to the next higher unit, with the exception of lists consisting of three candidates), or the different percentage required by the current pro tem legislation, for candidates for the office of standing auditor as well as the candidates for the office of alternate auditor.

Those shareholders who, alone or together with other others, hold shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary Shareholders' Meeting or, if different, the maximum permitted percentage by law or regulation will have the right to present the lists.

Each shareholder, members adhering to a significant shareholder agreement pursuant to art. 122 of Legislative Decree 58/1998, the parent company, the subsidiaries and those subject to common control cannot present or participate in the presentation, not even through a third party or trust company, of more than one list nor can they vote for different lists, and each candidate may appear on only one list under penalty of ineligibility. Subscriptions and votes cast in violation of this prohibition will not be attributed to any list.

The lists, signed by those who present them, must be filed at the Company's registered office at least twenty-five days before the date set for the Shareholders' Meeting on first call and this will be mentioned in the notice of call, without prejudice to any further forms of publicity and additional and different terms prescribed by the current pro tem regulation.

Without prejudice to compliance with any further procedural burden prescribed by the regulations, including current regulations, together with each list, the shareholders must simultaneously submit to the registered office:

(i) information relating to the identity of the shareholders who presented the lists, with an indication of the overall percentage of equity investment held;

(ii) exhaustive information on the professional and personal characteristics of each candidate, the declarations with which the individual candidates accept their candidacies and certify, under their own responsibility, the absence of causes for ineligibility and incompatibility, as well as the existence of the requirements prescribed by current legislation to hold the office of auditor and the list of any management and control offices held in other companies;

(iii) a declaration by the shareholders other than those who hold, even jointly, a controlling stake or relative majority stake, certifying the absence of relationships with the latter as envisaged by article 144-quinquies of Consob regulation 11971/99.

The first two candidates on the list that obtains the highest number of votes and the first candidate on the list that will be second in number of votes and that is not connected, even indirectly, with those who presented or voted for the list that obtained the highest number of votes will be elected as standing auditors.

The first substitute candidate on the list that has obtained the highest number of votes and the first substitute candidate on the list that will be second in number of votes pursuant to the preceding paragraph will be elected as substitute auditors.

In the event of a tie between two or more lists, the oldest candidates by age up to the number of positions to be assigned will be elected Auditors.

If , in accordance with the current pro tem regulation concerning gender balance the composition of the Board of Statutory Auditors, in its standing members is not ensured in the manner indicated above, the necessary substitutions will be made from among candidates who hold the position of standing auditor of the list that has obtained the highest number of votes, according to the progressive order in which the candidates are listed.

The Chairmanship of the Board of Statutory Auditors belongs to the candidate on the list that will be second in number of votes, always according to what is established in the preceding paragraphs.

In the event that a single list is presented, in the event that no list is presented, or in the event that only lists are presented by subjects who hold, even jointly, a majority controlling stake and / or subjects connected with the latter pursuant to the provisions of art. 144-quinquies of Consob regulation 11971/99, the candidates present on the list itself or those voted by the Shareholders' Meeting will be elected as standing and substitute Auditors, provided that they obtain the relative majority of the votes cast at the Shareholders' Meeting, subject to compliance with the pro tem regulations in force regarding gender balance.

In the event of termination of the office of a statutory auditor, the substitute belonging to the same list as the auditor to be replaced takes over.

If the requirements of the law and / or the Articles of Association are no longer met, the Auditor lapses from office.

In the event of replacement of a Statutory Auditor, the substitute belonging to the same list as the one being replaced takes over, or, failing that, in the event of the termination of the minority auditor, the next candidate on the same list to which the one being replaced belonged or, alternatively, the first candidate on the minority list who obtained the second highest number of votes.

It remains understood that the chairmanship of the Board of Statutory Auditors will remain with the minority auditor and that the composition of the Board of Statutory Auditors must comply with the pro tem regulations in force concerning gender balance.

When the Shareholders' Meeting is required to appoint the standing Auditors and / or substitutes necessary for the integration of the Board of Statutory Auditors, the following shall apply: if the auditors elected from the majority list have to be replaced, the appointment takes place by relative majority vote without any list constraint; if, however, it is necessary to replace statutory auditors elected from the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing them from among the candidates indicated in the list to which the statutory auditor to be replaced belonged, or in the minority list that had the second most votes.

If the application of these procedures does not allow, for any reason, the replacement of the auditors designated by the minority, the Shareholders' Meeting will proceed with a relative majority vote; however, in ascertaining the results of this last vote, the votes of the shareholders who, according to the communications made in accordance with the current regulations, will hold, even indirectly or jointly with other shareholders adhering to a significant shareholders' agreement will not be calculated 122 of Legislative Decree 58/1998, the relative majority of the votes that can be exercised at the Shareholders' Meeting, as well as the shareholders who control, are controlled or are subject to joint control of the same or of the shareholders in an association relationship with the shareholders who hold, even jointly, a controlling interest or relative majority pursuant to art. 144-quinquies of Consob regulation 11971/99.

The replacement procedures referred to in the preceding paragraphs must in any case ensure compliance with the current regulation concerning gender balance.

The members of the Board of Statutory Auditors attend the Shareholders' Meetings and meetings of the Board of Directors and the Executive Committee, where established.

The Board of Statutory Auditors must meet at least every ninety days.

The meetings of the Board of Statutory Auditors may also be held via audio conference or video conference, provided that all participants can be identified and allowed to follow the discussion, and to intervene in real time in the discussion of the topics addressed. If these requirements are met, the Board of Statutory Auditors is considered held at the registered office, where at least one auditor must be present. The subjects strictly related to the company's business are: financial market law, commercial law, architecture, engineering.".

In addition to the provisions of the Consolidated Law on Finance applicable from time to time, the Issuer is not subject to the application of further rules.

11.2 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 30 April 2021, unanimously appointed as members of the Company's Board of Statutory Auditors, who will remain in office for three years and, therefore, until the date of approval of the financial statements at 31 December 2023, the candidates proposed on the only list filed at the registered office presented by the shareholder Fraes Srl, owner of 73.53% 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. 44 of 29 January 2021.

The Board of Statutory Auditors met 15 times during the Financial Year.

The average duration of the Board meetings for the year was 85 minutes.

At the time of appointment, the Shareholders' Meeting verified the existence of all the requisites prescribed by the regulations in force for assuming this office and the Board of Statutory Auditors in office at the date of this Report has annually assessed the continued independence of its members also in light of all the criteria indicated for directors by the Code.

The assessment of the continuity of the independence requirements was again carried out and confirmed by the Board during the meeting of 24 March 2022, and this was duly highlighted in the meeting of the Board on 28 March 2022.

Taking into account the size of the Company and the activities it carries out, the composition of the Board is adequate to ensure the independence and professionalism of its function, due to the high standing of its members in terms of previous action, professional experience and appropriate knowledge of the Issuer's sector of operations.

It should be noted that as a result of the entry into force of Legislative Decree 27 January 2010, no. 39 - the Board of Statutory Auditors is vested with the following functions:

- examines the work plan prepared by the Head of the *Internal Audit* Department as well as the periodic reports prepared by him;
- assesses the proposals made by the auditing firm to obtain the assignment of the relevant task, as well as the work plan prepared for the audit and the results set out in the report and in any letter of suggestions;
- supervises the effectiveness of the audit process.

The Issuer believes that the remuneration of the Statutory Auditors is commensurate with the commitment required as well as the company's scale and sector.

The Issuer's Board of Statutory Auditors adheres to art. 6, Recommendation 37 of the Code so the auditor who, on his own behalf or on behalf of third parties, has a stake in a specific transaction by the Issuer must promptly and comprehensively inform the other Auditors and the Chairman of the Board about the nature, terms, origin and extent of his stake.

During the year, the Board of Statutory Auditors supervised the independence of the auditing firm, verifying both compliance with the relevant regulatory provisions, as well as the nature and extent of services other than accounting control provided to the Issuer and its subsidiaries by the same auditing company and entities belonging to the same network.

During the year, the Board of Statutory Auditors coordinated with the Company's Control, Risk and Sustainability Committee, planning in most cases joint meetings through the participation of the Chairman and at least one of its members in the meetings of the Control, Risk and Sustainability Committee.

The Board of Statutory Auditors has regularly interrelated both with the Internal Audit Department and with the Company's Supervisory Body.

Lastly, following the adoption of the RPT Procedure, the Board of Statutory Auditors verified the compliance of the procedures adopted with the principles indicated by the relevant laws and regulations in force at the time.

As of the date of this Report, the composition of the Company's Board of Statutory Auditors is as follows:

Office	Members	Date of birth	Date of first appointment	In office since	In office until	List	Independence from Code	Participation in Board of Statutory Auditors meetings	Number of other positions
Chairman	Massimo Invernizzi	1960	23/06/2015	30/04/2021	Financial statements approval for 2023	M	X	15/15	17
Standing statutory auditor	Claudio Sottoriva	1973	23/06/2015	27/06/2018	Financial statements approval for 2023	M	X	15/15	19
Standing statutory auditor	Maria Francesca Talamonti	1978	27/06/2018	27/06/2018	Financial statements approval for 2023	M	X	14/15	17
Substitute statutory auditor	Giovanni Pinna	1966	23/06/2015	27/06/2018	Financial statements approval for 2023	M	X	0	9
Substitute statutory auditor	Francesca Michela Maurelli	1971	27/06/2018	27/06/2018	Financial statements approval for 2023	M	X	0	6

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In accordance with Article 2, Recommendation 8 of the Code, at least one third of the control body, where autonomous, is made up of Members of the least represented gender. The Company has not applied other diversity criteria or adopted specific diversity policies in relation to the composition of the administration and control bodies.

Notwithstanding that the induction session indicated in Section 4.5 of this Report also saw the participation of the Board of Statutory Auditors, it should be noted that no specific training sessions have been scheduled for the Statutory Auditors (so-called induction programme). Taking into account the size of the Company and the activities it carries out, it was considered that the Statutory Auditors in office, in light of their experience and the professional skills of each, have adequate knowledge of the sector in which the Issuer operates, the corporate dynamics and the principles of correct risk management. In case of need, the Issuer will assess organising induction sessions in order to provide updates and / or insights on specific issues of interest to the directors.

Information is provided below on the personal and professional characteristics of each member of the Board of Statutory Auditors at the closing date of the 2021 financial year.

Massimo Invernizzi

Born in Milan in 1960.

He holds a degree in Business Economics from Bocconi University.

He is registered in the Register of Chartered Accountants of Milan and in the Register of Auditors.

He is a consultant to the judge at the Court of Milan.

He carries out consultancy activities on economic matters and business management, corporate finance, securities markets and *corporate governance*, evaluation of companies and branches of activity for M&A operations, transfers, transformations, disposals, estimation of share swaps, valuation of tangible and intangible assets; office and party-appointed expert during arbitration and judicial proceedings; judicial liquidator for the Court of Milan.

He is Special Commissioner for the Ministry of Economic Development.

He is a member of the Board and the Board of Statutory Auditors of joint stock companies operating in the industrial, financial and services sectors.

Claudio Sottoriva

Born in Ala (TN) in 1973. He graduated with honours in Economics and Commerce from the Catholic University of the Sacred Heart in Milan in 1997.

He is qualified in the profession of chartered accountant.

He received his PhD in Business Economics from the Faculty of Economics of the University of Pavia.

He is registered in the Register of Chartered Accountants and Accounting Experts of Milan and in the Register of Statutory Auditors.

He is a researcher of Business methodology and quantitative analysis at the Faculty of Economics of the Catholic University of Milan; carries out numerous academic and scientific research activities.

He is a member of the Italian Academy of Business Economics (AIDEA), the *European Accounting Association* (EAA) and the *European Corporate Governance Institute* (ECGI). He is registered with NedCommunity, the Italian association of non-executive and independent directors, members of the corporate governance and control bodies.

He is a member of the working group on international accounting standards of the Italian Accounting Body (OIC) and a member of the Italian Association for Financial Analysis (AIAF).

He is a member of the Master Corporate Governance Faculty of the Catholic University of the Sacred Heart of Milan.

Specialisation in the various areas of the financial statements and in company assessments in the context of extraordinary operations.

He is registered in the Register of Technical Consultants of the Court of Milan and in the Register of Criminal Consultants of the Court of Milan.

Maria Francesca Talamonti

Born in Rome in 1978.

She graduated in Business Economics from the LUISS Guido Carli University of Rome in 2002 and obtained a PhD in Business Economics from the University of Roma Tre in 2014.

She is registered in the Register of Chartered Accountants and Accounting Experts of Rome since 2006 and in the Register of Independent Auditors since 2007. As a freelancer, she carries out consultancy on corporate, accounting, company and financial matters. In particular: evaluation of companies, shareholdings and business branches, drafting of recovery plans and certifications pursuant to art. 67, paragraph 3, letter d), art. 182-bis and art. 161 of the Bankruptcy Law, drafting of *business plans*, opinions and technical advice on accounting and corporate matters.

He is a member of the administrative and control bodies of listed and unlisted companies.

Giovanni Pinna

Born in Cagliari in 1966.

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

He is registered with the Order of Chartered Accountants of Cagliari at no. 1247 A.

He has been a technical consultant to the Court of Cagliari since 1996.

He is registered in the Register of Auditors.

He exercises his profession mainly in small and medium-sized enterprises operating in national and international markets. The important collaborations gained also with reputable firms have allowed him to gain particular experience in the areas of business consultancy and business development strategy and in the analysis, business evaluation, and related extraordinary operations and restructuring of ownership structures.

Francesca Michela Maurelli

Born in Rome in 1971.

He graduated in Economics and Commerce from the La Sapienza University of Rome in 1994 with an economic-business specialisation.

He is registered in the Register of Chartered Accountants of Rome (no. AA6936) since 1999 and in the Register of Auditors (no. 105863).

He has been a technical consultant to the Civil Court of Rome and the Criminal Court of Rome since 2004.

He is a consultant on strategic, organisational and financial aspects for private and public companies, with particular reference to corporate and financial aspects of ordinary and extraordinary operations (i.e. transformations, mergers, demergers, contributions, capital increases) and restructuring plans both in judicial and out-of-court settlements. He is also an office and party-appointed expert during both criminal and civil proceedings.

Furthermore, below is a list of the other offices of director and statutory auditor held by the statutory auditors in office in other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or large companies:

Members	List of Roles
Massimo Invernizzi	1. Chairman of the Board of Statutory Auditors of Cinemeccanica S.p.A. 2. Chairman of the Board of Statutory Auditors of Servizi Energia Italia S.p.A. 3. Chairman of the Board of Statutory Auditors of Snam 4 Mobility S.p.A. 4. Chairman of the Board of Statutory Auditors of Cubogas S.r.l. 5. Chairman of the Board of Statutory Auditors of IES Biogas S.r.l. 6. Chairman of the Board of Auditors of Istituto Javotte Bocconi 7. Standing statutory auditor of Charme Capital Partners SGR S.p.A. 8. Standing statutory auditor of Orefici Finance S.p.A.

	9. Sole Auditor of Snam 4 Enviroment S.r.l. 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 Itaca Comunicazione S.r.l. 15. Liquidator of Immobiliare Pietra S.r.l. in liquidation 16. Liquidator of Pomposi S.r.l. in liquidation following arrangement with creditors 17. Special Commissioner of Sipro Sicurezza Professionale S.r.l. in receivership
Claudio Sottoriva	1. Chairman of the Board of Statutory Auditors of Sella Personal Credit S.p.A. 2. Chairman of the Board of Statutory Auditors of Sella Leasing S.p.A. 3. Chairman of the Board of Statutory Auditors of Smartika S.p.A. 4. Chairman of the Board of Statutory Auditors of TOT S.p.A. 5. Chairman of the Board of Auditors of Fondazione Luigi Clerici 6. Standing statutory auditor of ENEL S.p.A. 7. Standing statutory auditor of Banca Sella S.p.A. 8. Standing statutory auditor of IPG Photonics Italia S.r.l. 9. Standing statutory auditor of Nephis S.r.l. 10. Standing statutory auditor of Alkeemia S.p.A. 11. Substitute Auditor of Michelin Italia S.p.A. 12. Director of C.P.S. Consulenti S.r.l. 13. Sole Auditor of Fondazione Casa Verdi 14. Sole Auditor of Fondazione Casa dei Musicisti 15. Member of the Supervisory Body of the Fondazione Don Carlo Gnocchi (non-profit organisation) 16. Chairman of the Supervisory Body of Trentino Trasporti S.p.A. 17. Sole Director of Immobiliare Cinca S.r.l. 18. Sole Director of Immobiliare Delvin S.r.l. 19. Sole Director of Savona 50 S.r.l.
Maria Francesca Talamonti	1. Chairman of the Board of Statutory Auditors of BasicNet S.p.A. 2. Chairman of the Board of Statutory Auditors of Servizi Aerei S.p.A. 3. Standing statutory auditor of Acea S.p.A. 4. Standing statutory auditor of Armonia SGR SpA. 5. Standing statutory auditor of Bluwater S.p.A. 6. Standing statutory auditor of D-Share SpA.

	7. Standing statutory auditor of DigiTouch S.p.A. 8. Member of the Board of Auditors of the UITS– Italian Shooting Sports Union 9. Standing statutory auditor of PS Parchi S.p.A. 10. Standing statutory auditor of Raffineria di Gela S.p.A. 11. Standing statutory auditor of Raffineria di Milazzo S.c.p.A. 12. Standing statutory auditor of Magicland S.p.A. 13. Sole Director of Vette SPV S.r.l. 14. Sole Director of Bramito SPV S.r.l. 15. Sole Director of Convento SPV S.r.l. 16. Sole Director of Ponente SPV S.r.l. 17. Sole Director of New Levante SPV S.r.l.
Giovanni Pinna	1. Standing statutory auditor of Iconium S.p.A. 2. Chairman of the Auditors of the Teatro alla Scala Pension Fund in Milan 3. Sole Auditor of Finma S.r.l. 4. Standing statutory auditor of Ifras S.p.A. 5. Director of Gest.Por.Tur S.r.l. 6. Chairman of the Board of Statutory Auditors of Alis Cargo Airlines S.p.A. 7. Sole Statutory Auditor of Geoparco S.c.a.r.l. 8. Standing statutory auditor of ILTA Alimentari S.p.A. 9. Chairman of the Board of Statutory Auditors of Sestile S.p.A.
Francesca Michela Maurelli	1. Chairman of the Board of Statutory Auditors of Credito Valtellinese S.p.A. 2. Chairman of the Board of Statutory Auditors of Autogrill S.p.A. 3. Non-executive director of Oxy Capital Italia S.r.l. 4. Sole Director of Cosmo Spv S.r.l. 5. Sole Director of Corallo Spv S.r.l. 6. Sole Director of Resloc IT S.r.l.

12. RELATIONS WITH SHAREHOLDERS

The Issuer has set up a special section within its website in which the information concerning the Issuer that is relevant to its shareholders is made available, so as to allow the latter to consciously exercise their rights.

As of the date of this Report, the Issuer has picked out Dr. Cecilia Mastelli as the person responsible for managing relations with shareholders (Investor Relations).

In compliance with Article 1, Recommendation 3 of the Code, the Board of Directors, on the proposal of the Chairman, formulated in agreement with the Chief Executive Officer, adopted on 26 January 2022 the *"Policy* *for the management of Dialogue with the majority of the Shareholders*” (the "**Dialogue Policy**"), also taking into account the engagement policies adopted by institutional investors and asset managers.

The Issuer has always endeavoured to make access to the information of relevance to its shareholders timely and easy, highlighting their publication on the home page of its institutional website.

The Dialogue Policy is an integral part of the set of documents that make up the Company's internal control system and is published on the Company's website (http://www.plc-spa.com/it) in the "Investor relations / Corporate Governance / Dialogue with Shareholders” section; to which reference should be made for all the details.

13. SHAREHOLDERS’ MEETINGS

During the Financial Year, a Shareholders' Meeting was held on 30 April 2021 (behind closed doors, through participation in the meeting exclusively through the designated representative and pursuant to the provisions of Legislative Decree of 17 March 2020, no. 18 *" Measures to strengthen the national health service and economic support for families, workers and businesses connected to the epidemiological emergency from COVID-19"*, as subsequently amended and supplemented), the minutes of which have been duly published on the Company's website and to which all the members of the Board in office and all the members of the Board of Statutory Auditors in office took part in the prescribed forms.

At the same Meeting, the Chairman of the Appointments, Remuneration and Stock Option Plans Committee, Ms Marina D'Artibale, reported on the methods of exercising the functions of the Remuneration Committee, with particular regard to the activities carried out in preparing the report on the policy in matters of remuneration and bonuses paid.

With reference to the Financial Year, no shareholder has made proposals on topics not already covered by the Board of Directors, in the specific illustrative report, drawn up in accordance with the law, for the benefit of the Shareholders' Meeting.

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. 58 of the Articles of Association provides that "in the event that the Company's securities are the subject of a public purchase and / or exchange offer, the authorisation of the shareholders' meeting is not necessary for the deeds or operations that could thwart achieving the objectives of the offer, during the period between the communication referred to in article 102, paragraph 1, of the same Decree and the closing of the offer.".

Notwithstanding the provisions of article 104, paragraph 1 - bis, of the Consolidated Law on Finance, art. 58 of the Articles of Association provides that "the authorisation of the meeting is not necessary even for the implementation of any decision taken before the beginning of the period indicated in the previous paragraph that has not yet been wholly or partially implemented, which does not fall within the normal course of the Company's activities and the implementation of which may hinder the achievement of the offer's objectives.".

Except as otherwise provided by law and by the relevant regulatory provisions, the Board of Directors convenes the Shareholders' Meeting within thirty days of the request when so many shareholders who represent at least five percent of the share capital request it.

The request must be sent to the Chairman of the Board of Directors by registered letter and must contain a list of the topics to be discussed as well as an indication of the requesting shareholders, attaching suitable certification, in compliance with the laws and regulations in force, certifying the individual shareholdings on the date of sending the aforementioned request.

The Shareholders' Meeting can be convened by the Board of Statutory Auditors, upon communication to the Chairman of the Board of Directors, if this power is exercised by at least two members of the aforementioned Board.

Article 9 - Right to participate and representation

Those who prove their legitimacy in the manner provided for by current legislation may participate in the Assembly. Those entitled to attend the meeting may be represented at the meeting pursuant to the law.

For each Shareholders' Meeting the Company can designate, giving express indication in the call notice, one or more subjects to whom the entitled parties can confer a proxy, with voting instructions on all or some of the proposals on the agenda, with the manners provided by the applicable legislation.

The notification to the Company of the proxy participating in the Shareholders' Meeting can also be done by sending the document to the email address indicated in the call notice.

Article 10 - Constitution of the shareholders' meetings and validity of the resolutions

The constitution of the Ordinary and Extraordinary Shareholders' Meeting and the validity of the resolutions are regulated by law, except for the appointment of the members of the Board of Directors and the Board of Statutory Auditors to which Articles 12 and 18 of these articles of association apply.

The application of the exemption, provided for by current legislation, from the obligation to promote a public purchase and / or exchange offer following merger or demerger operations will be precluded only if the majority of shareholders opposed to the related shareholders' meeting resolution - established based on the provisions of the applicable legislation - represents at least 7.5% of the share capital with voting rights.

Article 11 - Chairmanship

The Meeting is chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the Deputy Chairman or, in the event of his absence or impediment, by another person designated by the Meeting.

The Chairman is assisted by a Secretary, even if not a shareholder, appointed by the Shareholders' Meeting: the assistance of the Secretary is not necessary when the minutes, in legal cases or when the Chairman deems it appropriate, are drawn up by a Notary.

If he deems it necessary, the Chairman of the Shareholders' Meeting will appoint two scrutineers by choosing them from the statutory auditors or members present.

The minutes signed by the Chairman and the Secretary constitute full proof.

The Chairman of the Meeting, also by means of special appointees, verifies its regular constitution, ascertains the identity and legitimacy of the participants, regulates the progress of the work, establishing methods for discussion and voting and ascertains the voting results.

Resolutions are taken by a show of hands, unless the Chairman deems the roll call or other forms of vote more appropriate.

The resolutions of the Shareholders' Meeting must be recorded in minutes drawn up in accordance with art. 2375 of the Civil Code, signed by the Chairman and the Secretary or the Notary.".

For anything not illustrated in the Report regarding shareholder rights, please refer to the current and applicable pro tem laws and regulations (also in light of the pandemic emergency from Covid-19).

It should be noted that the Board has decided not to propose to the shareholders the adoption of a Shareholders 'Meeting regulation, reserving the right to carry out a periodic evaluation of its possible adoption in the future, also taking into account what emerged from the Shareholders' Meetings already held. In this regard, it should be noted that the Chairman of the Shareholders' Meeting has always provided, also by virtue of the statutory and legal prerogatives, to ensure that the meetings took place in an atmosphere of general orderly participation and rigorous respect for the rights of the shareholders, but also in mutual respect between shareholders and with a balanced reconciliation of their approval rights.

14. *ADDITIONAL CORPORATE GOVERNANCE PRACTICES* (pursuant to art.123-bis, paragraph 2, letter a), Consolidated Law on Finance)

With regard to those already indicated in the previous points, and to the adoption of Model 231, the Company has not applied any further corporate governance practices beyond the obligations established by legislative and regulatory provisions.

15. CHANGES SINCE THE END OF THE REFERENCE YEAR

Except as indicated above, also with reference to the resignation of Director Garofano, 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.

16. CONSIDERATIONS ON THE LETTER OF 03 December 2021 FROM THE CORPORATE GOVERNANCE COMMITTEE CHAIRMAN

The recommendations made by the Corporate Governance Committee's Chairman in the letter of 3 December 2021 were first sent to the directors and Statutory Auditors and subsequently brought to the attention of the Board. During the meeting of 25 March 2022, in order to identify possible changes in governance or to fill any gaps in the application or in the explanations provided, the latter expressed some considerations regarding the implementation of the Code by the Company, believing that the administrative body respects the indications of the Code and has adopted adequate practices, in the awareness that, in any case, we must always strive for continuous improvement.

In particular, on the integration of non-financial parameters into the remuneration policies, also following the publication in the Financial Year of its first sustainability report for the financial year 2020, it linked, for the first time, the disbursement of part of the variable remuneration of executive directors to the achievement of non-financial targets and, for the purposes of the so-called sustainable success, with medium / long-term objectives, also envisaging medium-long term objectives both relating to sustainability targets and economic-financial targets.

At the Board meeting of 28 March 2022, the Board 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, last updated on 26 January 2022, 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;
- Model 231;
- Internal dealing procedure;
- Procedure for Related Party Transactions;
- 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

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considers both quantitative / dimensional and qualitative aspects (specific, potential or previous risk, linked to the activities carried out) - Group companies and so-called “relevant” company processes are identified;

- the analysis of the control system, both on a company and process level, both in terms of design and operation;
- the assessment of the deficiencies of the control system on financial reporting and corrective actions. If deficiencies / anomalies in the financial reporting control system emerge from the verification of the operation of the controls, the Financial Reporting Manager (**i**) identifies and assesses the deficiencies found and (**ii**) coordinates the corrective actions to be taken for their closure.

Role and departments involved

The financial reporting control system is headed by the Manager in charge of Financial Reporting and involves, for various reasons, the following corporate departments and roles:

- the various department managers, which, in relation to their area of responsibility, ensure the completeness and reliability of the information flows directed to the Manager in charge for the purposes of preparing financial and accounting information;
- the administrative bodies of the subsidiaries.

The Financial Reporting Manager also interacts with the corporate bodies and precisely with the Board, the Risk Control Committee, the Board of Statutory Auditors, the Supervisory Body and Head of the *Internal Audit* Department, as well as with the auditing firm.

The Manager in charge of Financial Reporting reports to the Risk Control Committee, the Board and the Board of Statutory Auditors every six months regarding the adequacy and operation of the administrative and accounting system.

From the checks mentioned, no risks or situations emerged that were not already subject to monitoring by the Company.

The Manager in charge of Financial Reporting, together with the Chief Executive Officer, provides the certification required by art. 154-bis, paragraph 5, Consolidated Law on Finance.