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Annual Financial Report as of December 31, 2022

EL.EN. S.p.A.

ANNUAL FINANCIAL REPORT AS OF DECEMBER 31st 2022

El.En. S.p.A.
Headquarters in Calenzano (Florence) – Via Baldanzese n. 17
Capital stock: underwritten and paid € 2.596.531,99(*)
Company registered with the Registro delle Imprese di Firenze n. 03137680488

(*) On the date of the approval of this document

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This document has been translated into English for the convenience of readers who do not understand Italian.
The original Italian document should be considered the authoritative version.
The financial statements constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

CORPORATE BOARDS OF THE PARENT COMPANY

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

Board of StatutoryAuditors

PRESIDENT

Carlo Carrera

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

Executive officer responsible for the preparation of the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

EY S.p.A.

LETTER FROM THE PRESIDENT TO THE SHAREHOLDERS

To our shareholders,

The year 2022 demonstrated how the Company, even in a situation of great difficulty due to the persistence of the serious problems related to obtaining supplies and the trade limitations caused by increasing international tension, is still able to obtain very satisfactory results in all of the segments in which it is active.

In fact, we registered results that were below expectations only in the laser cutting sector in China and the aesthetic sector in Japan, for different reasons but both in part related to the COVID issues.

The macro-economic situation for this year must deal with some uncertainty concerning the development of growing inflation which causes clients to use greater caution in their purchases of durable goods.

In any case, positive signals are coming from China, where the relaxing of the COVID restrictions allow us to hope for a recovery of the economic activity, and from other emerging markets which appear to be less influenced by the present international tensions.

The continual research for new applications along with the launching of new, high-performance products in the next few months make it possible for us to look forward with justified optimism to the continuance of our success in coming years.

MANAGEMENT REPORT 2022

INTRODUCTION

To our shareholders:

It is a pleasure for us to share with you the results for 2022, a year in which the activities of the Group have once again shown brilliant results. Our position on our main markets has been consolidated and has made the various divisions of the Group increasingly competitive in their various areas of operation. The consolidated sales volume exceeded 673 million Euros (+17,9 % over 2022) and this rapid increase corresponded to an even greater improvement in the EBIT which was over 81 million (+24,9%) and the net income which was 55 million showing a growth of 21,3% over 2021.
At the end of the financial year 2022 the net financial position amounted to 88,5 million Euros, which demonstrates the solid economic and financial position of the industrial Group.
An analysis of the results of the Group in the past few years reveals the extraordinary continuity of the results: the average growth of the sales volume for the four-year period 2019–2022 was 13,9% and, in the same period, the average growth of the EBIT was 20,7%. This represents an extraordinary performance, which is the result of investments aimed at taking advantage of the opportunities offered by the market and made possible by the solid foundation which our knowledge and competence supply to all of the activities of the Group. The Group now has more than 2100 employees, most of whom are highly qualified whose multi-disciplinary skills represent an absolute point of excellence and the base which allows us to look at our prospects for further development with great confidence. We continue to invest in human resources to consolidate this competence which allows us to differentiate through technical and applicative innovation and to identify and manage profitable distribution channels for our products.

The impact of the war in Ukraine which affected the evolution of the economic activities directly, with the closure of some markets, and indirectly, with the acceleration of inflation was effectively absorbed by the Group thanks to the excellent trend in their markets and their capacity to identify and pursue new areas for growth.

There are now several elements of uncertainty which have appeared on the general economic scene: to the inflation and the rapid increase in the cost of money, recently the fear of a pervasive financial crisis has been added, triggered by the crisis of the Silicon Valley Bank. The conditions on our specific markets remain positive, although some markets do not appear as brilliant as they did at the beginning 0f 2022, however this will not prevent us from counting on another positive year, showing growth and excellent profitability.

REGULATORY FRAMEWORK

In compliance with the *European Regulation* n. 1606 of July 19th 2002, the El.En. Group has formulated the consolidated statement as of December 31st 2022 in compliance with the international accounting standards approved by the European Commission.
In conformity with Legislative Decree 38/2005, starting in the financial year 2006 the annual financial statements of the parent company, El.En. S.p.A. (separate financial statement) has been drawn up according to the international accounting standards (IFRS); when reporting data related to the Parent Company, we will refer to the above mentioned standards.

SIGNIFICANT EVENTS WHICH OCCURRED IN 2022

In the month of February, the associated company, Elesta Spa voted to increase their capital for the purpose of sustaining the activities of the company, in particular the clinical trials aimed at consolidating the methods which characterize the product. On this occasion, the partners and El.En. decided that it would be opportune to facilitate an increase in the involvement of the managers of the company, and reserve for them a quota in the increase of the capital, bringing the equity of El.En.in the associated company to about 31% of the capital.

On April 29th, the Assembly of the Parent Company, approved, during an ordinary meeting, the financials related to the year 2021 and voted to:
- to allocate all of the net income for 2021 in an extraordinary reserve;
- to distribute, on the date that coupon no. 1 came due on May 23rd 2022, in compliance with art..2357-ter, second comma sub-section of the Civil Code, a dividend for the amount of 0,20 Euros (zero point twenty) gross for each share in circulation;

- for the distribution of the divided, to use the net income which had not been distributed during the financial years before December 31st, 2017,and allocate in a voluntary reserve called "extraordinary reserve" for a total amount, on the date of the resolution, of Euros 15.958.101,60, bearing in mind the 20,000 shares of treasury stock held by the company, with the understanding that this amount might be increased by additional sums required for the distribution of the dividend to the shares in circulation on the date for the payment of the stock options related to the Stock Option Plan 2026-2025 in the period between the date of the resolution and the record date (May 24th 2022).

Moreover, the Assembly, in the ordinary meeting:
- approved the Remuneration Report and the amounts paid in conformity with ex art. 123-*ter* T.U.F.sub-section 3-*bis* and art. 123-*ter* T.U.F. sub-section 6
- appointed the Board of Auditors for the three-year period 2022-2024 and, consequently, until the approval of the financials on December 31st 2024. They designated as president, Carlo Carrera and appointed as statutory auditors, Rita Pelagotti and Paolo Caselli and as alternate Gino Manfriani and Alessandra Pederzoli. The statutory auditors, Paolo Caselli and Rita Pelagotti and the alternate auditor, Gino Manfriani were extracted from the list of candidates presented by the shareholder, Andrea Cangioli (list n. 1); the president Carlo Carrera and the alternate auditor, Alessandra Pederzoli were extracted from the list presented by a group of financial management companies and other institutional investors. (list n. 2).
The candidates that were elected declared that they possessed all the pre-requisites of independence required by 148, TUF and the other prerequisites required by the law and by the statutes.
The statutory components of the Board of Auditors declared that, as of December 31st, 2021, they had the following equities:

- Carlo Carrera: none
- Paolo Caselli: none
- Rita Pelagotti: none

-voted to establish, for the entire duration of the office, the annual salary of the members of the Board of Auditors at Euros 31.500,00 for the President, and a total of Euros 21.000,00 for each of the statutory auditors.

During the ordinary meeting the Assembly also voted to make the following additions to the Company Statutes:

- The modification of art. 19, with the insertion of the references to the Code of Corporate Governance in replacement of the old Self-Disciplining Code;
- The modification of art. 20-B, with the resolution which includes the possibility for the auditors to participate in the Board meetings using the remote connections already contemplated for the board members.
- The modification of art. 25, related to the Board of Auditors, including the possibility of meeting with suitable telecommunication means on the condition that all of the participants are identified and are allowed, in real time, to follow the discussion and intervene in the discussions of the subjects as well as receive, read and transmit documents.

In the month of September, the equity of El.En. Spa in the subsidiary Cutlite do Brasil LTDA, amounting to 98,27% of the capital was sold to Cutlite Penta Srl; the Brazilian company in this way became part of the unit of laser cutting business. This transfer officializes the, by now, almost total involvement of the Brazilian subsidiary in the business of laser cutting of sheet metal.

On October 1st, 2022 the subsidiary Lasit SpA founded the company Lasit Laser Iberica S.L. with headquarters in the Spanish city of Saragozza. Lasit Spa has an equity of 65% in the company.

In October of 2022, Penta Laser Zhejiang of Wenzhou (main company in the business unit in which the Parent Company has organized its activities in the sector of laser cutting) concluded an increase in capital reserved for two important Funds operating in the sector od private equity in China, CITIC Securities Investment Co. Ltd Co. Wenzhou Jin Quan XIn Yuan Investment LLP.
With this underwriting of an increase in capital, the two Chinese private equity funds acquired a total quota of about 5,58% of the co-respective of 17 million Renminbi (at the current exchange rate of about 10,1 million Euros), which corresponds to the implicit value of the company for the amount of 1,2 billion Renminbi (about 170 million Euros),with a P/E which is about 12 times the profits normalized during 2021.
In the month of December 2022 the same company, Penta Laser Zhejiang concluded the purchase of Shenzhen KBF Laser Tech Co. Ltd with a percentage of ownership amounting to 60% and a further increase in capital reserved for two important Chinese private equity funds, Hangzhou Fu Zhe Dao Zheng Equity Investment LLP and Zhejiang Deep Reform Industry Development LLP. With the underwriting of the increase in capital, the two Chinese private equity funds acquired 4,98% of the shares of the company after a payment of 66 million Renminbi (about 8,9 million Euros), corresponding to an implicit evaluation of the company of 1,3 billion Renminbi (about 176 million Euros), with a P/E ratio of about 2 times the normalized profits for 2021.

The shareholders selling KBF invested 33,5 million Renminbi in Penta Laser, acquiring 2,44% of its shares.
After the operations described above, the controlling quota of Penta Laser Zhejiang held by El.En. through Ot-las Srl is now 70,42% (as opposed to the preceding quota of 80,43% in the first half of the year 2022).
These operations are part of an ambitious plan for growth in the business of industrial laser cutting. The spreading of the shareholding activity to high-standing local financial entities is part of the preparatory phase for a possible IPO on the continental market of China. The investment in KBF is aimed at the diversification in a related market segment taking advantage of its potential for rapid growth.

In the month of November, the partners of the subsidiary company, Esthelogue Srl voted to increase the share capital by capitalizing the company for a total of 7 million Euros to sustain its activities through the payment of money by their partner El.En. SpA. and through the conversion of the financing now in existence and through the payment in money by the partners, Asclepion GmbH.

On December 15th, 2022, the shareholders' meeting of El.En. SpA , in an ordinary meeting, following a proposal by the Board of Directors, approved the modification of the first part of the Remuneration Report, in compliance with art. 123-*ter*, sub-section 6, T.U.F. without prejudice to the principles and objectives established as the foundations for the remuneration policy. This modification was made necessary in response to the request from the Board of Directors to integrate the Remuneration Policy (i) to include a new incentive based on a stock option plan among the variable components in the remuneration of the executive administrators, the general director and the managers with strategic responsibilities in the Company and (ii) consequently, redefine the composition and amount of the relative remuneration package.
In fact, the Assembly also approved a stock option plan for the years 2026-2031 ("Piano di Stock Option 2026-2031") in favor of the board members, collaborators and employees of the Company and its subsidiaries to be implemented by the Board of Directors through an increase in capital with the exclusion of the option rights ex art. 2441, V sub-section, c.c.. The increase in capital will be implemented by the Board of Directors on the basis of ex art. 2443, II sub-section, c.c..
The plan provides for the assigning, even in more than one tranche, and free of cost, of rights for the underwriting, with payment, of ordinary shares of stock in the company, the exercising of which will be disciplined by specific regulations which will be approved by the Board of Directors when the Plan is implemented and when the beneficiaries have been identified, on the basis of merit and strategic and their operative role.
The stock option Plan for 2026-2031 is intended, in the first place, to incentivize the beneficiaries of the stock options and, in the second place, to maintain a connection between the beneficiaries with the Company and the Group it directs.

The Assembly followed the advice of the Board to take advantage of the opportunity, in relations to the Company's ambitious objectives for growth and sustainability, in this particular historical moment, to incentivize the employees that are considered of strategic importance for reaching these objectives by setting up a long-term incentive plan. In particular, considering that the options which could be assigned on th, e basis of the Stock option Plan for 2016-2025 have run out, but on the date of this resolution there were still 140.032 options which could be picked up by the beneficiaries until December 31st 2025, it was deemed opportune to create a new pool of options that could be used as incentives or to attract personnel which conduct, or will conduct, roles of strategi importance for pursuing the long-term objectives.

The Stock Option Plan for 2026-2031 can be defined as being of particular importance in compliance with art. 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, of the Consob Regulations since it is possible that some of the subjects mentioned therein will be included among the beneficiaries.
The Assembly, which later met in an extraordinary meeting, resolved, in relation to the means of implementing the Stock Option Plan for 2026-2031, the following:
1) to empower the Board of Directors, in compliance with art. 2443of the Civil Code, for a period of a maximum of five years after the resolution, and, that is, until the 14th of December 2027, to increase, one or more times, and even separately, the capital of the Company to a nominal maximum of Euros 65.000,00, with payment, with rights that are equal to those of the ordinary shares of the Company on the date of the underwriting, to be effected through the payment of a price which will be set by the Board of Directors in compliance with art. 2441, c.c. – that is, on the basis of the shareholders' equity, bearing in mind also the trend of the shares on the stock market during the preceding half, and a unit value which includes the premium, which must be equal to the arithmetical average of the official prices registered by the ordinary shares of the stock of the Company on the market which is organized and directed by Borsa Italiana s.p.a. in the 6 (six) months before the assigning of the options, as long as this value is no less than that determined on the basis of the consolidated shareholders' equity of the El.En. Group on December 31st of the last financials published at the date of the assigning.
This increase in capital will be deliberated in compliance with the fifth sub-section of art. 2441 c.c., with exclusion of the option rights in favor of the partners since they are placed in the service of the Stock Option Plan for 2026-2031, as it has been approved by the Assembly and destined to the members of the Board of Directors, collaborator and employees of El.En. s.p.a. and the companies they control.

2) to empower the Board of Directors to establish, within the limits of the proxy, the terms and implementation of the operation that they feel are the most opportune for the execution of the proxy.
The criteria for determining the selling price of the shares that are involved in the Stock Option Plan 2016-2025 was approved, in compliance with articles 2441, VI sub-section c.c., and 158, II sub-section, T.U.F., which was issued by the auditing company E&Y s.p.a..
Moreover, the Assembly proceeded with the modification of art. 6 of the statutes in relation to the share capital to be consistent with the above-mentioned resolutions.

DESCRIPTION OF THE ACTIVITIES OF THE GROUP

El.En was founded in 1981 and arose from the intuition of a university professor and one of his students. The Company developed over the years and became a multi-faceted, dynamic industrial group specialized in the manufacture, research and development, distribution and sale of laser systems.

The laser, an acronym for "**Light Amplification by Stimulated Emission of Radiation**" is a fascinating technology invented in 1960 and represents the fulcrum of the technology of the Group. This luminous emission with its unique characteristics (monochromaticity, consistency, brilliance) found and is still finding a growing number of applications which have given rise to its own specific industrial sectors and in others has radically changed the way in which they operate. Telecommunications, sensoristics, printers, lithographs, numerous processes in industrial manufacturing, numerous medical and aesthetic applications have been able to benefit from the innovations made available by the versatility, precision and reliability of laser systems. As Prof. Gérard Mourou - Nobel prize for physics in 2018 for the invention of chirped pulse amplification or CPA, which was later used to create ultra-short, high intensity laser impulses (terawatt) - pointed out during his visit in January 2019 to the headquarters of Quanta System Spa in Samarate (VA), "the best is yet to come"! Scientific research and applied industrial research will continue to find innovative applications for laser technology from which we can all benefit directly or indirectly.

Among the many types of laser sources and applications that have been developed, the Group has always been specialized in systems for two particular sectors: laser systems for medicine and aesthetics which we call the Medical Sector and laser systems for manufacturing which we call the Industrial sector. Each of these sectors is divided into various segments which vary from each other because of the specific application of the laser system and, consequently, for the specific underlying technologies and the type of user. For this reason, the activity of the Group which is generically defined as the manufacture of laser sources and systems, actually has a wide variety of products which are used by many different kinds of clients, also due to the global presence of the Group which forces it to adapt to the particular methods which every region in the world has in the adoption of our technologies.

Over time, the Group has acquired the structure which it now has through the creation of new companies and the acquisition of the control in others. The activities are conducted by this diverse group of companies which operate in the fields of manufacture, research, development distribution and sale of laser systems. Each company has been assigned a specific task which sometimes is based on its geographical location, sometimes on a specific market niche, and other times on a more extended and transversal area of activity including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company in such a way that the available resources can be put to the best use on the markets and take advantage of the dynamism and flexibility of each single business unit without losing the advantages of a coordinated management of some of the resources.

In our sectors of the market, the wide range of products, the capacity to segment some of the markets in order to maximize the overall quota held by the Group, together with the opportunity of involving managerial staff as minority shareholders are at the base of the company organization of the Group. The high number of different companies that compose the Group is based on the linear subdivision of the activities which we have identified also for purposes of reporting but, above all for strategic purposes, as shown below:

MEDICAL SECTOR	INDUSTRIAL SECTOR
Aesthetic	Cutting
Surgical	Marking
Phisiotherapy	Laser sources
Medical Service	Restoration
	Industrial Service

An integral part of the main company activity of selling laser systems, is that of the post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The division of the Group into numerous different companies also reflects the strategy for the distribution of the products and for the organization of the activities for research and development and marketing. El.En. is one of the most successful groups on our market, thanks to a series of acquisitions concluded over the years, in particular, in the medical sector (DEKA, Asclepion, Quanta System and Asa). Following an approach that is unique and original for our sector, each company that has entered the Group has maintained its own special characteristics for the type and segment of the product, with brands and distribution networks that are independent from the other companies of the Group and represent a real business unit. Each one has been able to take advantage of the cross-fertilization which the individual research units has had on the others and has made their own elective technologies available to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.
While we recognize the importance that the multi-brand and multi-R&D has had on the growth of the Group, at the same time we realize the need to increase the coordination between the activities of the different business units of the medical sector and promote the joint activities like distribution in Italy which, under the new brand name of "Renaissance" will unite into a single organization the pre-existing networks of Deka and Quanta System.
In 2020 the integration of the Group networks continued: the Asclepion laser systems for aesthetic applications are available for sale in Italy through the Renaissance network which further reinforces its leadership in the territory while. at the same time, the distribution network of Asclepion in Germany offers the Deka systems. An optimal integration of the medical business units is, in fact, one of the objectives of the General Director of El.En. Spa, who took on this role, a new one for the company, on January 1st of 2017.

Although they both use laser technologies and share numerous strategic components and some activities at the R&D and production level, the Medical and Industrial sectors are active on two completely different kinds of markets. Their internal operations are organized in such a way as to satisfy the radically different needs of the clients of the two different sectors. Moreover, specific dynamics in the demand and expectations for growth that are connected to different key factors correspond to each of the two markets.
The outlook for mid-term growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging.

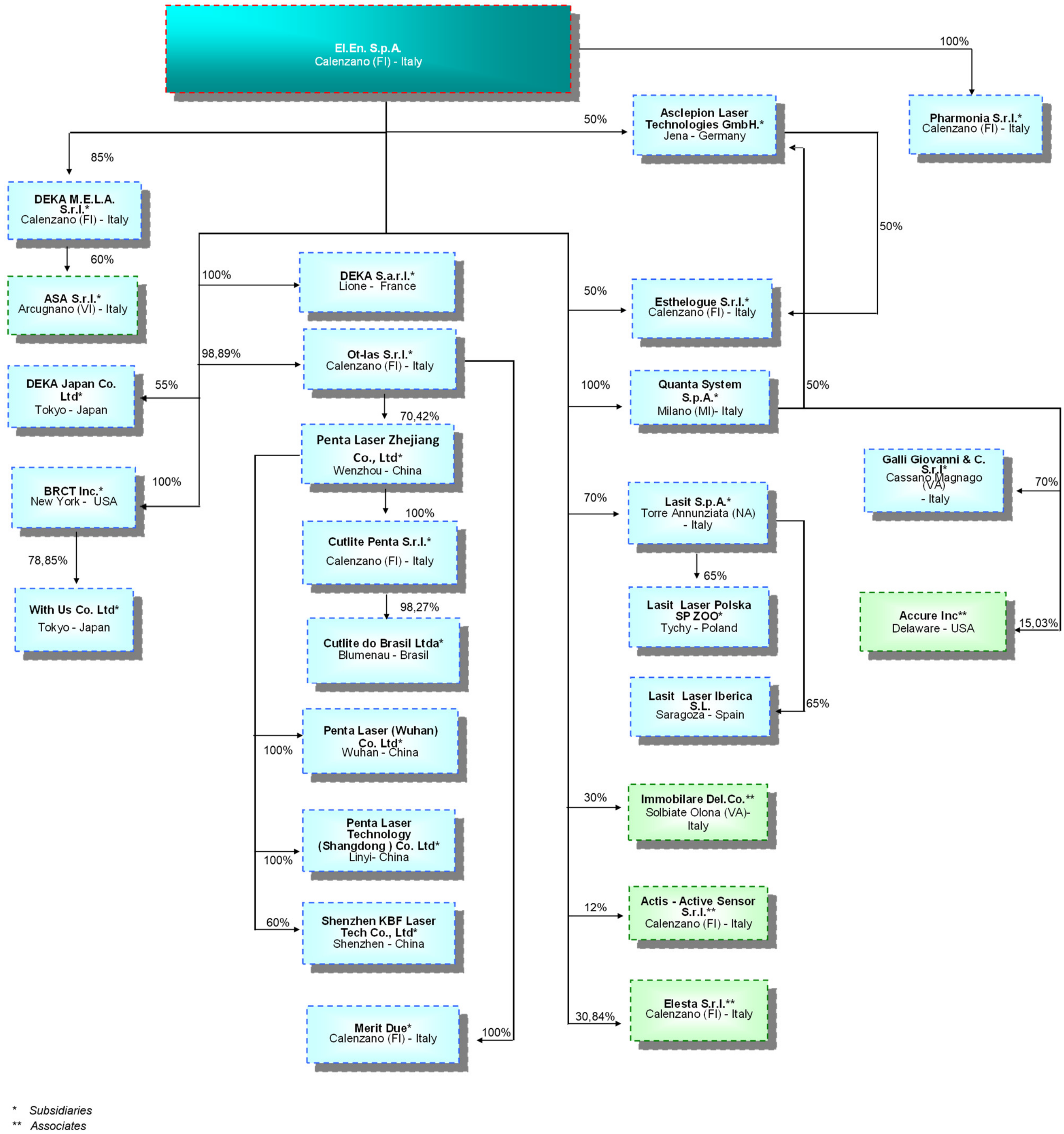
There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser systems represent an increasingly indispensable tool for manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

Growth in the industrial sector is expected thanks to the increase in productivity and in the quality of the products along with the great flexibility that laser operations bring to numerous manufacturing processes. Although they still refer to traditional manufacturing systems, both our cutting technologies, which transform the product, and our marking systems, which identify it or decorate it, respond to specific requirements of the manufacturing sector which are increasingly requested. Another factor which contributes to the demand are the technological innovations which make the products increasingly easy to use, productive and versatile and in this way increase the range of potential customers.

It should also be noted that, in the presence of the excellent outlook for the growth of our markets, the Group has succeeded in acquiring new portions of the market and create new applicative niches thanks to their innovations. The adequacy of the range of products offered, the capacity to continually renew it in order to meet the demands of the market or, even better, create new ones, are the critical factors for our success. The El.En. Group has had and still has, the ability to excel in these activities. The lengthy section in this document dedicated to Research and Development is a demonstration of the importance of these activities for the Group and the particular focus that is directed to dedicating the necessary resources that are needed to guarantee the prosperity of the Group in the years to come.

DESCRIPTION OF THE GROUP

As of December 31st 2022 the structure of the Group was as follows



Alternative non-GAAP measures

The El.En. Group uses some alternative performance measures which are not identified as accounting measures that are part of the IFRS in order to offer a better evaluation of the performance of the Group. Consequently, the criteria applied by the Group may not be homogeneous with that used by other companies and the results obtained may not be comparable with the results shown by these latter.

These alternative performance measures, determined in conformity with the guidelines for alternative measures issued by ESMA/2015/1415 and adopted by the CONSOB with notice nr. 92543 on December 3rd 2015, refer only to the economic performance of the period being considered and those with which it is being compared.

The Group uses the following alternative non-GAAP measures to evaluate the economic performance:

- the **value of production** is determined by the sum of revenue, the change in inventory of finished goods and WIP and the other revenue and income;
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the "Costs for operating services and charges".
- the **value added** is determined by adding to the EBITDA the "cost for personnel";
- the **earnings before income taxes, devaluations, depreciations and amortizations** or "EBITDA", also represents an indicator of operating performance and is determined by adding to the EBIT the amount of "Depreciations, Amortizations, accruals and devaluations";
- the **earnings before interest and income taxes,** or "EBIT", represents the difference between revenue and other operating income and production costs, operating service and charges, depreciations, amortizations, accruals and devaluations;
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators to evaluate its capacity to meet their financial obligations, the Group uses:

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts (displayed in compliance with the ESMA Orientations which, starting on May 5th 2021 modified the references contained in the preceding CONSOB communications, including the references present in Communication n. DEM/6064293 of July 28th 2006 related to the net financial position).

Performance indicators

The following performance indicators have been shown for the purpose of providing additional information on the economic and financial performance of the Group.

	31/12/22	31/12/21
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	20,8%	20,3%
ROI (EBIT / Total Asset)	11,0%	10,0%
ROS (EBIT / Sales)	12,0%	11,4%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,77	0,79
Leverage ((Net Equity+ Loans) / Net Equity)	1,20	1,21
Current Ratio (Current Asset / Current Lability)	1,80	1,70
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,16	1,19
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,52	0,60

In order to facilitate comprehension of the chart above and, in consideration of the regulations concerning alternative performance indicators, below we are giving the definitions of some terms used in the charts of the financial statement:

- Own Capital = Shareholders' equity of the Group – Net income (loss)

GROUP FINANCIAL HIGHLIGHTS

The Group closed this extraordinary financial year with a sales volume which, in the fourth quarter, came close to 190 million and, for the year, exceeded 673 million in the consolidated volume of business. About 18% of the growth shown in 2022 with respect to the preceding year corresponds to the average growth registered by the Group in the past three years. The ability to develop the sales volume so rapidly made it possible to absorb the fixed costs more efficiently and to gradually improve the operating profitability which, in 2022 reached the record level of 12% of the sales volume.

The year began after a very rapid growth in 2021, both in terms of sales volume and the acquisition of orders. During the year, the demand showed no signs of slowing down and remained very solid on most of our markets and, in particular in the medical sector. Despite the record sales volume and the increase in the production capacity of our plants, the portfolio of orders remains substantial both in overall value and in terms of months of production. The markets which gave us the greatest satisfaction with outstanding results, were the ones in the West, mainly Europe and the United States, as well as those in the Middle East. Only a few areas in the Far East showed results that were below expectations: the direct distribution in Japan and the Chinese market. In China, the hoped for recovery of the local economy, at the base of the growth expected for 2022 in the laser cutting sector, was impeded by the continuation of the anti-Covid restrictions, the Chinese isolation, and the on-coming crisis in the real estate sector. These factors impacted the Chinese activities in one of the most important divisions of the Group and that which has shown the most rapid growth in the last few years, the laser cutting business. In the general economy of such a positive year, the uncertain trend (-11,7% in the sales volume) of the Chinese companies did not affect the overall results of the Group, as we have seen, and not even that of the laser cutting division which, in any case, showed an increase in sales volume of 12,9%, by benefitting from the extraordinary success of Cutlite Penta in Italy, Europe and Brazil.

The record levels of production and sales volumes were reached thanks to the major investments in infrastructure that we have made in recent years. Investiments of this kind are still in progress in the various operating structures which, as they continue to increase the volume produced, sometimes even more than expected, often find that they need to enlarge their operating space. Quanta System at Samarate has just completed equipping the factory which is a twin of the main one and has acquired new space for logistics; El.En. in Calenzano is now equipping new areas that will be useful for production and has installed two photovoltaic plants; in Torre Annunziata, Lasit is completing their move to the new factory and expanding their production capacity; in Wuhan, they are building a new factory for laser cutting, in anticipation of the positive development of the market, consolidating their production in the only area of the Group which, in 2022, had a production capacity that was in excess of the demand.

One of the characteristic aspects of the year was the continuing difficulty in the scheduling and purchases to obtain punctual deliveries in numerous categories of components, in particular powerful electronic components and microchips of various types. The increase in the production capacity, in the serious conditions of distress imposed on us by the unreliability of the supply chains, has required a major effort in terms of human resources to try to identify alternative solutions with the R&D departments involved in the sourcing and redesigning. The need to extend the inventory cycle to give stability to the production processes and the rapid growth that has been reached and is expected in the future, comported the expansion of the working capital and the consequent use of the Group’s cash on hand. After the peak that was reached at the end of the third quarter, the incidence of circulating net capital on the sales volume decreased in the fourth quarter, although it still has a safety component that was not present in the preceding years and at the end of the year is not so different from the normal levels.
Despite our efforts to neutralize the effects, the difficulties in the supply chain and the shortages in materials, has on some occasions hindered the production processes. The production lines of Mediostar at Asclepion, in Jena, Germany, were unable to satisfy the demand because of the difficulty in acquiring some of the components. Although they increased their sales volume, Asclepion was the only production unit in the medical sector which registered a lower growth, and this was certainly not due to the lack of demand.

Another phenomenon which had a significant impact this year was inflation. In relation to the very sharp increase in energy costs, especially in Italy, the Group showed a major increase in general expenses (overhead), which, however, was offset by the extraordinary increase in sales volumes. Energy does not represent a significant factor in the cost of the product because our companies are not great energy consumers.
Inflation then determined a general increase in the costs of the components necessary for the manufacture of our products. In some cases, the increase in the volume of production allowed us to take advantage of quantity discounts but this i not enough to avoid the increase in the average costs of our products. In order to avoid the deterioration of the margins, starting in the second half of 2022 the companies of the Group started to increase the sales prices. This was the first time that this had happened in the recent history of the Group, which very rarely has increased the prices of their products. In fact, thanks to the continual innovation, the sales margins have always been protected by the rapid introduction of innovative products on the market.

During this year we intensified our activities in relation to the sustainability of the Group, which, among other things are also included in the performance indicators for the remuneration of the managers. The multi-year sustainability plan 2018-2022 of the Group was concluded successfully. In 2023 the Board of Directors of El.En. spa will approve the new five-year plan for 2023-2027 which will identify the activities and objectives of specific and measurable sustainability, in particular, on dealing with climate change, circular economy, promotion of a responsible supply chain, the respect of people and the contribution to the community, which confirm that the commitment to a sustainable development and environmental and social responsibility are increasingly an integral part of the business model of the Group. During this year, we have received some awards and improved are sustainability rating from the primary institutions that conduct these evaluations.

In 2022 the Group demonstrated that it has the organizational and technical means to satisfy the needs of the clientele and to innovate with an aim to stimulating the demand to its own advantage. We have great confidence in the capacity and potential of our organization and our personnel so that, in the future, we can benefit from the positive developments we expect from our markets.

At the end of the year, the situation on our markets remains good, while the general economic conditions appear less positive than at the beginning of 2022: up to now we have been able to offset the direct effects of the war and inflation but in the next few months the regulations related to the interest rates issued by the central banks to limit inflation could negatively condition the general trend of the economy, though at this time, a strongly recessive economy seems improbable. On the other hand, the signals from the Chinese market, with the cancellation of the Covid restrictions and a year which has begun with the hope that the industrial policy and the economic situation of the country will return to sustain the rapid, growth of our Chinese activities.

The positive trend of the Chinese businesses also represents an essential prerequisite so that the preparatory work that has been conducted in the last few months by the Group, aimed at an IPO of the laser cutting business unit on the regulated Chinese market, may have a positive outcome for the acceptance of the request for admission.

The chart below shows the sales volume as of December 31st 2022 divided by sector of activity of the Group compared with the same data for 2021.

	31/12/2022	**Inc %**	**31/12/2021**	**Inc %**	**Var. %**
Medical	382.063	56,72%	311.290	54,48%	22,74%
Industrial	291.518	43,28%	260.112	45,52%	12,07%
Total revenue	**673.581**	**100,00%**	**571.402**	**100,00%**	**17,88%**

The Group registered a rapid growth in both sectors, overall amounting to about 18%, and stronger in the medical sector.

The trend for the period divided by geographical area is shown on the chart below:

	31/12/2022	**Inc %**	**31/12/2021**	**Inc %**	**Var. %**
Italy	149.928	22,26%	116.435	20,38%	28,76%
Europe	144.699	21,48%	116.381	20,37%	24,33%
ROW	378.954	56,26%	338.586	59,26%	11,92%
Total revenue	**673.581**	**100,00%**	**571.402**	**100,00%**	**17,88%**

Medical sector

	31/12/2022	**Inc %**	**31/12/2021**	**Inc %**	**Var. %**
Italy	38.370	10,04%	33.580	10,79%	14,27%
Europe	113.171	29,62%	91.385	29,36%	23,84%
ROW	230.522	60,34%	186.325	59,86%	23,72%
Total revenue	**382.063**	**100,00%**	**311.290**	**100,00%**	**22,74%**

Industrial sector

	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Italy	111.557	38,27%	82.855	31,85%	34,64%
Europe	31.528	10,82%	24.997	9,61%	26,13%
ROW	148.433	50,92%	152.260	58,54%	-2,51%
Total revenue	**291.518**	**100,00%**	**260.112**	**100,00%**	**12,07%**

The decrease in the growth registered in the non-European countries is due mainly to the trend of sales in China in the laser cutting sector, which, due to the uncertain economic conditions of that market was not able to reach the objectives that had been set. The entries in the industrial sector, in fact, register an overall growth of 12%, which was obtained thanks to the extraordinary results registered in Italy and the rest of Europe, while the drop in the non-European markets is due to the recession on the Chinese market which, however, was almost completely compensated for by the excellent results in Brazil and the United States. In the medical sector, on the other hand, the non-European countries showed a better trend, with the sales in Europe at the top, with a growth of almost 24%, just above the performance, which was also exceptional, on the non-European markets.

In the sector of medical and aesthetic systems, which in 2022 represented 57% of the sales volume of the Group, the trend in sales in the various segments is shown on the chart below:

	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Aesthetic	238.774	62,50%	198.292	63,70%	20,42%
Surgical	61.928	16,21%	45.218	14,53%	36,95%
Physiotherapy	15.745	4,12%	13.484	4,33%	16,77%
Others	1.674	0,44%	757	0,24%	121,25%
Total medical systems	**318.121**	**83,26%**	**257.750**	**82,80%**	**23,42%**
Medical service	63.942	16,74%	53.540	17,20%	19,43%
Total medical revenue	**382.063**	**100,00%**	**311.290**	**100,00%**	**22,74%**

The growth is over 22% and remains significant in all of the applicative segments represented.

The sector of aesthetics is the most important and shows a growth of over 20%; it represents about 62% of the sales volume in this sector, although this quota has decreased slightly because o the even more rapid growth registered in the other segments, which are now showing a strong recovery after the worst phases of the pandemic. The strongest growth was shown in the surgical sector which has come back to exceed the business volume of 2019, a volume which the physical therapy sector also exceeded in 2022. In the area of aesthetic applications, the trend in sales was excellent in all the main segments: hair removal, removal of tattoos and pigmented lesions, body and rejuvenation treatments. For the high-powered alexandrite hair removal systems, the Group is becoming the world leader.

The sales for after-sales services exceeded 16% of the sales volume for the sector, which was also showing rapid growth thanks to the increase in the number of installations, in particular, the systems for urology for which we supply an essential consumable, the optical fibers needed for each surgical operation.

The chart below shows details of the sales volume in the sector of industrial applications according to the market segment in which the Group operates.

	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Cutting	243.811	83,64%	215.996	83,04%	12,88%
Marking	25.432	8,72%	24.171	9,29%	5,22%
Laser sources	3.882	1,33%	5.360	2,06%	-27,57%
Conservation	675	0,23%	243	0,09%	178,21%
Total industrial systems	**273.801**	**93,92%**	**245.770**	**94,49%**	**11,41%**
Industrial service	17.717	6,08%	14.343	5,51%	23,53%
Total industrial revenue	**291.518**	**100,00%**	**260.112**	**100,00%**	**12,07%**

The growth in the sales volume of the industrial sector was 12%, which is a very positive result, if one considers the negative conditions of the Chinese market, for which the sales volume of the Group registered a drop of 16%, reducing the incidence of the total sales volume of the sector from 49% to 37%.

The segment of laser cutting, in fact, showed a brilliant trend in sales in Italy and in Europe, while in China the results were below expectations. Our Chinese factories were not able to use their complete production capacity which was obstructed by a market made uncertain by the limitations imposed by a new lockdown in all of China and the resulting slowdown in the Chinese economy. The laser systems for high-powered cutting which characterize our range continue to be an excellent opportunity for investment by our present clientele and therefore, we believe that we are in an excellent position for further growth. A clear indication of this potential is the exceptional trend in sales registered on the other markets by Cutlite Penta which, in 2022, showed an exceptional increase of +51% in their sales volume.
The marking segment, thanks ro an acceleration in the second half of the year, closed with a growth of over 5%, which was the result of investments in the operative infrastructure for production and research, as well as units for marketing like the new branches which have been started in Poland and in Spain. The sales volume in the sector of laser sources showed a decrease, which had already appeared during the ear but was accentuated in correspondence with two sales of an exceptional nature which occurred at the end of the preceding year.

In the sector of conservation of our artistic legacy (restoration) the El.En.group attributes a role and a value which is much more than just the results of the sales volume. The conservation of works of art represents one of the most significant commitments that the Group has towards society. Our competence and our technologies are placed at the disposal of the community for the conservation of works of art. Most of them are famous and important at a worldwide level and El.En., a company which developed in a city with an extraordinary artistic heritage, considers this mission essential also in relation to the needs of the territory.
Among the most important restoration procedures that we conducted this year, there is the *descialbo* (removal of plaster from a fresco) conducted on the Roman era frescoes in the baths of the forum at Pompeii and in the villa of San Marco at Castellammare di Stabia. This type of work exalts the capacity of our lasers, the only instrument capable of revealing the original colors which, otherwise, would be obscured and invisible.

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CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31st, 2022

The chart below shows the consolidated reclassified income statement for the year that ended on December 31st 2022 compared with that for 2021

Income Statement	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Revenues	673.581	100,0%	571.402	100,0%	17,88%
Change in inventory of finished goods and WIP	15.658	2,3%	21.425	3,7%	-26,92%
Other revenues and income	6.225	0,9%	5.987	1,0%	3,99%
Value of production	**695.464**	**103,2%**	**598.814**	**104,8%**	**16,14%**
Purchase of raw materials	412.370	61,2%	358.601	62,8%	14,99%
Change in inventory of raw material	(27.727)	-4,1%	(19.255)	-3,4%	44,00%
Other direct services	61.126	9,1%	47.395	8,3%	28,97%
Gross margin	**249.695**	**37,1%**	**212.073**	**37,1%**	**17,74%**
Other operating services and charges	56.250	8,4%	47.812	8,4%	17,65%
Added value	**193.445**	**28,7%**	**164.262**	**28,7%**	**17,77%**
Staff cost	98.194	14,6%	84.170	14,7%	16,66%
EBITDA	**95.251**	**14,1%**	**80.091**	**14,0%**	**18,93%**
Depreciation, amortization and other accruals	14.250	2,1%	15.234	2,7%	-6,46%
EBIT	**81.001**	**12,0%**	**64.858**	**11,4%**	**24,89%**
Net financial income (charges)	(1.934)	-0,3%	1.752	0,3%	
Share of profit of associated companies	(79)	0,0%	(195)	0,0%	-59,72%
Other net income and charges	0	0,0%	10	0,0%	
Income (loss) before taxes	**78.988**	**11,7%**	**66.424**	**11,6%**	**18,92%**
Income taxes	19.953	3,0%	17.300	3,0%	15,34%
Income (loss) for the financial period	**59.036**	**8,8%**	**49.124**	**8,6%**	**20,18%**
Net profit (loss) of minority interest	3.925	0,6%	3.688	0,6%	6,42%
Net income (loss)	**55.111**	**8,2%**	**45.436**	**8,0%**	**21,29%**

The gross margin was 249.695 thousand Euros, an increase of 17,7% with respect to the 212.073 thousand Euros on December 31st 2021. The incidence on the sales volume remains the same at 37,1%.

The costs for other operating services and charges were 56.250 thousand Euros, an increase with respect to the 47.812 del December 31st 2021 with an incidence on the sales volume which is unchanged at 8,4%. Despite the high costs of energy, thanks to the increase in the sales volume, the incidence of the overheads was slightly reduced.

The cost for personnel was 98.194 thousand Euros, an increase with respect to the 84.170 thousand Euros on December 31st, 2021, with an incidence on the sales volume which improved from 14,7% in 2021 to14,6% in 2022.

On December 31st, 2022, there were 2.105 employees in the Group, an increase with respect to the 1.902 on December 31st, 2021. More than half of the new employees were hired by the Chinese companies and the others most rapidly growing companies in the Group.

A part of the personnel expenses is directed towards Research and Development for which El.En. S.p.A. receives grants and reimbursements on the basis of specific contracts underwritten by the institutions created for this purpose.

The EBITDA amounted to 95.251 thousand Euros, an increase of 18,9% with respect to the 80.091 thousand Euros on December 31st, 2021 thanks to the increase in the sales volume and the improvement in the absorption of the structural costs. The incidence on the sales volume improved slightly (14% in 2021, 14,1% in 2022).

The costs for amortizations, depreciations and accruals showed a significant decrease, dropping from 15.234 thousand Euros on December 31st, 2021 to 14.250 thousand Euros on December 31st, 2022 and their incidence on the sales volume dropped from 2,7 al 2,1%.

The EBIT therefore amounted to 81.001 thousand Euros, a significant increase over the 64.858 thousand Euros on December 31st, 2021, with an incidence on the sales volume which increased to 12% from the 11,4% for the preceding year.

The financial charges amounted to 1.934 thousand Euros with respect to the financial income of 1.752 thousand Euros registered for the same period last year on account of the interest paid for financing and leasing and, above all, the differences in the exchange rate generated mainly by the hedging of the US dollar.

The cost for current and deferred income taxes for the year was 19.953 thousand Euros; the overall tax rate was 25,3%, about the same as the 26% for last year. For details related to the income taxes and tax rates, see the specific chart in the Explanatory Notes.

Statement of financial position and net financial position as of December 31st 2022

The chart below shows the reclassified statement of financial position and net financial position presented in comparative for with that of last year.

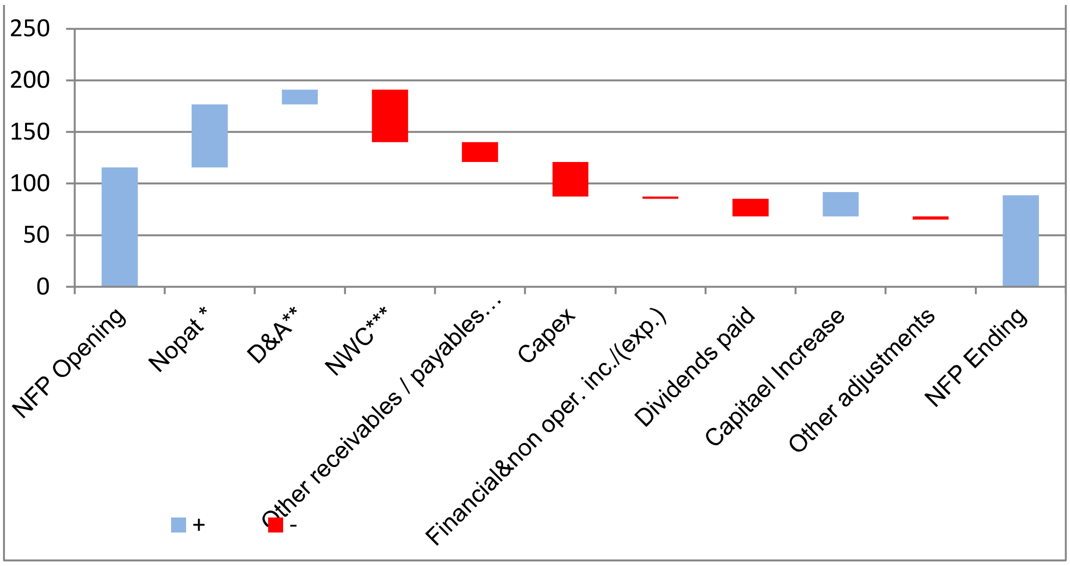
Statement of financial position	**31/12/2022**	**31/12/2021**	**Variation**
Intangible assets	13.898	4.914	8.984
Tangible assets	113.086	100.822	12.265
Equity investments	2.082	1.949	132
Deferred tax assets	12.421	10.364	2.057
Other non-current assets	24.299	18.599	5.701
Total non current assets	**165.786**	**136.648**	**29.138**
Inventories	202.900	155.939	46.961
Accounts receivable	168.499	146.774	21.726
Tax receivables	16.334	15.725	609
Other receivables	17.245	13.155	4.090
Financial instruments	2.311	1.091	1.220
Cash and cash equivalents	162.814	181.363	-18.549
Total current assets	**570.105**	**514.047**	**56.058**
Total Assets	**735.891**	**650.695**	**85.196**
Share capital	2.595	2.594	1
Additional paid in capital	46.928	46.841	87
Treasury stock	-469	0	-469
Other reserves	95.196	88.077	7.119
Retained earnings / (accumulated deficit)	120.602	86.425	34.177
Net income / (loss)	55.111	45.436	9.675
Group shareholders' equity	**319.962**	**269.372**	**50.590**
Minority interest	36.675	18.329	18.346
Total shareholders' equity	**356.637**	**287.701**	**68.936**
Severance indemnity	4.099	5.101	-1.002
Deferred tax liabilities	3.242	2.506	737
Reserve for risks and charges	10.736	10.470	266
Financial debts and liabilities	37.862	36.982	880
Other non current liabilities	6.884	6.184	700
Total non current liabilities	**62.824**	**61.242**	**1.581**
Financial liabilities	31.873	23.522	8.351
Accounts payable	170.863	158.072	12.792
Income tax payables	8.151	9.906	-1.755
Other current payables	105.543	110.252	-4.709
Total current liabilities	**316.430**	**301.751**	**14.679**
Total Liabilities and Shareholders' equity	**735.891**	**650.695**	**85.196**

In compliance with the requirements stated in the Consob communication on July 28th 2006, and in conformity with the CESR recommendations of February 10th 2005 "Recommendations for the uniform application of the regulations issued by the European Commission on Prospectuses" as had been up-dated by the Orientation on the obligation for information sheets in compliance with the regulations on the prospectuses 1 (ESMA/ 31-62-1426), the chart below shows the details of the entity of the net financial position of the El.En. Group as of December 31st 2022:

	Net financial position	31/12/2022	31/12/2021
A	Cash and cash equivalents	162.814	181.363
B	Cash equivalents	-	-
C	Other current financial assets	2.351	1.092
D	**Liquidity (A + B + C)**	**165.165**	**182.455**
E	Current financial debt	(27.868)	(20.388)
F	Current portion of non-current financial debt	(4.005)	(3.134)
G	**Current financial indebtedness (E + F)**	**(31.873)**	**(23.522)**
H	**Net current financial position (D + G)**	**133.292**	**158.932**
I	Non-current financial debt	(27.632)	(27.204)
J	Debt instruments	(10.230)	(9.778)
K	Non-current trade and other payables	(6.884)	(6.184)
L	**Non-current financial indebtedness (I + J + K)**	**(44.747)**	**(43.166)**
M	**Net Financial Position (H + L)**	**88.546**	**115.766**

The net financial position registered a decrease of about 27 million, from the 115,8 million on December 31st 2021 to the 88,5 million on December 31st, 2022. With respect to the minimum reached at the end of the month of September, the financial year 2022 closed with a recovery of about 55 million Euros in the last quarter.

The graph below represents the main factors determining the cash flow in 2022. The increase in the net working capital absorbed more than 53 million Euros and was caused by both the increase in the business volume as well as the decision to increase the stock of raw materials in order to guarantee stability in the production processes considering the increasingly long and uncertain delivery times from our suppliers. Sometimes, in order to obtain a better service from our suppliers we did not hesitate to shorten the terms of payment. The variations in the other amounts of current payables and receivables for the amount of 13 million Euros reflects the decrease in the down payments received from clients (of which about 8 million in China where the acquisition of orders and the sales volumes were weak) and the increase in the down payments paid to suppliers, which sometimes became indispensable in order to ensure a punctual delivery.



* Nopat =Ebit-Income tax
**D&A= Depreciation, Accruals and Devaluation
***NWC= Net Working Capital

The investments made this year were more than 30 million Euros. Of these, 11 were of a financial nature: 6 million for the purchase of the controlling equity in KBF of Shenzhen and 5 million Euros in the mid-term use of cash. The expansion of the production facilities and other activities like research and development and marketing comported an investment of over 20 million Euros. For the new factories, the enlargement of old ones and equipping them we spent about 14 million Euros. The most significant investments were those in the infrastructure of the Chinese companies in Wuhan and Wenzhou, Quanta System in Samarate and Lasit in Torre Annunziata. The other investment in equipment and motor vehicles amounted to 8 million this year. We also paid dividends for 17,2 million Euros, of which 16 million by El.En. Spa for the amount of 20 Euro cents per share. The increases in capital which brought in a positive cash flow of about 24 million Euros, are mainly related to the entry in the Penta Laser Zhejiang company of four Chinese private equity companies.
The cash flow generated by the operating activities was very significant but was unable to cover the even greater amounts that were used, and the net financial position showed a decrease, although it is still a very large amount.

In this year, it was clear that the strategic tendency of the Group was to support and facilitate the rapid growth using available cash even for working capital, an investment which was in part temporary and necessary in this phase to overcome the obstacles now represented by the unreliability of the supplies of components to handle an important increase in production volume and sales.

It should also be noted that the amount of bank and postal deposits includes about 5 million Euros for the Chinese companies containing deposits which will become available upon the expiration of some payments to suppliers with the issuing of some bank bills.

It should also be recalled that about 22 million Euros in cash has been invested in financial instruments of an insurance nature which, because of their characteristics are required to be entered among the non-current financial assets. The investors who have this kind of cash investment are: El.En. Spa for 11,5 million, Quanta System for 2,5 million Euros, Deka Mela for 8,0 million Euros, of which 5,0 million Euros invested in the second and fourth quarter of this year. Since these are mid-term cash investments, the amounts are not part of the net financial position. At the end of this year, the fair value of the total investments was 23,5 million Euros.

RECONCILIATION CHART COMPARING THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH THE STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

	31/12/2022 Capital and reserves	**31/12/2022 Income statement**	**31/12/2021 Capital and reserves**	**31/12/2021 Income statement**
Balance per parent company statement	**173.858**	**31.472**	**158.619**	**24.044**
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiary companies		39.003		36.327
- share of profit (loss) of associated companies		(79)		(195)
- elimination of dividends		(12.130)		(10.670)
- other (charges) income		(2.277)		(3.634)
Total contribution of subsidiary companies	150.757	24.517	114.528	21.827
Differences on consolidation				
Elimination of intercompany profits on inventory	(4.495)	(867)	(3.628)	(502)
Elimination of intercompany profits from sales of fixed assets	(157)	(11)	(146)	67
Balance as per consolidated statement – Group quota	**319.962**	**55.111**	**269.372**	**45.436**
Balance as per consolidated statement – Third party quota	**36.675**	**3.925**	**18.329**	**3.688**
Balance as per consolidated statement	**356.637**	**59.036**	**287.701**	**49.124**

RESULTS OF THE PARENT COMPANY EL.EN. S.p.A.

Financial highlights

The parent company, El.En. SpA, is active in the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of after-sales services, like supplying of spare parts, consulting and technical assistance.
In following a policy of continued expansion over the years, El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales.
The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial and financial resources; since a large part of the resources of the company are invested in the companies of the Group in order to sustain the development of their activities and of El,En. itself.
As in earlier years, the activities of El.En. SpA, take place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

The chart below shows the results of the sales in the sectors of activity of the companies mentioned above shown in comparative form with those of last year.

	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Medical	139.249	89,69%	101.004	85,40%	37,87%
Industrial	16.001	10,31%	17.275	14,60%	-7,37%
Total revenue	**155.250**	**100,00%**	**118.278**	**100,00%**	**31,26%**

The Company registered a sales volume of over 155 million Euros, an increase of 31,3% over 2021.

The extraordinary growth registered in 2022 was entirely due to the performance of the medical sector which showed an increase in sales volume of over 37%, while the sales volume in the industrial sector decreased.

Thanks to the exceptional results in the medical sector, El.En. registered a leap forward in their sales volume which was over 30%, which allowed them to offset the overhead costs and record levels of profitability, both operative and net, amounting respectively to 17,8% and 20,3% of the sales volume. The outlook for 2023 remains positive in absolute terms, even though, after a year of amazingly rapid expansion, it will be difficult to repeat the same results of sales volume and profitability achieved in 2022.

Income statement as of December 31st 2022

Income Statement	31/12/2022	Inc %	31/12/2021	Inc %	Var. %
Revenues	155.250	100,0%	118.278	100,0%	31,26%
Change in inventory of finished goods and WIP	6.892	4,4%	1.270	1,1%	442,61%
Other revenues and income	1.519	1,0%	1.261	1,1%	20,51%
Value of production	**163.662**	**105,4%**	**120.809**	**102,1%**	**35,47%**
Purchase of raw materials	85.977	55,4%	62.671	53,0%	37,19%
Change in inventory of raw material	(8.378)	-5,4%	(7.795)	-6,6%	7,49%
Other direct services	24.896	16,0%	18.227	15,4%	36,59%
Gross margin	**61.167**	**39,4%**	**47.706**	**40,3%**	**28,22%**
Other operating services and charges	9.057	5,8%	7.483	6,3%	21,03%
Added value	**52.110**	**33,6%**	**40.224**	**34,0%**	**29,55%**
Staff cost	22.431	14,4%	20.506	17,3%	9,39%
EBITDA	**29.680**	**19,1%**	**19.718**	**16,7%**	**50,52%**
Depreciation, amortization and other accruals	2.076	1,3%	1.842	1,6%	12,67%
EBIT	**27.604**	**17,8%**	**17.876**	**15,1%**	**54,42%**
Net financial income (charges)	9.447	6,1%	10.820	9,1%	-12,69%
Other net income and charges	1.251	0,8%	205	0,2%	509,34%
Income (loss) before taxes	**38.303**	**24,7%**	**28.901**	**24,4%**	**32,53%**
Income taxes	6.830	4,4%	4.857	4,1%	40,64%
Net income (loss)	**31.472**	**20,3%**	**24.044**	**20,3%**	**30,89%**

The gross margin was 61.167 thousand Euros, a significant increase over the 47.706 thousand Euros shown last year.The percentage of incidence on the margins decreased from 40,3% in 2021 to 39,4% in 2022.

The costs for other operating services and charges were 9.057 thousand Euros, an increase with respect to the 7.483 thousand Euros of last year and with an incidence on the sales volume which decreased from 6,3% on December 31st 2021 to 5,8% in 2022, thanks to the rapid growth of the sales volume.

The costs for personnel were 22.431 thousand Euros, an increase of 9,4% with respect to the 20.506 thousand Euros of last year, but with an incidence on the sales volume which decreased from 17,3% in 2021 to 14,4% in 2022. Numerous positions in the Group were reenforced during 2022 because of the rapid growth of the sales volume. New employees were hired for production, because of the rapid growth in the volumes, but also for other functions like research and development, and regulatory, all under pressure due to the amount of work and, in any case, reenforced with new staff, with an aim to maintaining these volumes, which are far greater than those registered in past years.

A part of the expenses for personnel is applied to the expenses for research and development for which El.En. S.p.A. usually receives grants and re-imbursements for specific contracts which have been underwritten by the institutions created for this purpose. In 2022, again, the Company received no grants for specific projects.
This confirms the presence of a phase in which it is more difficult than in the past to receive this form of support since the industrial policies are mostly oriented toward the attribution of tax credits to sustain research and development activities, an opportunity from which El.En has rightly benefitted by reporting for this purpose the very significant expenses which it sustains every year for research.

The EBITDA, on account of the effects described above, amounted to 29.680 thousand Euros, an increase with respect to the 19.718 thousand Euros for last year, with an incidence on the sales volume which rose from 16,7% on December 31st, 2021 to 19,1% for this year.

The costs for amortizations, depreciations and accruals were 2.076 thousand Euros, an increase with respect to the 1.842 thousand Euros shown on December 31st, 2021.

Consequently, the EBIT showed a significant increase, rising from17.876 thousand Euros on December 31st, 2021 to 27.604 thousand Euros for this year.

The net financial income was 9.447 thousand Euros, with respect to the 10.820 thousand Euros shown on December 31st 2021. The decrease was mainly due to the negative differences in the exchange rates registered on the hedging, despite the favorable trend in the exchange rates the befits of which had a positive influence on the margins for sales in US dollars in particular.

The amount of other net income refers to the reversal of the reserve for losses by associated companies related to the subsidiaries Deka Sarl and Cutlite do Brasil and the capital gains for the sale of this latter.

The income before taxes was 38.303 thousand Euros, with respect to the 28.901 thousand Euros registered last year. The net income was 31.472 thousand Euros.

Statement of financial position and net financial position as of December 31st 2022

Statement of financial position	31/12/2022	31/12/2021	Variation
Intangible assets	465	193	272
Tangible assets	19.799	19.289	510
Equity investments	22.087	18.368	3.720
Deferred tax assets	2.214	1.999	215
Other non-current assets	31.897	30.862	1.035
Total non current assets	**76.463**	**70.711**	**5.752**
Inventories	51.897	37.139	14.758
Accounts receivable	52.871	45.382	7.488
Tax receivables	4.834	5.359	-525
Other receivables	5.597	5.567	30
Financial instruments	0	0	0
Cash and cash equivalents	28.472	45.702	-17.230
Total current assets	**143.671**	**139.149**	**4.522**
Total Assets	**220.134**	**209.860**	**10.274**
Share capital	2.595	2.594	1
Additional paid in capital	46.928	46.841	87
Treasury stock	-469	0	-469
Other reserves	94.329	86.124	8.205
Retained earnings / (accumulated deficit)	-998	-984	-13
Net income / (loss)	31.472	24.044	7.428
Total shareholders' equity	**173.858**	**158.619**	**15.239**
Severance indemnity	547	794	-247
Deferred tax liabilities	405	357	48
Reserve for risks and charges	937	1.774	-837
Financial debts and liabilities	187	161	26
Other non current liabilities	1.249	186	1.063
Total non current liabilities	**3.326**	**3.272**	**53**
Financial liabilities	178	321	-143
Accounts payable	27.311	26.217	1.094
Income tax payables	3.816	4.774	-959
Other current payables	11.647	16.658	-5.011
Total current liabilities	**42.951**	**47.969**	**-5.018**
Total Liabilities and Shareholders' equity	**220.134**	**209.860**	**10.274**

	Net financial position	31/12/2022	31/12/2021
A	Cash and cash equivalents	28.472	45.702
B	Cash equivalents	-	-
C	Other current financial assets	29	1
D	**Liquidity (A + B + C)**	**28.501**	**45.702**
E	Current financial debt	(3)	(3)
F	Current portion of non-current financial debt	(175)	(318)
G	**Current financial indebtedness (E + F)**	**(178)**	**(321)**
H	**Net current financial position (D + G)**	**28.323**	**45.382**
I	Non-current financial debt	-	-
J	Debt instruments	(187)	(161)
K	Non-current trade and other payables	(1.249)	(186)
L	**Non-current financial indebtedness (I + J + K)**	**(1.436)**	**(347)**
M	**Net Financial Position (H + L)**	**26.888**	**45.035**

During this period the net financial position decreased, and the main uses of cash were related to the net working capital used to sustain the growth, the investments in technical assets and the payment of dividends. It should be noted, however, that the elements considered in the calculation do not include the financial receivables from subsidiaries and associated companies which amount to 21.241 thousand Euros, since they are related to the company policy of financial support to the companies in the Group, in continuation of the practice followed in the past, it was believed to be opportune not to include this financing in the net financial position displayed above.

SUBSIDIARY RESULTS

El.En. SpA controls a Group of companies which operate in the same overall area of lasers and to each of which a special application niche and particular function on the market has been assigned.

The chart below contains a summary of the results of the companies controlled by El.En. Spa. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for 2022.

	Revenues 31/12/2022	Revenues 31/12/2021	Variation	EBIT 31/12/2022	EBIT 31/12/2021	Income (loss) for the financial period 31/12/2022	Income (loss) for the financial period 31/12/2021
Ot-Las S.r.l.	5.466	4.867	12,31%	506	87	240	197
Deka Mela S.r.l.	81.468	63.652	27,99%	8.904	4.891	6.939	4.075
Esthelogue S.r.l.	16.582	13.889	19,39%	990	662	729	543
Deka Sarl	5.813	5.403	7,59%	564	(257)	563	(258)
Lasit S.p.A.	20.701	17.890	15,71%	1.691	2.841	1.742	2.010
Quanta System S.p.A.	120.195	89.987	33,57%	23.774	18.571	18.177	14.154
Asclepion GmbH	67.077	60.126	11,56%	6.871	7.551	4.527	4.681
ASA S.r.l.	15.692	13.528	16,00%	3.714	3.489	2.644	2.226
BRCT Inc.	-	-	0,00%	(7)	(2)	(23)	2
With Us Co., Ltd	19.872	32.623	-39,09%	(1.879)	416	(1.332)	208
Penta-Laser (Wuhan) Co., Ltd	32.060	32.913	-2,59%	209	(553)	(57)	(125)
Cutlite do Brasil Ltda	10.498	7.245	44,90%	1.665	439	2.155	316
Pharmonia S.r.l.	-	-	0,00%	(5)	(5)	(4)	(4)
Deka Medical Inc.	-	-	0,00%	-	3.258	-	3.258
Deka Japan Co., Ltd	3.208	2.096	53,05%	387	299	212	136
Penta Laser Zhejiang Co., Ltd	112.398	124.315	-9,59%	483	2.057	958	3.046
Merit Due S.r.l.	76	74	2,70%	34	25	24	16
Cutlite Penta S.r.l	126.700	84.126	50,61%	7.264	6.567	5.117	4.965
Galli Giovanni & C. S.r.l.	1.142	993	15,01%	122	191	78	127
Penta Laser Technology (Shangdong) Co., Ltd.	45.632	43.729	4,35%	723	502	663	233
Lasit Laser Polska	2.065	368	461,14%	(375)	(306)	(418)	(288)
Lasit Laser Iberica, S.L.	31	-	0,00%	(48)	-	(48)	-
Shenzhen KBF Laser Tech Co., Ltd	-	-	0,00%	-	-	-	-

Deka M.E.L.A. S.r.l.
Deka M.E.L.A. was the first company in the Group to deal in the marketing in Italy and abroad of the medical systems in the 1990s and is the natural marketing vehicle for the systems developed and manufactured by El.En. in Calenzano, for which DEKA still represents the main distribution channel.
DEKA is currently the most prestigious and widespread brand in Italy for laser applications in medicine and for aesthetics, a leadership that has been re-enforced by launching the Renaissance in which the Group has united the distribution in Italy of medical system produced by Quanta System and by Asclepion. At an international level the Deka brand enjoys a significant role and is one of the main players on the market.

Deka operates in the sector of dermatology, aesthetics and surgery using a consolidated network of distributors directly in Italy and a highly qualified network of agents who have been selected over time for international export.

The Deka organization, both in Italy and in the international network, is a visible and recognized presence, a synonym of product innovation, professional quality in the goods offered and excellent performance of the laser systems they sell, a condition in which the Group is investing in order to promote its further growth, thanks to their ability to place new products using their consolidated and effective distribution network.

As was the case for numerous companies in the Group, the year 2022 was a record year in terms of sales volume and profits. The annual volume of business exceeded 80 million and the EBIT came close to 9 million, showing a growth of 80% over last year.
The market conditions continue to be favorable and a positive trend is expected in 2023, with the exception of some geographical areas for which may feel the effects of the recession that the economists have predicted for 2023.

Ot-Las S.r.l.
Ot-Las is specialized in laser marking systems with CO_2 sources for the decoration of large surfaces, with galvanometric type beam movement and for most of its systems, uses scanning systems and mid-powered CO_2 laser sources supplied by El.En.
With excellent results in the second half of the year, the company was able to show an increase in sales volume of over 10% with respect to 2022, and in this way they recovered the losses shown in the first half. Consequently, the EBIT for the year was a substantial 9,2% of the sales volume.

Ot-las, moreover holds a significant equity in the companies of the Group which operate in the sector of laser cutting of sheet metal, for which it is, in fact, the controlling holding company. After the reorganization conducted in the last two years, Ot-las controls Penta Laser Zhejiang with an equity of 70.42%, and this company in turn has 100% control of the Chinese companies Penta Laser Wuhan, Penta Laser Shandong and the Italian Cutlite Penta as well as Cutlite do Brasil and the newly acquired Chinese company, KBF.

Cutlite Penta S.r.l.
Cutlite operates in the sector of laser cutting for which it is involved in the planning, production and sales. The company was created to act as an integrator of powerful laser sources manufactured by the Parent Company, S.p.A. the applications for cutting plastics and dies on to systems. In recent years Cutlite has transferred the focus of its activity to the manufacture of laser systems for cutting sheet metal.
The new technology of sources in optical fibers revolutionized the sector of cutting metal with lasers and Cutlite was able to capitalize its twenty years of experience in laser cutting systems and the expertise acquired by the associated companies in China, to become one of the most dynamic companies and leader among the operators in this sector.

The systems that are equipped with this new technology offer a substantial increase in productivity and in the applicative potential and, in this way, increase the number of potential clients both in the applications in current use as well as for the new ones which, can be implemented effectively only with the new technology (for example, the high-speed cutting of very thick sheets of metal, chamfered cutting or cutting without using costly sustaining gases).
Thanks also to the contribution of the Chinese associates, which has adopted them even earlier, Cutlite was able to rapidly introduce this new technology into its systems. The advantages of this new technology were very successful thanks to the range of systems which was focused on the performance/price ratio, which had a great advantage for the status of the innovator. The results rapidly transformed the company, which exponentially increased its sales volume which rose from 33 million in 2018 to 84 million in 2021, and 126 million in 2022. The company made important investments to sustain the production capacity which is now concentrated in the headquarters in Prato where the activities were transferred in 2019 and where a second building adjacent to the headquarters, which was purchased and where production began in 2021.

After the record results obtained in 2021, 84 million in sales volume and 5 in net income, in 2022 there was a significant increase in the sales volume (+ 50,6%) and also in the EBIT (+ 10,6%) although the profit margins were decreasing because of the strategic choice which favored the acquisition of market quotas but for the effect also of the very long delivery times which exposed the Company to increase in the costs of the components. At the end of 2022 the portfolio of orders received was still very solid and this promises well for a positive trend again in 2023. At the end of the year, Cutlite Penta purchased from El.En. Spa the controlling quota of Cutlite di Brasil, their distributor in Brazil and one of their main clients, so that they became part of the laser cutting business not only in terms of control but also in operational terms.

Penta Laser (Wuhan) Co., Ltd, Penta Laser Zhejiang Co., Ltd, Penta Laser Technology (Shandong) Co., Ltd. and Shenzhen KBF Laser Tech Co. Ltd

The Group initiated its investments in China in 2007 with the Joint Venture started in Wuhan to serve a local production which was strongly influenced by European technology, the market of laser cutting of sheet metal. The positive outcome of this initiative then led to the creation of other factories, 5 in all of which 2 in Wenzhou and 2 in LinYi, which make it

possible to preside with the greatest effectiveness over the market in the area with the greatest development in the demand for manufacturing plants.
Over 900 employees are involved not only working in the factories but also in the dense marketing network and the effective support of after-sales technical assistance for or clients. The growth in recent years has made Penta one of the most important firms on the Chinese market for laser cutting systems because they have been able to distinguish their products from those of the ferocious local competition thanks to the quality of the key components which were designed and in part manufactured in Europe without losing the competitive edge necessary for the local market.
These characteristics have allowed it to take over a quota of the market which places it among the main players in the sheet metal cutting sector in China, and a leader, in particular, in the most innovative segments of the market, those that require very high powers, on the average more than10 kW, and up to 30 kW and now, 40kW. In fact, the ability to manage, with the greatest efficiency, increasingly powerful lasers, has become the identifying feature which determines the appreciation and differentiation of our products on a very important market.
The increase in the powers that are now available at reasonable prices allows the laser cutting application to become economically more attractive in terms of productivity and the laser systems offer numerous advantages of quality, flexibility, environmental impact and, in the last analysis, also costs and the consequent profitability.
Just before the closing of the financial year, KBF of Shenzen became part of the Group. This company is specialized in the manufacture of laser systems for the production of batteries for electrical vehicles. The investment was aimed at the diversification of an activity in a sector which has a very high potential for growth among those which benefit from the innovations of the laser systems.
The trend of the Chinese businesses, which has a major impact, is discussed in detail in the consolidated results, The situation in China has been characterized by the slowdown of the market caused, in the first place, by the continuation of the effects of the pandemic with the frequent imposition of rigid new lockdowns by the local authorities. Even considering the attitude of the central government which, in December 2022 effectively removed all of the limitations imposed to contain the pandemic, we still have faith in the potential of our operating structures and our markets, with the hope that in 2023 we can again take advantage of the potential of the Chinese market which the pandemic had completely suffocated.

Quanta System S.p.A.
This company was born as a spin-off of the scientific research laboratories on photonics and became part of the Group in the early 1990s and subsidiary since 2004; thanks to its particular expertise it has developed on the sector of laser applications in medicine and now makes sophisticated laser systems for aesthetic medicine and for surgery, in particular in the segment of urology, in which it detains a significant portion of the market at a global level.

The financial year 2022 showed excellent results with a sales volume which grew more than 30% with the almost uniform contribution of the main applicative segments, aesthetics and surgery. this latter, along with the sale of the relative consumables, that is the single use and multi-use optical fibers employed in each surgical operation.

Thanks to the characteristics of the range of systems offered for aesthetic medicine and surgical applications and their capacity for continual innovation with the launching of new systems, the market position of Quanta System is such that it is possible to predict further growth also in 2023.

Lasit S.p.A.
This company is specialized in the design, manufacture and sale of marking systems for small surfaces and conducts its production activities and development of its products at its headquarters in Torre Annunziata (Naples).
Its systems are used for the identification of products, parts and assemblies, a requirement that id increasingly common in the manufacturing world because of the increasingly stringent requirements for the traceability of products and components. The laser marking systems, with their operative flexibility and reduced environmental impact, are ideal to satisfy this need with the greatest effectiveness.
The mechanical workshop, which includes numerous state-of-the-art numerical control systems and also laser systems for cutting sheet metal, is also a qualified supplier for the rest of the Group.
The activities of Lasit are now going through a period of profound reorganization and development. The reaction to the pandemic phase is now dealing with the transfer of the activities to the new, enlarged headquarters located adjacent to the original site in Torre Annunziata, but also in the creation of new sales branches abroad for the purpose of accelerating the growth on the international markets thanks to an efficient service to the clientele.
In 2022 the sales volume increased by 15% and the expenses and investments sustained for these activities diminished the profits. These expenses were aimed at reenforcing the operative structures of Lasit , which constitute the basis for a further rapid development expected in the next few years.

The subsidiary **Lasit Laser Polska**, has been operating in Poland since 2021; the company was founded in order to benefit from the opportunities offered by the rapid development of manufacturing in some areas of the country. The company is still in the startup phase and the substantial losses registered in 2022 should be interpreted in the prospect of the development of the sales volume which will be developed in the next few years thanks to the local presence. Since the third quarter of 2022, **Lasit Laser Iberica SL,** has been operating in Spain. This company, also, was founded for the purpose of facilitating the penetration on the market thanks to a local presence.

Asclepion Laser Technologies GmbH

The company was born as Asclepion-Meditec and later became the aesthetic division of Carl Zeiss Meditec. Asclepion became part of the El.En. Group in 2003 when it was bought from Zeiss. At the time, the company had about forty employees and worked in the Zeiss factory. It later developed and achieved an important position on the market for laser systems for medical and aesthetic applications in which it now operates as one of the three business units of the Group. Currently, Asclepion has about 200 employees and a factory which has been recently enlarged by doubling the surface and the spaces dedicated to the training of the employees and the clients.

Their location in Jena, the global cradle of the photonics industry, and the lively presence of companies and start-ups that are active in the electro-optical industry, represents a major advantage for Asclepion, both for the high-tech image and for the ease of access to the very pro-active environments of basic and complementary technologies that are necessary for the manufacture of our systems.

Asclepion in fact is considered an authoritative reference on the market, especially for the two technologies in which it excels: the technology of diode laser systems (semiconductors) for hair removal and the erbium technology for dermatology. The progenitor of the Mediostar laser family has already been developed before we bought the company The later developments radically modified its structure and improved its performance, making it a standard of international reference. There are thousands of installations using erbium technology for ablative applications in dermatology, especially in Germany.

Asclepion has most recently been involved in the surgical sector with the development of high-quality products for appliactions in urology using Holmium and Tullium technology. And, in this field, they have obtained excellent results in terms of technical performance of the equipment. The systems are sold with the brand name Jenasurgical.

The results for 2022 were very good. The increase in the sales volume of 11,6% could have been even better considering the high volume of orders received, even in the final months of 2022. The difficulty in rapidly obtaining certain materials prevented their being able to satisfy the demand for systems from clients within the terms that they desired.

The supply system in Germany turned out to be much more rigid than that in Italy and, even though they do not reach a level which obliged us to interrupt the production, it did not enable Asclepion to fill a large number of the orders that they had received. The profits decreased on account of the increase in operating expenses which, however, was calculated on a level of sales volume which was far greater than that reached even in the second half, during which it was below the potential of production and sales.

With Us Co Ltd

With Us Co., with headquarters in Tokyo, is the distributor of the El.En./Deka products in the aesthetic sector in Japan, where it has acquired an important position especially in the hair removal segment. Besides the Deka/ El.En. systems, With Us distributes to its clientele creams, accessories, and small equipment for beauty salons or destined for home use, on significant volumes considering the large number of stores that they have.

Also the “all inclusive” maintenance services they supply to the large number of installations in Japan contribute significantly to the sales volume and the revenue. In 2022 the volume of business decreased considerably as an effect, first of all, of the decrease in the sales volume of small locally produced devices destined for home use. Moreover, along with the unfavorable trend of the operating activities, there was the bankruptcy and closure of an important client, a chain of aesthetic salons, which further penalized the results for the year. The outlook for 2023, although not as brilliant as they were in the past, are to bring the company back to the point that it is breaking even.

ASA S.r.l.

In 2023, ASA di Vicenza will celebrate its 40 years of activity. Since it was founded, the company operates in the sector of physical therapy for which hit develops and produces a range of laser equipment with low and mid-powered semiconductors. Thanks to the range of products that that it offers and the ability to supply the clientele with training services which allow the clients to take advantage of the technologies in their elective applications, ASA has grown consistently over the years and has always maintained a steady level of profitability.

ASA has its own research and development office dedicated to the production of systems with diode lasers and also uses systems with Nd:YAG technology manufactured by the Parent Company El.En. S.p.A. which they distribute all over the world, as well contributing effectively to the definition of the specifications of the product and new applicative procedures. The results for 2022 were, once again, very good, with a growth of 16% in the sales volume and an EBIT of 3,7 million Euros, equal to about 24% of its sales volume.

The outlook for 2023 is good and it is hoped that they can repeat the same exceptional results as those in 2022.

Other companies, medical sector

Deka Sarl distributes the Deka brand medical systems in France. The presence of this company has always guaranteed a direct contact and important position on the French market and that of the French-speaking countries in North Africa.

In 2022 they registered an excellent performance with a sales volume at record levels and significant net profits Thanks to the changes made in the new management and reorganization which took place a couple of years ago. The outlook for 2023 is good.

Deka Japan operates in Japan and distributes the Deka brand medical systems on the Japanese market. Since 2018 they have been collaborating with DKSH which acts as the exclusive distributor on the market while Deka Japan concentrates on the activity required to obtain the authorization for the sale of new products and the logistic support of DKSH. The trend in 2022 was good and the sales volume and profits increased with respect to 2021, but the Group has higher ambitions for the distribution in Japan on this market.

Esthelogue S.r.l. distributes in Italy the technologies of the Group for the sector of professional aesthetics. This is a very lively market on which Esthelogue is a recognized brand which has achieved the role of leader for the technologies of hair removal and non-invasive body contouring. For hair removal, the Mediostar systems produced by Asclepion, represent the distinctive character of the products offered by Esthelogue, which are able to satisfy every need of the clientele with a range which features, among other things, the ultra-powerful Monolith handpieces. In the applications for non-invasive body contouring, Esthelogue offers a complete range which includes the latest release of the Icoone system, the B-Star system and the B-strong Plus system which uses innovative technologies and methodologies.

The financial year 2022 closed with an acceleration in the revenue after a first half that was mainly penalized by the delays in the delivery of products which was a consequence of the lack of delivery by the suppliers of components and semi-assemblies. The sales volume exceeded by 20% last year's result and allowed a considerable improvement in the EBIT. The solid financial position of the company was consolidated by a significant increase in the capital aimed at sustaining a further growth in the activities which we expect for 2023.

Pharmonia S.r.l. conducts sporadic marketing activity.

Galli Giovanni & C. Srl is a workshop specialized in high precision mechanical work. It became part of the Group in June of 2019. Thanks to the characteristics of the CNC machines and the and the high degree of professionalism and specialization of the staff, it contributes to the maintaining of the high qualitative standards and flexibility in the manufacture of mechanical components. At the end of 2022, the activity was transferred to the building which had been purchased in 202 in order to allow the company to increase its operating space, with an investment of about 300 thousand Euros. The results in 2022 were good and for 2023 we expect another good year.

BRCT Inc. acts as a financial sub-holding.

Other companies, industrial sector

Cutlite do Brasil Ltda has its headquarters in Blumenau in the state of Santa Catarina and was founded for the manufacture of laser systems in Brazil. Currently it distributes laser systems produced in Italy by Cutlite Penta and operates in a factory that is also able to supply an effective technical support to the hundreds of systems installed in this country. Cutlite is now benefitting from the opportunities which, also in Brazil, have been offered by the new technology for laser cutting of sheet metal with increasingly powerful laser sources in fiber. In recent years, Cutlite do Brasil has gradually increased its sales volume, and acquired an important role on the market for cutting sheet metal in Brazil, and benefitted from the same competitive advantages that were at the base of the success of Cutlite Penta, besides the advantage of their location.

2022 was the best year in the history of the company, which has developed a business volume of over 10 million Euros (+ 44% in Euros) and obtained an important net result for the year. During the year, Cutlite do Brasil became part of the laser cutting division of the Group when Cutlite Penta purchased the controlling equity from El.En. spa. The objective for 2023 is to maintain the positive phase in the results.

RESEARCH AND DEVELOPMENT ACTIVITIES

During 2022, we conducted an intense research and development activity according to our strategy of continual innovation aimed at finding new applications for lasers and other sources of energy, in both the medical and the industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative in their applications, performance of the devices and the technologies used.

The El.En. Group is at this time, among the very few companies in the world that produce and sell products based on the widest spectrum of technologies available, including: solid state laser, semiconductor lasers, active fiber lasers, dye lasers, CO_2 lasers, besides the systems for converting frequency like OPO and Raman, which are able to supply solutions from infra-red to ultraviolet with various levels of power and duration of emission, on order to satisfy a vast range of applications. Besides the laser technology, El.En. is active in other technologies on the field of other forms of electro-magnetic Energy, including, in particular, radiofrequency, microwaves, and high intensity electromagnetic fields. Consequently, the Research and Development work is directed to a huge number of different systems, subsystems and accessories.

The activity for obtaining patents to protect the intellectual property of our inventions remained intense; this activity has become increasingly difficult over the years because of the protectionist policies of the most technologically developed countries.
In the following paragraphs, without going into excessive detail, we will describe the numerous sectors which are involved in the research and development activities of the Parent Company and some of the subsidiaries and associated companies.

Laser systems and applications for aesthetic medicine and surgery

In the sector of dermatological applications, we continued research related to the *"Red Touch"* system, based on a laser source with emissions in red, which represents a unique and innovative solution photo-rejuvenation of the skin, based on the direct interaction of the radiation with the collagen present in the tissue. In the first half of 2023 they will begin the clinical studies required to obtain the authorization of the FDA.

Also in the field of dermatology, we continued the research and development activity related to the improvement of the performance of the *"Viridis"* handpiece of the *"Luxea"* platform which will make it possible to reach the highest standards available on the market for vascular applications based on pulsated light
During 2022 we completed the development of a new system for dermatology called "*Helix*", which is able to combine the ablative effect of the traditional CO_2 laser with a non-ablative effect using a source with emissions at 1570 nm. The device is intended for the American market and obtained FDA clearance in January of 2023; it is now at the beginning of the marketing phase.
In the sector of hair removal, we continued research and development aimed at optimizing the clinical aspects of the new, high range products *"Again"* and *"Elite IQ"*. We have focused the study on the temporal structure of the impulses produced for the purpose of improving the effectiveness of the treatment while reducing the discomfort. In particular, for the treatment of vascular lesions which represents an additional essential applicative potential of the products in the "Again" family.

We have continued to work on the improvement of the thigh-end products for hair removal with an aim to making them faster and reduce the down time for heating and calibration, with the objective of pursuing the excellence of the El.En products.
The new product "Motus AZ" has now been introduced on the mark. et and is for sale. It featutrs a complete range of treatments that are applied using a series of handpieces which cool on contact: *Moveo HR*, for hair removal; *Moveo PL* for the treatment of pigmented lesions; *Moveo VL* for the treatment of vascular lesions; *Moveo SR* for skin rejuvenation. The range that has been offered has been highly successful and demonstrates the effectiveness of the devices.

DEKA has just started to market a new product, *"SmartPico"*, a laser system used mainly in applications for the removal of tattoos and the treatment of benign pigmented lesions which operates on a regime of picoseconds. We are now conducting an intense activity of research and development which is directed jointly by El.En and Quanta System for the purpose of improving the specifications of the product, in all wave lengths being emitted.

In the field of *Body Shaping*, in relation to our innovative system "*Onda Coolwaves*", we have completed the development of a new, small-sized handpiece which is made specifically for facial treatments.
The new handpiece is intended to complete the range of treatments available with "*Onda Coolwaves"* for the reduction of localized adipose tissues, the blemishes caused by cellulitis and under the chin.

We have continued the research and development of systems for the muscular stimulation and the reduction of localized adipose based on the electrical excitement of specific muscles masses of the body *("PhysiQ")* and magnetic *("Schwarzy")*. These latter two devices for the stimulation of specific muscle masses of the body have possibilities for use also in the sector of rehabilitation and achieved interesting sales results during 2022. We are also conducting further development activities aimed at obtaining FDA clearance for the treatment of fat with a version of the *PhysiQ* product made more powerful by the use of an innovative technology.

Also in the segment of body shaping, new innovative algorithms of Artificial Intelligence have been implemented on the *LIPO AI* system which will bring major advantages and an improvement in the simplicity of use while guaranteeing the maximum levels of safety and effectiveness of this by now, classic laser-lipolysis procedure.

For the applications in gynecology, we should mention the release of the new family of products in the *"GLIDE series: "Monalisa Glide"* and *"Monalisa duo glide"*. The new family represents an evolution of the iconic Monalisa Touch, of which it has kept the exceptional characteristics of the CO_2 technology of El.En. and improved the architecture of the control system with a new design which offers, among other things, better ergonomics.

The new *"Monalisa duo glide"* system also combines the ablative treatment typical of the CO_2 laser with a non-ablative heat treatment which works thanks to the wavelength of 1540nm, which is emitted by an additional laser source which is available in the system.
We have successfully concluded the development of a new, revolutionary accessory, "*Monalisa Butterfly*" which is able to automate the "*Monalisa Touch*" treatment and was introduced on the market at the end of 2022. "*Monalisa Butterfly*" makes it possible to conduct the "*Monnalisa"* procedure completely automatically, thanks to a motorized activation system of the linear advancement of the rotation movement, which was traditionally done by hand by the operator. With the addition of the automation the treatment is faster and safer, and the results do not depend on the experience of the operator.
Also in the field of gynecology, we have continued our research and development activity on systems for the treatment of incontinence caused by stress.
For surgical applications we continued the research and development activity related to CO_2 laser technology and we have created new accessories and systems, including "*Multipulse Pro Duo"* which is marketed by the subsidiary Asclepion, and makes it possible to perform a vast range of surgical operations thanks to the double function of the arm and fiber.

In **Quanta System S.p.A.** during 2022 they continued with the development of new products both in the surgical division and in the dermatological and aesthetic/medical sector and successfully launched some new systems.

In the surgical sector, the company recently released on to the market laser systems based on a new technology, *Thulium Fiber* laser - *Fiber Dust*, which completed the range produced by the company for the treatment of stones in the urinary tract and benign hyperplasy of the prostate. At the same time, they created custom versions of the same product for some important OEM clients.
Currently the company is engaged in the power development of this range of products in order to complete the range of technical specifications that are increasingly driven to satisfy the growing demand for innovative technologies that is registered for this sector.
In this segment, they are also continuing with the development of new sources based on non-linear optics. Quanta has been confirmed as the leading company in the El.En.Group in the research and technological innovation on the field of lasers for applications in urology.

For all the main dermatological applications, they have completed the development of two new laser platforms with energy levels that are 30% higher than the current ones. These platforms are at the base of the development of new dermatology and aesthetic medicine,
In the sector of Deramatology and Aesthetic Medicine, Quanta has completed the development of two new laser systems. The Suprema is a platform that is able to generate missions, even simultaneously, from different laser sources, with significantly increased energies in green (532 nm) for vascular applications, alexandrite (755nm) and ND:Yag (1064nm), for photo-hair removal and for photo-rejuvenation. The YouLaser Prime is a device based the combination of two laser sources with ablative effect (CO_2) and non-ablative effect (1540nm), for skin resurfacing applications and for the regeneration of scar tissue, which is able to offer a wide range of dermatological treatments with modulable invasiveness and, consequently the possibility to adapt the down time to the requirements of the patient.

Quanta System continued their collaboration with the Center for Photo-Medicine at the Massachusetts General Hospital which brought about the development of a new application in the field of dermatology: the treatment of acne in the active state, the result of a massive research and development project by Accure Acne Inc in collaboration with El.En. and Quanta System and represents a product of great innovative value in the area of dermatological products. The clinical development of the product, under the supervision of **Accure Acne Inc** also involved some American research centers and, in 2022 they were able to obtain the FDA clearance for sales in the United States.

At **Elesta** they have continued working on the development of guides for the fibers used in urologic applications. They continued the fine tuning of the new hardware platform for the ESI (Echolaser Smart Interface) and of the programming of the schedule for the treatment of malign pathologies mainly in endocrinology and urology.

They also worked on the presentation of a project related to the evolution of the automatic interpretive capacities of the nature of focal lesions in the prostate by means of Artificial Intelligence (AI) at the Ministry of Industry and Economic Development (MISE) in collaboration with a software house and an important university medical research center. They also worked on the deposit of other patents to protect their intellectual property in te sector of urology The research and development was also involved in the support of the intense regulatory activity for China and the reimbursement for the procedures in the USA (CPI Code).

ASA continued its work in clinical experimentation and the validation of the therapeutic effectiveness of its physical therapy equipment according to the requirements from MDR. The technological innovation brought to the MLS laser model M8 made it so that, in some European countries, a significant number of hospitals and clinics successfully inserted laser therapy into the rehabilitation of patients who had had serious cases of Covid-19 and helped them rapidly recover an adequate mobility.

At **Asclepion** they continued development activities following a strategy for the up-dating of all the systems in the catalogue which includes a new philosophy of interface with the user, new electronics and new design. They developed the automatic recognition of blood vessels for vascular treatments using a camera and they are currently conducting technical and clinical experiments. They have continued to develop a surgical system for urologic applications featuring a morcellator integrated in the system.

They completed the range of laser handpieces that are part of the Monolith system for hair removal by inserting a new handpiece able to generate a powerful emission at 760 nm.
All of the companies in the Group engaged in the medical sector are subject in this period to a complex ad onerous task of adapting the technical and clinical documentation supporting the quality certifications of the medical laser systems (EC brand). In fact, as part of the modifications of the regulations with the new directive "MDR", the requirements for documents and experimental trials that are necessary to prove the safety and effectiveness of the medical devices which were already quite severe, have become even more stringent.

Laser applications and systems for industry and restoration

At **El.En.** they continued in their vast campaign to re-engineer the products in the light of the increasingly demanding applications that these will be used for. We have begun to work on the sealed sources with the greatest powers for applications on electric vehicles in competition with the conventual systems.
We continued to perfect the range of mid-powered CO_2 sealed sources, in particular the 1,5 kW sources, which permit their use in the sector of dies, in collaboration with Cutlite Penta.
We have continued the important task of developing sealed sources for applications in stripping, for electric vehicles, which require a greater power and lower costs to affirm the presence in the sector of our partner integrator as opposed to the mechanical solutions. In the emergency which caused the shortage of components, we have continued to use the resources of or research and development team to revise the technical solution for the purpose of allowing the production department to minimize the present difficulties and the impact of similar situations which may occur in the future.

In the sector of systems for galvanometric scanning, we have continued to optimize the engineering of the products with an aim to improving the production processes and the dynamic performance over a long period of time. We are now conducting activity for the engineering of new scanning units which will be modular, on the basis of the requirements for marking on flat surfaces with lenses or with systems of dynamic focalizing.
In the restoration field the R&D team is studying the first 300W examples for operations related to more extensive conservation work, with an extension also to the field of stripping and industrial cleaning.

Cutlite Penta In the sector of machines for cutting metals, the new optical, mechanical, fluidodynamic and sensoristic developments of the EVO2 cutting heads have made it possible to introduce laser powers of up to 40kW. The machines which ae equipped with 40kW sources represent a product that is in continual evolution thanks to the perfecting of the most advanced cutting procedures. Exceptional results were obtained in terms of cutting capacity of great thicknesses of carbon steel and stainless steel. They are continuing the activity for the designing and improvement of innovative systems for cutting pipes and machines which combine pipes and flat surfaces. The development of the software and the determining of the cutting parameters, even with the relative supporting gas, has made it possible to exploit the potential derived from the high powers being used, with significant increases in the performance in terms of productivity and quality and the creation of innovative machines for 2D and 3D bevel cutting which will be used to make a new applicative line for cutting with laser fiber, and represents an important element of distinction on the market.

The company has also continued the development and amplification of their range of machines for making American dies, a field in which Cutlite Penta is continually re-enforcing their position as world leader by presenting a new line based on El.En. RF1555 lasers which are taking over portions of the market from the sources used by the competition.

At **Ot-las,** on their machines they continued with the experimentation of the use of new CO_2 RF1222 sources made by El.En. and the new, specially developed scanning optics capable of managing the average and peak high power along with the growing demand for dynamic performance.
For the purpose of improving the performance of the systems produced using automation, they designed specific new interlocking systems.
In the field of shoe manufacture, for cutting the hole in the insole of shoes, they extended the software functions which makes the use of the systems increasingly in conformity with market requirements. The positioning systems have also been optimized in the hardware.
For the production of large blocks of stone, in particular marble and other natural stones, they have continued their study and development for the cutting of large sizes (2×3 meters) wit high-powered lasers (1.200W).
They have also continued their research and optimization of work in the fields of leather, textiles and shoes with an aim to improving the performance and flexibility of the operations.
They have continued their activity to identify and create personalized solutions to be added to, complete production processes requiring a surface treatment for various materials as well as those to be added to production lines which use universal robot systems.

The developments at **Lasit** were related to the improvement of confinement systems for the radiation zones of the laser in terms of an improved possibility of integration and ergonomics of the opening and closing devices.
They worked on the simplification, reduction of the size, and uniformity of the electrical panels and the other components for the purpose of optimizing the engineering of the systems and make them more integrable and compact. They worked on the focalization optics to reduce to a minimum the parallax errors, the volume and vulnerability of the cameras.

The chart below shows the expenses for Research and Development for this year:

Thousands of Euross	**31/12/2022**	**31/12/2021**
Staff costs and general expenses	13.392	11.633
Equipment	339	305
Costs for testing and prototypes	5.470	7.113
Consultancy fees	461	493
Other services	284	233
Total	**19.946**	**19.775**

Following the usual company policy, the expenses shown in the chart have mostly been entered in the operating costs because it is not possible to make a reasonable estimate of the return on the investment.
The amount of expenses sustained corresponds to about 2,6% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to about 3% of its sales volume.

Risk factors and procedures for the management of financial risks

The main risk factors to which the Parent Company and the subsidiary companies are exposed, identified as either operative or financial, are described below.

Risk related to improper use of machinery
Since the Group is well aware of the potential risk derived from the particular nature of their products, starting already in the phase of research and design they focus on the safety and quality of the product released on the market. Residual marginal risks remain due to losses caused by improper use of the product by the end-user and damaging events which are not covered by the insurance policies stipulated by the companies of the Group.

Risks related to possible difficulties in obtaining supplies and the increase in the price of raw materials
The Group acquires components for its products from third party suppliers. The operations for the assembly of the products may be interrupted or jeopardized by the delay on the part of the supplier in supplying the parts or components. Moreover, these may be interrupted in the case that there is a shortage of certain parts or components which are no longer available or become so at unreasonable conditions. In this case, however, the Group might be forced to increase the costs and/or delay the production.
These factors may have a negative impact on the activities, the outlook, and the economic results of the Company.
Moreover, the production costs are exposed to the risk of fluctuations in the prices of raw materials. In the case that the Group was unable to recover such an increase by applying it to the sales price, the economic and financial situation would be affected.

Risks connected to the operation of the industrial complexes
The industrial buildings of the Group are subject to operative risks, including, for example, damage to the plants, failure to apply the regulations, revocation of the permits and licenses, lack of personnel, natural catastrophes, sabotage, attacks, or significant interruptions in the supplies of raw materials or components. Any interruption in the manufacturing activity could have a negative impact on the economic and financial situation of the Group.
The operating risks connected to the industrial buildings that are insurable are managed by specific policies divided among the various factories on the basis of their relative importance.

Risks connected to international operations

The Group operates at an international level and is exposed to the risks inherent to its internationalization, like, for example, the exposure to local political and economic conditions, the respect of different tax regimes, the creation of customs barriers or, more in general, the introduction of laws and regulations that are more restrictive than the previous ones. All of these factors may have a negative influence on the economic and financial situation of the Group.

Risk of losing key resources and know-how
The risk is connected to the significant dependence that the Group has for certain managerial figures which, currently are valued as strategic resources, since they cannot be easily or rapidly replaced, either by persons within the company or without. The lack of the contribution of this type of resource could determine the loss of business opportunities, a reduction in revenue, increased costs or damage to the company’s image. The risk of dependence on key resources is connected to the potential loss of technical “know how”, referred to the possibility of reducing or losing over time the expertise and skills necessary for operating management.

Risks related to computer management, safety and diffusion of data
Information Technology (IT) is today one of the main factors necessary for achieving business objectives. This rsk therefore is connected to the relative level of dependence of the companies of the Group and their respective operating processes, with the IT component. Specifically, this means that the risk of being subjected to an economic loss, a loss of reputation, or of quotas of the market derived from the possibility of a certain threat, whether it be accidental or intentional, exploits the vulnerability implicit in the technology itself derived from the automation of the processes of company business causing an event that is capable of compromising the safety of the company’s total computer data in terms of confidentiality, integrity and availability. The Group has developed an operative policy and technical measures that are suitable to guarantee the adequate protection of the company data and information.

Regulatory and market risks
We expect that every competitive advantage that we might have from our current and future innovations will diminish over time because companies respond with success to ours or create their own innovations. Consequently, our success depends on the development of new and innovative laser applications and other technologies and on the identification of new markets and applications for existing products for new clients and technologies. This means that we must design,

develop, produce, test market and support new products or improvements of products and requires continuous and substantial investments in research and development. We might not be able to respond effectively to technological changes and to the new standards for the sector, or to identify, develop and successfully support new technologies or improvements in pre-existing products as quickly and economically as is necessary. During the research and development process we might encounter obstacles which delay the development and consequently increase the expenses, which might force us to abandon a potential product in which we have invested both considerable time and resources. The technologies in the development phase may turn out to be more complex than we thought at the start or not scientifically or commercially valid. For the systems in the medical sector, even if we develop new products and technologies before our competitors, we might not be able to obtain the necessary authorizations required to release the product on the market, even from public institutions like the American Food and Drug Administration and other foreign agencies for regulation and authorization, quickly and inexpensively or not at all. Moreover, our competitors may obtain authorizations for sale for further uses of their products which our products do not have, or we may not be able to obtain.

Environmental and sustainability risks
The main risks which may be caused by climate change and the transition towards a low carbon energy model are connected to an incorrect management of energy and emission sources, risks related to the modification of regulations associated with the struggle against climate change and physical risks. Among the main risk factors to which the Group may be expose, there are the growing obligations for reporting the emissions produced, the expectations related to the use of low-impact energy sources, and the uncertainties arriving in the signals from the markets with potential unexpected variations in the prices of energy. One should also note the risks derived from the progressive change in climate conditions and extreme weather events which expose the Group to damage of the infrastructures like industrial buildings and plants and machinery, rather than to potential interruption in the supply of essential raw materials and the potential reduction of the production capacity. In order to mitigate at least in part this risk, the Parent Company and the Italian subsidiaries stipulated an insurance policy which protects them against damages derived directly from weather events like hurricanes, storms, wind, hail, inundations, floods, and earthquakes. Among the risks associated with the transition to an economy with low carbon emissions, the reputation risks are also included: to not undertake a gradual decarbonization process could have a negative impact on the reputation of the Company and consequently on the economic and financial results.

Procedures for the management of financial risk
The main financial instruments of the Group include checking accounts and short-term deposits, short-term and long-term financial liabilities, financial leasing stock and hedge funds.
Besides these, the Group has trade payables and receivables from its business activity.
The main financial risks to which the Group is exposed are those involving exchange rates, receivables, cash and interest rates.

Currency risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated financial statements of the Group.

Credit risks
As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the number of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation provision which is accrued at the end of the year represents about 5% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult the relative paragraph in the consolidated financial statement.

As far as guarantees granted to third parties are concerned:

In December of 2019, during the conclusion of the purchase of the minority quota of Penta Laser Zhejiang Co., Ltd by Ot-las S.r.l., El.En. S.p.A. stipulated a guarantee in favor of their partner who was selling, to pay the amount indicated in the earn out clause of 40 million Renminbi (about 5 million Euros) in the case that they proceeded to an IPO of Penta Laser Zhejiang within 5 years of the date of purchase. This debt is entered in the non-current liabilities.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:
- in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo

- in favor of Penta Laser (Wuhan) on the short-term credit line obtained for 3 million Euros.

During 2022, Ot-las S.rl released a guarantee for a maximum of 25 million dollars in favor of Penta laser Zhejiang and its subsidiary Cutlite Penta S.r.l. for the payment that this latter might have to make, in excess of the amount paid by the insurance company, based on the definitive sentence of the Superior Court of Hartford Complex, file n. X03-HHD-CV17-6084684-S. Moreover, the Patent Company, El.En. spa released a second level guarantee, in the case that the guarantee stipulated by Ot-las became operative and Ot-las was unable to pay.

In the month of July 2020 Esthelogue Srl obtained a guarantee from Mediocredito Centrale on the financing of 1,5 million Euros issued by Intesa San Paolo. The amount of the guarantee was 1,35 million Euros.

In the month of July 2020 Cutlite Penta Srl obtained a guarantee from Mediocredito Centrale on the financing of 5 million Euros issued by Intesa San Paolo. The amount guaranteed was 4,5 million Euros.

The Chinese subsidiary Penta laser Zhejiang in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 10 million RMB.

The Chinese subsidiary, Penta Laser (Wuhan) also obtained financing by taking out a mortgage for a total value of 10 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. In the month of June 2020, the company obtained a guarantee from Mediocredito Centrale for the financing of 3 million Euros underwritten by Intesa San Paolo. The amount guaranteed was 2,7 million Euros.

The German subsidiary Asclepion in 2018 has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4 million Euros.

Cash and interest rate risks

As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this half in such a way as to cover existing debts and obtain a net financial position which is extremely positive at the end of this half. For this reason, we believe that these risks are fully covered.

Management of the capital

The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness and a correct financial structure sustaining the business are maintained so as to guarantee an adequate ratio between capital and reserves and debts.

STOCK OPTIONS OFFERED TO ADMINISTRATORS, COLLABORATORS AND EMPLOYEES

The shareholders' meeting of the Parent Company, El.En. S.p.A. held on May 12th 2016 voted, among other things, in an ordinary session, to approve the stock option plan for 2016-2025 which is reserved for administrators, collaborators and employees of the company and its subsidiaries and, in an extraordinary session, to delegate the Board of Directors, in compliance with art. 2443, II co., c.c. to increase, upon payment, even in tranches, within five years of the date of the vote, the capital stock of 104.000,00 Euros by issuing new ordinary shares which can be underwritten by the beneficiaries of the 2016-2025 stock option plan.

The Board of Directors meeting of El.En. S.p.A held on September 13th 2016, upon the recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 and, following the mandate assigned them by the shareholders assembly, proceeded to identify the beneficiaries of the plan, the amount of options assigned, the openings for picking up the options and the price for underwriting.

The Board also proceeded to assign entirely and for the exclusive use of the plan, the faculty conferred on them by the assembly, in compliance with art. 2443, sub-section II, Civil Code, to increase, upon payment, even in tranches, and with the exclusion of the option right in compliance with art. 2441, sub-section V, Civil Code, the capital stock of 104.000,00 Euros by issuing 800.000 ordinary shares (3.200.000 after the stock split) which can be underwritten by the Board members, collaborators and employees of El.En. s.p.a. and of its subsidiaries that are the recipients of the options in the above-mentioned plan.

The options can be picked up in conformity with the terms and conditions of the Plan definitively approved on September 13th by the beneficiaries in two equal tranches: the first starting on September 14th 2019 until December 31st 2025 and the second from September 14th 2020 until December 31st 2025.

The Plan will end on December 31st 2025 and the options that have not been picked up by that date will lapse definitively, the capital stock will be considered definitively increased by the amount that was actually underwritten and released on that date.
According to the Plan, the following individuals will be assigned stock option rights: the President of the Board of Directors, Gabriele Clementi, the two managing directors Andrea Cangioli and Barbara Bazzocchi, a manager with strategic responsibilities, the El.En. s.p.a. executives that have positions as executive administrators of subsidiary companies, other El.En. SpA. executives that have significant roles, executive administrators of subsidiary companies that are considered of strategic importance for the development of the Group, persons belonging to the categories of employees who, for their professional and personal characteristics and loyalty to the company have an important role or may have one in the future.

The Plan is defined particularly relevant in reference to articles 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, *Regolamento Emittenti Consob* since some recipients that have been identified are those indicated in the above mentioned articles. For the exact names and quantities that have been assigned, please refer to the table contained in the information sheet drawn up in conformity with art. 84-bis of the *Regolamento Emittenti Consob* 11971/1999, deposited at company headquarters and published on the site www.elengroup.com in the section *Investor Relations/Governance/Documenti societari/Piano di Stock Option 2016-2025* as well as the market storage site www.emarketstorage.com.

The price, including the share premium, which must be paid by those exercising their rights to the options involved in the Stock Option Plan 2016-2025, has been set by the Board of Directors at 12,72 Euros.
The price was calculated by the Board of Directors on the basis of the arithmetical average of the official prices registered by the shares on the market during the six months prior to September 13th 2016. The criteria for determining the price for the stock being issued for the Stock Option Plan was approved in compliance with articles 2441, sub-section VI of the Civil Code, and 158, sub-section II, T.U.F., issued by the Independent Auditors Deloitte & Touche s.p.a.. This favorable opinion was already published before the assembly and, in accordance with the law, is attached to the notary's statement, which is deposited with the Registry of Companies in Florence and can be consulted at company headquarters or at their site, www.elengroup.com in the section "*Investor Relations / Governance / Documenti Assembleari / 2016*" as well as on the authorized market storage site www.emarketstorage.com.
After the resolution of the Assembly held on July 20th 2021 to split the stock in a ratio of 1 to 4 of the ordinary shares of the Company the beneficiaries holding stock options who exercise their right on a date following the start of the negotiations of the new shares which are the result of the split, may underwrite for each option assigned to them, 4 ordinary shares of the company with the regular privileges by depositing the price of underwriting determined by the Board of Directors at the time the options were assigned. Consequently, the price of each share is 3,18 Euros.

On September 14th 2019, the period in which it is possible to pick up the first set of options began and on September 14th 2020 the period for picking up the second set of options started. As of December 31st, 2021, 661.968 of the 800.000 available options had been picked up.

The meeting of the Assembly of the Parent Company which was held on December 15th 2022 in an ordinary meeting, voted to approve the stock option plan for 2026-2031 reserved for the administrators, collaborators and employees of the company and its subsidiaries and, in an extraordinary meeting of the Board of Directors, to delegate the them, in compliance with *ex* art. 2443, II co., c.c. to increase, even more than once, or separately, within five years of the resolution, to increase the share capital t o a nominal maximum of 65.000,00 Euros by issuing new shares to be destined to the underwriting by the beneficiaries of the stock option plan for 2026-2031.

As of December 31st, 2022 the share capital that as underwritten and paid out amounted to 2.594.727,20 Euros divided into 79.837.760 ordinary shares (after the stock split) without the nominal value being expressed.

It should also be noted that the market capitalization of the Company is currently greater with respect to the amounts implicit in the consolidated shareholders' equity as of December 31st 2022.

TREASURY STOCK

On April 27th 2021, the shareholders' meeting of El.En. S.p.A. authorized the Board of Directors to purchase treasury stock within 18 months of the date of the resolution as described in detail in the special section of the Management Report mfor the year closed on December 31st, 2021. This authorization, therefore, expired definitively on October 27th 2022.
During the year, the Company acquired 54.500 shares of stock for an overall value of about 686 thousand Euros; moreover, on July 29th 2022, the Company stated that it had assigned to the general director. 15.380 of the shares held in the portfolio as part of his annual remuneration for 2021. Consequently, as of December 31st 2022, there were. 39.120 shares of treasury stock held by the Company.

STAFF

As mentioned above, the number of employees in the Group rose from 1.902 units on December 31st 2021 to 2.105 on December 31st 2022. The division among the various companies in the Group is as follows:

Company	2022 average	31-dec-22	31-dec-21	Var.	Var. %
El.En. S.p.A.	311,50	324	299	25	8,36%
Ot-las Srl	11,00	13	9	4	44,44%
Cutlite Penta Srl	130,00	144	116	28	24,14%
Deka M.E.L.A. Srl	33,50	34	33	1	3,03%
Esthelogue Srl	23,00	25	21	4	19,05%
Deka Sarl	10,50	11	10	1	10,00%
Lasit SpA	88,50	96	81	15	18,52%
Quanta System SpA	230,50	249	212	37	17,45%
Galli Giovanni & C. Srl	7,00	7	7	0	0,00%
Asclepion Laser T. GmbH	164,50	168	161	7	4,35%
Asa Srl	55,00	56	54	2	3,70%
BRCT Inc.	0,00	0	0	0	0,00%
With Us Co Ltd	55,00	55	55	0	0,00%
Penta-Chutian Laser (Wuhan) Co., Ltd	199,50	198	201	-3	-1,49%
Cutlite do Brasil Ltda	17,50	19	16	3	18,75%
Pharmonia S.r.l.	0,00	0	0	0	0,00%
Deka Japan Ltd	0,00	0	0	0	0,00%
Penta Laser Zhejiang Co., Ltd	450,00	467	433	34	7,85%
Penta Laser Technology (Shangdong) Co., Ltd.	209,50	229	190	39	20,53%
Merit Due S.r.l.	0,00	0	0	0	0,00%
Lasit Laser Polska	5,50	7	4	3	75,00%
Lasit Laser Iberica S.L.	3,00	3		3	0,00%
Total	**2.005,00**	**2.105,00**	**1.902,00**	**203,00**	**10,67%**

CORPORATE GOVERNANCE AND OWNERSHIP IN COMPLIANCE WITH GOVERNMENT LEGISLATIVE DECREE 231/2001

In compliance with the laws and regulations now in force, El.En. S.p.A. has drawn up a report on their corporate governance ("*Relazione sul governo societario e gli assetti proprietari*") which has been deposited with the authorities and published in a separate section of this document. This report on corporate governance can also be consulted on internet on the site of the Group: www.elengroup.com – in the section "Investor relations/governance/corporate documents".

Since March 31st 2008 El.En. S.p.A. has used a model for the organization, management and control of the company in compliance with Legislative Decree no. 231/2001.

REPORT ON REMUNERATION ex art. 123-*ter* TUF e 84-*quater* Reg. CONSOB 11971/1999

In compliance with the laws and regulations, El.En. S.p.A. has drawn up a "Report on Remuneration" which has been deposited nd published as a separate report. The "Report on Remuneration" can be consulted on the site www.elengroup.com - "Investor relations/governance/company documents" section.

CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

In compliance with the laws and regulations, El.En. S.p.A. has drawn up a consolidated Non-Financial Statement for 2022 which is deposited and published as a separate report in accordance with art. 5, sub-section 1 letter b of Legislative Decree 254 of December 30th 2016.
The consolidated non-financial statement for 2022 can also be consulted on the site www.elengroup.com - "Sustainability/documents" section.

INFORMATION RELATED TO THE EU REGULATIONS 679/2016 ON THE PROTECTION OF PERSONAL DATA

The Company already has their own system for the treatment and protection of personal data since the Italian Privacy Code (D. Lgs. 196/2003) became effective and has adhered to the indications of EU Regulation 679/2016 by appointing an external person to be responsible for the protection of personal data (Data Protection Officer) in compliance with artt. 37-39 Reg. UE 679/"2016 cit. and has proceeded with the additional requirements of these regulations.

INTER-GROUP RELATIONS AND WITH RELATED PARTIES

In compliance with *Regolamento Consob* dated March 12th 2010, n. 17221 and subsequent modifications, the Parent Company, El.En. SpA approved the rules disciplining relations with related parties ("*Regolamento per la disciplina delle operazioni con parti correlate")* which can be consulted in the up-dated version on the internet site of the company www.elengroup.com *section. "Investor Relations/governance/corporate documents*".
These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 force in the past (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties ("*Regolamento Operazioni con Parti Correlate*") n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010 and that approved on March 14th 2019.

The OPC El.En. Regulations, with validity starting on July 1st 2021 were up-dated and modified by the Board of Directors during their meeting on June 30th 2021 after the adoption by the CONSOB on December 10th 2020 of resolution 21624 issued in implementation of the regulatory proxy contained in art. 2391-*bis* of the c.c., as amplified by D. Lgs. 49/2019 for the purpose of the EU directives (UE) 2017/828 – c.d. Shareholder Rights Directive 2 ("SHRD 2") – which modifies directive 2007/36/CE concerning the encouraging of the long-term commitment of the shareholders. The Board approved some additions to the OPC El.En. Regulations for the purpose of aligning it with the new regulation organization, considering that the Italian regulations were already mature with reference to the implementation of the European rules and that therefore, it was an intervention of fine tuning on the internal procedures that El.En. had already adopted at the end of 2010.
The changes were shown on the annual report for 2021.
During 2019, in relation to the acquisition (described in the annual financial report on December 31st 2019), conducted by the subsidiary Ot-las s.r.l. of the minority quota of the Chinese companies Penta-Laser Equipment Wenzhou Co., Ltd - now Penta Laser (Zhejiang) Co., Ltd - and Penta-Chutian Laser Wuhan Co., Ltd – now Penta Laser (Wuhan) Co., Ltd – we voluntarily published an information document in compliance with article 5 of the *Regolamento Consob Parti Correlate 17221/2010* and of art. 1.2.of the regulations disciplining operations with related parties adopted by the Company. The document is available on the site of the Company: www.elengroup.com sez. Investor Relations.
The other operations conducted with related parties, including the inter-Group operations cannot be qualified as atypical or unusual. These operations were conducted under ordinary market conditions.
Concerning the relations with related parties, see the explanatory notes that are part of the half-yearly consolidated financial statement of the El.En. Group.

OPT-OUT REGIME

It should be recalled that on October 3rd 2012, the Board of Directors of El.En. S.p.A. voted to adhere to the possibility of *opt-out* in compliance with art. 70, sub-sections 8 and 71, sub-section 1-bis of the Consob Regulations 11971/99, exercising their right to waive the requirement to publish the information documents concerning any significant extraordinary operations related to mergers, divisions, increases in capital in kind, acquisitions and sales.

OTHER INFORMATION

Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, DEM/6064293, we wish to state that during this year and the preceding one the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

Management and coordinating activities

El.En. S.p.A. is the parent company and consequently is not subject to any management or coordinating activities in compliance with art. 2497 and following paragraphs of the Civil Code.

Compliance according to art. 15 and following of the Consob Regulations concerning markets

(adopted after n. 20249 on December 28th 2017 and subsequent modifications)

In compliance with art. 15 of the Market Regulations adopted with vote no. 20249 on December 28th 2017 (of which the preceding one was art. 36 of the Market Regulations adopted with vote n. 16191 in 2007) in relation to the regulations governing the conditions quotation of controlling companies constituted or regulated companies according to the laws of countries that do not belong to the European Union and that are of significant importance for the purposes of the consolidated statement, we wish to state that:

- On December 31st 2022 among the companies controlled by El.En. S.p.A. the following are subject to the regulations: With Us Co. Ltd, Penta Laser (Wuhan) Co. Ltd, Penta-Laser Equipment (Wenzhou) Co. Ltd. (now Penta Laser (Zhejiang) Co., Ltd), Penta Laser Technology (Shangdong) Co. Ltd and Shenzhen KBF laser Tech Co. Ltd.
- Procedures have been adopted to assure the complete compliance to the regulations.

Fiscal consolidation

It should be recalled that El.En. Spa and the subsidiaries, Esthelogue S.r.l. (since 2011), Ot-las (since 2012) and DEKA M.E.L.A. Srl (2019) have adhered to the IRES taxation regime of the national consolidated, as per art.117 of the TUIR and the implementing D.M. of March 1st 2018.
The relations between the parties, as far as the law is concerned, are regulated by the special "consolidation agreement".

SUBSEQUENT EVENTS

Potential developments in the Laser Cutting business unit

On February 11th 2022, Penta Laser Wenzhou completed the "Share reform", i.e. the transformation of its company organization from Joint Venture to corporation, a very complex procedure in China, which, comported, among other things, the new auditing of the financial statements for the last three years in conformity with the international accounting standards according to a practice followed in China by the companies quoted on the regular stock market.
Penta Laser Wenzhou, which for this occasion was renamed Penta Laser Zhejiang.
In the second half of the year the company completed in succession the two increases in capital reserved for the Chinese institutional investors, necessary operations, according to the local procedures, to obtain an IPO for the company and the business unit on the regulated Chinese market. The IPO represents a strategic option which allows us to pursue our ambitious projects in this sector.

The war in Ukraine

The invasion of Ukraine by the Russian military forces and the war that has now gone on for a year have created great uncertainty and critical factors in the international relations between all of the parties involved directly and indirectly in the conflict. The state of war in Ukraine and the rigid commercial sanctions that have been imposed on Russia have limited or precluded trade relations in these areas. In the past, the Group has had profitable trade relations with Ukraine and Russia, in particular, in the applications for aesthetic medicine.

Treasury stock and stock options

The Board of Directors voted today to ask the shareholders' meeting to approve the financials for 2022 and to renew the authorization to acquire treasury stock which expired definitively on October 26th 2022. The purchase of treasury stock, if approved, will take place at the following concurrent or alternative conditions: the assignment, distribution or payment in kind to the employees and/or collaborators and/or members of the administrative bodies of the company or their subsidiaries on the basis of the incentivizing remuneration plans in conformity with the remuneration policy approved by the assembly of the company, or by exchanges of equities on the occasion and related to operations of a strategic nature.
The authorization for the purchase, in one or more sets, of a maximum number of ordinary shares of the Company, the only category of financial instruments now issued by the Company which, in any case must not exceed more than one-fifth of the share capital. On the date of the resolution, 20% of the capital underwritten and deposited by El.En amounted to 15.978.658 ordinary shares for a nominal value of 519.306 Euros.
The authorization is requested for the maximum amount of time allowed by the law, 18 months after the resolution of the Assembly.
The purchase of treasury stock must take place respecting the criteria of the equality of shareholders in compliance with art. 132 T.U.F. and art. 144-*bis Regolamento Emittenti*. Consequently, the administrators may proceed with the purchase using the following concurrent or alternative methods where applicable and which will be established at the time of the individual operations: by means of public offering for purchase or exchange, on the regulated markets.
The shareholders will be asked to approve the purchase which is not less than the minimum of the closing price that the stock registered on the stock market the day before the completion of each single operation, minus 10% and, at the maximum not over 10% more than the official price registered on the day before the purchase.
The Board also requested to be authorized to sell, within 10 years of the resolution, the shares purchased, at a price or equivalent, in the case of company operations, which is not less than 95% of the average of the official prices registered during the five days before the sale.
The deeds for the selling and disposition of the treasury stock will take place without any expiration date, in one or more sets, even before having finished the quantity of treasury stock for sale, using any method that the Board deems opportune and, in any case, in compliance with the regulations in force in the European Union, either delegated or domestic.

On the same date, the Board of Directors of El.En. spa, following a proposal by the Remuneration Committee, voted to activate the stock option plan for the period 2026-2031 ("Piano di Stock Option 2026-2031") according to the mandate assigned to them by the shareholders' assembly on December 15th 2022; they identified the beneficiaries of the plan, the quantity of options assigned, the dates that they could be picked up and the price for underwriting them.
The Board proceeded to exercise the right, partially and for the exclusive use in the Plan, which had been conferred to them in compliance with art. 2443, by the same Assembly, to increase, upon payment, separately and with the exclusion of the option rights in compliance with art. 2441, sub-section V, c.c., the share capital up to Euros 49.955,00 by means of the emission of 1.414.000 ordinary shares which can be underwritten by the administrators, collaborators and employees of El.En. s.p.a. and the companies that they control, that are assignees of the above-mentioned Plan.
The options can be exercised in conformity with the terms and conditions described in the Plan, which was definitively approved today, by the beneficiaries in two equal sets: the first starting on April 1st 2026 up until December 31st 2031 and the second, starting on April 1st 2027 and ending on December 31st 2031.
The Plan will end on December 31st, 2031, and the options that have not been picked up will expired definitively, the capital will be considered definitively increased for the amount which has actually been underwritten and made available on that date.
According to the Plan, the assignees of options are the President of the Board of Directors, Gabriele Clementi, the two executive board members, Andrea Cangioli and Barbara Bazzocchi, the General Director of El.En. s.p.a. Paolo Salvadeo, the managers of El.En. s.p.a. who are administrators of the subsidiary companies, the other managers of El.En. s.p.a. who have significant roles, the administrators of the subsidiaries that are considered of strategic importance for the development of the Group, some of the persons who belong to the category of employees and managers and collaborators who, for their professional and personal characteristics and loyalty have important roles also with an outlook to the future.
The Plan can be defined as of particular importance in conformity with art. 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, *Regolamento Emittenti Consob* because some of the subjects who have been identified as assignees are mentioned in it. For the exact identity of the assignees and the amounts assigned to them, see the relative chart contained in the information sheet drawn up in compliance with art. 84-*bis* of the *Regolamento Emittenti Consob* 11971/1999, which will be deposited in compliance with art. 84-*bis* sub-section 5 of the above-mentioned *Regolamento Emittenti*. The price which includes the surcharge which will have to be paid by those who decide to exercise their options according to the Stock Option Plan for 2026-2031was determined by the Board at Euros 13,91. The calculation was made by the Board of Directors on the basis of the arithmetical average of the official prices registered for the stock on the market during the six previous months. The criteria used to determine the price for issuing the shares used for the Plan was approved in compliance with articles 2441, VI sub-section c.c., and 158, II sub-section, T.U.F., issued by the auditing company, EY s.p.a. This opinion was published before the Assembly and, according to the terms established by law, is attached to the declaration of the notary and deposited at the Registry of Companies in Florence. It can be consulted at the headquarters

of the Company, at the site www.elengroup.com in the section titled Investor Relations/Governance/Documenti Assembleari/2022, as well as on the authorized storage site www.emarketstorage.com.

The Board of Directors also proceeded with the modification of art. 6 of the by-laws related to the share capital in consistency with the above-mentioned resolutions. The minutes of the Board of Directors related to the increase in capital and the modification of the by-laws will be placed at the disposal of the public in compliance with the methods and times required by law.

Current outlook

As happened in 2022, the year began with a significant number of orders in the portfolio, a record level in all sectors. In the meantime, the general economic conditions have changed, with the pressure of inflation and the increase in interest rates augmenting the fear of a slowdown in the world economy and will make it difficult to maintain the level of profitability obtained in 2022. These circumstances currently do not seem to prevent the growth on our markets, but they make it more uncertain. The improvement of the conditions on the Chinese market let us hope that there will be a recovery in the sales volume in the industrial sector in that area.
In the present context, which is more uncertain than it was 12 months ago, in 2023 the El.En. Group expects to continue in its growth, exceeding the sales volume for 2022, thanks to the contribution of the industrial sector.
The confirmation of the EBIT of 2022 represents the ambitious goal for the context in which we will be operating and for the mix of sales that we plan.

DESTINATION OF THE NET INCOME

To our shareholders:
When submitting for your approval the separate financial statement of El.En. S.p.A. as of December 31st 2022, we propose to allocate the net income for this year, amounting to Euros 31.472.330,00 as follows:
- to distribute to the shares now in circulation on the date of the expiration of coupon no. 2 on May 29th 2023 – in compliance with art. 2357-*ter*, according to the second sub-section of the Civil Code, a dividend of 0,22 (zero point twenty-two) gross per share in circulation, for an overall amount as of today of 17.567.917,84 Euros, while it is understood that this amount may be increased in the case that further sums are needed for the distribution of the dividends for the shares in circulation on the date that the stock options exercised in the period between today and the record date (May 30th 2023).
- to allocate the residual amount, now amounted to Euros 13.904.412,16 in an extraordinary reserve.

For the Board of Directors
Managing Director, Ing. Andrea Cangioli

EL. EN. GROUP CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31st 2022

FINANCIAL CHARTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial position

Assets	Note		31/12/2022		31/12/2021
Intangible assets	1		13.897.740		4.913.725
Tangible assets	2		113.086.321		100.821.759
Equity investments	3				
- in associated companies		1.019.897		918.042	
- other		1.061.819		1.031.420	
Total Equity investments			2.081.716		1.949.462
Deferred tax assets	4		12.420.903		10.364.271
Other non-current assets	4		24.299.254		18.598.512
Total non current assets			**165.785.934**		**136.647.729**
Inventories	5		202.900.202		155.939.226
Accounts receivable	6				
- third parties		168.017.892		145.785.080	
- associated companies		481.598		988.787	
Total Accounts receivable			168.499.490		146.773.867
Tax receivables	7		16.334.476		15.725.494
Other receivables	7				
- third parties		17.183.621		12.893.340	
- associated companies		61.565		261.565	
Total Other receivables			17.245.186		13.154.905
Securities and other current financial assets	8		2.311.175		1.090.700
Cash and cash equivalents	9		162.814.265		181.362.812
Total current assets			**570.104.794**		**514.047.004**
Total Assets			**735.890.728**		**650.694.733**

Liabilities	Note		31/12/2022		31/12/2021
Share capital	10		2.594.727		2.593.828
Additional paid in capital	11		46.927.795		46.840.698
Other reserves	12		95.195.564		88.076.501
Treasury stock	13		(468.633)		-
Retained earnings / (accumulated deficit)	14		120.601.833		86.424.921
Net income / (loss)			55.110.995		45.436.387
Group shareholders' equity			**319.962.281**		**269.372.335**
Minority interest			36.674.937		18.328.877
Total shareholders' equity			**356.637.218**		**287.701.212**
Severance indemnity fund	15		4.099.038		5.100.689
Deferred tax liabilities	16		3.242.089		2.505.548
Other accruals	17		10.735.920		10.469.905
Financial debts and liabilities	18				
- third parties		37.862.252		36.982.045	
Total Financial debts and liabilities			37.862.252		36.982.045
Other non current liabilities					
Accounts payable third parties - non current		717.819		697.227	
Other payables - non current		6.166.471		5.486.870	
Total Other non current liabilities	18		6.884.290		6.184.097
Total non current liabilities			**62.823.589**		**61.242.284**
Financial liabilities	19				
- third parties		31.872.974		23.522.190	
Total Financial liabilities			31.872.974		23.522.190
Accounts payable	20				
- third parties		170.862.992		158.065.656	
- associated companies		329		6.000	
Total Accounts payable			170.863.321		158.071.656
Income tax payables	21		8.150.730		9.905.819
Other current payables	21				
- third parties		105.542.896		110.251.572	
Total Other current payables			105.542.896		110.251.572
Total current liabilities			**316.429.921**		**301.751.237**
Total Liabilities and Shareholders' equity			**735.890.728**		**650.694.733**

Consolidated Income Statement

Income Statement	Note		31/12/2022		31/12/2021
Revenues	22				
- third parties		672.548.029		570.801.778	
- associated companies		1.032.793		600.376	
Total Revenues			673.580.822		571.402.154
Other revenues and income	23				
- third parties		6.198.389		5.934.984	
- associated companies		27.078		51.789	
Total Other revenues and income			6.225.467		5.986.773
Revenues and income from operating activity			**679.806.289**		**577.388.927**
Purchase of raw materials	24				
- third parties		412.369.744		358.601.490	
Total Purchase of raw materials			412.369.744		358.601.490
Changes in inventory of finished goods			(15.657.697)		(21.425.483)
Change in inventory of raw material			(27.726.570)		(19.254.617)
Direct services	25				
- third parties		61.126.177		47.394.512	
Total Direct services			61.126.177		47.394.512
Other operating services and charges	25				
- third parties		56.244.052		47.805.521	
- associated companies		6.000		6.000	
Total Other operating services and charges			56.250.052		47.811.521
Staff cost	26		98.193.546		84.170.078
Depreciation, amortization and other accruals	27		14.249.836		15.233.726
EBIT			**81.001.201**		**64.857.700**
Financial charges	28				
- third parties		(1.472.287)		(885.004)	
Total Financial charges			(1.472.287)		(885.004)
Financial income	28				
- third parties		853.391		935.306	
- associated companies		3.939		924	
Total Financial income			857.330		936.230
Exchange gain (loss)	28		(1.319.081)		1.700.277
Share of profit of associated companies			(78.684)		(195.348)
Other income	29		-		10.166
Income (loss) before taxes			**78.988.479**		**66.424.021**
Income taxes	30		19.952.896		17.299.636
Income (loss) for the financial period			**59.035.583**		**49.124.385**
Net profit (loss) of minority interest			3.924.588		3.687.998
Net income (loss)			**55.110.995**		**45.436.387**

Basic net income/(loss) per share	31	0,69	0,57
Diluted net income/(loss) per share	31	0,69	0,57

Consolidated statement of comprehensive income

	Note	31/12/2022	31/12/2021
Reported net (loss) income (A)		59.035.583	49.124.385
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans		882.511	122.837
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments		-1.301.090	2.493.571
Total other income/(loss), net of fiscal effectes (B)		-418.579	2.616.408
Total comprehensive (loss) income (A)+(B)		58.617.004	51.740.793
Referable to:			
Parent Shareholders		54.733.131	47.641.680
Minority Shareholders		3.883.873	4.099.113

Consolidated cash flow statement

Cash flow statement	Note	31/12/22	Related parties	31/12/21	Related parties
Operating activity					
Income (loss) for the financial period		**59.035.583**		**49.124.385**	
Amortizations and depreciations	27	10.087.708		8.709.925	
Interest income	28	857.331		912.066	
Intererst Expense	28	(1.142.342)		(838.188)	
Income tax paid		(25.451.677)		(9.564.627)	
Gain/Loss on financial investments and equity investments	29	0		(10.166)	
Share of profit of associated companies		78.684	78.684	195.348	195.348
Write-downs for impairment losses	27-29	107.858		0	
Stock Option Share payment loss		1.553.390		156.075	
Severance indemnity	15	162.725		114.939	
Provisions for risks and charges	17	364.436		4.444.844	
Bad debt reserve	6	957.412		951.925	
Deferred income tax assets	4	(2.476.515)		(945.616)	
Deferred income tax liabilities	16	74.183		308.493	
Inventories	5	(42.149.100)		(40.537.672)	
Accounts receivable	6	(21.796.942)	506.309	(51.775.083)	(135.171)
Tax receivables / payables	7-21	24.629.082		12.959.701	
Other receivables	7	(4.769.757)		(1.270.865)	
Accounts payable	20	12.968.671	(5.671)	59.123.677	(7.600)
Other payables	21	(11.030.981)		47.902.857	
Other non- monetary variations from operating activity		56.011		(480.586)	
Cash flow generated by operating activity		**2.115.760**		**79.481.432**	
Investment activity					
Tangible assets	2	(17.440.780)		(14.729.090)	
Intangible assets	1	(984.431)		(1.400.523)	
Equity investments, securities and other financial assets	3-4-8	(5.159.896)	(180.539)	(4.432.775)	(159.937)
Financial receivables	4-7	(308.773)	(120.000)	151.924	66.219
Other non- monetary variations from investing activity		0		183.320	
Variation in the scope of consolidation/Extraordinary operations		(6.256.605)			
Cash flow generated by investing activity		**(30.150.485)**		**(20.227.144)**	
Financing activity					
Non current financial liabilities	18	(3.323.158)		2.470.548	
Current financial liabilities	19	7.303.489		(867.808)	
Capital increase	10	24.069.286		4.328.616	
(Purchase) Sell treasury shares	13	(468.633)		0	
Dividends paid	32	(17.236.352)		(9.414.328)	
Other non- monetary variations from financing activity		9.693		(22.835)	
Cash flow generated by financing activity		**10.354.325**		**(3.505.807)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**(868.146)**		**1.870.116**	
Increase/(decrease) in cash and cash equivalents		**(18.548.548)**		**57.618.596**	
Cash and cash equivalents at the beginning of the financial period		**181.362.812**		**123.744.217**	
Cash and cash equivalents at the end of the financial period		**162.814.265**		**181.362.812**	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

EMARKET SDIR CERTIFIED

Changes in the consolidated shareholders' equity

Total shareholders' equity	**31/12/2020**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2021**
Share capital	2.549.589			44.239		2.593.828
Additional paid in capital	42.556.321			4.284.377		46.840.698
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	88.310.254	238.265	-7.969.374			80.579.145
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	-183.995				2.136.584	1.952.589
Other reserves	4.577.577			1	3.230	4.580.808
Retained earnings / (accumulated deficit)	66.391.080	20.016.881		-48.519	65.479	86.424.921
Net income / (loss)	20.255.146	-20.255.146			45.436.387	45.436.387
Total Group shareholders' equity	225.419.931		-7.969.374	4.280.098	47.641.680	269.372.335
Capital and reserve of minority interest	12.957.360	2.287.209	-1.444.954	430.149	411.115	14.640.879
Result of minority interest	2.287.209	-2.287.209			3.687.998	3.687.998
Total Minority interest	15.244.569		-1.444.954	430.149	4.099.113	18.328.877
Total shareholders' equity	240.664.500		-9.414.328	4.710.247	51.740.793	287.701.212

Total shareholders' equity	**31/12/2021**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2022**
Share capital	2.593.828			899		2.594.727
Additional paid in capital	46.840.698			87.097		46.927.795
Legal reserve	537.302					537.302
Treasury stock				-468.633		-468.633
Other reserves:						
Extraordinary reserve	80.579.145	24.044.358	-15.958.902			88.664.601
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	1.952.589				-1.085.979	866.610
Other reserves	4.580.808				119.586	4.700.394
Retained earnings / (accumulated deficit)	86.424.921	21.392.029		12.196.354	588.529	120.601.833
Net income / (loss)	45.436.387	-45.436.387			55.110.995	55.110.995
Total Group shareholders' equity	269.372.335		-15.958.902	11.815.717	54.733.131	319.962.281
Capital and reserve of minority interest	14.640.879	3.687.998	-1.277.450	15.739.637	-40.715	32.750.349
Result of minority interest	3.687.998	-3.687.998			3.924.588	3.924.588
Total Minority interest	18.328.877		-1.277.450	15.739.637	3.883.873	36.674.937
Total shareholders' equity	287.701.212		-17.236.352	27.555.354	58.617.004	356.637.218

For details, see Notes 10 to 14.

The amounts entered in the column "Comprehensive (loss) income" refer to:

- the conversion reserve for the change that involved the assets in currency held by the Group;
- the other reserve and retained earnings that are mainly involved in the remeasurement of the severance indemnity fund at the end of the year for the amount related to the subsidiary companies.

For further details, please consult the specific chart of the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the Euronext STAR Milan (STAR) which is managed by Borsa Italiana SpA.
The Consolidated Financial Statement for the El.En. Group was examined and approved by the Board of Directors on March 15th 2023.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT

The consolidated financial statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*
The Group has drafted the financial statement on the assumption that the business activity of the Group will continue.

This Consolidated Financial Statement consists of:

- the Consolidated Statement of financial position. The presentation of the statement of financial position is made by a chart which distinguishes current and non-current assets from current and non-current liabilities.
- the Consolidated Income Statement. The chart showing the income statement contains entries listed by type since it is considered the one that supplies the most explanatory information.
- the Consolidated statement of comprehensive income. The chart showing the comprehensive income includes the entries taken directly from the net shareholders' equity when this is allowed by the IFRS.
- the Consolidated Cash flow statements. The cash flow statement presents the financial flow of the operating, investment and financial activity. The flows of the operating activities are represented using an indirect method, in which the result for the period is rectified by the effects of non-monetary type operations, by any differing or accrual of preceding or future income or operative payments and by elements of revenue and costs connected with the financial flows deriving from the financial or investment activities.
- the Consolidated Statement of changes in the Shareholders' equity,
- the Explanatory Notes which follow.

The economic information given refers to the financial years 2022 and 2021. The financial information on the other hand refers to the situations on December 31st 2022 and December 31st 2021.

The Parent Company El.En. S.p.A. has assigned the task of auditing the consolidated accounts as of December 31st 2022 to the Independent Auditors EY S.p.A.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The financial statement as of December 31st 2022 has been drafted using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED SINCE JANUARY 1ST 2022

The accounting standards adopted for drafting the consolidated financial statement are in conformity with those used for drafting the consolidated financial statement as of December 31st 2021 except for the adoption of the new standards and modifications in force starting on January 1st 2022. The Group has not adopted in advance any of the new standards, interpretations or modifications issued but not yet in force.

The modifications which are applicable for the first time starting on January 1st 2022 are shown below but did not have any impact on the consolidated financial statement of the Group:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This modification makes it possible for a subsidiary that chooses to apply paragraph D16(a) of the IFRS 1 account the differences in the translations accumulated on the basis of the amounts accounted by the Parent Company, considering the date of the transition to the IFRA by the Parent Company. This modification will be applied also to associated companies and Joint Ventures which choose to apply paragraph D16(a) of the IFRS 1.

This modification did not have any impact on the consolidated financial statement of the Company because it is not a first time adopter.

IFRS 3 – Reference to the Conceptual Framework – Amendments

The modifications have the objective of replacing the reference to the Framework for the Preparation and Presentation of Financial Statements with the references to the Conceptual Framework for Financial Reporting published in March of 2018, without any significant change in the requirements of the standard.
The modifications that are introduced are related to some exceptions concerning the liabilities and the potential liabilities that are part of the application of IAS 37 or of IFRIC 21. Moreover, the modifications have comported the addition of a new paragraph of IFRS 3 for the purpose of clarifying that the potential assets are not qualified as recognizable assets on the date they are acquired.

These modifications did not have any impact on the consolidated financial statement of the Group because during the year no potential assets, liabilities or potential liabilities were recognized as being relevant for these modifications.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This modification clarifies which are the fees which an entity must include to determine if the terms and conditions of a new or modified financial liability are substantially different with respect to the original financial liability. These fees include not only those paid or received between the debtor and the financer, including the fees paid or received by the debtor or the financer on behalf of others. A similar modification has not been proposed for IAS 39 Financial Instruments: Recognition and Measurement.

This modification did not have any impact on the consolidated financial statement of the Group because during the year no such modifications were made on the financial liabilities of the Group.

IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use – Amendments

These modifications prohibit the entity from deducting the past cost of a tangible asset all possible revenue derived before it started to function. These revenues must be entered in the income statement.

These modifications did not have any impact on the consolidated financial statement of the Group because no sales relative to these kinds of buildings, plants or machinery took place before they started to be used or after the beginning of the preceding comparative period.

IAS 37 Onerous Contracts – Costs of Fulfilling a Contract – Amendments

An onerous contract isa contract in which the non-optional costs necessary to fulfill the obligations assumed, are greater than the economic benefits which are assumed to be obtainable with the contract.
The modification clarifies that when determining whether a contract is onerous or generates losses, an entity must consider the costs directly referred to the contract for supplying goods or services which include both the incremental costs (that is, the cost of the direct labor and the materials) as well as the costs which can be directly attributed to the contractual activities (for example, the amortization of the equipment used for fulfilling the contract and the costs for the management and supervision of the contract). The general and administrative expenses are not directly related to a contract and are excluded unless these latter are explicitly stated as the responsibility of the other party in the contract.

These modifications did not have any impact on the consolidated financial statement of the Group.

Accounting standards, amendments and IFRS and IFRIC interpretations issued by the IASB and not yet in effect

Below we have described the accounting standards and interpretations which, on the date of the financials for the Company, had been issued but were not yet in effect. The Company intends to adopt these standards and interpretations when they come into effect.

IFRS 17 Insurance Contracts

In May of 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), a new accounting standard related to insurance contracts which covers the identification and measuring, presentation and information sheets. When it comes into effect, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 will be applied to all types of insurance contracts (for example, life, non-life, direct insurance and re-insurance) independently of the type of entity that issues it, and also to guarantees and financial instruments with characteristics of optional participation.
For this purpose, limited exceptions will be applied. The main objective of IFRS is to present an accounting model for insurance contracts that will be more useful and consistent for the insurers. Unlike the principles contained in IFRS 4, which were mainly based on maintaining the previous accounting policies, l'IFRS 17 supplies a complete model for insurance contracts which covers all the relevant accounting aspects. The heart of IFRS 17 is the general model, with the addition of:

- a specific adaptation for the contracts with characteristic of direct participation (the variable fee approach).
- a simplified approach (the approach of the allocation of the premium) mainly for contracts of brief duration.

L'IFRS 17 will come into effect for the financial years starting on January 1st 2023 or later, and will require the presentation of the comparative statements. Early application is allowed, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of the first application of IFRS 17, earlier. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In 2020 and 2022, the IASB published the modifications to paragraphs 69 to 76 of IAS 1, to specify the requirements for the classification of liabilities as current or non-current. The modifications clarify:

- What is meant by the right to postpone the expiration date
- That the right to postpone must exist at the closing of the year
- The classification is not impacted by the probability with which the entity will exercise its right to postpone.
- Only in the case that an implicit derivative in a convertible liability is itself a capital instrument, the expiration of the liability will not have an impact on its classification.

The modifications will come into effect for the financial years that begin on January 1st 2024 or later and must be applied retrospectively. At this time, the Group is evaluating the impact that the modifications will have on the current situation and to see if it will be necessary to renegotiate the existing financing contracts.

Definition of accounting estimate – Modifications to IAS 8

In February of 2021, IASB issued the amendments to IAS 8, in which they introduced a definition of "accounting estimates". The modifications clarify the distinction between change of the accounting estimates and change of the accounting estimates and correction of the errors. Moreover, they clarify how the entities use measuring techniques and input for developing accounting estimates.

The modifications are effective for the financial years beginning on or after January 1st 2023 and will be applied to the changes in accounting standards and to the changes in accounting estimates that occur after that date or later. Early application is allowed as long as it made known.

We do not expect that the modifications will have a significant impact on the Group.

Information on accounting standard – Modifications of IAS 1 IFRS Practice Statement 2

In February 2021, the IASB issued an amendment to IAS and to the 'IFRS Practice Statement 2 *Making Materiality Judgements*,in which they supplied the guidelines and examples to help the entity to apply judgements on the materiality of the information on the accounting standards. The modifications are aimed at helping the entity to supply information on the most useful accounting standards and replace the obligation of the entity to supply its most significant accounting standards with the obligation of supplying information on the most "relevant" accounting policies. Moreover, have added guidelines on how the entities apply the concept of relevance when they make decisions concerning the information on the accounting standards.

The IAS 1 modifications are applicable starting with the financial years on or after January 1st 2023. Application in advance is allowed. Since the modifications to PS2 supply indications which are not obligatory on the application of the definition of materiality in the information sheet on the accounting standards, these modifications do not have a set date for when they become effective.

The Group is now evaluating the wording of the modifications to determine the impact that they will have on the information sheet of the accounting standards of the Group.

Deferred taxes related to assets and labilities derived from a single transaction -modifications to IAS 12

In May of 2021, the IASB issued the modifications to IAS 12, restricting the area of application of the *initial recognition exception* included in IAS 12, which no longer need to be applied to those transactions which give rise to temporary differences which are equally taxable and deductible.

The modifications must be applied to transactions which occur after or at the beginning of the comparative period being presented. Moreover, at the start of the comparative period which is presented the deferred asset taxes (in the presence of the existence of sufficient taxable income and the deferred liability taxes must be recognized for all of the deductible and taxable differences associated with leasing and recovery funds.

The Group is now evaluating the impact of these modifications.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated financial statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. controls directly or indirectly through a majority of votes in the ordinary assembly.
Control is obtained when the Group is exposed to or has the right to variable revenues derived from its relationship with the entity in which they have invested and, at the same time, has the capacity to influence these avenue by exerting their power on the entity. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- The power over the entity which is the subject of their investment (that is, they hold valid rights which confer the current capacity to direct the significant activities of the entity which is the subject of their investment)
- The exposition of the rights to a variable revenue derived from the relationship with the entity subject of their investment;
- The capacity to exert their power on the entity that is the subject of their investment to the extent that they can affect the amount of the revenue.

Generally speaking, there is that the majority of the voting rights comports control. In support of this assumption and when the Group detains less than the majority of votes (or similar rights) the Group considers all of the relevant facts and circumstances to determine if it controls the entity subject of its investment, including:

- Contractual agreements with others having voting rights;
- Voting rights and potential voting rights of the Group.

The Group reconsiders if it has or does not have the control of a subsidiary if the facts and the circumstances indicate that there have been changes in one or more of the three relevant elements for the purpose of defining control. The consolidation of a subsidiary starts when the Group obtains control of it and ends when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated statement on the date that the Group gains control until the day in which the Group no longer has control of the company.

The profit (or loss) for the year and all of the other components of the comprehensive income statement are attributed to the partners of the controlling company and the minority equities even when this implicates a negative result. When necessary, the opportune rectifications are made to the statements of the subsidiaries for the purpose of guaranteeing conformity with the accounting policies of the Group. All of the assets and liabilities, total equity, revenue, costs and inter-Group financial flows related to operations between entities in the Group are eliminated completely during the consolidation phase.

The variations in the amounts of the equities in a subsidiary company which do not involve a loss of control are entered into accounts in the shareholders' equity.

If the Group loses control of a subsidiary, it must eliminate all the relative assets, including goodwill, liabilities, minority interests and the other components of the shareholders' equity, while the profit or loss is registered in the income statement. The amount of the equity which is maintained must be entered at fair value.

EMARKET SDIR CERTIFIED

For the subsidiary companies, the chart below shows the information, as of December 31st 2022, related to their company name, headquarters, amount of capital stock held directly or indirectly by the Group.

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Parent company								
El.En. S.p.A.		Calenzano (ITA)	EUR	2.594.727				
Subsidiary companies								
Ot-Las S.r.l.		Calenzano (ITA)	EUR	154.621	98,89%		98,89%	98,89%
Cutlite Penta S.r.l	1	Calenzano (ITA)	EUR	500.000		100,00%	100,00%	69,64%
Deka Mela S.r.l.		Calenzano (ITA)	EUR	40.560	85,00%		85,00%	85,00%
Esthelogue S.r.l.	2	Calenzano (ITA)	EUR	7.100.000	50,00%	50,00%	100,00%	100,00%
Deka Sarl		Lione (FRA)	EUR	155.668	100,00%		100,00%	100,00%
Lasit S.p.A.		Torre Annunziata (ITA)	EUR	1.154.000	70,00%		70,00%	70,00%
Quanta System S.p.A.		Milano (ITA)	EUR	1.500.000	100,00%		100,00%	100,00%
Asclepion GmbH	3	Jena (GER)	EUR	2.025.000	50,00%	50,00%	100,00%	100,00%
ASA S.r.l.	4	Arcugnano (ITA)	EUR	46.800		60,00%	60,00%	51,00%
BRCT Inc.		New York (USA)	USD	no par value	100,00%		100,00%	100,00%
With Us Co., Ltd	5	Tokyo (JAP)	JPY	100.000.000		78,85%	78,85%	78,85%
Deka Japan Co., Ltd		Tokyo (JAP)	JPY	10.000.000	55,00%		55,00%	55,00%
Penta-Laser (Wuhan) Co., Ltd	6	Wuhan (CHINA)	CNY	20.483.763		100,00%	100,00%	69,64%
Penta Laser Zhejiang Co., Ltd	7	Wenzhou (CHINA)	CNY	53.875.828		70,42%	70,42%	69,64%
Cutlite do Brasil Ltda	8	Blumenau (BRASIL)	BRL	2.000.000		98,27%	98,27%	68,43%
Pharmonia S.r.l.		Calenzano (ITA)	EUR	50.000	100,00%		100,00%	100,00%
Merit Due S.r.l.	9	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	98,89%
Galli Giovanni & C. S.r.l.	10	Cassano Magnago (ITA)	EUR	31.200		70,00%	70,00%	70,00%
Lasit Laser Polska	11	Tychy (POL)	PLN	9.795		65,00%	65,00%	45,50%
Lasit Laser Iberica, S.L.	12	Saragoza (Spain)	EUR	3.100		65,00%	65,00%	45,50%
Penta Laser Technology (Shangdong) Co., Ltd.	13	Linyi (CHINA)	CNY	26.000.000		100,00%	100,00%	69,64%
Shenzhen KBF Laser Tech Co., Ltd	14	Shenzhen (CHINA)	CNY	21.836.505		60,00%	60,00%	41,78%

(1) held by Penta Laser Zhejiang Co., Ltd (100%)
(2) held by Elen SpA (50%) and by Asclepion (50%)
(3) held by Elen SpA (50%) and by Quanta System SpA (50%)
(4) held by Deka Mela Srl (60%)
(5) held by BRCT Inc. (78,85%)
(6) held by Penta Laser Zhejiang Co., Ltd (100%)
(7) held by Ot-las Srl (70,42%)
(8) held by Cutlite Penta Srl (98,27%)
(9) held by Ot-las Srl (100%)
(10) held by Quanta System SpA (70%)
(11) d held by Lasit SpA (65%)
(12) held by Lasit SpA (65%)
(13) held by Penta Laser Zhejiang Co., Ltd (100%)
(14) held by Penta Laser Zhejiang Co., Ltd (60%)

Operations conducted during this year

For the operations conducted this year, please refer to the description given in the paragraph titled "Significant events which occurred during 2022" in the Management Report.

With respect to December 31st 2021 the scope of consolidation has undergone some variations due to the founding of the company Lasit Laser Iberica S.L., which is held 65% by the subsidiary Lasit SpA , and the acquisition of Shenzhen KBF Laser Tech Company by the subsidiary Penta Laser Zhejiang Co., Ltd which holds 60%.

ASSOCIATED COMPANIES

El.En. SpA holds directly and indirectly equities in companies in which, however, it does not have control. These companies are evaluated according to the shareholders' equity method.

The equities in associated companies are shown in the chart below:

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Immobiliare Del.Co. S.r.l.		Solbiate Olona (ITA)	EUR	24.000	30,00%		30,00%	30,00%
Actis S.r.l.		Calenzano (ITA)	EUR	10.200	12,00%		12,00%	12,00%
Elesta S.p.A.		Calenzano (ITA)	EUR	2.510.000	30,84%		30,84%	30,84%
Accure Inc.	1	Delaware (USA)	USD	-		15,03%	15,03%	15,03%

(1) held by Quanta System S.p.A. (15,03%)

Operations conducted during this year

For the operations conducted this year, please consult the paragraph titled "Significant events which occurred in 2022" in the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted this year, please consult the paragraph titled "Significant events which occurred in 2022" in the Management Report.

Treasury stock (note 13)

On April 27th 2021 the shareholders' meeting of El.En. SpA authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as specified in the Management Report in the paragraph on Significant events which occurred in 2021. Consequently, this authorization expired definitively on October 27th 2022.
During this year, the Company purchased 54.500 share for an overall amount of about 686 thousand Euros; moreover, on July 29th 2022, the Company stated that it had assigned to the general director 15.380 shares held in the portfolio as payment in kind for the annual remuneration for 2021. The treasury stock held by the Company as of December 31st 2022 amounts to 39.120 shares.

STANDARDS OF CONSOLIDATION

The consolidated financial statement includes the financials of El.En. S.p.A. and its subsidiaries as of December 31st 2022.
The equities of the Group in associated companies and joint ventures are evaluated with the shareholders' equity method.
The statements used for the consolidation are those of the individual companies. These statements have been opportunely reclassified and rectified in order to put them in conformity with the IFRS accounting standards and evaluation criteria used by the Parent Company.
The subsidiary companies and integrally consolidated starting on the date they are acquired and stop being consolidated on the date on which control of them is transferred outside of the Group; the economic results of the subsidiary companies are included in the consolidated income statement.
In particular for the consolidated companies, the following consolidation criteria has been applied:

- The assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included.
- The book value of the equity in each of the subsidiaries is eliminated for the corresponding quota of the equity of each of them, including the adaptations at fair value on the date of acquisition; the difference that emerges is allocated to the specific company assets on the basis of their current values on the date of acquisition and, for the residual part, if the necessary conditions exist, in the category of "Goodwill". In this case, the amounts are not amortized but subjected to impairment on an annual basis and, in any case, every time it becomes apparent that there is a necessity derived from a loss in value of long duration. If, from the elimination of the equity, a negative difference emerges, this is entered into the income statement.
- The amount of capital and reserves of the subsidiary companies corresponding to equities held by third parties is entered into accounts under the heading of capital stock called "Capital and reserves of minority interests"; the part of the consolidated net income corresponding to equities owned by third parties is entered under the heading of "Net profit (loss) of minority interests".

TRANSACTIONS IN FOREIGN CURRENCY

The accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONSOLIDATION OF FINANCIAL STATEMENT IN FOREIGN CURRENCY

For the purposes of the Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Income Statement, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income Statement at the time that the subsidiary is sold.

The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.

For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

	Exchange Rate	Average exchange rate	Exchange Rate
Currencies	**31/12/2021**	**31/12/2022**	**31/12/2022**
USD	1,13	1,05	1,07
Yen	130,38	138,03	140,66
Yuan	7,19	7,08	7,36
Real	6,31	5,44	5,64
PLN	4,60	4,69	4,68

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated Financial Statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The actual results may differ significantly from the estimates that have been made because of the normal uncertainty which surrounds the assumptions and conditions on which the estimates are based.
The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, goodwill, reserves and for guarantees and controversies. stock options, employee benefits, taxes and other provisions and funds.
The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income statement.

Goodwill is subjected to impairment test to determine any loss in value at least once a year.

The estimates that we have made also take into consideration the uncertainties in the world macro-economic panorama, the direct and indirect effects of the Russia-Ukraine war, and the growing awareness of sustainability issues, as well as the 2022 economic situation.

The list below summarizes the main evaluation process and the key assumptions used in the process which may have significant effects on the amounts entered in the consolidated financial statements or for which a risk exists that rectifications of the amount of the book values of the assets and liabilities may emerge in the year after the one to which the statement refers.

• Bad debt reserve

This accrual represents the best estimate of the management of the potential losses on accounts receivable. The estimate is based on the losses expected, determined on the basis of similar losses in the past, the trend in overdue receivables, the evaluation of the quality of the receivable and the predictions for the economic conditions and the market; in particular, the Group uses a model to calculate the ECL (Expected credit loss) on trade receivables. The aliquots on the accruals are based on the due date and on the past bad debt rate observed by the Group. The rate of bad debts in the past is updated and the changes in the estimates are analyzed also on the basis of the particular context. The evaluation of the relation between the bad debt rate in the past, the outlook for the economic conditions and the ECL represent a meaningful estimate. The estimate made by the administrators, although it is based on past data and market information, may be subject to changes in the competitive or market environment in which the Group operates.

• Reserve for inventory obsolescence

Determining the reserve for inventory obsolescence represents a meaningful estimate made by the management and is based on assumptions developed to reveal phenomenon of obsolescence, slow rotation and excess of inventory in relation to the possibility of using it or selling it in the future, as well as other conditions which could generate an excess of the book value with respect to the selling value considering also the rapid evolution of the technologies that are at the base of the Group’s products.
The slow overturn inventory of raw material and finished products are periodically analyzed on the basis of past data and the possibility of selling them at amounts that are lower than the normal market prices. If, on the basis of these analyses, it is determined that the amount of the inventory must be reduced, a special devaluation fund is entered into accounts.
The definition of the inventory obsolescence fund is determined by past data and market information, changes in the scenario of the market, and the market the criteria used for determining the estimates may vary significantly.

• Leases

The determination of the right of use which emerges from lease contracts, and the relative financial liabilities, constitutes an estimate by the management. The determination of the lease term takes into consideration the expiration dates of the contract which has been underwritten, as well as the renewal clauses for which the Group believes there is a reasonable certainty for confirmation. The incremental borrowing rate is determined considering the type of asset which is the subject of the lease contract, the jurisdiction in which it is acquired, and the currency in which the contract is stipulated. Any changes in the scenario and the trends in the market may require the revision of the components described above.

• Risk of losing law suits

The Group ascertains a liability in the case that there are civil and fiscal law suits for which it is probable that they will have to pay and when the amount of the losses derived from the suit can be reasonably estimated. Considering the uncertainties inherent to this type of procedure, it is difficult to predict with certainty the expense which might be derived from these controversies and therefore it is possible that the value of accruals for legal expenses may vary depending on future developments in the current suits. The Group monitors the status of the law suits and the procedures that are now being conducted and remains in contact with their legal consultants and experts on legal and fiscal issues.

• Goodwill

Goodwill is subject to an impairment test conducted at least once a year even without facts or circumstances which would require this type of review.
The procedure for determining the recoverable value of the goodwill implicates, in the estimate of the value of use, hypotheses related to predictions of the cash flow expected from the cash generating units (CGU) that have been identified, making reference to multi-year plans, the determination of an appropriate rate of actualization (WACC) and the long-term growth (*g-rate*).
Any changes in the relative scenario and market trends may require the revision of the components described above.
The amounts entered into the consolidated financial statements passed the impairment test conducted on December 31st 2022.

• Reporting of business combination operations

The business combination operations implicate the attribution of assets and liabilities of the difference between the cost of acquisition and the net book value of the company acquired. For most of the assets and liabilities, the attribution of the difference is made by determining the assets and liabilities at their fair value. The part that is not attributed, if positive, is entered under the heading of Goodwill, and, if negative, in the income statement. The allocation of the price paid and entered temporarily is subject to revision/ updating within 12 months of the acquisition, with reference to new information on the facts and circumstances existing on the date of acquisition. In the process of attribution, the Group uses the information available and, for the most significant business combinations, outside evaluations. The process of allocation requires, also as a function of the information available, the use of a complex judgement by the Company administrators.

• Warranty reserve

The warranty reserve is set up to cover and intervention under technical guarantee on the products and is determined on the basis of trade agreements existing in the Group. The warranty reserve is estimated on the basis of the costs of spare parts and for customer assistance under guarantee sustained during the year, adapted to the sales volume for the year and the average number of years of the guarantee granted, which are different according to the sector to which they belong.

• Deferred tax assets and liabilities

The deferred tax assets and liabilities are calculated on the temporary differences between the book values and the fiscal values and on the fiscal losses carried forward. The administrators are requested to make a discretionary evaluation to determine the amount of the deferred taxes which can be entered into accounts which are registered to the extent that it is probable that there are adequate future fiscal profits which can be used for paying the temporary differences and fiscal losses.

• Benefits for employees – severance indemnity

The actuarial evaluation requires the rafting of a hypothesis regarding the tax rates, future increase in salary, turnover and mortality rates. Because of the long-term nature of these plans, these estimates are subject to a significant amount of uncertainty. All of the assumptions are reviewed once a year.

• Evaluation of fair value

The Group evaluates the financial instruments at fair value at the end of each financial year.
The fair value is the price which would be received for the sale of an asset or that would be paid for the transfer of liability in a normal operation between market operators on the date of the evaluation. An evaluation of fair value assumes that the sale of the asset or the transfer of the liability takes place:

- on the main market of the asset or liability;
  or
- in the absence of a main market, on the most advantageous market for the asset or liability.

The main market or most advantageous market must be accessible to the Group.

The fair value of the asset or the liability is evaluated using the assumptions that the operators on the market would use to determine the price of the asset or liability, assuming that they would act in the their own best economic interest.
The Group uses evaluation techniques which are suitable for the circumstances and for which there is sufficient data available to evaluate the fair value, maximizing the use of the observable input and minimizing the use of input that is not observable.
All of the assets and liabilities for which the fair value is evaluated or shown in the statements are classified on the basis of a fair value hierarchy, as shown below:

- Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities and to which the entity has access on the date of evaluation.
- Level 2 – different inputs from the prices quoted included in Level 1 which are directly or indirectly observable for the assets or the liabilities;
- Level 3 – evaluation techniques for which the input data are not observable for the assets or the liabilities;

The evaluation of the *fair value* is classified entirely at the same level of the fair value hierarchy in which the lowest level of input of the hierarchy used for the evaluation is classified.
For the assets and liabilities entered in the statement at fair value on a recurrent basis, the Group determines if there have been transfers between hierarchy levels by reviewing the classification (based on the lowest level input which is significant for the purposes of evaluation of fair value in its entirety) at the closing of each statement.
At the closing of each statement the Group analyzes the variations in the amounts of the assets and liabilities for which the re-determination or re-evaluation is required on the basis of the accounting standards of the Group.
For the purpose of the information related to fair value, the Group determines the classes of asset or liability on the basis of the type, characteristics and risks of the asset or liability and the hierarchy level of the fair value previously described.

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.

The intangible fixed assets with a finite life are evaluated at the cost of purchase or production and amortized at a constant quota along their estimated useful life.
Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.
If the recoverable amount is estimated to be less than the relative accounting value, it is reduced to the minimum recoverable value. A loss in value is entered immediately on the income statement. For goodwill, any devaluations are not subject to a subsequent restoration of the value.
An intangible asset is eliminated at the moment it is divested (that is, on the date that the purchaser takes control) or when no further future economic benefits are expected from its use or abandonment. Any profit or loss derived from the elimination of the asset (calculated as the difference between the net payment of the divestment and the accounting value of the asset) is included in the income statement. The costs sustained by the Company for the development of new products and services represents, depending on the case, intangible or tangible assets generated internally and are entered among the assets only at the following conditions:
1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists;
2) where there is a capacity for the company to use or sell the asset;
3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes;
4) the ability of the asset to generate future economic benefits;
5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it;
6) reliable assessment of the costs attributable to the asset during its development.

The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income Statement in the financial year in which they are incurred.

Business combinations and goodwill

Business combinations are entered into accounts using the acquisitions method. The cost of an acquisition is evaluated as the sum of the amount transferred measured at fair value on the date of the acquisition and the amount of any minority equities in the company acquired. For each business combination the purchaser must evaluate at fair value any minority equities in the company acquired or else in proportion to the quota of the minority equity in the net asset identified in the company acquired. The costs of acquisitions are entered into accounts and classified among the management expenses.

When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in compliance with the terms of the contract acquired, the economic conditions and the other pertinent conditions in force on the date of the purchase. This includes the verification conducted in order to establish if an incorporated derivative must be separated from the primary contract.

If the business combination takes place in more than one phase, the purchaser must recalculate the fair value of the equity held previously and evaluated with the shareholders' equity method and report in the Income Statement any profits or losses which have been registered.

Any potential compensation must be recognized by the purchaser at fair value on the acquisition date. The potential compensation classified as part of the equity cannot be re-measured and its subsequent payment is entered into accounts with a similar entry in the equity. The variation in the fair value of the potential compensation classified as asset or liability, as a financial instrument which is the subject of IFRS 9 Financial Instruments, must be entered into the income statement in compliance with IFRS 9. The potential compensation which is not within the scope of IFRS 9 is evaluated at fair value on the date of the financial report and the variations o f the fair value are entered in the income statement.

Goodwill is initially evaluated at the costs which emerges from the excess between the sum of the amounts paid and the amount recognized for the minority quotas with respect to the identified net assets acquired and the liabilities assumed by the Group. If the amount is less than the fair value of the net assets of the subsidiary acquired, the difference is reported in the Income Statement.

After the initial reporting, the goodwill is evaluated at cost reduced by the amount of losses accumulated. After the verification of loss of value, the goodwill acquired in a business combination, after the date of acquisition must be allocated to each of the cash-generating units (CGU) that have been identified and which are expected to benefit from the business combination, whether or not other assets or liabilities of the acquired entity have been assigned to that unit. The identification of the CGU coincides with each juridical subject.

If the goodwill has been assigned to a unit generating cash flow and the entity disposes of part of the assets of that unit, the goodwill associated with the asset disposed of must be included in the accounting value of the asset of that unit when determining the profit or loss derived from the disposal. The goodwill associated with the asset that has been disposed of must be determined on the basis of the relative values of the disposed assets and the part maintained by the unit generating cash flow.

The goodwill derived from the acquisitions made before January 1st 2004 is entered t the amount registered under this heading in the last consolidated statement drawn up on the basis of the preceding accounting standards (December 31st 2003).

Goodwill on equity of associates is included in the carrying value of these companies. In case it is negative, it is immediately recognized in the income statement.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income Statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item**.**

The Group uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets.

The aliquots used for the amortizations are shown on the chart below.

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

A tangible fixed asset is eliminated when it is divested (that is, on the date that the purchaser gains control of it) or when no future economic benefit is expected from its use or sale. The profit or loss that results is entered into the income statement.

C) FINANCIAL CHARGES

Financial charges are registered in the Income Statement at the time in which they are sustained. The financial charges consist of the interest or other costs sustained by an entity in order to obtain financing.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected cash flow are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Income Statement wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

Financial assets which consist of equities in associated companies are evaluated according to the shareholders' equity method, that is to say, for an amount equal to the corresponding fraction of the shareholders' equity shown in the last financial statement of the companies, after having subtracted the dividends and after having made the rectifications required by the accounting standards used for drawing up the consolidated statement in compliance with the IFRS to make them compatible with the accounting standards used by the Parent Company.

The joint-venture companies are evaluated in the consolidated statement using the shareholders' equity method, starting with the date on which the joint-venture was initiated until it ceased to exist.

With the shareholders' equity method, the equity in an associated company or a joint venture is initially entered at cost. Later, the book value of the equity is increased or decreased to register the relative quota of profits or losses of the equity registered since it was purchased.

In the consolidated income statement, they register the quota pertaining to the Group of the result of the subsidiary companies or the joint venture.

When drafting the financial documents, the Group evaluates the objective evidence to determine if the equities in the associated companies or joint ventures have lost any value. If such is the case, the Group calculates the amount of the loss as a difference between the recoverable value of the associated company or joint venture and the its value entered into accounts, and enters this difference in the consolidated income statement under the heading of "Share of profits of associated companies".

At the moment of the loss of a significant influence in an associated company or of joint control in a joint venture, the Group evaluates and registers the residual equity at fair value. The difference between the book value of the equity on the date of the loss of significant influence or joint control and the fair value of the residual equity is entered in the income statement.

F) FINANCIAL INSTRUMENTS

A financial instrument is any contract which creates a financial activity for an entity and a financial liability or an instrument representing capital for another entity.

Financial assets

As soon as they are identified, financial assets are classified on the basis of the characteristics of contractual cash flow of the assets themselves. The evaluation of the characteristics of the contractual cash flow is indicated by the SPPI test ('*solely payments of principal and interest* (SPPI)').

Depending on their characteristics, financial assets are classified in four categories:

- Financial assets at amortized cost;

- Financial assets at fair value registered in the comprehensive income statement (OCI) with reclassification of the profits and losses accumulated in the income statement at the time of the sale;
- Financial assets at fair value entered in the comprehensive income statement (OCI) without reference to the income statement of the profits and losses accumulated at the time of the elimination;
- Financial assets at fair value entered in the income statement.

For the initial entering onto accounts, the Group evaluates financial activity at its fair value plus, in the case of a financial asset that is not at fair value, entered in the income statement, the costs of the transaction.

Cancellation
A financial asset is cancelled when:

- The rights to receive financial flows from the asset are extinguished or
- A third part received from the Group the right to receive financial flows from the asset either has taken on the contractual obligation to correspond all of them and without delays and (a) has substantially transferred all of the risks and benefits of the possession of the financial asset, or (b) has not substantially transferred or detained all of the risks and benefits of the asset but has transferred control of the same.

Accounts receivable
The receivables are entered into accounts initially at *fair value* which corresponds to the nominal value and, later, they are evaluated at the amortized cost and reduced in the case of loss of value. Moreover, they are adjusted to their presumed cashing-in value by entering them in a special rectified fund.

The Group determines the losses of value on accounts receivable considering the amount of receivables that are of dubious collectability, analyzing the specific conditions of the clients of the Group, the existence of any guarantees offered in favor of the Group, and opportunely evaluating the law suits existing and the possibility of collecting the overdue receivables, as well as determining the rate of bad debts expected by analyzing the average rate of loss on receivables which has been registered in recent years. The Group drafts a devaluation for expected credit loss (‘ECL’).
The receivables in a currency which is not the same as that ordinarily used by the Group are entered at the exchange rate registered on the day of the operation and later converted at the exchange rate at the end of the year. The profit or loss derived from the exchange rate is entered in the income statement.

Cash and cash equivalents
This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock
Treasury stock is entered at cost and brought as a reduction against the shareholders’ equity. No profit/loss is shown in the income statement for the purchase, sale, issue or cancellation of treasury stock.

Accounts payable
Accounts payable, the due date of which falls within the normal commercial terms, are not actualized and are entered at cost (identified as their nominal value).

Financial liabilities
As soon as they are entered, the financial liabilities re classified among the “financial liabilities at fair value entered in the income statement”, among the “mortgages and financing”, or among the “derivatives intended for use as hedge instruments”.
All of the financial liabilities are initially entered at fair value to which they add, in the case of mortgages, financing and debts, the cost of the transaction that is directly connected to it.
The financial liabilities of the Group include trade debts and other long-term debts, mortgages and financing, including bank overdrafts, and derivative financial instruments.
For purposes of the subsequent evaluation, the financial liabilities are classified in two categories:
• Financial liabilities at fair value entered in the income statement.
• Financial liabilities at amortized cost (financing and loans).
The financial liabilities at fair value with variations entered in the income statement include the liabilities held for negotiations and financial liabilities initially entered at fair value with the variations shown in the income statement.
The profits or losses on the liabilities held for negotiations are entered in the income statement.
The financial liabilities at amortized cost (financing and loans), after the initial registration, are evaluated with the criteria of amortized cost using the method of actual interest rate. The profits and losses are entered in the income statement when the liability has been extinguished, as well as by means of the process of amortization.

The cost of amortization is calculated by identifying the discount or the premium on the acquisition and the fees or costs which are an integral part of the actual interest rate. The amortization at the actual interest rate is included among the financial charges in the income statement.

Derivatives and measurement of hedging operations

Fair value hedge: if a derivative financial instrument is designated as a hedge against fluctuations in the fair value of an asset or a liability that is entered in the statements, attributed to a particular risk which can affect the income statement, the profit or loss derived from the later evaluations of the current value of the hedging instrument are shown in the income statement. The profit or loss on the amount that is hedged that can be attributed to the risk that is hedged, modify the book value of that amount and are shown in the income statement.

Cash flow hedge: if an instrument is designated as a cash flow hedge against the variations in the cash flow of an asset or a liability entered into accounts or a planned operation that is highly likely to take place and which could have an effect on the income statement, the effective portion of the profits or losses is shown in the shareholders' equity. The profit or loss accumulated are subtracted from the shareholders' equity and entered into the income statement at the same time that the operation being hedged is recorded. The profit and loss associated with a hedge or with that part of the hedge that has become ineffective are immediately entered into the income statement. If a hedging instrument or a hedging relation are closed but the operation that is being hedged has not yet been concluded, the profits and losses accumulated and up to that time entered in the shareholders' equity, are registered in the income statement as soon as the operation is concluded. If the operation being hedged is no longer considered likely to take place, the profits and losses which have not yet been realized and are suspended in the shareholders' equity, are entered immediately in the income statement.

Held for trading: (instruments for negotiation) these are derivative financial instruments for the purpose of speculation or negotiation. They are evaluated at fair value and the variations must be entered in the income statement.

G) INVENTORY

Stocks of raw materials and finished products are evaluated at the amount of cost or presumed selling value, whichever is lower.

The costs that are sustained in order to bring each object to the place and the current conditions are calculated as follows:

- Raw materials: costs of purchase calculated using the method of average weighted cost;
- Finished products and semi-finished parts: the direct costs of the material and the labor and the indirect costs of production (variable and fixed).

Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale, as well as other conditions which may generate an excess of the book value with respect to the selling value, considering also the paid evolution of the technology which is at the base of the products of the Group.

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY

Up until December 31st 2006 the severance indemnity fund was considered a defined benefit plan. The regulating of this fund was changed by law no. 296 of December 27th 2006 (*Legge Finanziaria* 2007) and later decrees and regulations issued during the first months of 2007. On the basis of these modifications, and with particular reference to companies with at least 50 employees, this institution is now considered a defined benefit plan exclusively for the amounts which matured before January 1st 2007 (and not yet liquidated in the financial statement) whereas for the quotas which mature after that date, it is considered a defined contribution plan.

For defined benefit plans, the amount already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently recalculated, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the number of benefits which each employee has already matured on the basis of the work done.

By means of the actuarial estimate, the *current service cost* which defines the amount of rights matured during the financial year by employees is entered under the "staff costs" heading of the Income Statement and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial income (charges)".

For the plans which have a defined contribution, the Group pays the amounts to public or private pension funds on an obligatory, contractual or voluntary basis. Once these payments have been made the Group has no further obligations. The contributions which have been paid are entered in the income statement as costs for personnel when owed.

STOCK OPTION PLANS

The costs of the work performed by the employees and paid for through stock option plans is determined on the basis of the fair value of the options granted to the employees at the date of assignment.

From the point of view of the model on which it is based the stock option plan adopted by the Parent Company El.En, should be considered a "foreign" option since the exercising of the right to the options is possible only after the vesting period and can take place at any time during the exercise period
The plan is basically the equivalent of two distinct options which could be described as "*American forward start*" and can be obtained combining a *risk neutral* approach to determine the expected value of the stock at the beginning of the exercise period and, subsequently, by using a model of the *binomial tree* type to take advantage of the American type of option.
In order to evaluate it, it is necessary to make an estimate of the underlying volatility of the stock, the risk free interest rate and the dividend rate expected from the stock.
Consistent with the International Accounting Standards IFRS2 all of the significant parameters of the model have been estimated observing the conditions of the financial markets and the trend of the El.En. stock on the date that the option right were assigned.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Group has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Group will have to use its resources to honor such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Income statement for the financial year in which the variation takes place.
The Group supplies guarantees for general repairs of defects existing at the time of sale, as required by the law, The accrual sustaining this guarantee is entered into accounts when the product is sold, or the service is performed for the client. The original entry is based on past experience. The estimate of the cost for work carried put under guarantee is revised annually.

L) REVENUE RECOGNITION

Revenue derived from contracts with clients are recognized in the income statement for an amount that reflects the corresponding amount to which the Group expects to have the right in exchange for the control of the merchandise or services to the client.

Sale of goods

The revenue derived from the sale of finished products and merchandise is recognized from the time when the control of the asset is transferred to the client.
The Group considers if there are other promises in the contract which represent obligations to be met for which a part of the payment for the transaction must be allocated. When determining the price of the sale transaction, the Group considers the effects derived from the presence of a variable price, significant financing components, non-monetary payments and payments which must be made to the client.

Variable prices

If the sum promised in the contract includes a variable a variable amount, the Group estimates the amount of the sum to which it will have the right in exchange for the transfer of the goods to the client.
The variable sum is estimated at the time the contract is stipulated and it cannot be entered into accounts until its cashing in is extremely probable.
The discounts on volume and contractual discounts give rise to variable sums.

Financing component

The Group grants deferred payment to clients on the sales. If the financing component is significant for these contracts in consideration of the length of time which occurs between the date when the payment made by the client is received and the transfer of the system, the price of the transaction is actualized using the interest rate implicit in the contract.
The amount of payment that has been promised is not rectified to take into consideration the financing component if the period of time between the transfer of the goods sold and the payment is equal to or less than a year.

Installation services

The Group supplies installation services which are sold to the client either separately or together with the systems.
Depending on the type of goods sold, sales contracts may or may not include installation services.
Consequently, the Group allocates the price of the operation on the basis of the relative selling prices of the systems alone and the installation service.

M) ENTRIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency, with the exception of fixed assets, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses are entered into the Income Statement.

N) GRANTS

Contributions, from both public and third-party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Income Statement at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Income statement in relation to the period of depreciation of the assets they refer to.
Grants in operating account are shown entirely in the Income Statement at the moment in which the conditions for entering them are satisfied.

O) LEASE

When underwriting a contract, the Group determines if there is leasing or if it contains leasing. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for payment. The contracts for rentals or leasing where entered into accounts in compliance with IFRS 16 which defines the standards used for registering, measuring presentation and the information concerning the leasing contracts and requires the lessor to enter all the leasing contracts in the statement on the basis of a single accounting model. The Company makes use of the two exemptions provided by the standard related to leasing contracts concerning "low value assets" and short-term leasing contracts (for example, those having a duration of 12 months or less).
For the contracts in which the Group is the lessee, on the date of the beginning of the leasing contract a liability is recognized for the payment of the rent established in the leasing contract and an asset which represents the right of use of the underlying asset for the duration of the contract (the right of use).

The Group records separately the costs for the interests on the leasing liability and the depreciation of the right of use of the asset. The Group also proceeds with the remeasurement of the leasing liability when certain events occur (for example, a change in the conditions of the leasing contract, a change in the future payments of the lease caused by a variation in a rate or tax used for determining those payments). In these cases, the amount of the remeasurement of the liability for leasing is usually recognized as a rectification of the right of use of the asset.

P) TAXES

Current income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period, bearing in mind any exemptions. The fiscal debts for these taxes are entered among the tax debts net of any down payments.
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference.
Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words, when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating the deferred tax assets is re-examined at the closing of each financial year.

Q) THE PROFIT PER SHARE

The profit per ordinary share is calculated dividing the quota of the economic result of the Group which can be attributed to ordinary shares by the weighted average of the ordinary shares in circulation during the period, excluding the treasury stock. For purposes of calculating the diluted profits per share, the weighted average of the shares in circulation is modified assuming the underwriting of all the potential shares derived from the conversion of the stock options having a diluting effect.

STOCK OPTION PLAN

El.En. S.p.A.

The chart below shows information related to the stock option plan approved during 2016 by the Parent Company El.En. S.p.A., for the purpose of promoting employee incentive and loyalty.

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	31/12/2022	31/12/2022	
Plan 2016-2025	31-dic-25	144.950			6.918		138.032	138.032	€ 3,18

(*) the price for exercising the option varied after the stock split operation voted by the shareholders' assembly on July 20th, 2021 in which every old share was replaced by four new ordinary shares.

This plan has two different sets which have different vesting and exercise periods and consequently is based on a concept equivalent to two distinct options which could be defined as "*American forward start*".
The fair value of an "*American forward start*" option can be obtained by combining a neutral risk approach in order to determine the expected value of the stock at the start of the exercise periods and, later, using a binomial tree type model to exploit the American type option.

For the purpose determining the fair value, the following hypotheses have been formulated:

Risk free rate: 0,338492%
Historical volatility: 0,28489
Interval of time used to calculate the volatility: last year of trading.

The overall *fair value* of the stock options is 2.942.080 Euros.
During 2022 the average price registered for the El.En. S.p.A. stock was about 13,24 Euros.
For the characteristics of the stock option plan and the increase in capital that was approved for implementing it, please consult the description in Note (10) of this report.

BUSINESS COMBINATIONS

In the month of December 2022, through the Penta Laser Zhejiang, the Group concluded the acquisition of Shenzhen KBF Laser Tech Co. Ltd with a percentage of ownership 60%.
The book value and the fair value of the net assets and liabilities of Shenzhen KBF Laser Tech Co. Ltd on the date of purchase amounted to 5,9 million Euros, as shown on the chart below:

Shenzhen KBF Laser Tech Co., Ltd	**Book value**	**Remeasured value**	**Fair Value identified in the acquisition**
Intangible assets	-	4.076	4.076
Tangible assets	1.032	27	1.060
Non current assets	**1.032**	**4.103**	**5.135**
Inventories	5.167	658	5.824
Accounts receivable	2.091	-	2.091
Other current receivables	807	-	807
Securities and other current financial assets	1.359	-	1.359
Cash and cash equivalents	2.223	-	2.223
Current assets	**11.646**	**658**	**12.304**
Total Assets	**12.679**	**4.761**	**17.439**
Deferred tax liabilities	-	714	714
Other non current liabilities	36	-	36
Non current financial debts and liabilities	1.360	-	1.360
Non current liabilities	**1.396**	**714**	**2.110**
Current financial debts and liabilities	1.316	-	1.316
Accounts payable	1.376	-	1.376
Other current payables	6.738	-	6.738
Current liabilities	**9.430**	**-**	**9.430**
Total Liabilities	**10.826**	**714**	**11.540**
Total shareholders' equity	**1.852**	**4.046**	**5.899**
Minority interest			(2.360)
Goodwill from acquisition			4.939
Amount paid for the acquisition			**8.478**

For the purpose of the allocation of the sums paid for the operation in compliance with accounting standard IFRS 3 (Business Combinations), the Group proceeded with the identification and the estimate of the fair value of the assets of the company they had acquired with the assistance of the independent consultant. The analysis identified two assets to which they could allocate the value: the inventory (658 thousand Euros) and the patents and licenses (4.076 thousand Euros).

Net of the fair value of the assets and liabilities acquired, the residual value allocated preliminarily to goodwill deriving from the acquisition amounted to 4.939 thousand Euros.

Information on the Consolidated Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

	31/12/2021	**Increase**	**Decrease**	**Revaluation / Devaluation**	**Other movements**	**Depreciation**	**Translation adjustment**	**31/12/2022**
Goodwill	3.038.065	4.939.994						7.978.059
Development costs	364.864	450.168	-1		-1	-314.529		500.501
Patents and rights to use patents of others	11.673				4.055.338	-8.691		4.058.320
Concessions, licenses, trade marks and similar rights	1.069.896	413.632	-1		22.053	-566.812	32	938.800
Other intangible assets	300.321	33.011	1		2.999	-144.539		191.793
Intangible assets under construction and advance payments	128.906	144.644		-30.200	-13.083			230.267
Total	**4.913.725**	**5.981.449**	**-1**	**-30.200**	**4.067.306**	**-1.034.571**	**32**	**13.897.740**

Goodwill

Goodwill, which constitutes the most significant component of the intangible fixed assets, represents the excess of the purchase cost with respect to the fair value of the assets acquired net of the current and potential liabilities assumed. Goodwill is not subject to amortization and is subject to an impairment test at least once a year.

At the end of each impairment test, the single entries of goodwill have been placed in the respective "*cash generating unit*" (CGU) which has been identified. The identification of the CGU coincides with each juridical subject and corresponds to what the directors envision as their own activity.

The following chart shows the book value of goodwill for each "*Cash generating unit":*

CASH GENERATING UNIT (CGU)	**Goodwill 31/12/2022**	**Goodwill 31/12/2021**
Quanta System S.p.A.	2.079.260	2.079.260
ASA S.r.l.	439.082	439.082
Cutlite Penta S.r.l.	407.982	407.982
Ot-las S.r.l.	7.483	7.483
Asclepion Laser Technologies GmbH	72.758	72.758
Deka MELA S.r.l.	31.500	31.500
Shenzhen KBF Laser Tech Co., Ltd	4.939.994	0
Total	7.978.059	3.038.065

The increase registered this year refers to the entry into the scope of consolidation of Shenzhen KBF Laser Tech Co., Ltd which was purchase in the month of December by the subsidiary Penta Laser Zhejiang Co., Ltd.

On December 31st 2022, the recoverable value of the CGU that is shown below was subjected to an impairment test for the purpose of certifying the existence of losses in value , by means of a comparison between the book value of the unit and the value of use, that is, the current value of the cash flow expected in the future which we suppose will be derived from the continued use and the discarding of the same at the end of its useful life. The results of the test are shown below.

Quanta System S.p.A.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta System SpA, which covered a time span from 2022-2025.
For the purposes of determining the value of use of the CGU, they considered the actualized cash flows of the three years for which there was an explicit prediction added to a terminal value, assumed to be equal to the perpetual income calculated by simulating a situation of cash flow over a mid- to long period considering a margin equal to that for the last year of explicit forecast and multiplying the cash flow actualized by the growth rate “g” of 1,5%.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2022 and with the outlook for the particular market in which they operate.
The verbal hypothesis ad the corresponding financial charts were considered by the Board of Directors suitable for the purposes of conducting the impairment test and they approved the results.
The actualization rate applied to the expected cash flows (WACC) is 9,2% (7% in 2021); for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long-term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,2%.

Cutlite Penta S.r.l.: the recoverable amount was determined on the basis of the *Discounted Cash Flow* (DCF) method by actualizing the cash flow contained in the financial and economic plan approved by the Board of Directors of Cutlite Penta S.r.l., which covered a time span from 2022 to 2025.
For the purpose of determining the use value of the CGU they considered the actualized financial flows for the three years considered in the explicit prediction added to a terminal value which is equal to the current value of the perpetual revenue calculated by simulating a situation of cash flows over a mid- to long-period considering margins equal to the average for the three years involved in the explicit prediction and multiplying the actualized cash flow by a growth rate “g” equal to 1,5%.
The main hypotheses of the economic and financial plan used to conduct the impairment test is related to the growth rate of the sales volume during the time period covered by the plan. The rates considered for the formulation of the predictions used for the impairment tests are consistent with the data registered in 2022 and with the outlook for the market to which they belong.
The verbal hypothesis and the corresponding financial charts were considered suitable by the Board of Directors for conducting the impairment test and they approved the results.
The actualization rate applied to the expected cash flows (WACC) is 9,2%;(7% in 2021) for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,2%.

ASA S.r.l.: the recoverable amount was determined on the basis of the *Discounted Cash Flow* (DCF) method by actualizing the cash flow contained in the financial and economic plan approved by the Board of Directors of ASA S.r.l., which covered a time span from 2023 to 2026.
For the purposes of determining the value of use of the CGU, they considered the actualized cash flows of the three years for which there was an explicit prediction added to a terminal value, assumed to be equal to the perpetual income calculated by simulating a situation of cash flow over a mid- to long period considering a margin equal to that for the last year of explicit forecast and multiplying the cash flow actualized by the growth rate “g” of 1,5%.
The main hypotheses of the economic and financial plan used to conduct the impairment test is related to the growth rate of the sales volume during the time period covered by the plan. The rates considered for the formulation of the predictions used for the impairment tests are consistent with the data registered in 2022 and with the outlook for the market to which they belong.
The verbal hypothesis and the corresponding financial charts were considered suitable by the Board of Directors for conducting the impairment test and they approved the results.
The actualization rate applied to the expected cash flows (WACC) is 9,2% (7% in 2021); for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long-term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,2%.

Shenzhen KBF Laser tech co., ltd.: the recoverable amount was determined on the basis of the *Discounted Cash Flow* (DCF) method by actualizing the cash flow contained in the financial and economic plan approved by the Board of Directors and used to conduct the inspection conducted by a third party for the purposes of impairment for the financial statement of Penta Laser (Zhejiang) Co., Ltd., and covering s time range 2023-2027.
For the purpose of determining the recoverable amount of the CGU we have considered the financial flows actualized during the three years of explicit forecasts added to a terminal value which is equal to the perpetual yield calculated by simulating a situation of cash flows over a mid- to long term period considering the margins equal to those of the last year with explicit forecasts. The growth rate "g" was considered equal to 0.
The main hypothesis of the economic and financial plan used to conduct the impairment test is related to the growth rate of the sales volume in the time range covered by the plan,
The verbal hypothesis and the corresponding financial charts were considered suitable by the Board of Directors for conducting the impairment test and they approved the results.
The actualization rate applied to the expected cash flows (WACC) is 15,56%; for the cash flows related to the years following the period of explicit forecasts, for cautionary purposes we hypothesize a long-term growth rate "g" of 0.
The determination of the recoverable value on the basis of these parameters made it possible to avoid any reduction of the goodwill value, as had been determined preliminarily when the financial year was closed.
The verification that the procedures for the impairment test corresponded with the regulations of the international accounting standards was autonomously conducted by the Board of Directors of the Parent Company.

Other intangible fixed assets

The entry of "development costs" includes the costs sustained by the Parent Company El.En and by the subsidiary Asa srl for the development of prototypes.
The "Patent and rights to use the patents of others" were related to the capitalization of the costs sustained for the purchase of patents by Quanta System and by the Parent Company, El.En. Spa. The increase shown this year under the heading of "Other movements" refers to the acquisition of Shenzhen KBF Laser Tech Co., Ltd.
Under the heading "Concessions, licenses, trademarks and similar rights" we have entered among other things, the costs sustained by the Parent Company El.En. Spa and by the subsidiaries, Quanta, With Us, Cutlite Penta and Penta Laser Zhejiang for the purchase of software.
The residual heading of "Other intangible assets" consists mainly of the costs sustained by the Parent Company El.En. and by the subsidiary Cutlite Penta for the creation of software.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets is shown on the chart below:

Cost	31/12/2021	Increase	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	31/12/2022
Lands and buildings	69.371.043	4.069.779			6.040.795	-654.830	78.826.787
Plants & machinery	15.452.303	3.328.426	-116.520		-100.155	3.504	18.567.558
Industrial and commercial equipment	16.691.509	4.530.132	-336.898	-77.658	-620.378	-81.764	20.104.943
Other assets	14.131.819	1.861.934	-464.414		390.062	-75.726	15.843.675
Tangible assets under construction and advance payments	6.955.711	4.589.041			-6.217.055	-95.220	5.232.477
Total	122.602.385	18.379.312	-917.832	-77.658	-506.731	-904.036	138.575.440
Lands and buildings right of use	18.439.291	2.523.487	-405.736		1.154.299	-116.228	21.595.113
Plants & machinery right of use	43.997						43.997
Industrial and commercial equipment right of use	1.096.543	60.383			1	-18.143	1.138.784
Other assets right of use	4.230.802	1.569.000	-32.056		1	-28.742	5.739.005
Total	23.810.633	4.152.870	-437.792		1.154.301	-163.113	28.516.899
Total	**146.413.018**	**22.532.182**	**-1.355.624**	**-77.658**	**647.570**	**-1.067.149**	**167.092.339**

Accumulated depreciation	31/12/2021	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	31/12/2022
Lands and buildings	10.444.623	1.993.683	1		27.383	-84.598	12.381.092
Plants & machinery	7.530.717	1.387.769	-114.421		-88.862	3.272	8.718.475
Industrial and commercial equipment	12.302.300	1.638.653	-127.311		117.864	-43.496	13.888.010
Other assets	9.185.416	1.431.526	-264.994		115.705	-48.064	10.419.589
Tangible assets under construction and advance payments							
Total	39.463.056	6.451.631	-506.725		172.090	-172.886	45.407.166
Lands and buildings right of use	2.909.193	1.446.210	-324.547		331.767	-84.746	4.277.877
Plants & machinery right of use	32.679	4.683					37.362
Industrial and commercial equipment right of use	770.011	129.316			1	-12.539	886.788
Other assets right of use	2.416.320	1.021.300	-22.048		2	-18.747	3.396.825
Total	6.128.203	2.601.509	-346.595		331.770	-116.032	8.598.852
Total	**45.591.259**	**9.053.140**	**-853.320**		**503.860**	**-288.918**	**54.006.018**

Net value	**31/12/2021**	**Increase**	**(Disposals)**	**Revaluation / Devaluation / Depreciations**	**Other movements**	**Translation adjustment**	**31/12/2022**
Lands and buildings	58.926.420	4.069.779	-1	-1.993.683	6.013.412	-570.232	66.445.695
Plants & machinery	7.921.586	3.328.426	-2.099	-1.387.769	-11.293	232	9.849.083
Industrial and commercial equipment	4.389.209	4.530.132	-209.587	-1.716.311	-738.242	-38.268	6.216.933
Other assets	4.946.403	1.861.934	-199.420	-1.431.526	274.357	-27.662	5.424.086
Tangible assets under construction and advance payments	6.955.711	4.589.041			-6.217.055	-95.220	5.232.477
Total	83.139.329	18.379.312	-411.107	-6.529.289	-678.821	-731.150	93.168.274
Lands and buildings right of use	15.530.098	2.523.487	-81.189	-1.446.210	822.532	-31.482	17.317.236
Plants & machinery right of use	11.318			-4.683			6.635
Industrial and commercial equipment right of use	326.532	60.383		-129.316		-5.604	251.996
Other assets right of use	1.814.482	1.569.000	-10.008	-1.021.300	-1	-9.995	2.342.180
Total	17.682.430	4.152.870	-91.197	-2.601.509	822.531	-47.081	19.918.047
Total	**100.821.759**	**22.532.182**	**-502.304**	**-9.130.798**	**143.710**	**-778.231**	**113.086.321**

The heading of "Lands and buildings" and related right of use includes the building complex in Calenzano (Florence), where the Parent Company operates along with some of the subsidiaries, the building purchased at the end of 2018 by Cutlite Penta in the province of Prato for a relocation of its manufacturing activities that is more consistent with the volume of business they have developed, the buildings in the city of Torre Annunziata, one purchased in 2006 and the other in 2018 for the research, development and production activities of the subsidiary Lasit SpA, the building in Jena, Germany which since May of 2008 houses the activities of the subsidiary Asclepion GmbH along with the new building inaugurated by this subsidiary in September of 2019, the building purchased in Samarate (Varese) at the end of the year 2014 by the subsidiary Quanta System SpA, as well as the new factory purchased by Quanta in 2018 which is adjacent to it, the construction built in 2019 in Arcugnano which houses the activities of the subsidiary ASA Srl, the building bought in 2021 by the subsidiary Galli Giovanni Srl, as well as the new factory complex owned by the subsidiaries Penta Laser Zhejiang Co.
The increases for the period refer mainly to the costs sustained for the buildings of Penta Laser Technology (Shangdong) Co., Quanta System Spa, Lasit Spa and the acquisition of Shenzhen KBF Laser Tech Co. Ltd.

The heading of "Plants and machinery" is related in particular to investments made by the Parent Company, El.En. S.p.A and the subsidiaries Asclepion GmbH, Quanta System S.p.A., Lasit S.r.l, Asa Srl, Cutlite Penta Srl, and Galli Giovanni & C. Srl. In reference to this latter in the year of acquisition, 2019, we proceeded to make a *Purchase Price Allocation* of the amount paid, about 400 thousand Euros in the category of "Plants and Machinery".

The heading of "Industrial and commercial equipment" refers, in particular, to purchases made by El.En. and the subsidiaries Quanta System SpA, Esthelogue, Deka Mela, Lasit SpA, Cutlite Penta srl, Penta Laser Technology (Shangdong) and by Penta Laser Zhejiang Co., Ltd. This heading also includes the capitalization of the costs of some machinery sold to clients using operative leasing; these sales, in fact, are considered as revenue from multi-year rentals in conformity with the IAS/IFRS standards.

The increase in the category of "Other assets" is due mainly to the purchase of new motor vehicles, also due to the application of standard IFRS 16 for furniture and electronic equipment.

In the category of "Tangible assets under construction and advance payments" we have entered, among other things, the costs sustained by the Parent Company El.En. for the improvements they are making on the existing buildings, by the subsidiaries Lasit, Penta-Laser (Wuhan), Quanta System and Galli Giovanni for new buildings now under construction and/or being equipped.

On the date of closure of the financial year there were no indicators of loss in value derived from internal sources (company strategy) or external sources (regulatory, economic, technological context in which the Group operates) related to the tangible assets.

Equity investments (note 3)

The analysis of the equity investments is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Equity investment in associated companies	1.019.897	918.042	101.855	11,09%
Other equity investments	1.061.819	1.031.420	30.399	2,95%
Total	**2.081.716**	**1.949.462**	**132.254**	**6,78%**

Equities in associated companies

For a detailed analysis of the equities held by Group in associated companies, refer to the paragraph relative to the scope of consolidation.

It should be recalled that the associated companies Immobiliare Del.Co. Srl, Elesta SpA, and Accure Inc. are consolidated using the shareholders' equity method.

The amounts of the equities in associated companies registered in the financial statement are, respectively:

Immobiliare Del.Co. S.r.l.:	238 thousand euro
Actis S.r.l.:	1 thousand euro
Elesta S.p.A.:	827 thousand euro
Accure Inc.:	(-46) thousand euro

The chart below shows a summary of the data for the associated companies.

Company	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	426.804	104.670	-23.054	15.540	38.594
Elesta SpA	5.018.399	2.338.427	-228.342	2.902.705	3.131.047
Immobiliare Del.Co. Srl	757.596	759.909	-27.545	145.481	173.026
Accure Acne, Inc. (*)	1.472.329	353.927	-15.764.964	2.374	15.767.338

(*)Data on December 31st 2021

Equities in other companies

The equities in other companies are evaluated at *fair value*.
This heading refers mainly to the equity held in Epica International Inc. for an amount of 888 thousand Euros.
With reference to the evaluation of the equity, the Board members believed that, since the equity instrument was not quoted on the regular stock market, and since there was a wide range of possible evaluations of the fair value related to different underwriters, the cost represents the best estimate of the fair value in this range of amounts, also in consideration of the average stock price for underwriting it.

Financial receivables/Deferred tax assets/Other non-current receivables and assets (note 4)

Other non-current assets	31/12/2022	31/12/2021	Variation	Var. %
Financial receivables - third parties	363.080	230.097	132.983	57,79%
Financial receivables - associated	320.000		320.000	
Deferred tax assets	12.420.903	10.364.271	2.056.632	19,84%
Other non-current assets	23.616.174	18.368.415	5.247.759	28,57%
Total	**36.720.157**	**28.962.783**	**7.757.374**	**26,78%**

The deferred tax assets amounted to about 12.420 thousand Euros and are mostly related to inventory obsolescence funds, to the variations of the inter-group profits on the inventory at the end of the period, to the devaluation fund for receivables exceeding those that are tax deductible as well as the deferred taxes calculated on the re-evaluation of some company assets operated by some of the Italian companies according to the laws now in force. The deferred tax assets are registered when the existence of adequate future fiscal profits which can be used to pay the temporary differences is probable. In this regard the Group estimates the probable temporal manifestations and the amount of the taxable future profits.

The category of “Other non-current assets” is related to the temporary use of cash by the Parent Company in previous years for 11,5 million Euros for life insurance policies which have as a basis a separate management of securities with capital guaranteed and with the possibility of cashing them in either partially or entirely for the duration of the contract on the condition that at least a year has passed since the policy was stipulated, by the subsidiary Quanta System SpA which invested in similar financial instruments for an amount of 2,5 million Euros and by the subsidiary Deka Mela for 3 million Euros increased by this latter for other 5 million during the second and fourth quarter 2022. Since this is a mid-term investment the companies decided to classify it among the non-current assets held for sale booking the *fair value* in the assets and the re-evaluation of the same in the income statement and, consequently, to exclude it from the net financial position.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	31/12/2022	31/12/2021	Variation	Var. %
Raw materials, consumables and supplies	98.468.376	70.393.805	28.074.571	39,88%
Work in progress and semi finished products	51.132.266	44.030.631	7.101.635	16,13%
Finished products and goods	53.299.560	41.514.790	11.784.770	28,39%
Total	**202.900.202**	**155.939.226**	**46.960.976**	**30,11%**

The final inventory amounted to about 202.900 thousand Euros, an increase of 30% with respect to the 155.939 thousand Euros on December 31st 2021 in consideration of the increase in the volume of business.

The chart below shows the breakdown of the total inventory, distinguishing between the amount of obsolete stock from the gross amount:

	31/12/2022	31/12/2021	Variation	Var. %
Gross amount of Inventory	227.572.582	175.975.856	51.596.726	29,32%
Devaluation provision	-24.672.380	-20.036.630	-4.635.750	23,14%
Total	**202.900.202**	**155.939.226**	**46.960.976**	**30,11%**

The obsolescence fund is calculated so as to align the stock value with the presumed selling price and recognizing, where necessary the obsolescence and slow rotation. The amount of the fund increased by about 4.636 thousand Euros with respect to December 31st 2021 while its incidence on the gross value of the inventory showed a slight decrease and fell from 11,4% on December 31st 2021 to 10,8% on December 31st 2022.

Accounts receivable (note 6)

Receivables are composed as follows

	31/12/2022	31/12/2021	Variation	Var. %
Accounts receivable from third parties	168.017.892	145.785.080	22.232.812	15,25%
Accounts receivable from associated	481.598	988.787	-507.189	-51,29%
Total	**168.499.490**	**146.773.867**	**21.725.623**	**14,80%**

Accounts receivable from third parties	31/12/2022	31/12/2021	Variation	Var. %
Italy	69.093.509	61.099.730	7.993.779	13,08%
EEC	18.875.423	12.772.816	6.102.607	47,78%
ROW	89.274.459	79.724.797	9.549.662	11,98%
minus: bad debt reserve	-9.225.499	-7.812.261	-1.413.238	18,09%
Total	**168.017.892**	**145.785.080**	**22.232.810**	**15,25%**

The chart shows an overall increase in the amount of accounts receivable.

The chart below shows the operations which took place this year for the bad debt reserve:

	2022
At the beginning of the period	7.812.261
Provision	2.477.663
Amounts utilized and unused amounts reversed	-1.495.184
Other movements	500.703
Translation adjustment	-69.944
At the end of the period	**9.225.499**

The incidence of the bad debt reserve on the total accounts receivable from third parties remained unchanged at 5% with respect to December 31st 2021.

Breakdown of accounts receivable from third parties is shown below:

Accounts receivable from third parties	31/12/2022	31/12/2021
To expire	124.713.651	112.834.547
Overdue:		
0-30 days	21.874.930	18.256.294
31-60 days	5.867.851	4.452.482
61-90 days	3.671.042	3.070.180
91-180 days	5.355.650	2.902.471
Over 180 days	6.534.768	4.269.106
Total	**168.017.892**	**145.785.080**

The chart below shows the accounts receivables from third parties listed by type of currency.

Accounts receivable in:	31/12/2022	31/12/2021
Euros	105.467.964	81.278.600
USD	11.554.575	14.459.004
Other currencies	50.995.353	50.047.476
Total	**168.017.892**	**145.785.080**

The value in Euros shown in the chart for the receivables originally expressed in US dollars or other currency (mainly RMB and Yen) represents the amount in currency converted at the exchange rate in force on December 31st 2022 and December 31st 2021.

For a detailed analysis of the accounts and financial receivable from associated companies, please refer to the paragraph in the chapter titled “Related parties”.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables.

	31/12/2022	31/12/2021	Variation	Var. %
Tax receivables				
VAT receivables	12.996.617	13.415.790	-419.173	-3,12%
Income tax receivables	3.337.859	2.309.704	1.028.155	44,51%
Total	**16.334.476**	**15.725.494**	**608.982**	**3,87%**

Current financial receivables				
Financial receivables - third parties	39.669	697	38.972	5591,39%
Financial receivables - associated	61.565	261.565	-200.000	-76,46%
Total	**101.234**	**262.262**	**-161.028**	**-61,40%**
Other current receivables				
Security deposits	614.044	382.800	231.244	60,41%
Advance payments to suppliers	7.989.341	5.515.057	2.474.284	44,86%
Other receivables	8.540.567	6.994.786	1.545.781	22,10%
Total	**17.143.952**	**12.892.643**	**4.251.309**	**32,97%**

Total Current financial receivables e Other current receivables	**17.245.186**	**13.154.905**	**4.090.281**	**31,09%**

The financial year closed with a VAT credit of almost over 13 million Euros which was mostly a result of the intense export activity of the Group.

In the "income tax receivables" we have included for some of the companies of the Group, receivables derived from the difference between pre-existing tax credits/down payments and the tax debt that had matured at the date of this document. For some of the Italian companies, we have also entered tax credits which have been recognized for the support of research and development, and innovation activities and those which replace the benefits recognized in the preceding years in the form of iper- and super-amortizations.

For a detailed analysis of financial and other receivables from associated companies, please consult the chapter titled "Related parties" in this document.

The entry of "Other receivables" refers mainly to the pre-paid costs of various companies as well as the deposits for participation in tenders paid by the Chinese subsidiary Penta Laser Zhejiang Co. Ltd.

Securities and other current financial assets (note 8)

	31/12/2022	31/12/2021	Variation	Var. %
Securities and other current financial assets				
Other current financial assets	2.311.175	1.090.700	1.220.475	111,90%
Total	**2.311.175**	**1.090.700**	**1.220.475**	**111,90%**

The amount entered under the heading of "Other current financial assets" consists of mutual funds held by the subsidiaries Deka Mela, Quanta System, and Shenzhen KBF for the purpose of making a temporary use of cash.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Bank and postal current accounts	162.759.480	181.318.394	-18.558.914	-10,24%
Cash on hand	54.785	44.418	10.367	23,34%
Total	**162.814.265**	**181.362.812**	**-18.548.547**	**-10,23%**

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statement.

It should also be noted that the amount of bank and postal deposits includes about 5 million Euros for the Chinese companies containing deposits which will become available upon the expiration of some payments to suppliers with the issuing of some bank bills.

Net financial position as of December 31st 2022

The net financial position of the Group as of December 31st 2022 is shown on the chart below (data shown in thousands of Euros)

	Net financial position	**31/12/2022**	**31/12/2021**
A	Cash and cash equivalents	162.814	181.363
B	Cash equivalents	-	-
C	Other current financial assets	2.351	1.092
D	**Liquidity (A + B + C)**	**165.165**	**182.455**
E	Current financial debt	(27.868)	(20.388)
F	Current portion of non-current financial debt	(4.005)	(3.134)
G	**Current financial indebtedness (E + F)**	**(31.873)**	**(23.522)**
H	**Net current financial position (D + G)**	**133.292**	**158.932**
I	Non-current financial debt	(27.632)	(27.204)
J	Debt instruments	(10.230)	(9.778)
K	Non-current trade and other payables	(6.884)	(6.184)
L	**Non-current financial indebtedness (I + J + K)**	**(44.747)**	**(43.166)**
M	**Net Financial Position (H + L)**	**88.546**	**115.766**

The net financial position this year registered a decrease of about 27 million, from the 115,8 million on December 31st 2021 to the 88,7 million on December 31st 2022. With respect to the minimum reached in the month of September, the year 2022 closed with a recovery of 55 million Euros in the fourth quarter.

For detailed comments on the net financial position, please refer to the specific section of the Management Report.

Information on the Consolidated Statement of financial position - Liabilities

Share Capital and Reserves

The main components of the shareholders' equity are shown below:

Share Capital (note 10)

As of December 31st 2022, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorized (to stock option plan service)	Euros	2.612.671
Underwritten and deposited	Euros	2.594.727

Nominal value of each share - Euros	***senza valore nominale espresso***

Category	**31/12/2021**	**Increase**	**Decrease**	**31/12/2022**
No. of Ordinary Shares	79.810.088	27.672	0	79.837.760
Total	**79.810.088**	**27.672**	**0**	**79.837.760**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increase in the capital in the stock option plan service

The extraordinary shareholders' meeting of the Parent Company El.En. S.p.A. held on May 12th 2016, in compliance with art. 2443, II sub-section, CC., voted to authorize the Board of Directors to increase, in one or more operations and even separately, within five years after the authorization, the capital stock up to a maximum of nominal 104.000,00 Euros by issuing new shares intended for underwriting by the beneficiaries of the stock option plan for 2016-2025.

On September 13th 2016, the Board of Directors of the Company, following a recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 ("Stock Option Plan 2016-2025") in compliance with the mandate conferred to them by the Shareholders' meeting mentioned above and identified the beneficiaries of the plan, the number of options to be assigned, the temporal limits for picking up the options, and the price of underwriting them.

The Board, in compliance with art. 2443, II sub-section, CC., also executed the mandate conferred upon them by the Assembly, to increase, upon payment, entirely and exclusively for use in the stock option plan, separately and with the exclusion of the option right described in art. 2441, sub-section V, CC, the capital stock, by 104.000,00 Euros by issuing 800.000 ordinary shares (3.200.000 ordinary shares after the stock split) which was approved by the Assembly on July 20th 2021) which can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above mentioned Plan.

The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.

The plan will terminate on December 31st 2025 and the options that have not been picked up before that date will expire permanently; the capital will be definitively increased for the amount actually underwritten and released by that date.

After the exercise by some of the beneficiaries of the Stock Option Plan 2016-2025, in 2022 the Parent Company issued 27.672 ordinary shares (after the stock split) and cashed in 88 million Euros including the increase in capital with share premium.
The extraordinary Assembly of the Parent Company El.En. S.p.A. on December 15th 2022 resolved to authorize the Board of Directors, in compliance with art. 2443, II co., c.c. to increase, even more than once, and in separate form, within five years of the resolution the share capital up to a nominal maximum of 65.000,00 Euros by the issuing of new shares to be used for the underwriting of the beneficiaries of the stock option plan 2026-2031.

It should also be noted that the capitalization of the market, in any case, is currently greater than the values implicit in the consolidated net financial position as of December 31st 2022.

Additional paid in capital (note 11)

On December 31st 2022 the share premium reserve, coinciding with that of the Parent Company, amounted to 46.928 thousand Euros, an increase with respect to the 46.841 on December 31st 2021 because of the stock options that were picked up this year, as discussed in the previous Note.

Other reserves (note 12)

	31/12/2022	31/12/2021	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	88.664.601	80.579.145	8.085.456	10,03%
Cumulative translation adjustment	866.610	1.952.589	-1.085.979	-55,62%
Stock option/ stock based compensation reserve	4.753.358	4.753.358		0,00%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-52.964	-172.550	119.586	-69,31%
Total	**95.195.564**	**88.076.501**	**7.119.063**	**8,08%**

As of December 31st 2022, the "extraordinary reserve" amounted to 88.665 thousand Euros; the increase with respect to December 31st 2021 is related to the destination of the net income for 2021, net of the payment of the dividends, as was voted by the Shareholder's meeting of the Parent Company on April 29th 2022.

The cumulative translation adjustments summarize the effects of the variations in the exchange rate on the investments in foreign currency. The effects for the year 2022 are shown in the column "Comprehensive (loss) income" in the shareholders' equity chart.

The reserve for *stock options/stock-based compensation* includes the costs that had been determined in compliance with IFRS 2 of the stock option plans assigned by the Parent Company El.En. S.p.A

The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to December 31st 2021.

The entry of "Other reserves" consists mainly of the evaluation of the Severance indemnity fund in compliance with IAS 19.

Treasury stock (note 13)

On April 27th 2021 the shareholders' meeting authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as specified in the Management Report 2021. Consequently, this authorization expired definitively on October 27th 2022.
During this year, the Company purchased 54.500 share for an overall amount of about 686 thousand Euros; moreover, on July 29th 2022, the Company stated that it had assigned to the general director 15.380 shares held in the portfolio as payment in kind for the annual remuneration for 2021. The treasury stock held by the Company as of December 31st 2022 amounts to 39.120 shares.

Retained earnings (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the shareholders' equity of the Group.

Non-current liabilities

Severance indemnity (note 15)

The chart below shows the operations which have taken place during this financial period.

31/12/2021	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	31/12/2022
5.100.689	2.493.074	-920.388	-2.574.337	4.099.038

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.
For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans.

As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS 19 purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

The present value of the liabilities for the severance fund that remains in the companies of the Group on December 31st 2022 is 4.130 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below.

Financial hypotheses	Year 2021	Year 2022
Annual implementation rate	0,98%	3,34%-3,53%-3,57%-3,63%-3,77% (*)
Annual inflation rate	1,79%	4,27%-2,35%, 2% (**)
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 3,00% White collar workers 3,00% Blue collar workers 3,00%

(*) 3,34% for the first three years, 3,53% from the fourth to fifth year, 3,57% from the sixth to seventh year, 3,63% from the eighth to tenth year and 3,77% up to thirteenth year.
(*) 4,27% per the first year, 2,35% per the second year, 2% from the third year.

In order to guarantee the consistency with the source of the returns with past evaluations, we have used the returns which Markit registers and publishes on the expirations of 1-3Y, 3- 5Y, 5-7Y, 7-10Y and 10+Y, form the purpose of creating a "rate curve" iBoxx Corporate AA on December 31st 2022, as summarized in the chart above.

The amount entered in the column "Payment to complementary pension forms, to INPS fund and other movements" of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds or to the treasury Fund managed by INPS (with particular reference to the Parent Company El.En and the subsidiary Quanta System), in accordance with the choices made by the employees and the amount of actuarial gain or loss shown during the year.

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The breakdown is as follows:

	31/12/2021	**Provision**	**(Utilization)**	**Other movements**	**Translation adjustment**	**31/12/2022**
Deferred tax assets on inventory devaluation	3.458.821	1.241.076	(154.371)	(1)	(26.392)	4.519.133
Deferred tax assets on warranty reserve	1.098.555	147.627	(57.357)	408	(15.005)	1.174.228
Deferred tax assets on bad debt reserve	885.726	23.797	42.775	-	(10.626)	941.672
Deferred tax assets on losses carryforwards	48.334	555.187	(23.524)	-	(19.543)	560.454
Deferred tax assets on intercompany profits and consolidation adjust.	1.417.845	383.083	-	(1)	(782)	1.800.145
Other deferred tax assets and on IAS adjust.	3.454.990	791.760	(473.539)	(279.095)	(68.845)	3.425.271
Total	**10.364.271**	**3.142.530**	**(666.016)**	**(278.689)**	**(141.193)**	**12.420.903**
Deferred tax liability on advance depreciations	124.469	-	-	1	-	124.470
Deferred tax liability on grants on capital account	51.055	-	(21.028)	-	-	30.027
Other deferred tax liabilities and on IAS adjust.	2.330.024	292.383	(197.173)	714.285	(51.927)	3.087.592
Total	**2.505.548**	**292.383**	**(218.201)**	**714.286**	**(51.927)**	**3.242.089**
Net	7.858.723	2.850.147	(447.815)	(992.975)	(89.266)	9.178.814

Deferred tax assets amounted to about 12.421 thousand Euros. The deferred tax assets calculated on inventory devaluations of the various companies increased, as did the deferred tax assets calculated on warranty reserve and the internal inter-Group profits and on the tax losses brought forward. The main decrease was related to the adaptation of the deferred taxes calculated on the re-evaluation of some company assets which was made last year by some of the Italian companies according to the regulations now in force.

In the column of other movements, we have entered the deferred taxes on the adaptation of the values made on the severance fund and registered directly in the *Other Comprehensive Income* ("OCI").

Deferred tax liabilities amounted to 3.242 thousand Euros. The variations in the "other deferred tax liabilities" are related, among other things to an evaluation for tax purposes of some LIFO evaluated inventories and to the exchange gain/loss which were not realized. The changes in the heading of "Deferred tax liabilities on grants on capital account" was due to the taxation on some grants in capital account received and which, for tax purposes, were deferred in compliance with the laws now in force.
In the category of other movements, we have entered deferred tax liabilities referred to amounts temporarily allocated to some company assets (*Purchase Price Allocation*) which was done on the occasion of the acquisition of the Chinese company KBF.

Other accruals (note 17)

The chart below shows the operations made with other accruals:

	31/12/2021	Provision	(Utilization)	Other movements	Translation adjustment	31/12/2022
Reserve for pension costs and similar	1.806.213	346.814	-274.379	-140.345		1.738.303
Warranty reserve on the products	7.444.291	1.566.787	-962.089	-553.019	-128.948	7.367.022
Reserve for risks and charges	1.219.401	741.152	-409.217	84.716	-5.457	1.630.595
Total	**10.469.905**	**2.654.753**	**-1.645.685**	**-608.648**	**-134.405**	**10.735.920**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on December 31st 2022, amounted to 1.492 thousand Euros as opposed to the 1.548 thousand Euros on December 31st 2021. According to IAS 37 the amount due must be calculated using actualization techniques in order to estimate as closely as possible the overall costs to be sustained for the payment to the agents of benefits after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2021	Year 2022
Annual implementation rate	0,98%	3,68%-3,37%-3,27%-3,20%-3,17%-3,16%-3,12%-3,06% (*)
Annual inflation rate	1,79%	4,27%-2,35%, 2% (**)

(*) 3,68% for the first year, 3,37% for the second year, 3,27% for the third year, 3,20% for the fourth year, 3,17% for the fifth year, 3,16% for the sixth year, 3,12% from the seventh to fourteenth year and 3,06% from fifteenth year.

(*) 4,27% per the first year, 2,35% per the second year, 2% from the third year.

For the evaluation of the liabilities the returns from the Euroswap S45 on the date of evaluation were used.

The warranty reserve is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year, the average number of years of the duration of the guarantee and the sector to which it belongs.

Potential liabilities

On April 24th and on May 4th of 2018 El.En. Spa and its subsidiary, Cutlite Penta Srl, received a citation to appear in front of the Superior Court of Hartford (Connecticut) in relation to their responsibility for damages caused in the factory of one client which was destroyed by a fire. At the time of the fire on the factory there were three laser systems produced by Cutlite Penta.

El.En. and Cutlite Penta vehemently rejected every hypothesis that considers them even remotely connected with this event.

At this time the case is still in a preliminary phase during which they are gathering information using written questionnaires about the conducting of the contractual obligations and the contents of the obligations taken on with the sale of the laser systems.

The complexity of the case, the continuous and high volume of the documents produced, and the delays cause by the Covid-19 pandemic have forced them to again revise the schedule.

Currently, the are still conducting discovery investigations in writing by both of the parties. The depositions of the defendants will be completed by June 2nd 2023 and the parties must determine their requests on the basis of the information obtained during the discovery by June 30th 2023.

The Court is scheduled to meet on July 28th 2023 for the purpose of establishing, on the basis of the above-mentioned activities, modifications in their requests and the calendar for subsequent activities of the experts and motions by the parties, establishing that the actual trial is not expected to start before September 3rd 2024.

Consequently, at this time we do not have sufficient elements to evaluate the outcome or the entity of an economic risk for the two companies. In fact, at this time no proof has been presented nor have they determined the exact amount requested for damages. In any case, for cautionary purposes, the Company has stipulated an insurance policy related to the responsibility for the damages caused by a product which comports a maximum coverage of 15.000.000 Euros for every accident. The insurance company has taken on the case and, at its own expense, has hired an American lawyer to defend the rights of their insured clients.

Therefore, in the financial report as of December 31st 2022, there are no accruals in relation to the law suit described above.

Financial debts and liabilities (note 18)

Financial m/l term debts	31/12/2022	31/12/2021	Variation	Var. %
Amounts owed to banks	27.632.286	27.204.446	427.840	1,57%
Amounts owed to leasing companies	10.127.419	9.303.547	823.872	8,86%
Amounts owed to other financiers	102.547	474.052	-371.505	-78,37%
Other non-current liabilities	6.884.290	6.184.097	700.193	11,32%
Total	**44.746.542**	**43.166.142**	**1.580.400**	**3,66%**

The amounts owed to banks as of December 31st 2022 are shown on the chart below

Company	Bank	Currency	Current amount	Non-current amount	First installment	Last installment	Interest rate	Terms of payment (monthly, quarterly)	Guarantees
Esthelogue Srl	Intesa San Paolo	Euro	370.125	946.606	28/08/2022	28/05/2028	1,30%	Quarterly installments	90% from Mediocredito Centrale
Asclepion GmbH	Baudarlehen Deutsche Bank	Euro	444.444	1.814.817	02/05/2018	31/12/2027	1,40%	Montly installments	Mortgage
Asclepion GmbH	Kfw Darlehen CB	Euro	375.000	562.500	03/07/2020	30/06/2025	2,00%	Quarterly installments	-
Asclepion GmbH	Kfw Darlehen DB	Euro	375.000	562.500	09/07/2020	30/06/2025	2,00%	Quarterly installments	-
ASA S.r.l.	Unicredit	Euro	237.902	1.345.152	30/11/2019	31/05/2029	Eurirs 12 months +0,5%	Half-year installments	Mortgage
ASA S.r.l.	Intesa San Paolo	Euro	742.350	1.889.301	24/09/2022	24/06/2026	1,02%	Quarterly installments	90% from Mediocredito Centrale
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	80.000.000	-	30/12/2022	31/01/2023	1,18%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	56.000.000		30/09/2022	31/07/2023	0,92%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	16.000.000		31/10/2022	31/08/2023	0,92%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	13.500.000		30/11/2022	29/09/2023	0,92%	Montly installments	
With Us Co., Ltd	The Shoko Chukin Bank, Ltd. - Tokyo	Yen	7.104.000	80.464.000	05/04/2021	00/01/1900	1,17%	Montly installments	Tokyo Credit Guarantee Corporation
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	8.925.000	141.075.000	26/08/2023	26/07/2030	0,949 % (solo su 50 mil di Yen)	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.

With Us Co., Ltd	Higashi-Nippon Bank, Ltd.	Yen	36.114.000	38.884.000	26/08/2023	26/07/2030	0,985 %	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.
With Us Co., Ltd	Mizuho Bank, Ltd.	Yen	1.042.000	48.958.000	10/12/2023	10/12/2027	0,850 %	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.
Penta Laser (Wuhan) Co., Ltd.	Intesa San Paolo	Euro	1.000.980	-	02/12/2022	02/03/2023	1,35%	Single installment	-
Penta Laser (Wuhan) Co., Ltd.	Intesa San Paolo	Euro	1.998.590	-	01/03/2022	01/03/2023	1,34%	Single installment	-
Penta Laser (Wuhan) Co., Ltd.	Everbright Bank	RMB	10.000.000	-	31/03/2022	30/03/2023	3,60%	Quarterly installments	Mortgage
PENTA LASER(ZHEJIANG) CO.,LTD.	CCB	RMB	20.631.056	-	28/02/2023	28/02/2023	3,70%	Single installment	Mortgage
PENTA LASER(ZHEJIANG) CO.,LTD.	Intesa San Paolo	RMB	5.520.000	2.771.868	29/04/2022	28/06/2024	4,65% - 4,60%	Half-year installments	-
PENTA LASER(ZHEJIANG) CO.,LTD.	NB	RMB	24.699.636		23/03/2023	13/05/2023	3,60%	Annual installments	-
PENTA LASER(ZHEJIANG) CO.,LTD.	CCB	RMB		10.010.847	30/06/2025	30/06/2025	3,50%	Single installment	-
Cutlite Penta Srl	Intesa San Paolo	Euro	402.252		19/12/2020	19/03/2023	0,50%	Quarterly installments	-
Cutlite Penta Srl	Intesa San Paolo	Euro	1.237.251	3.148.835	28/08/2022	28/05/2026	1,02%	Quarterly installments	90% from Mediocredito Centrale
Cutlite Penta Srl	Intesa San Paolo	Euro	2.200.000	6.050.000	28/10/2021	28/07/2026	Euribor rate 3 months + SPREAD 1,06%	Quarterly installments	Elen SpA
Cutlite Penta Srl	Intesa San Paolo	Euro	1.798.297	2.757.014	28/10/2022	28/04/2025	1,75%	Quarterly installments	-
Cutlite Penta Srl	Intesa San Paolo	Euro	1.714.286	1.285.714	02/01/2023	30/06/2024	2,95%	Quarterly installments	Sace S.p.A
Cutlite Penta Srl	Credem	Euro	834.473	628.865	26/10/2021	26/07/2024	0,55%	Quarterly installments	-
Cutlite Penta Srl	Credem	Euro	816.153	1.343.877	04/08/2022	04/07/2025	Euribor rate 3 months + SPREAD 0,85%	Montly installments	-

The amounts owed for leasing, already since last year, refer mostly to the subsidiary Cutlite Penta S.r.l. which acquired in the form of financial leasing a new building for its production activity and therefore, for accounting purposes, treated in compliance with IFRS16 in substitution of that previously applied, IAS 17. The contact stipulated by Cutlite Penta has a duration of 12 years with an expiration date in the month of December 2030. On December 31st 2022 the residual debt amounted to 3,8 million Euros. This latter company stipulated in 2021 another leasing contract for the purchase of a new building adjacent to the other, which has a duration of 12 years with the expiration date in the month of January 2033; the residual debt as of December 31st 2022 amounted to about 3,6 million Euros.
The other amounts entered in this category are derived from the application of IFRS 16 which occurred for the first time in 2019.

The other amounts owed to other financers are made up of the sums due after more than a year as follows:

a) Financing issued by Mediocredit to the subsidiary Lasit for a research project for a total of 272 thousand Euros at the rate of 0,36% annually to be reimbursed in annual installments starting in March 2018, last installment due on March 8th 2025;

b) Financing issued by the BPER to the subsidiary Lasit for the purchase of new equipment, for a residual total as of December 31st 2022 of 104 thousand Euros to be reimbursed in staggered deadlines, last deadline on June 15th 2025;

The category of "Other non-current liabilities" includes, among other things:

- The amount owed to the ex-minority partner of Penta Laser Zhejiang Co., Ltd for the amount of 40 million Renminbi (about 5 million Euros), which must be paid if the earn out clause in the sales contract comes into effect because they proceeded to an IPO of Penta Laser Zhejiang Co, Ltd within five years for the acquisition.
- The amount owed to suppliers that have been due for more than twelve months or the deadlines for which are expected more than a year for 718 thousand Euros,

Current liabilities

Financial debts (note 19)

The chart below shows a breakdown of the short-term financial debts:

Financial short term debts	31/12/2022	31/12/2021	Variation	Var. %
Amounts owed to banks	27.867.609	20.388.456	7.479.153	36,68%
Amounts owed to leasing companies	3.819.578	2.623.510	1.196.068	45,59%
Amounts owed to other financiers	185.787	510.224	-324.437	-63,59%
Total	**31.872.974**	**23.522.190**	**8.350.784**	**35,50%**

The details concerning short-term amounts owed to banks are described in the preceding note.

The category of "amounts owed to leasing companies" includes the short-term amounts also for leasing described in the preceding note.

The category of "amounts owed to other financers includes:
- the short-term financing described in the previous note,
- the residual debt of 70 thousand Euros of the subsidiary Quanta System SpA for the purchase of the subsidiary Galli Giovanni & Co. Srl., to be paid in four annual installments, last installment on June 30th 2023.

It should also be recalled that in 2021 in the category of "amounts owed to other financers" we entered 162.762 Euros, the residual debt for facilitated financing for applied research (MILORD project) issued by FidiToscana to El.En. spa in 2017 for a total of 488.285 Euros, to be reimbursed in 6 half yearly installments starting in the month of April 2020 with the last installment paid on October 31st 2022.

Accounts payable (note 20)

	31/12/2022	31/12/2021	Variation	Var. %
Accounts payable	170.862.992	158.065.656	12.797.336	8,10%
Amounts owed to associated companies	329	6.000	-5.671	-94,52%
Total	**170.863.321**	**158.071.656**	**12.791.665**	**8,09%**

The chart below shows the accounts payable to third parties divided according to the type of currency.

Accounts payable in:	**31/12/2022**	**31/12/2021**
Euros	98.003.768	85.563.158
USD	6.513.012	5.502.784
Other currencies	66.346.212	66.999.714
Total	**170.862.992**	**158.065.656**

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2022 and December 31st 2021.

Income tax payables /Other current payables (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2022 amounted to 8.151 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Social security debts				
Debts to INPS	4.311.413	3.843.430	467.983	12,18%
Debts to INAIL	320.848	274.068	46.780	17,07%
Debts to other Social Security Institutions	753.532	687.003	66.529	9,68%
Total	**5.385.793**	**4.804.501**	**581.292**	**12,10%**
Other debts				
Debts to the tax authorities for VAT	2.237.112	1.178.615	1.058.497	89,81%
Debts to the tax authorities for withholding	3.251.488	2.629.956	621.532	23,63%
Other tax liabilities	428.120	422.093	6.027	1,43%
Debts to staff for wages and salaries	21.581.880	19.443.695	2.138.185	11,00%
Down payments	54.105.698	64.103.421	-9.997.723	-15,60%
Other debts	18.552.805	17.669.291	883.514	5,00%
Total	**100.157.103**	**105.447.071**	**-5.289.968**	**-5,02%**
Total Social security debts and Other debts	**105.542.896**	**110.251.572**	**-4.708.676**	**-4,27%**

The amounts owed to staff include, among other things, the debts for deferred salaries of personnel employed as of December 31st 2022.

The entry of “Down payments” consists of down payments received from clients for orders received; the increase refers in particular to the Parent Company El.En. spa, the subsidiaries Cutlite Penta Srl. Penta Laser Zhejiang Co Ltd and Shenzhen KBF Laser Tech Co, Ltd.

The category of “Other debts” includes, among other things, the deferred income calculated on the grants received by the subsidiary Penta Laser Zhejiang Co, Ltd to sustain the new production facility and the research and development activities.

Analysis of the debts by due date

	31/12/2022			31/12/2021		
	<= 1 year	**>1 year <= 5 years**	**> 5 years**	**<= 1 year**	**>1 year <= 5 years**	**> 5 years**
Amounts owed to banks	27.867.609	24.359.920	3.272.366	20.388.456	24.853.895	2.350.551
Amounts owed to leasing companies	3.819.578	6.600.122	3.527.297	2.623.510	5.133.872	4.169.675
Amounts owed to other financiers	185.787	102.547	-	510.224	474.052	-
Accounts payable	170.862.992	717.819		158.065.656	697.227	
Amounts owed to associated companies	329	-	-	6.000	-	-
Income tax payables	8.150.730			9.905.819		
Social security debts	5.385.793			4.804.501		
Other debts	100.157.103	6.166.471	-	105.447.071	5.486.870	-
Total	**316.429.921**	**37.946.879**	**6.799.663**	**301.751.237**	**36.645.916**	**6.520.226**

Segment information -IFRS8

The segments identified by the El.En. Group that are shown below in compliance with IFRS 8, are those shown below along with the amounts associated with them in the financial statement.

31/12/2022		Total	Medical	Industrial	Other
Revenues		676.186	382.063	292.169	1.954
Intersectorial revenues		(2.605)		(651)	(1.954)
Net Revenues		673.581	382.063	291.518	
Other revenues and income		6.225	2.508	3.718	
Gross Margin		249.695	170.517	79.178	
	Inc.%	*37%*	*44%*	*27%*	*0%*
Margin		100.959	79.805	21.154	
	Inc.%	*15%*	*21%*	*7%*	*0%*
Not assigned charges		19.958			
EBIT		81.001			
Net financial income (charges)		(1.934)			
Share of profit of associated companies		(79)	(70)		(8)
Other Income (expense) net		0			
Income (loss) before taxes		78.988			
Income taxes		19.953			
Income (loss) before minority interest		59.036			
Minority interest		3.925			
Net income (loss)		55.111			

31/12/2021		Total	Medical	Industrial	Other
Revenues		573.692	311.290	260.608	1.794
Intersectorial revenues		(2.290)		(496)	(1.794)
Net Revenues		571.402	311.290	260.112	
Other revenues and income		5.987	2.106	3.690	191
Gross Margin		212.073	139.491	72.391	191
	Inc.%	*37%*	*45%*	*27%*	*100%*
Margin		84.633	61.108	23.288	237
	Inc.%	*15%*	*19%*	*9%*	*124%*
Not assigned charges		19.775			
EBIT		64.858			
Net financial income (charges)		1.752			
Share of profit of associated companies		(195)	(173)	(14)	(9)
Other Income (expense) net		10			
Income (loss) before taxes		66.424			
Income taxes		17.300			
Income (loss) before minority interest		49.124			
Minority interest		3.688			
Net income (loss)		45.436			

31/12/2022	Total	Medical	Industrial
Assets assigned	674.773	310.880	363.893
Equity investments	951	782	168
Assets not assigned	60.167		
Total assets	735.891	311.662	364.061
Liabilities assigned	334.498	85.586	248.912
Liabilities not assigned	44.756		
Total liabilities	379.254	85.586	248.912

31/12/2021	Total	Medical	Industrial
Assets assigned	578.051	266.495	311.555
Equity investments	809	671	138
Assets not assigned	71.835		
Total assets	650.695	267.166	311.693
Liabilities assigned	314.006	81.584	232.423
Liabilities not assigned	48.987		
Total liabilities	362.994	81.584	232.423

31/12/2022	Total	Medical	Industrial
Changes in fixed assets:			
- assigned	20.537	4.131	16.405
- not assigned	712		
Total	21.249	4.131	16.405

31/12/2021	Total	Medical	Industrial
Changes in fixed assets:			
- assigned	15.623	(793)	16.417
- not assigned	48		
Total	15.671	(793)	16.417

Information according to the geographical area

31/12/2022	Total	Italy	Europe	Row
Revenues	673.581	149.928	144.699	378.954

31/12/2021	Total	Italy	Europe	Row
Revenues	571.402	116.435	116.381	338.586

31/12/2022	Total	Italy	Europe	Row
Assets assigned	733.809	472.184	54.712	206.913
Equity investments	2.082	2.082	0	(0)
Total assets	735.891	474.266	54.712	206.913
Liabilities assigned	379.254	216.976	23.666	138.612
Total liabilities	379.254	216.976	23.666	138.612

31/12/2021	Total	Italy	Europe	Row
Assets assigned	648.745	425.022	45.197	178.526
Equity investments	1.949	1.949	0	0
Total assets	650.695	426.972	45.197	178.526
Liabilities assigned	362.994	207.534	20.795	134.664
Total liabilities	362.994	207.534	20.795	134.664

31/12/2022	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	21.249	7.895	(296)	13.650
Total	21.249	7.895	(296)	13.650

31/12/2021	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	15.671	6.388	(211)	9.494
Total	15.671	6.388	(211)	9.494

Information on the consolidated Income Statement

Revenue (note 22)

The chart below shows the subdivision of the revenue of the Group derived from contracts with clients as of December 31st 2022 and 2021:

	31/12/2022	31/12/2021	Variation	Var. %
Total medical systems	318.120.666	257.749.660	60.371.015	23,42%
Total industrial systems	273.800.907	245.769.570	28.031.337	11,41%
Total service	81.659.249	67.882.924	13.776.316	20,29%
Total revenue	**673.580.822**	**571.402.154**	**102.178.668**	**17,88%**

Breakdown of the revenue by geographical areas

Medical sector

	31/12/2022	31/12/2021	Variation	Var. %
Italy	38.370.243	33.579.841	4.790.402	14,27%
Europe	113.171.044	91.384.598	21.786.446	23,84%
ROW	230.521.601	186.325.316	44.196.285	23,72%
Total Medical	**382.062.888**	**311.289.754**	**70.773.133**	**22,74%**

Industrial sector

	31/12/2022	31/12/2021	Variation	Var. %
Italy	111.557.386	82.855.338	28.702.048	34,64%
Europe	31.527.848	24.996.573	6.531.275	26,13%
ROW	148.432.706	152.260.489	- 3.827.783	-2,51%
Total Industrial	**291.517.940**	**260.112.400**	**31.405.540**	**12,07%**

Breakdown of the revenue on the basis of the time the revenue was recognized

	31/12/2022	31/12/2021	Variation	Var. %
Goods transferred at a specific time	666.028.309	564.005.606	102.022.703	18,09%
Services transferred over time	7.552.513	7.396.548	155.964	2,11%
Total revenue	673.580.822	571.402.154	102.178.668	17,88%

The overall growth reached about 18% and was greater in the medical sector.

For further details, please consult the Management Report.

Other income (note 23)

The analysis of the other income is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Other income due to Insurance refunds	173.484	165.390	8.094	4,89%
Recovery of expenses	1.839.651	1.443.209	396.442	27,47%
Capital gains on disposal of fixed assets	34.665	169.955	-135.290	-79,60%
Other income	4.177.667	4.208.219	-30.552	-0,73%
Total	**6.225.467**	**5.986.773**	**238.694**	**3,99%**

The heading of "Recovery of expenses" refers mainly to reimbursements for shipping costs.

The entry "Other income" consists mainly of government grants related both to the new factory as well as to research projects for an amount of about 2.498 thousand Euros entered by the Chinese subsidiary Penta Laser Zhejiang Co. Ltd and Penta Laser Technology (Shangdong) Co., Ltd.

Costs for the purchase of goods (note 24)

The analysis is shown on the following chart:

	31/12/2022	31/12/2021	Variation	Var. %
Purchases of raw materials and finished products	396.774.635	347.342.690	49.431.945	14,23%
Packaging	3.955.499	2.605.712	1.349.787	51,80%
Shipping charges on purchases	3.112.244	2.266.370	845.874	37,32%
Other purchase expenses	1.589.896	1.239.660	350.236	28,25%
Other purchases	6.937.470	5.147.058	1.790.412	34,79%
Total	**412.369.744**	**358.601.490**	**53.768.254**	**14,99%**

The costs for the purchase of goods and relative accessory charges on December 31st 2022 were 412.370 thousand Euros as opposed to 358.601 thousand Euros for last year, with an increase of about 15%.
Net of the variations in the inventory, the incidence of these costs was 54,8% as opposed to 55,6% for last year.

Direct services/ Operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2022	31/12/2021	Variation	Var. %
Direct services				
Outsourced processing	30.271.426	22.479.092	7.792.334	34,66%
Technical services on products	5.426.305	3.036.195	2.390.110	78,72%
Shipment charges on sales	6.853.408	4.842.523	2.010.885	41,53%
Sale commissions	16.237.134	15.116.328	1.120.806	7,41%
Royalties	302.400	232.800	69.600	29,90%
Travel expenses for technical assistance	1.511.780	1.273.039	238.741	18,75%
Other direct services	523.724	414.535	109.189	26,34%
Total	**61.126.177**	**47.394.512**	**13.731.665**	**28,97%**
Other operating services and charges				
Maintenance and technical assistance on equipment	1.434.545	1.190.178	244.367	20,53%
Commercial services and consulting	3.332.605	2.737.079	595.526	21,76%
Legal and administrative services and consulting	1.691.999	1.550.621	141.378	9,12%
Audit fees	557.207	538.964	18.243	3,38%
Insurances (no staff cost)	1.250.718	942.557	308.161	32,69%
Travel and accommodation expenses	4.052.926	2.723.021	1.329.905	48,84%
Trade shows	4.590.755	1.308.809	3.281.946	250,76%
Promotional and advertising fees	5.527.271	5.424.123	103.148	1,90%
Expenses related to real estate	4.723.696	3.383.728	1.339.968	39,60%
Other taxes	1.355.634	1.029.311	326.323	31,70%
Vehicles maintenance expenses	2.550.416	2.041.251	509.165	24,94%
Office supplies	572.719	707.991	-135.272	-19,11%
Hardware and Software assistance	2.303.679	1.506.402	797.277	52,93%
Bank charges	420.694	422.096	-1.402	-0,33%
Leases and rentals	2.095.079	1.916.763	178.316	9,30%
Salaries and indemnity to the Board of Directors and Board of Auditors	3.735.315	3.764.300	-28.985	-0,77%
Temporary employment	1.624.806	1.714.765	-89.959	-5,25%
Other services and charges	14.429.988	14.909.562	-479.574	-3,22%
Total	**56.250.052**	**47.811.521**	**8.438.531**	**17,65%**

Operating services and charges amounted to 56.250 thousand Euros and show an increase over the 47.812 thousand Euros on December 31st 2021. The increases are mainly due to the return to our participation in trade fairs which had been interrupted by the Covid 19 pandemic.

In the category of "Other services and charges" the main entries refer to scientific and technical consulting fees for an amount of 2.855 thousand Euros and studies and research for about 3.619 thousand Euros.

For the research and development activities and costs, please consult the relative paragraphs in the Management Report.

Staff costs (note 26)

The chart below shows the costs for staff:

	31/12/2022	31/12/2021	Variation	Var. %
Wages and salaries	75.740.929	65.513.868	10.227.061	15,61%
Social security contributions	17.424.048	15.616.187	1.807.861	11,58%
Severance indemnity	2.442.951	2.189.304	253.647	11,59%
Staff costs for stock options/stock based compensation	1.553.390	156.075	1.397.315	895,28%
Other costs	1.032.228	694.644	337.584	48,60%
Total	**98.193.546**	**84.170.078**	**14.023.468**	**16,66%**

The costs or personnel amounted to 98.194 thousand Euros, an increase with respect to the 84.170 thousand Euros for last year. The increase is due to the increase in the number of employees which rose from 1.902 units on December 31st 2021 to the 2.105 registered on December 31st 2022.
The category of "Staff costs for *stock option / stock-based compensation*" as of December 31st 2022, includes the figurative costs for the stock options and the stock based compensation assigned by Penta Laser Zhejiang to some of the employees.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

	31/12/2022	31/12/2021	Variation	Var. %
Amortization of intangible assets	1.034.571	979.916	54.655	5,58%
Depreciation of tangible assets	6.451.631	5.515.579	936.052	16,97%
Depreciation of tangible assets right of use	2.601.508	2.214.431	387.077	17,48%
Devaluation (Rival.) of fixed assets	107.858		107.858	
Accrual for bad debts	2.304.269	2.030.400	273.869	13,49%
Accrual for risks and charges	1.749.999	4.493.400	-2.743.401	-61,05%
Total	**14.249.836**	**15.233.726**	**-983.890**	**-6,46%**

The accrual for risks and charges is mainly due to amount accrued in the warranty reserve of the various companies of the Group.

Financial income and charges and exchange gain (loss)(note 28)

The breakdown of the category is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	433.072	470.846	-37.774	-8,02%
Dividends from other investments		24.162	-24.162	-100,00%
Financial income from associated companies	3.939	924	3.015	326,30%
Interests income from current securities and financial assets	168.053	180.368	-12.315	-6,83%
Capital gain and other income from current securities and financial assets	26.661	73.807	-47.146	-63,88%
Other financial income	225.605	186.123	39.482	21,21%
Total	**857.330**	**936.230**	**-78.900**	**-8,43%**
Financial charges				
Interests on bank debts and on short term loans	138.589	127.059	11.530	9,07%
Interests on bank debts and on other m/l term loans	271.449	132.588	138.861	104,73%
Capital losses and other charges on current securities and financial assets	279.822	29.504	250.318	848,42%
Other financial charges	782.427	595.853	186.574	31,31%
Total	**1.472.287**	**885.004**	**587.283**	**66,36%**
Exchange gain (loss)				
Exchange gains	4.753.348	3.525.405	1.227.943	34,83%
Exchange losses	-6.072.429	-1.821.779	-4.250.650	233,32%
Other exchange gains (losses)		-3.349	3.349	-100,00%
Total	**-1.319.081**	**1.700.277**	**-3.019.358**	**-177,58%**

The “interest income from current securities and financial assets” refer to the maturity of the interest on the insurance policies underwritten by the Parent Company.
The “interests on bank debts and on short term loans” refers mainly to overdrafts granted by credit institutions to some Italian and foreign subsidiaries.

The category of “Other financial charges” includes the amount of about 50 thousand Euros for the interest charges deriving from the application of the IAS 19 accounting standard and 102 thousand Euros for the entry of interest for leases derived from the application of the IFRS 16 standard.

It should be noted that there is no significant amount related to interests that were not paid or were not cashed in.

Other income and charges (note 29)

	31/12/2022	31/12/2021	Variation	Var. %
Other income				
Capital gains on equity investments		10.166	-10.166	-100,00%
Total		**10.166**	**-10.166**	**-100,00%**

Income taxes (note 30)

	31/12/2022	31/12/2021	Variation	Var. %
IRES and other foreign income taxes	20.551.850	15.909.553	4.642.297	29,18%
Income taxes - IRAP	3.343.879	2.530.850	813.029	32,12%
Deferred income taxes - IRES and for foreign companies	-2.467.873	-733.176	-1.734.697	236,60%
Deferred income taxes - IRAP	65.543	96.054	-30.511	-31,76%
Income tax receivable	-1.678.848	-933.259	-745.589	79,89%
Other income tax	-10.987	93.263	-104.250	-111,78%
Previous years tax	149.332	336.351	-187.019	-55,60%
Total	**19.952.896**	**17.299.636**	**2.653.260**	**15,34%**

The costs for deferred and current income taxes this year was 19.953 thousand Euros: the overall tax rate was 25.3%, about the same as the 26% registered last year.

The chart below shows the reconciliation between the theoretical fiscal aliquot and the actual aliquot limited to the Income tax for companies (IRES) and similar ones.

	2022	2021
Profit/loss before taxes	78.988.479	66.424.020
Theoretical IRES Aliquot	24,00%	24,00%
Theoretical IRES	18.957.235	15.941.765
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	(909.120)	(528.670)
One time income tax charges	167.227	278.226
Tax credits	(1.678.848)	(933.259)
Tax credit on patents (Patent Box)		(150.000)
Value adjustments		307.057
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	(428.837)	(673.039)
Higher (lower) fiscal incidence due to the effects of consolidation	435.817	430.650
Actual IRES	16.543.474	14.672.731
Actual IRES aliquot	20,94%	22,09%

Earnings per share (note 31)

The average weighted number of shares in circulation this year amounted to 79.796.102 ordinary shares, after the pick-up of the stock options and net of the treasury shares held. The profits per share on December 31st 2022 therefore amounted to 0,69 Euros. The diluted profit per share, which takes into consideration also the stock options assigned last year, was 0,69 Euros.

Dividends distributed (note 32)

The shareholders' meeting of El.En. SpA held on April 29th 2022 voted to distribute to the shares in circulation on the date the coupon came due, a dividend of 0,20 Euros (zero point twenty) gross for each share in circulation. The dividend distributed was 15.958.902 Euros.

Other components of the statement of comprehensive income (note 33)

With reference to December 31st 2022 we wish to point out that there are no "Other components of the comprehensive income statement" noteworthy.

Non-recurring significant, atypical and unusual events and operations (note 34)

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we declare that last year and during this year the Group did not conduct any significant non-recurring, atypical or unusual operations, as defined in the aforementioned Communication.

Information about related parties (note 35)

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:
- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company, the General Manager and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.

All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

The Members of the Board of Directors and the Board of Statutory Auditors and General Director
In compliance with *Consob regulation 11971/99 (Regolamento Emittenti*) the salaries paid to the members of the Board of Directors and the Board of Statutory Auditors, the General Director and the equities held by them are shown in the "Report on Remuneration ex art. 123-*ter* T.U.F. e 84-*quater* Reg. Consob 11971/1999" which, in compliance with the law is made available and can be consulted on the internet site www.elengroup.com – section "Investor relations/Governance/Company documents".

Subsidiary companies
Normally the operations and reciprocal payments among the companies of the Group included in the area of consolidation are eliminated during the formulation of the consolidated statement and for this reason they are not described here.
.
Associated companies
All of the relations of receivables and payables, all of the costs and revenue, financing and guarantees granted to associated companies during 2022 are shown clearly and in detail.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the Group.

The charts below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales, purchases, accounts and financial payables and receivables.

Associated companies:	Financial Receivables < 1 year	Financial Receivables > 1 year	Accounts receivable < 1 year	Accounts receivable > 1 year
Actis Srl	30.000		1.938	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA		320.000	420.649	
Accure Inc.			59.012	
Total	**61.565**	**320.000**	**481.598**	**-**

Associated companies:	Financial Payables < 1 year	Financial Payables > 1 year	Other payables < 1 year	Other payables > 1 year	Accounts Payable < 1 year	Accounts Payable > 1 year
Elesta SpA					329	
Total	**-**	**-**	**-**	**-**	**329**	**-**

Associated companies:	Sales	Service	Total
Elesta SpA	817.544	75.363	892.907
Accure Inc	66.687	73.199	139.886
Total	**884.231**	**148.562**	**1.032.793**

Associated companies:	Other revenues
Elesta SpA	22.282
Actis Srl	1.200
Accure Inc.	3.596
Total	**27.078**

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl		6.000		6.000
Total	**-**	**6.000**	**-**	**6.000**

The amounts shown on the charts above refer to transactions which are inherent to the ordinary operations of the company.

The chart below shows the incidence which the operations with related parties have had on the economic and financial situation of the Group.

Impact of related parties transactions	**Total**	**related parties**	**Inc %**
Impact of related parties transactions on the statement of financial position			
Equity investments	2.081.716	1.019.897	48,99%
Receivables LT	683.080	320.000	46,85%
Accounts receivable	168.499.490	481.598	0,29%
Other current receivables	17.245.186	61.565	0,36%
Non current financial liabilities	37.862.252	-	0,00%
Current financial liabilities	31.872.974	-	0,00%
Accounts payable	170.863.321	329	0,00%
Other current payables	105.542.896	-	0,00%
Other non current liabilities	6.884.290	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	673.580.822	1.032.793	0,15%
Other revenues and income	6.225.467	27.078	0,43%
Purchase of raw materials	412.369.744	-	0,00%
Direct services	61.126.177	-	0,00%
Other operating services and charges	56.250.052	6.000	0,01%
Financial charges	1.472.287	-	0,00%
Financial income	857.330	3.939	0,46%
Income taxes	19.952.896	-	0,00%

Risk factors and procedures for the management of financial risks (note 36)

The main risk factors to which the Parent Company and the subsidiary companies (Group) are exposed are described below.

Procedures for the management of financial risk
The main financial instruments of the Group include checking accounts and short-term deposits, short-term and long-term financial liabilities, financial leasing stock and hedge funds.
Besides these, the Group has trade payables and receivables from its business activity.
The main financial risks to which the Group is exposed are those involving exchange rates, receivables, cash and interest rates.

Currency risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated financial statements of the Group.

Credit risks
As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the number of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation provision which is accrued at the end of the year represents about 5% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult the relative paragraph in the consolidated financial statement.

As far as guarantees granted to third parties are concerned:

In December of 2019, during the conclusion of the purchase of the minority quota of Penta Laser Zhejiang Co., Ltd by Ot-las S.r.l., El.En. S.p.A. stipulated a guarantee in favor of their partner who was selling, to pay the amount indicated in the earn out clause of 40 million Renminbi (about 5 million Euros) in the case that they proceeded to an IPO of Penta Laser Zhejiang within 5 years of the date of purchase. This debt is entered in the non-current liabilities.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:
- in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo
- in favor of Penta Laser (Wuhan) on the short-term credit line obtained for 3 million Euros.

During 2022, Ot-las S.rl released a guarantee for a maximum of 25 million dollars in favor of Penta laser Zhejiang and its subsidiary Cutlite Penta S.r.l. for the payment that this latter might have to make, in excess of the amount paid by the insurance company, based on the definitive sentence of the Superior Court of Hartford Complex, file n. X03-HHD-CV17-6084684-S. Moreover, the Patent Company, El.En. spa released a second level guarantee, in the case that the guarantee stipulated by Ot-las became operative and Ot-las was unable to pay.

In the month of July 2020 Esthelogue Srl obtained a guarantee from Mediocredito Centrale on the financing of 1,5 million Euros issued by Intesa San Paolo. The amount of the guarantee was 1,35 million Euros.

In the month of July 2020 Cutlite Penta Srl obtained a guarantee from Mediocredito Centrale on the financing of 5 million Euros issued by Intesa San Paolo. The amount guaranteed was 4,5 million Euros.

The Chinese subsidiary Penta laser Zhejiang in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 10 million RMB.

The Chinese subsidiary, Penta Laser (Wuhan) also obtained financing by taking out a mortgage for a total value of 10 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. In the month of June 2020, the company obtained a guarantee from

Mediocredito Centrale for the financing of 3 million Euros underwritten by Intesa San Paolo. The amount guaranteed was 2,7 million Euros.

The German subsidiary Asclepion in 2018 has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4 million Euros.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this half in such a way as to cover existing debts and obtain a net financial position which is extremely positive at the end of this half. For this reason, we believe that these risks are fully covered.

Management of the capital
The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness and a correct financial structure sustaining the business are maintained so as to guarantee an adequate ratio between capital and reserves and debts.

Environmental and sustainability risks
The main risks which may be caused by climate change and the transition towards a low carbon energy model are connected to an incorrect management of energy and emission sources, risks related to the modification of regulations associated with the struggle against climate change and physical risks. Among the main risk factors to which the Group may be expose, there are the growing obligations for reporting the emissions produced, the expectations related to the use of low-impact energy sources, and the uncertainties arriving in the signals from the markets with potential unexpected variations in the prices of energy. One should also note the risks derived from the progressive change in climate conditions and extreme weather events which expose the Group to damage of the infrastructures like industrial buildings and plants and machinery, rather than to potential interruption in the supply of essential raw materials and the potential reduction of the production capacity. In order to mitigate at least in part this risk, the Parent Company and the Italian subsidiaries stipulated an insurance policy which protects them against damages derived directly from weather events like hurricanes, storms, wind, hail, inundations, floods, and earthquakes. Among the risks associated with the transition to an economy with low carbon emissions, the reputation risks are also included: to not undertake a gradual decarbonization process could have a negative impact on the reputation of the Company and consequently on the economic and financial results.

For further details, see the non-financial statement.

Financial instruments (nota 35)

Fair value

The chart below shows the comparison between the book value and the fair value for the category of financial instruments of the Company.

	Book value 31/12/2022	Book value 31/12/2021	Fair value 31/12/2022	Fair value 31/12/2021
Financial assets				
Equity investments in other companies	1.061.819	1.031.420	1.061.819	1.031.420
Non current financial receivables	683.080	230.097	683.080	230.097
Current financial receivables	101.234	262.262	101.234	262.262
Securities and other non-current financial assets	23.455.926	18.368.415	23.455.926	18.368.415
Securities and other current financial assets	2.311.175	1.090.700	2.311.175	1.090.700
Cash and cash equivalents	162.814.265	181.362.812	162.814.265	181.362.812
Financial debts and liabilities				
Non current financial liabilities	37.862.252	36.982.045	37.862.252	36.982.045
Current financial liabilities	31.872.974	23.522.190	31.872.974	23.522.190

Fair value hierarchy

The Company uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

As of December 31st 2022, the Company held the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		23.455.926		23.455.926
Mutual funds	2.311.175			2.311.175
Other equity investments			1.061.819	1.061.819
Total	**2.311.175**	**23.455.926**	**1.061.819**	**26.828.920**

Other information (note 38)

Information on public financing as per Law no. 124 of August 4th 2017 ("Annual law for the market and the competition")

Law no.124 of August 4th 2017 and the subsequent modifications in art. 35 D.L. 34/2019 with modifications by L. 58/2019 by D.L. 73/2022 conv. L. 122/2022 introduced some measures intended to insure transparency in the system of public financing; in particular, it states that companies must indicate in the Explanatory Notes of the financial statement and in the consolidated Notes if there is one, information regarding any subsidies, grants, benefits, contributions in money or in kind, which do not have a general character and are not paid for or reimbursed as those effectively issued by the public administration and by the subjects specifically indicated in the above mentioned law.

Therefore, the amounts for the sales of goods or services inherent in the operations conducted as part of their activity are excluded, in the presence of reciprocal relations managed according to the rules of the market, the general measures that can be used by all of the companies belonging to the general structure of the system defined by the state (for example, ACE), the selective economic advantages received in application of a regime of assistance accessible to all companies which satisfy certain conditions, on the basis of predetermined general criteria (tax facilitations and grants, also related to the hiring of the disabled), the grants for training received from inter-professional funds like, for example, Fondimpresa, since they are institutions financed by the contributions from the companies themselves.

It should also be recalled that, in reference to the help from the state and the "*de minimis*" help, the transparency of the latter is monitored by the publication in the National Register of State Assistance active since August of 2017, by the institutions which grant this help and to which the reader is referred.

The chart below shows the information requested for this type of public financing.

ASA srl

Date	nr. Contract	Name	Subject of the contract	Amount
March 21, 2007 renewal February 11, 2021	AGR 00549	Department of Experimental Biomedical and Clinical Sciences of the Università degli Studi di Firenze	With the contract stipulated on March 21st 2007, we have constituted a joint laboratory with the Department of Experimental Biomedical and Clinical Sciences of the University of Florence and the company ASA Srl JOINT RESEARCH LABORATORY *ASACAMPUS.* The laboratory has the objective of studying the effects of physical stress, in particular, gravitational, mechanical, photonic, photo-mechanic and magnetic fields at a cellular and molecular level. It will make use of rooms and equipment placed at their disposal by the University of Florence; Asa srl will place at their disposal their personnel, the rooms and the equipment indicated in the contract	The value of the benefits cannot be quantified

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2020 related to auditing services and for those other than auditing services, which were conducted by Deloitte & Touche S.p.A. for the Parent Company and some of the Italian and foreign companies.

	Company providing the service	Receiver	note	2021 fees (Euros)
Audit	EY SpA	El.En S.p.A		64.000
	EY SpA	Italian subsidiaries		53.500
	EY Network	Foreign subsidiaries		197.270
Certification services	EY SpA	El.En S.p.A	(1)	69.500
	EY SpA	Foreign subsidiaries	(2)	152.500
	EY Network	Foreign subsidiaries		406.377
Other services	EY Network	Foreign subsidiaries		42.380
				985.527

(1) Revision of the Non-Financial Statement. Opinion on the congruity of the issuing price of the shares related to the increase in share capital. Revision of the expenses sustained or research and development activities. .
(2) Revision of the past data in preparation of the IPO and revision of the expenses sustained for research and development. By the Italian subsidiaries

The honorariums shown on the table relative to the Italian companies include the annual adaptation on the basis of the ISTAT index. Moreover, they are net of the reimbursement for the expenses sustained and the supervising contribution paid to the Consob.

Average number of employees

Personnel	Average of the period	31/12/2022	Average of previous period	31/12/2021	Variation	Var. %
Total	**2.004**	**2.105**	**1.764**	**1.902**	**203**	**10,67%**

SUBSEQUENT EVENTS

Potential developments of the "Laser Cutting" business unit

On February 11th 2022, Penta Laser Wenzhou completed the "Share reform", i.e. the transformation of its company organization from Joint Venture to corporation, a very complex procedure in China, which, comported, among other things, the new auditing of the financial statements for the last three years in conformity with the international accounting standards according to a practice followed in China by the companies quoted on the regular stock market.
Penta Laser Wenzhou, which for this occasion was renamed Penta Laser Zhejiang.
In the second half of the year the company completed in succession the two increases in capital reserved for the Chinese institutional investors, necessary operations, according to the local procedures, to obtain an IPO for the company and the business unit on the regulated Chinese market. The IPO represents a strategic option which allows us to pursue our ambitious projects in this sector.

War in Ukraine

The invasion of Ukraine by the Russian military forces and the war that has now gone on for a year have created great uncertainty and critical factors in the international relations between all of the parties involved directly and indirectly in the conflict. The state of war in Ukraine and the rigid commercial sanctions that have been imposed on Russia have limited or precluded trade relations in these areas. In the past, the Group has had profitable trade relations with Ukraine and Russia, in particular, in the applications for aesthetic medicine.

Treasury stock and stock options

The Board of Directors voted today to ask the shareholders' meeting to approve the financials for 2022 and to renew the authorization to acquire treasury stock which expired definitively on October 26th 2022. The purchase of treasury stock, if approved, will take place at the following concurrent or alternative conditions: the assignment, distribution or payment in kind to the employees and/or collaborators and/or members of the administrative bodies of the company or their subsidiaries on the basis of the incentivizing remuneration plans in conformity with the remuneration policy approved by the assembly of the company, or by exchanges of equities on the occasion and related to operations of a strategic nature.
The authorization for the purchase, in one or more sets, of a maximum number of ordinary shares of the Company, the only category of financial instruments now issued by the Company which, in any case must not exceed more than one-fifth of the share capital. On the date of the resolution, 20% of the capital underwritten and deposited by El.En amounted to 15.978.658 ordinary shares for a nominal value of 519.306 Euros.
The authorization is requested for the maximum amount of time allowed by the law, 18 months after the resolution of the Assembly.
The purchase of treasury stock must take place respecting the criteria of the equality of shareholders in compliance with art. 132 T.U.F. and art. 144-*bis Regolamento Emittenti*. Consequently, the administrators may proceed with the purchase using the following concurrent or alternative methods where applicable and which will be established at the time of the individual operations: by means of public offering for purchase or exchange, on the regulated markets.
The shareholders will be asked to approve the purchase which is not less than the minimum of the closing price that the stock registered on the stock market the day before the completion of each single operation, minus 10% and, at the maximum not over 10% more than the official price registered on the day before the purchase.
The Board also requested to be authorized to sell, within 10 years of the resolution, the shares purchased, at a price or equivalent, in the case of company operations, which is not less than 95% of the average of the official prices registered during the five days before the sale.
The deeds for the selling and disposition of the treasury stock will take place without any expiration date, in one or more sets, even before having finished the quantity of treasury stock for sale, using any method that the Board deems opportune and, in any case, in compliance with the regulations in force in the European Union, either delegated or domestic.

On the same date, the Board of Directors of El.En. spa, following a proposal by the Remuneration Committee, voted to activate the stock option plan for the period 2026-2031 ("Piano di Stock Option 2026-2031") according to the mandate assigned to them by the shareholders' assembly on December 15th 2022; they identified the beneficiaries of the plan, the quantity of options assigned, the dates that they could be picked up and the price for underwriting them.
The Board proceeded to exercise the right, partially and for the exclusive use in the Plan, which had been conferred to them in compliance with art. 2443, by the same Assembly, to increase, upon payment, separately and with the exclusion of the option rights in compliance with art. 2441, sub-section V, c.c., the share capital up to Euros 49.955,00 by means

of the emission of 1.414.000 ordinary shares which can be underwritten by the administrators, collaborators and employees of El.En. s.p.a. and the companies that they control, that are assignees of the above-mentioned Plan.
The options can be exercised in conformity with the terms and conditions described in the Plan, which was definitively approved today, by the beneficiaries in two equal sets: the first starting on April 1st 2026 up until December 31st 2031 and the second, starting on April 1st 2027 and ending on December 31st 2031.
The Plan will end on December 31st, 2031, and the options that have not been picked up will expired definitively, the capital will be considered definitively increased for the amount which has actually been underwritten and made available on that date.
According to the Plan, the assignees of options are the President of the Board of Directors, Gabriele Clementi, the two executive board members, Andrea Cangioli and Barbara Bazzocchi, the General Director of El.En. s.p.a. Paolo Salvadeo, the managers of El.En. s.p.a. who are administrators of the subsidiary companies, the other managers of El.En. s.p.a. who have significant roles, the administrators of the subsidiaries that are considered of strategic importance for the development of the Group, some of the persons who belong to the category of employees and managers and collaborators who, for their professional and personal characteristics and loyalty have important roles also with an outlook to the future.
The Plan can be defined as of particular importance in conformity with art. 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, *Regolamento Emittenti Consob* because some of the subjects who have been identified as assignees are mentioned in it. For the exact identity of the assignees and the amounts assigned to them, see the relative chart contained in the information sheet drawn up in compliance with art. 84-*bis* of the *Regolamento Emittenti Consob* 11971/1999, which will be deposited in compliance with art. 84-*bis* sub-section 5 of the above-mentioned *Regolamento Emittenti*. The price which includes the surcharge which will have to be paid by those who decide to exercise their options according to the Stock Option Plan for 2026-2031was determined by the Board at Euros 13,91. The calculation was made by the Board of Directors on the basis of the arithmetical average of the official prices registered for the stock on the market during the six previous months. The criteria used to determine the price for issuing the shares used for the Plan was approved in compliance with articles 2441, VI sub-section c.c., and 158, II sub-section, T.U.F., issued by the auditing company, EY s.p.a. This opinion was published before the Assembly and, according to the terms established by law, is attached to the declaration of the notary and deposited at the Registry of Companies in Florence. It can be consulted at the headquarters of the Company, at the site www.elengroup.com in the section titled Investor Relations/Governance/Documenti Assembleari/2022, as well as on the authorized storage site www.emarketstorage.com.

The Board of Directors also proceeded with the modification of art. 6 of the by-laws related to the share capital in consistency with the above-mentioned resolutions. The minutes of the Board of Directors related to the increase in capital and the modification of the by-laws will be placed at the disposal of the public in compliance with the methods and times required by law.

Current outlook

As happened in 2022, the year began with a significant number of orders in the portfolio, a record level in all sectors. In the meantime, the general economic conditions have changed, with the pressure of inflation and the increase in interest rates augmenting the fear of a slowdown in the world economy and will make it difficult to maintain the level of profitability obtained in 2022. These circumstances currently do not seem to prevent the growth on our markets, but they make it more uncertain. The improvement of the conditions on the Chinese market let us hope that there will be a recovery in the sales volume in the industrial sector in that area.
In the present context, which is more uncertain than it was 12 months ago, in 2023 the El.En. Group expects to continue in its growth, exceeding the sales volume for 2022, thanks to the contribution of the industrial sector.
The confirmation of the EBIT of 2022 represents the ambitious goal for the context in which we will be operating and for the mix of sales that we plan.

For the Board of Directors
Managing Director, Ing. Andrea Cangioli

Declaration of the consolidated financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. S.p.A., in conformity with art. 154-bis, sub-section 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2022.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the consolidated financial statement dated December 31st 2022:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the scope of consolidation.

3.2 the Management Report contains a reliable analysis of the trends and results of the activity as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Calenzano, March 15th 2023

Managing Director	Executive officer responsible for the preparation of the financial statements
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

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El.En. S.p.A.

Consolidated financial statements as at December 31, 2022

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

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

To the Shareholders of
El.En. S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the [consolidated] financial statements of El.En. Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, 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 December 31, 2022, 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 El. En. 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.

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Estimate of the inventory provision	
The consolidated financial statements of the Group as at December 31, 2022 include Inventories for an amount equal to Euro 202,900 thousand, net of a provision for inventory of Euro 24,672 thousand. The inventory provision is calculated to align the book value at the net realizable value. The process and methodologies of the Management for the estimation of net realizable value of Inventories and, consequently, the provision for inventory, were based on complex assumptions, that by their nature imply the use of the Management's judgment, in particular with reference to the assumptions adopted to identify obsolete and slow moving items, any excess of inventories with respect to the possibility of future use or sale, as well as further conditions that may generate an excess of the book value compared to the net realizable value, also considering the fast evolution of the technologies of the Group's products. In consideration of the relevance of the amount of the Inventories recognized in the financial statements and the complexity of the assumptions used in estimating its net realizable value, we deemed this area to be a key audit matter. Such matter is reported in the paragraph " Use of estimates" and in the explanatory note 5 "Inventories " to the financial statements.	Our audit procedures in response to the key audit matter included, among others: i) the analysis of the procedure and key controls adopted by the Group for the identification and monitoring of obsolete and / or slow-moving Inventories and for the estimate of the inventory provision; ii) the assessment of the assumptions that required a significant judgment by the Management for the estimate of the provision for the inventories, such as the obsolescence rate of inventories and forecasts of sale or use; iii) test of details on the accuracy and completeness of the data used for the estimate performed on sample basis; iv) the verification of the calculations performed by the Management for the determination of the utilization and sale rate of the products in stock and its net realizable value. Lastly, we evaluated the adequacy of the information provided in the explanatory notes to the financial statements with respect to this matter

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 El.En. S.p.A. or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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 ABC S.p.A., in the general meeting held on June 4, 2020, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2021 to December 31, 2029.

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

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of El.En. 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.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 El.En. 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 El.En. as at December 31, 2022, 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 El.En. Group as at December 31, 2022 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 El.En. Group as at December 31, 2022 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.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of El.En. S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Florence, March 31, 2023

EY S.p.A.
Signed by: Lorenzo Signorini, Auditor

As disclosed by the Directors on page 4, the accompanying consolidated financial statements of El.En. 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.

EL.EN. SpA
SEPARATE FINANCIAL STATEMENT
AS OF DECEMBER 31st 2022

ACCOUNTING CHARTS AND NOTES

Statement of financial position

Assets	Note		31/12/2022		31/12/2021
Intangible assets	1		465.254		193.235
Tangible assets	2		19.798.758		19.288.864
Equity investments	3				
- in subsidiary companies		19.874.007		16.374.006	
- in associated companies		1.188.905		969.379	
- other		1.024.498		1.024.498	
Total Equity investments			22.087.410		18.367.883
Deferred tax assets	4		2.214.484		1.999.235
Other non-current assets	4		31.896.826		30.861.798
Total non current assets			**76.462.732**		**70.711.015**
Inventories	5		51.897.124		37.138.691
Accounts receivable	6				
- third parties		12.108.327		12.947.162	
- subsidiary companies		40.425.215		31.598.099	
- associated companies		337.200		837.144	
Total Accounts receivable			52.870.742		45.382.405
Tax receivables	7		4.834.065		5.358.912
Other receivables	7				
- third parties		2.225.080		930.438	
- subsidiary companies		3.310.827		4.375.402	
- associated companies		61.565		261.565	
Total Other receivables			5.597.472		5.567.405
Securities and other current financial assets	8		-		-
Cash and cash equivalents	9		28.472.051		45.701.818
Total current assets			**143.671.454**		**139.149.231**
Total Assets			**220.134.186**		**209.860.246**

Liabilities	Note		31/12/2022		31/12/2021
Share capital	10		2.594.727		2.593.828
Additional paid in capital	11		46.927.795		46.840.698
Other reserves	12		94.328.962		86.123.920
Treasury stock	13		(468.633)		-
Retained earnings / (accumulated deficit)	14		(997.571)		(984.283)
Net income / (loss)			31.472.330		24.044.358
Total shareholders' equity			**173.857.610**		**158.618.521**
Severance indemnity fund	15		547.421		794.369
Deferred tax liabilities	16		405.301		356.979
Other accruals	17		937.302		1.774.216
Financial debts and liabilities	18				
- third parties		186.896		160.929	
Total Financial debts and liabilities			186.896		160.929
Other non current liabilities					
Accounts payable third parties - non current		185.949		185.949	
Other payables - non current		1.062.731		-	
Total Other non current liabilities	18		1.248.680		185.949
Total non current liabilities			**3.325.600**		**3.272.442**
Financial liabilities	19				
- third parties		177.894		320.771	
Total Financial liabilities			177.894		320.771
Accounts payable	20				
- third parties		25.891.604		24.993.273	
- subsidiary companies		1.418.589		1.217.419	
- associated companies		329		6.000	
Total Accounts payable			27.310.522		26.216.692
Income tax payables	21		3.815.513		4.774.110
Other current payables	21				
- third parties		11.607.322		16.503.867	
- subsidiary companies		39.725		153.843	
Total Other current payables			11.647.047		16.657.710
Total current liabilities			**42.950.976**		**47.969.283**
Total Liabilities and Shareholders' equity			**220.134.186**		**209.860.246**

Income Statement

Income Statement	Note	31/12/2022		31/12/2021	
Revenues	22				
- third parties		78.523.877		56.947.254	
- subsidiary companies		76.004.857		61.022.658	
- associated companies		721.142		308.408	
Total Revenues			155.249.876		118.278.320
Other revenues and income	23				
- third parties		841.562		779.966	
- subsidiary companies		654.256		458.881	
- associated companies		23.482		21.858	
Total Other revenues and income			1.519.300		1.260.705
Revenues and income from operating activity			**156.769.176**		**119.539.025**
Purchase of raw materials	24				
- third parties		82.628.256		60.595.084	
- subsidiary companies		3.348.639		2.075.923	
Total Purchase of raw materials			85.976.895		62.671.007
Changes in inventory of finished goods			(6.892.328)		(1.270.209)
Change in inventory of raw material			(8.378.489)		(7.795.001)
Direct services	25				
- third parties		24.854.866		18.189.224	
- subsidiary companies		41.336		37.599	
Total Direct services			24.896.202		18.226.823
Other operating services and charges	25				
- third parties		8.860.300		7.351.775	
- subsidiary companies		190.285		124.860	
- associated companies		6.000		6.000	
Total Other operating services and charges			9.056.585		7.482.635
Staff cost	26		22.430.624		20.506.008
Depreciation, amortization and other accruals	27		2.075.659		1.842.190
EBIT			**27.604.028**		**17.875.572**
Financial charges	28				
- third parties		(22.978)		(18.429)	
- subsidiary companies		(89.145)		46.413	
Total Financial charges			(112.123)		27.984
Financial income	28				
- third parties		207.179		198.624	
- subsidiary companies		11.544.280		10.149.243	
- associated companies		3.939		300	
Total Financial income			11.755.398		10.348.167
Exchange gain (loss)	28		(2.196.100)		443.788
Other charges	29		-		(258.038)
Other income	29		1.251.347		463.399
Income (loss) before taxes			**38.302.550**		**28.900.872**
Income taxes	30		6.830.220		4.856.514
Net income (loss)			**31.472.330**		**24.044.358**

Statement of comprehensive income

	Note	31/12/2022	31/12/2021
Reported net (loss) income (A)		31.472.330	24.044.358
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans		119.586	3.230
Total other income/(loss), net of fiscal effectes (B)		119.586	3.230
Total comprehensive (loss) income (A)+(B)		31.591.916	24.047.588

Cash flow statement

Cash flow statement	Note	31/12/22	related parties	31/12/21	related parties
Operating activity					
Income (loss) for the financial period		**31.472.330**		**24.044.358**	
Amortizations and depreciations	27	2.269.811		2.035.903	
Interest income	28	405.398		314.005	
Interest Expense	28	(95.665)		(15.468)	
Income tax paid		(9.306.780)		0	
Gain/Loss from sale of Securities and Equity investments	29	(457.855)		0	
Severance indemnity	15	(89.597)		(49.617)	
Provisions for risks and charges	17	(836.914)		(350.947)	
Bad debt reserve	6	(290.039)	(283.959)	(3.059.753)	(3.009.033)
Deferred income tax assets	4	(253.013)		527.170	
Deferred income tax liabilities	16	48.323		91.839	
Inventories	5	(14.758.433)		(9.011.983)	
Accounts receivable	6	(7.198.298)	(8.043.213)	(10.480.561)	(4.074.949)
Tax receivables / payables	7-21	8.933.592		3.147.253	
Other receivables	7	(1.799.663)	(128.076)	(1.065.495)	(599.775)
Accounts payable	20	1.093.830	195.499	8.892.186	740.048
Other payables	21	(4.975.561)	(114.118)	10.597.347	131.729
Cash flow generated by operating activity		**4.161.466**		**25.616.237**	
Investment activity					
Tangible assets	2	(2.267.161)		(1.782.494)	
Intangible assets	1	(558.159)		(127.073)	
Equity investments, securities and other financial assets	3-4-8	(3.429.685)	(3.719.527)	(323.736)	(150.000)
Financial receivables	7	497.184	525.635	12.450.610	12.443.638
Cash flow generated by investing activity		**(5.757.821)**		**10.217.307**	
Financing activity					
Non current financial liabilities	18	862.292		(143.415)	
Current financial liabilities	19	(142.877)		(3.996.761)	
Capital increase	10	87.996		4.328.616	
(Purchase) Sell Treasury shares	13	(468.633)		0	
Dividends paid	31	(15.958.902)		(7.969.374)	
Cash flow generated by financing activity		**(15.620.124)**		**(7.780.934)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**(13.288)**		**0**	
Increase/(decrease) in cash and cash equivalents		**(17.229.767)**		**28.052.610**	
Cash and cash equivalents at the beginning of the financial period		**45.701.818**		**17.649.208**	
Cash and cash equivalents at the end of the financial period		**28.472.051**		**45.701.818**	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Changes in the Shareholders' equity

Total shareholders' equity	**31/12/2020**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2021**
Share capital	2.549.589			44.239		2.593.828
Additional paid in capital	42.556.321			4.284.377		46.840.698
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	88.310.254	238.265	-7.969.374			80.579.145
Special reserve for grants received	426.657					426.657
Other reserves	4.577.585			1	3.230	4.580.816
Retained earnings / (accumulated deficit)	-984.283					-984.283
Net income / (loss)	238.265	-238.265			24.044.358	24.044.358
Total shareholders' equity	138.211.690		-7.969.374	4.328.617	24.047.588	158.618.521

Total shareholders' equity	**31/12/2021**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2022**
Share capital	2.593.828			899		2.594.727
Additional paid in capital	46.840.698			87.097		46.927.795
Legal reserve	537.302					537.302
Treasury stock				-468.633		-468.633
Other reserves:						
Extraordinary reserve	80.579.145	24.044.358	-15.958.902			88.664.601
Special reserve for grants received	426.657					426.657
Other reserves	4.580.816				119.586	4.700.402
Retained earnings / (accumulated deficit)	-984.283			-13.288		-997.571
Net income / (loss)	24.044.358	-24.044.358			31.472.330	31.472.330
Total shareholders' equity	158.618.521		-15.958.902	-393.925	31.591.916	173.857.610

NOTES TO THE FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the Euronext STAR Milan ("STAR") which is managed by Borsa Italiana SpA.
The El.En. Financial Statement was examined and approved by the Board of Directors on March 15th 2023.

The amounts shown in this statement are in Euros, which is the working currency of the Company, unless otherwise indicated.

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT AND ACCOUNTING STANDARDS

The financial statement for 2022 which represents the separate financial statement of El.En. S.p.A. is drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments for which the evaluation has been made on the basis of the principle of *fair value*.

The Company has drafted this statement on the assumption that the Company will continue to operate.

This separate Financial Statement consists of:
- the **Statement of financial position**. The presentation of the statement of financial position is made by a chart which distinguishes current and non-current assets from current and non-current liabilities.
- the **Income statement**. The chart showing the income statement contains entries listed by type since it is considered the one that supplies the most explanatory information.
- the **statement of comprehensive income**. The chart showing the comprehensive income includes the entries taken directly from the net shareholders' equity when this is allowed by the IFRS.
- the **Cash flow statement**. The cash flow statement presents the financial flow of the operating, investment and financial activity. The flows of the operating activities are represented using an indirect method, in which the result for the period is rectified by the effects of non-monetary type operations, by any differing or accrual of preceding or future income or operative payments and by elements of revenue and costs connected with the financial flows deriving from the financial or investment activities.
- the **Statement of changes in the Shareholders' equity**,
- the **Explanatory Notes** which follow.

The economic information given refers to the financial years 2022 and 2021. The financial information on the other hand refers to the situations on December 31st 2022 and December 31st 2021.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The financial statement as of December 31st 2022 has been formulated using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, including all of the international standards which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The accounting principles used for drawing up this financial statement are in compliance with the accounting standards used for drawing up the financial statement on December 31st 2021 with the exception of the new principles and those revised by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee as described in the consolidated financial statement for the El.En. Group in the specific chapter titled "Accounting standards and evaluation criteria applied starting on January 1st 2022" which should be consulted for further details.

Accounting standards, amendments and IFRS and IFRIC interpretations issued by the IASB and not yet in effect

Below we have described the accounting standards and interpretations which, on the date of the financial statement for the Company, had been issued but were not yet in effect. The Company intends to adopt these standards and interpretations, if applicable, when they come in to effect.

IFRS 17 Insurance Contracts

In May of 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), a new accounting standard related to insurance contracts which covers the identification and measuring, presentation and information sheets. When it comes into effect, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 will be applied to all types of insurance contracts (for example, life, non-life, direct insurance and re-insurance) independently of the type of entity that issues it, and also to guarantees and financial instruments with characteristics of optional participation.
For this purpose, limited exceptions will be applied. The main objective of IFRS is to present an accounting model for insurance contracts that will be more useful and consistent for the insurers. Unlike the principles contained in IFRS 4, which were mainly based on maintaining the previous accounting policies, l'IFRS 17 supplies a complete model for insurance contracts which covers all the relevant accounting aspects. The heart of IFRS 17 is the general model, with the addition of:

- a specific adaptation for the contracts with characteristic of direct participation (the variable fee approach).
- a simplified approach (the approach of the allocation of the premium) mainly for contracts of brief duration.

L'IFRS 17 will come into effect for the financial years starting on January 1st 2023 or later, and will require the presentation of the comparative statements. Early application is allowed, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of the first application of IFRS 17, earlier. This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In 2020 and 2022, the IASB published the modifications to paragraphs 69 to 76 of IAS 1, to specify the requirements for the classification of liabilities as current or non-current. The modifications clarify:

- What is meant by the right to postpone the expiration date-
- That the right to postpone must exist at the closing of the year.
- The classification is not impacted by the probability with which the entity will exercise its right to postpone.
- Only in the case that an implicit derivative in a convertible liability is itself a capital instrument, the expiration of the liability will not have an impact on its classification.

The modifications will come into effect for the financial years that begin on January 1st 2024 or later and must be applied retrospectively. At this time, the Company is evaluating the impact that the modifications will have on the current situation and to see if it will be necessary to renegotiate the existing financing contracts.

Definition of accounting estimate – Modifications to IAS 8

In February of 2021, IASB issued the amendments to IAS 8, in which they introduced a definition of "accounting estimates". The modifications clarify the distinction between change of the accounting estimates and change of the accounting estimates and correction of the errors. Moreover, they clarify how the entities use measuring techniques and input for developing accounting estimates.

The modifications are effective for the financial years beginning on or after January 1st 2023 and will be applied to the changes in accounting standards and to the changes in accounting estimates that occur after that date or later. Early application is allowed as long as it made known.

We do not expect that the modifications will have a significant impact on the Company.

Information on accounting standard – Modifications of IAS 1 IFRS Practice Statement 2

In Febbruary 2021, the IASB issued an amendment to IAS and to the 'IFRS Practice Statement 2 *Making Materiality Judgements*,in which they supplied the guidelines and examples to help the entity to apply judgements on the materiality of the information on the accounting standards. The modifications are aimed at helping the entity to supply information on the most useful accounting standards and replace the obligation of the entity to supply its most significant accounting standards with the obligation of supplying information on the most "relevant" accounting policies. Moreover, have added guidelines on how the entities apply the concept of relevance when they make decisions concerning the information on the accounting standards.
The IAS 1 modifications are applicable starting on the financial years which begin on or after January 1st 2023 and early application is allowed. Since the modifications of PS 2 supply indications which are not obligatory on the applications of

the definition of materiality in the information on the accounting standards, it is not necessary to have a date for the entry into effect of these modifications.

At this time, the Company is evaluating the modifications to determine the impact that they will have on the information.

Deferred taxes related to assets and labilities derived from a single transaction -modifications to IAS 12

In May of 2021, the IASB issued the modifications to IAS 12, restricting the area of application of the *initial recognition exception* included in IAS 12, which no longer need to be applied to those transactions which give rise to temporary differences which are equally taxable and deductible.

The modifications must be applied to transactions which occur after or at the beginning of the comparative period being presented. Moreover, at the start of the comparative period which is presented the deferred asset taxes (in the presence of the existence of sufficient taxable income and the deferred liability taxes must be recognized for all of the deductible and taxable differences associated with leasing and recovery funds.

The Company is now evaluating the impact of these modifications.

USE OF ESTIMATES

In applying the IFRS, the drafting of the Separate Financial Statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed, and the effects of any variation are reflected in the income statement.

The estimates which have been made have taken into consideration the genera uncertainty generated by the world macro-economic situation with effects that are both direct and indirect derived from the war between Russia and Ukraine, the growing attention to sustainability issues, as well as the general economic situation in 2022.

Below we have summarized the main process of evaluation and the main assumptions used in the process which might have significant effects on the amounts shown in the separate statement or for which there exists the risk that value rectifications in the accounting value of the assets and liabilities may emerge in the year following that of the statement to which they refer.

• Bad debt reserve

This fund represents the best estimation of the management on the potential loss in the portfolio of accounts receivable from the final client. The estimate is based on expected losses on similar receivables in the past, on the trend of past due receivables, on the evaluation of the quality of the receivable and the outlook for the economic and market conditions; in particular, the company uses a model to calculate the ECL (Expected Credit Loss) for accounts receivable. The accrual aliquots are based on the number of days the payment is overdue and on the number of bad debts in the past that have been observed by the Company. The past bad debt rate is updated and the changes in the in the estimates are analyzed on the basis of the context. The evaluation of the relation between the past bad debt rates, the outlook for the economic conditions and the ECL represent a meaningful estimate. The estimate conducted by the management, despite the fact that it is based on past data and market information, may be subject to the changes in the competitive or market environment in which the Company operates.

• Reserve for inventory obsolescence

The determining of the inventory obsolescence fund represents a meaningful estimate on the part of the management and is based on assumptions which were developed to identify obsolescence factors, slow turnover and any excess in the inventory with respect to the possibility of use or sale in the future, as well as any other conditions which could generate an excess in the book value with respect to the selling value, considering the rapid evolution of the technologies which are at the base of the Company's products.
The inventory of raw materials and finished products with slow rotation are periodically analyzed on the basis of the related data in the past and the possibility of selling them at a lower price than would be normal for market transactions. If, from this analysis, it appears necessary to reduce the value of the inventory, a special devaluation fund is created; as with the bad debt reserve, the determining of the Inventory obsolescence fund is calculated on the basis of past data and market information, and any changes which may have occurred in the market scenario and the trends may significantly modify the criteria used for determining the underlying estimates.

• Leases
The determination of the right of use which emerges from lease contracts, and the relative financial liabilities, constitutes an estimate by the management. The determination of the lease term takes into consideration the expiration dates of the contract which has been underwritten, as well as the renewal clauses for which the Company believes there is a reasonable certainty for confirmation. The incremental borrowing rate is determined considering the type of asset which is the subject of the lease contract, the jurisdiction in which it is acquired, and the currency in which the contract is stipulated. Any changes in the scenario and the trends in the market may require the revision of the components described above.

• Equities
The procedure for determining the recoverable value of the equities in the case that there were elements concerning the loss of value, implicates, in the estimate of the value of the equity, hypotheses regarding the outlook for the cash flow expected from the companies identified, with reference to the plans for the next three-year period, the determination of an appropriate actualization rate (WACC) and long-term growth rate (*g-rate*). Any changes in the market scenario and trends may require a review of the elements described.

• Risk of losing law suits
The Company risks a certain liability in the lawsuits and tax cases now in progress and believes that it is probable that they will have to pay when the amount of the losses derived from it can be reasonably estimated. Considering the uncertainties in the outcome of these cases, it is difficult to predict with certainty the amount which will have to be paid for these controversies and consequently it is possible that the amounts in the reserves for legal procedures may vary after future developments in the cases that are now in progress. The Company is monitoring the status of the lawsuits and procedures now in progress and has consulted its lawyers and legal and tax experts.

• Warranty reserve
The warranty reserve is established in order to cover the costs of intervention that is under technical guarantee on the products and is determined on the basis of the commercial agreements being used by the Company. The product guarantee fund is estimated on the basis of the cost of spare parts and technical assistance in guarantees that are sustained during the period, adapted to the sales volumes for the year and to the average number of years granted by the guarantee, which differ on the basis of the sector to which they belong.

• Deferred tax assets and liabilities
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements and on the tax losses carried forward. The management is asked to apply a discretionary evaluation to determine the amount of deferred taxes which can be entered into accounts, and which are calculated to the extent that adequate tax profits in the future will exist for which the temporary differences and tax losses may be used.

• Employee benefits - Severance indemnity
The actuary evaluation requires an elaborate hypothesis involving the tax rates, future salary increases, turnover and mortality rates. Because of the long-term nature of these plans, these estimates are subject to a significant level of uncertainty. All of the assumptions are reviewed annually.

• Evaluation of fair value
The Company evaluates the financial instruments at fair value at the end of each financial year.
The fair value is the price which would be received for the sale of an asset or that would be paid for the transfer of liability in a normal operation between market operators on the date of the evaluation. An evaluation of fair value assumes that the sale of the asset or the transfer of the liability takes place:

- on the main market of the asset or liability;
  or
- in the absence of a main market, on the most advantageous market for the asset or liability.

The main market or most advantageous market must be accessible to the Company.
The fair value of the asset or the liability is evaluated using the assumptions that the operators on the market would use to determine the price of the asset or liability, assuming that they would act in their own best economic interest.
The Company uses evaluation techniques which are suitable for the circumstances and for which there is sufficient data available to evaluate the fair value, maximizing the use of the observable input and minimizing the use of input that is not observable.
All of the assets and liabilities for which the fair value is evaluated or shown in the statements are classified on the basis of a fair value hierarchy, as shown below:

- Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities and to which the entity has access on the date of evaluation.

- Level 2 – different inputs from the prices quoted included in Level 1 which are directly or indirectly observable for the assets or the liabilities;
- Level 3 – evaluation techniques for which the input data are not observable for the assets or the liabilities;

The evaluation of the *fair value* is classified entirely at the same level of the fair value hierarchy in which the lowest level of input of the hierarchy used for the evaluation is classified.
For the assets and liabilities entered in the statement at fair value on a recurrent basis, the Company determines if there have been transfers between hierarchy levels by reviewing the classification (based on the lowest level input which is significant for the purposes of evaluation of fair value in its entirety) at the closing of each statement.
At the closing of each statement the Company analyzes the variations in the amounts of the assets and liabilities for which the re-determination or re-evaluation is required on the basis of the accounting standards of the Company.
For the purpose of the information related to fair value, the Company determines the classes of asset or liability on the basis of the type, characteristics and risks of the asset or liability and the hierarchy level of the fair value previously described.

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.
The intangible fixed assets with a finite life are evaluated at the cost of purchase or production and amortized at a constant quota along their estimated useful life.
Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.
If the recoverable amount is estimated to be less than the relative accounting value, it is reduced to the minimum recoverable value. A loss in value is entered immediately on the income statement. For goodwill, any devaluations are not subject to a subsequent restoration of the value.
An intangible asset is eliminated at the moment it is divested (that is, on the date that the purchaser takes control) or when no further future economic benefits are expected from its use or abandonment. Any profit or loss derived from the elimination of the asset (calculated as the difference between the net payment of the divestment and the accounting value of the asset) is included in the income statement. The costs sustained by the Company for the development of new products and services represents, depending on the case, intangible or tangible assets generated internally and are entered among the assets only at the following conditions:
1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists;
2) where there is a capacity for the company to use or sell the asset;
3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes;
4) the ability of the asset to generate future economic benefits;
5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it;
6) reliable assessment of the costs attributable to the asset during its development.

The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income Statement in the financial year in which they are incurred.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income Statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and depreciated according to the residual possibility of use of the said item**.**
The company uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets.

The aliquots used for depreciation are shown on the chart below:

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

An asset is eliminated at the moment of divestment (that is, when the purchaser obtains control) or when no future economic benefit is expected from its use or divestment. The resulting profit or loss is entered in the income statement.

C) FINANCIAL CHARGES

Financial charges are registered in the Income Statement at the time in which they are sustained. Financial charges consist of interest and other costs related to obtaining financing.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value, the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Income Statement wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. Value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

According to IAS 27, the equities in subsidiary companies, in entities jointly controlled and in associated companies not classified as available for sale (IFRS 5) must be entered into accounts at cost or in conformity with IFRS 9. In the separate financial statement of El.En. SpA the cost criteria has been used. Since the necessary conditions exist, a consolidated financial statement has been drawn up.

With reference to the equities in subsidiary companies, in the presence of the objective evidence of a loss of value, the possibility of recovery is verified by comparing the value with which it is entered into accounts of the equity with the relative recoverable value represented by the greater amount between the fair value, net of the divestment charges, and the value of use. The Company determines the value of use actualizing the cash flows expected from the equity. The expected cash flows are determined on the basis of the reasonable and demonstrable assumptions which are representative of the best estimate of the future economic conditions, living greater significance to the indications coming from the outside. The actualization is calculated at a rate which reflects the current market evaluations of the temporal value of the money and the specific risks of the asset not reflected in the estimates of the cash flow. When the reasons for the devaluation previously identified are no longer in existence, the equities are re-evaluated within the limits of the devaluation which had been made and the effects are entered in the income statement.

With reference to 2022, no subsidiary companies show the presence of indicators of long-lasting losses in value except the companies which have been subjected to devaluation.

F) FINANCIAL INSTRUMENTS

A financial instrument is any contract which creates a financial activity for an entity and a financial liability or an instrument representing capital for another entity.

Financial assets

As soon as they are identified, financial assets are classified on the basis of the characteristics of contractual cash flow of the assets themselves. The evaluation of the characteristics of the contractual cash flow is indicated by the SPPI test (‘*solely payments of principal and interest* (SPPI)’).

Depending on their characteristics, financial assets are classified in four categories:

- Financial assets at amortized cost;
- Financial assets at fair value registered in the statement of comprehensive income (OCI) with reclassification of the profits and losses accumulated in the income statement at the time of the sale.
- Financial assets at fair value entered in the statement of comprehensive income (OCI) without reference to the income statement of the profits and losses accumulated at the time of the elimination.
- Financial assets at fair value entered in the income statement.

For the initial entering onto accounts, the Group evaluates financial activity at its fair value plus, in the case of a financial asset that is not at fair value, entered in the income statement, the costs of the transaction.

Accounts receivable
The receivables are entered into accounts initially at *fair value* which corresponds to the nominal value and, later, they are evaluated at the amortized cost and reduced in the case of loss of value. Moreover, they are adjusted to their presumed cashing-in value by entering them in a special rectified fund.

The Company determines the losses of value on accounts receivable considering the amount of receivables that are of dubious collectability, analyzing the specific conditions of the clients of the Company, the existence of any guarantees offered in favor of the Company, and opportunely evaluating the law suits existing and the possibility of collecting the overdue receivables, as well as determining the rate of bad debts expected by analyzing the average rate of loss on receivables which has been registered in recent years. The Company drafts a devaluation for expected credit loss (‘ECL’).

The receivables in a currency which is not the same as that ordinarily used by the Company are entered at the exchange rate registered on the day of the operation and later converted at the exchange rate at the end of the year. The profit or loss derived from the exchange rate is entered in the income statement.

Cash and cash equivalents
This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock
Treasury stock is entered at cost and brought as a reduction against the shareholders’ equity. No profit/loss is shown in the income statement for the purchase, sale, issue or cancellation of treasury stock.

Accounts payable
Accounts payable, the due date of which falls within the normal commercial terms, are not actualized and are entered at cost (identified as their nominal value).

Financial liabilities
As soon as they are entered, the financial liabilities re classified among the “financial liabilities at fair value entered in the income statement”, among the “mortgages and financing”, or among the “derivatives intended for use as hedge instruments”.
All of the financial liabilities are initially entered at fair value to which they add, in the case of mortgages, financing and debts, the cost of the transaction that is directly connected to it.
The financial liabilities of the Company include trade debts and other long-term debts, mortgages and financing, including bank overdrafts, and derivative financial instruments.
For purposes of the subsequent evaluation, the financial liabilities are classified in two categories:
• Financial liabilities at fair value entered in the income statement.
• Financial liabilities at amortized cost (financing and loans).
The financial liabilities at fair value with variations entered in the income statement include the liabilities held for negotiations and financial liabilities initially entered at fair value with the variations shown in the income statement.
The profits or losses on the liabilities held for negotiations are entered in the income statement.
The financial liabilities at amortized cost (financing and loans), after the initial registration, are evaluated with the criteria of amortized cost using the method of actual interest rate. The profits and losses are entered in the income statement when the liability has been extinguished, as well as by means of the process of amortization.

The cost of amortization is calculated by identifying the discount or the premium on the acquisition and the fees or costs which are an integral part of the actual interest rate. The amortization at the actual interest rate is included among the financial charges in the income statement.

Derivatives and measurement of hedging operations
Fair value hedge: if a derivative financial instrument is designated as a hedge against fluctuations in the fair value of an asset or a liability that is entered in the statements, attributed to a particular risk which can affect the income statement, the profit or loss derived from the later evaluations of the current value of the hedging instrument are shown in the income statement. The profit or loss on the amount that is hedged that can be attributed to the risk that is hedged, modify the book value of that amount and are shown in the income statement.

Cash flow hedge: if an instrument is designated as a cash flow hedge against the variations in the cash flow of an asset or a liability entered into accounts or a planned operation that is highly likely to take place and which could have an effect on the income statement, the effective portion of the profits or losses is shown in the shareholders' equity. The profit or loss accumulated are subtracted from the shareholders' equity and entered into the income statement at the same time that the operation being hedged is recorded. The profit and loss associated with a hedge or with that part of the hedge that has become ineffective are immediately entered into the income statement. If a hedging instrument or a hedging relation are closed but the operation that is being hedged has not yet been concluded, the profits and losses accumulated and up to that time entered in the shareholders' equity, are registered in the income statement as soon as the operation is concluded. If the operation being hedged is no longer considered likely to take place, the profits and losses which have not yet been realized and are suspended in the shareholders' equity, are entered immediately in the income statement.

Held for trading: (instruments for negotiation) these are derivative financial instruments for the purpose of speculation or negotiation. They are evaluated at fair value and the variations must be entered in the income statement.

G) INVENTORY
Stocks of raw materials and finished products are evaluated at the amount of cost or presumed selling value, whichever is lower.
The costs that are sustained in order to bring each object to the place and the current conditions are calculated as follows:
- Raw materials: costs of purchase calculated using the method of average weighted cost;
- Finished products and semi-finished parts: the direct costs of the material and the labor and the indirect costs of production (variable and fixed).

Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale, as well as other conditions which may generate an excess of the book value with respect to the selling value, considering also the paid evolution of the technology which is at the base of the products of the Company.

H) EMPLOYEE BENEFITS
SEVERANCE INDEMNITY
Up until December 31st 2006 the severance indemnity fund was considered a defined benefit plan. The regulating of this fund was changed by law no. 296 of December 27th 2006 (*Legge Finanziaria* 2007) and later decrees and regulations issued during the first months of 2007. On the basis of these modifications, and with particular reference to companies with at least 50 employees, this institution is now considered a defined benefit plan exclusively for the amounts which matured before January 1st 2007 (and not yet liquidated in the financial statement) whereas for the quotas which mature after that date, it is considered a defined contribution plan.
For defined benefit plans, the amount already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently recalculated, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the number of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate, the *current service cost* which defines the amount of rights matured during the financial year by employees is entered under the "staff costs" heading of the Income Statement and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial income (charges)".
For the plans which have a defined contribution, the Company pays the amounts to public or private pension funds on an obligatory, contractual or voluntary basis. Once these payments have been made the Company has no further obligations. The contributions which have been paid are entered in the income statement as costs for personnel when owed.

STOCK OPTION PLANS
The costs of the work performed by the employees and paid for through stock option plans is determined on the basis of the fair value of the options granted to the employees at the date of assignment.
From the point of view of the model on which it is based the stock option plan adopted by El.En, should be considered a “foreign” option since the exercising of the right to the options is possible only after the vesting period and can take place at any time during the exercise period.
The plan is basically the equivalent of two distinct options which could be described as “*American forward start*” and can be obtained combining a *risk neutral* approach to determine the expected value of the stock at the beginning of the exercise period and, subsequently, by using a model of the *binomial tree* type to take advantage of the American type of option.
In order to evaluate it, it is necessary to make an estimate of the underlying volatility of the stock, the risk free interest rate and the dividend rate expected from the stock.
Consistent with the International Accounting Standards IFRS2 all of the significant parameters of the model have been estimated observing the conditions of the financial markets and the trend of the El.En. stock on the date that the option rights were assigned.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES
The Company has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Company will have to use its resources to honor such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Income statement for the financial year in which the variation takes place.
The Company supplies guarantees for general repairs of defects existing at the time of sale, as required by the law, The accrual sustaining this guarantee is entered into accounts when the product is sold or the service is performed for the client. The original entry is based on past experience. The estimate of the cost for work carried put under guarantee is revised annually.

L) REVENUE RECOGNITION
Revenue derived from contracts with clients are recognized in the income statement for an amount that reflects the corresponding amount to which the entity expects to have the right in exchange for the control of the merchandise or services to the client.

Sale of goods
The revenue derived from the sale of finished products and merchandise is recognized from the time when the control of the asset is transferred to the client.
The Company considers if there are other promises in the contract which represent obligations to be met for which a part of the payment for the transaction must be allocated. When determining the price of the sale transaction, the Company considers the effects derived from the presence of a variable price, significant financing components, non-monetary payments and payments which must be made to the client.

Variable prices
If the sum promised in the contract includes a variable a variable amount, the Company estimates the amount of the sum to which it will have the right in exchange for the transfer of the goods to the client.
The variable sum is estimated at the time the contract is stipulated and it cannot be entered into accounts until its cashing in is extremely probable.
The discounts on volume and contractual discounts give rise to variable sums.

Financial component
The Company grants extensions in payments on the sales to clients. If there is a significant component of financing for these contracts in consideration of the lapse of time that occurs between the date in which the payment received from the client is deposited and the transfer of the system the price of the transaction for these contracts is actualized, using the interest rate implicit in the contract.
The amount of the payment that has been promised is not rectified to bear in mind the financing component if the period between the transfer of the goods promised or the services and the payment is less or equal to one year.

M) ENTRIES IN FOREIGN CURRENCY
Assets and liabilities in foreign currency, with the exception of fixed assets, are entered at the exchange rate in effect on the day that the financial period was closed, and the relative profits and losses are entered into the Income Statement.

N) GRANTS
Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Income Statement at the moment in which the conditions for entering them are

satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Income statement in relation to the period of depreciation of the assets they refer to.
Grants in operating account are shown entirely in the Income Statement at the moment in which the conditions for entering them are satisfied.

O) LEASES
When underwriting a contract, the Company determines if there is leasing or if it contains leasing. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for payment. The contracts for rentals or leasing where entered into accounts in compliance with IFRS 16 which defines the standards used for registering, measuring presentation and the information concerning the leasing contracts and requires the lessor to enter all the leasing contracts in the statement on the basis of a single accounting model. The Company makes use of the two exemptions provided by the standard related to leasing contracts concerning “low value assets” and short-term leasing contracts (for example, those having a duration of 12 months or less).
For the contracts in which the Company is the lessee, on the date of the beginning of the leasing contract a liability is recognized for the payment of the rent established in the leasing contract and an asset which represents the right of use of the underlying asset for the duration of the contract (the right of use).
The Company records separately the costs for the interests on the leasing liability and the depreciation of the right of use of the asset. The Company also proceeds with the remeasurement of the leasing liability when certain events occur (for example, a change in the conditions of the leasing contract, a change in the future payments of the lease caused by a variation in a rate or tax used for determining those payments). In these cases, the amount of the remeasurement of the liability for leasing is usually recognized as a rectification of the right of use of the asset.

P) TAXES
Current income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period, bearing in mind any exemptions. The fiscal debts for these taxes are entered among the tax debts net of any down payments.
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference.
Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words, when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating the deferred tax assets is re-examined at the closing of each financial year.

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ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED SINCE JANUARY 1st 2022

For the accounting standards, amendments and interpretations applied since January 1st 2022, please consult the consolidated financial statement.

STOCK OPTION PLANS

El.En. S.p.A.

The chart below shows information related to the stock option plan approved during 2016 by El.En. S.p.A., for the purpose of promoting employee incentive and loyalty.

	Max. expiration date	**Outstanding options**	**Options issued**	**Options cancelled**	**Options exercised**	**Expired option not exercised**	**Outstanding options**	**Exercisable options**	**Exercise price**
		01/01/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	31/12/2022	31/12/2022	(*)
Plan 2016-2025	31-dic-25	144.950			6.918		138.032	138.032	€ 3,18

(*) the exercising price was changed after the stock split approved by the shareholders' meeting on July 20th 2021, which split the shares in a ration of four to one for all ordinary shares in circulation.

This plan has two different tranches which have different vesting and exercise periods and consequently is based on a concept equivalent to two distinct options which could be defined as "*American forward start*".
The fair value of an "*American forward start*" option can be obtained by combining a neutral risk approach in order to determine the expected value of the stock at the start of the exercise periods and, later, using a binomial tree type model to exploit the American type option.

For the purpose determining the fair value, the following hypotheses have been formulated:

Risk free rate: 0,338492%
Historical volatility: 0,28489
Interval of time used to calculate the volatility: last year of trading.

The overall *fair value* of the stock options is 2.942.080 Euros.

During 2022 the average price registered for the El.En. S.p.A. stock was about 13,24 Euros.

For the characteristics of the stock option plan and the increase in capital that was approved for implementing it, please consult the description in Note (10) of this report.

Information on the Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

	31/12/2021	**Increase**	**Decrease**	**Revaluation / Devaluation**	**Other movements**	**Depreciation**	**31/12/2022**
Development costs	23	450.168			-1	-150.063	300.127
Patents and rights to use patents of others	9.998					-3.334	6.664
Concessions, licenses, trade marks and similar rights	60.434	29.977				-44.342	46.069
Other intangible assets	118.580	24.724			3.000	-88.400	57.904
Intangible assets under construction and advance payments	4.200	53.290			-3.000		54.490
Total	**193.235**	**558.159**			**-1**	**-286.139**	**465.254**

Under the heading of “Development costs” we have entered the costs sustained for the development of new prototypes; under the heading of “Concessions, licenses, trademarks and similar rights” we have entered the costs sustained for the acquisition of new software licenses; the heading of “Intangible assets under construction” is mainly composed of the costs of a new software now being implemented.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets is shown on the chart below:

Cost	31/12/2021	Increase	(Disposals)	Revaluation / Devaluation	Other movements	31/12/2022
Lands and buildings	17.927.208				27.613	17.954.821
Plants & machinery	6.632.950	670.735			6.240	7.309.925
Industrial and commercial equipment	6.924.980	637.425	-53.071		37.537	7.546.871
Other assets	3.544.317	392.953			1.293	3.938.563
Tangible assets under construction and advance payments	266.295	623.032			-166.103	723.224
Total	35.295.750	2.324.145	-53.071		-93.420	37.473.404
Lands and buildings right of use	37.618	17.270				54.888
Plants & machinery right of use	43.997					43.997
Industrial and commercial equipment right of use	62.892	1.518				64.410
Other assets right of use	620.551	207.618				828.169
Total	765.058	226.406				991.464
Total	**36.060.808**	**2.550.551**	**-53.071**		**-93.420**	**38.464.868**

Accumulated depreciation	31/12/2021	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	31/12/2022
Lands and buildings	5.203.699	447.776				5.651.475
Plants & machinery	3.050.488	491.165				3.541.653
Industrial and commercial equipment	5.848.545	548.865	-52.515			6.344.895
Other assets	2.208.269	314.948			-36.993	2.486.224
Tangible assets under construction and advance payments						
Total	16.311.001	1.802.754	-52.515		-36.993	18.024.247
Lands and buildings right of use	17.755	8.408				26.163
Plants & machinery right of use	32.679	4.683				37.362
Industrial and commercial equipment right of use	32.808	12.071			1	44.880
Other assets right of use	377.701	155.756			1	533.458
Total	460.943	180.918			2	641.863
Total	**16.771.944**	**1.983.672**	**-52.515**		**-36.991**	**18.666.110**

Net value	31/12/2021	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	31/12/2022
Lands and buildings	12.723.509			-447.776	27.613	12.303.346
Plants & machinery	3.582.462	670.735		-491.165	6.240	3.768.272
Industrial and commercial equipment	1.076.435	637.425	-556	-548.865	37.537	1.201.976
Other assets	1.336.048	392.953		-314.948	38.286	1.452.339
Tangible assets under construction and advance payments	266.295	623.032			-166.103	723.224
Total	18.984.749	2.324.145	-556	-1.802.754	-56.427	19.449.157
Lands and buildings right of use	19.863	17.270		-8.408		28.725
Plants & machinery right of use	11.318			-4.683		6.635
Industrial and commercial equipment right of use	30.084	1.518		-12.071	-1	19.530
Other assets right of use	242.850	207.618		-155.756	-1	294.711
Total	304.115	226.406		-180.918	-2	349.601
Total	**19.288.864**	**2.550.551**	**-556**	**-1.983.672**	**-56.429**	**19.798.758**

The heading of "Lands and buildings" and the relative right of use includes the real estate complex in Via Baldanzese in Calenzano (Florence) where the Company and its subsidiaries Deka M.E.L.A. S.r.l., Esthelogue S.r.l., Pharmonia S.r.l. and Merit Due S.r.l. and its associate Elesta SpA operate and the buildings in Via Dante Alighieri also in Calenzano, the first was acquired in 2008 and the second in 2014; the building located in the municipality of Torre Annunziata, acquired in 2006, which is used for the activities of research, development and manufacture of the subsidiary Lasit S.p.A.

The increase registered in the category of Plants and Machinery and Equipment are also related to the modernization work conducted as part of the *Industria 4.0* incentives.

The increase under the heading of "Other assets" and the relative right of use is related in particular to the purchase of motor vehicles, furniture and electronic equipment.

The amount entered under the heading of "tangible assets under construction and advance payments" refers mostly the work being conducted to remodel and improve the buildings in Via Baldanzese in Calenzano in progress on the date of this report.

In the column of "Other movements" of the various categories, we have registered the reclassification made to the respective categories of the assets under construction at the moment they were completed and, for the category of "Equipment" the discarding of goods that had been completely amortized.

On the date of closure of the financial year, there were no indicators of losses in value from either internal sources (company strategy) nor external sources (regulatory, economic, technological contexts in which the Group operates) related to the complex of tangible assets.

Equity investments (note 3)

Equities in subsidiary companies

Company name	Headquarters	Percentage held	Book value	Equity 31/12/2022	Result 31/12/2022	Share of equity	Difference
Ot-Las S.r.l.	Calenzano (ITA)	98,89%	3.224.616	23.780.565	240.424	23.516.601	20.291.985
Deka Mela S.r.l.	Calenzano (ITA)	85,00%	1.533.341	22.953.017	6.939.288	19.510.064	17.976.723
Esthelogue S.r.l.	Calenzano (ITA)	50,00%	3.550.000	7.963.195	729.105	3.981.598	431.598
Deka Sarl	Lione (FRA)	100,00%	0	136.520	563.169	136.520	136.520
Lasit S.p.A.	Torre Annunziata (ITA)	70,00%	1.117.166	13.656.919	1.741.786	9.559.843	8.442.677
Quanta System S.p.A.	Milano (ITA)	100,00%	8.053.031	64.142.635	18.177.028	64.142.635	56.089.604
Asclepion GmbH	Jena (GER)	50,00%	1.174.821	33.237.326	4.526.861	16.618.663	15.443.842
BRCT Inc.	New York (USA)	100,00%	1.128.446	-95.651	-22.717	-95.651	-1.224.097
Deka Japan Co., Ltd	Tokyo (JAP)	55,00%	42.586	1.471.474	211.620	809.311	766.725
Pharmonia S.r.l.	Calenzano (ITA)	100,00%	50.000	272.746	-3.820	272.746	222.746
Total			19.874.007	167.518.746	33.102.744	138.452.330	118.578.323

For BRCT Inc. one must consider that this company holds equities evaluated at the cost which fair value would be much greater and more than enough to cover the negative difference between the book value and the fraction of the shareholders' equity.

Equities in associated companies

Company name	Headquarters	Percentage held	Book value	Equity 31/12/2022	Result 31/12/2022	Share of equity	Difference
Actis S.r.l. (*)	Calenzano (ITA)	12,00%	1.240	322.133	-23.054	38.656	37.416
Elesta SpA	Calenzano (ITA)	30,84%	913.465	2.679.972	-228.342	826.503	-86.962
Immobiliare Del.Co. S.r.l.	Solbiate Olona (ITA)	30,00%	274.200	-2.314	-27.545	-694	-274.894
Total			1.188.905	2.999.791	-278.941	864.465	-324.440

(*) Data as of December 31st 2021

The data related to the associated company "Immobiliare Del.Co. S.r.l.", show a difference between the purchase price and the corresponding quota of the shareholders' equity which is due to the greater value implicit in the lands and buildings that are owned, as emerged during the voluntary re-evaluation of this real estate conducted by the associated company in conformity with D.L. 185/08.

The chart below shows a summary of the data related to the associated companies:

Società	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	426.804	104.670	-23.054	15.540	38.594
Elesta SpA	5.018.399	2.338.427	-228.342	2.902.705	3.131.047
Immobiliare Del.Co. Srl	757.596	759.909	-27.545	145.481	173.026

(*) Data as of December 31st 2021

Equities

Equity investments	31/12/2021			Movements of the period			31/12/2022		
	Cost	Reval./(Deval.)	Balance 31/12/2021	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2022	Reval./(Deval.)	Cost
- in subsidiary companies									
Deka Mela S.r.l.	1.533.341		1.533.341				1.533.341		1.533.341
Ot-Las S.r.l.	3.534.362	-309.746	3.224.616				3.224.616	-309.746	3.534.362
Esthelogue S.r.l.	1.865.739	-1.815.739	50.000	3.500.000			3.550.000	-1.815.739	5.365.739
Deka Sarl	3.738.720	-3.738.720						-3.738.720	3.738.720
Lasit S.p.A.	1.117.166		1.117.166				1.117.166		1.117.166
Quanta System S.p.A.	8.053.031		8.053.031				8.053.031		8.053.031
BRCT Inc.	1.128.446		1.128.446				1.128.446		1.128.446
Asclepion GmbH	1.174.821		1.174.821				1.174.821		1.174.821
Cutlite do Brasil Ltda	3.384.919	-3.384.919					0		0
Deka Japan Co., Ltd	42.586		42.586				42.586		42.586
Pharmonia S.r.l.	50.000		50.000				50.000		50.000
Total	25.623.131	-9.249.124	16.374.006	3.500.000			19.874.007	-5.864.205	25.738.212

It should be recalled that, in 2022, the equity held in Cutlite do Brasil Ltda was sold to the subsidiary Cutlite Penta Srl.

Equity investments	31/12/2021			Movements of the period			31/12/2022		
	Cost	Reval./(Deval.)	Balance 31/12/2021	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2022	Reval./(Deval.)	Cost
- in associated companies									
Actis S.r.l.	1.240		1.240				1.240		1.240
Elesta S.p.A.	1.322.687	-628.747	693.940	219.526			913.466	-628.747	1.542.213
Immobiliare Del.Co. S.r.l.	274.200		274.200				274.200		274.200
Total	1.598.127	-628.747	969.379	219.526	0	0	1.188.905	-628.747	1.817.653

The increase in the value of the equity held in Elesta spa is a result of the resolution to increase the share capital approved in February 2022 by the associated company, as is described in the Management Report in the paragraph significant events which occurred in 2022.

Equity investments	31/12/2021			Movements of the period			31/12/2022		
	Cost	Reval./(Deval.)	Balance 31/12/2021	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2022	Reval./(Deval.)	Cost
- other									
Concept Laser Solutions GmbH	19.000		19.000				19.000		19.000
Consorzio Energie Firenze	1.000		1.000				1.000		1.000
CALEF	3.402		3.402				3.402		3.402
R&S	516		516				516		516
R.T.M. S.p.A.	364.686	-364.686	0				0	-364.686	364.686
Hunkeler.it S.r.l.	112.100		112.100				112.100		112.100
EPICA International Inc.	888.480		888.480				888.480		888.480
Total	1.389.184	-364.686	1.024.498	0	0	0	1.024.498	-364.686	1.389.184

The amount of “equities in other companies” is mainly due to the equity held by “Epica International Inc” for an amount of 888 thousand Euros. With reference to the value of this equity the administrators decided that since the equity instrument was not quoted on the regulated markets and, since there was a wide range of possible evaluations at fair value related to various underwritings, the cost represented the best estimate of the fair value in this range and also in consideration of the average share price of the underwriting.

Financial charges during this year on amounts entered among the assets

No financial charges were entered for the items listed among the assets.

Financial receivables/Deferred tax assets/ Other non-current assets and receivables (note 4

Other non-current assets	**31/12/2022**	**31/12/2021**	**Variation**	**Var. %**
Financial receivables - subsidiaries	18.597.015	18.050.000	547.015	3,03%
Financial receivables - associated	320.000		320.000	
Deferred tax assets	2.214.484	1.999.235	215.249	10,77%
Other non-current assets	12.979.811	12.811.798	168.013	1,31%
Total	**34.111.310**	**32.861.033**	**1.250.277**	**3,80%**

The financial receivables from subsidiary companies refer to:the financing issued during 2020 to the subsidiary Otlas Srl for a total of 19 million Euros, to be paid back in deferred half-yearly installments, at the annual BCE + 0,25%. This financing was issued for the purpose of acquiring the minority share in the subsidiary Penta Laser Equipment Wenzhou.

The financial receivables from associated companies refer to the financing issued during 2022 to the associated company Elesta SpA for a total of 320 thousand Euros, to be paid back in a single payment by June 30th 2024 at the annual rate BCE + 1%.

The conditions applied to this financing are also specified in Note 7.

The heading of "Other non-current assets" refers to temporary uses of cash made by the company for life insurance policies which are based on a management that is separate with securities with guaranteed capital and with the possibility of cashing them in, either totally or partially, during the period of the contract, on the condition that at least one year has elapsed since the policies have been stipulated. Since this is a mid-term investment the company has decided to classify them among the non-current assets held for sale and enter them into accounts at the fair value of the policies in the assets and the re-evaluation of the policies in the income statement and, consequently, to exclude them from the net financial position.

For an analysis of the heading "Deferred tax assets", refer to the chapter on "Deferred tax assets and liabilities".

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	31/12/2022	31/12/2021	Variation	Var. %
Raw materials, consumables and supplies	30.803.968	22.425.479	8.378.489	37,36%
Work in progress and semi finished products	14.997.617	11.614.424	3.383.193	29,13%
Finished products and goods	6.095.539	3.098.788	2.996.751	96,71%
Total	**51.897.124**	**37.138.691**	**14.758.433**	**39,74%**

An analysis of the final inventory shows an increase in stock of 40%, which is due to a series of factors: the great increase in the production volume, the need to give our clients excellent service in terms of delivery times and consequently to maintain a high level of inventory, the difficulties encountered on the supply chain for the punctual delivery of certain components and the lengthening of delivery times have forced us to increase the level of stock, and, above all, the increasing difficulty of the supply chain to deliver certain components punctually, which has forced us to increase the level of inventory to diminish the very concrete risk that we will have to low down the production phases.

It should also be noted that the amounts shown above are net of the devaluation fund, as shown on the chart below.

	31/12/2022	31/12/2021	Variation	Var. %
Gross amount of Inventory	59.724.567	43.540.729	16.183.838	37,17%
Devaluation provision	-7.827.443	-6.402.038	-1.425.405	22,26%
Total	**51.897.124**	**37.138.691**	**14.758.433**	**39,74%**

The fund is calculated in order to align the inventory value with that with which the inventory could presumably be sold by recognizing obsolescence or slow turnover.
The amount of the fund increased by 1.425 thousand Euros with respect to December 31st 2021 while the incidence on the gross value of the inventory decreased from 15% on 2021 to 13% on 2022.

Accounts receivable (note 6)

Receivables are composed as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Accounts receivable from third parties	12.108.327	12.947.162	-838.835	-6,48%
Accounts receivable from subsidiaries	40.425.215	31.598.099	8.827.116	27,94%
Accounts receivable from associated	337.200	837.144	-499.944	-59,72%
Total	**52.870.742**	**45.382.405**	**7.488.337**	**16,50%**

Accounts receivable from third parties	31/12/2022	31/12/2021	Variation	Var. %
Italy	2.592.911	4.166.751	-1.573.840	-37,77%
EEC	1.851.274	2.115.306	-264.032	-12,48%
ROW	7.977.292	6.984.335	992.957	14,22%
minus: bad debt reserve	-313.150	-319.230	6.080	-1,90%
Total	**12.108.327**	**12.947.162**	**-838.835**	**-6,48%**

The accounts receivable from subsidiary and associated companies are inherent to the ordinary operations.

The chart below shows the changes in the provisions for bad debts which occurred during this year:

	2022
At the beginning of the period	319.230
Provision	18.075
Amounts utilized and unused amounts reversed	-24.155
At the end of the period	**313.150**

The chart below shows the accounts receivable from third parties divided according to the type of currency.

Accounts receivable in:	31/12/2022	31/12/2021
Euros	4.603.658	6.199.031
USD	7.504.669	6.748.131
Total	**12.108.327**	**12.947.162**

The amount in Euros shown in the chart of the receivables originally expressed in US dollars represents the amount in currency converted at the exchange rate in force on December 31st 2022 and December 31st 2021.

The chart below shows the analysis of the accounts receivable from third parties and from subsidiary companies for 2022 and for 2021:

Accounts receivable from third parties	31/12/2022	31/12/2021
To expire	9.155.171	10.506.644
Overdue:		
0-30 days	1.797.220	1.755.730
31-60 days	348.095	161.713
61-90 days	137.904	86.889
91-180 days	325.443	53.908
Over 180 days	344.494	382.278
Total	**12.108.327**	**12.947.162**

Accounts receivable from subsidiaries	31/12/2022	31/12/2021
To expire	22.021.338	15.924.684
Overdue:		
0-30 days	4.747.808	883.576
31-60 days	873.507	555.976
61-90 days	1.112.250	644.450
91-180 days	3.476.496	2.547.567
Over 180 days	8.193.816	11.041.846
Total	**40.425.215**	**31.598.099**

For a detailed analysis of the accounts receivable from subsidiary and associate companies, refer to the chapter in the information on related parties.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables.

	31/12/2022	31/12/2021	Variation	Var. %
Tax receivables				
VAT receivables	3.257.235	4.183.568	-926.333	-22,14%
Income tax receivables	1.576.830	1.175.344	401.486	34,16%
Total	**4.834.065**	**5.358.912**	**-524.847**	**-9,79%**

Current financial receivables				
Financial receivables - third parties	28.978	527	28.451	5398,67%
Financial receivables - subsidiaries	2.262.188	2.907.824	-645.636	-22,20%
Financial receivables - associated	61.565	261.565	-200.000	-76,46%
Total	**2.352.731**	**3.169.916**	**-817.185**	**-25,78%**
Other current receivables				
Security deposits	118.177	102.977	15.200	14,76%
Advance payments to suppliers	1.463.170	278.773	1.184.397	424,86%
Other receivables	614.755	548.161	66.594	12,15%
Other receivables from subsidiary companies	1.048.639	1.467.578	-418.939	-28,55%
Total	**3.244.741**	**2.397.489**	**847.252**	**35,34%**

Total Current financial receivables e Other current receivables	**5.597.472**	**5.567.405**	**30.067**	**0,54%**

The amount entered among the "tax receivables" related to Value Added Tax (VAT) is the natural effect of the large amount of exports which characterize the sales volume of the company.

The "income tax receivables" include the tax credits which were recognized for research, development and innovation activities and those that replace benefits that were recognized in previous years in the form of iper and super amortizations. In the chart we have also entered the tax credit granted to companies which are not high-energy consumers for the purchase of electrical energy and natural gas which was instituted for the purpose of reducing the increase in prices.

The financial receivables are related to short-term financing issued to subsidiary and associated companies in order to provide for normal operational activities. The main financial receivables issued to subsidiary companies including those mentioned in Note (4) are the following:

Group companies	m/l term amount (/1000)	Short term amount (/1000)	Currency	Annual interest rate
Otlas Srl	18.050	-	Euro	BCE + 0,25%
Elesta SpA	320	-	Euro	BCE + 1%
Esthelogue Srl	-	1.665	Euro	BCE + 1% (up to 1.065 thousand Euros) 4% (over 1.065 thousand Euros)
BRCT Inc.	-	597	USD	2,50%

For further details on the financial receivables from subsidiaries and associated companies, please see the chapter, regarding "related parties".

The entry of "Other receivables from subsidiary companies" entered in the section "Other current receivables" is related to the receivables due from Deka Mela Srl and Otlas Srl, as part of their adhesion to the national tax consolidation (procedure in compliance with art.117 and following of the TUIR and the ministerial Decree implemented starting on June 1st, 2018).

Securities and other current financial assets (note 8)

In the financial statement as of December 31st 2022, there are no securities or other current financial assets.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Bank and postal current accounts	28.466.448	45.696.039	-17.229.591	-37,70%
Cash on hand	5.603	5.779	-176	-3,05%
Total	**28.472.051**	**45.701.818**	**-17.229.767**	**-37,70%**

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statement.

Net financial position as of December 31st 2022

The net financial position as of December 31st 2022 is composed as follows (in thousands of Euros).

	Net financial position	31/12/2022	31/12/2021
A	Cash and cash equivalents	28.472	45.702
B	Cash equivalents	-	-
C	Other current financial assets	29	1
D	**Liquidity (A + B + C)**	**28.501**	**45.702**
E	Current financial debt	(3)	(3)
F	Current portion of non-current financial debt	(175)	(318)
G	**Current financial indebtedness (E + F)**	**(178)**	**(321)**
H	**Net current financial position (D + G)**	**28.323**	**45.382**
I	Non-current financial debt	-	-
J	Debt instruments	(187)	(161)
K	Non-current trade and other payables	(1.249)	(186)
L	**Non-current financial indebtedness (I + J + K)**	**(1.436)**	**(347)**
M	**Net Financial Position (H + L)**	**26.888**	**45.035**

The net financial position showed a decrease of 18 million for the year. For details, please refer to the Management Report.

It should also be recalled that in the preceding years 11,5 million Euros in cash was invested in financial instruments of an insurance type which, for their very nature must be entered among the non-current financial assets; although they represent a use of cash this amount is not part of the net financial position. At the end of the year the fair value of the investment was for 13 million Euros.

Financial receivables from subsidiaries and associated companies for an amount of 21.241 thousand Euros have been excluded from the net financial position because they are related to the policy of financial assistance to the companies of the Group (for details, please consult the information on related parties).
In continuation of past policy, it was deemed opportune to exclude this financing from the net financial position shown above.

Information on the Statement of financial position - Liabilities

Share Capital and Reserves

The main components of the shareholders' equity are shown on the chart below:

Share Capital (note 10)

As of December 31st 2022, the capital stock of El.En. was as follows:

Authorized (to stock option plan service)	Euros	2.612.671
Underwritten and deposited	Euros	2.594.727

Nominal value of each share - Euros	***senza valore nominale espresso***

Category	**31/12/2021**	**Increase**	**Decrease**	**31/12/2022**
No. of Ordinary Shares	79.810.088	27.672	0	79.837.760
Total	**79.810.088**	**27.672**	**0**	**79.837.760**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net operating profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increase of capital in the stock option plan service

The extraordinary shareholders' meeting of the El.En. S.p.A. held on May 12th 2016, in compliance with art. 2443, II sub-section, CC., voted to authorize the Board of Directors to increase, in one or more operations and even separately, within five years after the authorization, the capital stock up to a maximum of nominal 104.000,00 Euros by issuing new shares intended for underwriting by the beneficiaries of the stock option plan for 2016-2025.
On September 13th 2016, the Board of Directors of the Company, following a recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 ("Stock Option Plan 2016-2025") in compliance with the mandate conferred to them by the Shareholders' meeting mentioned above and identified the beneficiaries of the plan, the number of options to be assigned, the temporal limits for picking up the options, and the price of underwriting them. The Board, in compliance with art. 2443, II sub-section, CC., also executed the mandate conferred upon them by the Assembly, to increase, upon payment, entirely and exclusively for use in the stock option plan, separately and with the exclusion of the option right described in art. 2441, sub-section V, c.c., the capital stock, by 104.000,00 Euros by issuing 800.000 ordinary shares (3.200.000 ordinary shares after the stock split) which can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above-mentioned Plan.

The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.
The plan will terminate on December 31st 2025 and the options that have not been picked up before that date will expire permanently; the capital will be definitively increased for the amount actually underwritten and released by that date.
After some of the beneficiaries of the stock option plan 2016-2025 picked up their options on the first occasion which opened on September 14th 2019, the Parent Company issued, in 2022, 27.672 ordinary shares (after the split) and cashed in 88 thousand Euros including the increase in capital with share premium.

The extraordinary meeting of the Assembly of the Company held on December 15th 2022 resolved to authorize the Board of Directors, in compliance with art. 2443, II subsection, c.c. to increase, even several times and in separate form, within five years of the date of the resolution the share capital up to a nominal maximum of 65.000,00 Euros by issuing new shares intended for the underwriting of the beneficiaries of the stock option plan for 2026-2031.

It should also be noted that the value of capitalization of the Company is currently greater with respect to the implicit values of the shareholders' equity on December 31st 2022.

Additional paid in capital (note 11)

On December 31st 2022 the share premium reserve amounted to 46.928 thousand Euros, an increase with respect to the 46.841 on December 31st 2021 due to the stock options which were picked up in relation to the Plan for 2016-2025, as described in the preceding note.

Other reserves (note 12)

	31/12/2022	31/12/2021	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	88.664.601	80.579.145	8.085.456	10,03%
Stock option/ stock based compensation reserve	4.753.358	4.753.358		0,00%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-52.956	-172.542	119.586	-69,31%
Total	**94.328.962**	**86.123.920**	**8.205.042**	**9,53%**

On December 31st 2022 the "extraordinary reserve" amounted to 88.665 thousand Euros; the decrease with respect to December 31st 2021 is due to the use of the reserve for the distribution of dividends, in compliance with the resolution of the shareholders' meeting of the Parent Company on April 29th 2022.

The reserve for "*stock option/stock-based compensation"* includes the amount for the figurative costs determined in compliance with IFRS 2 of the stock option plans assigned by the Company.

The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to December 31st 2021.

The heading of "Other reserves" includes among other things the reserve related to the evaluation of the severance indemnity fund in conformity with IAS 19.

Treasury stock (note 13)

On April 27th 2021 the shareholders' meeting authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as specified in the Management Report for 2021. Consequently, this authorization expired definitively on October 27th 2022.
During this year, the Company purchased 54.500 share for an overall amount of about 686 thousand Euros; moreover, on July 29th 2022, the Company stated that it had assigned to the general director 15.380 shares held in the portfolio as payment in kind for the annual remuneration for 2021. The treasury stock held by the Company as of December 31st 2022 amounts to 39.120 shares.

Retained earnings (note 14)

This category includes the rectifications in the shareholders' equity which were a consequence of the adoption of the international accounting standards and the entry of the capital gains earned after the sale of the treasury stock which took place in February 2005 and, in a minimal quantity, the sale of treasury stock in October 2012.

Availability and possibility of utilization of the reserves

SHAREHOLDERS' EQUITY:	31/12/2022	Possibility of utilization	Portion available	Utilized in the previous two periods for covering losses	Utilized in the previous two periods for other purposes
Share capital	2.594.727				
Additional paid in capital	46.927.795	ABC	46.927.795		
Legal reserve	537.302	B	537.302		
Other reserves:					
Extraordinary reserve	88.664.601	ABC	88.664.601		7.969.374
Treasury shares	-468.633		-468.633		
Reserve for contribution on capital account	426.657	ABC	426.657		
Retained earnings	-997.571	ABC	-997.571		
Other reserves	4.700.402	AB	13.392		
			135.103.543	**0**	**7.969.374**
Portion not distributable			300.127		
Portion distributable			**134.803.416**		

Legend: A) increase in capital; B) for covering losses; C) for distribution to partners

Non-current liabilities

Severance indemnity (note 15)

The chart below shows the operations which have taken place during this financial period.

31/12/2021	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	31/12/2022
794.369	839.767	-363.982	-722.733	547.421

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For the purposes of international accounting standards, the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans. After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

The current value of the severance indemnity fund remaining with the company as of December 31st 2022 was 627 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below:

Financial hypotheses	Year 2021	Year 2022
Annual implementation rate	0,98%	3,34%-3,53%-3,57%-3,63%-3,77% (*)
Annual inflation rate	1,79%	4,27%-2,35%, 2% (**)
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 3,00% White collar workers 3,00% Blue collar workers 3,00%

(*) 3,34% for thew first three years, 3,53% from the fourth to fifth year, 3,57% from the sixth to seventh year, 3,63% from the eighth to tenth year and 3,77% up to thirteenth year.

(*) 4,27% per the first year, 2,35% per the second year, 2% from the third year.

To guarantee the consistency with the source of the returns in the past evaluations, we have used the returns that Markit registers and publishes on expiration 1-3Y, 3- 5Y, 5-7Y, 7-10Y and 10+Y, for the purpose of building a "rate curve" iBoxx Corporate AA on December 31st 2022, as summarized in the chart above.

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The analysis is shown on the chart below.

	31/12/2021	Provision	(Utilization)	Other movements	31/12/2022
Deferred tax assets on inventory devaluation	1.494.031	355.167	-	(1)	1.849.197
Deferred tax assets on warranty reserve	182.400	-	-	-	182.400
Deferred tax assets on bad debt reserve	117.018	-	(117.018)	-	-
Other deferred tax assets and on IAS adjust.	205.786	14.864	-	(37.763)	182.887
Total	**1.999.235**	**370.031**	**(117.018)**	**(37.764)**	**2.214.484**
Deferred tax liability on advance depreciations	124.470	-	-	-	124.470
Deferred tax liability on grants on capital account	44.918	-	(16.263)	-	28.655
Other deferred tax liabilities and on IAS adjust.	187.591	64.586	-	(1)	252.176
Total	**356.979**	**64.586**	**(16.263)**	**(1)**	**405.301**
Net	1.642.256	305.445	(100.755)	(37.763)	1.809.183

Deferred tax assets amounted to about 2,2 million Euros. The main variations this year are due to the increase in the deferred tax assets calculated on the inventory devaluation and on deferred grants in the heading “Other deferred tax assets and on IAS adjust.”, beyond the decrease in the deferred tax assets calculated on bad debt reserve not deductible.

The deferred tax assets are entered into accounts to the extent that there is the probable existence of adequate tax revenues in the future for which the temporary differences can be used. In this regard, the Company estimates the probable temporal manifestation and the amount of the future revenue that can be taxed.

Deferred tax liabilities amounted to 405 thousand Euros and refer, among other things, to the postponement of the taxation of some grants in capital account which have been received and, for fiscal purposes, have been deferred, in compliance with the current laws.

Under the heading of “Other movements” we have entered, among other things, the deferred taxes on the value adjustments made on the severance indemnity fund and entered into accounts directly in the Other Comprehensive Income (“OCI”).

Other accruals (note 17)

The chart below shows the operations made with other accruals.

	31/12/2021	Provision	(Utilization)	Other movements	Translation adjustment	31/12/2022
Reserve for pension costs and similar	105.523	24.517	-43.939			86.101
Warranty reserve on the products	760.001					760.001
Reserve for risks and charges	115.200		-24.000			91.200
Other minor reserves	793.492		-793.492			
Total	**1.774.216**	**24.517**	**-861.431**			**937.302**

In the entry “reserve for pension costs and similar” the TFM (severance indemnity fund for the directors) and the indemnity fund for clients’ agents are included.

The warranty reserve is calculated on the basis of the costs for spare parts and assistance sustained the preceding year, adjusted to the sales volume of the current year and the average number of years of the warranty which differ depending on the sector to which they belong.

The amount shown under the column "Utilization" for the heading "Other minor reserves" represents the release of the equity deficit fund entered on December 31st 2021 with reference to the subsidiary companies Cutlite Do Brasil and Deka Sarl caused, respectively, by the sale of the equity in Cutlite do Brasil in the second half of the year and the positive result achieved by Deka Sarl in 2022.

According to IAS 37, the amount owed to the agents must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost to be sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations are made on the basis of the hypotheses described below:

Financial hypotheses	Year 2021	Year 2022
Annual implementation rate	0,98%	3,68%-3,37%-3,27%-3,20%-3,17%-3,16%-3,12%-3,06% (*)
Annual inflation rate	1,79%	4,27%-2,35%, 2% (**)

(*) 3,68% for the first year, 3,37% for the second year, 3,27% for the third year, 3,20% for the fourth year, 3,17% for the fifth year, 3,16% for the sixth year, 3,12% from the seventh to fourteenth year and 3,06% from fifteenth year.

(*) 4,27% per the first year, 2,35% per the second year, 2% from the third year.

For the evaluations of the liabilities, we have used the returns derived from the Euroswap S45 curve on the date of the evaluation.

Other potential debts and potential liabilities

On April 24th and on May 4th of 2018 El.En. Spa and its subsidiary, Cutlite Penta Srl, received a citation to appear in front of the Superior Court of Hartford (Connecticut) in relation to their responsibility for damages caused in the factory of one client which was destroyed by a fire. At the time of the fire on the factory there were three laser systems produced by Cutlite Penta.

El.En. and Cutlite Penta vehemently rejected every hypothesis that considers them even remotely connected with this event.

At this time the case is still in a preliminary phase during which they are gathering information using written questionnaires about the conducting of the contractual obligations and the contents of the obligations taken on with the sale of the laser systems.

The complexity of the case, the continuous and high volume of the documents produced, and the delays cause by the Covid-19 pandemic have forced them to again revise the schedule.

Currently, the are still conducting discovery investigations in writing by both of the parties. The depositions of the defendants will be completed by June 2nd 2023 and the parties must determine their requests on the basis of the information obtained during the discovery by June 30th 2023.

The Court is scheduled to meet on July 28th 2023 for the purpose of establishing, on the basis of the above-mentioned activities, modifications in their requests and the calendar for subsequent activities of the experts and motions by the parties, establishing that the actual trial is not expected to start before September 3rd 2024.

Consequently, at this time we do not have sufficient elements to evaluate the outcome or the entity of an economic risk for the two companies. In fact, at this time no proof has been presented nor have they determined the exact amount requested for damages. In any case, for cautionary purposes, the Company has stipulated an insurance policy related to the responsibility for the damages caused by a product which comports a maximum coverage of 15.000.000 Euros for every accident. The insurance company has taken on the case and, at its own expense, has hired an American lawyer to defend the rights of their insured clients.

Therefore, in the financial statement as of December 31st 2022, there are no accruals in relation to the law suit described above.

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Financial debts and liabilities (note 18)

The chart below shows the breakdown of the amounts owed.

Financial m/l term debts	31/12/2022	31/12/2021	Variation	Var. %
Amounts owed to leasing companies	186.896	160.929	25.967	16,14%
Other non-current liabilities	1.248.680	185.949	1.062.731	571,52%
Total	**1.435.576**	**346.878**	**1.088.698**	**313,86%**

The amount entered under the heading of "Amounts owed to leasing companies" is derived from the application of IFRS 16.

The amount entered under "Other non-current liabilities" refers to debts towards suppliers that came due more than 12 months ago or having payment terms of more than a year.

Current liabilities

Financial debts (note 19))

Financial short term debts	31/12/2022	31/12/2021	Variation	Var. %
Amounts owed to banks	2.578	2.591	-13	-0,50%
Amounts owed to leasing companies	169.605	149.707	19.898	13,29%
Amounts owed to other financiers	5.711	168.473	-162.762	-96,61%
Total	**177.894**	**320.771**	**-142.877**	**-44,54%**

The "Amounts owed to leasing companies" and "Amounts owed to other financiers" include the short-term quota of debts described in the previous note.

It should be recalled that in 2021, under the heading of "Amounts owed to other financers" we had entered 162.762 Euros, the residual debt of the facilitated financing for applied research (MILORD project), issued by FidiToscana in 2017 for the overall amount of 488.285 Euros to be reimbursed in six half-yearly installments starting in the month of April 2020, of which the last installment was paid on October 31st 2022.

Accounts Payable (note 20)

	31/12/2022	31/12/2021	Variation	Var. %
Accounts payable	25.891.604	24.993.273	898.331	3,59%
Amounts owed to subsidiary companies	1.418.589	1.217.419	201.170	16,52%
Amounts owed to associated companies	329	6.000	-5.671	-94,52%
Total	**27.310.522**	**26.216.692**	**1.093.830**	**4,17%**

For a detailed analysis of the accounts payable to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

The chart below shows a detailed breakdown of the accounts payable to third parties divided according to the type of currency:

Accounts payable in:	**31/12/2022**	**31/12/2021**
Euros	23.614.016	22.639.453
USD	2.245.966	2.319.440
Other currencies	31.622	34.380
Total	**25.891.604**	**24.993.273**

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2022 and on December 31st 2021.

Income tax payables /Other current payables (note 21)

The debts for income taxes on December 31st 2022 amounted to 3.816 thousand Euros and were entered net of the relative down payments and sums withheld.

The breakdown of the other current payables is the following:

	31/12/2022	31/12/2021	Variation	Var. %
Social security debts				
Debts to INPS	1.748.560	1.660.527	88.033	5,30%
Debts to INAIL	124.531	104.793	19.738	18,84%
Debts to other Social Security Institutions	200.419	196.686	3.733	1,90%
Total	**2.073.510**	**1.962.006**	**111.504**	**5,68%**
Other debts				
Debts to the tax authorities for withholding	1.170.853	1.121.836	49.017	4,37%
Other tax liabilities	31.486	19.942	11.544	57,89%
Debts to staff for wages and salaries	3.689.235	3.534.421	154.814	4,38%
Down payments	3.128.988	8.262.348	-5.133.360	-62,13%
Other debts to subsidiary companies	39.725	153.843	-114.118	-74,18%
Other debts	1.513.250	1.603.314	-90.064	-5,62%
Total	**9.573.537**	**14.695.704**	**-5.122.167**	**-34,85%**
Total Social security debts e Other debts	**11.647.047**	**16.657.710**	**-5.010.663**	**-30,08%**

The "Debts to staff for wages and salaries" includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2022.

Analysis of debts according to the due date

	31/12/2022			31/12/2021		
	<= 1 year	**>1 year <= 5 years**	**> 5 years**	**<= 1 year**	**>1 year <= 5 years**	**> 5 years**
Amounts owed to banks	2.578			2.591		
Amounts owed to leasing companies	169.605	186.896		149.707	160.929	
Amounts owed to other financiers	5.711			168.473		
Accounts payable	25.891.604	185.949		24.993.273	185.949	
Amounts owed to subsidiary companies	1.458.314			1.371.262		
Amounts owed to associated companies	329			6.000		
Income tax payables	3.815.513			4.774.110		
Social security debts	2.073.510			1.962.006		
Other debts	9.533.812	1.062.731		14.541.861		
Total	**42.950.976**	**1.435.576**	**-**	**47.969.283**	**346.878**	**-**

Information on the Income Statement

Revenue (note 22)

The chart below shows the division of the revenue of the Company derived from contracts with clients as of December 31st 2022 and 2021.

	31/12/2022	31/12/2021	Variation	Var. %
Total medical systems	127.159.618	92.498.268	34.661.350	37,47%
Total industrial systems	8.909.084	11.735.378	-2.826.294	-24,08%
Total service	19.181.174	14.044.674	5.136.500	36,57%
Total revenue	**155.249.876**	**118.278.320**	**36.971.556**	**31,26%**

Subdivision of revenue by geographical area

Medical sector

	31/12/2022	31/12/2021	Variazione	Var. %
Italy	65.089.342	51.471.649	13.617.693	26,46%
Europe	27.231.175	17.606.241	9.624.934	54,67%
ROW	46.928.541	31.925.899	15.002.642	46,99%
Total Medical	**139.249.058**	**101.003.789**	**38.245.269**	**37,87%**

Industrial sector

	31/12/2022	31/12/2021	Variazione	Var. %
Italy	10.103.404	11.713.978	-1.610.574	-13,75%
Europe	3.824.578	4.586.843	-762.265	-16,62%
ROW	2.072.836	973.709	1.099.127	112,88%
Total Industrial	**16.000.818**	**17.274.530**	**-1.273.712**	**-7,37%**

Subdivision of the revenue on the basis of the moment of recognition

	31/12/2022	31/12/2021	Variazione	Var. %
Goods transferred at a specific time	154.922.985	118.037.053	36.885.932	31,25%
Services transferred over time	326.891	241.266	85.625	35,49%
Total revenue	**155.249.876**	**118.278.320**	**36.971.557**	**31,26%**

The Company registered a sales volume of more than 155 million euros, an increase of 31% with respect to 2021.

Other income (note 23)

Analysis of the other income is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Other income due to Insurance refunds	162.917	12.378	150.539	1216,18%
Recovery of expenses	582.295	392.578	189.717	48,33%
Capital gains on disposal of fixed assets	4.408	38.927	-34.519	-88,68%
Other income	769.680	816.822	-47.142	-5,77%
Total	**1.519.300**	**1.260.705**	**258.595**	**20,51%**

Costs for the purchase of goods (note 24)

The analysis of these purchases is shown on the chart below.

	31/12/2022	31/12/2021	Variation	Var. %
Purchases of raw materials and finished products	83.237.660	60.785.165	22.452.495	36,94%
Packaging	1.667.880	1.019.574	648.306	63,59%
Shipping charges on purchases	599.470	497.850	101.620	20,41%
Other purchase expenses	420.269	355.102	65.167	18,35%
Other purchases	51.616	13.316	38.300	287,62%
Total	**85.976.895**	**62.671.007**	**23.305.888**	**37,19%**

Direct services/ other operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2022	31/12/2021	Variation	Var. %
Direct services				
Outsourced processing	23.691.210	17.206.379	6.484.831	37,69%
Technical services on products	147.603	174.393	-26.790	-15,36%
Shipment charges on sales	535.094	361.399	173.695	48,06%
Sale commissions	80.889	101.346	-20.457	-20,19%
Royalties	302.400	232.800	69.600	29,90%
Travel expenses for technical assistance	130.439	71.406	59.033	82,67%
Other direct services	8.567	79.100	-70.533	-89,17%
Total	**24.896.202**	**18.226.823**	**6.669.379**	**36,59%**
Other operating services and charges				
Maintenance and technical assistance on equipment	563.537	502.458	61.079	12,16%
Commercial services and consulting	275.362	226.596	48.766	21,52%
Legal and administrative services and consulting	442.421	402.407	40.014	9,94%
Audit fees	149.675	115.601	34.074	29,48%
Insurances (no staff cost)	353.525	269.412	84.113	31,22%
Travel and accommodation expenses	299.253	101.741	197.512	194,13%
Trade shows	128.484	27.510	100.974	367,04%
Promotional and advertising fees	169.461	161.340	8.121	5,03%
Expenses related to real estate	1.429.795	1.019.769	410.026	40,21%
Other taxes	104.536	102.757	1.779	1,73%
Vehicles maintenance expenses	407.170	275.498	131.672	47,79%
Office supplies	80.490	53.406	27.084	50,71%
Hardware and Software assistance	619.803	391.693	228.110	58,24%
Bank charges	55.560	45.451	10.109	22,24%
Leases and rentals	275.971	211.861	64.110	30,26%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.189.422	1.183.960	5.462	0,46%
Temporary employment	175.491	189.580	-14.089	-7,43%
Other services and charges	2.336.629	2.201.595	135.034	6,13%
Total	**9.056.585**	**7.482.635**	**1.573.950**	**21,03%**

The costs for operating services and charges were 9.057 thousand Euros as compared with 7.483 thousand Euros on December 31st 2021.
The increases are mostly due to the recovery of the trade fair participation which had been interrupted by the effects of Covid 19.

In the category of "other services and charges" we have included among other things, the costs of technical and scientific consulting and studies and research for a total of 396 thousand Euros. For the activities of Research and Development, please consult the Consolidated Management Report.

Staff costs (note 26)

The chart below shows the costs for staff.

	31/12/2022	31/12/2021	Variation	Var. %
Wages and salaries	16.702.717	14.691.778	2.010.939	13,69%
Social security contributions	4.896.446	5.008.473	-112.027	-2,24%
Severance indemnity	831.461	805.353	26.108	3,24%
Other costs		404	-404	-100,00%
Total	**22.430.624**	**20.506.008**	**1.924.616**	**9,39%**

The cost for personnel was 22.431 thousand Euros, an increase with respect to the 20.506 thousand Euros for last year. The increase is due to the increase in the number of employees which rose from 299 on December 31st 2021 to 324 on December 31st 2022.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

	31/12/2022	31/12/2021	Variation	Var. %
Amortization of intangible assets	286.139	225.576	60.563	26,85%
Depreciation of tangible assets	1.802.754	1.647.331	155.423	9,43%
Depreciation of tangible assets right of use	180.918	162.996	17.922	11,00%
Accrual for bad debts	-170.152	-25.913	-144.239	556,63%
Accrual for risks and charges	-24.000	-167.800	143.800	-85,70%
Total	**2.075.659**	**1.842.190**	**233.469**	**12,67%**

The accruals for bad debts and for risks and charges show a negative figure due to the remeasurement of the relative funds at the end of the year.

Financial income and charges and exchange gain (loss)(note 28)

The breakdown of the category is as follows:

	31/12/2022	31/12/2021	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	39.166	721	38.445	5332,18%
Dividends	11.350.000	10.010.000	1.340.000	13,39%
Dividends from other investments		24.162	-24.162	-100,00%
Financial income from subsidiary companies	194.280	139.243	55.037	39,53%
Financial income from associated companies	3.939	300	3.639	1213,00%
Interests income from current securities and financial assets	168.013	173.736	-5.723	-3,29%
Other financial income		5	-5	-100,00%
Total	**11.755.398**	**10.348.167**	**1.407.231**	**13,60%**
Financial charges				
Interests on bank debts and on short term loans		3.378	-3.378	-100,00%
Financial charges - subsidiary companies	89.145	-46.413	135.558	-292,07%
Other financial charges	22.978	15.051	7.927	52,67%
Total	**112.123**	**-27.984**	**140.107**	**-500,67%**
Exchange gain (loss)				
Exchange gains	1.311.522	960.374	351.148	36,56%
Exchange losses	-3.507.622	-516.586	-2.991.036	579,00%
Total	**-2.196.100**	**443.788**	**-2.639.888**	**-594,85%**

During this year we have entered dividends from subsidiaries for the amount of 11.350 thousand Euros, distributed by the subsidiaries Deka Mela, Quanta System and Lasit.

The interest from securities and financial assets are related to investments of cash.

The entry “other financial charges” includes the entering into accounts of interest charges derived from the application of IAS 19 to the severance indemnity for an amount of about 8 thousand Euros.

Other income and charges (note 29)

	31/12/2022	31/12/2021	Variation	Var. %
Other charges				
Accrual for losses in group companies		258.038	-258.038	-100,00%
Total		**258.038**	**-258.038**	**-100,00%**
Other income				
Capital gains on equity investments	457.855		457.855	
Decrease of the reserve for losses in group companies	793.492	463.399	330.093	71,23%
Total	**1.251.347**	**463.399**	**787.948**	**170,04%**

In 2021 the heading of “accrual for losses in group companies” included the reserve that was accrued because of the losses registered during the year by the subsidiary company Deka Sarl.

The entry of “capital gains on equity investments” is related to the capital gains earned in relation to the sale of the subsidiary Cutlite do Brasil Ltda to the subsidiary Cutlite Penta Srl.

The entry of “Decreases for losses in Group companies” is related to the reversal of the amounts accrued in the previous years for the subsidiary companies Cutlite do Brasil Ltda and Deka Sarl as explained in Note 17 of this document.

Income taxes (note 30)

	31/12/2022	31/12/2021	Variation	Var. %
IRES and other foreign income taxes	6.414.094	3.796.638	2.617.456	68,94%
Income taxes - IRAP	1.202.448	842.055	360.393	42,80%
Deferred income taxes - IRES and for foreign companies	-219.268	575.651	-794.919	-138,09%
Deferred income taxes - IRAP	14.579	43.358	-28.779	-66,38%
Income tax receivable	-577.289	-551.915	-25.374	4,60%
Charges (Income) for IRES from tax consolidation		148.900	-148.900	-100,00%
Other income tax	-4.987	-4.987		0,00%
Previous years tax	643	6.814	-6.171	-90,56%
Total	**6.830.220**	**4.856.514**	**1.973.706**	**40,64%**

Income taxes for this year were 6.830 thousand Euros as opposed to the 4.856 thousand Euros registered last year. The tax rate for the year was 17,8%, a slight increase with respect to 16,8% for last year.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2022	2021
Profit/loss before taxes	38.302.550	28.900.871
Theoretical IRES Aliquot	24,00%	24,00%
Theoretical IRES	9.192.612	6.936.209
One time income tax charges		
Tax credit	(577.289)	(551.915)
Charges (income) for IRES from fiscal consolidation		148.900
Dividends	(2.587.800)	(2.282.280)
Higher (lower) fiscal incidence with respect to the theoretical aliquot	(414.330)	(279.813)
Actual IRES	5.613.193	3.971.101
Actual IRES aliquot	14,65%	13,74%

The break-down of the deferred tax assets and liabilities is shown in the chart for the preceding note (16). The amount of income taxes includes the balance related to this financial year.

Dividends distributed (note 31)

The shareholders' meeting held on April 29th 2022 voted to distribute to all the shares in circulation on the date that the coupon came due a dividend of 0,20 (zero point twenty) gross Euros per share in circulation. The dividend distributed amounted to 15.958.902 Euros.

Non-recurring significant, atypical and unusual events and operations (note 32)

For the year 2022 and for the same period last year the company did not conduct any non-recurring, significant, atypical or unusual operations as specified by the Consob Communication of July 28th 2006 n. DEM/6064293.

Information about related parties (note 33)

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:
- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the company, the General Director and the other executive directors with strategic responsibilities;
- the individuals holding shares in the El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the company, by a member of the Board of Directors of the company, by a member of the Board of Statutory Auditors, by General Director and by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the company.
All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

The Members of the Board of Directors, the Board of Statutory Auditors, and the General Director
In compliance with *Consob regulation 11971/99 (Regolamento Emittenti*) the salaries paid to the members of the Board of Directors and the Board of Statutory Auditors, the General Director and the equities held by them are shown in the "Report on Remuneration ex artt. 123-*ter* T.U.F. e 84-*quater* Reg. Consob 11971/1999" which, in compliance with the law is made available and can be consulted on the internet site www.elengroup.com – section "Investor relations/Governance/Company documents".

Subsidiary and associated companies
El. En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.
The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Ot-las Srl (ex Cutlite Penta Srl), and Lasit SpA.
Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Deka M.E.L.A. Srl, to Esthelogue Srl, to Deka Sarl, to ASA Srl and to Asclepion Laser Technologies GmbH, which organize their distribution.

The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.

It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

The charts below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales, purchases, accounts and financial payables and receivables.

Subsidiary companies:	Financial receivables < 1 year	Financial receivables > 1 year	Other receivables < 1 year	Other receivables > 1 year	Accounts receivable < 1 year	Accounts receivable > 1 year
Asclepion Laser Technologies GmbH					4.508.186	
Deka MELA Srl			940.080		18.639.444	
Otlas Srl		18.050.000	102.019		2.638.586	
Cutlite Penta Srl		547.015			7.839.820	
Esthelogue Srl	1.665.000				1.674.157	
Deka Sarl					3.723.674	
BRCT Inc.	597.188				33.612	
Lasit Spa			6.540		80.162	
Quanta System SpA					147.090	
ASA Srl					523.285	
Penta-Chutian Laser (Wuhan) Co. Ltd					938.909	
Pharmonia Srl					1.220	
- Bad debt reserve/Actualization					-322.931	
Total	**2.262.188**	**18.597.015**	**1.048.639**	**0**	**40.425.215**	**0**

Associated companies:	Financial Receivables < 1 year	Financial Receivables > 1 year	Accounts Receivable < 1 year	Accounts Receivable > 1 year
Actis Srl	30.000		1.938	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA		320.000	335.263	
Total	**61.565**	**320.000**	**337.200**	-

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Accounts Payable < 1 year	Accounts Payable > 1 year
Asclepion Laser Technologies GmbH					140.143	
Deka MELA Srl					28.522	
Otlas Srl			4.942			
Cutlite Penta Srl					13.200	
Esthelogue Srl			34.783		526	
Deka Sarl					23.180	
Lasit Spa					413.880	
Quanta System SpA					514.734	
Penta-Chutian Laser (Wuhan) Co. Ltd					23.516	
Penta Laser Zhejiang Co., Ltd					200.292	
Penta Laser Technology (Shangdong) Co., Ltd.					60.596	
Total			**39.725**		**1.418.589**	

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Accounts Payable < 1 year	Accounts Payable > 1 year
Elesta SpA					329	
Total	-	-	-	-	**329**	-

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Deka MELA Srl	7.733	179.983		187.716
Otlas Srl	16.720			16.720
Cutlite Penta Srl	27.777	10.075		37.852
Esthelogue Srl	13.487			13.487
Deka Sarl	2.000			2.000
Lasit Spa	1.094.844	-		1.094.844
Quanta System SpA	1.859.769	30.221		1.889.989
Asclepion Laser Technolohies GmbH	305.440	2.290		307.730
ASA Srl	137			137
With Us Co Ltd	3.792			3.792
Deka Japan Ltd		9.052		9.052
Penta Laser Zhejiang Co., Ltd	16.940			16.940
Total	**3.348.639**	**231.621**	**-**	**3.580.259**

Associated companies:	Purchase raw materials	Services	Other	Total
Actis Srl		6.000		6.000
Total	**-**	**6.000**	**-**	**6.000**

Subsidiary companies:	Sales	Services	Total
Deka MELA Srl	56.761.383	1.506.038	58.267.421
Otlas Srl	1.615.684	66.091	1.681.775
Cutlite Penta Srl	1.981.779	576.120	2.557.899
Esthelogue Srl	2.458.320	254.570	2.712.890
Deka Sarl	3.159.843	29.278	3.189.121
Lasit Spa	181.543	8.176	189.719
Asclepion Laser Technologies GmbH	5.227.094	209.888	5.436.982
Quanta System SpA	489.750	174.540	664.290
ASA Srl	1.074.219	1.800	1.076.019
Penta Laser Zhejiang Co., Ltd	188.764		188.764
Penta Laser Technology (Shangdong) Co., Ltd.	31.676		
Cutlite do Brasil Ltda	6.300		6.300
Pharmonia Srl		2.000	2.000
Total	**73.176.356**	**2.828.501**	**76.004.857**

Associated companies:	Sales	Services	Total
Elesta SpA	645.779	75.363	721.142
Total	**645.779**	**75.363**	**721.142**

Subsidiary companies:	Other revenues
Deka MELA Srl	385.626
Otlas Srl	2.164
Cutlite Penta Srl	15.562
Esthelogue Srl	44.249
Deka Sarl	25.275
Lasit Spa	105.916
Asclepion Laser Technologies GmbH	75.449
ASA Srl	15
Total	**654.256**

Associated companies:	Other revenues
Elesta SpA	22.282
Actis Srl	1.200
Total	**23.482**

The amounts shown on the charts above refer to transactions which are inherent to the ordinary operations of the company.

The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl, Esthelogue and Elesta Spa for the portions of the buildings in Calenzano which they occupy and to Lasit Spa for the factory at Torre Annunziata. Moreover, we have entered into accounts approx. 194 thousand Euros in interest earned on the financing granted to subsidiary companies.

Among the "Other receivables" and "Other payables" we have entered the amounts from the fiscally consolidated companies Ot-las Srl., Deka M.E.L.A and Esthelogue Srl.

The chart below shows the incidence that the operations with related parties had on the economic and financial situation of the Company.

Impact of related parties transactions	Total	related parties	Inc %
Impact of related parties transactions on the statement of financial position			
Equity investments	22.087.410	21.062.912	95,36%
Receivables LT	18.917.015	18.917.015	100,00%
Accounts receivable	52.870.742	40.762.415	77,10%
Other current receivables	5.597.472	3.372.392	60,25%
Non current financial liabilities	186.896	-	0,00%
Current financial liabilities	177.894	-	0,00%
Accounts payable	27.310.522	1.418.918	5,20%
Other current payables	11.647.047	39.725	0,34%
Other non current liabilities	1.248.680	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	155.249.876	76.725.999	49,42%
Other revenues and income	1.519.300	677.738	44,61%
Purchase of raw materials	85.976.895	3.348.639	3,89%
Direct services	24.896.202	41.336	0,17%
Other operating services and charges	9.056.585	196.285	2,17%
Financial charges	112.123	89.145	79,51%
Financial income	11.755.398	11.548.219	98,24%
Income taxes	6.830.220	-	0,00%

Risk factors and procedures for the management of financial risks (note 34)

The main risk factors to which the Company is exposed are described below.

Procedures for the management of financial risk
The main financial instruments of the company include checking accounts and short-term deposits, short-term and long-term financial liabilities, financial leasing stock and hedge funds.
Besides these, the company has trade payables and receivables from its business activity.
The main financial risks to which the company is exposed are those involving exchange rates, receivables, cash and interest rates.

Currency risk
The company is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the number of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the company. The devaluation provision which is accrued at the end of the year represents about 3% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult note (6).

As far as guarantees granted to third parties are concerned:

In December of 2019, during the conclusion of the purchase of the minority quota of Penta Laser Zhejiang Co., Ltd by Ot-las S.r.l., El.En. S.p.A. stipulated a guarantee in favor of their partner who was selling, to pay the amount indicated in the earn out clause of 40 million Renminbi (about 5 million Euros) in the case that they proceeded to an IPO of Penta Laser Zhejiang within 5 years of the date of purchase. This debt is entered in the non-current liabilities.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:

- in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo
- in favor of Penta Laser (Wuhan) on the short-term credit line obtained for 3 million Euros.

During 2022, Ot-las S.rl released a guarantee for a maximum of 25 million dollars in favor of Penta laser Zhejiang and its subsidiary Cutlite Penta S.r.l. for the payment that this latter might have to make, in excess of the amount paid by the insurance company, based on the definitive sentence of the Superior Court of Hartford Complex, file n. X03-HHD-CV17-6084684-S. Moreover, the Patent Company, El.En. spa released a second level guarantee, in the case that the guarantee stipulated by Ot-las became operative and Ot-las was unable to pay.

Cash and interest rate risks
As far as the exposure of the company to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the company has been maintained at a high level also during this half in such a way as to cover existing debts and obtain a net financial position which is extremely positive at the end of this half. For this reason we believe that these risks are fully covered.

Management of the capital
The objective of the management of the capital of the company is to guarantee that a low level of indebtedness and a correct financial structure sustaining the business are maintained so as to guarantee an adequate ratio between capital and reserves and debts.

Environmental and sustainability risks
The main risks which may be caused by climate change and the transition towards a low carbon energy model are connected to an incorrect management of energy and emission sources, risks related to the modification of regulations associated with the struggle against climate change and physical risks. Among the main risk factors to which the company may be expose, there are the growing obligations for reporting the emissions produced, the expectations related to the use of low-impact energy sources, and the uncertainties arriving in the signals from the markets with potential unexpected variations in the prices of energy. One should also note the risks derived from the progressive change in climate conditions

and extreme weather events which expose the company to damage of the infrastructures like industrial buildings and plants and machinery, rather than to potential interruption in the supply of essential raw materials and the potential reduction of the production capacity. In order to mitigate at least in part this risk, the Company stipulated an insurance policy which protects them against damages derived directly from weather events like hurricanes, storms, wind, hail, inundations, floods, and earthquakes. Among the risks associated with the transition to an economy with low carbon emissions, the reputation risks are also included: to not undertake a gradual decarbonization process could have a negative impact on the reputation of the company and consequently on the economic and financial results.

Financial instruments (nota 35)

Fair value

The chart below shows the comparison between the accounting value and the fair value for the category of financial instruments of the Company.

	Book value 31/12/2022	Book value 31/12/2021	Fair value 31/12/2022	Fair value 31/12/2021
Financial assets				
Equity investments in other companies	1.024.498	1.024.498	1.024.498	1.024.498
Non current financial receivables	18.917.015	18.050.000	18.917.015	18.050.000
Current financial receivables	2.352.731	3.169.916	2.352.731	3.169.916
Securities and other non-current financial assets	12.979.811	12.811.798	12.979.811	12.811.798
Cash and cash equivalents	28.472.051	45.701.818	28.472.051	45.701.818
Financial debts and liabilities				
Non current financial liabilities	186.896	160.929	186.896	160.929
Current financial liabilities	177.894	320.771	177.894	320.771

Fair value hierarchy

The Company uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

As of December 31st 2022, the Company held the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		12.979.811		12.979.811
Other equity investments			1.024.498	1.024.498
Total	**0**	**12.979.811**	**1.024.498**	**14.004.309**

Other information (note 36)

Remuneration of directors and statutory auditors

	31/12/2022	31/12/2021	Variation	Var. %
Remuneration of directors	1.094.813	1.091.660	3.152	0,29%
Remuneration of statutory auditors	75.109	72.800	2.309	0,00%
Total	**1.169.922**	**1.164.460**	**5.462**	**0,47%**

Information on public financing as per Law no. 124 of August 4th 2017 ("Annual law for the market and the competition")

Law no.124 of August 4th 2017 and the subsequent modifications in art. 35 D.L. 34/2019 with modifications by L. 58/2019 introduced some measures intended to insure transparency in the system of public financing; in particular, it states that companies must indicate in the Explanatory Notes of the financial statement and in the consolidated Notes if there is one, information regarding any subsidies, grants, benefits, contributions in money or in kind, which do not have a general character and are not paid for or reimbursed as those effectively issued by the public administration and by the subjects specifically indicated in the above mentioned law.
Therefore, the amounts for the sales of goods or services inherent in the operations conducted as part of their activity are excluded, in the presence of reciprocal relations managed according to the rules of the market, the general measures that can be used by all of the companies belonging to the general structure of the system defined by the state (for example, ACE), the selective economic advantages received in application of a regime of assistance accessible to all companies which satisfy certain conditions, on the basis of predetermined general criteria (tax facilitations and grants, also related to the hiring of the disabled), the grants for training received from inter-professional funds like, for example, Fondimpresa, since they are institutions financed by the contributions from the companies themselves.

It should also be recalled that, in reference to the help from the state and the "*de minimis*" help, the transparency of the latter is monitored by the publication in the National Register of State Assistance active since August of 2017, by the institutions which grant this help and to which the reader is referred.

This having been said, in compliance with the provisions of the law of August 4th, 207, no. 124, we inform you that, during the financial year 2022, El.En did not collect any sums from subsidies, contributions, paid assignments and, in any case, economic benefits included in the case referred to in the aforementioned law

***Information supplied in compliance with* art. 149-duodecies of the Regolamento Emittenti Consob (Consob Regulations)**

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2022 related to auditing services.

	Company providing the service	Receiver	note	2022 fees (Euros)
Audit	EY SpA	El.En. SpA		64.000
Certification servises	EY SpA	El.En. SpA	(1)	69.500
				133.500

(1) Other services related to the compilation of the Non-Financial Document.
Fairness opinion of the issue price of the shares relating to the reserved capital increase.
Revision of the expenses sustained for research and development.

The honorariums shown are net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees subdivided by category

Personnel	Average of the period	31/12/2022	Average of previous period	31/12/2021	Variation	Var. %
Executives	17	17	16	16	1	6,25%
Middle managers	13	14	14	12	2	16,67%
White collar workers	149	151	141	147	4	2,72%
Blue collar workers	133	142	114	124	18	14,52%
Total	**312**	**324**	**284**	**299**	**25**	**8,36%**

For the Board of Directors
Managing Director – Ing. Andrea Cangioli

Declaration of the separate financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. S.p.A., in conformity with art. 154-bis, sub-section 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2022.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the separate financial statement dated December 31st 2022:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the company;

3.2 the Management Report contains a reliable analysis of the trends and results of the activity as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties to which they are exposed:

Calenzano, March 15th 2023

Managing Director	Executive officer responsible for the preparation of the financial statements
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

El.En. S.p.A.

Financial statements as at December 31, 2022

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.
Piazza della Libertà, 9
50129 Firenze

Tel: +39 055 552451
Fax: +39 055 5524850
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
El.En. S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of El.En. S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of income, the statement of comprehensive income, the changes in shareholder's equity and the cash flows statement 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 December 31, 2022, 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.
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We identified the following key audit matter:

Key Audit Matter	Audit Response
Estimate of the inventory provision	
The financial statements of the Company as at December 31, 2022 include Inventories for an amount equal to Euro 51,897 thousand, net of a provision for inventory of Euro 7,827 thousand. The inventory provision is calculated to align the book value at the net realizable value. The process and methodologies of the Management for the estimation of net realizable value of Inventories and, consequently, the provision for inventory, were based on complex assumptions, that by their nature imply the use of the Management's judgment, in particular with reference to the assumptions adopted to identify obsolete and slow moving items, any excess of inventories with respect to the possibility of future use or sale, as well as further conditions that may generate an excess of the book value compared to the net realizable value, also considering the fast evolution of the technologies of the Company's products. In consideration of the relevance of the amount of the Inventories recognized in the financial statements and the complexity of the assumptions used in estimating its net realizable value, we deemed this area to be a key audit matter. Such matter is reported in the paragraph " Use of estimates" and in the explanatory note 5 "Inventories " to the financial statements.	Our audit procedures in response to the key audit matter included, among others: i) the analysis of the procedure and key controls adopted by the Company for the identification and monitoring of obsolete and / or slow-moving Inventories and for the estimate of the inventory provision; ii) the assessment of the assumptions that required a significant judgment by the Management for the estimate of the provision for the inventories, such as the obsolescence rate of inventories and forecasts of sale or use; iii) test of details on the accuracy and completeness of the data used for the estimate performed on sample basis; iv) the verification of the calculations performed by the Management for the determination of the utilization and sale rate of the products in stock and its net realizable value. Lastly, we evaluated the adequacy of the information provided in the explanatory notes to the financial statements with respect to this matter

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, the actions taken to eliminate relevant risks or the safeguard measures applied.

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 El.En. S.p.A., in the general meeting held on June 4, 2020, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2021 to December 31, 2029.

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 El-En. 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 El.En. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of El.En. S.p.A. as at December 31, 2022, 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 El.En. S.p.A. as at December 31, 2022 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 El.En. S.p.A. as at December 31, 2022 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.

Florence, March 31, 2023

EY S.p.A.
Signed by: Lorenzo Signorini, Auditor

As disclosed by the Directors on page 4, the accompanying financial statements of El.En. 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.

El. En. S.p.A.
Headquarters in Via Baldanzese, 17 Calenzano (Florence)
Registry of companies in Florence: n. 03137680488

Report of the Board of Statutory Auditors
(in compliance with art. 2429 c.c. and art. 153 del D. Lgs. n. 58 / 1998).

To our shareholders,

The Board of Directors of El.En. S.p.A. herewith presents to the Assembly of the company the draft of the financial statement as of December 31st 2022 which was consigned to the Board of Statutory Auditors on March 15th 2023.

During the financial year 2022 the Board of Statutory Auditors conducted its activity in compliance with the regulations of the "*Testo Unico delle disposizioni in materia di intermediazione finanziaria*" (rules for financial intermediaries) D. Lgs. February 24th 1998 n. 58, D.Lgs. January 27th 2010 n. 39 and in conformity with the operating principles of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Business Administrators and Accountants) for the companies quoted on the stock market and with Consob Communication of April 6th 2001, modified and integrated with communication DEM/ 3021582 of April 4th 2003 and subsequently with communication DEM/6031329 of April 7th 2006 and the recommendations contained in the Self-disciplining Code for companies quoted on the stock market approved by the Commission for Corporate Governance of the Borsa Italiana to which the Company belongs.

In compliance with D.Lgs. n.58 of February 24th 1998 and D. Lgs. Of January 27th 2010 no. 39, it should be noted that the activity of controlling the accounts in the separate and consolidated financial statement is the responsibility of the independent auditors, EY S.p.A to which the shareholders' meeting held on June 4th 2020, following a proposal by the Board of Statutory Auditors in compliance with art. 13 e 17 del D.Lgs. 27th January 2010, n. 39 conferred the task of the legal auditing of the of the financial reports which was confirmed for the auditing of the financials for the years 2021-2029.

1. Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors was nominated by the Shareholders' Meeting held on April 29th 2022 for the duration of three years and therefore, until the date of the assembly convened for the approval of the financial statement related to the year 2024, in the persons of Carlo Carrera (President), Paolo Caselli and Rita Pelagotti (statutory auditors).
During 2022 the Board of Auditors conducted its activity holding 16 meetings; moreover, it participated with or more components in all of the meetings to which it was called and is required to participate, and precisely: 2 meetings of the shareholders' assembly, 8 meetings of the Board of Directors, 6 meetings of the Commission for Controls and risks, Operations with Related Parties and Sustainability, and 4 meetings of the Remuneration Committee.
During 2022, in compliance with the recommendations of the Code of Corporate Governance, the Board of Auditors participated in several different initiatives that were part of an *induction program* which involved the bodies of corporate governance and the main company functions to study various issues including the company strategy, sustainability, *corporate governance*, regulatory aspects, processes for drawing up the financials and relations with the shareholders.

2. Activities supervising the observance of the law and the company statutes

The Board of Statutory Auditors has periodically obtained from the board members, also through their participation in the Shareholders meetings, the Board of Directors, and the various commissions, information on the activities conducted and on the main economic and financial operations that have been approved and implemented this year, made by the Company and the companies belonging to the Group, also in compliance with art. 150, subsection 1 of TUF.
On the basis of the information received, they can reasonably affirm that the activities voted and carried out are in conformity with the law and with the company Statutes and are not manifestly imprudent, risky or in potential conflict of interest or in contrast with the decisions made by the Assembly or of a nature to compromise the shareholders' equity.
The Board of Auditors has supervised the observance by the Company of the obligations for supplying information in accordance with the laws regarding information that is regulated, confidential or required by the supervising authorities, all in conformity with the programs and contents indicated by Consob.

Among the significant events which occurred in 2022 (described by the BOD in the Management Report for 2022), the Board of Auditors wishes to call attention to the following in consideration of their relevance:

- In the month of February 2022, the partners of the associated company Elesta S.p.A. voted to increase the capital for the purpose of sustaining the activities of the company and, on this occasion, believed it oportune, to reserve a quota of the increase incapital for the *managers* of the company. The equity of El.En. S.p.A. in the associated company decreased from 50% to about 31% of the capital.
- On April 29th 2022, the Assembly of the Parent Company, during an ordinary meeting, approved the financial statement for 2021 and resolved to allocate all of the net income for 2021 to an extraordinary reserve and distribute a dividend of 0,20 Euros gross per share in circulation using the extraordinary reserve.
- The Assembly also approved the Report on Remuneration and Salaries, in conformity with art. 123-*ter*, sub-section 3-bis and sub-section 6, of the T.U.F.
- The Assembly, in an extraordinary meeting, resolved to modify the by-laws with the insertion of a reference to the Code of Corporate Governance in place of the out-dated Self-discipining Code and with the addition of the possibility for the auditors to hold their meetings also with remote communication means, in compliance with 2404 c.c.
- In the month of September 2022, the equity of El.En. S.p.A. in the subsidiary Cutlite do Brasil Ltda was sold to Cutlite Penta Srl as part of the reorganization of the laser cutting sector within the Group.
- In October 2022 the subsidiary Lasit S.p.A. founded Lasit Laser Iberica S.L. with headquarters in Spain, and they detain the controlling equity in the company.
- In the month of October 2022, Penta Laser Zhejiang concluded an increase in capital reserved to two Private Equity Funds in China which, in this way, have acquired an overall quota of 5,58% in the capital of the Company.
- In December 2022, Penta Laser Zhejiang acquired 60% of the capital of Shenzhen KBF Laser Tech Co. Ltd. The selling partners of this latter, in turn, acquired 2,44% of the shares of Penta Laser.
- After a further increase in the share capital of Penta Laser Zhejiang reserved for the two Chinese private equity funds which acquired a total quota of 4,98% of the shares of the company, the controlling quota of Penta Laser Zhejiang held by El.En. S.p.A. through Ot-las Srl decreased to 70,42%.
- These operations, which are part of the plans for growth in the business of systems for industrial laser cutting, constitute part of the preparatory phase for a possible IPO on the continental Chinese market.
- In the month of November 2022, they voted for an increase in the share capital of the subsidiary Esthelogue Srl for a total of 7 million Euros to sustain its activities.
- On December 15th 2022, the shareholders' Assembly of El.En. S.p.A. approved a new incentive plan called "Stock Option Plan 2026-231" for administrators, collaborators and employees of the Parent Company and its subsidiaries. For further information on this plan and the evolution of the preceding plans, please consult the Explanatory Notes.

3. Supervising activity of the respect of the principles of correct administration and the adequacy of the organizational structure

The Board of Statutory Auditors has acquired knowledge and has supervised the adequacy of the organizational structure, the respect of the standards of correct administration, the adequacy of the instructions given by the Company to its subsidiaries in compliance with art. 114, sub-section 2 of the TUF, by acquiring information from the persons responsible for the correct functioning of the company and by meetings held with the Independent Auditors as part of the reciprocal exchange of relevant data and information.

The organizational structure, also following the introduction of the new position of General Director, was deemed to be adequate overall in terms of structure, procedure and competency in relation to the dimensions of the company and the type of activity they conduct. From the exchange of information which took place between the Board of Statutory Auditors (or single auditors) of the subsidiaries Quanta System S.p.a., Lasit S.p.a., Ot-las S.r.l, Cutlite Penta S.r.l., Deka MELA S.r.l. and Esthelogue S.r.l. no critical elements emerged.

The Management Report, which contains information received during the meetings of the Board of Directors and from the Managing Director, the General Director, the management, did not reveal the existence of any unusual and/or atypical operation with the companies of the Group, with third parties or with related parties.

<u>3.1 Self-evaluation process</u>

The Board of Statutory Auditors has correctly fulfilled their duty to conduct a periodical self-evaluation regarding its

composition, independence and size on the basis of the *Norme di Comportamento del Collegio Sindacale* (Regulations for Boards of Statutory Auditors) recommended by the CNDCEC (regulation Q.1.1 updated in 2019 regarding to the self-evaluation of the board and the periodical internal process of evaluation concerning the suitability requirements for its members and the Self-disciplining Code and the Corporate Governance Code *(Principio VIII, Raccomandazione 9).*
The self-evaluation process took into consideration the subjective profiles of the single components and the overall body, in relation to its quantitative composition, qualitative composition, independence, honorability, professionalism, diversity, time available, and remuneration and concluded with a positive result in terms of conformity to the requirements established by the current laws.
The Board of Statutory Auditors, moreover, has acknowledged the positive outcome of the evaluations in terms of composition, dimensions, and functions of the Board of Directors and the committees with particular attention to the requirements for the independent administrators and the determination of the remuneration.
The Board also supervised the concrete methods of the implementation of the rules for corporate governance indicated in this sector by the Corporate Governance Code to which the Company adheres.

4. Supervising activity on the system of internal controls and risk management.
The Board of Statutory Auditors supervised the adequacy of the systems of internal control and risk management by:

- Meeting with the top management of El.En. S.p.a. for the purpose of examining the system of internal controls and risk management;
- Holding periodic meetings with the internal auditors for the purpose of evaluating the methods used for planning the work, based on the identification and evaluation of the main risks present in the processes and the organizational units;
- Examining the periodic reports made by the Control managers and the periodic information sheets issued regarding the outcome of the monitoring activity on the implementing of the corrective actions that were required.
- Acquiring information from the managers responsible for the company functions of El.En. S.p.a. and the Group in order to examine the results of the verifications they had conducted, also for the purpose of issuing information reports, in relation to the activity monitoring the company risks.
- Meeting with the controlling bodies of the subsidiary companies in compliance with sub-sections 1 and 2 of art. 151 of the TUF during which the Board of Auditors acquired information on the events deemed to be significant which involved the companies of the Group and the systems of internal controls;
- Having joint encounters with the Supervising body ex D.Lgs 231/2001 of El.En. S.p.a. which has not reported any violations of the Organizational Model or, more generally, any critical issues in this area as confirmed in its annual report;
- Having discussions about the results of the work of the Independent Auditors;
- Participating regularly in the work of the Control and Risks Commission, Operations with Related Parties and Sustainability of El.En. S.p.a. and when so required by the topics, by joint discussions on them with the commission.

While conducting their control activities the Board of Statutory Auditors has maintained continuous contact with the control managers.
The Internal Audit function of El En spa operates on the basis of an annual plan. The annual plan defines which activities and processes will be subjected to a risk-based verification. The plan was approved by the Board of Directors.
The activities conducted by the function during the year 2022 covered the entire range of the scheduled activities. No significant issues emerged from this activity.
The Board of Statutory Auditors recognizes the fact that annual reports of the Control Functions concluded with a favorable opinion concerning the overall organization of the internal controls.
The Board of Statutory Auditors has supervised the control activities on behalf of the compnay, the application and effectiveness of the internal procedures implemented for the purpose of repecting the regulations for the protection of personal data in accordance with Regulation UE n. 679/2016 (known as the *General Data Protection Regulation* or GDPR).
The Board of Statutory Auditors has ascertained that, during 2022, despite the fact that the emergency phase caused by the Covid-19 pandemic had faded, the Company maintained a cautionary approach to the monitoring of the measures that had been taken to avoid the spread of the disease and had sustained a return to normality following the instructions that had been given at various times.
On the basis of the activity conducted, the information acquired and the contents of the report made by the control

functions, the Board of Auditors believes that there are no issues sufficiently critical to invalidate the organization of the system of internal controls and risk management.

5. Supervising activity of the administrative accounting system and on the process of financial information.

The Board of Statutory Auditors, in its function as Committee for internal controls and auditing, in compliance with art. 19 D.Lgs. n. 39/2010, has monitored the process and verified the effectiveness of the system of internal controls and risk management as far as the financial information reports are concerned.

The Board of Statutory Auditors, on the occasion of the appointment by the Board of Directors of the Executive officer responsible for the preparation of the financial statements, gave their favorable opinion in compliance with art. 154-bis D. Lgs. 58/98.

The Board of Statutory Auditors has periodically met with the Executive officer responsible for the preparation of the financial statements in order to exchange information concerning the administrative-accounting system and the reliability of this latter for the purpose of correct representation of the management facts. The Board of Auditors has also examined the statements of the Managing Director and the Executive officer responsible for the preparation of the financial statements in compliance with art. 154 bis of the TUF.

The Board of Statutory Auditors did not find any evidence of defects which could invalidate the opinion of adequacy and effectiveness in the application of the administrative accounting procedures.

During the periodic meetings with the Board of Auditors, the managers of the Independent Auditors did not report any critical situations inherent to the administrative and accounting procedures of the Company that could invalidate the internal controls system.

The Board also recognized that El.En. S.p.a., in compliance with the Regulations UE 2019/815 had drafted the annual consolidated financial report in the European Electronic format (European Single Electronic Format – ESEF). In relation to the year 2022, the operation of associating each entry with an element of the above mentioned taxonomy (*tagging*) was examined by the Board of Directors in the meeting held on March 15th 2022 with reference to the documentation contemplated by the regulation.

6. Supervising activity on the operations with related parties and inter-Group.

The main operations conducted with related parties and inter-Group are reported in the Explanatory Notes to the financial statement and in the Management Report.

The Board of Statutory Auditors recalls that, in compliance with the resolution voted on November 12th 2010 by the Board of Directors, the Commission for Controls and Risks, Operations with Related Parties and Sustainability also conducts the functions related to operations with related parties and monitoring of situations of conflict of interest that have been assigned to it by the role attributed to independent administrators by art. 4, sub-section 3 Regulations for Related Parties Consob and the new *Regolamento interno relativo alle operazioni con parti correlate* of El.En. S.p.a approved on the same date and modified the last time on June 30th 2021, after the approval of the Board of Auditors.

They found that, from the information received from the administrators and from the conversations with representatives of the auditing company, there were no atypical or unusual operations conducted with companies of the Group, related parties or third parties during 2022 or after the closure of the financial year.

In compliance with art. 4 sub-section 6 of the Consob regulations containing instructions regarding operations with related parties (adopted with resolution 17221 on March 12th 2010 and later modified) they supervised the conformity of the procedures used by the Company (by means of the approval of the special regulations) to the principles indicated in the Consob Regulations mentioned above as well as the observance of their rules.

The Board of Statutory Auditors has verified the adequacy, on the basis of the evaluation method being used of the process used for the impairment tests in order to be able to identify the existence of any losses of long-duration in value that are entered among the assets of the company.

The Board of Statutory Auditors believes that the internal procedure used by the Parent Company for the purpose of complying with art. 15 of the Market Regulations, which was adopted with resolution n. 20249 of December 28th 2017 (after the preceding art. 36 of Market Regulations, which had been adopted with resolution n. 16191 in 2007), in relation to the regulations governing the conditions for quotation of parent companies controlling other companies that are founded or regulated by the laws of countries that do not belong to the European Union and are of significant importance for the consolidated financial statements, is adequate.

7. Methods for the effective implementation of the rules of Corporate Governance

While carrying out its functions, the Board of Auditors, in compliance with art. 2403 of the Civil Code and with art. 149 of the TUF, supervised the methods for the effective implementation of the rules for Corporate Governance in accordance with the ethics code which El.En. has declared that they follow. El.En. S.p.a. adheres to the Self-disciplining Code promoted by the Borsa Italiana S.p.A.; the Board of Directors has nominated two independent administrators and has set up the following committees: Nominations Committee, Remuneration Committee, and the Controls and Risks Committee for the operations with related parties and for sustainability (the name of which was changed in order to reflect the additional responsibilities which have been attributed to it), and in conformity with art. 123-bis of the TUF has issued the annual "Report on Corporate Governance and Ownership" in which they supply information concerning**:**

- The practices of corporate governance that are actually applied;
- The main characteristics of the system for internal controls and risk management;
- The mechanisms relating to the functioning of the Shareholders' meeting, its main powers, the rights of the shareholders and the ways in which they can exercise them;
- The composition and the functioning of the administrative and controlling bodies and the independent commissions as well as all of the other information to be supplied in conformity with art. 123-bis del TUF.

The Board of Directors approved the Report on Corporate Governance and Ownership" on March 15th 2023.
As mentioned above, the Board of Statutory Auditors has verified the correct application by the Board of Directors of the criteria and the procedures adopted to evaluate the independence the independent administrators in compliance with. Articles 2 and 4 of the Corporate Governance Code 3.C.5 of the Self-Disciplining Code to which the Company adheres.
In compliance with the Corporate Governance Code the Company has implemented a policy of relations with the shareholders which regulates the roles and methods for conducting a dialog with the shareholders and investors.
The Board of Auditors has received and examined, during a special meeting, the recommendations made by the President of the Coporate Governance Commission for the year 2023 and has approved the considerations made by the Company.
In a special meeting, the Board of Auditors received and examined the recommendations contained in a letter from the President of the Commission for Corporate Governance for the year 2023, and agreed with the considerations of the Company. The Commission for Controls and Risks, Operations with Related Parties and Sustainability and the Board of Directors of the Company, as is stated in the Corporate Governance Report, conducted their own analysis of the contents of the letter and expressed, in general, their agreement with the various issues in the recommendations and specifically identified possible areas for improvement.

8. Supervision activity of the auditing of accounts
In compliance with art. 19 del D.Lgs. 39/2010 the Board of Statutory Auditors identifies itself also in the Committee for internal controls and Auditing and has conducted the required activity of supervision on the auditing of the annual accounts and the consolidated accounts.
During 2022, the Board of Statutory Auditors met with the auditing company, EY S.p.A. also in compliance with article 150, sub-section 3 of the TUF, for the purpose of a mutual exchange of information. During these meetings, the auditing company did not find any acts or facts that were considered reprehensible or irregularities which required specific comment in compliance with art. 155, sub-section 2 of the TUF.
The Board of Statutory Auditors also examined the annual revision plan of El.En. S.p.A. formulated by EY S.p.A. and found it adequate.
The auditing company issued a report on the accounting revision limited to the consolidated half-yearly report without finding any errors.
The consolidated financial statement, the Non-Financial Statement and the separate financial statement for 2022, along with the management report compiled by the administrators along with the declarations of the Managing director and the Manager in charge of the financial documents were brought for the approval of the Board of Directors on March 15th 2023 and were then put at the disposal of the Board of Statutory Auditors.
On March 31st 2023 the auditing company issued, in compliance with art 14 of D. Lgs. 39/2010 and art. 10 of the Regulations (UE) n. 537/2014, the reports on the revision of the statements of El.En. S.p.A.and the consolidated statementsof the El.En. Group closed on December 31st, 2022.
As far as the opinions and attestations are concerned, the Independent Auditors in their report on the auditing of the separate and consolidated financial statement:

- Issued an opinion stating that the separate financial statement of El.En. S.p.a. and the consolidated financial statement give a true and correct representation of the statement of financial position as of December 31st 2022, of the economic result and the cash flow for the year ending on that date in conformity with the International Financial Reporting Standards used by the European Union as well as the regulations issued in implementation of art. 9 of the D.Lgs. 38/2005;

- Issued an opinion on the basis of which the separate financial statement and the consolidated report were drafted (in compliance with *Regolamento Delegato* (UE) 2019/815 CE concerning the single for communication– ESEF) in XHTML format in conformity with the laws in the above mentioned *Regolamento Delegato;*
- Issued an opinion on the consistency in which it was demonstrated that the Management Report and some of the specific information contained in the report on the Corporate Governance and Ownership are consistent with the Separate Financial Statement of El.En. S.p.a. dated December 31st 2022 and have been drawn up in conformity with the law;
- Declared, as far as any errors in the Management Report are concerned (art. 14, co. 2, letter e) D.Lgs 39/2010), on the basis of their knowledge, and understanding of the Company and its relative context, that they have nothing to report.

The Independent Auditors presented a declaration of independence to the Board of Statutory Auditors, in compliance with art. 6 of the Regulations (EU) n. 537/2014, from which it emerged that there were no significant defects in the system of internal controls and risk management, in relation to the process of financial information and/or the accounting system, also contained in the declaration in compliance with art. 6 of the EU Regulation 537/214 from which it emerged that there were no situations which might compromise their independence.

The Independent Auditor, EY S.p.A was also charged with the following tasks during 2022, the costs for which, as reported in the attachment to the financial statement in compliance with art. 149 *duodecies* of the *Regolamento Emittenti*, have been entered in the income statement:

Type of service	Company that performed the service	Client	note	Fees received for services in 2022 (euros)
Auditing of accounts	EY S.p.A.	El.En. S.p.A.		64.000
	EY S.p.A.	Italian subsidiaries		53.500
	EY network	Italian subsidiaries		197.270
Certification services	EY S.p.A.	El.En. S.p.A.	(1)	69.500
	EY S.p.A.	Italian subsidiaries	(2)	152.500
	EY network	Italian subsidiaries	(2)	406.377
Other services	EY network	Foreign subsidiaries		42.380
			Total	**985.527**

(1) Revision of the non-Financial Statement. Opinion on the congruity of the price of the shares related to the increase in capital, Revision of the expenses sustained for Research and Development.
(2) Revision of the historical data for the preparatory phase of the IPO and revision of the expenses sustained for Research and Development by the Italian subsidiaries.

With reference to the non-auditing services and to the other fees, the Board of Auditors has evaluated their adequacy in relation to their volume and the complexity of the work involved and the compatibility with the task of legal revisionwhich does not affect the independence of the auditing company.

9. Remuneration policies

The Board of Statutory Auditors verified the company processes which have led to the definition of the remuneration policies of the company, in particular in relation to the Managing Directors, the General Director and the managers with strategic responsibilities. The Nominations committee and the Remuneration committee reported to the Board of Directors regularly during the year**.**

As far as their own competence is concerned, the Board of Auditors has observed that the Remuneration Committee, during 2022, conducted its activity in compliance with current regulations, with particular reference to the new Stock Option Plan for 2026-2031, as it was approved by the Board of Directors last March 15th and is described in the Corporate Governance Report, to which you are referred for further details.

10. Omissions, reprehensible facts, opinions given and initiatives undertaken

During the financial year 2022 and up to the date of this report the Board of Statutory Auditors did not receive any reports in conformity with art. 2408 C.C. nor did it receive complaints from third parties.

In consistency with their constant participation in the meetings of the Board of Directors and the internal commissions of the Board during 2022, in those cases where it is required by the applicable laws and regulations, the Board of Auditors expressed its opinion on the issues being discussed.

During the activity conducted and on the basis of the information received, they found no omissions, reprehensible facts, irregularities or, in any case, circumstances of a significance that would require reporting to the supervising authorities or to be mentioned in this report.

11. Monitoring of the respect of the regulations as per D.Lgs. 30th December 2016 n. 254 – Consolidated Non-financial Statement

In compliance with art. 3, sub-section 7 of D.Lgs. 254/2016, art. 2403 c.c. and art. 149 TUF, the Board of Auditors monitored the observance of the regulations established in the same decree in relation to the Consolidated Non-financial Statement (NFS) prepared by the company with reference to the companies belonging to the industrial Group founded by El.En. S.p.a. and its subsidiaries**.**

As far as the non-financial information is concerned,the Board of Statutory Auditors acknowledges that they have received periodically information concerning the drawing up of the NFS, also in reference to the analysis of the materiality conducted by the Company and aimed at the definition of the information areas on issues of a social, environmental and ethical nature that are considered relevant by the Company.

The Board of Statutory Auditors consequently monitored the adequacy of the procedures, the processes and the structures involved in the production, reporting, calculation and representation of the results and of the information of a non-financial nature as well as the adequacy of the organizational, administrative and reporting and control systems organized by the Company for the purpose of formulating a correct and complete representation in the NFS of the activities of the Company, its results, and its impact in relation to the non-financial issues mentioned in art. 3, sub-section 1, of D.Lgs. 254/2016.

The NFS was drawn up in conformity with the "GRI Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI), which represent a universally recognized model for the reporting of economic, environmental and social performance of an organization, according to the "Core" option, i.e. using the universally applicable indicators which are considered important for most organizations.

In relation to the sustainability plan that was adopted, the Company has reported that they have reached their objectives and, as far as the future outlook is concerned, the Company has stated that they are now in a phase of definition of further activities and projects, including those intended to deal with climate change and focused on the transition to more sustainable sources of energy, bearing in mind also the indications contained in the *Corporate Sustainability Reporting Directive* which was recently issued.

The Independent Auditors charged with this task, EY S.p.A., issued its opinion on Consolidated Non-financial Statement in compliance with art. 3, C.10, D.Lgs. 254/2016 and art. 5 Consob Regulation n. 20267 and concluded that no elements had been brought to their attention that indicated that the NFS of the Group was not drawn up, in all of its main aspects, in conformity with articles 3 and 4 of D.Lgs. 254/2016 and the GRI Standards.

No facts worthy of mention emerged from the monitoring activity of the Board in relation to this report.

Conclusions

Bearing in mind the situation described above, the Board of Statutory Auditors, in consideration of the contents of the reports issued by the Independent Auditors and the joint declarations of the Managing Director and the Executive officer responsible for the preparation of the financial statements, expresses a favorable opinion for the approval of the financial statement of El.En. S.p.a. as of December 31st 2022 and the allocation of the net income as stated by the Board of Directors on March 15th 2023.

Florence, March 31st, 2023

The Board of Statutory Auditors
Dott. Carlo Carrera, President of the Board of Statutory Auditors.
Dott. Paolo Caselli, Statutory auditor.
Dott.ssa Rita Pelagotti, Statutory auditor