EMARKET SDIR CERTIFIED

ELEN™

THE FUTURE IN A BEAM

Half Yearly Financial Report as of 30th June 2023

EL.EN. S.P.A.

El.En. S.p.A.
Headquarters in Calenzano (Florence) – Via Baldanzese n. 17
Capital stock: underwritten and paid € 2.597.539,49 (*)
Company registered with the Registro delle Imprese di Firenze n. 03137680488

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

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on June 30th 2023)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

Board of statutory auditors

CHAIRMAN

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.

EL.EN. GROUP

HALF-YEARLY MANAGEMENT REPORT

1.1 Adoption of international accounting principles

This half-yearly financial statement for the half ending on June 30th 2023, approved by the Board of Directors on September 12th 2023, drawn up in consolidated form in compliance with to Art. 154-ter of February 24th 1998, Legislative Decree 58 (TUF) and later modifications and additions, has been drawn up in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified by the European Union.
By IFRS we mean also the International Accounting Standards (IAS) which are still in force, as well as all of the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC).
In this report which is drawn up in conformity with IAS 34, Intermediate Reports, we have used the same accounting principles used for the consolidated financial of December 31st 2022 with the exception of the accounting standards that went into force starting on January 1st 2023 described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

All amounts are expressed in thousands of Euros unless otherwise indicated.

1.2 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.

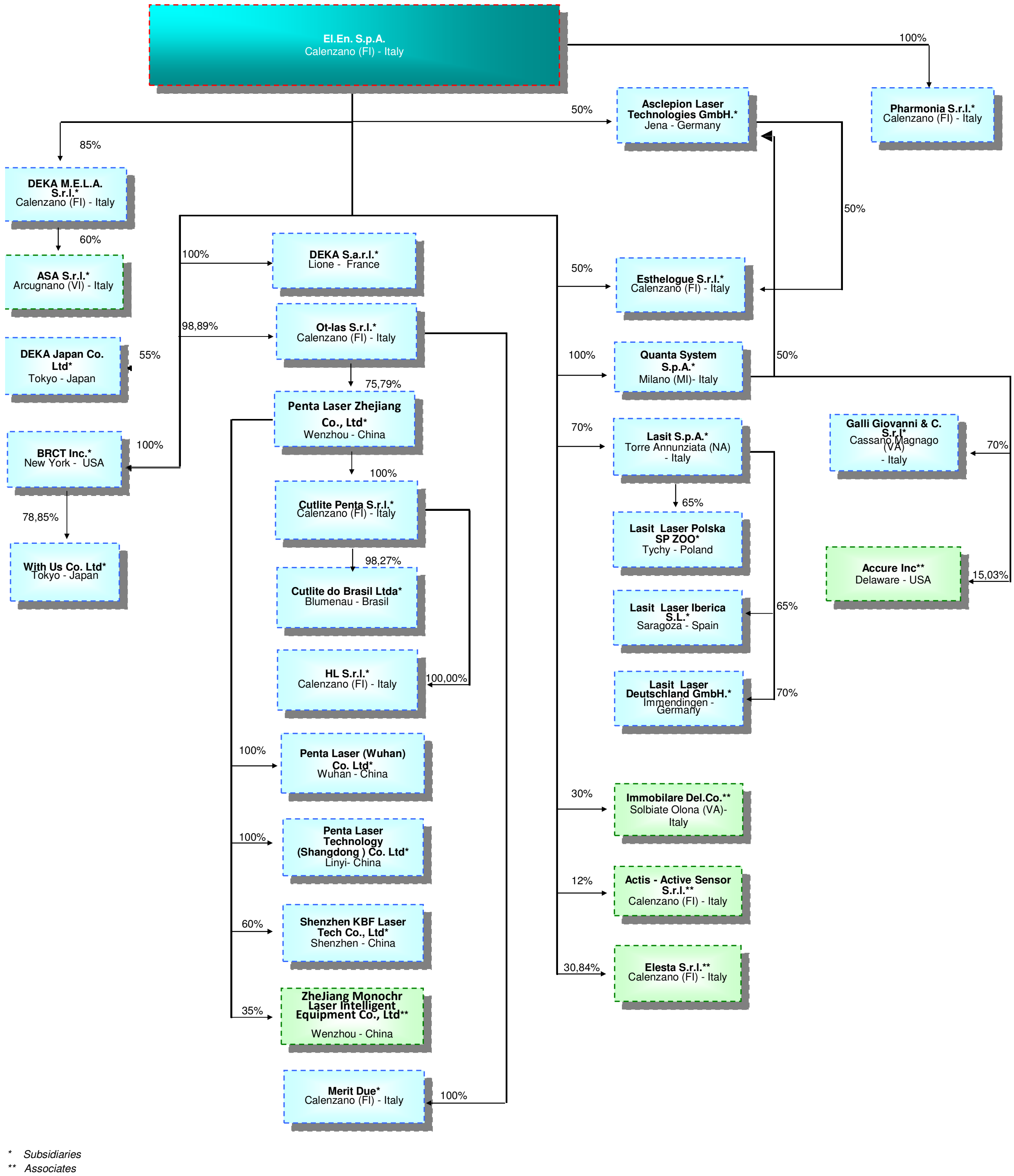
There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser 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 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.

1.3 Description of the Group

As of June 30th 2023 the structure of the Group was the following:



1.4 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).

1.5 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.

	30/06/23	30/06/22
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	17,4%	22,4%
ROI (EBIT / Total Asset)	11,2%	12,5%
ROS (EBIT / Sales)	11,2%	12,7%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,76	0,78
Debt Ratio (Total Liability / Total Asset)	0,50	0,54
Leverage ((Net Equity+ Loans) / Net Equity)	1,21	1,23
Current Ratio (Current Asset / Current Lability)	1,84	1,73
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,06	1,07
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,32	0,40

(*) For interim periods, the income statement amounts are annualized

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)

1.6 Group financial highlights

The first half of 2023 closed with a consolidated sales volume of about 346 million Euros, an increase of 5,7% with respect to the first half of 2022, with an EBIT of 38,9 million Euros, showing a decrease with respect to the 41,4 million Euros registered for the first half of 2022, and a consolidated net result for the Group amounting to 25,8 million as opposed to the 28,4 million for last year.

With reference to the guidance published by the Group, the results for this half were aligned with the forecasts for the growth of the sales volume but were slightly below those related to the objective of reaching the record EBIT set last year. The results of the second quarter confirmed both the positive outlook as well as the difficulties which had emerged in the early months of the year and showed positive and, in some cases, excellent results in all sectors and segments except that of laser cutting in China, the disappointing performance of which was entirely responsible for the delay in reaching the objectives.

In the medical sector, the sales volume for this half was close to 200 million Euros and showed a growth of 8,5%, which represents a highly significant result if one considers the altered economic conditions and the extraordinary results obtained in the preceding years with which they are compared. In this sector, the EBIT has also increased, although slightly less than the increase in sales due to the increase in overhead, in particular the marketing expenses for which travel and participation in trade fairs has now returned to a pre-Covid level. In particular, there has been a very positive trend in the sales of systems for surgical applications and a decrease in the growth of systems for aesthetics and therapy, this latter mainly due to the stagnation of some of the fundamental markets like Japan and the Middle East.

In the cutting sector, the trend was again very positive for Cutlite Penta and Cutlite do Brasil, which, during this half, was able to expand their business volume both in Italy and abroad and also improved their revenue with respect to the first half of 2022. On the other hand, the Chinese companies showed disappointing results despite the fact that a recovery was expected this year after a very uncertain 2022, but they are still facing unfavourable market conditions. The expected recovery of the Chinese economy after the lockdown did not take place and instead there was hostile environment for the growth of economic activities, as was shown by the crisis of the great real estate corporations and the monetary and currency incentives which the central government is applying in an attempt to stimulate the economy. The dynamics of the market for cutting systems revealed a sharpening of competition with a further reduction in the average prices and difficulty for Penta Laser to assert the superior quality which differentiated them from their competitors and guaranteed their success in the preceding years. While the improvement in the number of orders received at the beginning of the year comported a good volume of production, the average price was so low that the break-even level is higher than that was reached. We are now working on a re-organization of our products offered with the most stringent requirements of the market and for this period we must register an operating loss; without this loss the results for the cutting sector and also the consolidated results would have been much better than last year.

It should be recalled that in 2023 in the industrial sector on the Italian market we expect an impact caused by the diminished benefits to clients for fiscal reductions which were part of the so-called 4.0. The results in our country continue to grow mainly due to the orders received last year but the number of orders is aligned with the forecast of a reduced demand caused by the lack of incentives. At the same time, the number of exports has improved thanks to the incentives undertaken in particular by Cutlite Penta and Lasit to increase their presence on the international markets. For example, Cutlite Pena is present at the Fabtech fair in Chicago which is a fundamental event for the machine tool industry in the United States. Moreover, Lasit has continued their policy of internationalization and, in 2022, established direct sales branches in Spain and Poland, and, in 2023, a new company in Germany, and they intend to open similar branches in other countries in order to accelerate the volume of business and, above all, to allow Lasit's activities to be closer to their clients, thus facilitating customizing and assistance, which are decisive factors for obtaining and keeping clients.

In the medical sector, in the second quarter, with respect to 2022, there was again a growth in sales volume for a solid amount although it was a decrease with respect to the first quarter. The record amount of new orders has started to go back to normal levels in the recent months and is a premise for the slow down expected in the second half and the year which is mainly due to the uncertainties caused by the continuing conflict in Ukraine and an expected recession in the USA and the European countries (which has been confirmed for Germany) and the increase in interest rates which has made it much more difficult to obtain the financing necessary for the purchase of our merchandise and, consequently, also more difficult for the client to make a decision.
The investment in our equipment, which is innovative and capable of generating income for our clients even during a less florid economic phase, still remains attractive, but it is clear that in this phase of transition from an economy with zero rates and zero inflation to more "normal" conditions, the impact of the altered terms represents a psychological and economic obstacle that is difficult to overcome.

The general economic situation in the areas in which we operate in the western world is not very different from that outlined when we formulated the forecasts for the trend for the coming year. We expect a period of uncertainty and the possibility of slipping into a phase of recession, with a decrease in the explosion of the demand, even with the continuing positive phase. The situation in China, however, is different and much less positive than that prefigured, with the political measures unable to allow the economy to overcome the problems created by the isolation caused by the lockdown and the territorial ambitions which have made China a business partner with whom it is more difficult to work on a short term basis and which has numerous risks of reliability on a mid-term basis.
The problems that loom over the economic activities in this phase, the war in Ukraine, the increasing isolation of China in international relations, and the very restrictive monetary policy generate a state of uncertainty which could affect our activities due the lack of confidence in the short term prospects by the economic operators in general.
We are reacting and trying to prevent the possible market difficulties by intensifying our research and development activities for the release of new products, confirming the innovations in the range of products offered on the market which represents our most valuable competitive weapon for dealing with markets which, in the various disciplines, despite the negative conditions have always turned out to be receptive to our new products which offer evident and tangible advantages in terms of applications.

The research and development activities represent the fulcrum of the innovative capacity of the Group. The Group conducts applied research which is aimed at designing and creating new products and new application methods. The technical capacities in all of the disciplines necessary to create a complex system like a laser system is the foundation for the innovation, but also the accurate and systematic analysis of the interaction between the laser beam and the human body or the materials that are going to be processed. The El.En. Group is characterized by a profound stratification of skills that allow it to maintain a very high level of productivity in its research activities, in terms of new systems released or sale every year. The extensive section dedicated to this activity provides a detailed description of the advancement of the pipeline of projects and the innovations underlying them.

As far as new products are concerned, the most important event that occurred during this period was the launching of Deka's PRO series with three flagship devices Again, Red Touch and Onda, which were presented in the PRO version which had been significantly renovated both in the technical specifications and the ergonomics on the occasion of the World Dermatology Congress held in Singapore in early July (for further details, see the press release dated July 3rd 2023).

As far as our specific markets are concerned, we continue to be confident in both their short and mid-term development. Our Group remains proactive in their contribution to the technological and applicative innovation which is at the base of the development of our markets and we remain confident in their ability to continue to grow.

During this half the Group also continued their activities related to sustainability which, among other things are included among the performance indicators for the salaries of the managers. The Board of Directors of El.En. S.p.A. approved the five-year Plan for 2023-2027 which describes the specific and measurable objectives. The main issues included in the Plan are fight against climate change, the circular economy the promotion of a responsible supply chain, the value of people and the contribution to the community in order to confirm the continuous effort to create a sustainable development and how environmental and social responsibility are always an integral part of the business model of the Group.

A very significant amount of the cash held by the Group was used this half, mainly to increase the net working capital. It should be recalled that the excellent results shown in recent quarters were obtained not only from the outstanding products offered by the Group, but thanks also to the financial power which was accumulated rather than being dispersed or distributed in the past few years and made it possible, during the prolonged phase of crisis in the acquisition of supplies and the increase in the interest rates, to continue to serve the market although this comported a significant increase in the working capital which, however, will decrease when the supply chain returns to normal.
During the period we are analysing here, the dynamics in the acquisition of components which, on a seasonal basis is greater at the beginning of the year in order assure a constant availability for the growing sales volumes, and the payment to the suppliers which is still very brief term in this phase so as to guarantee punctual delivery, determined an unfavourable situation in the net financial position, the decrease of which was also determined by the distribution of dividends for about 18,9 million Euros and investments for about 8,5 million.
The dynamics in the management of the working capital and the cash flow, which had already improved in the second quarter with respect to the first, in the second half is destined to reverse the trend of the first and to start once again to generate cash and increase the consolidated net financial position. As far as the beginning and ending overall value of the net financial position is concerned, it is influenced by the repositioning of the amounts shown in the charts below, with a decrease of 13,2 million.

The chart below shows the division of the sales volume in the first six months of 2023 by sector of activity in the Group, compared with the same division for the same period last year.

	30/06/2023	Inc %	30/06/2022	Inc %	Var. %
Medical	198.505	57,43%	182.936	55,95%	8,51%
Industrial	147.120	42,57%	144.038	44,05%	2,14%
Total revenue	**345.625**	**100,00%**	**326.975**	**100,00%**	**5,70%**

The overall growth was over 5%, and was greatest in the medical sector.

The chart below shows the geographical distribution of the sales volume for this half.

	30/06/2023	Inc %	30/06/2022	Inc %	Var. %
Italy	80.836	23,39%	65.906	20,16%	22,65%
Europe	75.226	21,77%	69.180	21,16%	8,74%
ROW	189.563	54,85%	191.888	58,69%	-1,21%
Total revenue	**345.625**	**100,00%**	**326.975**	**100,00%**	**5,70%**

Medical sector

	30/6/2023	Inc %	30/6/2022	Inc %	Var. %
Italy	18.402	9,27%	17.897	9,78%	2,82%
Europe	58.365	29,40%	53.749	29,38%	8,59%
ROW	121.737	61,33%	111.291	60,84%	9,39%
Total revenue	**198.505**	**100,00%**	**182.936**	**100,00%**	**8,51%**

Industrial sector

	30/6/2023	Inc %	30/6/2022	Inc %	Var. %
Italy	62.434	42,44%	48.009	33,33%	30,05%
Europe	16.861	11,46%	15.432	10,71%	9,26%
ROW	67.826	46,10%	80.597	55,96%	-15,85%
Total revenue	**147.120**	**100,00%**	**144.038**	**100,00%**	**2,14%**

The trend for sales in the macro geographical area for the two sectors shows the best results for the medical sector, especially on the foreign markets while, in the industrial sector the excellent trend in sales in Italy and the rest of Europe counteract the decrease in sales in the rest of the world which was caused by the drop in sales registered in the cutting sector by the Chinese companies. (-23%).

The chart below shows the results of sales in the various segments of the sector of medical and aesthetic systems, which represents 57% of the sales volume of the Group:

	30/06/2023	Inc %	30/06/2022	Inc %	Var. %
Aesthetic	113.874	57,37%	110.979	60,67%	2,61%
Surgical	38.482	19,39%	30.053	16,43%	28,05%
Physiotherapy	8.102	4,08%	7.931	4,34%	2,15%
Others	1.366	0,69%	693	0,38%	97,04%
Total medical systems	**161.824**	**81,52%**	**149.656**	**81,81%**	**8,13%**
Medical service	36.681	18,48%	33.280	18,19%	10,22%
Total medical revenue	**198.505**	**100,00%**	**182.936**	**100,00%**	**8,51%**

The sales volume in the medical sector showed growth in all segments.

The excellent result for the sales of systems for surgical applications, which is close to 30% is particularly noteworthy and is in line with the forecasts and the gradual recovery after the slow-down, which was more severe than in other segments, during the Covid period. Physical therapy and aesthetics also showed growth and the residual segment of “Others” was in rapid expansion thanks to the return of interest in systems for dentistry. The sales volume for after-sales services and consumables shows a growth that is greater than that for the systems thanks to the increase in the number of plants installed which naturally comports a greater volume of technical assistance on the systems and the use of consumables, especially in urology in which every operation requires an optical fibre. The sales volume for surgical optical fibres represents a significant amount of the sales volume for medical service.

To illustrate in detail the most important applicative sectors, for example, the systems for aesthetic applications registered a significant growth for those based on CO_2 and on ed Erbium for skin rejuvenation with ablative treatments the (the Punto system by Deka, Dermablate by Asclepion, Tetra and Helix also by Deka for the North American market) and the systems with nano and picosecond laser impulses for the removal of tattoos, but above all the anti-aging toning treatments for oriental skins (the Discovery Pico and Chrome systems by Quanta System, Studio by Deka, Picostar and Rubystar by Asclepion). In the field of surgical applications, the systems for urology represent the most important part of the sales volume (about 75% of the segment) and contribute significantly to the rapid growth shown during this half, thanks mainly to the Fiber Dustsystems by Quanta. The phase of excellent results in the sales of CO_2 systems for otolaryngolatry and gynaecology have also continued and, in percentage terms are above average for this segment.

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

	30/06/2023	Inc %	30/06/2022	Inc %	Var. %
Cutting	121.740	82,75%	122.064	84,74%	-0,27%
Marking	14.460	9,83%	10.836	7,52%	33,45%
Laser sources	2.190	1,49%	2.050	1,42%	6,81%
Conservation	319	0,22%	272	0,19%	17,51%
Total industrial systems	**138.709**	**94,28%**	**135.222**	**93,88%**	**2,58%**
Industrial service	8.412	5,72%	8.817	6,12%	-4,59%
Total industrial revenue	**147.120**	**100,00%**	**144.038**	**100,00%**	**2,14%**

The growth of the sales volume in the industrial sector was about 2%.

After years of continued rapid growth which allowed it to represent almost 85% of the sales in the industrial sector, the cutting sector maintained a constant volume of business during the first half of 2023 with respect to 2022. This stability in reality is due to two very different factors: the outstanding, rapid growth with Cutlite Penta on the western markets, Italy, Europe, and the United States, and the brusque halt of the Chinese market which represents about half of the sales of the Group in this sector and which showed a drop of 20% in the sales volume. During the remaining part of the year, Cutlite Penta will continue to benefit from this favourable phase, with excellent results, but will not be able to maintain the same growth rate they showed in 2022, while the difficulties on the Chinese market at this time do not portend a quick recovery of the results in that area.

Growth in the sector of laser marking continues to be substantial, over 33% this half, thanks to the excellent results shown by Lasit for identification marking with solid state sources and by Ot-las for decorations and special processing with CO_2. laser sources. Lasit has been deeply involved in the internationalization of its selling structure, with the creation of branches for direct sales in Poland, Spain and Germany (this latter was established in 2023). The start-up of the new branches comports considerable expense which will be absorbed by the continued growth in sales volume that is expected for the activities managed by Lasit.

The sales volume of the industrial sources is substantially unchanged, while the reduction in the revenue for after-sales service and consumables is mainly due to the slow down of the Chinese market.

The trend in revenue from the restoration sector, the flagship of the Group, was highly satisfactory. In this sector the Group places its technological excellence at the service of the conservation of the artistic heritage all over the world. In recent months we have contributed to work of great international importance and prestige, like the restoration of the Cathedral of Notre Dame in Paris and the cleaning of the rock tombs in the area of Tabuk in Saudi Arabia.

In this report, however, we wish to dedicate special attention to intervention that directly involved our local community, two works of art that, besides the artistic value that they have had and still have for Florence have great symbolic and historical significance. The gilding on Donatello's statue of Judith, symbol of the autonomy of the Florentine Republic and the victory of the people over the tyrants, and the inscription on the base of the equestrian statue of Cosimo I by Giambologna, which, on the contrary, was the symbol of the power of the Medici family over the city. In both cases, these works of art were cleaned to remove the patina that covered them and made visible once again, returned to their original splendour so that they could be admired by all of the visitors to Piazza della Signoria.

The photograph below shows the restoration of the statue of Judith by Donatello which was performed with a Laser Eos 1000 LQS.

1.7 Consolidated income statement as of June 30th 2023

The chart below shows the consolidated income statement for the period ending on June 30th 2023, compared with the same period last year.

Income Statement	30/06/2023	Inc %	30/06/2022	Inc %	Var. %
Revenues	345.625	100,0%	326.975	100,0%	5,70%
Change in inventory of finished goods and WIP	15.940	4,6%	9.734	3,0%	63,77%
Other revenues and income	3.625	1,0%	2.981	0,9%	21,59%
Value of production	**365.191**	**105,7%**	**339.690**	**103,9%**	**7,51%**
Purchase of raw materials	211.655	61,2%	218.320	66,8%	-3,05%
Change in inventory of raw material	(10.436)	-3,0%	(29.450)	-9,0%	-64,56%
Other direct services	32.499	9,4%	28.964	8,9%	12,20%
Gross margin	**131.473**	**38,0%**	**121.855**	**37,3%**	**7,89%**
Other operating services and charges	30.622	8,9%	27.646	8,5%	10,76%
Added value	**100.851**	**29,2%**	**94.209**	**28,8%**	**7,05%**
Staff cost	55.197	16,0%	46.982	14,4%	17,49%
EBITDA	**45.654**	**13,2%**	**47.227**	**14,4%**	**-3,33%**
Depreciation, amortization and other accruals	6.780	2,0%	5.836	1,8%	16,17%
EBIT	**38.874**	**11,2%**	**41.391**	**12,7%**	**-6,08%**
Net financial income (charges)	(1.028)	-0,3%	255	0,1%	
Share of profit of associated companies	(5)	0,0%	7	0,0%	
Income (loss) before taxes	**37.842**	**10,9%**	**41.653**	**12,7%**	**-9,15%**
Income taxes	10.991	3,2%	11.011	3,4%	-0,18%
Income (loss) for the financial period	**26.851**	**7,8%**	**30.641**	**9,4%**	**-12,37%**
Net profit (loss) of minority interest	1.075	0,3%	2.219	0,7%	-51,54%
Net income (loss)	**25.776**	**7,5%**	**28.422**	**8,7%**	**-9,31%**

The gross margin amounted to 131.473 thousand Euros, an increase of about 7,9% with respect to the 121.855 thousand Euros shown on June 30th 2022. The increase is greater than that for the sales volume thanks to the recovery of the sales margins, from 37,3% to 38%.

The sales margins showed a slight improvement in the medical sector especially due to a better mix of products, but also thanks to the increase in the price which helped offset the increase in the cost of materials. The sales margins in the industrial sector, on the other hand, showed a drop, mainly due to the difficulties on the Chinese market which was made gradually more competitive after the 2022 crisis which it is still struggling to overcome.

The costs for operating services and charges were 30.622 thousand Euros, an increase with respect to the 27.646 thousand Euros shown on June 30th 2022, with an incidence on the sales volume which increased very slightly, from 8,5% to 8,9%. The increase in the incidence on the sales volume was caused mainly by marketing expenses, in particular those for participating in trade fairs and symposiums, in which our companies were involved both in relation to the medical sector and the industrial sector. The figurative costs for the stock option plan for the administrators contributed to this increase, which in the first half of 2023 amounted to about 146 thousand Euros and were not present in 2022.

The cost for personnel was about 55.197 thousand Euros, showing an increase with respect to the 46.982 thousand Euros shown on June 30th 2022, with an incidence on the sales volume which increased from 14,4% in 2022 to 16% in 2023. The figurative costs for the stock option plan or the assigning of shares to employees which, in the first half of 2023 amounted to about 1.589 thousand Euros as opposed to 456 thousand Euros in the first half of 2022, contributed to the increase.

As of June 30th 2023 there were 2.261 employees in the Group, an increase with respect to the 2.105 registered on December 31st 2022. The increase is mainly due to the hiring of personnel for the newly-acquired KBF of Shenzhen, which were not included in the total for December. The other new employees were hired by Asclepion in Germany and by Quanta System in Samarate.

A large part of the personnel expenses is directed towards research and development costs for which the Group receives grants and reimbursements on the basis of specific contracts underwritten by the institutions created for this purpose.

The (EBITDA) amounted to 45.654 thousand Euros, a decrease of 3,3% with respect to the 47.227 thousand Euros shown on June 30th 2022. The incidence on the sales volume decreased (14,4% in 2022, 13,2% in 2023).

The costs for amortizations, depreciations and accruals showed an increase and rose from 5.836 thousand Euros on June 30th 2022 to 6.780 thousand Euros on June 30th 2023 and the incidence on the sales volume remained substantially the same at about 2%.

The EBIT therefore amounted to 38.874 thousand Euros, a decrease with respect to the 41.391 thousand Euros shown for the first half of 2022, with an incidence on the sales volume which decreased from 12,7 to 11,2%. The impact of the non-monetary costs derived from the assigning of stock options or shares to collaborators and employees was 1.736 thousand Euros in the first half of 2023 as opposed to the 456 thousand Euros in 2022.

The financial charges amounted to 1.028 thousand Euros with respect to the financial income of 255 thousand Euros registered for the same period last year, due to the losses on the exchange rate caused by the sudden weakness of the US dollar this half and the interest paid on the virtual losses introduced by Penta Laser Zhejiang on December 31st 2022 as described in the related paragraphs.

The pre-tax income amounted to 37.842 thousand Euros, less than the 41.653 thousand Euros shown on June 30th 2022.

The income tax for the period amounted overall to 11 million Euros. The taxes for this half were calculated on the basis of the best estimate of the fiscal aliquots expected for the year 2023.

The tax rate for this half was about 29,1%, an increase with respect to the 26,4% for the same period last year.

The first half ends with a net income for the Group of 25.776 thousand Euros with respect to the 28.422 thousand Euros shown on June 30th 2022.

1.8 Consolidated statement of financial position and net financial position as of June 30th 2023

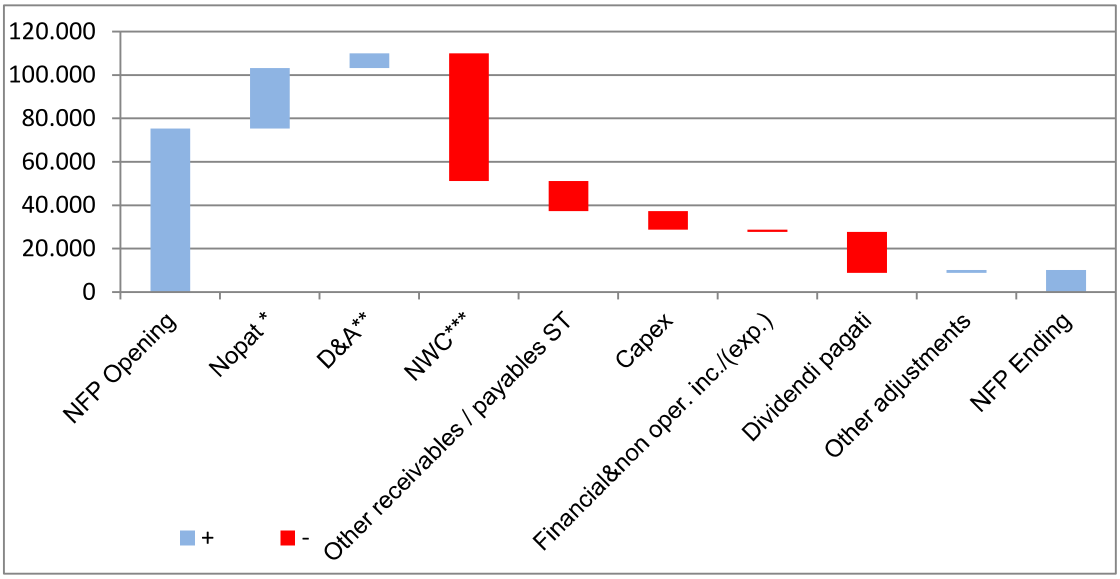
The statement of financial position shown on the chart below makes it possible to compare the financial position for this half with that of last year.

Statement of financial position	30/06/2023	31/12/2022 restated	Variation
Intangible assets	12.839	13.898	-1.059
Tangible assets	112.512	113.086	-575
Equity investments	2.978	2.082	896
Deferred tax assets	13.649	12.421	1.228
Other non-current assets	24.293	24.299	-6
Total non current assets	**166.269**	**165.786**	**483**
Inventories	225.817	202.900	22.917
Accounts receivable	176.486	168.499	7.986
Tax receivables	15.943	16.334	-391
Other receivables	20.266	17.245	3.021
Financial instruments	4.188	2.311	1.877
Cash and cash equivalents	87.940	162.814	-74.874
Total current assets	**530.641**	**570.105**	**-39.464**
Total Assets	**696.910**	**735.891**	**-38.980**
Share capital	2.598	2.595	3
Additional paid in capital	47.200	46.928	272
Treasury stock	-469	-469	0
Other reserves	107.151	95.304	11.848
Retained earnings / (accumulated deficit)	138.606	113.717	24.888
Net income / (loss)	25.776	55.111	-29.335
Group shareholders' equity	**320.862**	**313.186**	**7.676**
Minority interest	29.054	30.269	-1.215
Total shareholders' equity	**349.915**	**343.455**	**6.461**
Severance indemnity	4.476	4.099	377
Deferred tax liabilities	3.236	3.242	-6
Reserve for risks and charges	9.595	10.736	-1.141
Financial debts and liabilities	34.235	37.862	-3.627
Other non current liabilities	7.573	6.884	689
Total non current liabilities	**59.114**	**62.824**	**-3.709**
Financial liabilities	40.347	45.056	-4.709
Accounts payable	146.146	170.863	-24.718
Income tax payables	5.750	8.151	-2.401
Other current payables	95.638	105.543	-9.904
Total current liabilities	**287.881**	**329.612**	**-41.732**
Total Liabilities and Shareholders' equity	**696.910**	**735.891**	**-38.980**

	Net financial position	30/06/2023	31/12/2022 restated
A	Cash and cash equivalents	87.940	162.814
B	Cash equivalents	-	-
C	Other current financial assets	4.371	2.351
D	**Liquidity (A + B + C)**	**92.310**	**165.165**
E	Current financial debt	(37.333)	(41.050)
F	Current portion of non-current financial debt	(3.014)	(4.005)
G	**Current financial indebtedness (E + F)**	**(40.347)**	**(45.056)**
H	**Net current financial position (D + G)**	**51.964**	**120.110**
I	Non-current financial debt	(23.678)	(27.632)
J	Debt instruments	(10.556)	(10.230)
K	Non-current trade and other payables	(7.573)	(6.884)
L	**Non-current financial indebtedness (I + J + K)**	**(41.808)**	**(44.747)**
M	**Net Financial Position (H + L)**	**10.156**	**75.363**

Net of the restatement of the amounts as described in the relative paragraph of this report, the net financial position during this half registered a decrease of about 65,2 million dropping from the 75,4 million shown on December 31st 2022 to 43,3 million on March 31st 2023 and registering 10,2 million at the closure of the first half of 2023. Without considering the restatement of the net financial position, it would have decreased from the 88,5 million in December 2022 to the 22,9 million shown in June of 2023.

This phase with its significant absorption of working capital by the operating activities of the Group continues but in the second quarter showed a slowdown which should prelude the reversal expected for the second half of the year. As shown on the graph below, the expansion of the use of working capital absorbed cash for an amount of 58,8 million during this half (26,5 of which in the first quarter), while the variation in the down payments to clients and suppliers and tax credits and debts, in the same six months, absorbed 14,9 million (16,9 in the first quarter). The fixed investments amounted to 8,5 million, a decrease with respect to last year, and in line with the forecasts. With 18,9 million, the payment of dividends represents an annual use which impacts the second quarter. The significant contribution of the current flow of revenue, 27,8 million during this half, was not enough to limit the absorption of cash described in the preceding paragraphs. The maintenance of a good level of revenue, the reversal of the tendency to expand the working capital and the absence of dividends to be paid should make it possible to achieve a considerable improvement in the net financial position by the end of the year.



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

Among the changes in the working capital, there is an increase of 10% in the overall amount of inventory with respect to the end of the year, which is due to the increase in the volume of production, the expected further increase in the volume of production, and, in some cases, purchases that were made in the expectation of an increase in the sales volume which did not occur. As far as trade receivables are concerned, the increase of 5% is absolutely normal, while, on the other hand, the reduction of about 15% of the accounts payable was a determining factor for the absorption of cash and reveals the necessity for the Group to dedicate great attention to the relations with the supply chain in order to guarantee the continuity and speed of the flow of materials needed for production which, in the past two years was anything but taken for granted. The amount of down payments from clients decreased this half. This is a custom which is almost entirely related to the laser cutting industry in China and in Italy, in correspondence with the closure of the financial year, in order to guarantee the attribution of the ex-4.0 benefits for the following year.

The fixed technical investments during this half were related to the construction and equipping of new plants and the remodelling of some pre-existing ones for the new operational requirements for an amount of 4,1 million and investments in equipment and plants for an amount of 3,3 million. Of these, the most significant in terms of importance were the completion of the factory in Wuhan, where production was moved from a rented building, and the improvements made on the buildings in Samarate by Quanta System and in Calenzano by El.En.
Moreover, about 800 thousand Euros were invested by Penta Zhejiang in the initial equity quota of 35% in the capital of Zhejiang Monochr Ltd, a company similar to a consortium which was created under the patronage of the region with other local companies to promote a joint project for research in the field of industrial applications of lasers.
This investment was entered into accounts with the financial assets but is in fact an investment in research and development considering that the Zhejiang region will sustain the activities of Monochr with significant funds and, as technical leader the Group will be able to participate actively in the definition of the project programming, the work and benefit from the results. This investment represents the determination of the Group to dedicate itself to the essential activities for the development of our business.

It should also be noted that the amount of bank and postal deposits includes about 8,5 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 22 million Euros in cash in preceding years has been invested in financial instruments of an insurance type which, due to their characteristics, must be entered into accounts among the non-current financial assets. This type of cash investment is currently held by El.En. Spa for an amount of 11.5 million, by Quanta System for 2,5 million Euros and by Deka Mela for 8 million Euros. Since these are mid-term cash investments, these amounts are not part of the net financial position. At the end of this period the total fair value of these investments amounted to 23,6 million Euros.

1.9 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 El.En. Spa and its subsidiaries. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the first half of 2023.

	Revenues 30/06/2023	Revenues 30/06/2022	Variation	EBIT 30/06/2023	EBIT 30/06/2022	Income (loss) for the financial period 30/06/2023	Income (loss) for the financial period 30/06/2022
El.En. S.p.A.	72.149	73.734	-2,15%	10.880	13.117	20.790	20.924
Ot-Las S.r.l.	2.742	1.954	40,33%	26	(22)	(285)	(37)
Deka Mela S.r.l.	37.690	37.421	0,72%	3.960	3.445	3.613	3.082
Esthelogue S.r.l.	7.556	7.806	-3,20%	181	384	141	334
Deka Sarl	2.966	2.331	27,24%	262	96	262	96
Lasit S.p.A.	11.879	9.631	23,34%	1.032	660	309	461
Quanta System S.p.A.	76.374	63.421	20,42%	16.351	13.996	11.876	10.957
Asclepion GmbH	35.976	27.818	29,33%	3.740	2.803	2.501	1.729
ASA S.r.l.	8.131	7.994	1,71%	1.500	2.339	1.050	1.729
BRCT Inc.	-	-	0,00%	(5)	(5)	(12)	(12)
With Us Co., Ltd	6.314	10.366	-39,09%	101	(840)	8	(699)
Cutlite do Brasil Ltda	4.533	4.456	1,73%	551	653	670	834
Pharmonia S.r.l.	-	-	0,00%	(4)	(3)	(4)	(2)
Deka Japan Co., Ltd	615	1.584	-61,17%	(19)	219	3	119
Penta Laser Zhejiang Co., Ltd(*)	55.370	71.959	-23,06%	(4.458)	2.740	(4.236)	2.749
Merit Due S.r.l.	39	37	5,41%	17	16	12	12
Cutlite Penta S.r.l.	70.090	56.183	24,75%	5.140	3.081	3.403	2.137
Galli Giovanni & C. S.r.l.	593	634	-6,47%	84	130	53	86
Lasit Laser Polska	970	648	49,69%	(24)	(275)	7	(297)
Lasit Laser Iberica, S.L.	206	-	0,00%	(54)	-	(54)	-
Lasit Laser Deutschland GmbH	10	-	0,00%	(43)	-	(43)	-
HL S.r.l.	-	-	0,00%	(3)	-	(3)	-

(*) data of the China which includes the results of Penta Laser Zhejiang Co., Ltd, Penta Laser (Wuhan) Co., Ltd, Penta Laser Technology (Shangdong) Co., Ltd. and Shenzhen KBF Laser Tech Co., Ltd.

El.En. S.p.A.
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 and 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, as a large part of the resources of the company are allocated to sustain the activities of the Group.

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 remarkable development in the sales volume that has been registered in the past two years came to a halt in the first half of 2023. The drop in sales with respect to the first half of 2022 was due mainly to the decrease in sales of laser systems for hair removal to an important client who is active on the European market and to the decrease in the absorption by the subsidiary Deka Mela of laser systems for aesthetics. In any case, the volume of business remains satisfactory, with an annual sales volume of 72 million and an EBIT which is 15% more than the incidence on the sales volume.
On the other hand, if we consider the overall net result, it remains substantially constant with respect to the first half of 2022, just slightly over 20,5 million Euros, thanks mainly to the dividends cashed in by the subsidiaries.
In the month of May 2023 El.En. Spa paid its shareholders a dividend of 0,22 Euro per share, amounting overall to an expenditure of about 17,5 million.

Deka M.E.L.A. S.r.l.
Deka M.E.L.A. was the first company in the Group to attend to the marketing of medical systems in Italy and abroad, the natural market for the systems developed and manufactured by El.En. in Calenzano, for which Deka is still the main channel of distribution. DEKA is now the most prestigious and famous brand name on the Italian market for laser applications for medicine and aesthetics and this leadership has been re-enforced by the introduction of the Renaissance brand in which the Group has united the distribution in Italy of the medical systems manufactured by Quanta System and Asclepion. At the international level, the Deka brand has a very prestigious role and is one of the main players on the market.
Deka operates in the sectors of dermatology, aesthetics and surgery and makes use of a consolidated network of agents for the direct distribution in Italy and a network of highly qualified distributors who have been selected over time for international export.
The Deka organization, both in Italy and in the international network, is a highly visible and recognized presence and a synonym for product innovation, professionalism in supplying and excellent performance of the laser systems they offer. These features represent the conditions in which the Group is investing in order to augment its further growth, thanks to their ability to move new products through their consolidated and effective distribution network.
After the records set in 2022, 2023 is being confirmed as a solid year with results of sales at the same level as the preceding year and revenues slightly higher thanks to the improvement in the sales margins which has offset the increase in marketing costs. The EBIT and the net result have improved about 15% in 2023. Considering that a decrease in demand is expected in the second half of the year, the results for the period should confirm for 2023 the annual results for 2022.

Ot-Las S.r.l.
Ot-Las Srl deals in the business of laser marking systems for large surfaces with galvanometric type movement of the beam, and makes use mostly of the scanning systems and the mid-power CO_2 laser sources supplied by El.En.
The trend in the first half was good, with the sales volume and EBIT showing improvement over the first half of 2022, and the company is expected to close the year with the positive results shown in 2022.
Ot-las holds a significant equity in the companies of the Group that operate in the sector of sheet-metal cutting for which it is the main holding company. The company owns 75,79% of Penta Laser Zhejiang which in turn controls 100% of the Chinese companies Penta Laser Wuhan, Penta Laser Shandong, the Italian company Cutlite Penta, as well as Cutlite do Brasil and the newly acquired Chinese company KBF.

Cutlite Penta S.r.l.
Cutlite operates in the segment of laser cutting systems for which it conducts activity of design, production and sales. The company was created to act as a integrator for the high-powered laser sources produced by the Parent Company, El.En. S.p.A. on systems for the applications of cutting plastic and dies however, the recent years Cutlite has switched the focus of its activity to the manufacture of laser cutting systems for sheet metal, for which it uses the laser sources made available on the market by the highest quality producers which have turned the laser source in fibre into commodity.
Thanks also to the Chinese companies which had used them before they did, Cutlite was very rapid to add the advantages of the new technology to their systems: they achieved great success thanks to the range of systems with attractive price- performance ratios and this greatly add to their prestige as an innovator. The results transformed the company which rapidly multiplied their sales volume which rose from the 33 million registered in 2018 to 84 million in 2021 and 126 million in 2022. Important investments were made to increase their production capacity which is now concentrated in a building complex in Prato where the company moved in 2019 and where a second, adjacent plant was purchased and production started in 2021.
The beginning of 2023 confirmed the company's characteristic of rapid growth in recent years and registered an excellent +25% in sales for this half amounting to over 70 million and a jump in the EBIT from 3,1 to about 5,1 million Euros. The trend in the demand should allow the company to maintain this excellent level for all of the year 2023. The

phase of recession in Italy will prevent them for maintaining the growth rate registered up to now for the entire year, which will only partially be offset by the improved trend in sales abroad.

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

The Group has been present in China since 2007 with the Joint Venture started in Wuhan for a local production, characterized mainly by European technology, on the market of sheet metal cutting. The successful outcome of this initiative led to the creation of four more factories with two in Wenzhou and two in Lin Yi, which make it possible to preside with the greatest efficiency over the market which has the greatest demand for plants for manufacturing. There are 966 employees active in the production facilities, the dense marketing network and the effective after-sales technical support for our clients.

At the end of 2022 KBF of Shenzen became part of the Group. The company is specialised in the manufacture of laser systems for the production of batteries for electric vehicles. The investment is aimed at diversifying the Group's activities in a segment which has a high potential for growth among those which benefit from the the innovations of the laser systems. KBF is struggling to overcome the present conditions of the market and with a performance which remains among the most cautious predicted when it was purchased.

The trend of the Chinese companies and its negative impact on the consolidated results of the Group have been commented on in the report on the consolidated results. The market, both in terms of general demand in the manufacturing sector, as well as in the specific dynamics of the cutting sector, has declined and penalized our companies which are working to re-organize and re-position themselves with an aim to start generating a profit once again.

Quanta System S.p.A.

This company was created as a spin-off of the laboratories of scientific research on photonics and became part of the Group in the early 1990s and a subsidiary in 2004 thanks to its particular skills it developed in the sector of applications for lasers in medicine. The company now produces sophisticated laser systems for aesthetic medicine and for surgery, in particular in the segment of urology, in which it detains an important part of the international market.

After obtaining extraordinary results in 2022, in 2023 Quanta is confirming itself as a company in rapid growth on the market for medical laser equipment, thanks to an increase in sales of over 20%, which, among other things is accompanied by an excellent EBIT which this half amounted to 21,4% of the sales volume and it is 16,3 million opposed to the 14 million for the first half of 2022. The half-yearly results and the number of orders received promise excellent results for the year.

Lasit S.p.A.

This company is specialized in the design, manufacture and sales of systems for marking small surfaces and conducts its manufacturing operations and product development in their headquarters in Torre Annunziata (Naples).

Its systems are used for the identification of products, parts and sub-assemblies, a requirement that has become very frequent in the manufacturing world where the need for traceability of products and components has become increasingly stringent. Laser marking systems with their flexibility and low environmental impact are able to satisfy this requirement with the greatest efficiency.

The mechanical workshop is equipped with state-of-the-art numerical control systems and even laser systems for cutting sheet metal and represents a qualified internal supplier also for the rest of the Group.

The activities of Lasit are now undergoing a phase of profound transformation and development. The reaction to the pandemic phase has included the re-organization of their activities which have been transferred to a new, larger headquarters adjacent to the old one in Torre Annunziata, and also the creation of sales offices in foreign countries to accelerate growth on the international markets and increased speed in supplying the clients.

The growth in the sales volume and the expansion of the company with the foreign branches continued in 2023. Lasit SpA showed a growth in sales of 23% and also improved its net income; the consolidated sales volume of Lasit and its subsidiaries was over 12 million, showing a growth of about 28%. The outlook for the end of the year remains good.

Since 2021 the Lasit subsidiary **Lasit Laser Polska**, has been operating in Poland. The company was founded for the purpose of taking advantage of the opportunities for rapid development of manufacturing in some areas of this country. Since the fourth quarter of 2022 **Lasit Laser Iberica SL**, has been operating at Saragozza in Spain. This company was also founded with the objective of facilitating the penetration of the market by means of a local branch. In 2023 they also continued the creation of a distribution network and direct presence in Germany by founding **Lasit Laser Deutschland GmbH** in Tuettlingen (Germany). The opening of new branches comports an expense which, in the start-up phase impacts the costs before the benefits can be perceived in terms of development of the business in the territory. This should be taken into consideration when reading the current results and the short-term outlook for these companies, which show a good development in their sales volume but are still showing a loss.

Asclepion Laser Technologies GmbH
This company was founded as Asclepion-Meditec and then became the aesthetic division of Carl Zeiss Meditec, which was purchased from Zeiss in 2003. At the time the company had about forty employees who worked inside the Zeiss factory. It grew rapidly and acquired a significant position on the market of laser systems for medical and aesthetic applications, for which it constitutes one of the three business units of the Group. As of this date, Asclepion has almost 200 employees and their own factory has ample spaces dedicated to the training of its clientele and employees.
The location in Jena, international cradle of photonics and a lively cluster of start-ups active in the world of electro-optics, represents a significant advantage for Asclepion, both for its high-tech image as well as the facility of access to environments that are very proactive in the basic and complementary technologies necessary for the production of our systems.
Asclepion is considered an authoritative point of reference on the market for the two laser technologies in which it excels: that for diode laser (semi-conductor) hair removal and that for erbium systems for dermatology.
The most recent involvement of Asclepion in the surgical sector was related to the development of high-quality products for applications in urology with holmium and thulium technology which reached excellent results in this field in terms of technical performance of the equipment. The laser systems are sold under the brand name of Jenasurgical.
The trend for 2023 appears as of now, very positive, with a solid demand since the main obstacles on the supply chain which had hindered the production capacity in 2022 have been solved. The sales volume and the EBIT grew 30% during this half and there are the bases for closing 2023 with a significant improvement over 2022.

With Us Co Ltd
With Us Co. is the distributor of El.En./Deka products for the aesthetic sector in Japan, where it has been able to acquire an important position in particular in the applicative sector of hair removal. In recent years the strong competition on the local market has not left much space for European products and With Us has concentrated on the sales of services and consumables for the large amount of equipment that has already been installed and on the distribution of accessories and small equipment for aesthetic centers which are produced locally. For this reason the decrease in the volume of business has continued. Thanks to the control of the costs, the economic result allows them to break even and is now the objective for the end of the financial year 2023.

ASA S.r.l.
In 2023 ASA of Vicenza will celebrate its 40 years of activity. The company operates in the field of physical therapy for which it develops and manufactures laser equipment and low or mid-powered semi-conductors. Thanks to the range of products offered and their ability to supply the clients with training courses which allow the clients to reap the benefits of the technologies in their elective capacities, ASA has seen their size grow constantly over the years and has always maintained a good level of revenue.
ASA is equipped with its own Research and Development office (ASA Campus) which is dedicated to the creation of diode lasers and the company has taken advantage of the Nd.YAG technology systems manufactured by the Parent Company, El.En S,p,A, which distributes them all over the world, beside contributing concretely to the definition of specific products and of new applicative protocols.
The results for the first half of 2023 show a slight growth in sales volume and a reduction of the operating revenue which, in any case, remains close to 20% of the sales volume and preludes a closing of the financial year which is very positive, despite the revenue which is lower than that generated in 2022.

Other companies, medical sector

Deka Sarl distributes the Deka and Quanta brands of medical devices in France. Its presence represents a direct and useful instrument for the positioning of the brand on the French market and the French speaking countries of North Africa**.** The excellent results recently registered by this office continue in 2023 and are the result of a faster and more efficient management of the marketing activities in this territory and the range of products made available for sale by the research and development structures of Deka and El.En. Consequently, we can confirm the forecast for the closure of the financial year 2023 with a growth in sales volume ad a positive economic result.

Deka Japan is active in Japan and distributes Deka brand medical systems on the Japanese market. Since 2018 they have been collaborating with DKSH which acts as the sole distributor on the market, while Deka Japan concentrates on obtaining the authorizations necessary for the sale of new products and the logistical support of DKSH. The trend for 2023 at this time is not satisfactory, with a drop in sales with respect to 2022 and a gap which will be difficult to overcome in the second half of the year.

Esthelogue S.r.l. distributes the laser systems of the Group in the professional aesthetic sector in Italy. This is a varied and lively market in which the company has acquired an increasingly important role for various hair removal applications and for non-invasive body contouring. For hair removal, the Mediostar systems represent the most typical

product featured by Esthelogue and are able to satisfy every requirement of the clientele with a vast range of devices including the very powerful Monolith handpieces.
In the applications for non-invasive body-contouring Esthelogue offers a complete range which includes the Icoone system as its latest release, the Thermactive system and the B-strong Plus system which uses innovative technology and methods. 2023 appears to be more complex than last year with a first half that showed a slight drop in sales volume and a more significant decrease in EBIT. Considering the change in economic conditions, in particular the increase in interest rates, it will not be easy for them to repeat the results obtained in the second half of 2022.

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

La **Galli Giovanni & C. Srl** is a machine shop specialized in high precision mechanical work. The company became part of the Group in 2019. Thanks to the characteristics of the CNC machinery and the high level of professionalism and specialization of the staff, it contributes to the maintenance of the high level of quality and flexibility of the production of mechanical parts. With their entry into the Group the Galli company is expanding their operations thanks to a new, larger building and new machinery. The economic results for 2023 continue to be positive.

BRCT Inc. acts as a financial sub-holding company.

Other companies, industrial sector

Cutlite do Brasil Ltda which has a factory in Blumenau in the state of Santa Catarina founded in 2007 for the production of laser systems in Brazil, now attends to the distribution of laser systems produced by their Italian associates and operates in a factory that is able to supply an effective technical support for the hundreds of installations in the territory.
In recent years Cutlite has been able to take advantage of the opportunities opened by the technology of laser cutting of sheet metal with increasingly powerful fiber lasers and they have developed a volume of business which is now enough to reach an economic balance and generate profits. In 2022 Cutlite Penta purchased from El.En. spa the controlling equity in Cutlite do Brasil which consequently became part of the laser cutting division of the Group. The outlook for 2023, sustained by the results for the first six months, is to continue with the phase which is producing positive results.

1.10 Comments on Research and Development

During the first half of 2023, we continued conducting research and development activities according to the strategy of pursuing continual innovation intended to open new applications for laser and other energy sources both in the medical and industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative because of the performance of the devices and/or the technologies that are used.
The El.En. Group is one of the few companies in the world which develops, produces and markets products which are based on the widest range of technologies available, including: solid state lasers, semi-conductor lasers, active fiber lasers, coloring lasers, CO_2 lasers, as well as systems for frequency conversion like OPO and Raman, which are able to supply solutions from infra-red to ultra-violet, with various levels of power and duration of emission in order to satisfy a vast range of applications. Besides the laser technology, El.En. is active in other technologies that are related to other types of electromagnetic energy, including, in particular, radio frequency, microwave and high intensity magnetic fields. Consequently, research and development is concentrated on many different types of systems, sub-systems and accessories.
We conducted an intense activity aimed at obtaining patent to protect the intellectual property of our inventions. This activity has become increasingly difficult over the years because of the protectionist policies in the countries of major technological development.
Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiary companies have been involved is given below.

Systems and applications for lasers in aesthetic medicine and surgery

In the first half of 2023 we conducted an intense activity of research and development aimed at enabling Deka to release on the market a range of products on the occasion of the 25th WCD (World Congress of Dermatology), which was held in Singapore from July 3rd to July 8th, 2023.
The new platform of the PRO line, Again PRO, RedTouch PRO and Onda PRO represent a remarkable innovation in the sector of high-end Energy Based Devices respectively in the segments of hair removal, rejuvenation of the face, and body treatments. They offer multiple elements of recognizable innovation both in terms of the renovated aesthetic design of the equipment and the graphic interface which absolutely innovative and user friendly, due to the significant increase in the performance which confirm a continued attention to the needs of doctors and to the benefits of the operators and the patients.
Again PRO is the result of extremely detailed research of the highest standards of performance and versatility for hair removal, even on dark skins. Again PRO revolutionizes the technological basis of its predecessor "Again", and noticeably improves the treatment of thin and light colored skins. The PRO platform is a combination of Nd:YAG and Alexandrite lasers, and has been significantly improved also for vascular treatments, superficial pigmented lesions and skin rejuvenation.
The brand-new Onda PRO uses "PGW" (Precision GigaWave Technology) to remove cellulitis, localized adipose (including under the chin) and skin laxity by using selective and confined microwaves. The unique features of Onda PRO have now been enhanced with the exclusive addition of a third handpiece, called POCKET, which acts on the face and produces a powerful lifting effect combined with an intense distension of the skin.
Another important innovation is RedTouch PRO, the only laser device in the world that interacts directly with the collagen fibers (it emits powerful fractional beams of light that are consistent with red @ 675 nm) which makes it possible to reach, quickly and painlessly, important results in the non-ablative treatment of chrono and photo aging, by acting on the spots, melasma and in the creation of neo-collagen.
Besides the activities related to the development of the new range of products in the PRO series, during this half we conducted other activities related to the wide range of applications and products in El.En's medical division.
For the Red Touch product, we continued with the activities scheduled as part of the clinical studies in the USA which are aimed at obtaining the FDA clearance necessary for releasing the product on the American market.
The new system for dermatology called "*Helix*", made by combining the ablative effect of the traditional CO_2 laser with a non-ablative effect obtained using a source with emissions at 1570 nm, obtained FDA clearance in January of 2023.
In the field of *Body Shaping* we continued the research and development activities on systems for muscular stimulation and for the reduction of localized adipose deposits based on electrical excitement combined with light emission. During the first half of 2023 we made the submission requesting the FDA certification for the treatment of fat with a new version of the PhysiQ which has been made more powerful by the application of an innovative laser technology. We expect to receive clearance before the end of the year.
Also in the field of *Body Shaping*, on the *"LIPO AI"* system we have implemented innovative algorithms of Artificial Intelligence which offer considerable advantages and improvements in the simplicity of use and guarantee the highest levels of safety and effectiveness for the, by now, classic procedure of laser-lipolysis. During the first half of 2023 in this product we implemented the direct measurement of the temperature of the tissue during the treatment for the purpose of giving the operator further direct control on reaching the end point.

For surgical applications we continued the research and development activities related to the CO_2 Laser technology. We have created new accessories and systems, including "*Multipulse Pro Duo"* which is marketed by the subsidiary Asclepion. This system makes it possible to conduct a vast range of surgical operations thanks to the double function of the arm and fibre.

At **Quanta System S.p.A.** during the first half of 2023 they continued in the development of new products both in the surgical division as well as in the fields of dermatology and medical aesthetics, and some new products were launched successfully.
For the surgical applications the company has recently released on the market laser systems based on the new technology of *Thulium Fiber laser - Fiber Dust* and *Fiber Dust PRO*, and in this way completed the range of the company's products for the treatment stones in the urinary tract and benign hyperplasia of the prostate. At the same time, they created customized versions of the same product for some important OEM clients. Currently, the company is engaged in the development of the power for this range of products for the purpose of completing their line of technical specifications that are increasingly sophisticated with an aim to satisfying the growing demand for innovative technologies in this sector.
During the first half of 2023 the company obtained new certifications for the line of high-powered Holmium products and for the range of thulium fiber, for strategic markets like Brazil and Japan. Quanta System has demonstrated that they are the flagship company of the El.En. Group in research and technological innovation in the field of lasers for urological applications.
For all of the main dermatological applications, they have completed development of two new laser platforms with levels of energy that are about 30% higher than the current ones. These platforms are at the base of the development of new products. In particular, they have completed the development and release of the new product Suprema for sale in the USA. Suprema is a system that is able to generate even simultaneous emissions from different laser sources, with energies that are significantly increased in green (532 nm) for vascular applications alexandrite (755nm) and Nd:YAG (1064nm), for photo-hair removal and photo-rejuvenation applications.
The YouLaser Prime is about to begin production; it is a device based on a combination of two laser sources with an ablative effect (CO_2) and a non-ablative effect (1540nm), for skin resurfacing applications and for regenerating scar tissue, and is able to offer a wide range of dermatological treatments with modulated invasiveness and, consequently, the possibility of determining the downtime on the basis of the needs of the individual patient.
Quanta System has continued their collaboration with the Center for Photo-medicine of the Massachusetts General Hospital*,* which has produced the development of an innovative system for curing acne in its active state; this is the result of a vast research project conducted by *Accure Acne Inc*. in collaboration with El.En. and Quanta System and represents a product of great innovative value in the field of dermatology. The activity of clinical development also involved some research centers in America under the responsibility of the associated company **Accure Acne Inc.** and received FDA clearance for the release and sales of the device in the USA starting at the beginning of 2023.

ASA has continued in their work of clinical experimentation and validation of the therapeutic effectiveness of their equipment for physical therapy, as required by MDR. The technological innovation applied to the *Laser MLS* model *M8* had, as a result, that in numerous ha European countries, some hospitals and clinics successfully applied this laser therapyin he rehabilitation of patients who had suffered severe forms of COVID-19.

At **Asclepion,** they continued development following a strategy for the updating of all the systems in their catalog, which includes a new philosophy of interface with the user, new electronics, and new design. They have developed a system of automatic recognition of the vessels for vascular treatments using a camera and they are currently conducting technical and clinical experiments with it. They have also continued with the fine-tuning of a surgical system for urological applications both using a laser and an auxiliary to the latter, with the launching of a stand-alone morcellator which appears to be very promising. They have completed a range of laser handpieces that are part of the Monolith system for hair removal by inserting a new handpiece that is able to generate a powerful emission of 760 nm and 1060 nm, in this way producing an innovative new platform, AlexStar Duo.
In the aesthetic field, they are working on the technological improvement of the sources which were in the past produced by Asclepion.
Thanks to the stipulation of a new contract for the exclusive use of a patent, the company is completing the development of a technology which will allow it to be the first company in the Group to enter the sector of haircare.

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.
The expiration date for the completion of this documentation has become less urgent after the communication stating that the final date for the entry into force of the new legislation has been postponed, thus making it possible to dilute the

technical and clinical involvement required for the preparation of the products and documents according to new regulations.

Laser applications and systems for industry and restoration

At **El.En.** we 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 continued in the fine tuning of the range of mid-powered self-refilling sealed CO_2 sources, in particular the 1,5kW source, which will be used in the die sector in collaboration with Cutlite Penta.
We have started to work on the sealed-off CO_2 laser sources with greater power and different wavelengths with an aim to expanding the range of uses.
We have continued the development of the sealed off sources for applications in the sectors of stripping, for e-vehicles. Which require greater power and low costs in order to affirm the presence in this sector of our integrator partner as opposed to mechanical solutions. In the emergency caused by the lack of some components, we continued to use Group research and development resources to revise the technical solutions with an aim to minimizing the difficulties of the historic moment and the impact of similar situations which might occur in the future.
In the sector of galvanometric scanners, we have continued to improve the engineering of the products for the purpose of improving the productive processes and the long-term dynamic performance.
We are currently designing new scanning units which are modular, on the basis of the requirements for slow marking of flat surfaces and systems with dynamic focalization.
In the field of laser devices for conservation of works of art ad, more in general, for cleaning, the Research and Development team is now concentrating on the addition of new high-performance sources which are more adaptable to the requirements of working in the field.

Cutlite Penta In the field of machinery for metal cutting, the new optical, mechanical, fluid-dynamic and sensoristic developments of the EVO3 cutting heads have made it possible to add lasers with a power of up to 40 kW to the range being offered. The equipment with 40kW sources represents a product that is in continual evolution thanks to the fine-tuning of the cutting processes which is increasingly sophisticated. Exceptional results have been achieved in terms of the cutting of very large thicknesses of carbon steel and stainless steel. They have continued with the designing and improvement of innovative systems for cutting pipes and combined tube/flat machinery.
The development of the software and the identification of the cutting parameters, even with the relative supporting gases, have made it possible to exploit the full potential derived from the high powers being used, with significant increases in performance in terms of productivity and quality and the manufacture of innovative machinery for 2D and 3D bevel cutting which create a new line of applications for cutting with laser fiber and a distinctive element for differentiation on the market which is made possible by new capacity to manage the high laser powers.
Moreover, they have continued the constant development and expansion of the range of machines for making American dies, a field in which Cutlite Penta is still re-enforcing their position as world leader by presenting a new line based on El.En. RF1555 lasers, which is still acquiring new portions of the market with respect to those of their competitors.

On the **Ot-las** machines they have expanded the possibility of installing high-powered laser sources like the CO_2 RF1555 source by El.En. and new specially developed scanning optics which are able to manage the average and peak high powers along with the growing demand for dynamic performance. They have also continued with the evolution of specific accessory systems intended to increase the efficiency of the complete system.
In the sector of shoe manufacturing, they have extended the functions of the software and developed devices to position the soles or cutting which improve the use of the systems so that they increasingly meet the requirements of the market.
They have continued the study and development of processing of large sizes (2×3 meters) with high powered lasers (1.500W) both for processes to be conducted on large sheets of metal as well as on leather and textiles, which are designed to meet the increasingly specific requirements of the clientele.
A feature that is increasingly requested are personalized solutions to be added to complete production processes which require superficial treatment of various materials, besides those which are integrated into production lines using universal robot systems.

A development by the subsidiary **Lasit** is related to the improvement of the systems confining the irradiation area of the leaser in terms of an increased integration and ergonomics of the opening and closing devices.
They have worked on the simplification, reduction of size and uniformity of the electrical panels and the other components with an aim to perfecting the engineering of the systems making them more adaptable and compact.
The fine-tuning of vision systems that are able to gain access to the work field directly through focalizing optics so as to reduce to a minimum the parallaxes errors, the size and the vulnerability of the telecameras.

The chart below shows the expenses for research and development for this period:

Thousands of Euros	**30/06/2023**	**30/06/2022**
Staff costs and general expenses	8.143	6.606
Equipment	217	189
Costs for testing and prototypes	1.692	2.980
Consultancy fees	208	227
Other services	28	317
Total	**10.288**	**10.319**

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.
It should be mentioned that the expenses for research can be divided between an increase of about 11% for research pertaining mainly to the medical sector and a reduction in the expenses for the same amount registered this half by the Chinese companies, also in relation to the outlook for greater involvement through the equity held in Zhejiang Monochr.

The amount of expenses sustained corresponds to about 3% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 4% of its sales volume.

1.11 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 a bank guarantee in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo.

During 2022 Ot-las srl issued a guarantee, for a maximum of 25 million dollars for Penta laser Zhejiang and its subsidiary Cutlite Penta S.r.l. for the payment of the amount that they would have to pay in excess of the amount paid by the insurance company on the basis of the definitive sentence they are condemned to pay for the compensation for damages for the law suit in the United States at the Superior Court of Hartford Complex file n. X03-HHD-CV17-6084684-S. Moreover, the Parent Company, El.En. spa offered a second level guarantee in the case that the guarantee offered by Ot-las became operative or that 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 guaranteed 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 obtained lines of credit for a total value of 125 million RMB by taking out a mortgage, used on June 30th for the amount of 10 million RMB.

The Chinese subsidiary Penta Laser (Wuhan) took out a mortgage to obtain a line of credit for a maximum of 10 million RMB which was completely used on June 30th 2023.
Moreover, they granted guarantees to the subsidiary Penta Laser Zhejiang for 33 million RMB for the financing obtained by this latter.

The Chinese subsidiary Shenzhen KBF Laser Tech took out mortgages for the purpose of obtaining a line of credit for a maximum of 10 million RMB which was completely used on June 30th 2023. They also obtained a guarantee from the General Manager for another line of credit for a maximum of 10 million RMB, which was completely used on June 30th 2023.

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 covered.

During this period the subsidiary Cutlite Penta Srl stipulated a contract to cover in part the risks on the interest rate of a loan.

Operation	Notional value	*Fair value*
Interest rate swap	€4.583.333	€ 4.578
Total	**€4.583.333**	**€ 4.578**

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.

1.12 Governance

In compliance with art. 19 of the Company by-laws, the Company is administered by a Board of Directors composed of a number of members which varies from a minimum of three to a maximum of fifteen. The number of members was set at seven by the Shareholders' meeting on April 27th 2021 which was called to vote on the renewal of the Board of Directors (which will remain in office until the approval of the financial statement on December 31st 2023).

As of June 30th 2023, the Board of Directors was composed as follows:

NAME	POSITION	PLACE AND DATE OF BIRTH
Gabriele Clementi	President and managing director	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Managing director	Forlì, 17 June 1940
Andrea Cangioli	Managing director	Firenze, 30 December 1965
Fabia Romagnoli (*)	Board Member	Prato, 14 July 1963
Daniela Toccafondi (*)	Board Member	Prato, 18 July 1962
Michele Legnaioli (*)	Board Member	Firenze, 19 December 1964
Alberto Pecci	Board Member	Pistoia, 18 September 1943

(*) Independent administrators, in compliance with art. 148, sub-section 3, D. Lgs. 58/1998 and art. 2 of the Code of Corporate Governance 2020 (*ex* art. 3 of the Autodisciplining Code of Quoted companies 2018)

The members of the Board of Directors have the headquarters of El.En. S.p.A. in Calenzano (FI), Via Baldanzese n. 17 as their domicile while they are in office.

On April 27th 2021 the Board of Directors nominated as executive board members the president Ing. Gabriele Clementi and board members Barbara Bazzocchi and Ing. Andrea Cangioli and attributed to them separately and with free signature, all of the ordinary and extraordinary powers of administration needed to carry out all the activities that are part of the company mission, with the exception of the those that are specifically prohibited from proxy by law or by the company by-laws.

In conformity with the Corporate Governance Code 2020 now in force (and the preceding Self-discipline Codes for Quoted Companies 2018)

a) On August 31st 2000, the Board of Directors presents among its components at least two independent administrators in compliance with art. 2 of the Corporate Governance Code (*ex* art. 3 of the Self-disciplining Code). At this time there are three of them: Dott.ssa Fabia Romagnoli, Prof.ssa Daniela Toccafondi and Michele Legnaioli;
b) On September 5th 2000, the Board of Directors created the following committees composed mainly of non-executive administrators:
   1. The "Nominations Committee" which is charged with the duties described in art. 4, Racc. 19, of the Corporate Governance Code 2020 (*ex* art. 5 of the Self-disciplining Code 2018 cit.);
   2. The "Remuneration Committee", which is charged with the duties described art. 5, Racc. 25, of the Corporate Governance Code 2020 (*ex* art. 6 of the Self-disciplining Code 2018 cit.);
   3. The "Controls and Risks Committee" (*ex* "Commission for internal controls"), which is charged with the duties described in art. 6, Racc. 32, of the Corporate Governance Code 2020 (*ex* art. 7 of the Self-disciplining Code 2018 cit.) as well as those derived from the CONSOB Regulations on Related Parties regarding operations with related parties; and with those in assisting the Board of Directors in their preparatory functions which are of a proactive and consulting nature, in the evaluation and decisions related to questions of sustainability connected to the activities of the Company, and to the dynamics of its interaction with all of the stakeholders, to the social responsibility of the Company, to the examination of the situation for the preparation of the strategic plan and to the corporate governance of the Company and the Group.
c) Since 2000 the Board of Directors has also designated persons who have the responsibility of verifying that the system of internal controls and risk management is adequate and functioning.

The Board of Directors meets at least once every quarter in order to guarantee adequate information for the Board of Auditors on the activities and the most important operations conducted by the Company and its subsidiaries and, when necessary, on the performing of operations by related parties or ones that are of particular complexity and/or importance, as well every time the chairman and/or executive board members intend to share the issues and decisions that regard them with the entire Board.

Since they are relevant for the entire Group, the internal controls of the Group are conducted by the Parent Company in collaboration with the personnel of the subsidiary companies.

From the point of view of organization, the administrators of the Parent Company participate in many of the board meetings of the subsidiary companies as members of their boards, or they have the office of sole administrator. If this is not the case, the administrative bodies supply all the information considered necessary for defining the organization of the activities of the Group and the accounting information necessary for meeting the legal requirements. By the end of the month after the closure of the quarter, the subsidiaries must supply all of the information necessary for the preparation of the consolidated economic and financial reports.

1.13 Inter-Group relations and with related parties

In compliance with the regulations established by the *Regolamento Consob* on March 12th, 2010, n. 17221 and the subsequent modifications, the Parent Company El.En. S.p.A. approved the "Regulations for the discipline of operations with related parties" ("*Regolamento OPC El.En.*") which is available in the updated version on the internet site of the Company, www.elengroup.com section "Investor Relations/governance/documenti societari". These regulations, after the modifications that have been made and which are described below, represent an updating of those approved in 2007 by the Company in implementation of art. 2391-*bis* of the Civil Code and of that recommended by art. 9 which was in force at the time (and, in particular, of applicative criteria 9.C.1 of the Code for the Self-disciplining of companies quoted on the stock market (edition of March 2006), in light of the approval of the above mentioned "*Regolamento Operazioni con Parti Correlate*" n. 17221 and the later modifications as well as the *Comunicazione Consob* DEM/110078683 of September 24th 2010and that approved on March 14th 2019.
The OPC regulation of El.En. S.p.A. was first approved and then modified by the Board of Directors during the meeting held on June 30th 2021, with entry into force starting on July 1st 2021, after the option by the Consob on December 10th of resolution n. 21624 issued for the implementation of the regulatory delegation contained in art. e2391-*bis* of the c.c., and amplified in D. Lgs. 49/2019 for the purposes of observing the EU directive 2007/36/CE related to the encouragement of the long-term involvement of the shareholders. The Board approved some of the additions to the El.En. OPC regulations for the purpose of aligning them with the new rules, bearing in mind that the Italian set of regulations was already mature with reference to the recognition of the European rules and, consequently, it was simply an intervention to align the internal procedures which El.En. had already adopted at the end of 2010. The modifications that were made are described in the annual financial report for the year ending in December 2021.
Afterwards, after the process of evaluation, the OPC Regulation of El.En. S.p.A. was updated and modified by the Board of Directors during the meeting held on July 20th 2023 in consideration of the overcoming of the parameters of "small-sized companies as per. 3, sub-section 1, letter f) of the Consob regulation 17221/2010.
The modifications that were made were related to:
a) the prevision that, in the case of operations of major significance, the Committee for Operations with Related Parties would meet and discuss the case in the presence of three independent board members who were not related parties;
b) the prevision for improved equivalent safeguards in cases of operations of greater significance with the attribution of the authority to release a final opinion to the entire board of Auditors instead of just the president of the controlling body.;
c) the reorganization of the contents with the separation into two distinct articles the procedure for the release and the validity of the preliminary opinion of the OPC Commission and its effects.

During 2019, in relation to the acquisition operations described in the annual financial report as of December 31st 2019, by the subsidiary Ot-las s.r.l. of the minority share of the Chinese company 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 – they voluntarily published an information sheet in compliance with article 5 of the *Regolamento Consob Parti Correlate 17221/2010* and art. 1.2.of the regulations for the disciplining of relations 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 are regulated by ordinary market conditions.
Regarding relations with related parties, see the relative explanatory notes in the Half-yearly financial report of the El.En. Group.

1.14 Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we wish to state that during the first half of 2023 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.15 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.

1.16 Significant events occurring during the first half of 2023

On March 15th 2023 the Board of Directors of El.En. SpA, following a proposal by the Remuneration Committee, voted in relation to the creation of a stock option plan for the period 2026-2031 ("*Stock Option Plan* 2026-2031") in compliance with the mandate conferred to them by the Shareholders' meeting on December 15th 2022. They identified the beneficiaries of the plan, the number of options assigned, the dates when the options could be picked up, and the price for underwriting them.

The Board also proceeded to exercise, partially and for the exclusive use of the Plan, the faculty conferred by article 2443, sub-section II, Civil Code, by the same assembly, to increase through the payment, divisible and with the exclusion of the option rights in compliance with art. 2441, sub-section V, c.c., the capital stock up to 49.955,00 Euros by means of the issuing of 1.414.000 ordinary shares which can be underwritten by administrators, collaborators and employees of the El.En. Spa company and the companies that it controls, who are the recipients of the options in the above-mentioned plan.

The options can be exercised in conformity with the terms and conditions stated in the regulations of the Plan which was definitively approved on that date, by the beneficiaries in two equal tranches: the first starting on April 1st 2026 and ending on 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, the options which have not been exercised by that time will expire definitively, and the capital will be considered a s definitively increased for the actual amount underwritten and released on that date.

The Plan includes among the beneficiaries of the option rights, 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 Spa who have significant roles, administrators of the subsidiary companies who are considered of strategic importance for the development of the Group, some other subjects belonging to the category of employees, management, and collaborators for whom the professional and personal characteristics and loyalty are recognized as having an important role also in consideration of 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 also decided to modify article 6 of the Company statutes related to the Capital Stock in order to be consistent with the above-mentioned resolutions.

On April 27th the Shareholders' Assembly of the Parent Company, during a regular meeting, approved the financial statement for 2022 which showed a net income of 31.472.330,00, and also voted:
- to distribute to the shares then in circulation on the date the coupon came due, on May 29th 2023 in compliance with art. 2357-*ter*, second subsection of the Civil Code, a dividend of 0,22 Euros gross for each share in circulation for an overall amount on the date of the resolution, of 17.573.197,84 Euros, with the tacit understanding that this amount could be increased by new additions for the distribution of the dividends to the shares in circulation on the expiration date in relation to the implementation of the stock option plan for 2016-2025 during the period between the date of the resolution and the record date of May 30th 2023;
- to accrue the residual part, on the date of the resolution, 13.899.132,16 Euros, as an extraordinary reserve, with the tacit understanding that this amount could be decreased by the amounts which might become necessary for the distribution of record date of May 30th the dividends to the shares in circulation on the date the coupon came due related to the stock option plan 2016-2025 in the period intervening between the date of the resolution and the record date of May 30th 2023;
- to proceed with the payment of this dividend on May 31st 2023.
Also, during this ordinary assembly, they approved:
- the report on the remuneration and salaries paid, in conformity with art. 123-*ter* T.U.F. subsection 3-*bis* and art. 123-*ter* T.U.F. subsection 6;
- to authorize the Board of Directors to:
* acquire in one or more tranches, in respect of the European Union regulation 596/2014 and the delegated regulation of art. 132 D. Lgs. of February 24th 1998, n. 58 and te concurrent and/or alternative means as per 144-bis, subsection 1, letters a), b) d-ter) and art. 144-bis, subsection 1-bis of the Regolamento Emittenti Consob 11971/1999, within 18 months of the resolution, treasury stock representing a number of ordinary shares which, in any case, considering the shares which are detained in the portfolio, is not more than the fifth part of the capital in respect of the laws and regulations, at a unit price which at the minimum is the closing price which the shares registered on the stock market the day before the completion of each single operation, decreased by 10% and, at the most is not more than 10% more than the official price of the negotiations registered on the day before the purchase.
* to release into circulation, sell or transfer shares within ten years of the date of purchase at one or more different times, at a price or equivalent value, not less than 95% of the average of the official negotiation prices registered in the five days preceding the sale, all of which for the purposes an following the methods terms and conditions of the Board of Directors may establish at the moment of sale, release or transfer and in the full respect of the current laws.
To confer to the Board of Directors, and, for it, to the president and the delegated board members separately and with the right to delegate to third persons the execution of this resolution, with all of the necessary powers and rights in compliance with EU regulation 596/2017 and art. 132 D. Lgs. 58/98 with methods such as to guarantee in any case, an equal treatment of the shareholders in respect of the Consob regulations.
In the extraordinary meeting, the shareholders' assembly also voted to introduce and discipline the new figure of honorary president and for this purpose modified article 20 of the by-laws.

On April 1st 2023 the subsidiary Lasit SpA founded the company Lasit Laser Deutschland GmbH with headquarters in the city Immendingen in Germany. Lasit spa holds the controlling equity in the company of 70%.

On June 5th 2023 the subsidiary Cutlite Penta founded the company HL srl of which it holds a controlling equity of 100%. The new company has its headquarters in Calenzano (FI).

On May 11th 2023 Penta Laser Zhejiang participated in the creation of Zhejiang Monochr, a company founded under the patronage of the regional administration of Zhejiang for developing and managing broad research projects in the field of industrial applications of laser systems. They have an equity in the company of 35%.

Restatement of the amounts of the prior year in accordance with IAS 8 paragraphs 41-42

During the compilation of the consolidated half-yearly statement on June 30th 2023, the Group revised the resolution taken on December 31st 2022 related to the representation, according to the international accounting standards, of the increase in capital of Penta Laser Zhejiang which was underwritten in December of 2022 by four Chinese private equity funds. When revising the schedule of the project for a possible IPO of the laser cutting sector on the Chinese stock market, we re-examined the possible effects of the contractual clauses related to the agreements for the entry of the capital of the four private equity funds; these clauses are common in operations of this type and had already been examined when the financials were drawn up on December 31st 2022 with legal and financial consultants and Independent auditors.
Considering the presence of clauses which stipulate the possibility of withdrawal if events occur which are not under the complete control of the management of the Group because they depend on external factors, the Group has decided that it would be more appropriate to implement an accounting approach that has been modified with respect to that used in the consolidated financial report on issued on December 31st 2022, and consequently the amounts which were registered at that time among the shareholders' equity of the Group have been reclassified among the financial debts. The original approach was based on the prevalence of the practice used by the Chinese companies to enter into accounts the increases in capital in preparation for the IPO and the effect of the re-purchasing options usually included in similar circumstances; this practice was approved and requested by CSRC, the authority which controls the Chinese stock market.
Moreover, in compliance with paragraphs 41 and 42 of IAS 8, the accounting entry related to the above-mentioned increases in capital have been adapted through a restatement of the amounts of the shareholders' equity and the net financial position on December 31st 2022, and consequently, also on June 30th 2023. The effects of this restatement are represented in the reconciliation chart inserted in the Explanatory Notes and substantially show a reduction in the shareholders' equity and in the net financial position of 13,2 million Euros.
In any case, it should be noted that the possibility of exercising this option on the part of three of the four private equity funds represents an eventuality the conditions for which have not yet occurred. The fourth fund, CITIC Securities Investment Co. Ltd, in fact already withdrew from the option on December 29th 2022, and consequently the quota of the capital underwritten, amounting to 40 million RMB, was not subjected to the reclassification described above. With reference to the other three funds, the conditions for the exercising of the option could, in effect, occur if Penta Zhejiang was unable to complete the IPO process which has been started. Viceversa, it could dissolve in the case of quotation or withdrawal, and in this case consent the entering in the shareholders' equity of the funds received as was originally represented in compliance with the Chinese practice in use at the end of 2022 and shown in the quarterly financial rewport on March 31st 2023.

Potential developments of the Laser Cutting business unit

In 2022 the Group began the preparatory activities necessary for the presentation of a request for an IPO on the regulated market in China which was part of their ambitious objectives for growth in this sector.
The results which are maturing in 2023 in China are below expectations and, despite the excellent results registered in Italy and on the Western markets, the business unit at this time registers results that are not enough to present a successful IPO with reference to the annual results. The project for quotation on the stock market consequently remains suspended while we wait for China to take the measures necessary for new expectations of growth and profitability that are able to sustain the project.

The war in Ukraine

The war which is being fought in Ukraine now for more than a year maintains conditions of great uncertainty and are critical in international relations between the parties directly involved and those indirectly involved in the conflict. The state of war on Ukrainian territory and the rigid trading sanctions imposed on Russia have limited or prevented the continuation of trade relations in these areas. Previously, the Group had profitable relations with both countries, especially in the sector of aesthetic and medical applications.

1.17 Subsequent events

No significant events occurred after the closing of the half.

1.18 Current outlook

The results for the first half came close to the forecasts indicated in the guidance given in May, with a good growth in sales volume but with an EBIT that was below that registered for the first half of 2022. This decrease is entirely due to the difficulties which have been encountered in the laser cutting sector in China, without which the results for the half would have been better than those for last year and the guidance.
The outlook is positive overall for our markets, but it has become unstable due to the continuation of the war, the increase in interest rates and inflation and has become complex in China due to the general unfavorable economic conditions. Since we are fully aware of the potential of the Group, for the year 2023 we can confirm a slight increase in the consolidated sales volume and as far as the EBIT is concerned, it is penalized by the results obtained so far and expected for the year, in China, and therefore we will try to limit the delay in the result with respect to 2022 and maintain it at the same level as the first half.

For the Board of Directors
General Manager
Ing. Andrea Cangioli

EL.EN. GROUP

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENT

AS OF JUNE 30TH 2023

Consolidated statement of financial position

Assets	Note		30/06/2023		31/12/2022 restated
Intangible assets	1		12.838.510		13.897.740
Tangible assets	2		112.511.803		113.086.321
Equity investments	3				
- in associated companies		1.907.090		1.019.897	
- other		1.070.569		1.061.819	
Total Equity investments			2.977.659		2.081.716
Deferred tax assets	4		13.648.580		12.420.903
Other non-current assets	4				
- third parties		23.972.756		23.979.254	
- associated companies		320.000		320.000	
Total Other non-current assets			24.292.756		24.299.254
Total non current assets			**166.269.308**		**165.785.934**
Inventories	5		225.817.075		202.900.202
Accounts receivable	6				
- third parties		175.834.365		168.017.892	
- associated companies		651.542		481.598	
Total Accounts receivable			176.485.907		168.499.490
Tax receivables	7		15.943.261		16.334.476
Other receivables	7				
- third parties		20.204.841		17.183.621	
- associated companies		61.565		61.565	
Total Other receivables			20.266.406		17.245.186
Securities and other current financial assets	8		4.188.435		2.311.175
Cash and cash equivalents	9		87.939.842		162.814.265
Total current assets			**530.640.926**		**570.104.794**
Total Assets			**696.910.234**		**735.890.728**

Liabilities	Note		30/06/2023		31/12/2022 restated
Share capital	10		2.597.539		2.594.727
Additional paid in capital	11		47.200.155		46.927.795
Other reserves	12		107.151.291		95.303.590
Treasury stock	13		(468.633)		(468.633)
Retained earnings / (accumulated deficit)	14		138.605.578		113.717.287
Net income / (loss)			25.775.747		55.110.995
Group shareholders' equity			**320.861.677**		**313.185.761**
Minority interest			29.053.513		30.268.886
Total shareholders' equity			**349.915.190**		**343.454.646**
Severance indemnity fund	15		4.475.684		4.099.038
Deferred tax liabilities			3.236.327		3.242.089
Other accruals	16		9.594.586		10.735.920
Financial debts and liabilities	17				
- third parties		34.234.807		37.862.252	
Total Financial debts and liabilities			34.234.807		37.862.252
Other non current liabilities					
Accounts payable third parties - non current		1.417.566		717.819	
Other payables - non current		6.155.418		6.166.471	
Total Other non current liabilities	17		7.572.984		6.884.290
Total non current liabilities			**59.114.388**		**62.823.589**
Financial liabilities	18				
- third parties		40.346.638		45.055.546	
Total Financial liabilities			40.346.638		45.055.546
Accounts payable	19				
- third parties		146.124.392		170.862.992	
- associated companies		21.147		329	
Total Accounts payable			146.145.539		170.863.321
Income tax payables	20		5.750.035		8.150.730
Other current payables	20				
- third parties		94.338.444		105.542.896	
- associated companies		1.300.000		-	
Total Other current payables			95.638.444		105.542.896
Total current liabilities			**287.880.656**		**329.612.493**
Total Liabilities and Shareholders' equity			**696.910.234**		**735.890.728**

Consolidated income statement

Income Statement	Note		30/06/2023		30/06/2022
Revenues	21				
- third parties		344.244.558		326.476.834	
- associated companies		1.380.623		497.930	
Total Revenues			345.625.181		326.974.764
Other revenues and income	22				
- third parties		3.557.590		2.968.726	
- associated companies		67.427		12.697	
Total Other revenues and income			3.625.017		2.981.423
Revenues and income from operating activity			**349.250.198**		**329.956.187**
Purchase of raw materials	23				
- third parties		211.655.426		218.320.411	
Total Purchase of raw materials			211.655.426		218.320.411
Changes in inventory of finished goods			(15.940.440)		(9.733.656)
Change in inventory of raw material			(10.436.270)		(29.449.610)
Direct services	24				
- third parties		32.477.750		28.964.017	
- associated companies		20.818		-	
Total Direct services			32.498.568		28.964.017
Other operating services and charges	24				
- third parties		30.621.895		27.640.344	
- associated companies		-		6.000	
Total Other operating services and charges			30.621.895		27.646.344
Staff cost	25		55.196.793		46.981.624
Depreciation, amortization and other accruals	26		6.779.735		5.836.160
EBIT			**38.874.491**		**41.390.897**
Financial charges	27				
- third parties		(1.334.876)		(822.372)	
Total Financial charges			(1.334.876)		(822.372)
Financial income	27				
- third parties		602.032		354.794	
- associated companies		7.393		149	
Total Financial income			609.425		354.943
Exchange gain (loss)	27		(302.300)		722.336
Share of profit of associated companies	28		(4.521)		6.912
Income (loss) before taxes			**37.842.219**		**41.652.716**
Income taxes	29		10.991.119		11.011.386
Income (loss) for the financial period			**26.851.100**		**30.641.330**
Net profit (loss) of minority interest			1.075.353		2.219.265
Net income (loss)			**25.775.747**		**28.422.065**

Basic net income/(loss) per share	30	0,32	0,36
Diluted net income/(loss) per share	30	0,32	0,35

Consolidated statement of comprehensive income

	Note	30/06/2023	30/06/2022
Reported net (loss) income (A)		26.851.100	30.641.330
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans	32	-199.815	662.013
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments	32	-4.024.195	339.975
Total other income/(loss), net of fiscal effectes (B)		-4.224.010	1.001.988
Total comprehensive (loss) income (A)+(B)		22.627.090	31.643.318
Referable to:			
Parent Shareholders		22.860.090	29.181.144
Minority Shareholders		-233.000	2.462.174

Consolidated cash flow statement

Cash flow statement	Note	30/06/23	Related parties	30/06/22	Related parties
Operating activity					
Income (loss) for the financial period		**26.851.100**		**30.641.330**	
Amortizations and depreciations	26	5.821.763		4.697.748	
Interest income	27	609.424		354.942	
Interest Expense	27	(1.260.616)		(523.457)	
Income tax paid		(14.690.300)		(13.311.968)	
Share of profit of associated companies	28	4.521	4.521	(6.912)	(6.912)
Stock Option Share payment loss		1.735.742		456.411	
Severance indemnity	15	112.811		61.067	
Provisions for risks and charges	16	(858.783)		(240.060)	
Bad debt reserve	6	908.843		428.884	
Deferred income tax assets	4	(1.435.045)		(976.554)	
Deferred income tax liabilities		92.069		106.972	
Inventories	5	(26.275.185)		(39.050.484)	
Accounts receivable	6	(12.393.721)	(169.944)	(12.699.583)	97.549
Tax receivables / payables	7-20	10.321.664		6.265.820	
Other receivables	7	(3.961.795)		(8.945.030)	
Accounts payable	19	(20.156.132)	20.818	5.913.460	(6.000)
Other payables	20	(3.573.456)	1.300.000	(16.475.366)	
Other non- monetary variations from operating activity		666.629		(106.828)	
Cash flow generated by operating activity		**(37.480.467)**		**(43.409.608)**	
Investment activity					
Tangible assets	2	(9.009.996)		(7.164.867)	
Intangible assets	1	(269.166)		(306.307)	
Equity investments, securities and other financial assets	3-4-8	(3.013.527)	(891.714)	(2.942.799)	(102.909)
Financial receivables	4-7	(180.532)		408.757	200.000
Cash flow generated by investing activity		**(12.473.221)**		**(10.005.216)**	
Financing activity					
Non current financial liabilities	17	(710.726)		(1.115.167)	
Current financial liabilities	18	(3.158.106)		9.288.979	
Capital increase	10	275.172		17.617	
(Purchase) sale treasury stock	13	0		(282.171)	
Dividends paid	31	(18.850.648)		(17.236.352)	
Other non- monetary variations from financing activity		97.565		594.970	
Cash flow generated by financing activity		**(22.346.743)**		**(8.732.124)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**(2.573.992)**		**763.663**	
Increase/(decrease) in cash and cash equivalents		**(74.874.423)**		**(61.383.285)**	
Cash and cash equivalents at the beginning of the financial period		**162.814.265**		**181.362.813**	
Cash and cash equivalents at the end of the financial period		**87.939.842**		**119.979.528**	

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

Changes in the consolidated shareholders' equity

Total shareholders' equity	**31/12/2021**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2022**
Share capital	2.593.828			180		2.594.008
Additional paid in capital	46.840.698			17.437		46.858.135
Legal reserve	537.302					537.302
Treasury stock				-282.171		-282.171
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				225.428	2.178.017
Other reserves	4.580.808				96.507	4.677.315
Retained earnings / (accumulated deficit)	86.424.921	21.392.029		-319.492	437.144	107.934.602
Net income / (loss)	45.436.387	-45.436.387			28.422.065	28.422.065
Total Group shareholders' equity	269.372.335		-15.958.902	-584.046	29.181.144	282.010.531
Capital and reserve of minority interest	14.640.879	3.687.998	-1.277.450	1.417.922	242.909	18.712.258
Result of minority interest	3.687.998	-3.687.998			2.219.265	2.219.265
Total Minority interest	18.328.877		-1.277.450	1.417.922	2.462.174	20.931.523
Total shareholders' equity	287.701.212		-17.236.352	833.876	31.643.318	302.942.054

Total shareholders' equity	**31/12/2022 restated**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2023**
Share capital	2.594.727			2.812		2.597.539
Additional paid in capital	46.927.795			272.360		47.200.155
Legal reserve	537.302					537.302
Treasury stock	-468.633					-468.633
Other reserves:						
Extraordinary reserve	88.664.601	13.899.132				102.563.733
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	974.636				-2.765.245	-1.790.609
Other reserves	4.700.394			722.811	-8.997	5.414.208
Retained earnings / (accumulated deficit)	113.717.287	41.211.863	-17.573.198	1.391.041	-141.415	138.605.578
Net income / (loss)	55.110.995	-55.110.995			25.775.747	25.775.747
Total Group shareholders' equity	313.185.761		-17.573.198	2.389.024	22.860.090	320.861.677
Capital and reserve of minority interest	26.344.298	3.924.588	-1.277.450	295.077	-1.308.353	27.978.160
Result of minority interest	3.924.588	-3.924.588			1.075.353	1.075.353
Total Minority interest	30.268.886		-1.277.450	295.077	-233.000	29.053.513
Total shareholders' equity	343.454.646		-18.850.648	2.684.102	22.627.090	349.915.190

For details please refer to notes 10 to 14.

The amount entered in the column titles "comprehensive income refers to:
- the Cumulative translation adjustment, for the variations that have involved the assets in currency held by the Group.
- The other reserves and retained earnings/(accumulated deficit) that are mainly involved in the remeasurement of the employee severance indemnity fund at the end of the year for the amount relative to the subsidiary companies.

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

EXPLANATORY NOTES

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 managed by Borsa Italiana SpA.
The Condensed Consolidated Half-yearly Financial Statement as of June 30th 2023 was examined and approved by the Board of Directors on September 12th 2023.
The financials are drawn up in Euros which is documentary and working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The half yearly condensed 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 drawn up the financials on the assumption of maintaining the requirement of company continuity.

The consolidated financial statement consists of:

- the Consolidated Statement of Financial Position – the presentation of the consolidated statement of financial position is made by displaying the figures making a distinction between current and non-current assets and current and non-current liabilities.
- the Consolidate income statement – the presentation of the consolidated income statement consists of entries which are displayed by type because it is considered that statement which supplies the greatest number of explanatory notes.
- the Consolidated statement of comprehensive income – the presentation of the consolidated statement of comprehensive income includes the entries directly related to the shareholders' equity when the IFRS allows it.
- the Consolidated cash flow statement – the consolidated cash flow statement presents the financial flows of the operating, investment and financial activity. The flows of the operating activity are represented using the indirect method with which the result for the period is rectified by the effects of the operations which are not of a monetary nature, by any delay or accrual of preceding or future revenue connected to financial flows derived e of operating payments and by revenue or cost elements connected with financial flows derived from investment or financial activity.
- by the statement of changes in the shareholders' equity.
- and by these Explanatory Notes

The economic information which is provided here is related to the first half of 2023 and the first half of 2022. The financial information, however, is supplied with reference to June 30th 2023 and December 31st 2022.

COMPLIANCE WITH THE IFRS

This consolidated financial statement for the half ending on June 30th 2023 has been drawn up in consolidated form according to article 154-ter of D.Lgs February 24th 1998 n. 58 (TUF) and later modifications and additions, is in compliance with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we also mean the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

This half-yearly consolidated financial report is drawn up in summary form in conformity with the IAS 34 regulations for interim reports. The document therefore does not include all of the information required for the annual financial report and must be read along with the consolidated report drawn up for the period which ended on December 31st 2022.

ACCOUNTING STANDARDS, AMMENDMENTS AND INTERPRESTATIONS APPLIED SINCE January 1st 2023

The accounting standards used for drawing up the consolidated condensed half-yearly report are the same as those used for the consolidated statements published on December 31st 2022, with the exception of the adoption of new standards and modifications which came into force on January 1st 2023. The Group did not adopt in advance any of the new standards, or modifications which were not yet in force.

Below we are listing the modifications which were applied for the first time starting on January 1st 2023 but did not have any impact on the consolidated condensed half-yearly financial statement of the Group:

IFRS 17 Insurance contracts

In May of 2017 the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts which considers the identification, presentation and information. L'IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. This standard is not applied by the Group.

Definition of accounting estimate – modifications to IAS 8

The modifications to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting standards and correction of errors. They also clarify in what way the entities use the evaluation techniques and the input to develop the accounting estimates.
The modification did not have any impact on the consolidated half-yearly financial statement of the Group.

Information on the accounting standards – Modifications to IAS 1 and IFRS Practice Statement 2

The modifications to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgements supply indications and examples which help the entity apply significant opinions on the information given on the accounting standards. The modifications are aimed are helping the entity supply information on the most useful accounting standards by replacing the requirement for the entity to divulge their most "significant" accounting standards with the requirement instead to divulge their most "relevant" accounting standards and add guidelines on how the entity applied the concept of relevance in making decisions related o the information given on the accounting standards.
The modification did not have any impact on the consolidated half-yearly financial statement of the Group.

Deferred taxes related to assets and liabilities derived from a single transaction– Modifications to IAS 12

The modifications to IAS 12 "Income taxes" restrict the area of application of the initial recognition exception, which must no longer be applied to the transactions which create temporary taxable and deductible differences of the same amount like rentals and the liabilities for dismantling.
The modification did not have any impact on the consolidated half-yearly financial statement of the Group.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The half yearly condensed 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 revenues 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 investments;
- 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 the assumption 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 total 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.

For the subsidiary companies, the chart below shows the information, as of June 30th 2023, 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	2.597.539				
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%	74,94%
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	45.132.377		100,00%	100,00%	74,94%
Penta Laser Zhejiang Co., Ltd	7	Wenzhou (CHINA)	CNY	53.875.828		75,79%	75,79%	74,94%
Cutlite do Brasil Ltda	8	Blumenau (BRASIL)	BRL	2.000.000		98,27%	98,27%	73,65%
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%
Lasit Laser Deutschland GmbH	13	Immendingen (GER)	EUR	12.500		70,00%	70,00%	49,00%
Penta Laser Technology (Shangdong) Co., Ltd.	14	Linyi (CHINA)	CNY	26.000.000		100,00%	100,00%	74,94%
Shenzhen KBF Laser Tech Co., Ltd	15	Shenzhen (CHINA)	CNY	62.400.000		60,00%	60,00%	44,96%
HL S.r.l.	16	Calenzano (ITA)	EUR	200.000		100,00%	100,00%	74,94%

(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 (75,79%)
(8) held by Cutlite Penta Srl (98,27%)
(9) held by Ot-las Srl (100%)
(10) held by Quanta System SpA (70%)
(11) held by Lasit SpA (65%)
(12) held by Lasit SpA (65%)
(13) held by Lasit SpA (70%)
(14) held by Penta Laser Zhejiang Co., Ltd (100%)
(15) held by Penta Laser Zhejiang Co., Ltd (60%)
(16) held by Cutlite Penta Srl (100%)

Operations conducted during this half

For the operations conducted this half, please refer to the description given in the paragraph titled "Significant events which occurred during the first half of 2023" in the Management Report.

With respect to December 31st 2022, the area of consolidation was expanded by the creation of Lasit Laser Deutschland GmbH, which is owned 70% by the subsidiary Lasit SpA, and by the founding of the HL Srl Company by the subsidiary Cutlite Penta Srl which controls it 100%.

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.r.l.		Calenzano (ITA)	EUR	2.510.000	30,84%		30,84%	30,84%
Accure Inc.	1	Delaware (USA)	USD	-		15,03%	15,03%	15,03%
ZheJiang Monochr Laser Intelligent Equipment Co., ltd.	2	Wenzhou (CHINA)	CNY	20.000.000		35,00%	35,00%	26,23%

(1) held by Quanta System S.p.A. (15,03%)
(2) held by Penta Laser Zhejiang Co., Ltd (35,00%)

Operations conducted during this half

For the operations conducted this half, please refer to the description given in the paragraph titled "Significant events which occurred during the first half of 2023" in the Management Report.

With respect to December 31st 2022, the area of consolidation was expanded by the inclusion of ZheJiang Monochr Laser Intelligent Equipment Co., ltd., a company which is held 35% by the subsidiary Penta Laser Zhejiang Co., Ltd.

EQUITIES IN OTHER COMPANIES

For the operations conducted this half, please refer to the description given in the paragraph titled "Significant events which occurred during the first half of 2023" in the Management Report.

TREASURY STOCK

The shareholders' meeting of the Parent Company El.En. SpA on April 27th 2021 authorized the Board of Directors to purchase treasury stock within 18 months of the date of the resolution; this authorization consequently expired definitively on October 27th 2022.
On June 30th 2023 the amount of treasury stock held by the Company amounted to 39.120, and was unchanged with respect to December 31st 2022.

On April 27th 2023 the shareholders meeting of El.En. S.p.A. authorized the Board of Directors to purchase treasury stock, within 18 months of the resolution, as already described in the chapter on significant events which occurred in the first half of 2023.

STANDARDS OF CONSOLIDATION

The half yearly condensed consolidated financial statement includes the financials of El.En. S.p.A. and its subsidiaries as of June 30th 2023.
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:

- In drawing up the consolidated financial statement the assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included.
- The accounting 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 economic result corresponding to equities owned by third parties is entered under the heading of "Result 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 FOREIGN CURRENCY

For the purposes of the half yearly condensed consolidated financial 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:

Currencies	Exchange Rate 31/12/2022	Average exchange rate 30/06/2023	Exchange Rate 30/06/2023
USD	1,07	1,08	1,09
Yen	140,66	145,76	157,16
Yuan	7,36	7,49	7,90
Real	5,64	5,48	5,28
PLN	4,68	4,62	4,44

SEASONAL VARIATIONS

The markets in which the Group operates are not subject to particular variations in the seasons which may comport significant differences in the sales or operating costs, although in the past, the last quarter of the year has always registered higher sales volumes while the first quarter generally registers a lower revenue.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Condensed Consolidated Half-yearly 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 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 half yearly condensed 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 lawsuits
The Group ascertains a liability in the case that there are civil and fiscal lawsuits 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 lawsuits 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 Condensed consolidated half-yearly financial statement passed the impairment test conducted on December 31st 2022. On June 30th 2023, considering the results obtained during the period by the CGU to which the goodwill is allocated or the results expected for the year, no indications of long-term loss of value emerged.

• Recognition of the operations of business combinations
The operations of business combinations imply the attribution o the assets and liabilities of the company determined by the difference between the cost of purchase and the net accounting value. For most of the assets and liabilities the attribution of the difference is established by recognizing th assets and liabilities at their fair value. The part that is not attributed, if positive, is entered under Goodwill and, if negative, is entered into the Income Statement. The allocation of the price that was paid is temporarily operated and is subject to revision or updating within the next 12 months after the acquisition, with reference also to any new information on the facts and circumstances existing on the date of acquisition. In the attribution process the Group makes use of the available informtion and, for the most important business combinations, of external evaluations; also in function of the information available, the allocation process requires a complex judgement by the company management.

• 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 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.

Restatement of the amounts of the prior year in accordance with IAS 8 paragraphs 41-42

During the compilation of the consolidated half-yearly statement on June 30th 2023, the Group revised the resolution taken on December 31st 2022 related to the representation, according to the international accounting standards, of the increase in capital of Penta Laser Zhejiang which was underwritten in December of 2022 by four Chinese private equity funds. When revising the schedule of the project for a possible IPO of the laser cutting sector on the Chinese stock market, we re-examined the possible effects of the contractual clauses related to the agreements for the entry of the capital of the four private equity funds; these clauses are common in operations of this type and had already been examined when the financials were drawn up on December 31st 2022 with legal and financial consultants and Independent auditors.
Considering the presence of clauses which stipulate the possibility of withdrawal if events occur which are not under the complete control of the management of the Group because they depend on external factors, the Group has decided that it would be more appropriate to implement an accounting approach that has been modified with respect to that used in the consolidated financial report on issued on December 31st 2022, and consequently the amounts which were registered at that time among the shareholders' equity of the Group have been reclassified among the financial debts. The original approach was based on the prevalence of the practice used by the Chinese companies to enter into accounts the increases in capital in preparation for the IPO and the effect of the re-purchasing options usually included in similar circumstances; this practice was approved and requested by CSRC, the authority which controls the Chinese stock market.
Moreover, in compliance with paragraphs 41 and 42 of IAS 8, the accounting entry related to the above-mentioned increases in capital have been adapted through a restatement of the amounts of the shareholders' equity and the net financial position on December 31st 2022, and consequently, also on June 30th 2023. The effects of this restatement are represented in the following reconciliation chart and substantially show a reduction in the shareholders' equity and in the net financial position of 13,2 million Euros.
In any case, it should be noted that the possibility of exercising this option on the part of three of the four private equity funds represents an eventuality the conditions for which have not yet occurred. The fourth fund, CITIC Securities Investment Co. Ltd, in fact already withdrew from the option on December 29th 2022, and consequently the quota of the capital underwritten, amounting to 40 million RMB, was not subjected to the reclassification described above. With reference to the other three funds, the conditions for the exercising of the option could, in effect, occur if Penta Zhejiang was unable to complete the IPO process which has been started. Viceversa, it could dissolve in the case of quotation or withdrawal, and in this case consent the entering in the shareholders' equity of the funds received as was originally represented in compliance with the Chinese practice in use at the end of 2022 and shown in the quarterly financial rewport on March 31st 2023.

The chart below shows the reconciliation tables illustrating the financial situation as of December 31st 2022. This restatement does not have any effect on the consolidated income statement as of June 30th 2022, which the charts are shown as comparative data in this document. The consolidated cash flow statement on December 31st 2022 is impacted by this restatement in the area defined as "cash flow generated by financing activity" which shows the distinction between the entries of "Current financial liabilities" and "Capital increase" of the financial flows received. The consolidated income statement for December 31st 2022 does not show any significant effects that were caused by this restatement.

RICONCILIATION OF THE STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31ST 2022

Liabilities	31/12/2022	rectifications	31/12/2022 restated
Share capital	2.594.727	-	2.594.727
Additional paid in capital	46.927.795	-	46.927.795
Other reserves	95.195.564	108.026	95.303.590
Treasury stock	(468.633)	-	(468.633)
Retained earnings / (accumulated deficit)	120.601.833	(6.884.546)	113.717.287
Net income / (loss)	55.110.995	-	55.110.995
Group shareholders' equity	**319.962.281**	**(6.776.520)**	**313.185.761**
Minority interest	36.674.937	(6.406.051)	30.268.886
Total shareholders' equity	**356.637.218**	**(13.182.572)**	**343.454.646**
Severance indemnity fund	4.099.038	-	4.099.038
Deferred tax liabilities	3.242.089	-	3.242.089
Other accruals	10.735.920	-	10.735.920
Financial debts and liabilities			
- third parties	*37.862.252*	-	*37.862.252*
Total Financial debts and liabilities	37.862.252	-	37.862.252
Other non current liabilities			
Accounts payable third parties - non current	*717.819*	-	*717.819*
Other payables - non current	*6.166.471*	-	*6.166.471*
Total Other non current liabilities	6.884.290	-	6.884.290
Total non current liabilities	**62.823.589**	**-**	**62.823.589**
Financial liabilities			
- third parties	*31.872.974*	*13.182.572*	*45.055.546*
Total Financial liabilities	31.872.974	13.182.572	45.055.546
Accounts payable			
- third parties	*170.862.992*	-	*170.862.992*
- associated companies	*329*	-	*329*
Total Accounts payable	170.863.321	-	170.863.321
Income tax payables	8.150.730	-	8.150.730
Other current payables			
- third parties	*105.542.896*	-	*105.542.896*
Total Other current payables	105.542.896	-	105.542.896
Total current liabilities	**316.429.921**	**13.182.572**	**329.612.493**
Total Liabilities and Shareholders' equity	**735.890.728**	**-**	**735.890.728**

STOCK OPTION PLAN

El.En. S.p.A.

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

Plan for 2016-2025

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	30/06/2023	30/06/2023	(*)
Plan 2016-2025	31-dic-25	138.032			21.633		116.399	116.399	€ 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 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 of determining the fair value, the following hypotheses were used:

risk free rate: 0,338492%
historical volatility: 0,28489
interval of time used to calculate the volatility: last year of negotiation

Plan for 2026-2031

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	01/01/2023 - 30/06/2023	30/06/2023	30/06/2023	
Plan 2026-2031	31-dic-31		1.414.000				1.414.000		€ 13,91

This plan, if one considers that there are two separate tranches which have different vesting and exercise periods, is conceptually equivalent to two distinct options.
The fair value was determined by using a binomial model starting with the date the date they were picked up and ending with the expiration date. The model bears in mind the value of the stock to which the option refers at the moment it is assigned, the strike price, and requires the estimation of the volatility of the stock, of the risk free interest rate and the amount of the dividend that is expected.

The following hypothese were used to determine the fair value:

risk free interest rate: 2,9444074%
historical volatility: 0,3709335939
interval of time used to calculate the volatility: last year of negotiation

In the first half of 2023 the average price registered for the stock of El.En. S.p.A. was about 13,05 Euros.

For the characteristics of the stock option plans and the increase in capital voted for this purpose, see the description contained in Note (10) of this document.

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:

	31/12/2022	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	30/06/2023
Goodwill	7.978.059						-337.806	7.640.253
Development costs	500.501				-25.187	-148.745		326.569
Patents and rights to use patents of others	4.058.320					-203.276	-267.000	3.588.044
Concessions, licenses, trade marks and similar rights	938.800	230.288			-2	-288.130	-22.452	858.504
Other intangible assets	191.793				1	-48.083		143.711
Intangible assets under construction and advance payments	230.267	51.162						281.429
Total	**13.897.740**	**281.450**			**-25.188**	**-688.234**	**-627.258**	**12.838.510**

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 30/06/2023	Goodwill 31/12/2022
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	4.602.188	4.939.994
Total	7.640.253	7.978.059

At the end of last year, the recoverable value of the CGUs shown on the chart was subjected to an impairment test in order to verify the existence of any losses in value by comparing the book value of the unit and the recoverable amount, i.e., the current value of the expected future financial flows which one supposes will be derived from the continued use and from the eventual disuse at the end of the useful life of the unit.
The impairment test made for the financial statement for the year closed on December 31st 2022 did not reveal any losses in value. On the basis of the results registered by the CGU for the first half of 2023, which are aligned with the prospective plans set up for the purposes of the impairment test on December 31st 2022, no indicators of impairment were found which, on the date of this half-yearly report have made it necessary to conduct further tests to verify the existence of long-lasting losses in value.

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, by Shenzhen KBF Laser Tech Co., Ltd and by the Parent Company El.En. Spa.
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 Lasit, 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	31/12/2022	Increase	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2023
Lands and buildings	78.826.787	888.149			4.498.829	-2.341.979	81.871.786
Plants & machinery	18.567.558	566.162	-23.762		158.773	3.431	19.272.162
Industrial and commercial equipment	20.104.943	1.314.514	-91.854		8.572	-284.690	21.051.485
Other assets	15.843.675	981.296	-95.702		-98.569	-175.587	16.455.113
Tangible assets under construction and advance payments	5.232.477	2.521.721			-4.763.034	-254.561	2.736.603
Total	138.575.440	6.271.842	-211.318		-195.429	-3.053.386	141.387.149
Lands and buildings right of use	21.595.113	311.974	-93.881		-1.034.859	-265.411	20.512.936
Plants & machinery right of use	43.997				-29.947		14.050
Industrial and commercial equipment right of use	1.138.784	29.165	-69.488			-24.158	1.074.303
Other assets right of use	5.739.005	835.709	-1.463.442		-230.624	-63.679	4.816.969
Total	28.516.899	1.176.848	-1.626.811		-1.295.430	-353.248	26.418.258
Total	**167.092.339**	**7.448.690**	**-1.838.129**		**-1.490.859**	**-3.406.634**	**167.805.407**

Accumulated depreciation	31/12/2022	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2023
Lands and buildings	12.381.092	1.062.864			12.210	-236.532	13.219.634
Plants & machinery	8.718.475	848.400	-23.762		-3.050	3.013	9.543.076
Industrial and commercial equipment	13.888.010	983.670	-42.554		-23.248	-110.342	14.695.536
Other assets	10.419.589	802.439	-94.564		-98.574	-126.785	10.902.105
Tangible assets under construction and advance payments							
Total	45.407.166	3.697.373	-160.880		-112.662	-470.646	48.360.351
Lands and buildings right of use	4.277.877	827.575	-93.881		-1.018.469	-180.638	3.812.464
Plants & machinery right of use	37.362	2.342			-29.947		9.757
Industrial and commercial equipment right of use	886.788	47.328	-69.488			-19.740	844.888
Other assets right of use	3.396.825	558.912	-1.435.784		-223.796	-30.013	2.266.144
Total	8.598.852	1.436.157	-1.599.153		-1.272.212	-230.391	6.933.253
Total	**54.006.018**	**5.133.530**	**-1.760.033**		**-1.384.874**	**-701.037**	**55.293.604**

Net value	31/12/2022	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	Translation adjustment	30/06/2023
Lands and buildings	66.445.695	888.149		-1.062.864	4.486.619	-2.105.447	68.652.152
Plants & machinery	9.849.083	566.162		-848.400	161.823	418	9.729.086
Industrial and commercial equipment	6.216.933	1.314.514	-49.300	-983.670	31.820	-174.348	6.355.949
Other assets	5.424.086	981.296	-1.138	-802.439	5	-48.802	5.553.008
Tangible assets under construction and advance payments	5.232.477	2.521.721			-4.763.034	-254.561	2.736.603
Total	93.168.274	6.271.842	-50.438	-3.697.373	-82.767	-2.582.740	93.026.798
Lands and buildings right of use	17.317.236	311.974		-827.575	-16.390	-84.773	16.700.472
Plants & machinery right of use	6.635			-2.342			4.293
Industrial and commercial equipment right of use	251.996	29.165		-47.328		-4.418	229.415
Other assets right of use	2.342.180	835.709	-27.658	-558.912	-6.828	-33.666	2.550.825
Total	19.918.047	1.176.848	-27.658	-1.436.157	-23.218	-122.857	19.485.005
Total	**113.086.321**	**7.448.690**	**-78.096**	**-5.133.530**	**-105.985**	**-2.705.597**	**112.511.803**

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, 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, and the new production facility owned by the subsidiary Penta Laser Zhejiang Co., Ltd.
The increases for the period refer mainly to the costs sustained for the purchase of a new building by the Parent Company El.En. S.p.A and to the costs for the improvements made on the buildings of the same El.En. SpA and of the subsidiaries Quanta System SpA and Lasit SpA.

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 M.E.L.A, Cutlite Penta Laser Technology (Shandong) and 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, of 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), Penta Laser Zhejiang, Quanta System and Galli Giovanni for new buildings now under construction and/or being equipped.
The amounts entered under the column Other movements refer mainly to the completion of part of the work on the factory at Wuhan, the costs of which have been moved in the respective categories.

At the closure of the period there were no indicators of los of value derived from internal sources (company strategy) nor from 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:

	30/06/2023	31/12/2022	Variation	Var. %
Equity investment in associated companies	1.907.090	1.019.897	887.193	86,99%
Other equity investments	1.070.569	1.061.819	8.750	0,82%
Total	**2.977.659**	**2.081.716**	**895.943**	**43,04%**

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, ZheJiang Monochr Laser Intelligent Equipment Co., Ltd 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.:	233 thousand euro
Actis S.r.l.:	1 thousand euro
Elesta S.p.A.:	916 thousand euro
Accure Inc.:	-45 thousand euro
ZheJiang Monochr Laser Intelligent Equipment Co., Ltd.	802 thousand euro
Total	**1.907 thousand euro**

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	30/06/2023	31/12/2022	Variation	Var. %
Financial receivables - third parties	377.617	363.080	14.537	4,00%
Financial receivables - associated	320.000	320.000		0,00%
Deferred tax assets	13.648.580	12.420.903	1.227.677	9,88%
Other non-current assets	23.595.139	23.616.174	-21.035	-0,09%
Total	**37.941.336**	**36.720.157**	**1.221.179**	**3,33%**

The deferred tax assets amounted to about 13.649 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

8 million Euros. 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.

	30/06/2023	31/12/2022	Variation	Var. %
Raw materials, consumables and supplies	108.499.239	98.468.376	10.030.863	10,19%
Work in progress and semi finished products	56.636.438	51.132.266	5.504.172	10,76%
Finished products and goods	60.681.398	53.299.560	7.381.838	13,85%
Total	**225.817.075**	**202.900.202**	**22.916.873**	**11,29%**

The final inventory amounted to 225.817 thousand Euros, showing an increase of about 11% with respect to the 202.900 thousand Euros registered on December 31st 2022, due to 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:

	30/06/2023	31/12/2022	Variation	Var. %
Gross amount of Inventory	252.114.703	227.572.582	24.542.121	10,78%
Devaluation provision	-26.297.628	-24.672.380	-1.625.248	6,59%
Total	**225.817.075**	**202.900.202**	**22.916.873**	**11,29%**

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 about 1.625 thousand Euros with respect to December 31st 2022 while its incidence on the gross value of the inventory showed a slight drop, falling from 10,8% on December 31st 2022 to 10,4% on June 30th 2023.

Accounts receivable (note 6)

Receivables are composed as follows:

	30/06/2023	31/12/2022	Variation	Var. %
Accounts receivable from third parties	175.834.365	168.017.892	7.816.473	4,65%
Accounts receivable from associated	651.542	481.598	169.944	35,29%
Total	**176.485.907**	**168.499.490**	**7.986.417**	**4,74%**

Accounts receivable from third parties	30/06/2023	31/12/2022	Variation	Var. %
Italy	68.164.723	69.093.509	-928.786	-1,34%
EEC	19.529.112	18.875.423	653.689	3,46%
ROW	98.053.542	89.274.459	8.779.083	9,83%
minus: bad debt reserve	-9.913.012	-9.225.499	-687.513	7,45%
Total	**175.834.365**	**168.017.892**	**7.816.473**	**4,65%**

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

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

	2023
At the beginning of the period	9.225.499
Provision	1.218.578
Amounts utilized and unused amounts reversed	-309.737
Other movements	1
Translation adjustment	-221.329
At the end of the period	**9.913.012**

The incidence of the bad debt reserve on the total accounts receivable from third parties remained unchanged at 5% with respect to December 31st, 2022.

Breakdown of accounts receivable from third parties, net of the bad debt reserve, is shown below:

Accounts receivable from third parties	30/06/2023	31/12/2022
To expire	143.627.229	124.713.651
Overdue:		
0-30 days	14.020.310	21.874.930
31-60 days	5.958.961	5.867.851
61-90 days	2.215.680	3.671.042
91-180 days	4.130.904	5.355.650
Over 180 days	5.881.281	6.534.768
Total	**175.834.365**	**168.017.892**

For a detailed analysis of the accounts receivable from associated companies, please refer to the chapter on "Related Parties".

Tax receivables/Other receivables (note 7)

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

	30/06/2023	31/12/2022	Variation	Var. %
Tax receivables				
VAT receivables	13.458.807	12.996.617	462.190	3,56%
Income tax receivables	2.484.454	3.337.859	-853.405	-25,57%
Total	**15.943.261**	**16.334.476**	**-391.215**	**-2,40%**
Current financial receivables				
Financial receivables - third parties	182.152	39.669	142.483	359,18%
Financial receivables - associated	61.565	61.565		0,00%
Total	**243.717**	**101.234**	**142.483**	**140,75%**
Other current receivables				
Security deposits	614.684	614.044	640	0,10%
Advance payments to suppliers	9.177.994	7.989.341	1.188.653	14,88%
Other receivables	10.225.433	8.540.567	1.684.866	19,73%
Total	**20.018.111**	**17.143.952**	**2.874.159**	**16,76%**
Total Current financial receivables e Other current receivables	**20.261.828**	**17.245.186**	**3.016.642**	**17,49%**

	30/06/2023	31/12/2022	Variation	Var. %
Current derivative financial instruments (asset)	4.578		4.578	
Total	**4.578**		**4.578**	

The first half of the year closed with a VAT credit of almost 13,4 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 entered the amounts received to support research, development and innovation activities and those replacing the benefits received in past 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.

The entry of "Current derivative financial assets" includes, as of June 30th 2023, the fair value in compliance with IFRS 9 of the derivative contract *interest rate swap* to cover the interest rate on the loan from Intesa San Paolo underwritten this half by the subsidiary Cutlite Penta for 5 million Euros.

Securities and other current financial assets (note 8)

	30/06/2023	31/12/2022	Variation	Var. %
Securities and other current financial assets				
Other current financial assets	4.188.435	2.311.175	1.877.260	81,23%
Total	**4.188.435**	**2.311.175**	**1.877.260**	**81,23%**

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

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	30/06/2023	31/12/2022	Variation	Var. %
Bank and postal current accounts	87.873.145	162.759.480	-74.886.335	-46,01%
Cash on hand	66.697	54.785	11.912	21,74%
Total	**87.939.842**	**162.814.265**	**-74.874.423**	**-45,99%**

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 8 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 on June 30th 2023

The net financial position of the Group on June 30th 2023 is the following (amounts in thousands of Euros):

	Net financial position	30/06/2023	31/12/2022 restated
A	Cash and cash equivalents	87.940	162.814
B	Cash equivalents	-	-
C	Other current financial assets	4.371	2.351
D	**Liquidity (A + B + C)**	**92.310**	**165.165**
E	Current financial debt	(37.333)	(41.050)
F	Current portion of non-current financial debt	(3.014)	(4.005)
G	**Current financial indebtedness (E + F)**	**(40.347)**	**(45.056)**
H	**Net current financial position (D + G)**	**51.964**	**120.110**
I	Non-current financial debt	(23.678)	(27.632)
J	Debt instruments	(10.556)	(10.230)
K	Non-current trade and other payables	(7.573)	(6.884)
L	**Non-current financial indebtedness (I + J + K)**	**(41.808)**	**(44.747)**
M	**Net Financial Position (H + L)**	**10.156**	**75.363**

The net financial position registered a decrease during this half of about 65,2 million, falling from 75,4 million on December 31st 2022 to 10,2 million on June 30th 2023.

For a detailed comment on the net financial position, see the special section in 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 June 30th 2023, 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	2.597.539

Nominal value of each share - Euros	***without nominal value***

Category	**31/12/2022**	**Increase**	**Decrease**	**30/06/2023**
No. of Ordinary Shares	79.837.760	86.532	0	79.924.292
Total	**79.837.760**	**86.532**	**0**	**79.924.292**

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, the Parent Company issued, during the first half of 2023, 86.532 ordinary shares (after the split) and cashed in 275 thousand Euros including the increase in capital and share premium.

On December 15th 2022 the extraordinary assembly of the Parent Company El.En. S.p.A. voted to authorize the Board of Directors, even at several different times and separately, in compliance with art 2443 sub-section II, CC, to increase within five years of the date of the resolution, the share capital up to a maximum of nominal 65.000,00 Euros by issuing new shares to be underwritten by the beneficiaries of the Stock Option Plan 2026-2031.
On March 15th 2023 the Board of Directors, following a proposal by the Remuneration Committee, voted in relation to the creation of a stock option plan for the period 2026-2031 (“*Stock Option Plan* 2026-2031”) in compliance with the mandate conferred to them by the Shareholders’ meeting on December 15th 2022. They identified the beneficiaries of the plan, the number of options assigned, the dates when the options could be picked up, and the price for underwriting them.
The Board also proceeded to exercise, partially and for the exclusive use of the Plan, the faculty conferred by article 2443, sub-section II, Civil Code, by the same assembly, to increase through the payment, divisible and with the exclusion of the option rights in compliance with art. 2441, sub-section V, c.c., the capital stock up to 49.955,00 Euros by means of the issuing of 1.414.000 ordinary shares which can be underwritten by administrators, collaborators and employees of the El.En. Spa company and the companies that it controls, who are the recipients of the options in the above-mentioned plan.
The options can be exercised in conformity with the terms and conditions stated in the regulations of the Plan which was definitively approved on that date, by the beneficiaries in two equal tranches: the first starting on April 1st 2026 and ending on 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, the options which have not been exercised by that time will expire definitively, and the capital will be considered a s definitively increased for the actual amount underwritten and released on that date.
For further information, see the detailed description in the paragraph titled “Significant events occurring during the first half of 2023” in the Management Report.

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 June 30th 2023.

Additional paid in capital (note 11)

On June 30th 2023 the share premium reserve, coinciding with that of the Parent Company, amounted to 47.200 thousand Euros, an increase with respect to the 46.928 on December 31st 2022 because of the stock options that were picked up this year, as discussed in the previous Note.

Other reserves (note 12)

	30/06/2023	31/12/2022 restated	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	102.563.733	88.664.601	13.899.132	15,68%
Cumulative translation adjustment	-1.790.609	974.636	-2.765.245	-283,72%
Stock option/ stock based compensation reserve	5.476.161	4.753.358	722.803	15,21%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-61.953	-52.964	-8.989	16,97%
Total	**107.151.291**	**95.303.590**	**11.847.701**	**12,43%**

As of June 30th 2023 the extraordinary reserve amounted to la 102.564 thousand Euros, showing an increase with respect to December 31st 2022. The increase is due to the destination of the net income for 2022, as voted by the Shareholders’ Assembly on April 27th 2023.

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 2023 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 2022.

The heading "Other reserves" includes among other things the reserve related to the evaluation of the severance indemnity fund in conformity with standard IAS 19.

Treasury Stock (note 13)

On April 27th 2021 the shareholders' meeting of the Parent Company authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, consequently this authorization expired definitively on October 27th 2022.
On June 30th 2023 the amount of treasury stock held by the company was 39.120 shares, unchanged with respect to December 31st 2022.

On April 27th 2023 the Shareholders' meeting of El.En. S.p.A. authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as described in the paragraph on significant events which occurred in the first half of 2023.

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.

31/12/2022	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	30/06/2023
4.099.038	1.275.855	-490.859	-408.350	4.475.684

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 current value of the liabilities for the severance fund that remains in the companies of the Group on June 30th 2023 amounts to 4.445 thousand Euros.

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

Financial hypotheses	Year 2022	Year 2023
Annual implementation rate	3,34%-3,53%-3,57%-3,63%-3,77% (*)	4,00%-3,83%-3,65%-3,69%-3,62% (***)
Annual inflation rate	4,27%-2,35%, 2% (**)	6,1%-2,95%, 2,3% (****)
Annual increase rate of salaries (including inflation)	Executives 3,00% White collar workers 3,00% Blue collar workers 3,00%	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 e 3,77% up to thirtieth year.

(**) 4,27% for the first year, 2,35% for the second year, 2% from the third year.
(***) 4,00% for the first three years, 3,83% from the fourth to the fifth, 3,65% from the sixth to the seventh, 3,69% from the eighth to the tenth and 3,62% until the thirtieth year.

(****) 6,1% for the first year, 2,95% for the second yea, 2,3% from the third year.

In order to guarantee consistency with the sources of performance used for the preceding evaluations, we have used the performances that Markit has registered and published for the expiration dates 1-3Y, 3- 5Y, 5-7Y, 7-10Y and lastly,10+Y, in order to construct a curve of the rates of iBoxx Corporate AA on June 30th 2023 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 some Italian companies of the Group), in accordance with the choices made by the employees and the amount of actuarial gain or loss shown during the year.

Other accruals (note 16)

The chart below shows the operations made with other accruals:

	31/12/2022	Provision	(Utilization)	Other movements	Translation adjustment	30/06/2023
Reserve for pension costs and similar	1.738.303	222.346	-95.827	-19.622		1.845.200
Warranty reserve on the products	7.367.022	-55.043	-96.032	1	-252.517	6.963.431
Reserve for risks and charges	1.630.595	25.286	-837.395	-2.495	-30.036	785.955
Total	**10.735.920**	**192.589**	**-1.029.254**	**-22.116**	**-282.553**	**9.594.586**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on June 30th 2023 amounted to 1.622 thousand Euros as opposed to the 1.492 thousand Euros on December 31st 2022. 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 2022	Year 2023
Annual implementation rate	3,68%-3,37%-3,27%-3,20%-3,17%-3,16%-3,12%-3,06% (*)	4,06%-3,88%-3,61%-3,41%-3,26%-3,17%-3,10%-3,06%-3,03%-3,01%-3,00%-2,99%-2,98%-2,97%-2,96%-2,93%-2,90%-2,87%-2,84%-2,81%(***)
Annual inflation rate	4,27%-2,35%, 2% (**)	6,1%-2,95%, 2,3% (****)

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

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

(***) rates from the first to the 20th year.

(****) 6,1% for the first year, 2,95% for the second year, 2,3% from the third year

For the evaluation of the liabilities, we used the yields taken from the Euroswap curve S45 on the date of evaluation.

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 large number and continuous volume of documents produced and the delays caused by comported continual delays in the schedule.

At this time, they are still conducting discovery activities conducted by the two parties and the prejudicial testimony of the witnesses and some actors have been completed. The testimony related to some of the actors remain and will hav to be scheduled after the revision of some more documents produced by the parties.
The actors, according to the prejudicial testimony, are trying to find a solution of mediation, which is scheduled for October 10th 2023.
The Court will then have to set the schedule for the other activities, including the expertise and any changes in the requests. The beginning of the actual lawsuit is not expected to begin before September 3rd 2024.

Consequently, at this time, there are not enough elements to evaluate the eventuality and the entity of the economic risk for the two companies. In fact, they have not produced any proof, nor have they specified the amount of damages requested. In any case, The Company, as a cautionary measure has activated an insurance coverage related to damages caused by the product, which includes a maximum amount of 15.000.000 for each accident. The insurance company has taken charge of the case and has hired, at their expense, an American lawyer to protect the rights of the insured clients.

Consequently, in the financial statement of June 30th 2023, there are no accruals in relation to the potential liability connected with this law suit.

Financial debts and liabilities and other non-current liabilities (note 17)

Financial m/l term debts	**30/06/2023**	**31/12/2022**	**Variation**	**Var. %**
Amounts owed to banks	23.678.497	27.632.286	-3.953.789	-14,31%
Amounts owed to leasing companies	10.364.780	10.127.419	237.361	2,34%
Amounts owed to other financiers	191.530	102.547	88.983	86,77%
Other non-current liabilities	7.572.984	6.884.290	688.694	10,00%
Total	**41.807.791**	**44.746.542**	**-2.938.751**	**-6,57%**

The breakdown of the amounts owed to banks as of June 30th 2023 is shown in the following chart:

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	372.535	759.734	28/08/2022	28/05/2028	1,30%	Quarterly installments	90% from Mediocredito Centrale
Asclepion GmbH	Baudarlehen Deutsche Bank	Euro	444.444	1.592.595	02/05/2018	31/12/2027	1,40%	Montly installments	Mortgage
Asclepion GmbH	Kfw Darlehen CB	Euro	281.250	468.750	03/07/2020	30/06/2025	2,00%	Quarterly installments	-
Asclepion GmbH	Kfw Darlehen DB	Euro	281.250	468.750	09/07/2020	30/06/2025	2,00%	Quarterly installments	-
ASA S.r.l.	Unicredit	Euro	238.913	1.225.442	30/11/2019	31/05/2029	Eurirs 12 months +0,5%	Half-year installments	Mortgage
ASA S.r.l.	Intesa San Paolo	Euro	746.141	1.515.280	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	-	31/07/2023	31/07/2023	1,12%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	8.000.000		31/10/2022	31/07/2023	0,89%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	4.000.000		30/11/2022	31/08/2023	0,89%	Montly installments	
With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	4.500.000		31/12/2022	29/09/2023	0,89%	Montly installments	
With Us Co., Ltd	The Shoko Chukin Bank, Ltd. - Tokyo	Yen	7.104.000	76.912.000	05/04/2021	05/04/2035	1,17%	Montly installments	Tokyo Credit Guarantee Corporation

With Us Co., Ltd	MUFG Bank, Ltd. - Meguroekimae	Yen	19.635.000	130.365.000	26/08/2023	26/07/2030	0,949% (only on 50 mil of Yen)	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.
With Us Co., Ltd	Higashi-Nippon Bank, Ltd.	Yen	33.336.000	22.216.000	31/03/2022	28/02/2025	0,98%	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.
With Us Co., Ltd	Mizuho Bank, Ltd.	Yen	7.294.000	42.706.000	10/12/2023	10/12/2027	0,85%	Montly installments	Tokyo Credit Guarantee Corporation and President of With Us Co., Ltd.
Penta Laser (Wuhan) Co., Ltd.	CEB	RMB	10.000.000	-	30/06/2024	30/06/2024	3,55%	Single installment	Mortgage
PENTA LASER(ZHEJIANG)CO.,LTD.	CCB	RMB		10.009.861	30/06/2025	30/06/2025	3,50%	Single installment	Mortgage
PENTA LASER(ZHEJIANG)CO.,LTD.	Intesa San Paolo	RMB	5.527.084		29/04/2022	28/06/2024	4,65%-4,60%	Half-year installments	-
Penta Laser Technology (Shangdong) Co., Ltd.	NB	RMB	30.013.750		11/11/2023	11/11/2023	0,05%	Single installment	-
Shenzhen KBF Laser Tech Co., Ltd	CCB	RMB		10.000.000	06/06/2025	06/06/2025	4,10%	Single installment	Mortgage
Shenzhen KBF Laser Tech Co., Ltd	BOB	RMB	10.000.000		14/06/2024	14/06/2024	3,90%	Single installment	by General Manager
Cutlite Penta Srl	Credem	Euro	836.769	209.906	26/10/2021	26/07/2024	0,55%	Quarterly installments	-
Cutlite Penta Srl	Intesa San Paolo	Euro	2.200.000	4.950.000	28/10/2021	28/07/2026	Euribor rate 3 months + SPREAD 1,06%	Quarterly installments	Elen SpA
Cutlite Penta Srl	Credem	Euro	822.790	934.460	04/08/2022	04/07/2025	Euribor rate 3 months + SPREAD 0,85%	Montly installments	-
Cutlite Penta Srl	Intesa San Paolo	Euro	1.243.569	2.525.467	28/08/2022	28/05/2026	1,02%	Quarterly installments	90% from Mediocredito Centrale
Cutlite Penta Srl	Intesa San Paolo	Euro	1.814.066	1.846.021	28/10/2022	28/04/2025	1,75%	Quarterly installments	-
Cutlite Penta Srl	Intesa San Paolo	Euro	1.714.286	-	02/01/2023	30/06/2024	2,95%	Quarterly installments	Sace S.p.A
Cutlite Penta Srl	Intesa San Paolo	Euro	1.666.667	2.916.667	30/06/2023	31/03/2026	EURIBOR 3 months + 0,55% SPREAD covered with IRS	Quarterly installments	-

The debts owed to leasing companies refer, also in previous years, mostly to the subsidiary Cutlite Penta S.r.l. which purchased with a leasing contract a new building for conducting its company activities and consequently treated from an accounting point of view according to IFRS 16 instead of the previously applied IAS 17. The contract stipulated by Cutlite Penta Srl has duration of twelve years and expires in the month of January 2031. The residual debt as of June 30th 2023 amounted to 3,6 million Euros. In 2021, the company stipulated another leasing contract for the purchase of a building adjacent to their other one; the contract will last for 12 years and expires in the month of January 2033. The residual debt on June 30th 2023 amounted to about 3,4 million Euros.

The other amounts in this category are derived from the application of IFRS 16 which occurred for the first time in the financial year 2019.

The amounts owed to other financiers consist, among others, of the quotas due after more than one year for:
-Financing issued by Mediocredito to the subsidiary Lasit for a research project for the amount of 272 thousand Euros at the annual rate of 0,36% to be paid back in annual installments starting in March 2018, last installment March 8th 2025:
- Financing issued by BPER to the subsidiary Lasit for the purchase of new equipment for a total residual on June 30th 2022 of 173 thousand Euros to be paid back in installments, last installment on June 15th 2025.

The other non-current liabilities include:

- the amount owed to the ex-minority shareholder of Penta Laser Zhejiang Co. Ltd. for 40 million Renminbi (about 5 million Euros), which will have to be paid in compliance with the earn-out clause of the contract which states that this amount must be paid if they proceed to an IPO of Penta Laser Zhejiang Co. Ltd within 5 years of the date of acquisition.
- the amounts owed to suppliers which expired more than 12 months ago or the payment terms of which are for more than a year for 1.418 thousand Euros.

Current liabilities

Financial debts (note 18)

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

Financial short term debts	30/06/2023	31/12/2022 restated	Variation	Var. %
Amounts owed to banks	24.625.461	27.867.609	-3.242.148	-11,63%
Amounts owed to leasing companies	2.911.332	3.819.578	-908.246	-23,78%
Amounts owed to other financiers	12.809.845	13.368.359	-558.514	-4,18%
Total	**40.346.638**	**45.055.546**	**-4.708.908**	**-10,45%**

The details of the amounts owed to banks are described in the preceding note.

The heading of "Amounts owed to leasing companies" includes the amounts for short-term leasing mentioned in the preceding note.

The entry of "Amounts owed to other financers" besides the short-term quotas for the financing described in the preceding note, include the financial debt owed to the Chinese private equity funds as described in the paragraph on the restatement of the amounts from the previous year.

Accounts payable (note 19)

	30/06/2023	31/12/2022	Variation	Var. %
Accounts payable	146.124.392	170.862.992	-24.738.600	-14,48%
Amounts owed to associated companies	21.147	329	20.818	6327,66%
Total	**146.145.539**	**170.863.321**	**-24.717.782**	**-14,47%**

Income tax payables /Other current payables (note 20)

The income tax debts matured for some of the companies belonging to the Group on June 30th 2023 amounted to 5.750 thousand Euros and are entered net of the down payments and deductions.

The chart below shows the subdivision of the other debts:

	30/06/2023	31/12/2022	Variation	Var. %
Social security debts				
Debts to INPS	4.547.136	4.311.413	235.723	5,47%
Debts to INAIL	155.958	320.848	-164.890	-51,39%
Debts to other Social Security Institutions	692.286	753.532	-61.246	-8,13%
Total	**5.395.380**	**5.385.793**	**9.587**	**0,18%**
Other debts				
Debts to the tax authorities for VAT	685.882	2.237.112	-1.551.230	-69,34%
Debts to the tax authorities for withholding	2.309.431	3.251.488	-942.057	-28,97%
Other tax liabilities	669.074	428.120	240.954	56,28%
Debts to staff for wages and salaries	23.247.963	21.581.880	1.666.083	7,72%
Down payments	45.033.995	54.105.698	-9.071.703	-16,77%
Other debts to associated companies	1.300.000		1.300.000	
Other debts	16.996.719	18.552.805	-1.556.086	-8,39%
Total	**90.243.064**	**100.157.103**	**-9.914.039**	**-9,90%**
Total Social security debts e Other debts	**95.638.444**	**105.542.896**	**-9.904.452**	**-9,38%**

The amounts owed to staff include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2023.

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. and to the subsidiaries Quanta System, Cutlite Penta Srl, Penta Laser Zhejiang Co., Ltd. and Shenzhen Laser Tech Co. Ltd.

The entry 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 center and the research and development activities.

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.

30/06/2023	Total	Medical	Industrial	Other
Revenues	347.008	198.505	147.437	1.067
Intersectorial revenues	(1.383)		(316)	(1.067)
Net Revenues	345.625	198.505	147.120	
Other revenues and income	3.625	1.489	2.136	
Gross Margin	131.473	93.077	38.396	
Inc.%	*38%*	*47%*	*26%*	*0%*
Margin	49.163	42.053	7.109	
Inc.%	*14%*	*21%*	*5%*	*0%*
Not assigned charges	10.288			
EBIT	38.874			
Net financial income (charges)	(1.028)			
Share of profit of associated companies	(5)	89	(89)	(5)
Other Income (expense) net	0			
Income (loss) before taxes	37.842			
Income taxes	10.991			
Income (loss) before minority interest	26.851			
Minority interest	1.075			
Net income (loss)	25.776			

30/06/2022	Total	Medical	Industrial	Other
Revenues	328.463	182.936	144.446	1.081
Intersectorial revenues	(1.489)		(407)	(1.081)
Net Revenues	326.975	182.936	144.038	
Other revenues and income	2.981	1.286	1.696	
Gross Margin	121.855	81.906	39.949	
Inc.%	*37%*	*44%*	*27%*	
Margin	51.710	39.736	11.973	
Inc.%	*16%*	*22%*	*8%*	
Not assigned charges	10.319			
EBIT	41.391			
Net financial income (charges)	255			
Share of profit of associated companies	7	15		(8)
Other Income (expense) net	0			
Income (loss) before taxes	41.653			
Income taxes	11.011			
Income (loss) before minority interest	30.641			
Minority interest	2.219			
Net income (loss)	28.422			

30/06/2023	Total	Medical	Industrial
Assets assigned	645.730	313.998	331.732
Equity investments	2.745	1.761	984
Assets not assigned	48.435		
Total assets	696.910	315.759	332.716
Liabilities assigned	313.704	81.769	231.935
Liabilities not assigned	33.291		
Total liabilities	346.995	81.769	231.935

31/12/2022 restated	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	347.680	85.586	262.095
Liabilities not assigned	44.756		
Total liabilities	392.436	85.586	262.095

30/06/2023	Total	Medical	Industrial
Changes in fixed assets:			
- assigned	(838)	1.174	(2.013)
- not assigned	(795)		
Total	(1.634)	1.174	(2.013)

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

Information on the consolidated Income Statement

Revenue (note 21)

The chart below shows the subdivision of the revenue of the Group derived from contracts with clients as of June 30th 2023 and 2022.

	30/06/2023	30/06/2022	Variation	Var. %
Total medical systems	161.823.820	149.656.457	12.167.363	8,13%
Total industrial systems	138.708.797	135.221.872	3.486.925	2,58%
Total service	45.092.564	42.096.435	2.996.129	7,12%
Total revenue	**345.625.181**	**326.974.764**	**18.650.417**	**5,70%**

Breakdown of the revenue by geographical areas

Medical sector

	30/06/2023	30/06/2022	Variation	Var. %
Italy	18.402.133	17.896.645	505.487	2,82%
Europe	58.365.405	53.748.733	4.616.671	8,59%
ROW	121.737.155	111.290.895	10.446.261	9,39%
Total Medical	**198.504.693**	**182.936.274**	**15.568.419**	**8,51%**

Industrial sector

	30/06/2023	30/06/2022	Variation	Var. %
Italy	62.434.156	48.009.388	14.424.768	30,05%
Europe	16.860.819	15.431.735	1.429.084	9,26%
ROW	67.825.523	80.597.369	-12.771.846	-15,85%
Total Industrial	**147.120.497**	**144.038.492**	**3.082.005**	**2,14%**

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

	30/06/2023	30/06/2022	Variation	Var. %
Goods transferred at a specific time	342.090.337	323.384.398	18.705.938	5,78%
Services transferred over time	3.534.844	3.590.366	-55.521	-1,55%
Total revenue	**345.625.181**	**326.974.764**	**18.650.418**	**5,70%**

The overall growth reached 6% and was strongest in the medical sector.

For further details, please consult the Management Report.

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2023	30/06/2022	Variation	Var. %
Other income due to Insurance refunds	219.515	3.601	215.914	5995,95%
Recovery of expenses	1.041.961	929.506	112.455	12,10%
Capital gains on disposal of fixed assets	45.909	25.405	20.504	80,71%
Other income	2.317.632	2.022.911	294.721	14,57%
Total	**3.625.017**	**2.981.423**	**643.594**	**21,59%**

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 1.276 thousand Euros entered mostly by the Chinese subsidiaries Penta Laser Zhejiang Co. Ltd and Penta Laser Technology (Shangdong) Co., Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following chart:

	30/06/2023	30/06/2022	Variation	Var. %
Purchases of raw materials and finished products	203.738.845	210.412.047	-6.673.202	-3,17%
Packaging	1.969.468	1.943.255	26.213	1,35%
Shipping charges on purchases	1.618.311	1.522.762	95.549	6,27%
Other purchase expenses	897.399	752.274	145.125	19,29%
Other purchases	3.431.403	3.690.073	-258.670	-7,01%
Total	**211.655.426**	**218.320.411**	**-6.664.985**	**-3,05%**

The costs for the purchase of goods and related charges as of June 30th 2023 were 211.655 thousand Euros as opposed to 218.320 thousand Euros last year, showing a decrease of about 3%. Net of the variations in the inventory, the incidence of these costs was 53,6% as opposed to 54,8% for last year.

Direct services/ Operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2023	30/06/2022	Variation	Var. %
Direct services				
Outsourced processing	15.588.752	14.969.938	618.814	4,13%
Technical services on products	3.489.195	2.201.336	1.287.859	58,50%
Shipment charges on sales	3.533.567	3.080.485	453.082	14,71%
Sale commissions	8.304.350	7.563.680	740.670	9,79%
Royalties	276.000	266.400	9.600	3,60%
Travel expenses for technical assistance	728.257	739.841	-11.584	-1,57%
Other direct services	578.447	142.337	436.110	306,39%
Total	**32.498.568**	**28.964.017**	**3.534.551**	**12,20%**
Other operating services and charges				
Maintenance and technical assistance on equipment	1.018.232	649.287	368.945	56,82%
Commercial services and consulting	1.924.591	1.508.194	416.397	27,61%
Legal and administrative services and consulting	807.514	801.439	6.075	0,76%
Audit fees	155.903	215.527	-59.624	-27,66%
Insurances (no staff cost)	664.136	600.772	63.364	10,55%
Travel and accommodation expenses	2.634.901	1.803.694	831.207	46,08%
Trade shows	3.378.507	2.352.288	1.026.219	43,63%
Promotional and advertising fees	3.545.774	2.712.251	833.523	30,73%
Expenses related to real estate	2.213.029	2.104.740	108.289	5,15%
Other taxes	518.686	719.004	-200.318	-27,86%
Vehicles maintenance expenses	1.208.416	1.169.328	39.088	3,34%
Office supplies	286.503	287.189	-686	-0,24%
Hardware and Software assistance	1.317.120	1.118.499	198.621	17,76%
Bank charges	225.879	233.284	-7.405	-3,17%
Leases and rentals	1.272.158	1.005.458	266.700	26,53%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.721.066	1.810.293	-89.227	-4,93%
Temporary employment	924.092	807.258	116.834	14,47%
Other services and charges	6.805.388	7.747.839	-942.451	-12,16%
Total	**30.621.895**	**27.646.344**	**2.975.551**	**10,76%**

Operating services and charges amounted to 30.622 thousand Euros, showing an increase with respect to the 27.646 thousand Euros on June 30th 2022.
The increases are due mainly to travel expenses and participation in trade fairs.

The heading of "Other services and charges" refers mainly to technical and scientific consultation for an amount of 1.420 thousand Euros and studies and research for an amount of about 680 thousand Euros.

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

Staff costs (note 25)

The chart below shows the costs for staff:

	30/06/2023	30/06/2022	Variation	Var. %
Wages and salaries	41.910.118	36.292.905	5.617.213	15,48%
Social security contributions	9.933.789	8.658.453	1.275.336	14,73%
Severance indemnity	1.206.919	1.082.707	124.212	11,47%
Staff costs for stock options/stock based compensation	1.589.546	456.411	1.133.135	248,27%
Other costs	556.421	491.148	65.273	13,29%
Total	**55.196.793**	**46.981.624**	**8.215.169**	**17,49%**

The costs for personnel were 55.197 thousand Euros, an increase with respect to the 46.982 thousand Euros registered for last year. The number of employees increased from 2.067 persons on June 30th 2022 to 2.261on June 30th 2023.
The entry of "Staff costs for stock options/stock based compensation" includes the figurative costs for the stock options and stock based compensations assigned by El.En. and by Penta Laser Zhejiang to some employees of the group.

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

	30/06/2023	30/06/2022	Variation	Var. %
Amortization of intangible assets	688.234	427.506	260.728	60,99%
Depreciation of tangible assets	3.697.373	3.010.531	686.842	22,81%
Depreciation of tangible assets right of use	1.436.157	1.259.709	176.448	14,01%
Accrual for bad debts	1.174.960	541.090	633.870	117,15%
Accrual for risks and charges	-216.989	597.324	-814.313	-136,33%
Total	**6.779.735**	**5.836.160**	**943.575**	**16,17%**

The accrual with a negative sign for risks and charges is mainly due to the amount reversed from the warranty reserve, in particular by the Chinese companies Penta Laser Zhejiang and Penta Laser Technology (Shangdong).

Financial income and charges and exchange gain (loss) (note 27)

The breakdown of the category is as follows:

	30/06/2023	30/06/2022	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	279.156	184.937	94.219	50,95%
Financial income from associated companies	7.393	149	7.244	4861,74%
Interests income from current securities and financial assets	85.864	84.461	1.403	1,66%
Capital gain and other income from current securities and financial assets	63.675	19.057	44.618	234,13%
Other financial income	173.337	66.339	106.998	161,29%
Total	**609.425**	**354.943**	**254.482**	**71,70%**
Financial charges				
Interests on bank debts and on short term loans	91.156	58.575	32.581	55,62%
Interests on bank debts and on other m/l term loans	302.142	107.982	194.160	179,81%
Capital losses and other charges on current securities and financial assets	5.324	273.853	-268.529	-98,06%
Other financial charges	936.254	381.962	554.292	145,12%
Total	**1.334.876**	**822.372**	**512.504**	**62,32%**
Exchange gain (loss)				
Exchange gains	1.079.664	3.194.213	-2.114.549	-66,20%
Exchange losses	-1.381.965	-1.556.163	174.198	-11,19%
Financial charges fair value on exchange rate derivatives		-915.714	915.714	-100,00%
Other exchange gains (losses)	1		1	
Total	**-302.300**	**722.336**	**-1.024.636**	**-141,85%**

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 69 thousand Euros for the interest charges deriving from the application of the IAS 19 accounting standard and 67 thousand Euros for the entry of interest for leases derived from the application of the IFRS 16 standard and 449 thousand Euro for interests matured on the debt toward the Chinese private equity funds.
It should be noted that there is no significant amount related to interests that were not paid or were not cashed in.

Amount of profit/loss of the associated companies (note 28)

The profit registered for this half is based mainly on the performance of Elesta Spa and of ZheJiang Monochr Laser Intelligent Equipment Co., ltd.

Income taxes (note 29)

The income taxes for this period amounted to 11 million Euros. The taxes related to this half were calculated on the basis of the best estimate of the fiscal aliquotes expected for the year 2023.

Earnings per share (note 30)

The average weighted number of shares in circulation this year amounted to 79.865.917 ordinary shares. The profits per share on June 30th 2023 therefore amounted to 0,32 Euros. The diluted profit per share, which takes into consideration also the stock options assigned, was 0,32 Euros.

Dividends distributed (note 31)

The shareholders' meeting of El.En. SpA held on April 27th 2023 voted to distribute to the shares in circulation on the date the coupon came due, a dividend of 0,22 Euros (zero point twentytwo) gross for each share in circulation. The dividend distributed was 17.573.198 Euros.

Other components of the statement of comprehensive income (note 32)

With reference to June 30th 2023 we wish to point out that there are no "Other components of the comprehensive income statement" worthy of note.

Non-recurring significant, atypical and unusual events and operations (note 33)

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we declare that last year and during the first semester 2023 the Group did not conduct any significant non-recurring, atypical or unusual operations, as defined in the aforementioned Communication.

Information about related parties (note 34)

All of the operations conducted between related parties cannot be qualified as atypical or unusual. The operations are conducted under ordinary market conditions.

In particular the following ones should be mentioned:

<u>Subsidiary companies</u>
Reciprocal operations and transactions among the companies of the Group, included in the scope of consolidation are eliminated when the consolidated half-yearly statement is drawn up and, consequently, they are not described in this report.

<u>Associated companies:</u>
All of the relations of credits and debts, costs and revenue, all of the financing and guarantees granted to associated companies during the first half of 2023 are shown clearly and in detail in the chart.
The prices of all of the transfers are set with reference to what normally takes place on the market. The above-mentioned inter-Group transactions, therefore, reflect the trends in prices on the market with which they may differ slightly depending on the marketing policy of the Group.
The chart below shows the transactions that have taken place with associated companies during this period, both in relation to trade exchanges as well as amounts payable and receivable.

	Financial Receivables		**Accounts receivable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl	30.000		3.171	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA		320.000	286.887	
Accure Inc.			361.483	
Total	**61.565**	**320.000**	**651.542**	**-**

	Financial Payables		**Other payables**		**Accounts Payable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta SpA					329	
Accure Inc.			1.300.000		20.818	
Total	**-**	**-**	**1.300.000**	**-**	**21.147**	**-**

Associated companies:	Sales	Service	Total
Elesta SpA	192.208	34.010	226.218
Accure Inc	1.097.635	35.148	1.132.783
ZheJiang Monochr Laser Intelligent Equipment Co.,Ltd	21.622		
Total	**1.311.465**	**69.157**	**1.380.623**

Associated companies:	Other revenues
Elesta SpA	8.195
Actis Srl	600
Accure Inc.	58.632
Total	**67.427**

Associated companies:	Purchase of raw materials	Services	Other	Total
Accure Inc.		20.818		20.818
Total	**-**	**20.818**	**-**	**20.818**

The amounts shown on the charts above refer to operations that are inherent to the ordinary operations of the Group.

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	2.977.659	1.907.090	64,05%
Receivables LT	697.617	320.000	45,87%
Accounts receivable	176.485.907	651.542	0,37%
Other current receivables	20.261.828	61.565	0,30%
Non current financial liabilities	34.234.807	-	0,00%
Current financial liabilities	40.346.638	-	0,00%
Accounts payable	146.145.539	21.147	0,01%
Other current payables	95.638.444	1.300.000	1,36%
Other non current liabilities	7.572.984	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	345.625.181	1.380.623	0,40%
Other revenues and income	3.625.017	67.427	1,86%
Purchase of raw materials	211.655.426	-	0,00%
Direct services	32.498.568	20.818	0,06%
Other operating services and charges	30.621.895	-	0,00%
Financial charges	1.334.876	-	0,00%
Financial income	609.425	7.393	1,21%
Income taxes	10.991.119	-	0,00%

Risk factors and procedures for the management of financial risks (note 35)

The main risk factors to which the Parent Company and the subsidiary companies (Group) are described below and divided in operating an financial risks.

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 a bank guarantee in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo.

During 2022 Ot-las srl issued a guarantee, for a maximum of 25 million dollars for Penta laser Zhejiang and its subsidiary Cutlite Penta S.r.l. for the payment of the amount that they would have to pay in excess of the amount paid by the insurance company on the basis of the definitive sentence they are condemned to pay for the compensation for damages for the law suit in the United States at the Superior Court of Hartford Complex file n. X03-HHD-CV17-6084684-S. Moreover, the Parent Company, El.En. spa offered a second level guarantee in the case that the guarantee offered by Ot-las became operative or that 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 guaranteed 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 obtained lines of credit for a total value of 125 million RMB by taking out a mortgage, used on June 30th for the amount of 10 million RMB.

The Chinese subsidiary Penta Laser (Wuhan) took out a mortgage to obtain a line of credit for a maximum of 10 million RMB which was completely used on June 30th 2023.
Moreover, they granted guarantees to the subsidiary Penta Laser Zhejiang for 33 million RMB for the financing obtained by this latter.

The Chinese subsidiary Shenzhen KBF Laser Tech took out mortgages for the purpose of obtaining a line of credit for a maximum of 10 million RMB which was completely used on June 30th 2023. They also obtained a guarantee from the General Manager for another line of credit for a maximum of 10 million RMB, which was completely used on June 30th 2023.

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 covered.

During this period the subsidiary Cutlite Penta Srl stipulated a contract to cover in part the risks on the interest rate of a loan.

Operation	Notional value	*Fair value*
Interest rate swap	€4.583.333	€ 4.578
Total	**€4.583.333**	**€ 4.578**

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 for 2022.

Financial instruments (nota 36)

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 30/06/2023	Book value 31/12/2022 restated	Fair value 30/06/2023	Fair value 31/12/2022 restated
Financial assets				
Equity investments in other companies	1.070.569	1.061.819	1.070.569	1.061.819
Non current financial receivables	697.617	683.080	697.617	683.080
Current financial receivables	243.717	101.234	243.717	101.234
Securities and other non-current financial assets	23.594.218	23.455.926	23.594.218	23.455.926
Securities and other current financial assets	4.188.435	2.311.175	4.188.435	2.311.175
Cash and cash equivalents	87.939.842	162.814.265	87.939.842	162.814.265
Financial debts and liabilities				
Non current financial liabilities	34.234.807	37.862.252	34.234.807	37.862.252
Current financial liabilities	40.346.638	45.055.546	40.346.638	45.055.546

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 June 30th 2023, the Company held the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		23.594.218		23.594.218
Mutual funds/Bonds	4.188.435			4.188.435
Interest rate swap		4.578		
Other equity investments			1.070.569	1.070.569
Total	**4.188.435**	**23.598.796**	**1.070.569**	**28.853.222**

Other information (note 37)

Average number of employees

Personnel	Average of the period	30/06/2023	Average of previous period	31/12/2022	Variation	Var. %
Total	2.183	2.261	2.004	2.105	156	7,41%

Subsequent events (nota 38)

No significant subsequent events occurred afetr the closure of the half.

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

Declaration of conformity of the half-yearly condensed financial statement on June 30th 2023 in compliance 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. SpA, in conformity with art. 154-bis, comma 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 consolidated financial statement, during the first half of 2023.

2. In this regard the following important aspects have emerged:

During the compilation of the consolidated half-yearly financial statement on June 30th 2023, the resolution taken by the Group on December 31st 2022 related to the representation, in compliance with the international accounting standards, of the increase in capital of Penta Laser Zhejiang underwritten from October to December 2022 by four Chinese private equity funds was revised. During the revision of the schedule for a possible IPO of the cutting division on the Chinese stock market we re-evaluated the possible effects of the contractual clauses related to the agreements for the entry into the capital of the four private equity funds; these clauses, in any case, are common in operations of this type and were already examined in the financials of December 31st 2022 by legal and financial consultants and Independent auditors.
Considering the presence of clauses which offer the possibility of exercising the right of withdrawal in the case that events occur which are not under the control of the management of the Group since they depend on external factors, the Group has identified a more suitable accounting approach with respect to that used for the consolidated financial statement drawn up on December 31st 2022 and consequently the amounts originally entered among the shareholders' equity of the Group have been reclassified as financial debts. The original approach was based on the prevalence of the practice used by the Chinese companied in the accounting of the increases in capital in preparation for the IPO and the effects of the option for repurchase usually included in similar circumstances, a practice which was validated and requested by the CSRC, the authority which controls the Chinese stock markets.

For further details, see the paragraph in the Explanatory notes titled "Restatement of the amounts of the prior year in accordance with IAS 8 paragraphs 41-42".

3. We also declare that:

3.1 the condensed consolidated half-yearly financial statement:

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, on 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 important events of the first six months of this year and their impact on the half-yearly condensed financial statement, together with a description of the principal risks and uncertainties to which they are exposed for the remaining six months of the year. The Management Report also contains a reliable analysis of the significant operations with related parties.

Calenzano, September 12th 2023

Managing Director	Executive officerr in charge of the preparation of the company financial documents
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

EL.EN. S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

EY S.p.A.
Piazza della Libertà, 9
50129 Firenze

Tel: +39 055 552451
Fax: +39 055 5524850
ey.com

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
EL.EN. S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes of EL.EN. S.p.A. and its subsidiaries (the "EL.EN. Group") as of June 30, 2023. The Directors of EL.EN. S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of EL.EN. Group as of June 30, 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of matter

We draw your attention to the paragraph "Restatement of the amounts of the prior year in accordance with IAS 8 paragraphs 41-42", which discloses the nature and the effects arising from the correction of errors made in the recognition of the capital increases carried out by Chinese private equity funds in the subsidiary Penta Laser Zhejiang and the consequent restatement of comparative figures of the consolidated financial statements of the previous year.
Our conclusion is not qualified in this respect.

Florence, September 13, 2023

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

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