Annual Financial Report as of December 31, 2021

ELEN™
THE FUTURE IN A BEAM

EL.EN. S.p.A.

ANNUAL FINANCIAL REPORT AS OF DECEMBER 31st 2021

El.En. S.p.A.
Headquarters in Calenzano (Florence) – Via Baldanzese n. 17
Capital stock: underwritten and paid € 2.593.827.86 (*)
Company registered with the Registro delle Imprese di Firenze n. 03137680488

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

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<u>TABLES</u>

ATTACHMENTS

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

CORPORATE BOARDS OF THE PARENT COMPANY

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

Board of StatutoryAuditors

PRESIDENT

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

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

Enrico Romagnoli

Independent auditors

EY S.p.A.

LETTER FROM THE PRESIDENT TO THE SHAREHOLDERS

To our shareholders,

The great satisfaction which we feel in presenting the results for 2021 is tempered by our grief for the loss, in April of this year, of Prof. Leonardo Masotti, with whom we founded El.En. forty years ago and now, by another unexpected and unpredictable event like the hostilities which have broken out in Ukraine, in addition to the previously present but still increasing difficulty of procuring raw materials.

By following our policy of development as planned, thanks to the investments in research and the constant improvement of the distribution networks at a global level, we have been able to improve our position on the market even more than had been predicted, both in the medical laser sector and in that for industrial applications.

At this time, the orders we have received and the important initiatives we have undertaken to increase our production capacity despite the contingent difficulties, lead us to expect a further growth on all of our markets which we are pursuing with the determination that has always distinguished our company!

MANAGEMENT REPORT 2021

INTRODUCTION

To our shareholders,

Following the acceleration which started in the second half of 2020, for the El.En. Group 2021 showed a further rapid growth with record consolidated results in all areas of evaluation both economic and revenue. The sales volume was over 571 million, showing an extraordinary growth of 40%, the EBIT amounted to 64,8 million Euros and the net income was 45,4 million, the best result registered by the Group ever. To complete this brilliant situation of results for 2021, the net financial position exceeded 115 million thanks to the large amount of cash generated; moreover, in December the portfolio of orders reached a new high and represents a solid base so that the results of the Group can continue to grow also in 2022.
When presenting these results, the management wishes to express not only their own satisfaction but also that of all the employees of the Group who, thanks to their skill and dedication, represent the strong point of our business. This always requires great multidisciplinary commitment as a team in order to face the challenges which the technological frontier and rapid evolution of the markets present on a daily basis.
By taking advantage of a solid trend in demand, our businesses were able to reach the potential that had been created over time by the Group, with a farsighted allocation of financial and managerial resources oriented toward the consolidation of their areas of competence and operative structures to create the groundwork needed for a progressive and widespread growth.
The phase which, when it first appeared at the end of 2020 was defined as a period of rebound after the crisis caused by the pandemic, turned out to be a prolonged phase of sustained, solid demand on our markets; both in the medical sector on which the reasons for the expected growth of the market are consolidated, as well as in the industrial sector, where our production units are the protagonists of the evolution of the market and its rapid growth, we are now going through a very favorable phase.
The potential for growth of our markets in the past few months has become more evident and the Group is taking advantage of this opportunity thanks to their excellent competitive position with its past history of distinguishing itself through technical and applicative innovations, its gradually acquired ability to be able to identify profitable distribution channels for our products and, above all, the excellent quality of its human resources.

The war in Ukraine has presented a new, important factor of disturbance in the normal evolution of economic activities, with the uncertainty in its development and its impact on international relations. At this time we are experiencing a shutdown in the Russian and Ukraine markets and those connected with them and we very much hope that the war may soon be resolved without extending its harmful effects to other areas.

REGULATORY FRAMEWORK

In compliance with the *European Regulation* n. 1606 of July 19th 2002, the El.En. Group has formulated the consolidated statement as of December 31st 2021 in compliance with the international accounting standards approved by the European Commission.
In conformity with Legislative Decree 38/2005, starting in the financial year 2006 the annual financial statements of the parent company, El.En. S.p.A. (separate financial statement) has been drawn up according to the international accounting standards (IFRS); when reporting data related to the parent company we will refer to the above mentioned standards.

SIGNIFICANT EVENTS WHICH OCCURRED IN 2021

In the month of January Cutlite Penta concluded the purchase of an industrial building adjacent to its headquarters, with an investment of about 5 million Euros sustained by real estate leasing, and in this way increased the volume of the production area for its rapidly expanding activities in a way that was ideal from a logistic point of view.

On April 27th the shareholders' meeting of the Parent Company approved the financials for the financial year 2020 and took the following resolutions:
- to allocate all of the net income for the year 2020 to an extraordinary reserve;

- to distribute to the shares in circulation on the date that coupon no. 4 comes due on May 24th 2021, in compliance with art. 2357-*ter*, second sub-section of the Civil Code – a dividend of 0,40 Euros (zero point forty) gross for each share in circulation.
- for the distribution of the dividends, to draw on the profits for the years before December 31st 2017 which had not been distributed an had been deposited in the voluntary reserve called "extraordinary reserve" for an overall amount, on the date of the resolution, of 7.947.517,60 Euros; it was also resolved that this amount could have been increased by further sums which were necessary for the distribution of the dividend for shares which were in circulation on the date that the coupon came due, returning from the exercising of stock options during the period between the date of the resolution of the Assembly and the record date (May 25th 2021);
- to accrue in a special reserve of profits carried forward, the residual dividend destined for treasury stock held by the Company on the date that the coupon came due.

Also on April 27th 2021, the shareholders' assembly of El.En. S.p.A. in the ordinary meeting, proceed with the authorization of the purchase of treasury stock at the conditions proposed by the Board of Directors in compliance with articles 2357 and 2357-ter cc. The purchase of treasury stock may be made for the purpose of proceeding with the assignment or distribution to employees and/or collaborators and/or members of the administrative bodies of the Company or of its subsidiaries for the purpose of incentive remuneration plans that are in conformity with remuneration policies approved by the shareholders' assembly of the Company as well as, for residual purposes, to possess an instrument of exchange as part of strategic operations of a strategic nature. The purposes described should be followed by plans and operations for the purchase or sale and/or instructions given respecting the terms and methods of current legislation and, in particular, Regulation UE 596/2014 ("MAR") and the related laws as well as the best practice approved by the CONSOB. The authorization was granted for the purchase, within 18 months of the resolution, in one or more sets, for a maximum of ordinary shares of the Company, the only category currently issued, which in any case, cannot be more than one fifth of the capital stock. On the date of the resolution, 20% of the underwritten paid capital of El.En. amounted to 3.973.758 shares for a nominal value of 516.588,54 Euros. The purchase of treasury stock must take place respecting the criteria of the equality of shareholders in compliance with art. 132 T.U.F. and art. 144-*bis Regolamento Emittenti*. Consequently, the administrators may proceed with the purchase using the following concurrent or alternative methods where applicable and which will be established at the time of the individual operations. By means of public offering for purchase or exchange, on the regulated markets. The purchase may take place at a price which is at the minimum, not less than the nominal value of 0,13 Euros per share, and at the maximum, more than 10% greater than the official trading price registered on the day before the sale. Moreover, the shares can be sold within 10 years of the day of the resolution at a price or equivalent in the case of company operations, that is not less than 95% of the average of the official trading prices registered during the five days preceding the sale. Both the sale and the deeds of sale of treasury stock must be made following the current legislation on the subject, both European, by proxy and, domestic.

The Assembly also resolved to approve the remuneration and incentive report, ex art. 123-*ter* T.U.F.

The Assembly proceeded with the appointment of the Board of Directors for the three-year period 2021-2023 and, therefore, until the approval of the financials for the financial year 2023 and set the number of members at seven. The following people were appointed as members of the Board: Gabriele Clementi as president, and other members, Barbara Bazzocchi, Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Michele Legnaioli and Daniela Toccafondi. The composition of the Board of Directors respects the regulations regarding gender equality in compliance with Art. 147-*ter*, sub-section 1-ter del D.Lgs. 58/1998.

On the same day, the Board of Directors of the Parent Company, El.En. S.p.A. appointed as executive members the president, Ing. Gabriele Clementi and the managing directors, Barbara Bazzocchi and Andrea Cangioli and assigned to them separately and with approved signature, all of the powers for the ordinary and extraordinary administration of every activity that is part of the Company mission, with the exception of those that are specifically prohibited by law or by the Company by-laws.

In the month of May 2021, the Lasit Laser Polska company was founded with headquarters in Poland and capital stock amounting to 10.000 PLN (about 2.000 Euros), held 65% by the subsidiary, Lasit SpA.

On July 20th 2021 the shareholders' Assembly of El.En. S.p.A., met in an extraordinary meeting and approved the proposal of the Board of Directors to eliminate the nominal value expressed for the shares and to increase the total number of shares by splitting the ordinary shares in circulation in a ratio of one to four, for the purpose pf facilitating the trading and negotiability of the shares considering their current market value.

The elimination of the indication of the nominal value expressed for the shares in the by-laws, was decided for the purpose of allowing a greater flexibility in the operations like the increase or reduction of the capital, the combining or splitting of the shares, the cancellation of treasury stock, and also comports a reduction in legal costs related to bureaucratic procedures.

The stock split in a ration of 1 to 4 of the 19.929.586 ordinary shares comported an increase in the number of shares in circulation to 79.718.344 by means of a withdrawal and cancellation of all of the ordinary shares issued and existing, and the assignment of four ordinary newly issue shares for each share that had been withdrawn and cancelled. The capital stock did not undergo any variations as a consequence of the stock split.

The Assembly consequently approved the modifications to art. 6 of the Company by-laws (sub-sections 1-3-4) related to the capital stock according to and in compliance with articles. 2328, 2346 e 2443 c.c. and the rectification of the Stock Option Plan for 2016-2025. The operations for the withdrawal and cancellation of the split stock without a nominal value began on August 2nd, 2021 with the application of the ISIN code: ISIN: IT0005453250.

In the month of October 2021 the subsidiary, Penta Laser Equipment (Wenzhou) was underwritten for an increase in capital stock by some of the minority shareholders with a consequent diluting of the percentage of control which decreased from 84,54 to 83,76%.

In the last two months of 2021 the equity in the Chinese associated company Chutian (Tiajin) Laser Technologies Co., Ltd was sold to a third party and the associated company, Quanta Aesthetic Lasers USA, LLC was liquidated.

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 founders, Leonardo Masotti and his wife, Barbara Bazzocchi, and Ing, Gabriele Clementi, have always conducted the company and are still part of the top management.
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 growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging
There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser systems represent an increasingly indispensable tool for

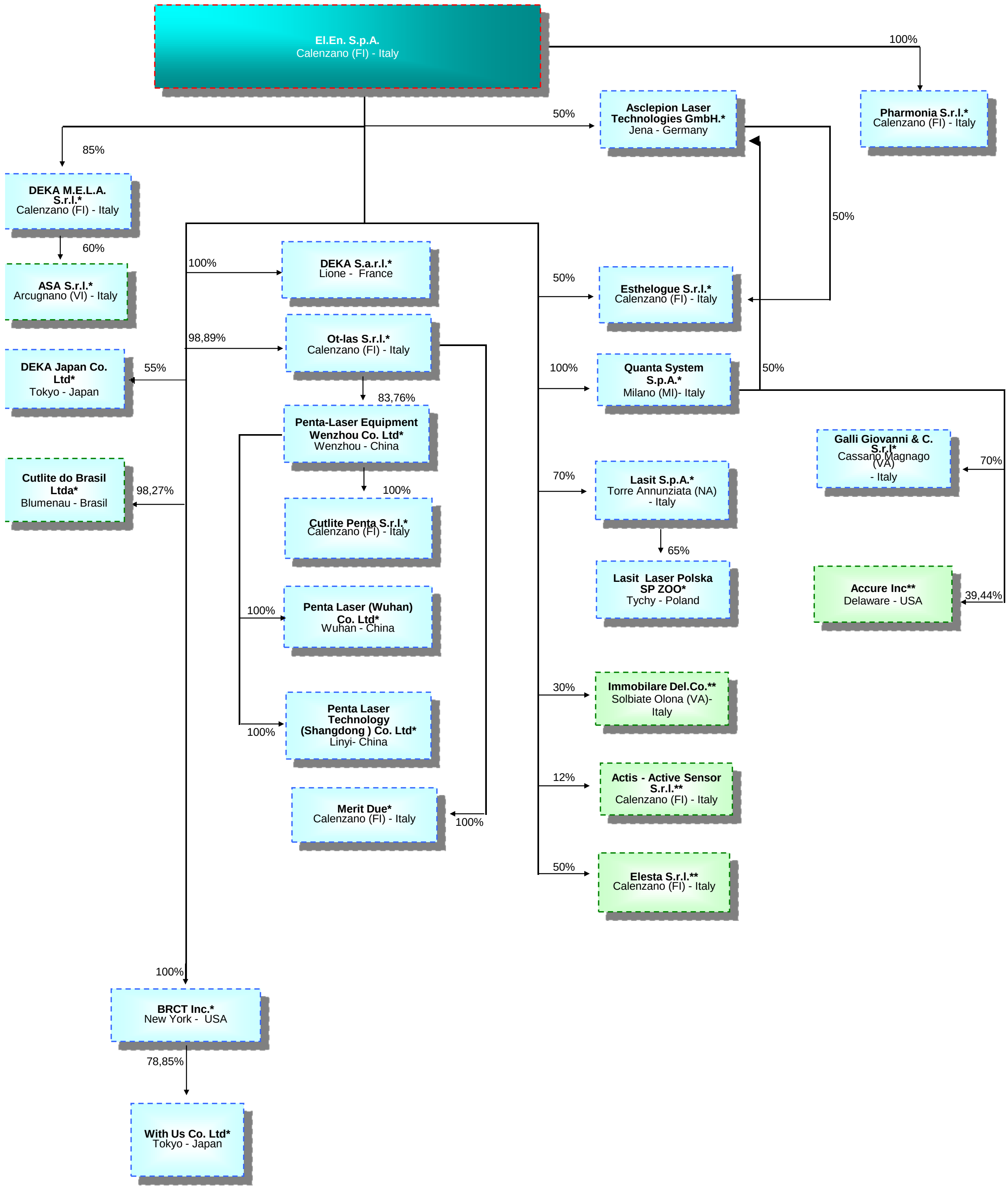
manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

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

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

DESCRIPTION OFTHE GROUP

As of December 31st 2021 the structure of the Group was as follows:



* *Subsidiaries*
** *Associates*

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 **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 **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 **value added** is determined by adding to the EBITDA the "cost for personnel";
- 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 **incidence** that the various entries in the income statement have on the sales volume.

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

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

Performance indicators

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

	31/12/21	31/12/20
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	20,3%	9,9%
ROI (EBIT / Total Asset)	10,0%	6,4%
ROS (EBIT / Sales)	11,4%	7,4%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,79	0,75
Leverage ((Net Equity+ Loans) / Net Equity)	1,21	1,23
Current Ratio (Current Asset / Current Lability)	1,70	1,95
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,19	1,34
Quick ratio	0,60	0,68

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

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

GROUP FINANCIAL HIGHLIGHTS

The financial year 2021 closed for the El.En. Group with results that were far superior even to the most optimistic predictions that had been made at the beginning of the year: the consolidated sales volume exceeded 571 million, the EBIT and the net income of the Group amounted to about 64,8 and 45,4 million Euros respectively. The comparison with 2020, so severely hit by the pandemic, highlights the extraordinary nature of the results (sales volume +40%, EBIT +115%, net result of the Group +124%), but the true extent of the validity of the results can be seen from a comparison with 2019, the last year before the pandemic crisis: despite the severe impact of the crisis, the average annual growth from 2019 to 2021 was 19,4% in the sales volume, 30,3% in the EBIT and 32,2% in the net income of the Group.

The management of the Company is extremely satisfied with these results which are the outcome of a long-term plan based on specific investments, some of which are very apparent like the production and logistic structures (58 million in the last 4 years), while others are spread over innumerable activities and expenses aimed at improving the technical, marketing and organizational know-how of our business and intensifying the stratification the expertise in our various functions, which is at the base of our innovative capacity.
As mentioned in the introduction, the market conditions in 2021 and in early 2022 were very favorable and made the effects of the pandemic appear negligible, despite the fact that they are still strongly conditioning our daily lives.

The outbreak of the war in Ukraine has arrived to upset the international and political conditions once again and has presented an important new factor of uncertainty just at the moment when we were finally glimpsing the end of the period afflicted by the Covid. Along with the dismay and pain of the populations directly involved, the war itself and the sanctions will cause objective difficulties in the commercial transactions of the Group with Russia and Ukraine. The sales in the areas that are directly involved in the conflict represent less than 2% of the consolidated sales volume. Let us hope that the conflict can be resolved rapidly and that the message of death that it brings so unjustifiably can soon be interrupted. It should be noted that besides the direct effects of the conflict there will probably be many indirect ones derived from the uncertainty in the evolution of the international relations, effects which cannot be quantified at this time although they are in part already evident from the increase in prices of energy for which the conflict and the political tensions which preceded it are clearly responsible.

Besides the increase in energy costs, in these last few months a phenomenon which has obstructed our activities in 2021 has intensified: the increase in the costs of raw materials and components and the difficulties in the supply chain of various categories of merchandise to rapidly meet the growing demand. The increase in the cost of materials in 2021 was offset by the enormous increase in volumes, however it will be more directly incisive in 2022. The delay in the delivery times has made it necessary to move up both the production schedules as well as the purchases, with an increased risk in supply commitments and a greater immobilization of working capital in the inventory.
The growth in the volume of production has been, and still is, obstructed by the lack of raw materials which has extended even to the unavailability of certain components and the unreliability of the scheduled delivery times. Moreover, in order to remedy the unavailability of certain components, the research and development department has been involved in the re-engineering of certain sub-assemblies based on what is available as an alternative to the original part required.
The problems described above still persist now at the start of this financial year. They did not prevent the growth shown in 2021 but they limited the entity: the increase in the portfolio of orders was in fact generated by the number of orders received but also by the difficulty encountered in attempting to rapidly increase the volume of production to satisfy the increased demand. Considering that the delivery time for some components is now over 60 weeks, we presume that this problem will persist in 2022.

The general trend in the activities of the Group therefore was very good for the entire year. Among the various positive aspects that distinguished the year, in the medical sector the most significant one was the increase in the sales volume to the United States of America, in part generated by the re-launching in grand style of the collaboration with Cynosure, the American company that was part of the El.En. Group from 2002 to 2016 and is now controlled by a private equity fund. Thanks to this collaboration and to others like that, for example, with Cartessa, the distributor of the products of Deka and Quanta for aesthetic medicine in the U.S, the American market became the main client for our products in the medical sector, followed by Japan, Italy and Germany in that order. In these countries we operate prevalently with direct distribution networks. Two-digit growth was registered on all our markets and in all applicative segments, with a few sporadic exceptions which had no effect on the very positive general picture. The recovery in the surgical and physical therapy sector was very significant; these markets had suffered from the effects of the Covid pandemic and started again to show brilliant results in 2021. The surgical applications in the field of urology (removal of kidney stones and reduction of benign hypertrophy of the prostate) increased the number of installations, which are a future source of income thanks to one of the consumables, the single or multiple us optical fiber that is used in every single surgical operation and is sold by the Group to the end users. Also in this sector the results are growing strongly, despite a problem caused by one of our suppliers at the start of the year, and we plan to invest in the amplification of our manufacturing capacity by installing more white rooms in the headquarters of Quanta System at Samarate.

In the industrial sector, the explosive growth in the cutting sector continued in both the Chinese and Italian factories that operate in the laser cutting sector of the Group. In China, the recovery of demand after the lockdown in the early months of 2020 brought about a very positive phase which lasted until the Summer of 2021. Since then the general slowing of the Chinese economy has cooled down the markets which have been threatened, among other things, by the expectation of a crisis in the real estate sector caused by the danger of default by Evergrande. The trend in the first six months was so brilliant that it made the slowing down in the second half almost irrelevant on an annual basis and registered in China an increase in sales volume of 33% on an annual basis and 27% average over 2019. We believe that the innovative power of our systems, sustained by a recovery in the Chinese economy confirm the positive signals that the market is sending at the beginning of this year and will allow another year of growth. The trend in sales of Cutlite Penta, which operates in Italy and the rest of Europe in the cutting sector has shown no uncertainties and registered a spectacular growth of 68,8%, a determining contribution to the expansion of the cutting sector which this year exceeded 215 million in sales volume. The positive trend of the markets also involved our Brazilian branch, which was able to double their sales volume in Euros, (+120% in Reals) and make a positive contribution to the income of the Group.
In the industrial sector, the trend in the marking segment was again very good, with Lasit opening a new branch in Poland, and in the sector of special applications with sources and scansion heads produced by the Group which are increasingly used for innovative applications in the packaging sector and in the accessory processes for the manufacture of electric motors.

As illustrated further on in this report, the increase in the volume of production and the sales volume have allowed an operative leverage which has significantly improved the operating profits. As far as the operative structures and functions are concerned, we have continued to re-enforce them in order to put our teams for research, engineering and marketing in the best position to innovate products, applications and strategies for market positioning which are at the base of our future success.

During this year we have intensified the activities initiated to improve the sustainability of the Group which, among other things is included in the performance indicators for the remuneration of the Directors. The multi-year Sustainability Plan of the Group, besides the monitoring of the projects now in existence and achieving the objectives includes other areas and projects for improvement; this continued commitment is shown by the ESG rating obtained from the main sustainability rating agencies. It should be noted that during this year the Group set up an analysis plan of its activities in order to progressively fulfill the hew obligations for reporting introduced by UE Regulation 852/2020 – *Taxonomy Regulation*. This regulation in fact, defined the contents that must be reported and the criteria for defining the economic activity as eco-sustainable (for now only a few types of activities respond to the criteria for mitigating and adapting to climate change) and others will be introduced in the next years.

From a point of view of new investments, the Group continues to focus on the internal development of its own activities, by equipping them with the operating structures to take advantage of the opportunities which our markets are offering. The opportunities for investments in the diversified structures of the Group are numerous and continue to be more promising than external diversification through policies of acquisition. Again in 2022, the fixed investments will be aimed at the development of the operating structures of the Group, especially those in Calenzano, Torre Annunziata, Wuhan and Samarate.

The Group has demonstrated that they have the organizational and technical means to satisfy the needs of the clientele and also to innovate, in this way further stimulating demand to its advantage. We are confident of the capacity and potential of our organization and our staff and believe that they can benefit from the developments expected in the demand on our markets also in the future.

The chart below shows the sales volume as of December 31st 2021 divided by sector of activity of the Group compared with the same data for 2020 last year.

	31/12/2021	**Inc %**	**31/12/2020**	**Inc %**	**Var. %**
Medical	311.290	54,48%	229.061	56,13%	35,90%
Industrial	260.112	45,52%	179.023	43,87%	45,30%
Total revenue	**571.402**	**100,00%**	**408.083**	**100,00%**	**40,02%**

The overall growth exceeded 40%, and was more significant in the industrial sector.

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

	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Italy	116.435	20,38%	72.557	17,78%	60,47%
Europe	116.381	20,37%	73.918	18,11%	57,45%
ROW	338.586	59,26%	261.608	64,11%	29,42%
Total revenue	**571.402**	**100,00%**	**408.083**	**100,00%**	**40,02%**

The charts below show the sales volume on the basis of the sector of activity according to the geographical area. The least outstanding result is +26,38% for sales in the medical sector in the rest of the world. The best result is +69,74% for the industrial sector in Italy, which was driven by the cutting sector but also by mid-powered sources and marking systems for which our products were very well received in Italy.

Medical sector

	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Italy	33.580	10,79%	23.744	10,37%	41,42%
Europe	91.385	29,36%	57.882	25,27%	57,88%
ROW	186.325	59,86%	147.434	64,36%	26,38%
Total revenue	**311.290**	**100,00%**	**229.061**	**100,00%**	**35,90%**

Industrial sector

	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Italy	82.855	31,85%	48.813	27,27%	69,74%
Europe	24.997	9,61%	16.036	8,96%	55,88%
ROW	152.260	58,54%	114.174	63,78%	33,36%
Total revenue	**260.112**	**100,00%**	**179.023**	**100,00%**	**45,30%**

In the sector of medical and aesthetic systems, which in 2021 represented 54% of the sales volume of the Group, the trend in sales in the various segments is shown on the chart below:

	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Aesthetic	198.292	63,70%	136.508	59,59%	45,26%
Surgical	45.218	14,53%	38.300	16,72%	18,06%
Physiotherapy	13.484	4,33%	7.638	3,33%	76,54%
Others	757	0,24%	500	0,22%	51,41%
Total medical systems	**257.750**	**82,80%**	**182.945**	**79,87%**	**40,89%**
Medical service	53.540	17,20%	46.115	20,13%	16,10%
Total medical revenue	**311.290**	**100,00%**	**229.061**	**100,00%**	**35,90%**

The growth is significant in all the segments; the medical sector grew 35,9% over 2020 and, on an annual average 13,4% with respect to 2019. For the service and aesthetic segments, which also grew in 2020, it represents a further acceleration. For the surgical and physical therapy sectors, which were struggling in 2020, there was a strong recovery which places the sales volume for therapy above the 2019 level and delineates the possibility for the surgery sector to recover rapidly and return to the record levels of 2019.

In the aesthetic sector, the three families of laser systems for hair removal were decisive for the rapid growth. Mediostar by Asclepion, Motus and Again by Deka, in this applicative segment which is our flagship in terms of number of products and sales volume, perfectly represent the variety and completeness of the range of which the El.En. Group is very proud. The Motus is an Alexandrite and NdYAG system which is compact and effective in working with mid-power at high frequency; the same wave length is used by Again which offers more power for a rapid treatment using the stencil method in order to meet the high performance required by certain levels of the clientele; The German technology of the Mediostar systems places them on a qualitative level of absolute excellence with a qualitative gap that is effective and perceived - as is demonstrated by the number that has been sold - with respect to the varied world of semiconductor (“diode type”) laser systems. Equally important was the growth in the sector of body treatments again thanks to the variety in the range in equipment and technology. Along with the Onda *Coolwaves* system with which Deka, in 2018, first introduced microwave technology in the non-invasive applications of body contouring they have added, with excellent commercial success, the technology of matrices with superluminescent LED in the Physiq B-Strong Plus and Delinea systems, and that specific for muscle tone, with high intensity magnetic impulses on the i Schwarzy, B-Strong and Bodylab systems. The trend in the anti-aging applications for the skin was also excellent; for these applications they use CO_2 technology and extra-short Q-switched and picosecond impulses. The first of these is an evergreen for which El.En. over time has improved the technology of the resonators and the scanning of the beam and perfecting methodologies which work rapidly and effectively like *Coolpeel* which is very popular in the United States. In the second of these, Quanta System excels with their Discovery Pico, Q-Plus and Chrome systems used for anti-aging treatments which are vary appreciated in the Far East for their effectiveness in treating the pigmentation caused by aging which is typical of oriental skins, and also in the West for their capacity to remove tattoos.

The relaunching of the surgical sector also showed excellent results; this sector had been severely hit by the impact and persistence of the pandemic because the hospitals were entirely focused on the Covid emergency. Along with the solid state Holmium systems which had always been our strong point for urological treatments (benign prostate hypertrophy and removal of kidney stones) in 2020 we added the FIber Dust system based on a source using optical finer technology which completed the range adding the technology which was introduced by our competition, and seems able to take over important portions of the market. Along with the sales in the urology sector, there is also an important volume of sales of optical fibers for surgery which are both single and multiple use and are consumables which are required for surgical operations using lasers. Sales of optical fibers are registered with the revenue for after sales service and represent about one-third of it.

For after-sales service we have registered with great satisfaction the growth in the amount of consumables, the above mentioned optical fibers for urology, the single-use blades for morcellators as well as the consumables that are part of the systems for professional aesthetics.. The up-grading activities diminished, however these do not represent a constant trend over time because they are related to specific non-repetitive operations.

The excellent recovery in the field of physical therapy continues and Asa has again pursued in the gradual growth trend which it has always shown in recent years and concluded the year with record results. In the therapy segment we register also the sales volume for the SUI treatment (Urinary incontinence due to stress), a common affliction among elderly females, that was launched by Deka at the end of the year with a good outlook for future developments..

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

	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Cutting	215.996	83,04%	147.400	82,34%	46,54%
Marking	22.562	8,67%	17.257	9,64%	30,74%
Laser sources	6.969	2,68%	2.254	1,26%	209,20%
Conservation	243	0,09%	373	0,21%	-34,92%
Total industrial systems	**245.770**	**94,49%**	**167.283**	**93,44%**	**46,92%**
Industrial service	14.343	5,51%	11.740	6,56%	22,18%
Total industrial revenue	**260.112**	**100,00%**	**179.023**	**100,00%**	**45,30%**

The growth in 2021 exceeded 45%, with an annual average growth since 2019 which is close to 30%, thanks mostly to the main segment, cutting.

In the sector of laser cutting the growth in the second half of 2021 was derived mainly from the results of Cutlite Penta, while the sales trend in China was much calmer after the extraordinary acceleration shown post-Covid in the second half of 2020 and the first half of 2021. The rapid evolution of the supply determined by the introduction of sources in optical fiber in laser cutting created a great opportunity for growth. Our Chinese companies and later Cutlite Penta were able to perfectly manage the technology by developing cutting systems which offer the client the advantages in cost, productivity and reliability which this new technology allows. The powers that are available which, in just a few years, have risen from an average of 4kW to 30/40 kW have made possible an increase in productivity which consists in the increase in the cutting speed of sheet metal of the same thickness as well as the possibility of cutting with excellent quality and speed increasingly greater thicknesses. Greater productivity, decreased costs and new potential applications thanks to the overcoming of certain critical thresholds have amplified the number of potential clients so that it is now relatively inexpensive to install a laser system in one's production line. The growth which has given us such satisfaction is the result of investments of the Group in the sector, starting in 2007, with the factory in China in the city of Wuhan which has been intensified in recent years by the addition of the logistic structures necessary to take advantage of the opportunity for growth (4 new factories built in China, in Wenzhou and Lin Yi, and one in Prato, Italy).

Our competitive position on the internal Chinese market is based on our ten year old location in the territory, where, in our factories they make lasers which, despite the fact that they are Chinese benefit from some key technologies that are of Italian or European origin. This characteristic has always represented an important competitive edge on a highly competitive market like the Chinese one. To this particular feature of our products we have also added our capacity to perfectly manage the very high powers that laser technology has recently made available for cutting applications. This particular type of expertise distinguishes us from the competition and allows us to act as pioneers in the use of laser systems in applications which can be performed only with extremely high powered cutting systems and to maintain our leadership in the sector of high-powered cutting. During 2021 the systems with 30kW sources became part of the current production and we engineered the first system containing a 40kW source, a further improvement in power which promises to open new applicative opportunities and further increase the productivity of our laser systems.

The growth in the sector of sources is particularly interesting and is based on an effective work both on the technical performance of the sources as well as on the new applications which, in collaboration with our clients who integrate the systems, we have been able to develop in different fields. The marking sector is also recovering rapidly. This is the case for the identification applications made by Lasit in Torre Annunziata which has begun to benefit from the functionality of the new factory and has founded a company in Poland for the distribution of its systems in areas of high intensity growth of industrialization. This is also the case for the applications of decorations with the activity of Ot-las which is now going through a positive re-launching phase.

The restoration segment is not very significant in terms of volume of business but it the pride and joy of the Group which makes its expertise and technologies available for the conservation of works of art which are often world famous masterpieces and El.En., a company that was born and grew up in a city which has the one of the most extraordinary artistic heritages in the world considers this mission essential also for its relations with the public.
The photograph that is shown below illustrates a phase in the restoration of the Gates of Paradise on the Baptistry in Florence, a masterpiece by Lorenzo Ghiberti which is now displayed in the Cathedral Museum (museo dell'Opera del Duomo).

CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31st , 2021

The chart below shows the consolidated reclassified income statement for the year that ended on December 31st 2021 compared with that for 2020.

Income Statement	**31/12/2021**	**Inc %**	**31/12/2020**	**Inc %**	**Var. %**
Revenues	571.402	100,0%	408.083	100,0%	40,02%
Change in inventory of finished goods and WIP	21.425	3,7%	12.751	3,1%	68,02%
Other revenues and income	5.987	1,0%	5.734	1,4%	4,40%
Value of production	**598.814**	**104,8%**	**426.569**	**104,5%**	**40,38%**
Purchase of raw materials	358.601	62,8%	255.211	62,5%	40,51%
Change in inventory of raw material	(19.255)	-3,4%	(3.156)	-0,8%	510,02%
Other direct services	47.395	8,3%	32.877	8,1%	44,15%
Gross margin	**212.073**	**37,1%**	**141.637**	**34,7%**	**49,73%**
Other operating services and charges	47.812	8,4%	34.131	8,4%	40,08%
Added value	**164.262**	**28,7%**	**107.506**	**26,3%**	**52,79%**
Staff cost	84.170	14,7%	66.692	16,3%	26,21%
EBITDA	**80.091**	**14,0%**	**40.814**	**10,0%**	**96,24%**
Depreciation, amortization and other accruals	15.234	2,7%	10.703	2,6%	42,34%
EBIT	**64.858**	**11,4%**	**30.111**	**7,4%**	**115,39%**
Net financial income (charges)	1.752	0,3%	(1.762)	-0,4%	
Share of profit of associated companies	(195)	0,0%	(425)	-0,1%	-54,01%
Other net income and charges	10	0,0%	0	0,0%	
Income (loss) before taxes	**66.424**	**11,6%**	**27.924**	**6,8%**	**137,87%**
Income taxes	17.300	3,0%	5.382	1,3%	221,43%
Income (loss) for the financial period	**49.124**	**8,6%**	**22.542**	**5,5%**	**117,92%**
Net profit (loss) of minority interest	3.688	0,6%	2.287	0,6%	61,24%
Net income (loss)	**45.436**	**8,0%**	**20.255**	**5,0%**	**124,32%**

The gross margin was 212.073 thousand Euros, an increase of 49,7% with respect to the 141.637 thousand Euros shown on December 31st 2020, mainly due to the significant increase in sales volume. The percentage margin on sales showed a strong recovery, rising from 34,7% to 37,1% thanks to an improvement in the margins in the two main sectors and despite the mix of sales which moved towards the industrial sector. Specifically, the sales margins in the medical sector rose from 41,0 % to 44,8%, that of the industrial sector from 26,6% to 27,9%. The mix of products, the savings on purchases, the efficiency derived from greater volumes, which overcame the increases caused by the inflation which started in 2021 and the strengthening of the US dollar along with the registration of the sales volume expressed in dollars and destined for North America all contributed to this improvement.

The costs for other operating services and charges were 47.812 thousand Euros, an increase with respect to the 34.131 thousand Euros registered on December 31st 2020 with an incidence on the sales volume which remained unchanged at 8,4%. In this cost aggregate we continue to benefit from the reduced marketing expenses due to the elimination of most international travel and participation in trade fairs and symposiums which, particularly in the medical sector, represent a significant amount. We have not been able to participate in many trade fairs or symposiums during this period. In September some important symposiums were held, even international ones like the AntiAging congress in Montecarlo, but the worsening of the pandemic at the end of the year slowed down the intensification of our participation in these events. It will take time before we can return to the pre-Covid level of travel and symposiums and trade fairs which in the last 24 months have been replaced successfully by promotional activity and contacts on the web, a strategy that had been used with determination and success at the start of the pandemic when it was the only marketing activity available.

The cost for personnel was 84.170 thousand Euros, an increase with respect to the 66.692 thousand Euros on December 31st 2020, with an incidence on the sales volume which decreased from 16,3% on December 31st 2020 to 14,7% on December 31st 2021.

As of December 31st 2021, the number of employees in the Group was 1.902, an increase with respect to the 1.626 on December 31st 2020. About half of the additional 276 (17%) new employees were hired by the Chinese companies involved in the laser cutting sector and, among the others, also Cutlite Penta in Prato rapidly hired new employees (+30 people, equal to 35%) to manage their increased volume of business.

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

On account of the trends described above, thanks to the increase in the sales volume and better organization of the structural costs (overhead), the EBITDA amounted to 80.091 thousand Euros, an increase of 96,2% with respect to the 40.814 thousand Euros registered on December 31st 2020. The incidence of the EBITDA on the sales volume also increased to 14% as compared to the 10% shown on December 31st 2020.

The costs for amortizations, depreciations and accruals increased significantly from 10.703 thousand Euros as of December 31st 2020 to 15.234 thousand Euros on December 31st 2021, while their incidence on the sales volume remains substantially unchanged, at around 3%. The large increase of the accruals is derived mostly from the accruals for product guarantees and the reserve for the devaluation of receivables set aside for the application of the more severe criteria for estimates required by the Chinese regulations for the transformation of the Chinese parent company, Penta Wenzhou into a corporation.

The EBIT therefore amounted to 64.858 thousand Euros, a significant increase with respect to the 30.111 thousand Euros registered on December 31st 2020, with an incidence on the sales volume which increased to 11,4% from 7,4% registered for the same period last year.

The net financial income amounted to 1.752 thousand Euros with respect to the net financial charges of 1.762 thousand Euros registered for the same period last year, and benefitted from the favorable trend in the exchange rates with the US dollar and the RMB which were reassessed in relation to the Euro during this period.

The cost for current and deferred taxes for the year was 17.300 thousand Euros: the overall tax rate amounted to 26%, an increase with respect to the 19,3% for last year which had benefitted from some tax reductions granted in Italy to contrast the effects of the pandemic and some fiscal benefits for the revaluation of certain company assets which had been granted to some Italian companies. For details related to the taxes and tax rates, see the specific chart in the Explanatory Notes.

Statement of financial position and net financial position as of December 31st 2021

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

Statement of financial position	**31/12/2021**	**31/12/2020**	**Variation**
Intangible assets	4.914	4.488	426
Tangible assets	100.822	85.576	15.245
Equity investments	1.949	1.991	-42
Deferred tax assets	10.364	9.297	1.068
Other non-current assets	18.599	15.486	3.112
Total non current assets	**136.648**	**116.838**	**19.810**
Inventories	155.939	111.594	44.346
Accounts receivable	146.774	94.009	52.765
Tax receivables	15.725	11.032	4.694
Other receivables	13.155	13.157	-2
Financial instruments	1.091	0	1.091
Cash and cash equivalents	181.363	123.744	57.619
Total current assets	**514.047**	**353.535**	**160.512**
Total Assets	**650.695**	**470.373**	**180.322**
Share capital	2.594	2.550	44
Additional paid in capital	46.841	42.556	4.284
Other reserves	88.077	93.668	-5.591
Retained earnings / (accumulated deficit)	86.425	66.391	20.034
Net income / (loss)	45.436	20.255	25.181
Group shareholders' equity	**269.372**	**225.420**	**43.952**
Minority interest	18.329	15.245	3.084
Total shareholders' equity	**287.701**	**240.665**	**47.037**
Severance indemnity	5.101	5.147	-46
Deferred tax liabilities	2.506	2.210	295
Reserve for risks and charges	10.470	5.717	4.753
Financial debts and liabilities	36.982	30.763	6.219
Other non current liabilities	6.184	5.000	1.184
Total non current liabilities	**61.242**	**48.838**	**12.405**
Financial liabilities	23.522	23.827	-305
Accounts payable	158.072	94.923	63.148
Income tax payables	9.906	2.945	6.961
Other current payables	110.252	59.175	51.076
Total current liabilities	**301.751**	**180.871**	**120.881**
Total Liabilities and Shareholders' equity	**650.695**	**470.373**	**180.322**

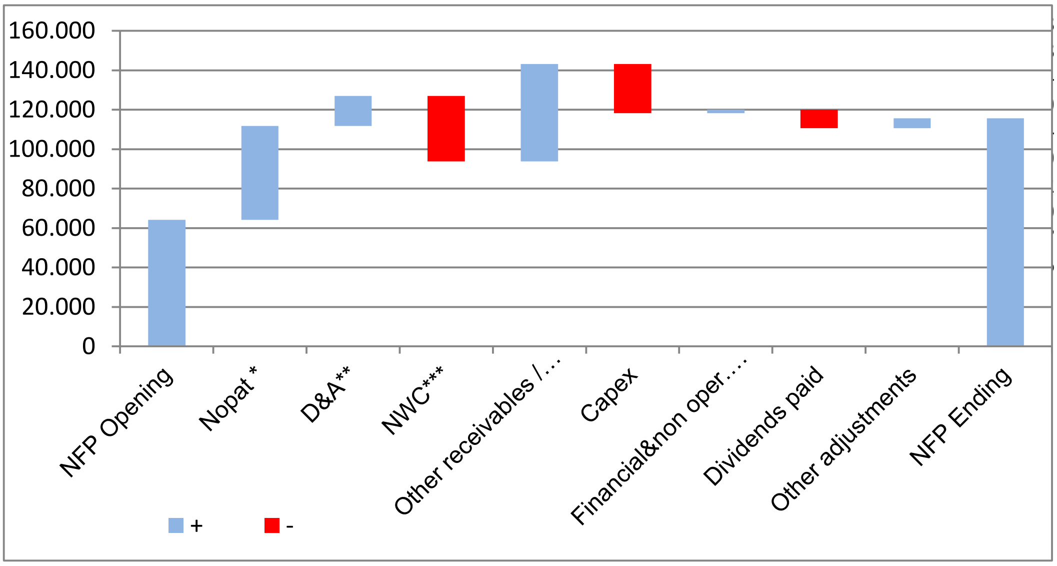
In compliance with the requirements stated in the Consob communication on July 28th 2006, and in conformity with the CESR recommendations of February 10th 2005 "Recommendations for the uniform application of the regulations issued by the European Commission on Prospectuses" as had been up-dated by the Orientation on the obligation for information sheets in compliance with the regulations on the prospectuses 1 (ESMA/ 31-62-1426), the chart below shows the details of the entity of the net financial position of the El.En. Group as of December 31st 2021:

Net financial position	**31/12/2021**	**31/12/2020**
Cash and bank	181.363	123.744
Financial instruments	1.091	0
Cash and cash equivalents	**182.454**	**123.744**
Current financial receivables	**1**	**14**
Bank short term loan	(20.388)	(20.659)
Part of financial long term liabilities due within 12 months	(3.134)	(3.168)
Financial short term liabilities	**(23.522)**	**(23.827)**
Net current financial position	**158.932**	**99.931**
Bank long term loan	(27.204)	(23.366)
Other long term financial liabilities - non current part	(9.778)	(7.398)
Other non current liabilities	(6.184)	(5.000)
Financial long term liabilities	**(43.166)**	**(35.763)**
Net financial position	**115.766**	**64.168**

On July 15th 2020, the European Securities and Markets Authority (ESMA) published the final report on the outcome of the public consultation concerning their Orientation related to the obligations for prospectuses in compliance with the regulations contained in prospectus 1 (ESMA/ 31-62-1426). The Orientations must be applied starting on May 5th 2021 and they up-date the contents of the previous CONSOB communications, including the references present in the Communication n. DEM/6064293 dated July 28th 2006 concerning the net financial position. The Group has modified the net financial position in conformity with these up-dates including the comparative chart.

In 2021 the net financial position registered an increase of about 51,6 million, rising from 64,2 million on December 31st 2020 to 115,8 million on December 31st 2021, showing an excellent generation of cash.
The result, in fact is very positive considering that during the year the cash flow which was generated by the operating activities were used to finance gross investments for the amount of about 23 million and the payment of dividends for about 9,4 million, besides the significant increases in inventory and trade receivables.
A decisive factor in the reduction of the impact of the increase in net working capital was the extraordinary acquisition of orders from clients accompanied by a down payment for the goods: in particular during the fourth quarter, this phenomenon was very significant, with an increase of about 21 million which brought the final amount of down payments received to 64 million
Even without this particular phenomenon, the generation of cash this year would have been positive but of a much smaller entity because of the amount of the investments, the entity of the dividends paid and the normal increase of net working capital caused by the increase in inventory.

The chart below shows the components of the variations in the net financial position in 2021.



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

It should also be recalled that 11,5 million Euros in cash was invested by the Parent Company, El.En. in previous years in financial instruments of an insurance type which for their particular nature must be registered with the non-current financial assets. A similar type of investment was made last year by the subsidiary Quanta System for the amount of 2.5 million Euros and, during the third quarter of 2021 by the subsidiary Deka Mela for 3 million Euros. Since these represent a midterm investment of cash, these amounts are not part of the net financial position. At the end of the period the total fair value of the investments was 18,4 million Euros.

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

	31/12/2021 Capital and reserves	31/12/2021 Income statement	31/12/2020 Capital and reserves	31/12/2020 Income statement
Balance per parent company statement	**158.619**	**24.044**	**138.212**	**238**
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiary companies		36.327		35.846
- share of profit (loss) of associated companies		(195)		(362)
- elimination of rectification of value of equities		0		625
- elimination of dividends		(10.670)		(136)
- other (charges) income		(3.634)		(15.282)
Total contribution of subsidiary companies	114.528	21.827	90.530	20.692
Differences on consolidation				
Elimination of intercompany profits on inventory	(3.628)	(502)	(3.109)	(740)
Elimination of intercompany profits from sales of fixed assets	(146)	67	(213)	65
Others				
Balance as per consolidated statement – Group quota	**269.372**	**45.436**	**225.420**	**20.255**
Balance as per consolidated statement – Third party quota	**18.329**	**3.688**	**15.245**	**2.287**
Balance as per consolidated statement	**287.701**	**49.124**	**240.665**	**22.542**

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

Financial highlights

The parent company, El.En. SpA, is active in the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of after-sales services, like supplying of spare parts, consulting and technical assistance.

In following a policy of continued expansion over the years, El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales.

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial and financial resources; since a large part of the resources of the company are invested in the companies of the Group in order to sustain the development of their activities and of El,En. itself.

As in earlier years, the activities of El.En. SpA, take place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

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

	31/12/2021	**Inc %**	**31/12/2020**	**Inc %**	**Var. %**
Medical	101.004	85,40%	53.565	83,41%	88,56%
Industrial	17.275	14,60%	10.652	16,59%	62,18%
Total revenue	**118.278**	**100,00%**	**64.216**	**100,00%**	**84,19%**

The Company registered a sales volume of over 118 million Euros, an increase of'84% with respect to 2020.

After the most acute phase of the Covid pandemic in the Spring of 2020, in which El.En. was suffering from the effects of the drastic drop in demand, slowing down production and making use of *Cassa Integrazione*, already in the second half of the year the market conditions had improved considerably and made it possible to close the year with a strong acceleration of the production volumes and results. This tendency was maintained also during 2021 on both of the operating sectors of El.En., as demonstrated by the extraordinary growth in the sales volume of almost 90% in the medical sector and more than 60% in the industrial sector.
The operating structure of the Company was re-enforced in order to allow the rapid increase in volume, additional employees were hired, and they intensified relations with the suppliers who take care of the pre-assemblies of the laser systems locally, a task performed by El.En. only in the technologically critical phases of testing and verification of their conformity with the numerous regulations to which they are subject. For this reason there was an increase in overhead but also a very rapid increase in the EBIT with a very positive effect on the Company's results which reached record levels, with a sales volume close to 120 million Euros and an EBIT of 18 million Euros, equal to 15% of the sales volume.
The net financial income benefitted, in the part related to the operative management, from the strengthening of the American currency and, consequently, the positive difference in exchange rates for our investments in US dollars, and in the investments in equities, from the distribution of dividends by the subsidiaries Deka M.E.L.A, Quanta System and Lasit, for a total of about 10 million Euros.
The net income amounted to 24 million, a record as far as the results of El.En. Spa are concerned in the absence of extraordinary operations.
In May of 2021, El.En. Spa also began to pay dividends to their shareholders again, after the cautionary interruption in 2020, for the amount of 40 cents per share (before the split of 1 to 4 in August of 2021)

Income statement as of December 31st 2021

Income Statement	31/12/2021	Inc %	31/12/2020	Inc %	Var. %
Revenues	118.278	100,0%	64.216	100,0%	84,19%
Change in inventory of finished goods and WIP	1.270	1,1%	730	1,1%	73,98%
Other revenues and income	1.261	1,1%	777	1,2%	62,22%
Value of production	**120.809**	**102,1%**	**65.724**	**102,3%**	**83,81%**
Purchase of raw materials	62.671	53,0%	32.878	51,2%	90,62%
Change in inventory of raw material	(7.795)	-6,6%	(2.019)	-3,1%	286,08%
Other direct services	18.227	15,4%	10.122	15,8%	80,07%
Gross margin	**47.706**	**40,3%**	**24.743**	**38,5%**	**92,81%**
Other operating services and charges	7.483	6,3%	5.990	9,3%	24,92%
Added value	**40.224**	**34,0%**	**18.753**	**29,2%**	**114,49%**
Staff cost	20.506	17,3%	15.433	24,0%	32,87%
EBITDA	**19.718**	**16,7%**	**3.319**	**5,2%**	**494,03%**
Depreciation, amortization and other accruals	1.842	1,6%	2.518	3,9%	-26,84%
EBIT	**17.876**	**15,1%**	**801**	**1,2%**	**2130,74%**
Net financial income (charges)	10.820	9,1%	70	0,1%	15349,99%
Other net income and charges	205	0,2%	(718)	-1,1%	
Income (loss) before taxes	**28.901**	**24,4%**	**154**	**0,2%**	**18709,30%**
Income taxes	4.857	4,1%	(85)	-0,1%	
Net income (loss)	**24.044**	**20,3%**	**238**	**0,4%**	**9991,44%**

The gross margin was 47.706 thousand Euros, a significant increase over the 24.743 thousand Euros shown last year. The percentage of incidence of the margins on the sales volume improved from 38,5% in 2020 to 40,3% in 2021.

The costs for other operating services and charges were 7.483 thousand Euros, an increase with respect to the 5.990 thousand Euros for last year and with an incidence on the sales volume which dropped from 9,3% on December 31st 2020 to 6,3% in 2021, thanks to the rapid growth of the sales volume.

The cost for the personnel was 20.506 thousand Euros, an increase of 32,9% with respect to the 15.433 thousand Euros for last year, but with an incidence on the sales volume which fell from 24% in 2020 to 17,3% in 2021. The rapid increase in the volume of business made it necessary to re-enforce many of the Company functions, in the first place for the immediate needs for production, but also for the accessory functions, mainly research and development and regulatory, all of which were under pressure for the increased work load and, in any case, re-enforced for the purpose of creating the base necessary for maintaining these volumes, which were much greater than those produced in the past. The comparison with 2020 is altered by the conditions created by the Covid with the almost complete interruption of activities and the use of *Cassa Integrazione.*

A part of the expenses for personnel is applied to the expenses for research and development for which El.En. S.p.A. usually receives grants and re-imbursements for specific contracts which have been underwritten by the institutions created for this purpose. In 2021 the Company received a limited number of grants for specific projects. This confirms the presence of a phase in which it is more difficult than in the past to receive this form of support since the industrial policies are mostly oriented toward the attribution of tax credits to sustain research and development activities.

The EBITDA, on account of the effects described above, amounted to 19.718 thousand Euros, an increase with respect to the 3.319 thousand Euros registered last year with an incidence on the sales volume which rose from 5,2% on December 31st 2020 to 16,7% for this year.

The costs for amortizations, depreciations and accruals were 1.842 thousand Euros a decrease with respect to the 2.518 thousand Euros shown on del December 31st 2020, in the absence of accruals which were necessary in 2020 for needs which were not repeated in 2021.

The EBIT consequently shows a significant increase rising from 801 thousand Euros on December 31st 2020 to 17.876 thousand Euros for this year.

The net financial income was 10.820 thousand Euros, with respect to the 70 thousand Euros for the year ending on December 31st 2020. The great increase is due mainly to the increase in the dividends cashed in by the subsidiary companies and to the favorable exchange rates.

The amount of the other net charges includes the accrual for the losses in the equity related to the subsidiary Deka Sarl.

The income before taxes was 28.901 thousand Euros, respect to the 154 thousand Euros for last year. The net income is 24.044 thousand Euros.

Statement of financial position and net financial position as of December 31st 2021

Statement of financial position	31/12/2021	31/12/2020	Variation
Intangible assets	193	292	-99
Tangible assets	19.289	19.197	92
Equity investments	18.368	18.218	150
Deferred tax assets	1.999	2.527	-528
Other non-current assets	30.862	40.141	-9.279
Total non current assets	**70.711**	**80.375**	**-9.664**
Inventories	37.139	28.127	9.012
Accounts receivable	45.382	31.842	13.540
Tax receivables	5.359	3.463	1.896
Other receivables	5.567	7.813	-2.246
Cash and cash equivalents	45.702	17.649	28.053
Total current assets	**139.149**	**88.894**	**50.255**
Total Assets	**209.860**	**169.269**	**40.591**
Share capital	2.594	2.550	44
Additional paid in capital	46.841	42.556	4.284
Other reserves	86.124	93.852	-7.728
Retained earnings / (accumulated deficit)	-984	-984	0
Net income / (loss)	24.044	238	23.806
Total shareholders' equity	**158.619**	**138.212**	**20.407**
Severance indemnity	794	848	-54
Deferred tax liabilities	357	265	92
Reserve for risks and charges	1.774	2.125	-351
Financial debts and liabilities	161	370	-210
Other non current liabilities	186	0	186
Total non current liabilities	**3.272**	**3.609**	**-337**
Financial liabilities	321	4.318	-3.997
Accounts payable	26.217	17.325	8.892
Income tax payables	4.774	5	4.769
Other current payables	16.658	5.802	10.856
Total current liabilities	**47.969**	**27.449**	**20.521**
Total Liabilities and Shareholders' equity	**209.860**	**169.269**	**40.591**

Net financial position	31/12/2021	31/12/2020
Cash and bank	45.702	17.649
Cash and cash equivalents	**45.702**	**17.649**
Current financial receivables	**1**	**7**
Bank short term loan	(3)	(4.003)
Part of financial long term liabilities due within 12 months	(318)	(314)
Financial short term liabilities	**(321)**	**(4.318)**
Net current financial position	**45.382**	**13.339**
Other long term financial liabilities - non current part	(161)	(370)
Other non current liabilities	(186)	0
Financial long term liabilities	**(347)**	**(370)**
Net financial position	**45.035**	**12.969**

The net financial position improved significantly both because of the improvement in operations which generated cash as well as the improvement in the general economic conditions and the consequent greater speed in the return of receivables for sales, and for the receipt of dividends cashed in by subsidiaries this year.
It should be noted that the financial receivables from subsidiaries and associated companies for an amount of 21.219 thousand Euros, are excluded from the net financial position, since they are related to the company policy of financial support to the companies in the Group, in continuation of the practice followed in the past, it was believed to be opportune not to include this financing in the net financial position displayed above.

SUBSIDIARY RESULTS

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

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for 2021.

	Revenues	**Revenues**	**Variation**	**EBIT**	**EBIT**	**Income (loss) for the financial period**	**Income (loss) for the financial period**
	31/12/2021	**31/12/2020**		**31/12/2021**	**31/12/2020**	**31/12/2021**	**31/12/2020**
Ot-Las S.r.l.	4.867	3.105	56,75%	87	(322)	197	15.432
Deka Mela S.r.l.	63.652	42.116	51,13%	4.891	2.595	4.075	1.923
Esthelogue S.r.l.	13.889	8.010	73,40%	662	(680)	543	(420)
Deka Sarl	5.403	3.447	56,74%	(257)	(346)	(258)	(347)
Lasit S.p.A.	17.890	14.312	25,00%	2.841	2.529	2.010	1.840
Quanta System S.p.A.	89.987	69.477	29,52%	18.571	13.695	14.154	11.175
Asclepion GmbH	60.126	42.334	42,03%	7.551	4.993	4.681	3.017
ASA S.r.l.	13.528	8.243	64,12%	3.489	791	2.226	1.150
BRCT Inc.	-	-	0,00%	(2)	(14)	2	6
With Us Co., Ltd	32.623	45.224	-27,86%	416	2.259	208	1.374
Penta Laser (Wuhan) Co., Ltd	32.913	33.666	-2,24%	(553)	207	(125)	107
Cutlite do Brasil Ltda	7.245	3.575	102,66%	439	(183)	316	(559)
Pharmonia S.r.l.	-	-	0,00%	(5)	(5)	(4)	(4)
Deka Medical Inc.	-	-	0,00%	3.258	3	3.258	(9)
Deka Japan Co., Ltd	2.096	1.383	51,55%	299	306	136	152
Penta-Laser Equipment Wenzhou Co., Ltd	124.315	99.262	25,24%	2.057	156	3.046	119
Merit Due S.r.l.	74	74	0,00%	25	28	16	189
Cutlite Penta S.r.l	84.126	49.843	68,78%	6.567	3.188	4.965	2.172
Galli Giovanni & C. S.r.l.	993	683	45,39%	191	53	127	35
Penta Laser Technology (Shangdong) Co., Ltd.	43.729	29.525	48,11%	502	736	233	659
Lasit Laser Polska	368	-	0,00%	(306)	-	(288)	-

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

The Deka organization, both in Italy and in the international network, is a visible and recognized presence, a synonym of product innovation, professional quality in the goods offered and excellent performance of the laser systems they sell,

a condition in which the Group is investing in order to promote its further growth, thanks to their ability to place new products using their consolidated and effective distribution network.
The year 2021 represented a return to almost normal conditions in our daily life and benefitted from a favorable market trend with a significant recovery in the volume of sales. With 63 million in sales volume and an EBIT of almost 5, Deka concluded a record year. At this time the market conditions continue to be favorable with the exception of the Russian and Ukraine markets which for now we consider as lost, and 2022 is expected to be aligned with the excellent results shown in 2021.

Ot-Las S.r.l.

Ot-Las is specialized in laser marking systems with CO_2 sources for the decoration of large surfaces, with galvanometric type beam movement and for most of its systems, uses scanning systems and mid-powered CO_2 laser sources supplied by El.En.

During this year Ot-las transferred its activities to a dedicated structure and left the building in Prato it shared with Cutlite Penta, so that it could set up its own production processes in a more rational manner.

The operating activity registered a strong recovery in 2021 and came close to 5 million in sales volume, also showing a good level of net income.

Ot-las, moreover holds a significant equity in the companies of the Group which operate in the sector of laser cutting of sheet metal, for which it is, in fact, the controlling holding company. After the reorganization conducted in the last two years, Ot-las controls Penta Laser Wenzhou (since February of 2022, Penta Laser Zhejiang) with an equity of 83,76%, and this company in turn has 100% control of the Chinese companies Penta Laser Wuhan, Penta Laser Shandong and the Italian Cutlite Penta.

Cutlite Penta S.r.l.

This company was created from the transfer of the branch of Ot-las made in order to separate the business of laser cutting systems from that for marking, which was the prerogative of Ot-las; in fact, Cutlite is entirely dedicated to the manufacture of laser cutting systems which it designs, produces and sells. On “X-Y” movements controller by CNC, Cutlite installs the laser power sources, manufactured by the Parent Company, El.En. S.p.A. for cutting plastic and sources produced by other suppliers for cutting metal and dies. Besides the flat cutting, Cutlite has developed and manufactures 5-axis systems and systems with rotary axis for dies and metal tubes.

The possibility of installing on laser systems for cutting metal sources with optical fibers that are increasingly powerful, economical and reliable with respect to the CO2 sources which had been used traditionally in this sector initiated a profound transformation of the market. The systems equipped with the new technology offer a significant increase in the productivity and the application potential and increase the number of potential clients both for the current applications as well as for the new ones which can be done only using the new technology, for example very great thicknesses at high speed or cutting without expensive supporting gases.

Cutlite perceived the advantages of the new technology and immediately added it to its systems, also thanks to the contribution of the associated Chinese companies which had used this technology before they did. They rapidly met the demands of the market with a range of systems that was focused on the ratio between price and performance, and gained a significant advantage in their position as an innovator. The results transformed the company which quickly multiplied its sales volume which rose from 33 million in 2018 to 84 million in 2021. Significant investments were made in order to increase the production capacity which are now concentrated in the industrial complex in Prato where the activity had been transferred in 2019 and where a second industrial building adjacent to it was acquired and occupied in 2021.

Along with the record results for 2021, 84 million in sales volume and 5 in net income, they have a received a large number of orders, most of which yet to be filled, which represent an initial portfolio of orders which promises a favorable outlook for further developments in 2022. The net financial position, which was sustained by the large number of down payments received from clients for orders to be completed in 2022, also showed a significant improvement in 2021.

Penta Laser (Wuhan) Co., Ltd, Penta Laser Equipment (Wenzhou) Co., Ltd and Penta Laser Technology (Shandong) Co., Ltd.

The Group initiated its investments in China in 2007 with the Joint Venture started in Wuhan to serve a local production which was strongly influenced by European technology, the market of laser cutting of sheet metal. The positive outcome of this initiative then led to the creation of other factories, 5 in all of which 2 in Wenzhou and 2 in LinYi, which make it possible to preside with the greatest effectiveness over the market in the area with the greatest development in the demand for manufacturing plants. Over 800 employees are involved not only working in the factories but also in the dense marketing network and the effective support of after-sales technical assistance for or clients. The growth in recent years has made Penta one of the most important firms on the Chinese market for laser cutting systems because they have been able to distinguish their products from those of the ferocious local competition thanks to the quality of the key components which were designed and in part manufactured in Europe without losing the competitive edge necessary for the local market. These characteristics have allowed it to take over a quota of the market which places it among the main players in the sheet metal cutting sector in China, and a leader, in particular, in the most innovative segments of the market, those that require very high powers. In fact, the ability to manage, with the greatest efficiency, increasingly powerful lasers has become the identifying feature which determines the appreciation and differentiation of our products on a very important market. With the systems equipped with 30kW sources now part of the standard range, in 2022 we expect to regularly install powers up to 40kW. The increase in the power available at specific decreasing costs allows the laser cutting applications to become more economically attractive in terms of productivity and technically utilizable in fields of application previously reserved for traditional technologies in comparison to which the laser systems can offer advantages of quality, flexibility, environmental impact and, in the lasr analysis, also costs.

The trends of the Chinese companies which have a major impact on the results, is dealt with in the section on the consolidated results, and is characterized by a very rapid growth in the first half and a slow down in the second half, with an overall result showing rapid growth both in the sales volume and the profits, in comparison, of course, to 2020 but also to 2019. Penta Laser Wenzhou has begun their transformation into a corporation and this process is expected to be completed in February of 2022.

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

In 2021 Quanta System was also going through a phase of rapid recovery with a sales volume which again exceeded the level registered in 2019, thanks mainly to the aesthetic segment and, to a lesser extent but still significant, that of surgery. An activity that is closely connected to the urology segment is the sale of the optical fibers used during surgical operations, for which the sales volume again started to grow rapidly after the slow down shown in the first half of 2021 caused by supply problems.

Thanks to the characteristics of the range of systems offered for aesthetic medicine and surgical applications, the market position of Quanta System is such that it is possible to predict further growth also in 2022.

Lasit S.p.A.
This company is specialized in the design, manufacture and sale of marking systems for small surfaces and conducts its production activities and development of its products at its headquarters in Torre Annunziata (Naples).

Its systems are used for the identification of products, parts and assemblies, a requirement that id increasingly common in the manufacturing world because of the increasingly stringent requirements for the traceability of products and components. The laser marking systems, with their operative flexibility and reduced environmental impact, are ideal to satisfy this need with the greatest effectiveness.

Lasit has achieved a position of respect on its market by offering to the client a product of excellent quality along with a service of personalization supplied punctually thanks to the particular flexibility of their manufacturing structure which is organized so that all of the main production phases are managed internally. The company is consequently able to control the costs and to respond better to even the most complex requests for personalization of the clients. This ability has allowed Lasit ro gain the loyalty of the highest standing and notoriety in the sector of industrial and automotive components as well as in the world of high fashion.

The mechanical workshop, which includes numerous state-of-the-art numerical control systems and also laser systems for cutting sheet metal, is also a qualified supplier for the rest of the Group.

After the forced interruption of 2020 due to the effects of the pandemic and the direct limitations imposed by the lockdown and the indirect ones caused by the weak market, Lasit recovered its growth trend and in 2021 registered a new sales volume record of 17,9 million Euros. By acquiring the building adjacent to its headquarters in 2019, Lasit equipped itself with a logistic infrastructure that was suitable to facilitate the positive development which is expected in the next few years. During 2021 Lasit founded the subsidiary **Lasit Laser Polska** in Poland in order to benefit from the opportunities of rapid development of manufacturing in some parts of the country. The company is now starting its activity and should be able to reach a break-even point in 2022.

Asclepion Laser Technologies GmbH
The company was born as Asclepion-Meditec and later became the aesthetic division of Carl Zeiss Meditec. Asclepion became part of the El.En. Group in 2003 when it was bought from Zeiss. At the time, the company had about forty employees and worked in the Zeiss factory. It later developed and achieved an important position on the market for laser systems for medical and aesthetic applications in which it now operates as one of the three business units of the Group. Currently, Asclepion has over 160 employees and a factory which has been recently enlarged by doubling the surface and the spaces dedicated to the training of the employees and the clients.

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

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

More recently, Asclepion has become involved in the surgical sector with technologies for applications in otorhinolaryngology and, above all, urology. For this latter segment, Asclepion has developed systems with Holmium and Tullium technology, and, also in this branch has achieved excellent results in terms of technical performance of the devices. The laser systems are sold under the brand-name of Jenasurgical.

The financial year 2021 closed with very positive results, a sales volume of 60 million Euros and an EBIT in excess of 7 million which could have been even more of the crisis in the supply chain had not prevented the timely acquisition of the raw materials necessary to manufacture and satisfy the growing demand. The portfolio of orders showed a record level, also due to the phenomenon described above and consequently seems to promise that in 2022 the positive trend of the company will continue.

With Us Co Ltd
With Us Co., with headquarters in Tokyo, is the distributor of the El.En./Deka products in the aesthetic sector in Japan, where it has acquired an important position especially in the hair removal segment. Besides the Deka/ El.En. systems, With Us distributes to its clientele creams, accessories, and small equipment for beauty salons or destined for home use, on significant volumes considering the large number of stores that they have. Also the “all inclusive” maintenance services they supply to the large number of installations in Japan contribute significantly to the sales volume and the revenue. The phase of intense sales and excellent revenue which they had shown in the second half of 2020 and the first half of 2021 was followed by a decrease in sales and a deterioration of the financial results which were caused, in the first place, by a drop in the volume of sales of small devices produced locally. In any case, the year closed with a positive result which however, was much less than in 2020.

ASA S.r.l.
The company, which is now established in the new headquarters which had been built to facilitate the growth of their activities, operates in the physical therapy sector for which it develops and produces a line of semiconductoor laser devices with low or medium power. Thanks to the range of products offered and the ability to supply the clients with training services which put the clients in condition to take the best advantage of the benefits of the technologies in their elective applications, ASA has grown continuously over the years and has always maintained an excellent level of profits.

ASA has its own research and development office dedicated to the production of systems with diode lasers and also uses systems with Nd:YAG technology manufactured by the Parent Company El.En. S.p.A. which they distribute all over the world, as well contributing effectively to the definition of the specifications of the product and new applicative procedures.

After the forced interruption imposed by the Covid pandemic in 2020, during 2021 ASA once again started registering excellent results, improved the 2019 sales volume and showed an excellent net result. They also started again distributing dividends to their shareholders and resumed the payments suspended the preceding year. The outlook for 2022 is good.

Other companies, medical sector

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

However, in 2020, the year most affected by the Covid pandemic, the company restructured its marketing organization to make it more efficient and less costly. This increased efficiency brought about a significant increase in the sales volume in 2021 and the reduced cost made it possible to come close to breaking even, which was not achieved only because of the costs connected with the restructuring.

Deka Japan operates in Japan and distributes the Deka brand medical systems on the Japanese market. Since 2018 they have been collaborating with DKSH which acts as the exclusive distributor on the market while Deka Japan concentrates on the activity required to obtain the authorization for the sale of new products and the logistic support of DKSH. The trend for 2021 was positive with consistent good results.

Deka Medical Inc., had been inactive for several years and was liquidated during the first half of the year.

Esthelogue S.r.l. distributes in Italy the technologies of the Group for the sector of professional aesthetics. This is a very lively market on which Esthelogue is a recognized brand which has achieved the role of leader for the technologies of hair removal and non-invasive body contouring. For hair removal, the Mediostar systems represent the distinctive character of the products offered by Esthelogue, which are able to satisfy every need of the clientele with a range which features, among other things, the ultra-powerful Monolith handpieces. In the applications for non-invasive body contouring, Esthelogue offers a complete range which includes the latest release of the Icoone system, the B-Star system and the B-strong Plus system which uses innovative technologies and methodologies. The systems that are offered are characterized by a level of quality and safety which is unequaled in the aesthetic sector, guaranteed by the manufacturers which are European companies which operate with the standards of their main sector, the medical field. Their position at the highest level of product quality is completed by another decisive factor in their success which is typical of the activities of Esthelogue: the services of training, assistance and client support transfer value and knowledge to the end users of our technologies. The spread of the pandemic severely affected Esthelogue's market in 2020 and also for certain parts in 2021 when the aesthetic centers were forced to close for long periods during the lockdown and again in the red zones during the later waves of the pandemic. In any case, in 2021 Esthelogue was able to register a brilliant recovery in sales volume and a significant EBIT.

Pharmonia S.r.l. conducts sporadic activity on the marketing of products on specific international markets.

Galli Giovanni & C. Srl is a workshop specialized in high precision mechanical work. It became part of the Group in June of 2019 when Quanta acquired the controlling quota of 70%, and is a qualified supplier for Quanta System. Thanks to the characteristics of the CNC machines and the and the high degree of professionalism and specialization of the staff, it contributes to the maintaining of the high qualitative standards and flexibility in the manufacture of mechanical components. These latter represent a category of very significant purchases also from the point of view of the entity of the production costs. In 2021, with an investment of about 300 thousand Euros, we purchased a building which is destined to house the activities in a space that is larger than the one now available so that the company can continue to expand with the acquisition of new machinery. The economic trend remains positive and is growing.

BRCT Inc. acts as a financial sub-holding.

Other companies, industrial sector

Cutlite do Brasil Ltda has its headquarters in Blumenau in the state of Santa Catarina and was founded for the manufacture of laser systems in Brazil. Currently it distributes laser systems produced by the associated Italian companies and operates in a factory that is also able to supply an effective technical support to the hundreds of systems installed in this country. Cutlite was severely affected by the economic crisis in Brazil in recent years, but has been able to benefit from the opportunities which, also in Brazil, were opened up by the technology for cutting sheet metal with laser sources with increasingly powerful fibers. Cutlite do Brasil has gradually increased its sales volume and acquired a growing role on the market for systems for sheet metal cutting in Brazil and benefitted from the same competitive advantages which are at the base of the success of Cutlite Penta, to which the add the advantage of location. The financial year 2021 showed a record result, from the point of view of sales volume, of over 7 million Euros despite the weakness of the Real which penalized the conversion into our currency, and a profit for the year which makes it so that, for the first time in recent years, this company makes a positive contribution to the revenue of the Group.

RESEARCH AND DEVELOPMENT ACTIVITIES

During 2021, despite the limitations imposed by the Covid-19 pandemic, we conducted an intense research and development activity according to our strategy of continual innovation aimed at finding new applications for lasers and other sources of energy, in both the medical and the industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative in their applications, performance of the devices and the technologies used.

During the second half of 2021, the commitment of the research and development team was intensified in their support and sourcing in order to deal with the shortage of components.

For the laser systems dedicated to both new and consolidated applications, we continued to develop the technology to improve the performance, efficiency and sustainability, by applying a process of continual improvement, on one hand, of the laser sources by innovating their spectral content, the methods for the generation and the optimal level of the power emitted and, on the other hand, by planning the management of the light produced in the dominion of time in relation to the laws of emission and in the dominion of space as far as the shape and movement of the light beam to be applied to the target is concerned.

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

As a further demonstration of the increase in the investments in Research and Development of the El.En. Group, in the month of November 2021, the inauguration of the new photonics laboratories dedicated to the development of laser sources for use in the medical division of El.En SpA took place, thus adding an additional 300 sq mt to the space currently available. This new facility, located in Calenzano very near to the Headquarters, includes 4 new laboratories, 2 of which are dedicated to optical laser research, a laboratory dedicated to the development of the power electronics of the lasers and a laboratory dedicated to the development of cooling systems.

The new photonics laboratory required additional specialized personnel which included a new researcher with a PhD in photonics and, starting in 2022, a researcher with a scholarship grant in collaboration with the Physics Department of the University of Florence.

The activity for obtaining patents to protect the intellectual property of our inventions remained intense; this activity has become increasingly difficult over the years because of the protectionist policies of the most technologically developed countries.

In the following paragraphs, without going into excessive detail, we will describe the numerous sectors which are involved in the research and development activities of the Parent Company and some of the subsidiaries and associated companies.

Laser systems and applications for aesthetic medicine and surgery

Dermatology
In the sector of dermatological applications, we continued research related to the *"Red Touch"* system, based on a laser source with emissions in red, which represents a unique and innovative solution photo-rejuvenation of the skin based o the direct interaction of the radiation with the collagen present in the tissue, which, after the studies conducted at the PhotoBioLab of El.En. proved to be highly effective in the stimulation of the neocollagenogenesis of the elastic fibers which were able to significantly improve the look of the skin.

Also in the field of dermatology, we continued the research and development activity related to the improvement of the performance of the *"Viridis"* handpiece of the *"Luxea"* platform which will make it possible to reach the highest standards available on the market for vascular applications based on pulsated light, standards which are currently required, mainly by the American market, in order to guarantee the competitiveness of the DEKA platform on this market starting in the first half of 2022.

Also concerning the accessories for the *"Luxea"* platform, we have completed the pre-series of the new *"Flash"*, accessory with emissions in green at 532nm, for vascular applications. The first units produced were supplied to specialized research institutions for the external validation and direct comparison with similar products on the market.

In the sector of hair removal we continued research and development aimed at optimizing the clinical aspects of the new, high range products *"Again"* and *"Elite IQ"*. In particular, we have focused the study on the temporal structure of the impulses produced for the purpose of improving the effectiveness of the treatment while reducing the discomfort, also in association with specific processes for cooling the skin during the treatment. Besides the improvements related to the clinical aspects, we are currently involved in activities for the improvement of the high range of hair removal products aimed at making the treatments faster by reducing the down times related to the phases of heating and calibrating, with the objective of continuing the level of excellence of the El.En. products even in the most minute details.

We are now starting production of a new product, *"Motus AZ"*, destined for the American market which received FDA clearance on the third quarter of 2021. The new product features a complete range of treatments conducted using a series of handpieces with cooling upon contact: *Moveo HR*, for hair removal; *Moveo PL* for the treatment of pigmented lesions; *Moveo VL* for the treatment of vascular lesions and *Moveo SR* for the treatment of skin rejuvenation.

The new applicators have undergone a major re design aimed at improving their performance and usability. We are now working on the procedure for a new request for a patent in order to protect the significant intellectual property generated by this activity.

During 2021 DEKA started the marketing of their new product, *"SmartPico"*, a laser system dedicated mainly to applications for the removal of tattoos and treatment of benign pigmented lesions, operating on a picosecond regime.
We are now conducting an intense research and development activity aimed at improving the specifications of the product and in particular, the conversion in frequency in order to offer an adequate solution in the red spectral region; this activity is now being conducted in the new photonics laboratories of El.En. which were inaugurated in November 2021.

In the field of *Body Shaping* they have continued research and development related to our innovative *"Onda Coolwaves"* system, aimed at the release, expected in the first half of 2022, of a new small-sized handle which is specific for facial treatments. They are also conducting research and development activities aimed at further improving the performance, thanks to the development of state-of-the-art generators which will be available in the second half of 2022.
Also in relation to the family of "Onda" products, it should be noted that in the fourth quarter of 2021 FDA clearance was obtained for a new product, ***"TIAC II",*** destined for the American market: the product is used to eliminate the blemishes caused by cellulitis.

Research and Development activities on systems for muscular stimulation and the reduction of localized adipose deposits based on electric *("PhysiQ")* and magnetic excitation *("Schwarzy")* have continued. These latter devices for stimulation, by means of electro-magnetic fields, of specific muscle masses of the body have possibilities for application also in the rehabilitation sector and already obtained significant results on the market in the first half of 2021. We are now conducting studies aimed at improving the performance of the devices and the quality of the treatment thanks to the development of new, specific applicators.

Also in the *Body Shaping* è segment, in the fourth quarter of 2021, we received FDA clearance for a new product designed for the American market, *"LIPO AI"*, a revised version of the *"SmartLipo*", which was marketed in the past with great success and has been modified both in the laser part and in the control methods of the clinical procedure, which have been improved thanks to the implementation of innovative algorithms of artificial intelligence which allow significant advantages and improvement of the simplicity of use and guarantee the highest level of safety and effectiveness in the procedure.

For the applications in gynecology, we should mention the release of the new family of products in the *"GLIDE series: "Monalisa Glide"* and *"Monalisa duo glide"*. The new family represents an evolution of the iconic Monalisa Touch, of which it has kept the exceptional characteristics of the CO_2 technology of El.En. and improved the architecture of the control system with a new design which offers, among other things, better ergonomics, thanks to a new graphic interface and a new large-sized adjustable display.
This new family, besides the complete revision of the design, proposes a new system, *"Monalisa duo glide"* which combines the ablative treatment characteristic of CO_2, lasers with a non-ablative heat treatment which performs thanks to a wave length of 1540nm emitted by an additional laser source available in the system.
The new family of products, *"Monalisa Glide"* moreover offers a renewed series of handpieces with miniaturized scanning systems (micro-scan), which improve the simplicity of use and the ergonomics of the treatments.

A new, revolutionary accessory which is able to automate the "Monalisa Touch" treatment is now in the development phase; this treatment will make it possible to conduct the traditional specific treatment for vaginal laxity and for incontinence caused by stress in a manner which is faster and safer, with results that do not depend on the experience of the operator. The release for sale of the new accessory is expected for the second half of 2022.

Also in the gynecology field, we have continued Research and Development on the systems for the treatment of incontinence caused by stress, the medical system called *"Dr Arnold"* for the stimulation of the pelvic floor using high intensity magnetic impulses. The product has been quite successful on the market.

In the SVATT project El.En. is involved as a research partner in a group called ATS (Temporary Purpose Association). As part of the project, research and development activities will be conducted aimed at the creation of a new technology which is robust and moveable to the hospital structures, for the creation of products to be used in the field of immunotherapy and immunotherapy re-enforced by nano-particles in the treatment of melanoma pathologies. The activity of El.En. for the year 2021 was focused on the study and amplification of the research initiated in 2020 and the start up of the prototype RF generator with the relative applicator, devices that were specifically designed for the use of nano-particles for therapeutic purposes. They conducted studies, analyses and simulations inherent to the design of the applicator and the definition of the performance and requirements of the generator; the research activities also involved the production of preliminary demonstrators and laboratory tests.

For surgical applications we continued the research and development activity related to CO_2 laser technology. Created new accessories and systems, including "*Multipulse Pro Duo"* which is marketed by the subsidiary Asclepion, and makes it possible to perform a vast range of surgical operations thanks to the double function of the arm and fiber. In the third quarter of 2021 we obtained the medical certification for the sterile single-use wave guides (re-processable) produced by Quanta System SpA.

Quanta System S.p.A.

During 2021 they continued with the development of new products both in the surgical division and in the dermatological and aesthetic/medical sector and successfully launched some new systems.
In the surgical sector, the company released on to the market laser systems based on a new technology, *Thulium Fiber* laser - *Fiber Dust*, which completed the range produced by the company for the treatment of stones in the urinary tract and benign hyperplasy of the prostate. At the same time they created custom versions of the same product for some important OEM clients. Currently the company is engaged in the power development of this range of products in order to complete the range of technical specifications that are increasingly driven to satisfy the growing demand for innovative technologies that is registered for this sector. In this segment, they are also continuing with the development of new sources based on non-linear optics, and on the use of Tullium lasers for the treatment of stones on the urinary tract. Quanta has been confirmed as the leading company in the El.En.Group in the research and technological innovation on the field of lasers for applications in urology.
In the dermatological sector, during 2021 they launched on the market a system called *"Chrome Lase Station"*, a new laser system for the removal of tattoos and for the treatment of skin and dermatological lesions in general, based on the use of a new laser resonator capable of emitting more uniform kinds of beams, entirely developed by Quanta System.
Moreover, they have completed the development of two new laser platforms with Energy levels increased by 30% with respect to the current ones, for all the main dermatological applications.

These platforms will originate new products which we expect to market starting at the end of 2022.

Quanta System continued their collaboration with the Center for Photo-Medicine at the Massachusetts General Hospital which brought about the development of a new application in the field of dermatology: the treatment of ace in the active state. This project brought about the certification and completion of a laser system which was innovative for the type of source, with emissions at a wave length which previously had not been available on the market: Accure Laser is the first laser platform in the world that was developed to selectively strike the sebaceous glands, the source of the production of sebum and the key to a effective and long lasting treatment of acne.
The clinical development also involves, under the responsibility of the associated company, **Accure Acne Inc.** some research centers in America and will be intensified in 2022. The company has obtained the EC brand for the Accure Laser ™ system for the treatment of patients with moderate acne vulgaris and the associated company is conducting clinical studies aimed at obtaining the FDA clearance for sales in the USA.
Accure Laser ™ is the result of a great research and development 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 products for dermatology. In fact, it is the first laser system in the world which combines sophisticated automatic control elements for the purpose of guaranteeing the effectiveness and safety of the treatment, which is automatically adapted to the specific area to be treated on each patient. Among the automatic elements of artificial intelligence (AI) we should mention the "auto trigger system" which automatically triggers the emission of the laser only when the target cooling temperature has been reached, the "ADD" system or automatic determination of the dose, and the "DEM" system which automatically controls the interruption of the emissions by direct measurement of the end point. This product is protected by a massive patent portfolio which contains more than 14 different patents.

At **Elesta** they have been working on the development of guides for the fibers used in urologic applications. They continued the fine tuning of the new hardware platform for the ESI (Echolaser Smart Interface) and of the programming of the schedule for the treatment of malign pathologies mainly in endocrinology and urology. Another important activity was that dedicated to the qualification and possibility of integration of the American system of fusion of NMR images with those of ultrasounds in real time in order to increase the support of operations on the focal lesions of the prostate. They also worked on the extension of a couple of patents in China and the USA. The research and development team was also engaged in the support of the intense regulatory activity for the United States.

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

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

All of the companies in the Group engaged in the medical sector are subject in this period to a complex ad onerous task of adapting the technical and clinical documentation supporting the quality certifications of the medical laser systems (EC brand) . In fact, as part of the modifications of the regulations with the new directive "MDR", the requirements for documents and experimental trials that are necessary to prove the safety and effectiveness of the medical devices which were already quite severe, have become even more stringent.

Laser applications and systems for industry

At **El.En.** they continued in their vast campaign to re-engineer the products in the light of the increasingly demanding applications that these will be used for. They continued in the fine tuning of the range of mid-powered sealed CO_2 sources even with applicative experiments of the Blade RF1222, which, with 1200 Watt is now the most powerful in the range. They also continued in the perfecting of the source, aimed at increasing the average emission power up to 1,5kW, a threshold which allows the use of EF sources in come specific applicative fields which are otherwise excluded, like that for dies developed by Cutlite Penta. The first functioning ones are already installed in the field at pilot sites. These sectors require intervention in terms of the length of the intervals for ordinary maintenance, directing the development efforts towards materials and monitoring systems of the state of exit hole of the cavity besides the greater autonomy of the refill cartridge of the laser gas mix. For this family, we have been shifting the activity from research on the performance in terms of power, quality and reliability to a more mature phase of the product with the research focused

on the greatest production efficiency. As far as the CO_2 sources with sealed technology are concerned, we conducted activity aimed at the stabilizing of the cavity optics in conditions using sources subject to high acceleration.
In order to deal with the current emergency involving a high demand of the market when there is a shortage of components, we have used the Research and Development team to revise the technical solutions in order to allow the production department to minimize the difficulties of this historic moment.
We have made modifications on the *beam shaping* of model RF188, which was created for the Chinese market on the basis of the feedback we received from them.
In the sector of galvanometric scanning systems we have begun a process of renewal of the electronic controls and the relative software and completed, the first manufacturing phase of control and testing equipment of the galvanometric assemblies and the relative testing procedures. For these components which are widely used also in the Group's medical systems, performances and production efficiency are increasingly necessary. The controlling software was the subject of an important development process aimed at the stabilization and the implementation of the control algorithms which are able to guarantee them at every level of functioning.
We have created the first prototype of a new dynamic focalizing device, in order to satisfy the requirements of the power levels being used and the mechanical performance requested.
We have also been dedicating time to a study of dynamic FEM of deflection mirrors with large optical aperture built with materials that are innovative with respect to the past. The results of this activity were originally used for an adaptation, using inverted filtering, of the controlling software in order to compensate the dynamic behavior of the new mirrors.

Again in relation to the shortage of commercial components described above, we are working to satisfy the dynamic requirements of a client who is a top player in the world of high speed paper converting and we are trying to reach the extreme performance requested in the sector by using our galvanometric groups. In normal conditions, in fact, this level of performance was produced only by American galvanometric groups which represent the state-of-the-art, but by taking advantage of the forced patience of the client caused by the unavailability of these latter, our Research and Development team is working in order to reach the frontier of performance levels also with the components produced in our factory which for now represent a product that is still immature respect to that of the market leader in this sector.

The system that is dedicated to restoration, Infinito Laser 100W, underwent a profound renovation in terms of hardware and software related to the control unit and interfacing with the operator and we are now completing the fine tuning and debugging by using a Beta-tester at the client's. The development of a transportable 300W system for more extensive applications in conservation and possibility of use also for removing paint and industrial cleaning, is now in an advanced phase. This product, despite the fact that it is still at the prototype level, was presented at a trade fair in Paris and received positive feedback.

Cutlite Penta continued in the development of new lines of machines and accessories for laser cutting: they also continued in the evolution of the cutting heads for fiber lasers, improved their performance and their capacity to manage very high powers, introduced innovative control methods and è continued their close collaboration with Penta Laser Wuhan and Penta Laser Wenzhou. In the field of machines for cutting metal, the new optical, mechanical, fluid-dynamic and sensoristic developments of the EVO2 cutting heads made it possible to introduce it in the range of laser powers over 15kW and up to 40kW. Te machines equipped with 30kW and 40kW sources which are new products with a vast commercial appeal, represent a product in continual evolution thanks to the fine tuning of the cutting processes which are increasingly at an extreme frontier. This activity requires a continuous effort to reach increasingly advanced levels of performance. They also conducted activity for the development of innovative systems for cutting pipes and combined machines for both flat cutting and pipes; this latter segment shows great promise for growth in the future.

The development of software and the definition of the parameters of cutting, also with the relative support gas, have made it possible to fully exploit the potential derived from the high powers used, with significant increases in performance in terms of productivity and quality and the creation of innovative machines for two and three dimensional bevel cutting, which are then used to create a new application line for cutting with fiber lasers, and represent a unique feature which distinguishes them on the market.
The company has also continued the development and amplification of their range of machines for making American dies, a field in which Cutlite Penta is continually re-enforcing their position as world leader by presenting a new line based on El.En. RF1222 lasers and they have started a vast marketing campaign of the machines installing the new RF1555, with 1.5kW power, to be installed on the premises of selected clients to be used as a beta tester for the purpose of verifying in the field the implementation work of this source.

At **Ot-las** on their machines they continued with the experimentation of the use of new CO_2 RF1222 sources made by El.En. and the new, specially developed scanning optics capable of managing the average and peak high power along with the growing demand for dynamic performance. For the purpose of improving the performance of the systems produced using automation, they designed specific new interlocking systems; among these, for example, the use of

positioning devices for the hole of the insole of shoes, moving systems for large blocks of natural stone and other materials.
The also continued in their constant research and improvement of the processing of leather, textiles and shoes with a the consequent increase in performance and operative flexibility.
They continued in their activity aimed at identifying and carrying out personalized solutions to be added to the complete productive processes which require surface treatments in various materials, besides that to be inserted into production lines with the use of universal robotic systems.

The development at **Lasit** involved the fine tuning of 3-axis marking systems in applications of mass production of high quality components for cycling, auto motive and tools, as well as personalized solutions with flat plane optics, in the sector of high fashion accessories.

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

Thousands of Euros	**31/12/2021**	**31/12/2020**
Staff costs and general expenses	11.633	11.067
Equipment	305	362
Costs for testing and prototypes	7.113	3.957
Consultancy fees	493	564
Other services	233	119
Total	**19.775**	**16.069**

Following the usual company policy, the expenses shown in the chart have mostly been entered in the operating costs because it is not possible to make a reasonable estimate of the return on the investment.
The amount of expenses sustained corresponds to about 3,5% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 3% of its sales volume.

Risk factors and procedures for the management of financial risks

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

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

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

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

Risks connected to international operations

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

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

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

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

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

Environmental and sustainability risks

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

Procedures for the management of financial risk

The main financial instruments of the Group include checking accounts and short-term deposits, short-term and long-term financial liabilities, financial leasing stock and hedge funds.

Besides these, the Group has trade payables and receivables from its business activity.

The main financial risks to which the Group is exposed are those involving exchange rates, receivables, cash and interest rates.

Currency risk

The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.

Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated financial statements of the Group.

Credit risks

As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the amount 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:

With the conclusion of the acquisition of the minority share of Penta Laser Wenzhou by Ot-las S.r.l., El.En. S.p.A. granted a guarantee in favor of the selling partner for the payment described in the earn-out clause for 40 million Renminbi (about 5 million Euros) in the case that they proceeded with an IPO of Penta Wenzhou within 5 years from the acquisition.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:

- in favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo
- in favor of Penta Laser (Wuhan) on the short-term credit line obtained for 3 million Euros.

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

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

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 20 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. Also in 2018 ASA underwrote a bank guarantee issued by CREDEM to the supplier ENI Spa for 8.000 Euros with expiration date on December 31st 2021, a guarantee for the issuing of thirteen "MULTICARD ENI" cards after underwriting a contract for the supplying of fuel.
In the month of June 2020 the company obtained a guarantee from Mediocredito Centrale on the financing of 3 million Euros obtained from Intesa San Paolo. The sum guaranteed amounted to 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 which is added to the residual mortgage taken out for the construction of the old building for the amount of about 427 thousand Euros.

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

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

STOCK OPTIONS OFFERED TO ADMINISTRATORS, COLLABORATORS AND EMPLOYEES

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

The Board of Directors meeting of El.En. S.p.A held on September 13th 2016, upon the recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 and, following the mandate assigned them by the shareholders assembly, proceeded to identify the beneficiaries of the plan, the amount of options assigned, the openings for picking up the options and the price for underwriting.
The Board also proceeded to assign entirely and for the exclusive use of the plan, the faculty conferred on them by the assembly, in compliance with art. 2443, sub-section II, Civil Code, to increase, upon payment, even in tranches, and with the exclusion of the option right in compliance with art. 2441, sub-section V, Civil Code, the capital stock of 104.000,00 Euros by issuing 800.000 ordinary shares which can be underwritten by the Board members, collaborators and employees of El.En. s.p.a. and of its subsidiaries that are the recipients of the options in the above mentioned plan.
The options can be picked up in conformity with the terms and conditions of the Plan definitively approved on September 13th by the beneficiaries in two equal tranches: the first starting on September 14th 2019 until December 31st 2025 and the second from September 14th 2020 until December 31st 2025.
The Plan will end on December 31st 2025 and the options that have not been picked up by that date will lapse definitively, the capital stock will be considered definitively increased by the amount that was actually underwritten and released on that date.

According to the Plan, the following individuals will be assigned stock option rights: the President of the Board of Directors, Gabriele Clementi, the two managing directors Andrea Cangioli and Barbara Bazzocchi, a manager with strategic responsibilities, the El.En. s.p.a. executives that have positions as executive administrators of subsidiary companies, other El.En. SpA. executives that have significant roles, executive administrators of subsidiary companies that are considered of strategic importance for the development of the Group, persons belonging to the categories of employees who, for their professional and personal characteristics and loyalty to the company have an important role, or may have one in the future.
The Plan is defined particularly relevant in reference to articles 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, *Regolamento Emittenti Consob* since some recipients that have been identified are those indicated in the above mentioned articles. For the exact names and quantities that have been assigned, please refer to the table contained in the information sheet drawn up in conformity with art. 84-bis of the *Regolamento Emittenti Consob* 11971/1999, deposited at company headquarters and published on the site www.elengroup.com in the section *Investor Relations/Governance/Documenti societari/Piano di Stock Option 2016-2025* as well as the market storage site www.emarkestorage.com.
The price, including the share premium which must be paid by all those who are picking up the option in compliance with the Stock Option Plan 2016-2025, has been set at 12,72 Euros by the Board of Directors.
The price was calculated by the Board of Directors on the basis of the arithmetical average of the official prices registered by the shares on the market during the six months prior to September 13th 2016. The criteria for determining the price for the stock being issued for the Stock Option Plan was approved in compliance with articles 2441, sub-section VI of the Civil Code, and 158, sub-section II, T.U.F., issued by the Independent Auditors Deloitte & Touche s.p.a.. This favorable opinion was already published before the assembly and, in accordance with the law, is attached to the notary's statement, which is deposited with the Registry of Companies in Florence and can be consulted at company headquarters or at their site, www.elengroup.com in the section "*Investor Relations / Governance / Documenti Assembleari / 2016*" as well as on the authorized market storage site www.emarketstorage.com.
After the resolution of the Assembly held on July 2021 to split the stock in a ration of 1 to 4 of the ordinary shares of the Company the beneficiaries holding stock options who exercise their right on a date following the start of the negotiations of the new shares which are the result of the split, may underwrite for each option assigned to them, 4 ordinary shares of the company with the regular privileges by depositing the price of underwriting determined by the Board of Directors at the time the options were assigned. Consequently, the price of each share is 3,18 Euros.

On September 14th 2019 the period in which it is possible to pick up the first set of options began and on September 14th 2020 the period for picking up the second set of options started. As of December 31st 2021, 655.050 of the 800.000 available options had been picked up.

As of December 31st 2021 the capital stock which had been underwritten and paid amounted to 2.593.827,86 Euros and was divided into 79.810.088 ordinary shares (after the stock split) without a nominal value being expressed.

It should also be noted that the market capitalization of the Company is currently greater with respect to the amounts implicit in the consolidated shareholders' equity as of December 31st 2021.

TREASURY STOCK

On April 27th 2021 the shareholders' meeting of El.En. S.p.A. in an ordinary meeting proceeded to authorize the sale of treasury stock on the conditions proposed by the Board of Directors, in compliance with articles 2357 e 2357-*ter* cc. The purchase of treasury stock may be made for the following eventual, concurrent or alternative reasons: as an investment, to stabilize the stock in situations in which there is a scarcity of cash on the stock market, for assignment or distribution to employees and/or collaborators and/or members of the administrating or controlling bodies of the Company or its subsidiaries, for exchanges of equities as part of or on the occasion of operations of a strategic nature. The reasons which are described must be pursued with plans and operations for purchase and selling and/or operations conducted in compliance with the terms and regulations set forth in *Regolamento* UE 596/2014 ("MAR") and with the normal market practice approved by the CONSOB. The authorization has been granted for the purchase, within 18 months of the date of the resolution, in one or more installments, of a maximum number of ordinary shares of the Company, the only category of shares presently issued, which, in any case, may not be more than one fifth of the capital stock.
On the date of the resolution, 20% of the capital underwritten and deposited by El.En. was equal to. 3.973.758 shares with a nominal value of 516.588,54 Euros.
The purchase of treasury stock must take place respecting the equality of the shareholders in compliance with art. 132 T.U.F. and art. 144-bis *Regolamento Emittenti*. Consequently the administrators may purchase them at the following concurrent and /or alterative conditions where applicable and which will be determined at the moment of each single operation, by means of a public offering for purchase or exchange; on the regular market.

The purchase may take place at a price which is not at the minimum less than the nominal value of 0,13 Euros per share and, at the most, greater than 10% more than the official trading price registered on the day preceding the purchase.
Moreover, the stock may be sold within ten years of the date of the resolution at a price, or equivalent amount in the case of Company operations, which is not less than 95% of the average official price of the trading registered on the five days preceding the sale.
Both the purchases and the sales of treasury stock must take place respecting the present European, delegated and domestic regulations.
On the date of this report, El.En. S.p.A. did not own any treasury stock.

STAFF

As mentioned above, the number of employees in the Group rose from 1.626 units on December 31st 2020 to 1.902 on December 31st 2021. The division among the various companies in the Group is as follows:

Company	2021 average	31-dec-21	31-dec-20	Var.	Var. %
El.En. S.p.A.	284,00	299	269	30	11,15%
Ot-las Srl	11,50	9	14	-5	-35,71%
Cutlite Penta Srl	101,00	116	86	30	34,88%
Deka M.E.L.A. Srl	32,50	33	32	1	3,13%
Esthelogue Srl	20,00	21	19	2	10,53%
Deka Sarl	11,50	10	13	-3	-23,08%
Lasit SpA	73,50	81	66	15	22,73%
Quanta System SpA	197,50	212	183	29	15,85%
Galli Giovanni & C. Srl	6,50	7	6	1	16,67%
Asclepion Laser T. GmbH	154,50	161	148	13	8,78%
Asa Srl	53,50	54	53	1	1,89%
BRCT Inc.	0,00	0	0	0	0,00%
With Us Co Ltd	48,50	55	42	13	30,95%
Penta Laser (Wuhan) Co., Ltd	162,00	201	123	78	63,41%
Cutlite do Brasil Ltda	15,50	16	15	1	6,67%
Pharmonia S.r.l.	0,00	0	0	0	0,00%
Deka Medical Inc	0,00	0	0	0	0,00%
Deka Japan Ltd	0,00	0	0	0	0,00%
Penta-Laser Equipment Wenzhou Co. Ltd	432,50	433	432	1	0,23%
Penta Laser Technology (Shangdong) Co., Ltd.	157,50	190	125	65	52,00%
Merit Due S.r.l.	0,00	0	0	0	0,00%
Lasit Laser Polska	2,00	4	0	4	0,00%
Total	**1.764**	**1.902**	**1.626**	**276**	**16,97%**

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

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

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

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

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

CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

In compliance with the laws and regulations,, El.En. S.p.A. has drawn up a consolidated Non-Financial Statement for 2021 which is deposited and published as a separate report in accordance with art. 5, sub-section 1 letter b of Legislative Decree 254 of December 30th 2016.
The consolidated non-financial statement for 2021 can also be consulted on the site www.elengroup.com - "Sustainability/documents" section.

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

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

INTER-GROUP RELATIONS AND WITH RELATED PARTIES

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

The OPC El.En. Regulations, with validity starting on July 1st 2021 were up-dated and modified by the Board of Directors during their meeting on June 30th 2021 after the adoption by the CONSOB on December 10th 2020 of resolution 21624 issued in implementation of the regulatory proxy contained in art. 2391-*bis* of the c.c., as amplified by D. Lgs. 49/2019 for the purpose of the EU directives (UE) 2017/828 – c.d. Shareholder Rights Directive 2 ("SHRD 2") – which modifies directive 2007/36/CE concerning the encouraging of the long term commitment of the shareholders. The Board approved some additions to the OPC El.En. Regulations for the purpose of aligning it with the new regulation organization, considering that the Italian regulations were already mature with reference to the implementation of the European rules and that therefore, it was an intervention of fine tuning on the internal procedures that El.En. had already adopted at the end of 2010.
The changes are related to:
a) Definition of the term "related parties": the directive and, consequently, the Consob, refer to the definition of "related parties" contained in the International Accounting Standards valid at the time. They propose the insertion of a

different definition which, specifically, would extend the meaning of "related parties": all of the subsidiary companies become related parties with each other as well as with the Parent Company.

b) The obligation of the administrator involved in the operation to abstain from voting: this rule which had already been applied by El.En. was later modified in 2019. The rule was then re-inserted for consistency with the new discipline with reference to all of the operations, even those of little importance, in which the administrator has an interest, either for himself or for somebody else, in conflict with that of the Company. Aligned with the jurisdiction and the doctrine which had been formed in the meantime, Consob clarified that the administrator who is obliged to abstain can be considered when reaching the quorum constitutional but is excluded from that which is voting.

c) Approval procedure: they introduced the reserve of competence to deliberate of the administrative organ for the most important operations. This intervention is also aligned with the main standard of the Code of Corporate Governance, i.e. the central role of the Board of Directors for the strategic decisions and for the approval of all operations having significant economic or financial importance. Moreover in relation to the procedures, they specified the following obligations which are consistent with the applicative practice already followed by El.En.: (i) The specific rule expresses the duty of the committee of independent administrators to verify in advance the independence of the expert who has been selected and qualified as independent; (ii) the timeliness of the involvement of the commission of independent administrators during the negotiation phase and the documentation phase of an operation of major importance; (iii) the explicit rule related to the obligation to attach the opinion of the committee of independent administrators to the minutes of the meetings of the committee.

d) Cases of exemption: they made some slight modifications related to the ordinary operations of major importance and to market conditions or standards in relation to which there is an explicit obligation for the *Committee for controls and risks, OPC and for sustainability* to conduct an annual verification of the operations of greatest importance which have been exempted and the disciplining of the relative flow of information.

During 2019, in relation to the acquisition (described in the annual financial report on December 31st 2019), conducted by the subsidiary Ot-las s.r.l. of the minority quota of the Chinese companies Penta-Laser Equipment Wenzhou Co., Ltd - now Penta Laser (Zhejiang) Co., Ltd - and Penta-Chutian Laser Wuhan Co., Ltd – now Penta Laser (Wuhan) Co., Ltd – we voluntarily published an information document in compliance with article 5 of the *Regolamento Consob Parti Correlate 17221/2010* and of art. 1.2.of the regulations disciplining operations with related parties adopted by the Company. The document is available on the site of the Company: www.elengroup.com sez. Investor Relations.
The other operations conducted with related parties, including the inter-Group operations cannot be qualified as atypical or unusual. These operations were conducted under ordinary market conditions.
Concerning the relations with related parties, see the explanatory notes that are part of the consolidated financial statement of the El.En. Group and the separate financial statement of El.En. S.p.A.

OPT-OUT REGIME

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

OTHER INFORMATION

Atypical and unusual operations

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

Management and coordinating activities

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

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

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

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

- On December 31st 2021 among the companies controlled by El.En. S.p.A. the following are subject to the regulations: With Us Co. Ltd, Penta Laser (Wuhan) Co. Ltd, Penta-Laser Equipment (Wenzhou) Co. Ltd. (now Penta Laser (Zhejiang) Co., Ltd) and Penta Laser Technology (Shangdong) Co. Ltd
- Procedures have been adopted to assure the complete compliance to the regulations.

Fiscal consolidation

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

SUBSEQUENT EVENTS

Potential developments in the Laser Cutting business unit

On February 11th 2022, Penta Laser Wenzhou completed the “Share reform”, i.e. the transformation of its company organization from Joint Venture to corporation, a very complex procedure in China, which, comported, among other things, the new auditing of the financial statements for the last three years in conformity with the international accounting standards according to a practice followed in China by the companies quoted on the regular stock market.
Penta Laser Wenzhou, which for this occasion was renamed Penta Laser Zhejiang (name of both the city and the region where the company is located), is now the parent company of the Chinese and Italian companies engaged in the business of laser cutting of metals. The transformation of the company into a corporation obtained by completing a reorganization process of the structure of the business unit, is the necessary condition towards a future IPO of the business unit which, once this further step has been completed, constitutes one of the strategic options that has been implemented in order to follow our ambitious objectives for growth in this sector.

The war in Ukraine

The invasion of Ukraine by the Russian military forces and the war it caused have created great uncertainty and a state of crisis in international relations among all the countries involved directly and indirectly in the conflict. The state of war in Ukraine and the rigid sanctions of a commercial nature that have been imposed on Russia, in particular, seem to have excluded, at least for the present, the commercial relations with these areas. In the past, the Group has maintained profitable business relations with Ukraine and Russia, in particular in the sector of aesthetic medicine: the service sto people that we could offer thanks to our equipment were part of the luxury and high end products for which there is a considerable demand on these markets. The sales volume of the El.En. Group destined for these areas is less than 2% of the consolidated business volume. The Group is counting on compensating for the drop in sales which will inevitablbe registered in these countries with a better trend in the rest of the world.
Moreover, the management intends to carefully monitor the situation in consideration of the potential negative impact it could have on the general economy. Possible risks may be related to:

- Unpaid debts on the part of clients who are residents in these countries;
- Business relations with clients and/or strategic suppliers who are residents in the countries;
- Fluctuations in the prices of raw materials and energy commodities
- Possible repercussions, even indirect, on the global economic and financial system.

CURRENT OUTLOOK

The general level of the demand and the significant portfolio of orders at the end of December 2021 extend to 2022 the positive momentum of the brilliant results of 2021. In the current market context and net of the effects on the markets directly involved in the conflict between Russia and Ukraine, and in the hope that the indirect effects of the was do not alter the positive market conditions and do not further obstruct the supply chain, the El.En. Group expects to continue its steady growth, exceeding by at least 10% the sales volume registered for 2021 and improve the EBIT.

DESTINATION OF NET INCOME

To our shareholders:
While submitting for your approval the separate financial statement of El.En. S.p.A. as of December 31st 2021, we propose:
- to assign all of the net incomew for 2021 to an extraordinary reserve;
- to distribute to all the shares in circulation of the date that the first coupon comes due on May 23rd 2022, in compliance with. 2357-*ter*, second sub-section of the Civil Code – a dividend of 0,20 (zero point twenty) Euros gross for each share in circulation;
- to use, for the distribution of the dividend, the retained earnings before December 31st 2017, accrued in a voluntary reserve called “extraordinary reserve” for a current total amount of 15.962.017,60, Euros, and it is understood that this amount may be increased by further sums which are necessary for the distribution of the dividend to the shares in circulation on the date the coupon comes due, that are derived from the exercising of stock options for the period between today’s date and the record date (May 24th 2022).

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

REPORT ON THE CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF EL.EN. S.P.A.
pursuant to art. 123-*bis* of Decree 58 dated 24 February 1998

(traditional governance and control model)

approved at the meeting of the Board of Directors held on 15 March 2022

Financial Year 2021

Website: www.elengroup.com

GLOSSARY

Board: the Board of Directors of El.En. s.p.a.

Civil Code/c.c.: the Italian Civil Code.

Code/CG Code: Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

Committee/CG Committee/Corporate Governance Committee: the Italian Committee for the Corporate Governance of listed companies promoted by Borsa Italiana S.p.A., as well as by ABI, Ania, Assogestioni, Assonime and Confindustria.

Consob Issuers' Regulation: the Regulation issued by Consob Resolution 11971/1999 (as subsequently amended) on issuer-related matters.

Consob Markets Regulation: the Regulation issued by Consob Resolution 20249/2017 on market-related matters.

Consob Related Parties Regulation: the Regulation issued by Consob Resolution 17221 dated 12 March 2010 (as subsequently amended) on transactions with related parties.

Consolidated Finance Law/TUF: Decree 58 dated 24 February 1998.

Financial Year: the financial year ended on 31 December 2021, to which the Report refers.

Group: the group of companies controlled by the Issuer

Issuer/Company: El.En. s.p.a.

Remuneration Report: the report on remuneration policy and compensation paid, prepared and published pursuant to art. 123-*ter* TUF and art. 84-*quater* of the Consob Issuers' Regulation.

Report: the 2022 report on corporate governance and ownership structure, prepared and published pursuant to art. 123-*bis* TUF.

Unless stated otherwise, reference is also made to the definitions contained in the Code (pages 3 and 4) relating to: **directors, executive directors, independent directors, significant shareholder, chief executive officer (CEO), administrative body, control body, business plan, company with concentrated ownership, large company, sustainable success, top management.**

1.0 PROFILE OF THE ISSUER

From the admission of its ordinary shares to listing on the MTA stock market (formerly the MTAX and, previously, the New Market) organised and managed by Borsa Italiana s.p.a. back in 2000, El.En. has always intended to maintain and improve, compatible with its organisation and structure, a system of corporate governance aligned with the best practices suggested and recommended in the Code. This represents a valid and non-renounceable opportunity to enhance the reliability and reputation of the Company in its relations with the market, as well as to provide a guide capable of ensuring the lasting and evolving success of the Issuer and the Group over time.
The Issuer became part of the Techstar segment when it was established in 2004 and has been listed in the Star segment since 2005.
Between 9 December 2016 and the end of 2018, the Company was included in the FTSE Italia Star segment of the FTSE Italia Mid Cap Index.
Subsequently, it was included in the FTSE Italia Star segment of the FTSE Italia Small Cap Index before inclusion, once again, in the FTSE Italia Star segment of the FTSE Italia Mid Cap Index from the end of 2019.
The corporate governance of El.En. comprises an administrative body, a control body and a shareholders' meeting.
Following the changes introduced by Decree 6 dated 17 January 2003 and subsequent amendments and corrections, the shareholders of El.En. decided to retain the traditional system of administration and control.
Currently, therefore, the Issuer is administered by a Board of Directors governed in all aspects (composition, functioning, remuneration, powers, representation of the Company) by both current regulations and articles 19 to 23 of the Articles of Association. The Issuer is subject to control and supervision by a Board of Statutory Auditors that is governed in all aspects by art. 25 of the Articles of Association.
The legal audit of the accounts is performed by a company chosen from among those recorded on the specific CONSOB register.

Pursuant and consequent to art. 2-*ter* of Consob Issuers' Regulation, as of 31 December 2021 the Issuer continues to qualify as a SME, in conformity with art. 1, para. 1, letter w-*quater*, 1) TUF.
The market capitalisation of the Issuer in the past three years, being the simple average of the daily capitalisations calculated with reference to the official prices recorded during the year, is indicated below:

YEAR	DAYS	AVE.
2019	252	399,546,703
2020	255	452,497,800
2021	256	912,739,401

As of the publication date of this Report, Consob has published on its website a list of SMEs, pursuant to art. 2-*ter*, para. 2, of the Consob Issuers' Regulation, at 31 December 2021.

Accordingly, the Issuer does not quality as a "large company" or a "company with concentrated ownership", as there are no known shareholders' agreements between one or more shareholders.

This Report has been prepared with close reference to the format, IXth edition, specifically prepared by Borsa Italiana S.p.A.

Board of Directors
The Board of Directors is the administrative body that exercises all the widest powers of ordinary and extraordinary administration in the performance of work to achieve the corporate objects, with a view to creating long-term value for the benefit of the shareholders, while taking into account the interests of the Issuer's other significant stakeholders.
The Board pursue these objectives via responsible management that respects the economic, social and environmental equilibrium of the context in which it operates, ensuring that the strategies of the Issuer and the Group and the remuneration policy include goals linked to the achievement of lasting, sustainable success that takes account of the internal and external environment in which all Group companies operate.
The mission of the Issuer and its sustainability profiles are described in the non-financial statement published pursuant to Decree 254/2016 on the website of the Issuer: https://elengroup.com/it/sostenibilita/dichiarazione-consolidata-carattere-non-finanziario.
Further information about how the above role is interpreted can be found in the Sections of the Report that explain: (i) the ways in which this objective is included in the strategies (Section 4.1), the remuneration policies (Section 8) and the system of internal control and risk management (Section 9); (ii) the corporate governance measures specifically adopted in this regard.

The current Board was elected at the Shareholders' Meeting held on 27 April 2021 and, following a Board resolution on that date, comprises both executive and non-executive directors organised, for the provision of advice and recommendations to the Board, into three committees: control and risks, related-party transactions and sustainability; remuneration; and appointments.
Three directors have been elected because the satisfy the independence requirements specified in art. 148-*ter* TUF and art. 2 of the Code.
The directors are domiciled for the purposes of their position at the registered office of the Issuer.
The managing directors have been granted, pursuant to the Board resolution adopted on 27 April 2021, all powers of ordinary and extraordinary administration, acting separately as sole signatories, for the performance of all activities envisaged in the corporate objects, with the sole exclusion of those powers that cannot be delegated pursuant to art. 2381 of the Italian Civil Code and the Articles of Association.
The mandate of the Board expires on approval of the financial statements for 2023.

On 5 September 2000, the Board established the following Board committees, the majority of whose members are non-executive and independent directors, that have been assigned the duties described in and governed by the respective committee regulations:
a) *committee for the nomination of candidate directors* (hereinafter, the "Nominations Committee");
b) *committee for remuneration* (hereinafter, the "Remuneration Committee"*);*
c) *committee for control and risks, related-party transactions and sustainability* (previously, the *internal control committee*, now the "Control and Risks Committee").
The committee regulations also govern their composition and role.
Following the first version approved on 5 September 2000, these are revised periodically and aligned to reflect any new regulatory instructions or internal reorganisations by the Issuer.
The committees perform the functions described in related Sections of the Report.
In addition, the Company has established a specific committee tasked with helping the Board to analyse significant topics for the generation of long-term value and sustainable success (Section 6).

On 5 September 2000, the Board also appointed a director responsible for internal control. The system of internal control and risk management has been expanded and reorganised constantly, as described later in the Report (Section 9), with a view to maintaining the integrity of the Issuer and the Group, while achieving the short- and long-term strategic objectives established by the Board.

The Board meets at least every quarter, not least in order to provide adequate information to the Board of Statutory Auditors about the work performed and the most significant transactions carried out by the Issuer and its subsidiaries, as well as, if applicable, any transactions with related parties or of particular complexity and/or importance; lastly, the Board also meets whenever the chairman and/or the managing directors wish to inform the entire Board about relevant matters and decisions.

The directors of the Issuer participate as members on the administrative bodies of most subsidiaries, or serve as their sole director. If not, the administrative body of the subsidiaries provides the most complete information needed to organise the activities of the Group and the accounting information required to comply with legal requirements: by the end of the month following each quarter-end, the subsidiaries provide all necessary information for the preparation of a consolidated economic and financial report.

The Articles of Association governing the appointment of directors, the composition of the Board and its specific duties - respectively, arts. 19, 21 and 22 - were amended at the Shareholders' Meeting held on 15 May 2007 in order to align them, as necessary and to the extent not already envisaged, with the new TUF and the Code. They were later amended, at the Shareholders' Meeting held on 28 October 2010, to take account of the requirements of Decree 27/2010. At that time, the Board was also assigned the power to apply the provisions of arts. 11 and 13 of the Consob Related Parties Regulation on urgent transactions with related parties.
At the Shareholders' Meeting held on 15 May 2012, art. 19 of the Articles of Association was aligned with Law 120 dated 12 July 2011 on gender balance. Being already aligned with the current regulations, this article did not need further amendment following the changes introduced by art. 147-*ter* TUF, as amended by the text of art. 1, para. 302 of Law 160 dated 27.12.2019 republished in Italian Official Gazette 13 on 17.1.2020.
Lastly, the Shareholders' Meeting held on 15 May 2013 removed from arts. 19 and 25 - governing the election mechanism for, respectively: the first, the administrative body; the second, the control body - the ban on withdrawing certificates confirming the legitimacy of the right to present candidates prior to the start of the Shareholders' Meeting. At the same time, other errors present in those articles were deleted in relation to the date of filing/communicating the certification.

A more detailed description is provided later, in the relevant sections of the Report dedicated to information about compliance with the Code.

With regard to the necessary presence of so-called independent directors, required by law from 2005, the Articles of Association envisage that requirement, formalising the practice adopted by the Issuer, pursuant to the Code, from 2000 when its shares were listed on the stock exchange.

Board of Statutory Auditors
The Board of Statutory Auditors is the control body that, pursuant to the law, regulations and Articles of Association, oversees compliance with the law, the Articles of Association and the principles of proper administration; the adequacy of the organisational structure of the Company, to the extent of its responsibilities, the internal control system and the administrative and accounting system adopted by the Company, and their functioning in practice. The Board of Statutory Auditors also monitors the matters envisaged in art. 19 of Decree 39 dated 27 January 2010, as well as implementation in practice of the corporate governance rules envisaged in the Code and compliance with Consob instructions, as well as proper implementation of the corporate procedures governing related-party transactions.
This body also oversees the adequacy of the instructions given to subsidiaries, so that they provide all the information needed to comply with the communication obligations envisaged by law.
The mandate of the current Board of Statutory Auditors, elected at the Shareholders' Meeting held on 15 May 2019, expires on approval of the financial statements for 2021. Accordingly, the Shareholders' Meeting called to approve the financial statements for 2021 is also called on to elect the new control body for the three-year period 2022-2024.

The Articles of Association establish a limit on the cumulative number of appointments held, pursuant to Article 148-*bis* TUF, envisaging among the reasons for the ineligibility or lapsing of candidate or elected statutory auditors, their appointment as serving statutory auditor by more than five listed companies, as well as their incompatibility pursuant to the Issuers' Regulation (arts. 144-*duodecies* et seq.), including by exceeding the maximum limit envisaged therein.
Following the amendment of the Articles of Association approved at the Shareholders' Meeting held on 15 May 2007, art. 25 of the Articles of Association - which already envisaged list voting - also specifies that the serving statutory auditor drawn from the first-ranked minority list is elected as the Chairman of the Board of Statutory Auditors.
Lastly, at the Shareholders' Meeting held on 15 May 2012, the Company aligned art. 25 of the Articles of Association with the requirements of Law 120 dated 12 July 2011 on gender balance. Being already aligned with the current regulations, this article did not need further amendment following the changes introduced by art. 147-*ter* TUF, as amended by the text of art. 1, para. 302 of Law 160 dated 27.12.2019 republished in Italian Official Gazette 13 on 17.1.2020.
Pursuant to art. 144-*septies*, para. 2, of the Issuers' Regulation, the minimum equity investment required at the last election for the presentation of lists of candidate Statutory Auditors was 4.5% of share capital, pursuant to art. 25 of the Articles of Association, art. 144-*sexies* of the Issuers' Regulation and CONSOB Decision 19499 dated 28 January 2016.
The minimum percentage for the presentation of lists for the upcoming renewal has been fixed by Consob Decision 60 dated 28 January 2022 at 1.00% of share capital.

Legal audit of the accounts
The legal audit of the accounts is entrusted (pursuant to measures introduced by Decree 39/2010) to an auditing firm recorded on the specific CONSOB register.
The Shareholders' Meeting called to approve the separate financial statements for 2019 appointed EY s.p.a. as the legal auditor, pursuant to art. 17 of Decree 39/2010, for the period 2021-2029.

Internal dealing
Up until 30 March 2006, for parties deemed significant pursuant and consequent to arts. 2.6.3 and 2.6.4 of the "Regulations for Markets organised and managed by Borsa Italiana s.p.a." in force at the time, the Issuer had approved - with effect from 1 January 2003 - a "Code of Conduct" that, with reference to the transactions carried out by those parties, governed the disclosures and conduct required in order to ensure the maximum transparency and consistency of the information provided to the market.
Given the amendments made to the TUF by the 2004 Community Law (Law 62 dated 18 April 2005), transposing the EC directive on market abuse, and the subsequent implementing regulations issued by Consob, the Company was required from 1 April 2006 to align with the internal dealing requirements envisaged in, respectively, arts. 114, para. 7, TUF, and from 152-*sexies* to 152-*octies* of the Issuers' Regulation.
From 1 April 2006 therefore, the law requires disclosure to the public of transactions in the financial instruments of the Company that are carried out by significant persons and by persons closely related to them; consequently, the internal dealing rules contained in the Regulations for Markets organised and managed by Borsa Italiana s.p.a. was abrogated.

As a result of the above, the Code of Conduct adopted by the Issuer in 2003 was replaced by a new document - adopted on 31 March 2006 and subsequently amended on 13 November 2006 and 13 November 2015 - that, in addition to reproducing comprehensively the legal requirements, envisages periods in which transactions by the above parties are restricted or forbidden.

During 2016, following the entry into force of Regulation (EU) 596/2014, the black-out period for transactions in the financial statements of the Issuer was increased in line with the new regulations.

During 2017, The Code of Conduct was aligned with the new regulations, having regard for the amendments made to Title VII, Chapter II, of the Issuers' Regulation by Consob Resolution 19925 dated 22 March 2017. That resolution took advantage of the option granted in art. 19, para. 9, of Regulation (EU) 596/2014 to raise to Euro 20,000.00 the annual limit beyond which the disclosure obligations apply.

During 2019, the Code of Conduct was amended again to extend the black-out periods envisaged in art. 19 of the EU Regulation To the 30 days prior to approval of the quarterly reports.

* * *

2.0 INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123-*bis*, para. 1, TUF) AT 31 DECEMBER 2021

a) Structure of share capital (pursuant to art. 123-*bis*, para. 1, letter a), TUF)

The subscribed share capital at 31 December 2021 amounts to Euro 2,593,827.86, fully paid, and is represented by 79,810,088 ordinary shares without nominal value.

Pursuant to the mandate granted at the Shareholders' Meeting held on 12 May 2016, pursuant and consequent to art. 2443 c.c., the Board implemented the 2016-2025 Stock Option Plan described in the "Significant events during 2016" section of the Report on operations accompanying the financial statements for 2016, and in the illustrative document prepared pursuant to art. 84-*bis*, para. 1, and to Format 7, Attachment 3A of the Consob Issuers' Regulation, and available on the website of the Issuer www.elengroup.com (Italian version) – *section: Investor Relations – Documenti societari – Piano Stock Option 2016-2025.*
At 31 December 2021, 655,050 option rights have been exercised out of the 800,000 exercisable over the entire Plan validity period.

On 20 July 2021, the Shareholders' Meeting approved elimination of the nominal value of the shares and increased the total number of shares via a four-for-one split of the outstanding ordinary shares. This split increased the number of outstanding ordinary shares from 19,929,586 to 79,718,344, by collecting and cancelling the outstanding ordinary shares issued, and assigning 4 newly-issued ordinary shares for each ordinary share collected and cancelled. Total share capital was unaffected by this stock split.
As a consequence, the Shareholders' Meeting approved the amendments to art. 6 of the Articles of Association (paras. 1-3-4) on share capital, pursuant and consequent to arts. 2328, 2346 and 2443 c.c., and amendment of the 2016-2025 Stock Option Plan. Work to collect the old shares and issue the split shares without nominal value commenced on 2 August 2021 with assignment of the new ISIN code: IT0005453250.

b) Restrictions on the transfer of securities (pursuant to art. 123-*bis*, para. 1, letter b), TUF)
There are no restrictions on transfer of the shares.

c) Significant interests in share capital (pursuant to art. 123-*bis*, para. 1, letter c), TUF)
Based on the information and data available at 31 December 2021, the shareholders listed in the attached Table 1 have significant interests (over 5%) in the share capital of the Issuer.

d) Securities with special rights (pursuant to art. 123-*bis*, para. 1, letter d), TUF)
None.

e) Employee share ownership: mechanism for exercising voting rights (pursuant to art. 123-*bis*, para. 1, letter e) TUF)
No mechanisms.

f) Restrictions on voting rights (pursuant to art. 123-*bis*, para. 1 letter f), TUF)
None.

g) Shareholders' agreements (pursuant to art. 123-*bis*, para. 1. letter g), TUF)
No agreements known to the Issuer.

h) *Change of control* clauses (pursuant to art. 123-*bis*, para. 1, letter h), TUF) and articles of association on public tender offers (pursuant to arts. 104, para. 1-*ter*, and 104-*bis*, para. 1, TUF)
There are no agreements containing "change of control" clauses.
With regard to the articles of association on public tender offers, the Shareholders' Meeting held on 13 May 2011 included among the duties of the Board, pursuant to art. 104, para. 1-*ter*, TUF, the power to take defensive action against public tender offers, even without obtaining authorisation at a Shareholders' Meeting.
Aside from this, the Articles of Association do not refer to public tender offers.

i) Delegation of power to *increase* share capital and authorisations to purchase treasury shares (art. 123-*bis*, para. 1, letter m), TUF
On 13 September 2016, the Board exercised in full the mandate granted at the Shareholders' Meeting held on 12 May 2016, pursuant to art. 2443 c.c.
Further information is provided above, in letter a) of this section on the structure of share capital, including relevant references so that the related documentation can be examined.

The Ordinary Shareholders' Meeting of El.En. s.p.a. held on 27 April 2021 authorised the purchase of treasury shares on the conditions proposed by the Board of Directors, pursuant and consequent to and within the limits envisaged in arts. 2357 and 2357-*ter* c.c. Treasury shares may be purchased for assignment or distribution to employees and/or collaborators and/or members of the administrative bodies of the Company or its subsidiaries, under incentive remuneration plans consistent with the remuneration policy approved at the Shareholders' Meeting and, less importantly, to hold a participating security that can swapped or exchanged in the context of strategic operations. The above purposes would be pursued via plans and operations involving the purchase, disposal and/or disposition of treasury shares, in full compliance with the timings and procedures envisaged in current regulations and, specifically, in Regulation (EU) 596/2014 ("MAR") and the related delegated regulation, as well as in the market practices approved by CONSOB. Authorisation was granted for the purchase on one or more occasions, within 18 months of the date of the resolution, of a maximum number of ordinary shares in the Company, being the only category currently issued, that does not exceed under any circumstances one-fifth of its share capital. On the date of the resolution, 20% of the issued and fully-paid share capital of El.En. amounted to 3,973,758 shares with a total nominal value of Euro 516,588.54. The purchases of treasury shares must comply with the principle of equal treatment for all shareholders, as established in art. 132 TUF and art. 144-*bis* of the Issuers' Regulation. Accordingly, the directors may make purchases in the following simultaneous and/or alternative ways, as applicable and determined at the time of each operation: via public offers to purchase or exchange; in regulated markets. Purchases may be made at a price that is not lower than the nominal value of Euro 0.13 per share and not higher than 10% above the official price recorded on the trading day prior to each purchase. Lastly, the shares may be sold within 10 years of the date of the resolution at a price, or equivalent value in the case of corporate transactions, that is not lower than 95% of the average of the official prices recorded on the five trading days prior to the disposal. Both purchases and disposals of the treasury shares must be made in full compliance with the relevant current European, delegated and domestic regulations.
As at 15 March 2022, El.En. s.p.a. does not hold any treasury shares.

l) Management and coordination (pursuant to art. 2497 et seq. c.c.)
The Issuer is a parent company and is not subject to management and coordination pursuant to art. 2497 et seq. of the Italian Civil Code.

* * *

The information required by art. 123-*bis*, para. 1, letter i) TUF ("*agreements between companies and directors…which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid*") is contained in the section of the Report dedicated to remuneration (Section 8.1);

The information required by art. 123-*bis*, para. 1, letter l), first part TUF ("*the rules applying to the appointment and replacement of directors ... if different from the legislation and regulations applicable as a supplementary measure*") is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.2);

The information required by art. 123-*bis*, para. 1, letter l), second part TUF ("*the rules applying… to the amendment of the Articles of Association, if different from the legislation and regulations applicable as a supplementary measure*") are illustrated in the section of the Report on the Shareholders' Meeting (Section 13).

* * *

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

Consistent with its size and organisation, the Issuer has followed the various editions and versions of the Code from its origin in 1999, right from the listing in 2000 of its shares on the market organised and managed by Borsa Italiana s.p.a., in a process of constant evolution in the direction of steady alignment with the measures suggested and strongly recommended.

The version of the Code (2020) referenced when preparing the Report is available to the public on the website of the Corporate Governance Committee at the following link: https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf

The information specified in art. 123-*bis*, para. 2, letter a), TUF, is contained in the following different, related and relevant sections.

* * *

Neither the Issuer nor its subsidiaries are subject to non-Italian legislation that influences the corporate governance structure of the Issuer.

4.0 BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS - ART. 1 CODE

Pursuant to art. 22 of the Articles of Association, the Board exercises the widest powers for the administration of the business, guiding the Company in pursuit of sustainable success and exercising the powers granted to it in arts. 20 and 22 of the Articles of Association.

In conformity with principles P.I and P.II of the Code, the Board determines the strategies of the Company and the Group, approving a three-year strategic plan for the Company and Group, the implement of which is monitored. The preparation of this plan takes account of important topics for the generation of long-term value and also includes certain non-economic objectives for the achievement of sustainable success. The sustainability plan, the work scheduled and performed, and the objectives considered material by the Board in this context are described in the non-financial statement published pursuant to Decree 254/2016 on the website of the Issuer: https://elengroup.com/it/sostenibilita/dichiarazione-consolidata-carattere-non-finanziario.

The Board is specifically responsible for:

a) examining and approving the strategic plan of the Issuer and the Group, partly with reference to the analysis of significant topics for the generation of long-term value (Rec. 1, letter a).
b) monitoring periodically the implementation of the business plan, as well as assessing each quarter the general results of operations, comparing periodically the results achieved against budget (Rec. 1, letter b);
c) defining the nature and level of risk compatible with the strategic objectives of the Issuer, including in this assessment all elements that may be significant for the sustainable success of the Issuer (Rec. 1, letter c);
d) defining the system of corporate governance of the Issuer and the structure of the Group that it leads (Rec. 1, letter d, first part);
e) assessing the adequacy of the organisational, administrative and accounting structure of the Issuer and its subsidiaries of strategic significance, with particular reference to the system of internal control and risk management (Rec. 1, letter d, second part) (see Section 9 for more detailed information);
f) resolving on the operations of the Issuer and its subsidiaries that have strategic, economic or financial significance for the Issuer, establishing general criteria for the identification of significant transactions (Rec. 1, letter e);
g) adopting, on a proposal from the Chairman agreed with the director responsible for the management of corporate information, a procedure for the internal management and external disclosure of documents and information about Issuer, with particular reference to inside information (Rec. 1, letter f) (See Section 5 for more detailed information).

On 5 March 2021, the Board approved the 2021-2023 development plan for the entire Group, covering both the industrial and medical sectors. The primary objective of this plan is the medium/long-term success of the business, which has always been the central focus of the Company and the Group, even before the more overtly social and environmentalist version came into vogue. In this regard, the Board considers the following aspects to be central: the enhancement of human resources, protection of the environment, investment in R&D and high quality products, safeguarding of the interests of all significant stakeholders and the creation of value for them (Rec. 1, letter a). When defining the plan, the Board identified and took account of the above topics, in order to be able to accept and tackle the challenges and risks that, in its opinion, the business may face during the reference period (Rec. 1, letter c). Implementation of the strategic plan is monitored annually and the Board has scheduled the next review for 13 May 2022 (Rec. 1, letter b).

In terms of defining the system of corporate governance of the Issuer and the structure of the Group, the first action of the current Board was to assign operational mandates following the appointment of the new administrative body on 27 April 2021 and the establishment of Board committees (Rec. 1, letter d, first part).

In addition, as envisaged in art. 20 B of the Articles of Association, the Board meets - and met during the year - at least every quarter in order to guarantee the performance of its necessary and essential strategic guidance activities and checks on the exercise of delegated powers, including with reference to the significant subsidiaries and, among these, those subject to management and coordination whose administrative bodies include one of the managing directors, if not the Chairman, of the Issuer.

The established frequency of these meetings also seeks to ensure that the Board of Directors operates in an informed and knowledgeable manner, with assessment of the results of operations every three months, not least by analysing the information received from the delegated bodies and the general manager, as well as the results obtained (Rec. 1, letter b).

In particular, during the meetings, the Board receives information from the delegated bodies, the general manager and any other executives interviewed, comparing the results obtained with those budgeted at each Board meeting held, at least quarterly, to approve the periodic financial reports (Rec. 1, letter b).

During the meetings, the Board is also informed - together with the Board of Statutory Auditors - about the work performed in exercise of the delegated powers, the general results of operations and the outlook for the future, as well as about the most significant economic and financial transactions carried out, even by subsidiaries, and about those with potential conflicts of interest, with related parties or that are atypical or unusual with respect to core operations.
Lastly, this frequency enables the non-executive directors to obtain the elements needed to assess the organisational, administrative and accounting structure of the Issuer and its principal subsidiaries, as established and implemented by the managing directors, with particular reference to system of internal control and risk management (Rec. 1, letter d).
In implementing its assigned functions, the Board - with reference to the activities carried out and coordinated by the Control and Risks Committee and the Board of Statutory Auditors, the written six-monthly reports presented by the internal auditors and the executive responsible for preparing corporate accounting documents - has assessed by sector at the meetings held on 15 March 2021 (relating to activities in the second half of 2020: check on the operation and suitability of the system of internal control and risk management with regard to the preparation of financial statements; update of the table of areas to be checks and the control activities carried out and/or scheduled; analysis of the investments made and the 4.0 tax benefits and assistance; analysis of the procedures followed by the units responsible for the collection of trade receivables affected during the year by the Covid-19 pandemic; activities carried out in relation to Law 262/05); on 10 September 2021 (relating to the first half of 2021: update of the table of areas to be checks and the control activities carried out and/or scheduled; check on the operation and suitability of the system of internal control and risk management with regard to the preparation of financial statements; analysis of the regulatory area relating to certification of the medical devices produced by the Company; activities carried out in relation to Law 262/05); adequacy of the organisational, administrative and general accounting structure of the Issuer, established by the managing directors, with particular reference to the system of internal control and risk management.
In relation to the organisational, administrative and general accounting structure of the subsidiaries of strategic importance, established by the managing directors, with particular reference to the system of internal control and risk management, the Board - in the context of the activities carried out in relation to Law 262/2005 - once again during 2021 reviewed in terms of risk and defined materiality thresholds, levels of acceptable risk and the scope of compliance work, in order to identify the companies and processes that are “in scope” and revise the risk ratings associated with each check. Although the scope of companies to be checked was unchanged, the work performed expanded the types of processes and cycles tested, given the substantial growth of certain subsidiaries of strategic importance.
The following companies were deemed significant in 2021: Deka Mela S.r.l., Cutlite Penta S.r.l., Quanta System S.p.a., Asclepion GmbH, With US Co. Ltd, Penta Laser (Wuhan) Co. Ltd. and Penta-Laser Equipment Wenzhou Co., Ltd (now Penta Laser (Zhejiang) Co., Ltd). Esthelogue S.r.l. was only selected as significant for the purpose of carrying out specific tests on a number of specific financial reporting areas.
The results of the activities carried out during the year and the tests performed are summarised in written reports that, as usual, were presented and explained to the Control and Risks Committee and the Board of Statutory Auditors, in its role as the internal audit committee, at their periodic meetings.

Art. 20 of the Articles of Association makes the Board responsible for advance examination and approval of the operations of the Issuer and its subsidiaries, when those operations have significant strategic, economic or financial importance for the Issuer (Rec. 1, letter e) or its subsidiaries, or when they involve potential conflicts of interest, transactions with related parties or transactions that are atypical or unusual with respect to core operations. In this regard, on 12 November 2021, the Board formalised the general criteria for the identification of significant transactions that were already applied in practice (Rec. 1, letter e).

The Board has also adopted a procedure for the management of corporate information. For further information in this regard see Section 5 of the Report (Rec. 1, letter f).

See the respective Sections of the Report on other responsibilities assigned to the Board with regard to its composition, functioning, appointment and self-assessment (Section 7), remuneration policy (Section 8), and system of internal control and risk management (Section 9).

During the year, the Board provided guidance to the shareholders, ahead of renewal of the administrative body, on its size, composition, appointment and period in office. It was not deemed necessary, however, to prepare reasoned proposals for submission to the Shareholders’ Meeting on the definition of a different system of corporate governance (Rec. 2).

Lastly, during the year, the Board adopted a document formalising the policy for dialogue with the shareholders as a whole (Rec. 3). For further information in this regard see Section 12 of the Report.

4.2. APPOINTMENT AND REPLACEMENT (pursuant to art. 123-*bis*, para. 1, letter l) first part, TUF)

The members of the Board are appointed by list voting, which is governed by art. 19 of the Articles of Association.

That article has been amended several times, reflecting the multiple legislative and regulatory changes made.
Firstly, it was amended at the Extraordinary Shareholders' Meeting held on 15 May 2007 to reflect the requirements of art. 147-*ter*, para. 1, TUF and Issuers' Regulation 11971/1999, then at the Meetings held on 28 October 2010, pursuant to the provisions of art. 147-*ter*, para. 1-*bis* introduced by art. 3 of Decree 27 dated 27 January 2010, and on 15 May 2012, pursuant to the provisions of art. 147-*ter*, para. 1-*ter*, and the enabling regulations contained in art. 144-*undecies* of the Consob Issuers' Regulation, on compliance with the need for gender balance when submitting lists of candidates, with regard to the composition of the elected body and when replacing any members who have ceased to serve.
Action was already taken, prior to the introduction of art. 147-*ter*, para. 1-*bis*, TUF, to include an article on the deadline for filing lists (as envisaged in Code 2006 6.C.1) intended to satisfy the interest of the shareholders as a whole in knowing, sufficiently in advance, the personal and professional characteristics of candidates in order to cast their votes knowledgeably.
Lastly, given the change in legislative and regulatory requirements governing exercise of the right to present lists of candidates pursuant to Decree 91 dated 18 June 2012, the Shareholders' Meeting held on 15 May 2013 removed from the Articles of Association the text banning the withdrawal of certifications prior to the Meeting.

With regard to appointments and composition, the current text reads:
*"**Art. 19 – Administrative body –** (... omissis ...) The members of the Board of Directors are appointed using the following procedure. Shareholders that intend to nominate candidate Directors must file the following at the registered office at least twenty-five days before the date fixed, in first calling, for the Ordinary Shareholders' Meeting:*
a) a list containing in numerical order the names of the candidate Directors and indicating which satisfy the independence requirements pursuant to art. 147-ter, para. 4, of Decree 58 dated 24 February 1998 and the Code of Self-Regulation issued by the Committee for the Corporate Governance of listed companies promoted by Borsa Italiana s.p.a.;
b) together with the list, the shareholders must file: a complete professional profile of the candidates nominated, giving adequate reasons for their nomination;
the curriculum vitae of each candidate that includes their appointments as members of the administrative or control bodies of other companies; and a statement from each candidate accepting his/her candidacy and certifying, under his/her personal responsibility, the absence of reasons for ineligibility or incompatibility, as well as satisfaction of the requirements specified in the applicable regulations and the Articles of Association for the appointment.
The composition of lists containing at least three candidates must comply with the regulatory requirements governing gender balance.
Each list must indicate the name(s) of the shareholder(s) presenting the list, providing full identification details and stating the percentage of share capital held both individually and collectively.
Each shareholder may present or contribute to the presentation of just one list, subject otherwise to ineligibility. Shareholders party to the same shareholders' agreement may only present one list.
Shareholders are entitled to present lists if, alone or together with other shareholders, they represent at least the percentage share ownership established in art. 147-ter of Decree 58 dated 24 February 1998 or that, even if greater, established by Consob regulation having regard for the capitalisation, free float and ownership structure of listed companies.
Ownership of the minimum equity interest needed to present lists is determined with reference to the shares registered in favour of the shareholders concerned on the day on which their list is filed with the Company. The related certification must be produced at least twenty-one days before the date fixed, in first calling, for the Ordinary Shareholders' Meeting.
The Directors are appointed at the Ordinary Shareholders' Meeting on the basis of lists presented by the shareholders in which the candidates are listed in numerical order.
Each shareholder with voting rights may only vote for one list.
The Directors are drawn from the list that obtains the largest number of votes and, in all cases, a percentage of votes equal to at least half that necessary for the presentation of lists.
At least one member of the Board must always be drawn from the minority list that obtains the largest number of votes.
If the total number of list votes is the same, the entire Ordinary Shareholders' Meeting will vote again and the list that obtains a simple majority of the votes cast will be elected.
If no lists are presented by the deadlines indicated, the appointments will be made by resolution of a relative majority of the shareholders present at the Shareholders' Meeting.
If only one list is presented, all the Directors will be elected from that list.
If no votes are cast for any minority list, Directors will be replaced by resolution of a relative majority of the shareholders present at the Shareholders' Meeting.

Pursuant to the law, a reasonable number of Directors must be elected from among the candidates who satisfy the independence requirements established for Statutory Auditors in art. 148, para. 3, of Decree 58 dated 24 February 1998 and in the Code of Self-Regulation issued by the Committee for the Corporate Governance of listed companies promoted by Borsa Italiana s.p.a. A Director who, subsequent to appointment, ceases to satisfy the independence requirements must notify the Board of Directors immediately and, in all cases, ceases to serve.
The composition of the elected body must, in all cases, ensure balance between the genders represented pursuant to art. 147-ter, para. 1-ter, of Decree 58 dated 24 February 1998.
The members of the administrative body remain in office for 3 (three) years or for the shorter period determined each time at the Shareholders' Meeting, in compliance with art. 2383, para. 2, of the Italian Civil Code, and are eligible for re-election; should one or more Directors cease to serve during the year, the other arrange to replace them pursuant to and in conformity with art. 2386 of the Italian Civil Code.
In all cases, if one or more Directors cease to serve, the new members are appointed in compliance with the requirements for gender balance in force at the time. (… omissis…)"

The current Articles of Association do not allow the outgoing Board to present a list.

Consob Decision 60 dated 28 January 2022 has fixed at 1% the equity interest required for the presentation of lists of candidates for election to the administration and control bodies.

On publishing the notice of Shareholders' Meeting called to elect the administrative body, the Issuer makes express reference to the full text of CONSOB Communication DEM/9017893 dated 26-2-2009 on the need for parties intending to present a so-called minority list of candidate Directors to file, together with that list, a statement confirming the absence of direct or indirect "relations of association", as defined in art. 147-*ter*, para. 3, TUF and art. 144-*quinquies* of the Consob Issuers' Regulation, with shareholders that, together or alone, hold a controlling or relative majority interest, where identifiable with reference to the communications of significant equity interests, pursuant to art. 120 TUF, or to the shareholders' agreements published pursuant to art. 122 TUF.

Except as expressly envisaged in the TUF and related implementing regulation in force and in art. 19 of the Articles of Association, the Issuer is not subject to any other special regulations governing the composition of the Board, in particular with reference to the representation of minority shareholders and/or the number and characteristics of the independent directors.

The role of the Board and Board committees in the self-assessment of Directors and in their appointment and replacement is explained in Section 7 of the Report.

4.3. COMPOSITION (pursuant to art. 123-*bis*, para. 2, letters d) and d-*bis*), TUF)

The Board comprises seven members: three executive directors and four non-executive directors, all with adequate professionalism and expertise for the duties assigned to them (Principle V).

The number and expertise of the non-executive directors ensures that they carry significant weight in the adoption of Board resolutions and guarantees the effective monitoring of operations; a significant number (three) of the non-executive directors (four) is independent (Principle VI).

Current composition

The current Board comprises:

Position	Name	Gender	Year of birth	Role	Year of first election after listing
Chairman and Managing Director	Gabriele Clementi	M	1951	Executive	2000
Managing Director	Andrea Cangioli	M	1965	Executive	2000
Managing Director	Barbara Bazzocchi	F	1940	Executive	2000
Director	Alberto Pecci	M	1943	Non-executive	2002
Director	Fabia Romagnoli	F	1963	Non-executive, independent pursuant to art. 147-*ter* TUF and art. 2 of the Code	2015
Director	Daniela Toccafondi	F	1962	Non-executive, independent pursuant to art. 147-*ter* TUF and art. 2 of the Code	2021
Director	Michele Legnaioli	M	1964	Non-executive, independent pursuant to art. 147-*ter* TUF and art. 2 of the Code	2000

The number of members was fixed as seven at the Shareholders' Meeting held on 27 April 2021, which elected the current Board.
They will remain in office until approval of the financial statements for the year ended 31 December 2023.

The Board was elected by 62.858% of the voting capital at the Shareholders' Meeting held on 27 April 2021 and, following a Board resolution on that date, comprises both executive and non-executive directors organised, for the provision of advice and recommendations to the Board, into three committees: control and risks, related-party transactions and sustainability; remuneration; and appointments.

At the time of the election, just one list of candidates - all subsequently elected - was presented and filed at least twenty-five days prior to the Shareholders' Meeting.
This list was presented by Shareholder Andrea Cangioli and contained the names of all the candidates who were elected, as detailed in the above table.

The profiles of the Board members elected on 27 April 2021 are summarised below:

GABRIELE CLEMENTI – Chairman and Managing Director - born in Incisa Valdarno (Florence) on 8 July 1951. Degree in Electronic Engineering from the University of Florence in 1976, with which he collaborated until 1981 while, at the same time, forming together with Barbara Bazzocchi, a centre for the testing and application of biomedical devices. In 1981, he founded the Issuer as a partnership together with Barbara Bazzocchi. Since then, he has worked full time on the conduct and management of the Issuer and the Group, within which he holds various corporate offices. He has been the Chairman of the Board of Directors since 1989, when the Issuer was transformed into a company with liability limited by quotas.

He was awarded an Italian knighthood in 2017.
Since 2000, he also serves as the managing director and director of several Group companies.

BARBARA BAZZOCCHI – managing director - born in Forlì on 17 June 1940. Diploma in bookkeeping in 1958 and then in corporate secretarial activities in 1961. From 1976 to 1981, she managed and administered a centre for the testing and application of biomedical devices and then, in 1981, together with Gabriele Clementi, she formed the Issuer, which she has managed full time, as a founding director, since then.
Since 1989, she has served as a managing director of the Issuer and as sole director or chairman of the board of directors of several Group companies.

ANDREA CANGIOLI – managing director - born in Florence on 31 December 1965. Degree in 1991 from Politecnico di Milano in the Engineering of Industrial Technologies, specialisation in Economics and Systems; from 1992, director of El.En. S.r.l. and, from 1996, a managing director of the Issuer and chairman or director of numerous Group companies.

ALBERTO PECCI – non-executive director - born in Pistoia on 18 September 1943. Degree in Political Sciences. After early experience with B.N.L. U.S.A. he dedicated himself to Lanificio Pecci, where he serves as Chairman of this textiles group and of its subsidiaries. Awarded an Italian knighthood in 1992, he was first Deputy Chairman (1988-1993) and then Chairman (1993-2002) of La Fondiaria Assicurazioni; he also sat on the boards of Mediobanca s.p.a. (as non-executive deputy chairman), Assicurazioni Generali, Banca Intesa and Alleanza Assicurazioni.
Non-executive director of the Issuer since 2002.

FABIA ROMAGNOLI - independent director – born in Prato on 14 July 1963. Numerous professional experiences, including from 2006 to 2012 member of the Training Commission of Unione Industriale Pratese (Confindustria); internationalisation representative of Unione Industriale Pratese in 2012 and 2013; chairman of Fondazione Cassa di Risparmio di Prato from 2013; deputy chairman of Confindustria Toscana Nord from 2021.
Independent non-executive director of the Issuer from 2015.

DANIELA TOCCAFONDI – independent director – born in Prato on 18 July 1962. Numerous professional and academic experiences, including from 2014 to 2019 appointment as Counsellor for simplification, economic policies and employment for the Municipality of Prato and, from 2014 to 2019, chairman of ACTE Italia. From 1988, director of Pratofutura, a non-profit cultural association; from 1997, contract lecturer in District Economics at the University of Florence; from 2005, collaborates with Fondazione Cassa di Risparmio di Prato; from 2020, chairman of PIN s.c. a. r.l., a University of Prato consortium.
Independent non-executive director of the Issuer from 2021.

MICHELE LEGNAIOLI – independent director - born in Florence on 19 December 1964. Numerous professional experiences, including chairman of Fiorentinagas s.p.a., Fiorentinagas Clienti s.p.a. and the Florence Group of Young Industrialists; National Deputy Chairman of the Confindustria Young Entrepreneurs; member of the Confindustria Board from May 2003, and then, from 28 April 2004 to 2010, chairman of Aeroporto di Firenze s.p.a., a company listed on the Italian stock exchange.
Independent non-executive director of the Issuer from 2000.

Diversity criteria and Policies for the composition of the Board and within the organisation

A Board resolution adopted on 14 November 2017, acting on a proposal from the Nominations Committee made at its meeting on 10 November 2017, after a process that commenced in early 2017, formalised the *Policies for the composition of the corporate bodies of El.En. s.p.a.* (hereinafter, the "Composition and Diversity Policy") pursuant to art. 123-*bis*, para. 2, letter d-*bis*, TUF.
By Board resolution adopted on 5 March 2021, ahead of publication that day of guidance for the election of the new administrative body at the 2021 Shareholders' Meeting, the number of directors was raised to seven following a proposal from the Nominations Committee. This amendment took account of the considerations made regarding the number of Board directors and the amendments made to art. 147-*ter* TUF by art. 58-*sexies*, para. 1, of Decree 124 dated 26.10.2019, as enacted with amendments by Law 157 dated 19.12.2019, and then by the text of art. 1, para. 302, of Law 160 dated 27.12.2019, as republished in Italian Official Gazette 13 on 17.1.2020, and the provisions of the text of art. 1, para. 304, of Law 160 dated 27.12.2019, as republished in Italian Official Gazette 13 on 17.1.2020, regarding the increase in the representation of the less represented gender on administration and control bodies from one-fifth to two-fifths.

In addition to compliance with the law and the various secondary regulations applicable, the objectives pursued by the Issuer in defining the Composition and Diversity Policy are to:
a) ensure effective management of the Issuer and the industrial group that it leads ("the Group");
b) create value for the shareholders over the medium-long term;
c) make the activities of the Issuer and the Group sustainable over the medium-long term, while respecting the interests of all stakeholders.

Board of Directors
With regard to the Board, in addition to the quantitative provisions of art. 19 of the Articles of Association - indicated in Section 4.2 above - and the statement that the current size of the Board (7 members) ensures both discussion and flexible decision-making, the Composition and Diversity Policy calls in qualitative terms for Directors who:

1) are fully aware of the duties and responsibilities inherent in their office, as well as the powers and obligations inherent in the functions that each is called upon to perform;

2) possess diversified expertise and professionalism, appropriate to the roles held, including on Board committees, and the size and operational characteristics of the Issuer, taking account - in this regard - both the theoretical knowledge acquired during their training and the practical experience accumulated.
The professionalism needed to sit on the Board is deemed to be adequately represented by the possession of good knowledge and experience in, preferably, at least two of the following areas:
- *experience of entrepreneurial management and business organisation*: acquired via many years of work in the administration, management or control of businesses or groups of a size, complexity and geographical distribution similar to those of the Group;
- *ability to read and interpret the financial data processed and prepared in accordance with the regulations applicable to the Issuer and the Group*: acquired via many years of work in the administration and control of listed or large companies, professional experience or university-level teaching;
- *corporate expertise* (internal control, compliance, legal, company secretarial etc.): acquired via experience in the internal audit or management control of listed or large companies, professional activities or university-level teaching;
- *knowledge of the foreign destination markets of the Group*: acquired via many years of entrepreneurial or professional work for businesses or groups with an international outlook in sectors similar to that of the Group;
- *knowledge of market mechanisms in the sector of operations served by the Group*: acquired via many years of entrepreneurial or professional work for businesses in the technological sector addressed by the Group;
- *technical knowledge in the sector in which the Group is active*: acquired via many years of work for businesses in the same technological sector as El.En. s.p.a.
The Board hopes that all the areas of expertise indicated above are represented on the administrative body, as the concurrent presence of diversified skills and experience enhances the complementary nature of the professional profiles and facilitates the efficient functioning of the Board.
In particular, the diversification of expertise ensures that each member, both in committee and when making collective decisions, can contribute effectively to the analysis of the various topics and matters from different angles, with a view to fuelling the essential Board debate needed to pursue suitable strategies and ensure effective governance of the Issuer and the Group.
With regard to the directors qualifying as independent pursuant to art. 147-*ter*, para. 4, TUF and art. 2 of the Code, at least one should possess enough experience to chair the control bodies or control and risks committees of listed companies of similar size to El.En. s.p.a., or have served on the administrative bodies of banking, financial or insurance institutions, in order to contribute effectively to governance of the risks faced by the Issuer;

3) possess personal characteristics consistent with the needs of good corporate governance, thus satisfying a series of subjective requirements for the efficient functioning of the body on which they serve;

4) dedicate time and resources consistent with the complexity of their office, while complying with the limit of the accumulation of appointments envisaged in application of the regulations and the related resolutions adopted by the Issuer.
In this regard, reference is made to the Board resolution adopted on the accumulation of appointments;

5) are diversified in terms of gender - in that at least two-fifths of the Directors must belong to the less represented gender - so that the Board benefits from different views and approaches to the various topics and the management, in the broadest sense, of the Issuer.

In addition to diversification in terms of expertise and age, the Board believes that gender diversification, as practised by El.En. s.p.a. since its foundation in 1981, ensures that the undoubtedly different natures and approaches to problem solving of the male and female genders contribute effectively to the balanced management of the Issuer and the Group. Furthermore, the presence of different genders increases Board perception of the needs expressed by the genders comprising the organisation as a whole, facilitating the adoption of measures that promote equal treatment and equal opportunity pervasively throughout the entire Group.

6) are diversified in terms of age, in order to enrich Board dynamics with their special ways of analysing and managing matters that are based on their accumulated experience, spirit of initiative and proactive approach;

7) satisfy the integrity requirements specified in art. 147-*quinquies* TUF;

8) do not hold incompatible, so-called interlocking positions i.e. who are not managing directors of other listed Italian companies, not part of the Group, in which one of the managing directors of El.En. s.p.a. is a director.

The above requirements must be satisfied by both the executive directors and the non-executive directors, who participate in the decisions made by the entire Board and who, as a key function, are called upon to debate and monitor the decisions made by the executive members.
The authority and professionalism of the non-executive directors must be appropriate to performance of the increasingly important tasks involved in the healthy and prudent management of the Issuer and the Group: accordingly, it is fundamental that the non-executive directors possess adequate knowledge of the business in which the Issuer operates, the dynamics of the market in which it operates, the regulations applying to listed companies and, above all, the methodologies for the management and control of risks and conflicts of interest.

Lastly, given the provisions of art.147-*ter*, para. 4, TUF, art. 2 of the Code and - as El.En. belongs to the STAR segment of Borsa Italiana - art. 2.2.3, letter m), of the Markets Regulation and art. IA.2.10.6 of the Instructions for the Markets Regulation, the Board must count a reasonable number of independent directors among its members: at least 2, up to 8 members; at least 3, between 9 and 14 members; at least 4, above 14 members.

Board of Statutory Auditors
The composition of the Board of Statutory Auditors is described in Section 11.2 below.
The Composition and Diversity Policy is implemented by providing consistent guidance to the shareholders, prior to their appointment of the administration and control bodies, and by checking compliance with the composition and functioning requirements at the time of elections and then, each year, as part of the Board self-assessment process and work to verify the independence of the Board of Statutory Auditors.
With regard to checking the achievement of objectives, the assessment takes account of the actual results of the Issuer and the Group when approving the amount of incentive remuneration due to recipient directors and the general manager.

In terms of the measures adopted to promote equal treatment and equal opportunity for each gender throughout the entire organisation and monitor their proper implementation, the Group recognises the need to emphasise the recognition of diversity and gender equality as safeguards for individuals in the workplace: these values are promoted in the Code of Ethics, in which all Group companies agree to guarantee fair treatment for their employees and the development of each person.
The workforce is 23% composed of women, which rises to 31% in the clerical grades; the emphasis placed on production by the Group has resulted in a greater incidence of male workers on the factory floor.
In this light, the El.En. Group initiated a screening and monitoring process in 2021 with regard to (i) the spontaneous candidacies received, (ii) the interviews held and (iii) actual recruitment by department and gender, in order to check whether the percentage of female recruits is consistent with the percentage of women who applied for jobs and were interviewed. The data collected found that, in 2021, spontaneous applications received from women accounted for about 22% of all candidacies received. These were followed by 1,491 interviews, including 421 women interviewees: this statistic, representing 22% of the total interviews conducted, was in line with the profile of the candidacies received. During the year, the Group employed 671 persons, of whom 120 (18%) were women.
The data analysed highlights a shortage of spontaneous applications from women, while the interview and recruitment percentages were in line.
The El.En. Group intends to progress further in the promotion of gender equality by approving a “Diversity Policy” before the end of 2022. This Policy will then be adopted by all subsidiaries and disseminated to all employees. Subsequently, training programmes scheduled for 2023 will address diversity topics in order to raise further the awareness of personnel about them.

The attention paid by the Group to diversity and inclusion means that differently-able persons are employed in each business, not least in compliance with the applicable legislation and best practices. The Group employed 37 persons belonging to protected categories at 31 December 2021.
The commitment by the El.En. Group to develop a multicultural organisation is facilitated by the prevalence of local managers at all subsidiaries: of the 155 managers working in the various countries, 98% were born in the country where they work, thus promoting a greater sense of belonging and attachment.

Maximum number of appointments in other companies (Rec. 15)

In order to provide guidelines to the shareholders requested to appoint a new administrative body at the Shareholders' Meeting called to approve the separate financial statements as of 31 December 2020, the Board resolution adopted on 5 March 2021 established, as a partial change with respect to the past, that its executive and non-executive directors cannot hold more than three appointments as directors or statutory auditors of companies listed on Italian or foreign exchanges, of finance or insurance companies, banks or other large companies.
This resolution, which reduced the previous limit on appointments (from five to three) and extended the restriction to non-executive directors, follows an assessment of the commitment required to perform each role (executive, non-executive and independent director), having regard for the nature and size of the companies in which the appointments are held, their membership (or otherwise) of the Group and the challenges that the consequences of recent events linked to the Covid-19 pandemic present to all economic operators.

At 31 December 2021, none of the directors of the Issuer exceed the established limit on cumulative appointments held.

4.4. FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, para. 2, letter d), TUF)

The rules and procedures for the functioning of the Board are contained in art. 20 of the Articles of Association and in the *Regulation of the Board of Directors of El.En. s.p.a.* (the "Board Regulation") approved by the Board on 13 November 2020, with effect from 1 January 2021 (Rec. 11).
The composition, duties and functioning of Board committees is governed by their respective regulations that, from 5 September 2000, have been approved and adopted by the Board (Rec. 11). The contents of the committee regulations are described in the respective sections of the Report.

With regard to the Board, art. 20 of the Articles of Association - referenced here in full and available on the website of the Issuer - governs the role of the Chairman with regard to the provision of pre-meeting information, the procedures for calling, establishing quorums and conducting meetings, the taking of minutes, the delegation of powers and the provision of information to the Shareholders' Meeting.
After referring to the procedures for calling meetings envisaged in the Articles of Association, the Regulation envisages and governs the role of Board secretary and formalises the procedure, already followed by the Issuer, for the effective management of pre-meeting information, including at committee level (Principle IX). In particular (arts. 4 and 5), the Regulation governs the procedures and timing for the preparation and distribution to the directors and statutory auditors of useful supporting documentation and information, so that Board or committee members can address in a knowledgeable and aware manner the matters on the agenda for their consideration and approval.
In practice, in order to guarantee the provision of timely and complete pre-meeting information, until 2019 all directors and members of the Board of Statutory Auditors received, either by hand or by e-mail, the documentation accompanying the items on the agenda for discussion at meetings.
During 2019, on the initiative of the Chairman, a system was implemented that makes the necessary documentation available on a digital platform. This ensures effective, timely and complete communications, while further safeguarding the privacy of the data and information provided in a manner that does not impede the timely and complete flow of information.
This platform, which envisages private access by each director and statutory auditor, is protected by authentication credentials that are different for each person granted access, while tracking the author, date and time of consultations. Any documentation that must be kept confidential cannot be downloaded and can only be consulted on screen.
In addition to the directors and statutory auditors, this virtual environment is accessible by the Board secretary, the internal auditors and the FGIP (Inside Information Management Function), for which a managing director is responsible. The last mentioned is able to monitor activity and the documents made available.
The supporting documentation is gathered, prepared and made available by the Board secretary on instructions from the Chairman and assisted by the relevant business functions. The secretary ensures that the pre-meeting information is made available as soon as possible, depending on the nature of each document: possibly from the date of convocation and, in all cases, no later than three days before the date of the meeting, unless the Board meeting is called urgently or in other exceptional cases, in which the documentation is made available as soon as possible.
The Board Regulation also describes the assessment procedures adopted by the Board and its committees.

During 2021, the Board of Directors of El.En. met 9 (nine) times on the following dates:

1. 5 March
2. 15 March
3. 27 April
4. 14 May
5. 3 June
6. 10 June
7. 30 June
8. 10 September
9. 12 November

All the directors are active and participate at Board meetings. The percentage of meetings attended by each director is indicated in the relevant table at the foot of this Report.

The average duration of meetings during the year was 1.70 hours (Principle XII).

The Board has already met twice during 2022, on the following dates:

1. 23 February
2. 15 March

The following calendar of meetings to satisfy institutional requirements was scheduled on 12 November 2021:

3. 13 May - Interim report on operations as of 31 March 2022
4. 12 September - Half-year financial report
5. 14 November - Interim report on operations as of 30 September 2022

Dates are added to the calendar if other Board meetings are deemed necessary.

Meetings are led and coordinated by the Chairman, following the agenda established in the notice of meeting. They are conducted in such a way that, in the opinion of the entire Board, enough time is dedicated to each matter, the explanation of proposals and the conduct of sufficient discussions, to which each director can contribute effectively. In particular, the complete and detailed presentations made to the Board by each speaker (chairman, managing director, general manager and other persons invited to speak by the chairman), combined with the receipt of adequate and timely pre-meeting information, mean that even the non-executive directors can resolve in an aware and informed manner.

4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS (Principle X - Rec. 12, 18)

Consistent with art. 3, Principle X, the Chairman serves as a link between the executive and non-executive directors, ensuring the effective conduct of Board business.
Art. 20 A of the Articles of Association assigns to the Chairman the power/duty to organise the business of the Board, calling meetings and preparing their agendas, as well as coordinating their activities, guiding the conduct of meetings and ensuring the provision of timely information to the directors and statutory auditors, so that they can act and decide in an informed, aware and independent manner (Rec. 12, letter a). Art. 20 A continues by giving the Chairman the power to ask executives of the company, subsidiaries or associates, responsible for functions relevant to the matters to be discussed, to speak at Board meetings and provide appropriate details about matters on the agenda (Rec. 12, letter c).
In practice, the general manager attends Board meetings frequently and, in any case, when deemed necessary and appropriate by the Chairman, in order to report on the main operational matters. Meetings are also attended by the chief legal counsel of the Issuer, who is also the Board secretary, to explain any regulatory updates, as well as by the internal auditor. Lastly, if necessary to examine and explain any technical matters on the agenda, Board meetings are attended by the executive or manager responsible for the internal function under review and by any professional advisors deemed appropriate (Rec. 12, letter c).
The above persons attended Board meetings during the year, while the executive responsible for preparing corporate accounting documents pursuant to Law 262 and the function responsible for preparing the sustainability plan attended appropriate meetings of the Control and Risks Committee.
Until 15 March, Board meetings were also attended by the chairman of the technical-scientific committee of the Issuer, given the importance of research in the context of the Issuer’s activities and his role in the provision of continuous training to the directors and statutory auditors.
As already discussed in Section 4.4 and envisaged in the Board Regulation, the Chairman arranges to provide pre-meeting information with assistance from the Board secretary. The complementary information provided during Board meetings is both complete and appropriate (Rec. 12, letter a). In addition to the detailed and complete reports presented by speakers, as described in Section 4.4 above, the Chairman generally seeks to actively involve the non-executive directors and statutory auditors in the operational details of corporate activities, Group strategies and the prospects for the business over the long term.

The business of Board committees, established pursuant to art. 20 E of the Articles of Association and art. 13 of the Board Regulation, is coordinated with the activities of the administrative body by the Chairman, with assistance from the Board secretary, as envisaged in the Board Regulation. Accordingly, the secretary organises the work of the respective committees based on current requirements and the conduct of corporate activities (Rec. 12, letter b).

The Chairman, assisted by the secretary, ensures that - after appointment and during their mandates - the members of the administration and control bodies participate in initiatives that give them adequate knowledge of the sectors of business in which the Issuer operates, the corporate dynamics and their development in pursuit of the sustainable success of the Issuer, as well as about the principles of proper risk management, the regulatory framework and the related self-regulation requirements (Rec. 12, letter d). In this regard, see the information provided in the next section on the induction programme.

Assisted by the secretary and with support from the Nominations Committee, the Chairman is responsible for the adequacy and transparency of the Board self-assessment process (Rec. 12, letter e). The conduct of this self-assessment process is described in Section 7 of the Report.

The Chairman ensures that the Board is informed, at the first available meeting, about the development and any significant content of the dialogue with shareholders (Rec. 3). In practice, only special cases are reported with respect to the normal management of this dialogue by the Investor Relations Manager and the other functions envisaged in the Dialogue Policy.

Induction Programme (Rec. 12, letter d)

The current executive directors on the Board perform their daily activities for the Issuer: two of them, the Chairman and Director Bazzocchi, are the members who founded the Company in 1981 and who, since then, each to the extent of their specific responsibilities, have been directly involved in the operational management of the Company and the Group; Director Cangioli has served on the Board since 1992 and has been a managing director of the Company and numerous Group companies since 1996. In addition to their technical expertise in corporate and company secretarial matters, Non-Executive Director Pecci and Independent Director Legnaioli have accumulated more than a decade of experience with the Company, via their constant participation on Board committees, which were established back in September 2000. Independent Directors Romagnoli and Toccafondi have accumulated experience in the areas of administration and control.

All members of the Board of Statutory Auditors also have technical-regulatory training and experience: the chairman assisted with the formation of the Company and has provided support ever since; the two serving statutory auditors have been involved for more than a decade in the internal control (in the widest sense) of the Company, or have dedicated much time and effort to understanding its business reality.

All changes in the regulatory environment and the self-regulation requirements applying in the sector addressed by the Company are explained during and in the context of Board meetings.

Until March 2021, the Board meetings attended by the chairman of the Issuer's technical-scientific committee included the continuation of training, provided since 2016, to develop the knowledge of non-executive directors and statutory auditors about the sectors of operation and activities of the Issuer and the Group. These sessions covered both the established areas of operation and those, in the medical sector, in which the Company intends to work, explaining the prospects for industrial growth deriving from application of the research currently in progress.

In addition, all directors are informed during Board presentations, conducted with support from the Board secretary and legal counsel, about any regulatory changes relevant to the Issuer that affect the work of those directors and functions involved in the preparation of financial statements and the update of internal regulations (managing director, Board committees, Supervisory Body pursuant to Decree 231/2001, Inside Information Management Function, Data Protection Officer).

In particular, during the year the induction programme focused mainly, during Committee meetings, on further analysis of the 2020 Corporate Governance Code, changes in the area of sustainability with specific reference to the new Regulation (EU) 852/20, and the amendments made to the CONSOB Regulation governing related-party transactions.

In general, induction programme activities take account of the length of service of the directors and, as such, are considered most important in the context of significant changes in the regulations affecting the operations of the Company, the self-regulation requirements and the corporate structure. In this regard, when Daniela Toccafondi was elected to the Board for the first time at the 2021 Shareholders' Meeting, she was appointed as a member of the Control and Risks Committee and invited to attend the meetings of the other committees as a listener, in order to obtain adequate knowledge of the sectors in which the Issuer operates, the corporate dynamics and their evolution, including with regard to remuneration and corporate governance matters.

Board Secretary (Rec. 12 and 18)
Acting on a proposal from the Control and Risks Committee, the Board appointed Maria Federica Masotti, lawyer, as the Board Secretary on 13 November 2020. She had already performed that role from 22 December 2000 and was identified as both qualified and suitable, first by the Control and Risks Committee and then by the Board.
Pursuant to art. 9 of the Board Regulation, the appointment and revocation of the Secretary is reserved for the Board, acting on a proposal from the Chairman, as is definition of the professional and other requirements to be satisfied. Art. 9 of the Regulation establishes as follows:

"Art. 9

Board Secretary

In addition to activities related to the minuting of meetings, the Secretary supports the work of the Chairman and provides impartial assistance and advice to the administrative body on all matters relevant to the proper functioning of the system of corporate governance.
In particular, the Secretary assists the Chairman to carry out activities intended to ensure that:
a) the pre-meeting information and the complementary information provided during meetings is suitable and allows directors to act in an informed way in the performance of their role;
b) the activities of Board committees that carry out investigations, make recommendations and provide advice are coordinated with those of the administrative body;
c*) in agreement with the* Chief Executive Officer*, the executives of the Company and the Group - responsible for relevant corporate functions - attend Board meetings, even at the request of individual directors, to provide appropriate detailed information about the matters on the agenda;*
d) after appointment and during their mandates, all members of the administration and control bodies are able to participate in initiatives that give them adequate knowledge of the sectors of business in which the Company operates, the corporate dynamics and their development in pursuit of the sustainable success of the Company, as well as about the principles of proper risk management, the regulatory framework and the related self-regulation requirements;
e) upon request from the Chairman and with support from the Nominations Committee, the self-assessment process followed by the administrative body is both adequate and transparent.
The Secretary is appointed by the Board, acting on a proposal from the Chairman, from among with demonstrable expertise in performance of the function. In this regard, legal expertise is required, with at least five years of experience in corporate secretarial work for listed companies of a similar size to that of the Company. The Board may specify additional requirements relating to the professionalism and other characteristics of the candidates for this role.
The appointment as Secretary may revoked by a Board resolution."
During the year, the Secretary called and minuted the meetings of the Board and its Committees, performing the preparatory work and coordinating the activities of the Board with those of the Committees.
The Secretary prepared explanatory sheets about the Board meetings for the directors and statutory auditors, making them available in the virtual environment, together with all accompanying documentation, and ensuring that the functions required to make presentations to the Board were present or made suitable explanatory reports available in good time.
The Secretary also assisted the Chairman with the induction programme, ensuring that the non-executive directors and the statutory auditors were able to participate and become informed about the sectors of activity of the Company and the Group, the corporate dynamics and their development in pursuit of the sustainable success of the Company, as well as about the principles of proper risk management, the regulatory framework and the related self-regulation requirements. These activities were carried out during the Board and committee meetings that addressed each specific topic.
The Secretary promoted and coordinated the self-assessment activities of the Board and the Board of Statutory Auditors, monitoring the process with support from the Nominations Committee and suitable IT tools.
Additionally, the Secretary provided impartial support and advice to the Board on matters relevant to the proper functioning of the system of corporate governance, assisting during the year with the self-assessment activities of the Board and organising the advance preparation and dissemination, ahead of the Shareholders' Meeting, of guidance about the composition of the Board to be elected, as it was, at the 2021 Meeting. Specifically, the Secretary helped the Nominations Committee and the Board to prepare guidance that, in addition to the efficiency of the new Board in terms of expertise, would ensure that its composition complies with the various legislative and regulatory requirements.
The Secretary also analysed the system of corporate governance, identifying, planning and executing work to align the system with the Code. Lastly, the Secretary coordinated alignment with the sustainability function regarding, in particular, the policy of dialogue with the shareholders and the work to adopt measures aimed at promoting equal treatment and equal opportunities in terms of gender within the entire organisation.

4.6. EXECUTIVE DIRECTORS

Managing Directors

The current Board, elected at the Shareholders' Meeting held on 27 April 2021, designated on the same day a total of three managing directors from among its members, one of whom is also the Chairman. By Board resolution, also on the same day, these persons were granted all powers of ordinary and extraordinary administration, acting separately as sole signatories, for the performance of all activities envisaged in the corporate objects, with the exclusion of those powers that cannot be delegated pursuant to the law and the Articles of Association.

No one person has primary responsibility for the management of the business (Rec. 4).

The assignment of mandates without any restrictions is essentially linked to the exercise, in practice and by established custom, of delegated powers pursuant to a model that envisages daily commitment by the three managing directors to the performance of work in pursuit of the corporate objects; on the one hand, each carries out daily management tasks independently in the sector for which they are responsible while, on the other, discussing and agreeing on all transactions of significance and importance.

Accordingly, in the circumstances, corporate appointments are not concentrated on a single person, although theoretically this could happen: in practice, despite serving as executive directors since the time of first listing in 2000, none of the three managing directors, including the Chairman, has never become and never acted as the sole or principal person responsible for managing the business (Chief Executive Officer). This situation was further consolidated by appointment of the general manager with effect from 1 January 2017, who although not influencing the strategic aspect of operations, is undoubtedly important in terms of the allocation of operational powers.

Lastly, the Articles of Association specify, with regard to the duties reserved for the Board by art. 20 E, the power-duty to take specific care, when allocating mandates to the directors, to avoid the concentration of excessive power and operational responsibilities.

Chairman of the Board of Directors

Given the above, the Chairman is not the person primarily responsible for the management of the Issuer, although he does hold significant operational mandates on a par with the other two managing directors.

He is not the controlling shareholder of the Issuer.

Reporting to the Board by the managing directors

The delegated bodies report to the Board on the work performed in the exercise of their mandates:

- usually at least every quarter;
- at the time of significant transactions, including those with related parties or involving conflicts of interest, in which case a specific Board meeting is called.

During the year, the delegated bodies reported to the Board more frequently than every quarter, given the time intervals between the Board meetings actually held, in addition to those scheduled to approve the financial data.

Other executive directors

At this time, no other directors sit on the Board who may be deemed executive directors pursuant to the definitions contained in the Code.

4.7. INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR *(Principle VI; Rec. 5, 6, 7, 13, 14)*

Within the Board, currently composed of seven members, the Issuer contemplates three non-executive directors who qualify as independent pursuant to both art. 148, para. 3, TUF, as referenced by art. 147-*ter*, para. 4, TUF, and art. 2 of the Code.

The Chairman of the Board does not qualify as an independent member.

The election of Fabia Romagnoli, Daniela Toccafondi and Michele Legnaioli equipped the Board with independent directors pursuant to art. 19 of the Articles of Association, in compliance with art. 147-*ter*, para. 4, of Decree 58/98 and art. 2 of the Code.

During the self-assessment carried out at the meeting held on 14 May 2021, following election of the new body, the Board determined that the number and expertise of the directors, including the independent members, are consistent with the guidance expressed and published by the Board on 5 March 2021, acting on a proposal from the Nominations Committee (Rec. 5).

The number satisfies the requirements of art. 147-*ter*, para. 4, TUF, art. 2, Rec. 5 of the Code and art. 2.2.3, para. 3, letter m), of the Markets Regulation and related Instructions (Art. IA.2.10.6) applicable to the Company as the issuer of shares in the STAR segment.

With regard to the directors qualifying as independent pursuant to art. 147-*ter*, para. 4, of Decree 58 dated 24 February 1998 (TUF) and art. 2 of the Code, Board guidance states that at least one should possess enough experience to chair the control bodies or control and risks committees of listed companies of similar size to El.En. s.p.a., or have served on the administrative bodies of banking, financial or insurance institutions, in order to contribute effectively to governance of the risks faced by the Company. Having regard for the curricula vitae of the directors, this requirement was also deemed to be satisfied.

The number and expertise of the independent directors means that effective Board committees can be established, consistent with the provisions of the Code.

During the meeting held on 14 May 2021, at the start of its mandate, the Board defined quantitative and qualitative criteria for assessing the importance of significant circumstances, pursuant to Rec. 7, letters c) and d) of the Code, for the purpose of determining the independence of the directors. In this regard, the Board confirmed the guidance disseminated on 5 March 2021 and established as follows:

1) in terms of Rec. 7, letter c) of the Code, that a commercial, financial or professional relationship is significant to the extent that it is pursuant and consequent to the *Regulation of El.En. s.p.a. on related-party transactions*;

2) in terms of Rec. 7, letter d) of the Code, that remuneration additional to that fixed for the office and that envisaged for participation on the committees recommended by the Code, or envisaged in current regulations, is significant if it exceeds 30% of the total remuneration received for the office.

As mentioned, these criteria were published in the guidance to shareholders disseminated on 5 March 2021 (Rec. 10).

Upon appointment, the Board assessed satisfaction of the independence requirements placed on each of the three directors concerned. The outcome of this assessment was confirmed in a communication to the market, pursuant to art. 144-*novies* of the Consob Issuers' Regulation, at the time of their appointment on 27 April 2021, which also indicated the criteria used to assess the significance of the relationships (Rec. 6 and 10).

At the meeting held on 14 May 2021, the Board then assessed satisfaction of the independence requirements by each of the non-executive directors (Rec. 6), considering all the information available (especially that provided by the directors concerned) and all the circumstances that might comprise their independence, as identified in the TUF and the Code (Rec. 6). Additionally, the Board applied (among others) all the criteria envisaged in the Code with regard to the independence of directors (Rec. 7).

Specifically, the Board assessed the statement made by each director upon appointment, confirming the absence of all the circumstances identified in Rec. 7 except, with regard to Director Legnaioli, for requirement letter e) concerning duration in office.

The shareholder who presented the list and, later, the shareholders who voted in favour of appointing the three independent directors, decided that the fact that Michele Legnaioli had been an independent director of the Company for more than twenty years did not, per se, establish a relationship that made him unsuitable for qualification as an independent director, given the absence of any other relationship or connection from among those listed in art. 148, para. 3, of Decree 58/98 and art. 2, Rec. 7 of the Code, and his recognised ethical qualities and professional abilities, as well as the long-standing independence of his opinions and assessments.

Each non-executive director provided all useful or necessary information needed for the above Board assessment (Rec. 6).

All the directors agreed, on accepting their appointments, to continue their satisfaction - as confirmed - of all the independence requirements for the entire duration of the mandate and, failing that, to resign.

In the 2020 financial year, the Board of Statutory Auditors verified proper application of the checking procedures adopted by the Board when assessing the independence of its members, expressing a favourable opinion on the assessment made during the Board meeting held on 14 May 2021 and acknowledging this in its report to the Shareholders' Meeting (see para. 7 of the Report of the Board of Statutory Auditors attached as letter C to the minutes dated 27 April 2021).

With regard to 2021, the Board of Statutory Auditors performed and minuted the verification work on 18 February 2022, making reference to the Code and the criteria established by the Board, and will confirm this in its report to the Shareholders' Meeting called to approve the 2021 financial statements.

The independent directors, coordinated by the Lead Independent Director, met separately on 8 November 2021 to consider the composition of the Board and the induction programme implemented for the new independent director.

Lead Independent Director (Rec. 13)

On 14 May 2021, the Board appointed Fabia Romagnoli as the Lead Independent Director, following an assessment of the substantial operational mandates assigned to the Chairman and others in the resolution adopted on 27 April 2021.

The Lead Independent Director has been assigned the duties identified in Rec. 14:

a) represent a point of reference and coordination for requests and contributions of non-executive directors and, in particular, independent directors;
b) coordinate meetings limited solely to independent directors.

She performed those duties during the year, calling the meeting mentioned above and continuing to promote actions to include certain predetermined and measurable non-financial parameters, linked to the sustainable success of the Issuer, among the variable remuneration objectives of the executive directors and top management.

5.0. MANAGEMENT OF CORPORATE INFORMATION (Rec. 1, letter f)

On 30 March 2007, the Board of the Issuer adopted the *"Regulation for processing the corporate information of El.En. s.p.a."* (the "Regulation"), which formalised internal practices for the processing and dissemination of documents and information about the Company, with particular reference to inside information. The purpose was to codify in a fluid, yet secure and confidential form, the administration of information and knowledge of specific importance for and needed by the activities carried out in pursuit of the corporate objectives. Additionally, in order to impede improper conduct and comply with the legal obligations imposed on listed companies, the Regulation sought, and still does in its current form, to govern the proper dissemination of confidential information that may be deemed of interest to the stock market.

This document also includes rules for creating and keeping the register of persons with access to inside information.

As envisaged in the Regulation, the Issuer administers corporate information in a way that guarantees the controlled circulation of confidential information and the processing and dissemination, in compliance with current regulations, of any that might influence significantly the price of the financial instruments issued.

Corporate information is processed and disseminated in a controlled manner that, on the one hand, impedes the spread of information that might adversely affect the legitimate interests of the Issuer and its shareholders and, on the other, ensure the proper, timely and fair communication to the market of information that, pursuant to art.7 of Regulation (EU) 596/2014, might have a significant effect on the price of the financial instruments issued by the Company.

Accordingly, precise news - not in the public domain - that might, if made public, have a significant effect on the price of the financial instruments, is processed and disclosed in accordance with art. 17 of Regulation (EU) 596/2014 and art.114 TUF, in order to guarantee equal access to that information in a timely and complete manner.

In particular, all news about El.En. is considered carefully by the senior business function designated by the Board for that purpose (FGIP - Inside Information Management Function), which has the following duties:

a) supplement as necessary the procedural details indicated in the Regulation;

b) give instructions to the business functions identified as FOCIP, as envisaged below for proper application of the Regulation;

c) analyse corporate information flows and arrange to map those dealing with Inside Information;

d) identify Inside Information on a case-by-case basis, with reference to the criteria established in the legislation and the Regulation;

e) identify the Organisational Functions Responsible for Inside Information (FOCIP) from among the business functions that are well placed to assess if specific information included in the flows of confidential information, as defined in the Regulation, might be deemed Inside Information;

f) if the persons concerned are not already included in the register of permanently-informed persons, create and update a specific section of the register containing the specific confidential information, indicating the persons with temporary access to it and giving instructions for the proper management of the persons with access to that information;

g) monitor the circulation of the specific inside information identified, giving the related indications and instructions deemed appropriate each time to the persons involved in processing that information;

h) pursuant to the provisions of the Regulation, identify the moment in which the specific confidential information becomes inside information and decide on the timing of publication of the inside information, monitoring as necessary if the conditions exist to delay its publication;

i) give instructions for proper management of the register of informed persons;

j) monitor circulation of the inside information;

k) offer technical support to employees, especially those in the FOCIP, in order to facilitate identification of the nature of the corporate information processed and clarify any issues related to the current situation;

l) draw on, especially when performing the duties described in letter h) above, the collaboration of the Investor Relations Manager and the FOCIP involved in managing the related confidential or inside information;

m) report to the Board, when needed and, in any case, at least once each year, on the work performed in relation to the processing of confidential information.

In addition to the above, the Regulation envisages criteria for the identification of inside information; prerequisites and procedures for managing situations in which the Issuer may, or must, delay the dissemination of information, and measures applicable to those responsible for breaches or infringements of the Regulation.

The Regulation was updated in 2017 to reflect, to the extent compatible with the size and organisation of the Issuer, the provisions of Regulation 596/2014 and the Guidelines for the Management of Inside Information issued by Consob. The Regulations and its attachments are also updated as necessary to ensure compatibility with any other regulatory changes.

In addition, as mentioned and in compliance with the original requirements of former arts. 2.6.3 and 2.6.4 of the Regulation for markets organised and managed by Borsa Italiana s.p.a., since 2003 the Issuer has adopted an internal code of conduct for internal dealing.

In 2006, following entry into force of the amendments made to the TUF by the Investment Law and the enabling regulation issued by Consob, the disclosure of transactions by significant persons envisaged in the above code of conduct became legal obligations and the threshold for their disclosure was reduced to Euro 5,000.00; it was therefore necessary to adopt a new text for the internal regulation that reflected the measures adopted by the legislator.
From 2006, in accordance with subsequent Board resolutions and also the recommendations of Borsa Italiana, El.En. has adopted a new code of conduct - now known as the “Code of conduct for transactions in the financial instruments of El.En. s.p.a. by significant persons” - that requires significant persons and persons closely related to them, as defined in art. 152-*sexies* of Consob Regulation 11971/1999, to observe blackout periods - then with a duration of 15 days - prior to approval by the Board of the draft separate financial statements and the interim reports.
Subsequently, following the entry into force of Regulation (EU) 596/2014, the code was aligned with the new regulations with regard, among other matters, to the amendments made to Title VII, Chapter II, of the Issuers’ Regulation by Consob Resolution 19925 dated 22 March 2017. That resolution took advantage of the option granted in art. 19, para. 9, of Regulation (EU) 596/2014 to raise to Euro 20,000.00 the annual limit beyond which the disclosure obligations apply.
In addition, in 2019, again following the entry into force of Regulation (EU) 596/2014, which *inter alia* introduced at the top level a ban on persons with administrative, control or management functions carrying out transactions, directly or indirectly, for themselves or for third parties, in the financial instruments of the Issuer during the 30 calendar days prior to the announcement of an interim financial report or year-end report that the Issuer is required to make public (so-called “closing periods” (see art. 19, para. 11, MAR), the Issuer clarified - on publishing its quarterly financial reports - that the above ban also applies to the publication of those reports.
Lastly, the rules envisage that the Board - at the time of special transactions - can impose additional time restrictions on trading by named persons in the securities of the Company and, in exceptional and justified cases, allow exceptions to the blackout periods.

6.0 BOARD COMMITTEES (pursuant to art. 123-*bis*, para. 2, letter d), TUF) - Art. 3 (Principle XI, Rec. 11, 16, 17)

Since 2000, the Board has established three internal committees, each with different duties (Rec. 16) that carry out investigations, make recommendations and provide advice (Rec. 11):

a) *committee for the nomination of candidate directors* (the "Nominations Committee");
b) *committee for remuneration* (the "Remuneration Committee");
c) *committee for control and risks, related-party transactions and sustainability* (the "Control and Risks Committee").

The responsibility of the Board to establish Board committees is envisaged in art. 20 E of the Articles of Association and art. 13 of the Board Regulation.
Each committee is governed by its own regulation, approved in 2000 and revised as necessary, that defines its duties, establishes its composition and governs its functioning, including the procedure for taking minutes (Rec. 11).
The regulations are approved (and amended) by the Board and, for each committee, specify the following with regard to its composition (Rec. 17) and the functioning of meetings:
- comprises at least three non-executive members, the majority being independent; should the Board of Directors comprise five or fewer members, the committee may comprise just two directors, who must both be independent;
- remains in office for the period determined each time by the Board or, if not expressly stated, for the entire period in office of the Board that appointed it;
- elects a chairman from among its members, who is tasked with coordinating and scheduling the activities of the committee, chairing its meetings and directing the conduct of business;
- is called (by registered letter, including hand delivery, fax and/or e-mail, to be sent to each participant at least 5 days beforehand - reduced to 2 in urgent cases) to meet at the registered office (or elsewhere in Italy, as indicated by the chairman) on the personal initiative of the chairman or following a written request from one or more members. Even if not formally convened, committee resolutions are valid if all members are present;
- if the chairman is absent or unavailable, committee meetings are chaired by the eldest member;
- meets in person or by video/telephone conference call;
- may be attended without voting rights, on an invitation from the chairman, by any non-member able to make a useful contribution to the business on the agenda;
- adopts resolutions by the votes in favour of the majority of committee members. In the event of a tie, the vote of the committee chairman prevails;
- committee meetings are evidenced by minutes, transcribed into the minute book kept at the registered office, and signed by both the meeting chairman and the secretary;
- reports promptly to the Board on all work performed;
- has access to all information and business functions needed to perform its duties and functions, and may make recourse to external advisors and the adequate financial resources made available by the Issuer in order to carry out its assigned tasks.

With regard to the procedures for providing pre-meeting information to the members of Board committees, art. 13 of the Board Regulation establishes that deadlines for sending that information and the procedures for safeguarding its confidentiality are those envisaged in arts. 4 and 5 of the Board Regulation (see Section 4.4 of the Report).
The deadlines and procedures for managing this information were respected during the year.

The current committees were appointed by the Board on 14 May 2021 and the conditions envisaged in the Code for their composition were respected.

None of the committee functions recommended in the Code have been reserved for the entire Board, with coordination by the Chairman (Rec. 16).

Having regard for the total number of directors, the Board determined the composition of the committees with reference to the expertise and experience of its members (Rec. 17).

Additional committees (other than those envisaged in the regulations or recommended in the Code)
At the meeting held on 14 November 2018, the Board assigned to the Control and Risks Committee - with reference to the sustainability matters identified in Decree 254/2016 - the task of helping the Board, by carrying out investigations, making recommendations and providing advice, to evaluate and decide on any sustainability matters associated with the conduct of the business and its interactions with all stakeholders; corporate social responsibility; the examination of scenarios needed to prepare the strategic plan, and the corporate governance of the Company and the Group (Rec. 1, letter a).

These duties were added to art. 9 (para. 9.4) of the Regulation of the Control and Risks Committee.
The composition and functioning of this committee are discussed above and are described in Section 6 of the Report.
The activities carried out during the year by the Control and Risks Committee, in its role as the Sustainability Committee, included:

a) analysis and proposal of the new materiality matrix;
b) analysis and approval of the reporting procedure for the consolidated Non-Financial Statement;
c) periodic analysis of the work carried out to progress the 2018-2022 Sustainability Plan;
d) approval of the 2021 plan of activities;
e) analysis of the regulatory changes following the entry into force of Regulation (EU) 852/2020 and the related activities to be carried out in the coming years.

The committee met three times during 2021: 12 February, 10 September and 22 December.
It has already met once during 2022, on 7 March.

7.0 SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION - NOMINATIONS COMMITTEE (Art. 4 Code)

7.1 SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION

The Board assesses periodically the efficacy of its activities and the contribution made by each member, applying formalised procedures and monitoring their implementation (Principle XIV).

Periodically, the Board and its Committees carry out a self-assessment regarding, in particular, their size, composition and functioning in practice. This process takes account of the role played by the Board in defining strategies and monitoring both the results of operations and the adequacy of the system of internal control and risk management (Rec. 11).

The self-assessment process has a composite nature and takes place in a number of phases.

The process is completed on expiry of the Board mandate, in order to prepare guidance for the shareholders on the quali-quantitative composition of the new body and, then, immediately after appointment of the new Board, on the allocation and delegation of functions and, lastly, on appointment of the Board committees. Subsequently, the Board repeats the assessment every year.

The assessment is preceded by an analysis of the composition and functioning of the Board by the Nominations Committee, which is then examined by the Board prior to making a final assessment. In particular, the size and composition of the Board and its committees are checked for consistency with the regulations (TUF and the Consob Regulation) and the Code, the Articles of Association and the Composition and Diversity Policy. Additionally, in this regard, as explained in Section 4.7 above, a qualitative assessment is made of the satisfaction of the independence requirements by the independent directors, the number of whom is considered sufficient to comply with the requirements of the Articles of Association, the Code and the TUF.

At the same time, a questionnaire on various aspects of the role and functioning of the Board, sent to and completed by the directors, is examined. This process is supported by an IT platform that facilitates the submission of replies while keeping track of the work performed. The questionnaire address five topics: strategic planning; the organisational structure, the delegation of powers, conflicts of interest; the system of internal control; remuneration and incentive policies; financial information. Each director is asked to express their degree of personal satisfaction (high, medium-high, medium-low, low), based on multiple indicators, with the conduct of discussions, the participation and contribution of members, the discussion among members, the timing and procedures for receiving pre-meeting information and, from the current year, the role of the secretary.

Lastly, in terms of the effectiveness of Board activities, consideration is given to the performance of the Company and the Group, including over the medium term, and the results achieved with respect to the strategic objectives set.

During the year, the self-assessment was carried out by the outgoing Board, with support from the Nominations Committee, on 5 March 2021, ahead of the renewal of the administrative body, in order to provide guidance to the shareholders on the composition of the new Board and, subsequent to its appointment, on 14 May 2021, in order to check compliance with the guidance published, as well as with the applicable rules, regulations and soft laws.

In particular, at the meeting held on 14 May 2021, the new Board determined, after receiving a favourable opinion from the Board of Statutory Auditors, that it reflects the guidance provided to the shareholders and the indications given in the illustrative report and during the Shareholders’ Meeting on the size and composition of the Board, in terms of the diversified professionalism and expertise of a complementary nature needed for its efficient functioning. The new Board was also found to comply with the requirements of the Articles of Association, the Composition and Diversity Policy adopted by the Company, and the legal obligations regarding gender balance and the presence of independent directors; furthermore, the appointed Board committees were deemed compliant with the requirements for their members specified in the Code, while the distribution of the powers assigned for their functioning has not concentrated mandates and operational powers solely in the hands of the Chairman; however, since pursuant to art. 3, Rec. 13 of the Corporate Governance Code the chairman of the administrative body holds significant operational mandates, the new Board determined that it would be necessary and appropriate to designate an independent director (Fabia Romagnoli) as the Lead Independent Director, assigning her the duties envisaged in Rec. 14 of the Code.

With regard to competing activities carried out by the directors and the assessment, reserved for the Board, should the Shareholders’ Meeting grant an advance, general waiver of the ban on competition, the Shareholders’ Meeting (on 15 May 2007) authorised the inclusion, in art. 19, final paragraph, of the Articles of Association, of a provision stating that no authorisation is needed if the competing activity consists in being a member of the administrative body of a subsidiary.

This authorisation is limited to the scope of consolidation.

The Board first, when preparing the proposal for the shareholders, and the Shareholders’ Meeting later, therefore made *a priori* assessments that the acceptance of appointments within the scope of consolidation would be in the interests of the Issuer, as the parent company, in order to coordinate the activities of the subsidiaries.

The Board ensures, to the extent of its responsibilities, that the process of appointing and replacing directors is transparent and functional for the purpose of optimising the composition of the administrative body (Principal XIII).
Specifically:
(i) ahead of the most recent renewal, the Board gave guidance on its optimal quantitative and qualitative composition, having regard for the outcome of its self-assessment (Rec. 23). This guidance was approved, disseminated and published on the website of the Issuer https://elengroup.com/it/investor-relations/documenti-assembleari.html on 5 March 2022, which was reasonably before publication on 18 March 2021 of the notice of Shareholders' Meeting called inter alia to renew the Board (Rec. 23);
(ii) in the report illustrating the related point on the agenda for the Shareholders' Meeting, the Board requested any party submitting a list containing a number of candidates greater than half of the directors to be elected to provide adequate information, in the documentation presented for submission of the list, about compliance by the list with the guidelines given by the Board (also with reference to the diversity criteria envisaged in Principle VII and Rec. 8), and to indicate its candidate for the office of Chairman of the Board (Rec. 23);
(iii) the Company is "not large" and, therefore, is not required to prepare succession plans for the Chief Executive Officer and the executive directors (Rec. 24). This topic is, however, examined and assessed by the Issuer which, acting on the opinion of the Nominations Committee, has decided not to prepare at this time a proper succession plan for its executive directors, bearing clearly in mind that any new directors chosen to replace one or more current directors would have to be persons with an in-depth knowledge of the organisational and functional characteristics of the Company.
The Board based this assessment, in part, on the fact that - over time, thanks to investment by the business in this sense - experienced employees of the Issuer have acquired operational capabilities enabling them, in all cases, to cope at any time with any transition that might be needed.
These considerations and assessments are confirmed by appointment of the general manager, effective 1 January 2017, who is still in office.

7.2. NOMINATIONS COMMITTEE (Rec. 19)

The Board appointed an internal Nominations Committee in 2000 (Rec. 16).

Composition and functioning of the nominations committee (pursuant to art. 123-*bis*, para. 2, letter d), TUF)
The current Nominations Committee was appointed by resolution adopted on 14 May 2021, following renewal of the administrative body, and comprises: Alberto Pecci (non-executive), Fabia Romagnoli (non-executive, independent), Michele Legnaioli (non-executive, independent).
General information about the functioning of this and all committees, as envisaged in their respective regulations, is presented in Section 6.0 of the Report.
The committee met twice during the year (26 February; 3 March) and the average duration of these meetings was 60 minutes, given the brevity of the meeting held to nominate the Chairman.
The business conducted during these meetings was coordinated by the chairman.
The meetings were minuted.
The chairman reported on them at the next available meeting of the Board.

The composition of the Nominations Committee has not changed.

At least one meeting will be held in 2022, in relation to the self-assessment of the Board in May.

The Nominations Committee consisted of three members during the year, the majority of whom are independent directors (Rec. 20 and Rec. 7).

At the invitation of the chairman, the meetings were attended by the following non-members: the Board of Statutory Auditors, represented by its chairman and a serving auditor; the secretary and Daniela Toccafondi, non-executive director, as a listener pursuant to her induction programme (Rec. 17).

Functions of the Nominations Committee (Rec. 19)
The functions of the Nominations Committee are defined in art. 9 of its regulation, as amended since the establishment of the committee on 5 September 2000.

The current art. 9 of the above regulation assign the following duties to the Nominations Committee:
a) monitor the transparency of the process of director selection and compliance with the appointment procedures envisaged in art. 19 of the Articles of Association;
b) propose candidate directors to the Board of Directors, who could be co-opted if the replacement of independent directors becomes necessary (Rec. 19, letter c);
c) express opinions to the Board of Directors regarding its size and composition and make recommendations about the professional profiles that should be present on the Board to facilitate its proper and effective functioning, as well as about the maximum number of appointments held as director or statutory auditor and any competition-related issues (Rec. 19, letter b);
d) express opinions and make proposals to the Board of Directors about the definition of diversity policies (age, gender, professional expertise and training background) for the composition of the administration and control bodies, in particular with reference to their overall objectives and how they are implemented (Rec. 19, letter b);
e) carry out investigations and make proposals regarding the possible adoption of succession plans for the executive directors and, if necessary, help to prepare that plan (Rec. 19, e);
f) monitor the self-assessment process followed by the Board of Directors (Rec. 12, letter e), and Rec. 19, letter a).

At present, the Board is not allowed to present its own list of candidate directors. The functions of the Nominations Committee will be extended if this power is included in the Articles of Association.

During the year, the activities of the Appointments Committee focused on: the self-assessment process followed by the Board of Directors (size, composition and functioning of the Board in practice); examination of the letter from the chairman of the Corporate Governance Committee on matters relevant to the Nominations Committee; proposal to the Board of guidance for the shareholders on election of the Board for the three-year period 2021-2023. The committee also elected its chairman following renewal of the Board and its committees.

In the performance of its functions, the Nominations Committee has access to the corporate information and functions required for performance of its duties, has financial resources and may make use of external consultants, on the basis established by the Board (Rec. 17).

8.0 REMUNERATION OF THE DIRECTORS - REMUNERATION COMMITTEE ART. 5 CODE

8.1 REMUNERATION OF DIRECTORS

The following information is supplemented by that contained in the *Report on remuneration policy and compensation paid pursuant to arts. 123*-ter *TUF and 84*-quater *of Consob Regulation 11971/1999*, Section I, paras. 1 and 2, approved at the Shareholders' Meeting held on 27 April 2021 and available on the Issuer's website https://elengroup.com/it/investor-relations/documenti-assembleari.html. ("Remuneration Report").

Remuneration policy

The procedure followed by the Board to define the policy for the remuneration of directors, statutory auditors and top management (Principle XVI) is described in the Remuneration Report, Section I, Part A), paras. 1 and 2.

The policy for the remuneration of directors, statutory auditors and top management and Managers defined by the Board contributes to the pursuit of sustainable success by the Issuer, taking account of the need to employ, retain and motivate persons with the expertise and professionalism required by their roles (Principal XV).

The goals pursued by the remuneration policy and the related underlying principles are described in the Remuneration Report, Section I, Part A) para. 5, as are the policies adopted in relation to the directors (Section 1, Part A), para. 16) and the statutory auditors (Section 1, Part B) (Rec. 25).

Remuneration of the executive directors and top management

The policy for the remuneration of executive directors and top management establishes:

a) an adequate balance between the fixed and variable components, consistent with the strategic objectives and risk management policies of the Issuer, having regard for the nature of its business activities and the sector in which it operates, while nevertheless determining that the variable element should represent a significant part of overall remuneration (Rec. 27, letter a);

b) maximum limits on the payment of variable components to the executive directors (Rec. 27, letter b); on the other hand, there is no maximum limit on the payment of variable components to top management and, specifically, to the general manager. This situation reflects considerations expressed in the Remuneration Report (Section I, Part A), para. 5) about the need to retain certain characteristics of the remuneration earned in the past by the general manager. Consolidation of this working relationship resulted, during 2021, in the revision of his remuneration for the period 2021-2024 to reflect the requirements of the Code with regard to long-term objectives. The next step will be to consider the feasibility of setting a maximum limit on the variable component;

c) performance objectives - to which payment of the variable components is tied - that are: (i) predetermined, measurable and linked, to a considerable extent, to a long time horizon; (ii) consistent with the strategic objectives of the Issuer and seek to promote its sustainable success, even including - where significant - certain non-financial parameters (Rec. 27, letter c);

d) an appropriate deferral period - after vesting - before paying a significant part of the variable component, consistent with the characteristics of the business activities carried out and the related risk profiles (Rec. 27, letter d);

e) contractual agreements that allow the Issuer to request the return, in whole or in part, of any variable components of remuneration paid (or to withhold deferred amounts) that were determined with reference to data that was later found to be clearly incorrect, or to other factors identified by the Issuer (Rec. 27, letter e);

f) clear and predetermined rules for the payment of indemnities for loss of office that: (i) define a maximum limit on the total indemnity payable, linking it to a specific amount or a given number of years of remuneration, and (ii) envisage non-payment should the relationship be terminated as a consequence of achieving results that are objectively inadequate (Rec. 27, f). On this last requirement, as explained in the Remuneration Report (Section I, Part A), para. 13), it is not currently deemed appropriate to predetermine any additional indemnity for loss of office, beyond the end-of-mandate indemnity authorised for the executive directors at the Shareholders' Meeting and, with regard to the general manager, that established in the national collective employment agreement for the sector.

Share-based remuneration plans (Rec. 28)

The 2016-2025 Stock Option Plan mentioned in Section 2.0, letter a) of this Report, as implemented by the Board resolution adopted on 13 September 2016, establishes with regard to the directors of the Issuer:

a) vesting in three years for all beneficiaries: the first tranche of the options granted on 13 September 2016 became exercisable from 14 September 2019, while the second tranche from 14 September 2020;

b) with reference to beneficiaries who are directors or top managers of the Issuer, exercise of the options granted subject to achievement, with reference to the year prior to the option exercise year, of the gate value for at least one of the objectives assigned to them in the annual incentive remuneration plans approved by the Board, acting on a proposal from the Remuneration Committee;

c) with reference to beneficiaries who are directors or top managers of the Issuer, retention by the directors until the end of their mandate (three years), as later specifically agreed by them on the grant date, of at least 5% of the shares obtained on exercise of the options granted to them.
The 2021-2024 incentive remuneration plan for the general manager envisages payment of part of the variable compensation (20% of the remuneration due on achievement of the annual objectives) in the form of shares in the Company, subject to a four-year lock-up period from the grant date.
Currently, the share retention period is aligned with the duration in office of the directors and the duration of the contract with the general manager.

Remuneration of non-executive directors (Rec. 29)
The remuneration of the non-executive directors, including the independent directors, has been determined for the period until expiry of the mandate of the current Board, comprising the same fixed basic annual amount of Euro 17,000.00 for each of the above directors, established at the Shareholders' Meeting that appointed them.
In addition, a modest fixed annual amount of Euro 3,000.00 is recognised to each non-executive director appointed as the chairman of a Board committee.

The remuneration of the non-executive directors is determined as a fixed amount at the Shareholders' Meeting and is not linked, in any way, to the economic results achieved by the Issuer.

The non-executive directors do not benefit from the share-based incentive plans.

Earning and payment of remuneration (Principle XVII)
The Board ensures that the remuneration earned and paid is consistent with the principles defined in the policy, having regard for the results achieved and other relevant factors.
For more information about the principles, methods of verification and payment mechanisms, see Section I, Part A), paras. 9, 10 and 11, of the Remuneration Report; the compensation actually paid and deferred is covered in Section II.

* * *

Indemnity of directors in the event of resignation, dismissal or termination following a public tender offer (pursuant to art. 123-bis, para. 1, letter i), TUF)

Except for the end-of-mandate indemnity totalling a maximum of Euro 19,500.00 for each year of service, authorised pursuant to art. 17 TUIR (Consolidated Income Tax Law), at the Shareholders' Meeting that appointed the Chairman and the persons later appointed as managing directors, there are no other agreements between the Issuer and the directors for the recognition of indemnities in the event of resignation, dismissal/revocation without just cause or termination following a public tender offer.
At present, no additional rights have been assigned with respect to the end-of-mandate indemnity described above, there are no agreements for the assignment or retention of non-monetary benefits in favour of persons no longer in office and no post-termination consultancy contracts have been signed; lastly, there are no agreements that envisage compensation for no-competition commitments.
On appointment, the general manager signed a no-competition agreement for the entire duration of the working relationship and for two years subsequent to the termination of his employment. The indemnity for this is being paid together with his annual remuneration. See the Remuneration Report for further information.

No directors ceased to serve during the year and the relationship with the general manager was not terminated.

8.2 REMUNERATION COMMITTEE

On 5 September 2000, the Board established a Remuneration Committee in order to guarantee full information and clear transparency about the compensation due to the Directors (Rec. 16, 25 and 26).

Composition and functioning of the Remuneration Committee (pursuant to art. 123-*bis*, para. 2, letter d), TUF)

The current Remuneration Committee was appointed by resolution adopted on 14 May 2021, following renewal of the administrative body, and comprises: Fabia Romagnoli (non-executive, independent), Alberto Pecci (non-executive) and Michele Legnaioli (non-executive, independent).

The Remuneration Committee met five times during the year (10 March; 3 June; 10 September; 12 November; 22 December).
All members attended.
The average duration of these meetings was 45 minutes, given the brevity of the meeting held to nominate the Chairman.
The business conducted during these meetings was coordinated by the chairman and proper minutes were taken.
The chairman informed the Board about these meetings and the activities carried out at the first available meeting.
The composition of the committee has not changed.

The Remuneration Committee has already met once during 2022, on 15 March.

The Committee will hold the meetings needed to carry out its activities regarding the evolution of the corporate system of remuneration and the legislative and regulatory changes that occur in the meantime.

During the year, the Remuneration Committee comprised three non-executive directors, the majority of whom are independent. The chairman was elected from among the independent directors (Rec. 26 and Rec. 7).

As mentioned, all the members of the Remuneration Committee are persons of stature, with lengthy experience working on behalf of listed and/or large companies (Aeroporto di Firenze; KME; Mediobanca s.p.a.; Fondazione Cassa di Risparmio di Prato etc.).
As such, the Board did not consider it necessary to make any additional assessments regarding the specific expertise of any members on accounting, financial and/or remuneration policy matters, as those characteristics are clear from their curricula vitae, which were presented together with their candidacy on the lists for the appointment of the current Board (Rec. 26).

Pursuant to art. 4 of the regulation governing the Remuneration Committee, no director participates in discussions or resolutions at committee meetings that make proposals to the Board about personal remuneration (Rec. 26).

On invitation from the committee chairman, the following persons attended the meetings of the Remuneration Committee during the year: the secretary, the Board of Statutory Auditors - sometimes all members (4/5 meetings), sometimes one member (1/5 meetings); Independent Director Daniela Toccafondi, as part of her Induction Programme (Rec. 17).

Functions of the remuneration committee

The functions and duties of the Remuneration Committee are defined in its regulation, as amended since approval by the Board of Directors on 5 September 2000.

The Remuneration Committee assists the Board with preparation of the remuneration policy, providing advice and making recommendations as, pursuant to art. 2389, para. 3, of the Italian Civil Code and art. 20 E of the Articles of Association, the Board has sole responsibility for determining the remuneration of the delegated bodies, the chairman and the directors with specific responsibilities, after hearing the necessary opinion of the Board of Statutory Auditors in this regard.

As envisaged in art. 9 of its regulation, the Remuneration Committee is assigned the duties specified in art. 5 of the Corporate Governance Code adopted by the Corporate Governance Committee of Borsa Italiana s.p.a. Accordingly, in providing advice and making recommendations, the committee:
- assists the Board with preparation of the policy for the remuneration of the directors and top management;
- presents proposals or expresses opinions to the Board on the remuneration of the executive directors and the other directors with specific responsibilities, as well as on setting performance objectives linked to the variable component of that remuneration;
- monitors application in practice of the remuneration policy and verifies, in particular, effective achievement of the performance targets;
- evaluate periodically the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, using information in this last regard provided by the managing directors;
- carries out suitable studies and preparatory work needed for preparation of the remuneration policy, both on its own initiative and as requested by the Board;
- reports to the shareholders on how its functions are performed.

When making proposals, the Remuneration Committee ensures that:
- the remuneration of the executive directors and top management contributes to the pursuit of sustainable success by the Company and, therefore, is determined in a way that aligns their interests with pursuit of the primary objective of creating value for the shareholders over the medium-long term;
- the Company is able to attract, retain and motivate persons equipped with the expertise and professionalism required by the executive director and top management roles;
- a significant part of the total remuneration of the directors with operational mandates, or who perform business management functions, is linked to the achievement of specific, predetermined and measurable objectives, including some of a non-financial nature.

The Remuneration Committee carried out the following activities during the year:
a) verified the level of achievement of the objectives envisaged in the 2020 incentive remuneration plan and of the variable part of the remuneration due to the executive directors and key management personnel;
b) defined proposals for the incentive policy and the 2021 incentive remuneration plan. In that context, the committee formulated the proposed remuneration policy described in the report presented to the shareholders for approval;
c) defined proposals for determining the remuneration of the Board appointed at the Shareholders' Meeting held on 27 April 2021;
d) contributed to the inclusion of long-term objectives linked to sustainability among the objectives for the variable component of the remuneration of the executive directors, and to the determination of parameters for the measurement of business performance needed in order to assess the degree to which the goals assigned have been achieved;
e) verified, at the start of the period for exercising options granted pursuant to the 2016-2025 Stock Option Plan, the conditions established in the related regulation governing the exercise rights of the executive directors and the general manager;
f) elected the committee chairman following renewal of the Board and its committees;
g) verified the conformity of the compensation actually paid with the remuneration policy approved by the shareholders.

In the performance of its functions, the Remuneration Committee has access to the corporate information and functions required for performance of its duties, and may make use of external consultants on the basis established by the Board (Rec. 17).

At this time, the Remuneration Committee has not considered it necessary to make use of external consultants.

9.0 SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT - CONTROL AND RISKS COMMITTEE - ART. 6 CODE

As part of work to manage the Issuer and define its strategic, industrial and financial plans, the Board assesses the nature and level of risks compatible with the established objectives and the sustainable success of the Issuer and the Group.

The Board has defined guidelines for the system of internal control and risk management, granting related mandates to the various bodies involved in that system (managing directors, internal auditor, committees, supervisory body, executive responsible for preparing corporate accounting documents etc.), so that the main risks facing the Issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, while also determining the extent to which such risks are compatible with management of the business in line with the strategic objectives identified for the sustainable success of the Issuer and the Group (Principle XIX, Rec. 33).

The principal characteristics of the system of internal control and risk management of the Issuer are represented, on the one hand, by rules and procedures and, on the other, by governance and control bodies.
The rules, above all, comprise a series of fundamental principles set down in the Code of Ethics; next, they consist of a set of second-level procedures (those envisaged in Decree 231/01, Law 262/05, Law 81/09, internal regulations on the treatment of confidential information, transactions with related parties, internal dealing etc.) that make it possible to address business reality and apply in practice the above general principles.
On the other hand, based on the responsibilities and functions defined and assigned by the Board to the various bodies at their respective levels, compliance with the rules and procedures is checked by: the internal auditor; the executive responsible for preparing corporate accounting documents; the supervisory body pursuant to Law 231; the Control and Risks Committee, the independent auditors; the Board of Statutory Auditors; the data protection officer designated pursuant to art. 37 of Regulation (EU) 679/2016.

See Attachment 1 for the main features of the systems of internal control and risk management currently applied in relation to the separate and consolidated financial reporting process (pursuant to art. 123-*bis*, para. 2, letter b), TUF). Here, the path followed by the Issuer after the entry into force of Law 262/2005 is outlined.

In application of art. 154-*bis* TUF and to formalise the addition of a set of rules and tests to the established system for preparing separate and consolidated financial reports, on 15 May 2007 the Board designated Enrico Romagnoli, employee of the Company since the admission of its shares to trading on the market organised and managed by Borsa Italiana s.p.a., as the executive responsible for preparing corporate accounting documents.
Firstly, the Issuer - with support from PricewaterhouseCoopers (firm different to that appointed as the legal auditor of the Issuer) - established a working party to analyse the system of internal control with regard, in particular, to the duties assigned by law to the executive responsible for preparing corporate accounting documents.
This analysis was carried out with reference to the CoSO Report – Internal Control Integrated Framework. A document prepared on completion of the above project summarised the results obtained and identified the specific tools needed to ensure the coordination and functioning of all elements of the system of internal control over the information and data about the economic and financial position required by law and/or disseminated to the market.

Since then, the responsible executive performs his work with a view to continuous improvement, checking constantly the tools adopted in this regard. In 2012/2013, the responsible executive - working in collaboration with Deloitte ERS - revised the procedures adopted by the companies within the scope of reporting at that time, adopting a risk-based approach that improved the analysis of financial reporting risks. This model was later applied to new companies included within the scope of report.

On 12 November 2021, the Board approved the 2022 plan of work prepared by the internal audit manager, having first consulted the Control and Risks Committee, the Board of Statutory Auditors and the managing director responsible for internal control.

Based on the work carried out and coordinated by the Control and Risks Committee and by the Board of Statutory Auditors, as well as on the work reports prepared by the internal audit manager, the responsible executive, the supervisory body pursuant to Law 231 and the data protection officer designated pursuant to art. 37 of Regulation (EU) 679/2016, the Board assessed positively by sector - at meetings held on 15 March, 14 May, 10 September and 12 November - the adequacy and effectiveness of the system of internal control and risk management with respect to the characteristics of the business and the risk profile accepted.

9.1 CHIEF EXECUTIVE OFFICER

The Board has identified a director responsible for establishing and maintaining the system of internal control and risk management (Rec. 32, letter b).
This responsibility has been assigned to Andrea Cangioli, managing director.
Acting in the name of the Board, his responsibility is to supervise the functioning of the system of internal control and risk management and perform the duties and functions identified in the Code including, in particular: identification of the principal business risks (strategic, operational, financial and compliance), having regard for the characteristics of the activities carried out by the Issuer and its subsidiaries, and their periodic presentation to the Board when illustrating financial data and the results of operations of the Issuer and the Group; execution of the guidelines defined by the Board, supervising the design, implementation and management of the system of internal control and risk management, and checking constantly on its adequacy and effectiveness; adaptation of the system to the dynamics of operating conditions and the legislative and regulatory background; regular requests for the internal audit function to perform checks on specific operational areas and compliance with internal rules and procedures in the execution of business operations, keeping the Control and Risks Committee and the Board of Statutory Auditors informed; regular notification of the Control and Risks Committee/Board of Directors and the Board of Statutory Auditors about any problems or issues arising from the work performed, or that otherwise become known (Rec. 34) - something that was not necessary during the past year.

9.2 CONTROL AND RISKS COMMITTEE

In 2000, the Board established an internal control committee that was renamed the "Control and Risks Committee" in 2012, and the "Committee for control and risks, related-party transactions and sustainability" in 2021.

Composition and functioning of the Control and Risks Committee (pursuant to art. 123-*bis*, para. 2, letter d), TUF)

Since its establishment in 2000, the composition of this committee has always complied with the various subsequent versions of the Code.

The current Control and Risks Committee was appointed by resolution adopted on 14 May 2021, following renewal of the administrative body, and comprises: Fabia Romagnoli (non-executive, independent), Daniela Toccafondi (non-executive, independent), Alberto Pecci (non-executive) and Michele Legnaioli (non-executive, independent).

The Control and Risks Committee always meets before approval by the Board of the draft annual financial report and the half-yearly report, and whenever requested by any of its members, the Board, the managing director responsible for internal control or the internal audit manager.
The committee met six times during the year (12 February, 15 March; 3 June; 10 September; 12 November; 22 December).
The average duration of these meetings was one hour, given the brevity then consider meeting held to nominate the Chairman.
The business conducted during these meetings was coordinated by the chairman. He informed the Board about the activities carried out.
The Control and Risks Committee has already met twice during 2022, on 16 February and 15 March.
Currently, at least two more meetings are scheduled, one in September and the other in November, in addition to those that the Committee may consider necessary in the performance of its multiple functions.

During the year, the Control and Risks Committee consisted entirely of non-executive directors, the majority of whom are independent.

The Committee was composed of three members until renewal of the Board on 27 April 2021; from 14 May, it now comprises four directors in view of the multiple functions assigned to it.

All Committee members have experience in accounting, finance and risk management matters, which the Board deemed adequate at the time of their appointment for the reasons given in relation to the Remuneration Committee.

Committee meetings are attended by the Board of Statutory Auditors, the executive responsible for preparing corporate accounting documents, the managing director responsible for internal control, the secretary, the internal auditor and, when necessary in relation to individual agenda items, the persons or professionals invited by the chairman.

Functions assigned to the control and risks committee

The functions and duties of the Committee are defined in its regulation, as amended since approval by the Board of Directors on 5 September 2000.

In particular, in view of Decree 39/2010 which redesigned certain aspects of internal control and Market Notice 18916 dated 21 December 2010 - on requirements for issuers belonging to the STAR segment - the Issuer resolved on 13 May 2011 to assign the Committee just a supporting role with reference to the activities that Decree 39/2010 reserves solely for the Board of Statutory Auditors with regard to the legal audit of the accounts.

In addition, following the changes made to the Code in July 2015, the regulation of the Control and Risks Committee was amended in November 2015 to clarify its investigative role in support of Board assessments and decisions regarding the management of risks deriving from any adverse facts that come to its attention.

Lastly, by resolution on 14 November 2018, the regulation was expanded to include the role of the Control and Risks Committee in expressing opinions and making proposals to the Board on the definition of sustainability policies pursuant to Decree 254/2016.

Accordingly, the Committee currently has the duties identified below.

Firstly, those identified in the Consob Related Parties Regulation:

(a) examine, analyse and express advance opinions on the procedures and any related amendments adopted by the Board in relation to transactions with related parties;

(b) perform the task assigned in those procedures regarding the investigation and examination of the related-party transactions subject to the procedures.

In addition, in the context of the Code, the Committee analyses, gives advice and makes proposals, as necessary, on issues and matters relevant to the control of business activities and, in particular, to the extent compatible with the functions assigned by law to the boards of statutory auditors of listed companies:

(a) assisting the Board, including via the expression of advance opinions, with the definition of guidelines for the system of internal control and risk management, and the periodic assessment of its adequacy and effectiveness; the identification and adequate management of the principal business risks facing the Company and its subsidiaries; determination of the compatibility of those risks with conduct of the business in a manner consistent with the strategic objectives identified, including pursuit of the sustainability of the Issuer over the medium-long term;

(b) assessing, together with the executive responsible for preparing corporate accounting documents and after consultation with the independent auditors and the Board of Statutory Auditors, proper application of the accounting standards adopted and, in the case of groups, their consistency for the purpose of preparing the consolidated financial statements;

(c) expressing opinions on specific aspects concerning identification of the main business risks;

(d) examining periodic reports that evaluate the system of internal control and risk management, as well as any of particular importance prepared by the internal audit function;

(e) monitoring the independence, adequacy, effectiveness and efficiency of the internal audit function;

(f) requesting, at its discretion with simultaneous notification to the Chairman of the Board of Statutory Auditors, the internal audit function to perform checks in specific operational areas;

(g) assisting the Board of Statutory Auditors, upon express request, to assess proposals from firms of independent auditors for assignment of the related appointment, as well as to assess the audit plan and the results described in the auditors' report and letter of recommendations;

(h) assisting the Board of Statutory Auditors, upon express request, to monitor the effectiveness of the auditing process;

(i) updating the Board, at least on approval of the annual and half-year financial reports, on the activities carried out and on the adequacy of the system of internal control and risk management;

(j) expressing opinions on the appointment, dismissal and remuneration of the internal audit manager and on allocation to the latter of adequate resources for performance of the related functions and responsibilities;

(k) supporting, with appropriate investigations, the assessments and decisions made by the Board on the management of risks deriving from any adverse events that come to its attention;

(l) performing any additional tasks that, from time to time, may be assigned by the Board.

Lastly, with reference to the sustainability matters identified in Decree 254/2016, the Control and Risks Committee has the task of helping the Board, by carrying out investigations, making recommendations and providing advice, to evaluate and decide Board of Directors on any sustainability matters associated with the conduct of the business and its interactions with all stakeholders; corporate social responsibility; the examination of scenarios needed to prepare the strategic plan, and the corporate governance of the Company and the Group.

The Control and Risks Committee carried out the following activities during the year:
a) examined and assessed the activities carried out by the responsible executive pursuant to Law 262/2005;
b) examined and assessed the 2022 audit plan and the work carried out by the internal auditor to: verify the operation and suitability of the system of internal control and risk management with regard to preparation of the financial statements; update the table of areas subject to audit and the audit activities carried out and/or scheduled; analysis of the investments made and the 4.0 tax benefits and assistance; analysis of the procedures followed by the units responsible for the recovery of trade receivables in a year marked by the effects of the Covid-19 pandemic; analysis of the regulatory area regarding certification of the medical devices produced by the Company;
c) examined and assessed the recommendations contained in the letter from the Chairman of the Corporate Governance Committee of Borsa Italiana, assisting the Board to implement the related activities;
d) supported the Board with analysis of the 2020 Corporate Governance Code and with the related alignment and verification work;
e) supported the Board with the assessment of transactions between subsidiaries, considering their terms and conditions, as well as the requirements of Consob Regulation 17221/2010;
f) performed the work described in Section 6 of the Report in its role as the Sustainability Committee;
g) elected the chairman following renewal of the Board and its committees.

In the performance of its functions, the Committee has access to the corporate information and functions required for performance of its duties and, if it wishes, may make use of external consultants on the basis established by the Board.

The Committee did not make direct use of external consultants during the year, considering adequate the appraisals prepared by external consultants prior to presentation of the transactions by the subsidiaries involved.

Following the renewal of its mandate, the Board confirmed the framework of the system of internal control and risk management and assigned a total budget of Euro 80,000.00 for monitoring the entire system of internal control and risk management, including the work of the Control and Risks Committee.

9.3 INTERNAL AUDIT MANAGER

Since 2000, the Board has appointed one or more persons to check that the system of internal control always remains adequate, operational and functioning (internal audit manager(s) or internal auditors((Rec. 33, letter b).

The current internal audit managers are Cristina Morvillo, for most areas, and Alessio Paoli with a specific focus on the preparation of financial reports. Both were appointed following a proposal from the managing director responsible for supervising the functioning of the system of internal control, after obtaining the opinion of the Control and Risks Committee and consent from the Board of Statutory Auditors.

The Board is responsible for determining the remuneration of the internal audit manager(s), consistent with corporate policies, acting on a proposal from the managing director responsible for supervising the functioning of the system of internal control, after obtaining the opinions of the Control and Risks Committee and the Board of Statutory Auditors.

The internal audit managers are not responsible for any operational areas and report directly to the Board.

The internal audit managers, working in compliance with international standards, check the operation and suitability of the system of internal control and risk management, both continuously and in response to specific needs. They implement an audit plan, approved each year by the Board, that is based on a structured analysis and gives priority to the principal risks.

To the extent of their specific responsibilities, each internal audit manager has direct access to all the information needed to perform their duties; they have prepared half-yearly reports containing adequate information about their work, about how risks are managed in the audit areas assigned to them and about compliance with the plans devised to contain them, as well as an assessment of the suitability of the system of internal control and risk management. These reports were sent to the chairmen of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the managing director responsible for the system internal control and risk management. There were no events of particular significance for them to report on. Drawing on the verification work and checks performed by the responsible executive pursuant to Law 262/2005 and in conformity with the COBIT “Control Objectives for Information and related Technology” model, they have also checked the reliability of the IT systems that support accounting activities.

Currently, they have not considered it necessary to make recourse to external consultants or, therefore, to obtain access to specific financial resources for the performance of the duties. Following the renewal of its mandate, the Board confirmed the current framework of the system of internal control and risk management and assigned a total budget of Euro 80,000.00 for monitoring the entire system of internal control and risk management.

The checks carried out during the year by the internal audit function covered the operation and suitability of the system of internal control and risk management with regard to preparation of the financial statements; update the table of areas subject to audit and the audit activities carried out and/or scheduled; analysis of the investments made and the 4.0 tax benefits and assistance; analysis of the procedures followed by the units responsible for the recovery of trade receivables in a year marked by the effects of the Covid-19 pandemic; analysis of the regulatory area regarding certification of the medical devices produced by the Company; work in the context of Law 262/05.

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The internal audit work on the preparation of financial reports, being a specific area within the monitoring work carried out pursuant to Law 262/05, has been entrusted to Alessio Paoli who, as an external public accountant, is deemed to satisfy the relevant professional, independence and organisational requirements. This outsourcing of the internal control function in the area of financial reporting derives from efforts made by the Board in February 2005 to optimise the use of resources, at the time of rotating the duties of the person responsible for internal control who, within the finance and reporting office, was dedicated to preparing the financial statements of Group companies.
The Board has maintained this approach since then, in order to ensure proper segregation between operational and control activities.

9.4 ORGANISATIONAL MODEL pursuant to Decree 231/2001

The Issuer has adopted an organisation, management and control model pursuant to Decree 231/2001.
With regard to the subsidiaries of strategic importance, this model has also been adopted by Quanta System s.p.a., ASA s.r.l. and Deka M.E.L.A. s.r.l.

The current model adopted by the Issuer contains the periodic revisions made with respect to that initially approved, taking account of the continuous updates made by the legislator to the list of specified offences. With a view to preventing the commitment of offences related in any way to the activities of the Issuer, considering its structure and the area in which it operates, the Board has decided to include a section on occupational health and safety in the 231 model that responds to the requirements of art. 30 of Law 81/09.
In addition to offences relating to occupational health and safety, the current 231 model of the Issuer seeks to prevent the commitment of offences against the public administration; corporate, market abuse, environmental and transnational offences; receiving, laundering and the use of money, goods or benefits obtained from unlawful sources.
The supervisory body comprises a board with three members, one of whom is Paolo Caselli, serving statutory auditor.
Pursuant to the Articles of Association, this function could be assigned to the Board of Statutory Auditors; however, the Issuer has decided that the current organisation of the body is more effective: a serving statutory auditor and one of the internal audit managers. The third member is the external professional who has served as the internal audit manager of the financial reporting area since early 2021.

9.5 AUDITING FIRM

Pursuant to arts. 13, 17 and 19 of Decree 39/2010, the external audit is assigned to an auditing firm recorded on the relevant CONSOB register: the Shareholders’ Meeting held on 4 June 2020 appointed EY s.p.a. to audit the separate and consolidated financial statements of the Company for the years 2021-2029.
This appointment will expire on approval of the financial statements for 2029.
In this regard, during the year, the Issuer appointed the legal auditor of the accounts of El.En. s.p.a. and El.En. Group companies for the nine-year period 2021-2029.

9.6 EXECUTIVE RESPONSIBLE FOR PREPARING CORPORATE ACCOUNTING DOCUMENTS

The executive responsible for preparing corporate accounting documents is Enrico Romagnoli, who is in charge of the Issuer's financial reporting office and also the Investor Relations Officer.

Pursuant to the Articles of Association, the responsible executive is appointed by the Board and, in accordance with art. 20 G, must satisfy the integrity requirements envisaged by law for directors and statutory auditors, as well as possess the professional characteristics - in terms of preparation, training and practical experience - needed to perform the assigned duties.

The executive responsible for preparing corporate accounting documents exercises all the powers needed for the proper performance of this function, with access to all necessary resources.

The principles and procedures applied by the responsible executive are detailed in Attachment 1.

9.7 COORDINATION BETWEEN PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

As already stated and without seeking to repeat, the Issuer ensures close coordination among the various parties involved in the system of internal control and risk management, not least by cross-assigning persons belonging to one body as members of others or as joint participants in aspects of the system of internal control and risk management.

10.0 DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

With regard to transactions in which one of the directors has an interest or to transactions with related parties, being those identified with reference to Attachment 3 of the CONSOB Related Parties Regulation, art. 20 of the Articles of Association states that the Board must give advance approval for significant strategic, economic and financial transactions, with particular reference to transactions with related parties, those in which a director has an interest, whether directly or on behalf of third parties, and those that are unusual or atypical.

In addition, pursuant to art. 2391-*bis* of the Italian Civil Code, on 30 March 2007 the Board adopted the "*Regulation governing the related-party transactions of El.En. s.p.a.*" that, as established in the CONSOB Related Parties Regulation issued in 2010, was revised in that year. This regulation contains rules governing the approval and implementation of transactions carried out by the Issuer, both directly and via subsidiaries, with counterparties with which pre-existing relations (ownership, working, professional or close family relations) might condition the conclusion, governance or nature of the contractual relationship. The regulation formalised the intention, always pursued by the Issuer, to ensure that transactions with related parties - including those in which a director or statutory auditor also has an interest, whether directly or on behalf of third parties - take place with maximum respect for transparency and propriety, both procedurally and in substance.

The Issuer and its directors have always acted in compliance with the provisions of the Italian Civil Code in this area (arts. 2391 and 2391-*bis*).

In addition, for the purpose of mapping the related parties of the Issuer, the manual of administrative and operational procedures, in force since 2000, envisages specific checks on relations with related parties and the existence of possible conflicts of interest involving the administrative or control bodies.

The manual requires the internal control manager/internal auditor to interview the members of the Board of Directors and the Board of Statutory Auditors, at least every six months, in order to identify any additional related parties and the existence of situations that might lead to conflicts of interest.

In practice, these checks are carried out as a written interview in the form of a questionnaire completed and signed by the above persons and held on file by the internal control manager/internal auditor.

The procedure, approved by the Board, contains criteria for identifying transactions that must be approved by the Board, after receiving the opinion of the Control and Risks Committee.

In addition to the relevant Articles of Association (art. 20 E) and the internal regulation that, in particular, require the managing directors to notify promptly - in order to obtain advance approval - any transactions involving possible conflicts of interest, with related parties, or that may be unusual or atypical with respect to ordinary operations, the Board had originally envisaged that the director with interests, whether personal or on behalf of third parties, in a given operation should first inform the meeting called to resolve on the matter and then leave.

The internal regulation governing related-party transactions has been supplemented by including certain provisions of the Consob Related Parties Regulation, in place of mere references, in order to facilitate readers and understand the practical framework, as well as to govern in detail the relevant controls and refine the provisions of art. 6 in relation to resolutions on transactions in which a director or statutory auditor has an interest. In this regard, the requirement to leave the meeting/abstain from voting has been replaced by the power of the independent directors to request deferral of the meeting and the resolution in order to obtain additional information.

Lastly, during the year, the Board supplemented and amended the Regulation governing the related-party transactions of El.En. s.p.a. following the amendments made to Consob Reg. 17221/2010 by Consob Resolution 21624 dated 10 December 2020, issued in order to adopt Directive (EU) 2017/828 – *Shareholder Rights Directive 2* ("SHRD 2") – which amended Directive 2007/36/EC with regard to Consob encouragement of the long-term commitment of shareholders, in implementation of the regulatory mandate contained in art. 2391-bis c.c., as extended by Decree 49/2019.

The Italian regulations governing RPTs were already essentially consistent with SHRD 2 with regard to approval procedures, the transparency obligations and certain of the exemptions identified therein. The amendments to the regulations contained in the last Consob measure sought complete alignment of their text with the Directive and, based on the experience accumulated by Consob since 2011 in carrying out the related supervisory role, included certain additional changes that clarify a number of the procedures for approving transactions with related parties and other aspects of the regulations.

The regulatory solutions adopted seek to maintain the flexibility already envisaged in the previous regulations and, where possible, retain the long-established practices followed by operators.

Essentially, the Board approved the proposed amendments to the internal regulation governing the related-party transactions of El.En. in order to align it with the new regulatory framework, considering that the Italian framework was already mature in the context of the European regulation and that, therefore, it was a case of fine-tuning internal procedures that El.En. had already adopted at the end of 2010.

The proposed amendments to the El.En. RPT regulation covered:

a) rewording the definition of a related party: the Directive and, therefore, Consob refer to the definition contained in the international accounting standards in force at the time;

b) abstention of the director involved in the transaction: this requirement, previously adopted by El.En., was amended in 2019. This requirement was included again, consistent with the new regulation applying to all transactions, even of lesser significance, in which a director has interests, whether directly or on behalf of third parties, that conflict with those of the Company;

c) approval procedures: the administrative body is now solely responsible for resolving on transactions of greater significance. This is consistent with a key principle of the Code, being the central role of the Board of Directors in making strategic decisions and approving transactions of economic or financial importance. In addition, the procedures now formalise practices already adopted by El.En.: (i) express requirement for the committee of independent directors to check in advance the independence of any experts selected and qualified as independent; (ii) timely involvement of the committee of independent directors in the negotiation and investigation of transactions of greater significance; (iii) express requirement to attach the opinion of the committee of independent directors to the minutes of the meetings of that committee;

d) exemptions: certain slight changes relating to:

  i) Exempt minor transactions: confirmation that amounts are considered minimal up to Euro 100,000.00 (onehundredthousand/00);

  ii) Routine transactions of greater significance on market or standard terms: annual verification by the Control and Risks Committee of exempted transactions of greater significance and rules for the related information flows.

11.0 BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

As required by art. 144-*sexies* of the Consob Issuers' Regulation, art. 148, para. 2, TUF as amended most recently by Decree 27/2010, and the gender balance rules contained in Law 120 dated 12 July 2011, art. 25 of the Articles of Association envisages the following appointment procedure.

*"**Art. 25 – Board of Statutory Auditors –** (… omissis …) The members of the Board of Statutory Auditors are appointed using the following procedure. Shareholders that intend to nominate candidate Statutory Auditors must file the following at the registered office at least twenty-five days before the date fixed, in first calling, for the Ordinary Shareholders' Meeting:*

a) a list containing the names indicated in numerical order and divided into two sections: one for candidate Serving Statutory Auditors and, the other, for Alternates;

b) together with the list, a complete professional profile of each person nominated, giving adequate reasons for their nomination, and the curriculum vitae of each candidate;

c) together with the list, a statement in which each candidate accepts his/her candidacy and certifies, under his/her personal responsibility, the absence of reasons for ineligibility or incompatibility, as well as satisfaction of the requirements specified in the applicable regulations and the Articles of Association for the respective appointments;

d) together with the list, a statement from shareholders other than those holding, together or alone, a controlling or relative majority interest, that confirms the absence of relations of association with the latter, as defined in art. 144-quinquies of Consob Regulation 11971/1999.

Each list must indicate the name(s) of the shareholder(s) presenting the list, providing full identification details and stating the percentage of share capital held both individually and collectively.

The composition of lists containing at least three candidates must comply with the regulatory requirements governing gender balance.

Each shareholder may present or contribute to the presentation of just one list, subject otherwise to ineligibility.

Shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least the percentage share ownership established in art. 147-ter of Decree 58 dated 24 February 1998 or that, even if greater, established by Consob regulation having regard for the capitalisation, free float and ownership structure of listed companies.

Ownership of the minimum equity interest needed to present lists is determined with reference to the shares registered in favour of the shareholders concerned on the day on which their list is filed with the Company. The related certification must be produced at least twenty-one days before the date fixed, in first calling, for the Ordinary Shareholders' Meeting.

The Statutory Auditors are appointed at the Ordinary Shareholders' Meeting on the basis of lists presented by the shareholders in which the candidates are listed in numerical order. Each shareholder with voting rights may only vote for one list.

If only one list has been filed by the above deadline envisaged for the presentation of lists, or only lists presented by shareholders that, as established in art. 144-sexies, para. 4, of Consob Regulation 11971/1999, have relations of association as defined in art. 144-quinquies of Consob Regulation 11971/1999, the time limit for the presentation of lists is extended to the fifth day subsequent to that date. In that case, the equity ownership thresholds envisaged above for the presentation of lists are halved.

If several lists are presented, the members of the Board of Statutory Auditors are elected as follows:

a) the votes obtained by each list will be divided by one, two, three etc., depending on the sequence number allocated to the candidates to be elected;

b) the quotients thus obtained will be assigned sequentially to the candidates on each list, in the order they appear on that list, and then ranked in decreasing order in a single list;

c) the persons obtaining the highest total quotients will be elected.

At least one Serving Statutory Auditor must always be drawn from the minority list that obtains the largest number of votes. Accordingly, if the three highest total quotients are all obtained by candidates on the majority list, the last Serving Statutory Auditor to be elected will, nevertheless, be drawn from the minority list that obtained the largest number of votes, despite that person having obtained a lower total quotient that the majority candidate with the third-highest total quotient.

If more than one candidate obtains the same total quotient, the candidate from the list that has not yet elected a Statutory Auditor will be elected; alternatively, if all lists have elected the same number of Statutory Auditors, the candidate on the list that obtained the largest number of votes will be elected. If more than one candidate obtains the same total quotient and the total number of list votes is also the same, the entire Ordinary Shareholders' Meeting will vote again and the candidate obtaining a simple majority of the votes cast will be elected.

The Chairman of the Board of Statutory Auditors will be the Serving Statutory Auditor elected first from the minority list that obtained the largest number of votes or, in the absence of a minority list, the Serving Statutory Auditor elected first from the list that obtained the largest number of votes. On the replacement of a Serving Statutory Auditor, the Alternate drawn from the same list as the person to be replaced will take over.
If no lists are presented by the deadlines indicated, the appointments will be made by resolution of a relative majority of the shareholders present at the Shareholders' Meeting.
If only one list is presented, the Serving Statutory Auditors and Alternates will be elected from that list, in numerical order of listing.
If no votes are cast for any minority list, Statutory Auditors will be replaced by resolution of a relative majority of the shareholders present at the Shareholders' Meeting.
The composition of the elected body must, in all cases, ensure balance between the genders represented pursuant to art. 148, para. 1-bis, of Decree 58 dated 24 February 1998.
The appointment of replacements to the Board of Statutory Auditors pursuant to art. 2401 of the Italian Civil Code is made by a relative majority of the shareholders present at the Shareholders' Meeting.
Should one or more members of the control body cease to serve, the replacement members are nominated or appointed in compliance with the requirements for gender balance in force at the time."

The current Board of Statutory Auditors, elected for the years 2019-2021 by resolution of the Ordinary Shareholders' Meeting held on 15 May 2019, expires on approval of the separate financial statements as of 31 December 2021.
At 31 December 2021, the Board of Statutory Auditors of El.En. s.p.a. comprises: Vincenzo Pilla, Chairman; Paolo Caselli, Serving Auditor; Rita Pelagotti, Serving Auditor; Daniela Moroni and Gino Manfriani, Alternate Auditors.
The Shareholders' Meeting called to approve the separate financial statements for the year must also, as mentioned, appoint the new Board of Statutory Auditors.
Pursuant to art. 144-*septies*, para. 2, of the Issuers' Regulation), the minimum equity investment needed to present lists of candidate Statutory Auditors is 1.00% of share capital, pursuant to art. 25 of the Articles of Association, art. 144-*sexies* of the Issuers' Regulation and CONSOB Decision 60 dated 28 January 2022.

11.2 COMPOSITION AND FUNCTIONING (pursuant to art. 123-*bis*, para. 2, letters d) and d-*bis*), TUF))

The Board of Statutory Auditors is the body that, pursuant to the law, regulations and Articles of Association, oversees compliance with the law, the Articles of Association and the principles of proper administration; the adequacy of the organisational structure of the Issuer, to the extent of its responsibilities, the internal control system and the administrative and accounting system adopted by the Issuer, and their functioning in practice. The Board of Statutory Auditors also monitors the matters envisaged in art. 19 of Decree 39 dated 27 January 2010, as well as implementation in practice of the corporate governance rules envisaged in the Code, compliance with Consob instructions and proper implementation of the corporate procedures governing related-party transactions.
Lastly, this body also oversees the adequacy of the instructions given to subsidiaries, so that they provide all the information needed to comply with the communication obligations envisaged by law.
As envisaged in the Articles of Association, upon request from the Board of Directors, the Board of Statutory Auditors performs the functions of the Supervisory Body pursuant to art. 6 of Decree 231 dated 8 June 2001.

Pursuant to the Articles of Association, the statutory auditors must satisfy all legal requirements including, therefore, the independence requirements specified in art. 148 TUF.

They remain autonomous and independent, even in relations with the shareholders that elected them.
The current Board of Statutory Auditors was draw from a single list presented by Andrea Cangioli, given that no others were presented prior to the election held on 15 May 2019.
The election took place with the votes in favour of 13,903,212 shares, representing 68.423% of share capital.
The current Board of Statutory Auditors will remain in office for three years, until approval of the financial statements for 2021.

The professional profiles and personal characteristics of the statutory auditors are detailed in their curricula vitae, published on the website of the Company: in particular, those of Chairman Vincenzo Pilla, Serving Statutory Auditors Paolo Caselli and Rita Pelagotti, Alternate Statutory Auditors Daniela Moroni and Gino Manfriani can be found at *www.elengroup.com (sezione "Investor Relations/governance/documenti assembleari/2019/assemblea ordinaria e straordinaria 30 aprile 2019 – 15 maggio 2019").*

As of 31 December 2021, the Board of Statutory Auditors comprises three Serving Statutory Auditors and two Alternates:

Name	Office	Address	Place and date of birth
Vincenzo Pilla	Chairman	Via F. Crispi 6, Florence	S. Croce di Magliano (CB), 19 May 1961
Paolo Caselli	Serving Auditor	Via Venturi 1/B, Pistoia	Florence, 14 April 1966
Rita Pelagotti	Serving Auditor	Via Francesco Corteccia 28/2, Florence	Florence, 6 December 1956
Daniela Moroni	Alternate Auditor	Via Borgo Pinti 80, Florence	Monteverdi Marittimo (PI), 16 September 1952
Gino Manfriani	Alternate Auditor	Viale Segni 1/3, Florence	Borgo San Lorenzo (FI), 26 April 1963

The average duration of their Board meetings was 109.55 minutes.
A total of 11 (eleven) meetings were held during the year.
A total of 4 (four) meetings are scheduled for the current year (2022), of which two have already been held: on 18 February and 7 March.
See the attached Table 4 for actual attendance at the meetings of the Board of Statutory Auditors.
The Issuer always makes its personnel and resources available to the Board of Statutory Auditors, whenever deemed useful in each case by that body in order to perform its functions pursuant to art. 25 of the Articles of Association.
The Board of Statutory Auditors participates actively in the meetings and activities of the Control and Risks Committee, and collaborates with the internal audit manager.
In addition, pursuant to the Board resolution adopted on 31 March 2008 and subsequently confirmed on each renewal of the Board of Statutory Auditors, most recently on 15 May 2019, Serving Statutory Auditor Paolo Caselli is also the chairman of the Supervisory Body pursuant to Decree 231/2001.
Relations with the internal audit manager and the responsible executive are maintained via an extended “internal control committee”, comprising the Control and Risks Committee and the Internal Control Committee pursuant to Decree 39/2010.

At 31 December 2021, the following serving members of the Board of Statutory Auditors were also members of the control bodies of the following subsidiaries:

Name and Surname	Activities
Vincenzo Pilla	- Chairman of the Board of Statutory Auditors of Lasit s.p.a. - Chairman of the Board of Statutory Auditors of Quanta System s.p.a.
Paolo Caselli	- Sole Auditor of Deka M.E.L.A. s.r.l. - Serving Statutory Auditor of Lasit s.p.a. - Serving Statutory Auditor of Quanta System s.p.a.

Diversity criteria and policies (Rec. 8)

In addition to the general discussion of the Composition and Diversity Policy in Section 4.2, we note here that the formalisation of policies on the composition of the control body is heavily conditioned by the detailed regulations that govern this aspect.
Accordingly, the Composition and Diversity Policy adopted by the Issuer merely makes reference to the key elements of the regulations.
In quantitative terms, pursuant to the law and art. 25 of the Articles of Association, the Board of Statutory Auditors comprises five members: three Serving Statutory Auditors, including one with the role of Chairman, and two Alternates.
In qualitative terms, the Board of Statutory Auditors comprises persons who satisfy the integrity, professionalism, expertise and independence requirements established by law.
Since the Board of Statutory Auditors of the Issuer is identified as the “Internal control and audit committee” pursuant to art. 19 of Decree 39/2010 (as amended by Decree 135/2016), the members of that Board must, taken together, be competent in the sector in which the Company operates.
In addition, its membership must be diversified in terms of gender - with at least one third drawn from the less represented gender (art. 148, para. 1-*bis* TUF) - age, training and professional experience, so that different views and approaches to control matters are guaranteed, together with the skills needed to ensure proper performance of its assigned functions.
With regard to the limit on the accumulation of appointments, the Company complies with art. 144-*terdecies* of the Consob Issuers’ Regulation issued pursuant to art. 148-*bis* TUF. The Articles of Association establish a limit on the cumulative number of appointments held, pursuant to Article 148-*bis* TUF, envisaging among the reasons for the ineligibility or lapsing of candidate or elected statutory auditors, their appointment as serving statutory auditor by more than five listed companies, as well as their incompatibility pursuant to the Issuers’ Regulation (arts. 144-*duodecies* et seq.), including by exceeding the maximum limit envisaged therein.

The Composition and Diversity Policy of El.En. is implemented by providing guidance to the shareholders, prior to their appointment of the administration and control bodies, and by checking compliance with the composition and functioning requirements at the time of elections and then, each year, as part of work to verify the independence of the Board of Statutory Auditors.
With regard to checking the achievement of objectives, the assessment takes account of the actual results of the Issuer and the Group when approving the amount of incentive remuneration due to recipient directors and the general manager.

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Independence (Rec. 9 and 10).
The Board of Statutory Auditors:
- checked the independence of its members on the first available occasion after their appointment, confirming their satisfaction of the independence requirements specified in art. 148, para. 3, TUF (art. 144-*novies*, para. 1-*bis*, Issuers' Regulation); the Board of Directors acknowledged the personal statements confirming satisfaction of these requirements when accepting the related candidacies;
- during the year, checked continuous satisfaction by its members of the independence requirements, notifying the outcome of these checks to the Board of Directors;
- when making the above assessments, applied the criteria envisaged in the Code with reference to the independence of directors. In particular, with reference to the duration of the mandate, the Board of Statutory Auditors decided that the fact that two of them have held their respective appointments by El.En s.p.a. for more than nine years does not, per se, establish a relationship that affects their independence, given the absence of other significant relations or connections from among those listed in art. 148, para. 3, of Decree 58/98 and in Rec. 7.

Accordingly, the outcome of the checks was positive and this was notified to the Board of the Issuer, which acknowledged it at the Board meeting held on 15 March.

As already mentioned with regard to the induction programme initiatives adopted by the Chairman of the Board of Directors, the members of the Board of Statutory Auditors all have technical-regulatory training and experience or helped to form the Issuer and, since then, have always supported or been involved in its internal control activities since they commenced at the Issuer, or have dedicated much time and effort to understanding its business reality.
Given the current composition of the Board of Statutory Auditors, these circumstances mean that it not necessary to prepare special induction programme initiatives, beyond those explained for the Board earlier in this Report. Clearly enough, the Chairman will review this need again when the composition of the Board of Statutory Auditors changes in future.

Remuneration
The remuneration of the Board of Statutory Auditors was approved at the Shareholders' Meeting that elected its members, acting on a proposal from the Board of Directors and consistent with the commitment required, the importance of the role played and the size and sector characteristics of the Issuer.

Management of interests
A statutory auditor who has an interest, directly or on behalf of third parties, in a given transaction carried out by the Issuer must inform the other statutory auditors and the chairman of the Board of Directors, promptly and fully, about the nature, terms, origin and extent of that interest and in accordance with art. 6 of the internal regulation governing related-party transactions; the independent directors are entitled to request deferral of the meeting and the related resolution in order to obtain additional information.

In accordance with procedures described elsewhere in this Report, the Board of Statutory Auditors has, in the performance of its activities, coordinated constantly with the internal audit function and the Control and Risks Committee.

Among other activities, the Board of Statutory Auditors has performed checks on the transactions with related parties and participates actively, via a serving statutory auditor, on the Supervisory Body pursuant to Law 231/2001 of the Issuer and of certain subsidiaries; in addition, the control body has carried out the functions assigned by Decree 39/2010 with reference to monitoring the activities of the auditing firm appointed at the Shareholders' Meeting held on 4 June 2020.

12.0 SHAREHOLDER RELATIONS

Access to information

The Issuer has made two easily identifiable and accessible sections of its website www.elengroup.com available to the shareholders.
The first contains all information about the Issuer of importance to its shareholders, so they can exercise their rights in an aware manner.

The section, called "Investor Relations", is accessible from the home page of the Issuer's website.

Enrico Romagnoli and Managing Director Andrea Cangioli are responsible for managing relations with the shareholders (investor relations managers).

The next section contains information about the additional steps taken to provide timely and easy access to information about the Issuer of importance to its shareholders.

Compatible with the organisation and structure of the Issuer, the Investor Relations team strives to facilitate the participation of shareholders at general meetings and the exercise of their rights, establishing furthermore a constant dialogue with them. The Board arranges convenient dates, times and places - usually the registered office - for meetings and satisfies promptly all legal obligations with regard to the calling of meetings, dissemination of the related notice of meeting, and shareholder attendance.
Pursuant to the provisions of the Code on shareholders' meetings, they are usually attended by all directors and, at that time, the shareholders are given information about El.En. that always complies with the regulations governing price sensitive news.
The Chairman of the Board of Directors and the managing directors have identified Enrico Romagnoli (employee) and Andrea Cangioli (managing director), acting together, as the persons responsible for relations with the institutional investors and the other shareholders. The Investor Relations division is part of the organisational structure of the Issuer, comprising employees who process documents and information of an accounting, administrative and financial nature.
In compliance with the procedure for the communication of documents and information about El.En., this division is responsible for dialogue with the shareholders and the institutional investors, as well as for making suitable documentation available in proper compliance with the law and the "*Regulation for processing the corporate information of El.En. s.p.a.*", especially with regard to inside information.

Dialogue with the shareholders (art. 1, Rec. 3)

The second section of the Issuer's website dedicated to the shareholders, also accessible from the home page at www.elengroup.com, is entitled "*Dialogue with the shareholders*".
This contains the document approved by the Board on 12 November, acting on a proposal from the Chairman, that formalises the policy for managing dialogue with the shareholders as a whole (Rec. 3).
The aim of the proposed policy is to facilitate dialogue between El.En. and its shareholders and investors, promoting an understanding by the shareholders and the market of the business objectives of the Company and the industrial group it controls, as well as communications to align the various interests with a view to pursuing sustainable success.
The procedures for managing the dialogue and reporting of information are carried out in accordance with the "*Regulation for processing the corporate information of El.En. s.p.a.*", in compliance with the provisions of Regulation (EU) 596 dated 16 April 2014, Decree 58 dated 24 February 1998 and the related enabling regulations.
The dialogue policy is published on the Issuer's website (https://elengroup.com/it/politica-azionisti).

13.0 SHAREHOLDERS' MEETINGS (pursuant to art. 123-*bis*, para. 2, letter c), TUF)

Shareholders' meetings are governed by Title III of the Articles of Association (arts. 11-18), which specify - in accordance with the law and other regulatory requirements - their duties, functioning, procedures for convocation, quorums, participation etc. The version of these articles updated to 31 December 2014 is presented below.

<u>Article 11</u>

<u>Shareholders' Meeting</u>

The Shareholders' Meeting, legally convened and quorate, represents all Shareholders and its resolutions, adopted in accordance with the law and the Articles of Association, bind all Shareholders even if not in attendance or dissenting.

The Shareholders' Meeting may be held in ordinary or extraordinary session and even in second or third convocation.

The ordinary Shareholders' Meeting must be called at least once each year, by the legal deadlines, to approve the annual financial statements. The Shareholders' Meeting may be called within onehundredandeighty days of the end of the financial year, for those years in which the Company is required to prepare consolidated financial statements and when required by special, justified reasons relating to the structure and corporate objects of the Company.

The Shareholders' Meeting is also called whenever deemed appropriate by the administrative body or when formally requested by legally-entitled parties, or by the Board of Statutory Auditors or by individual Statutory Auditors, in the manner envisaged in art. 25 of these Articles of Association.

<u>Article 12</u>

<u>Place of Meeting</u>

Shareholders' Meetings are held at the registered office of the Company, or elsewhere in Italy at the address specified in the notice of meeting.

<u>Article 13</u>

<u>Convocation of Meeting</u>

The Shareholders' Meeting is called, usually by the Administrative Body, in compliance with the relevant regulations, by publishing a notice by the legal deadline on the website of the Company and in ITALIA OGGI, a daily newspaper (unless specified otherwise by law).

The notice must state the date, time and place of the meeting, the list of matters on the agenda and the other information envisaged the relevant regulations.

A single notice may contain the meeting dates in first, second and third calling.

<u>Article 14</u>

<u>Participation at Meetings</u>

Participation at Shareholders' Meetings is governed by the relevant laws and regulations in force.

Meetings may be attended by shareholders that are entitled to vote, on condition that the number of shares to be voted has been deposited on the basis and with the timing envisaged by law.

Shareholders entitled to attend the Shareholders' Meeting are entitled to be represented by a written proxy, without prejudice to the mandatory instructions for proxy voting envisaged in Decree 58 dated 24 February 1998 and other applicable instructions. The written proxy, signed electronically, may by sent to the Company by certified e-mail.

The Company does not make recourse to the "Representative designated by companies with listed shares", envisaged in art. 135-undecies of Law 58 dated 24 February 1998.

<u>Article 15</u>

<u>Chairman of the Meeting</u>

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, if absent or unavailable, by the Deputy Chairman; failing this, by the person elected by a majority of the headcount votes cast by the Shareholders present.

The Shareholders' Meeting elects a Secretary, who need not be a Shareholder, and - if deemed appropriate - two scrutineers.

The Secretary is not needed if the minutes are taken by a Notary.

The Meeting Chairman checks that the meeting has been properly convened and is quorate, checking the identity of those present and their right to attend. After making that determination, the validity of the quorum cannot be challenged due to the fact that certain participants have left the meeting.

The Chairman is also responsible for moderating the business of the Shareholders' Meeting, directing and disciplining the discussions and, if necessary, setting limits on the duration of each contribution, for determining the procedures for and the order of voting, as well as for checking the related results, all in full compliance with any Meeting Regulations that, prepared by the Board of Directors and approved at the Shareholders' Meeting, may govern the orderly and functional conduct of both ordinary and extraordinary sessions.

<u>Article 16</u>

<u>Minutes</u>

The resolutions adopted at the Shareholders' Meeting must be recorded in minutes and signed by the Chairman, the Secretary or the Notary and the Scrutineers, if any.

When required by law and, additionally, when deemed appropriate by the Meeting Chairman, the minutes are taken by a Notary.

Article 17

Ordinary Meeting

The Ordinary Meeting, held in first calling, is quorate with the presence of Shareholders representing at least half of the share capital, as calculated in compliance with art. 2368, para. 1, c.c.; it adopts resolutions by an absolute majority of the votes cast.

In second calling, regardless of the share capital represented, the Ordinary Meeting adopts resolutions by an absolute majority of the votes cast on matters that should have been addressed in first calling. Appointment of the Board of Statutory Auditors also complies with the provisions of art. 25 of these Articles of Association.

Postal voting is allowed in accordance with the applicable laws and regulations.

Article 18

Extraordinary Meeting

The Extraordinary Meeting, held in first or second calling, is quorate with the presence of Shareholders representing that portion of capital specified, respectively, in art. 2368, para. 2, and art. 2369, para. 3, c.c. In third calling, the Meeting is quorate with the presence of Shareholders representing at least one fifth of the share capital. Resolutions are adopted, in first, second or third calling, with the votes in favour of at least two thirds of the share capital represented at the Meeting."

Since 2000, the Articles of Association have allowed shareholders to cast postal votes.

The notices of Shareholders' Meeting and related polite communications about the actual date of the meeting are published in the manner envisaged by law, including on the website of the Company and, if requested and allowed, even in extract form in a daily newspaper with broad national distribution (currently ITALIA OGGI).

The largest shareholders of the Issuer sit in the Board and, to date, none of them has submitted proposals to the Shareholders' Meeting on matters for which the directors have not made a specific proposal.

Unless unavailable, the Chairman of the Board chairs the Shareholders' Meeting, explains in detail the proposals and matters on the agenda, and ensures that the business of the Meeting is conducted in an orderly and functional manner.

In this regard, the Shareholders' Meeting held on 15 May 2007 approved the Meeting Regulation prepared by the Board (Criterion 9.C.3), which was amended on 13 May 2011 with regard to participation at Meetings. This need to revise the Meeting Regulation emerged from the amendment made to art. 14 of the Articles of Association, approved at the Shareholders' Meeting held on 28 October 2010, following the changes made by the legislator in Decree 27 dated 27 January 2010 to art. 2370 c.c., regarding the right to attended Meetings and exercise the right to vote, and the addition of art. 83-*sexies* TUF, which introduced the record date concept.

The Meeting Regulation of El.En. s.p.a. presented below is available on the website www.elengroup.com in the section *"Investor Relations/Governance/Statuto e Regolamenti"*

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"MEETING REGULATION OF EL.EN S.P.A.

Art. 1 - Object and scope of application

This regulation governs the orderly and functional conduct of the Shareholders' Meetings of El.En. s.p.a. (the "Company"), whether held in ordinary or extraordinary session.

This regulation can be consulted and is available to the shareholders at the registered office and on the website (www.elen.it in the section on investor relations) of the Company, as well as at the meeting location on each occasion.

Art. 2 - Meeting location and Chairman

The Shareholders' Meeting is held in first, second or third calling at the locations and times established in the notice of meeting published pursuant to art. 13 of the Articles of Association; it is usually chaired by the Chairman of the Board of Directors or, if absent or unavailable, by persons identified pursuant to art. 15 of the Articles of Association.

Art. 3 - Participation at the Meeting

3.1. The right to attend meetings is governed by art. 14 of the Articles of Association, pursuant to which shareholders and persons entitled to attend may participate at the meeting and exercise the right to vote, on condition that the number of shares to be voted has been deposited on the basis and with the timing envisaged by law.

3.2. Upon invitation from the chairman, the Shareholders' Meeting may be attended by employees of the Company, as well as by consultants and representatives of the firm appointed to audit the accounts of the Company, should their presence be deemed useful or appropriate in relation to the matters to be discussed, or functional for the conduct of business.

3.3. Again with consent from the Meeting Chairman and unless voted down by the shareholders present, the Shareholders' Meeting may be attended by experts, financial analysts and journalists who, for that purpose, must send a written request to participate to the Chairman of the Board no later than the second weekday prior to the date fixed for the Meeting.

3.4. Before opening illustration and discussion of the items on the agenda, the chairman informs the Meeting about the participation and attendance at the Meeting of the persons mentioned in paras. 3.2 and 3.3 above.

Art. 4 - Check on the right to participate at the Meeting and access to the meeting location

4.1. Access to the meeting location is restricted to those entitled or authorised to attend pursuant to art. 3 above, on presentation of personal identification and verification of their right to participate at the meeting.

4.2. The personal identification and right to participate at the meeting are checked by duly authorised ancillary personnel positioned at the entrance to the premises where the meeting will be held. In general, this procedure starts thirty minutes prior to the time fixed for the meeting, unless stated otherwise in the notice of meeting.

4.3. Persons entitled to participate at the meeting show the ancillary personnel positioned at the entrance to the meeting location both a personal identification document and the certification specified in the notice of meeting. Following identification and the check envisaged in para. 4.2 above, the ancillary personnel give those attending a pass to be retained for the entire time while participating in the business of the meeting, which must be returned to the ancillary personnel on leaving the meeting location, even if only temporarily.

4.4. In order to accelerate checks on the powers of representation held, those attending the meeting as a legal or voluntary representative of the shareholders or other parties entitled to vote, may deliver the documentation evidencing those powers to the Company during the two days prior to the date fixed for the meeting.

4.5. With the exception of any audio-visual equipment authorised by the chairman in order to assist minute-taking and the documentation of meeting business, it is forbidden to use recording devices of any kind (including mobile phones), cameras and similar, on the premises in which the meeting is held.

Art. 5 - Formation of the Meeting and start of business

5.1. The Meeting Chairman is assisted with the preparation of minutes by a secretary, who need not be shareholder, appointed at the meeting on a proposal from the chairman, or by a notary or, if required by law, by two scrutineers designated in the same way, who also need not be shareholders. The secretary of the notary may be assisted by persons in their trust and, as an exception to the provisions of art. 4.5 with prior authorisation from the chairman, by audio-visual recording equipment.

5.2. The chairman is responsible for checking and noting the proper nature of each proxy and, in general, the right of those present to participate at the meeting and, therefore, for checking and declaring the meeting to be quorate. The chairman may establish a chairman's office with the task of helping him to check the rights of those present to attend and vote, as well as with regard to certain specific meeting procedures.

The chairman resolves any objections concerning the right to participate.

5.3. The Meeting Chairman may arrange for specifically authorised ancillary personnel to provide marshalling services.

5.4. Should the shareholders present not reach the proportion of share capital needed for a meeting quorum pursuant to the provisions of arts. 17 and 18 of the Articles of Association, the Meeting Chairman - after waiting for a reasonable time and, in all cases, not less than one hour from the time fixed for the start of the meeting - informs those present and defers examination of matters on the agenda to the next calling.

5.6. After determining that the meeting is quorate, the Meeting Chairman declares it open for business.

Art. 6 - Discussion of matters and proposals on the agenda

6.1. The Meeting Chairman explains to those present the matters and proposals on the agenda, with support - should he deem it appropriate - from the directors, statutory auditors and employees of the Company. The matters and proposals may be discussed in a different order approved, on a proposal from the chairman, by a majority of the share capital represented; similarly, proposals by the chairman to combine discussions, in whole or in part, may also be approved.

6.2. The Meeting Chairman moderates the business, directing and disciplining discussions and the right to speak, and establishes procedures and even time limits for each contribution.

The Meeting Chairman is entitled: to solicit the conclusion of contributions that exceed the time limit or are not relevant to the agenda item or proposal under discussion; reclaim the floor from persons who speak without having the right or who carry on despite a request to conclude; shut down words and attitudes that are inappropriate, spurious, aggressive, insulting, verbose or clearly excessive, reclaiming the floor when he deems it appropriate and, in the most serious cases, arranging for the ejection of anyone from the meeting for the entire period of the discussion.

6.3. Requests to speak by those present on individual matters on the agenda are made to the chairman, who usually gives the floor in the order in which the requests to speak were made. Persons requesting the floor are later entitled to reply briefly.

6.4. The Meeting Chairman or, at his request, the directors, statutory auditors, employees or consultants of the Company, generally reply after all contributions have been made on the agenda item under discussion. Members of the administrative body or the Board of Statutory Auditors may request to speak on the matters under discussion.

6.5. In order to respond adequately or reply to the considerations expressed, having regard for the nature and importance of the matters and proposals under discussion, the Meeting Chairman may at his sole discretion suspend business for a period not exceeding two hours.

6.6. Following all contributions, answers and replies, the Chairman declares the discussions closed and puts the proposals to the vote.

Art. 7 - Voting and close of business

7.1. Voting usually takes place, in order of business, on each agenda item and related proposed resolution, unless determined otherwise by the Meeting Chairman, who may arrange for voting to take place in a different order or after closing the discussion of all or some matters.

7.2. Prior to the start of voting, the Meeting Chairman readmits those he desires from among the shareholders who were ejected or left during the discussion phase.

7.3. Unless specifically required otherwise by law, voting is conducted by open ballot.

7.4. The Meeting Chairman establishes the procedure for casting votes, normally by show of hands, and for recognising and counting the votes; he may also fix a time limit for the casting of votes.

After the completion of voting, the counts are checked and the chairman, assisted by the secretary or the notary and any scrutineers appointed, declares the result.

7.5. Votes not cast in the manner indicated by the Meeting Chairman are void.

7.6. Shareholders who vote against or abstain must, at the time of voting, make their names known together with the number of shares that they hold or represent. After dealing with all items on the agenda, the Meeting Chairman declares the meeting closed and formalises documentation of the minutes.

Art. 8 - Final provisions

8.1. This Regulation was approved pursuant to art. 15 of the current Articles of Association at the Ordinary Shareholders' Meeting held on 15 May 2007; it may only be amended or abrogated by resolution adopted at another such meeting.

8.2. In addition to the provisions of this Regulation, the Chairman may adopt all measures that he deems appropriate to ensure the proper and functional conduct of business at the meeting and the exercise by attendees of their rights."

The Board reported on the work performed and planned at the Shareholders' Meeting held to approve the financial statements for 2020. In addition, at the Shareholders' Meeting held during the year, every effort was made to provide adequate information to the shareholders about the elements needed to make informed decisions on the matters addressed, not least by making the documentation and proposed resolutions available to them by the established deadlines.

In terms of guaranteeing the right of each shareholder to speak on the matters under discussion, the Meeting Chairman - in practice, in accordance with the above Meeting Regulation and as evidenced in the minutes - invites those present to intervene in the discussion held after each item on the agenda has been explained.

The Remuneration Committee, present and available at the Shareholders' Meeting, considers that the shareholders are adequately informed by the contents of the Remuneration Report and this Report.

During the year, the market capitalisation of the shares of the Issuer varied considerably, while the presence of long-standing shareholders within the ownership structure of the Company remained (overall) essentially unchanged.

Accordingly, the Board has not considered it necessary to propose amendment at the Shareholders' Meeting of the percentages specified in the Articles of Association for exercising the rights and prerogatives that protect minority investors.

This decision is partly based on the fact that the Articles of Association reference the law and current regulations for determining the percentage interest in share capital needed to exercise the rights and prerogatives that protect minority investors.

With reference to the Shareholders' Meeting called to approve the separate financial statements for 2021 and to elect the new control body, the Company will ensure adoption of all the measures specified by the government, especially in Decree 18 dated 17 March 2020, as enacted with amendments by Law 27 dated 24 April 2020, and in the decrees and/or directives issued by the competent (national or regional) authorities that are in force at the time of the Shareholders' Meeting to safeguard the health of attendees.

14.0 ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-*bis*, para. 2, letter a), TUF)

There are no other corporate governance practices to disclose, beyond those indicated in the above points.

15.0 CHANGES SINCE THE END OF THE REPORTING PERIOD

There have not been any other changes in the corporate governance structure.

16.0 CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations contained in the letter received from the Chairman of the Corporate Governance Committee (the "2020 Letter") were drawn to the attention of the Board and the Board of Statutory Auditors, by e-mail, immediately it was received on 22 December 2020.
This document, sent to issuers, contained a review of all the recommendations made to them in the past four years, giving a number of specific indications for areas in which significant weaknesses remain and that need to be overcome, in order to apply better the most innovative aspects of the New Code.
The document was examined by the Control and Risks Committee on 12 February 2021 and then by the Board on 15 March 2021. The recommendations expressed were taken into due account when working to apply and align with the contents of the Code. The benefits, reflected in the various corporate governance practices and procedures described in this Report, are part of the continuous evolution of the system of corporate governance pursued constantly by the Issuer.

The letter data 3 December 2021 was also drawn to the attention of the Board and the Board of Statutory Auditors, by e-mail, immediately on receipt. It was analysed at the meeting of the Control and Risks Committee held on 7 March and them examined by the Board on 15 March 2022, in order to plan the any activities deemed necessary during 2022. Specifically, the following areas for improvement identified at this time will be examined at committee level during the year:
- assess the feasibility of establishing additional clear rules for determining the end-of-mandate indemnity of the general manager;
- consider including in the Articles of Association, with the expedients recommended by Consob in Note 1/22 dated 21 January 2022, the ability of the Board to present its own candidate lists;
- improve further the variable remuneration policy adopted, including the addition of predetermined and measurable non-financial parameters linked to the sustainability strategy.

For the Board of Directors
The Chairman - Gabriele Clementi

TABLES

TABLE 1 - INFORMATION ON THE OWNERSHIP STRUCTURE

based on information available to the Issuer on 31 December 2021

STRUCTURE OF SHARE CAPITAL				
	No. shares	% of share capital	Listed	Rights and obligations
Ordinary shares (state if increased voting rights are possible)	79,810,088	100%	Milan Stock Exchange	Ordinary, by law
Preference shares	0			
Shares with multiple votes	0			
Other categories of share with voting rights	0			
Savings shares	0			
Convertible savings shares	0			
Other categories of share without voting rights	0			
Other	0			

OTHER FINANCIAL INSTRUMENTS *(assigning the right to subscribe to newly-issued shares)*				
	Listed (indicate markets) / not listed	No. outstanding instruments	Category of shares to service conversion/exercise	No. shares to service conversion/exercise
Convertible bonds	= = =	0	= = =	0
Warrants	= = =	0	= = =	0

SIGNIFICANT INTERESTS IN THE SHARE CAPITAL based on information obtained by the Issuer from the TUF 120 forms received by 31 December 2021*			
Declarant	Direct shareholder	% of ordinary capital	% of voting capital
ANDREA CANGIOLI	ANDREA CANGIOLI	14.746	14,746
ALBERTO PECCI	S.M.I.L. s.r.l.	10.083	10.083
GABRIELE CLEMENTI	GABRIELE CLEMENTI	9.581	9.581
IMMOBILIARE DEL CILIEGIO	IMMOBILIARE DEL CILIEGIO s.r.l.	7.265	7.265
KEMPEN ORANJE PARTICIPATIES N.V.	KEMPEN ORANJE PARTICIPATIES N.V.	7.418	7.418
KEMPEN INTERNATIONAL FUNDS	KEMPEN ORANJE PARTICIPATIES N.V.	0.325	0.325
ALBERTO PECCI	ALBERTO PECCI	0.334	0,334

* the percentages reflect the certifications deposited for attendance at the Shareholders' Meeting held on 4 June, the TUF 120 forms received during the year; the changes include the effect of exercising options pursuant to the 2016-2025 Stock Option Plan

TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS ON THE REPORTING DATE

Board of Directors													
Office	Members	Year of birth	Date first appointment	In office from	In office until	List of sub-mitters	List (M/m)	Exec.	Non-Exec.	Ind., Code	Ind., TUF	No. other appoint-ments	% meeting attendance
Chairman and Managing Director	Gabriele Clementi	1951	5 September 2000	27 April 2021	Approval 2023 FS	Shareholders	M	X				0	9/9
Managing Director ●	Andrea Cangioli	1965	5 September 2000	27 April 2021	Approval 2023 FS	Shareholders	M	X				0	9/9
Managing Director	Barbara Bazzocchi	1940	5 September 2000	27 April 2021	Approval 2023 FS	Shareholders	M	X				0	9/9
Director ○	Fabia Romagnoli	1963	2015	27 April 2021	Approval 2023 FS	Shareholders	M		X	X	X	0	9/9
Director	Daniela Toccafondi	1962	27 April 2021	27 April 2021	Approval 2023 FS	Shareholders	M		X	X	X	0	9/9
Director	Alberto Pecci	1940	2002	27 April 2021	Approval 2023 FS	Shareholders	M		X			0	7/9
Director	Michele Legnaioli	1964	5 September 2000	27 April 2021	Approval 2023 FS	Shareholders	M		X	X	X	0	9/9

Number of meetings held during the year: 9

Quorum required for the presentation of minority lists for the election of one or more members (pursuant to art. 147-*ter* TUF): 2.5% (2021); 1% (2022)

NOTES

The following symbols must be included in the "Office" column:
• This symbol indicates the director responsible for the system of internal control and risk management.
○ This symbol indicates the Lead Independent Director (LID).
(*) The date of first appointment of each director is the date on which that director was appointed for the very first time to the Board of Directors.
(**) This column indicates if the list from which each director was drawn was submitted by shareholders ("Shareholders") or the Board ("Board").
(***) This column reports the list from which each director was drawn ("M": majority; "m": minority).
(****) This column reports the number of appointments held by the person concerned as a director or statutory auditor of other listed or large companies. The appointments are detailed in full in the Report on corporate governance.
(*****) This column reports the attendance of directors at Board meetings (indicate the number of meetings attended with respect to the total number of meetings held; e.g. 6/8; 8/8 etc.)

TABLE 3: COMPOSITION OF BOARD COMMITTEES ON THE REPORTING DATE

Board		Executive Committee		RPT Committee		Control and Risks Committee		Remuneration Committee		Nominations Committee		Sustainability Committee	
Position/Status	**Members**	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the Board	Name and Surname	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CEO	Name and Surname	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Director - Independent, TUF and/or Code	Fabia Romagnoli			6/6	M	6/6	M	5/5	C	2/2	M	6/6	M
Non-Executive Director - Independent, TUF and/or Code	Michele Legnaioli			6/6	C	6/6	C	5/5	M	2/2	M	6/6	C
Non-Executive Director - Independent, TUF and/or Code	Daniela Toccafondi			5/6	M	5/6	M					5/6	M
Non-Executive Director - not independent	Alberto Pecci			5/6	M	5/6	M	4/5	M	2/2	C	5/6	M
DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR (NOT APPLICABLE)													
Executive/Non-Executive Director - Independent, TUF and/or Code / not independent	Name and Surname												
ANY MEMBERS WHO ARE NOT DIRECTORS (NOT APPLICABLE)													
Executive of the Issuer/Other	Name and Surname												
Number of meetings held during the year		N/A		6		6		5		2		6	

NOTES: The committee for control and risks, related-party transactions and sustainability met 6 times in total.
(*) This column reports the attendance of directors at committee meetings (indicate the number of meetings attended with respect to the total number of meetings held; e.g. 6/8; 8/8 etc.).
(**) This column reports the role of the director on the committee: "C": Chairman; "M": Member.

With regard to the meetings of the committee for control and risks, related-party transactions and sustainability, this is just one committee comprising four directors that met 6 times in total, dealing on a case-by-case basis with the items on the agenda.

TABLE 4: COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office until	List (M/m)	Independence, Code	% participation at BSA meetings	No. other appointments in companies listed on Italian regulated markets
Chairman	Vincenzo Pilla	15 May 2019	Approval FS 2021	M	X	100%	0
Serving Auditor	Paolo Caselli	15 May 2019	Approval FS 2021	M	X	100%	0
Serving Auditor	Rita Pelagotti	15 May 2019	Approval FS 2021	M	X	82%	0
Alternate Auditor	Daniela Moroni	15 May 2019	Approval FS 2021	M	X	= =	0
Alternate Auditor	Gino Manfriani	15 May 2019	Approval FS 2021	M	X	= =	0
AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR							
None							
Number of meetings held during 2021: 11 (eleven)							
CONSOB Decision 60 dated 28 January 2022 fixed at 1.00% of share capital the ownership needed in order to present lists.							

ATTACHMENTS

Attachment 1: Section on "Main features of the systems of internal control and risk management applied in relation to the separate and consolidated financial reporting process", pursuant to art. 123-bis, para. 2, letter b), TUF

This document describes the "main features of the systems of internal control and risk management applied in relation to the separate and consolidated financial reporting process", pursuant to art.123-*bis*, para. 2, letter b) TUF (hereinafter, the "System").

***

1) <u>Introduction</u>

The Issuer has defined its own system of internal control and risk management in relation to the financial reporting process, making reference in accordance with international best practice to the CoSO Framework, devised by the Committee of Sponsoring Organizations of the Treadway Commission (as supplemented for IT matters by the CoSO Enterprise Risk Management (ERM) Framework), and the Confindustria Guidelines.
The CoSO Report defines internal control as the process, implemented by the Board of Directors, management and all personnel, designed to provide reasonable assurance about achievement of the following business objectives:

- effective and efficient operating activities (operations);
- reliable financial disclosures (reporting), in order to ensure that they present a true and fair view of the economic and financial position, in accordance with generally accepted accounting standards;
- compliance with applicable laws and regulations (compliance).

The control system of the Issuer rests on the following main pillars:

Control environment: the environment in which individuals operate, representing the control culture that permeates the organisation. This comprises the following elements: Code of Ethics, Corporate organisation chart, System of mandates and delegated powers, Organisational instructions, Procedure for complying with the internal dealing obligations, Consolidated Non-Financial Statement, Manual for the protection of personal data (GDPR), Risk Assessment Document (DVR), Integrated Management System Manual. Organisational Model pursuant to Decree 231/2001 and the Environmental, Human Rights and Anti-Corruption Policies.

Identification and assessment of risks: the process that ensures the identification, analysis and management of business risks, with particular reference to the analysis of administrative-accounting risks linked to accounting disclosures and the controls intended to contain them.

Control activities: the set of control practices and procedures implemented to contain business risks and reduce them to an acceptable level, while guaranteeing achievement of the established business objectives. They comprise the following elements:

i. *Administrative-accounting procedures*: set of business procedures involved in the preparation and dissemination of accounting information (e.g. administrative-accounting procedures relating, in particular, to the financial statements, periodic reporting and the administrative-accounting control matrices);

ii. Business procedures involved in the prevention and monitoring of operational risks, such as the quality management system ISO 9001:2015, ISO 13485:2016 MDSAP and Directive 93/42/EEC (already in part replaced by the European Medical Devices Regulation (EU) 2017/745 - MDR).

Monitoring and reporting: the process followed to ensure the accurate and timely collection and communication of information, as well as the set of activities needed to check and periodically assess the adequacy, operation and effectiveness of the internal controls. Here, the focus is on the process of assessing the adequacy and effective application of the procedures and controls applied to the accounting information, so that the Director responsible for the system of internal control and risk management and the Responsible Executive can issue the attestations and declarations required pursuant to art. 154-*bis* TUF.

***

2) Description of the main features of the systems of internal control and risk management applied in relation to the financial reporting process

The system of internal control applied in relation to the financial reporting process seeks to guarantee the credibility, accuracy, reliability and timeliness of financial disclosures.

a) Phases of the system of the internal control and risk management applied in relation to the financial reporting process

The main features of the system of internal control applied in relation to the financial reporting process are described below:

a.1) Identification and assessment of financial reporting risks:

The process of identifying and assessing the risks (risk assessment) associated with accounting and financial reporting is carried out by the Responsible Executive, and discussed with the Director responsible for the system of internal control and risk management and the Control and Risks Committee.

The risk assessment process involves the following activities:

- **analysis and selection of the significant accounting information** disseminated to the market (analysis of the latest financial statements or the latest available half-yearly report of the parent company and the group, in order to identify the main risk areas and significant related processes);
- **identification of significant subsidiaries and the significant administrative-accounting areas**, for each item reported in the consolidated financial statements, based on the quantitative criteria defined;
- **identification and assessment of the inherent risk** affecting the significant administrative-accounting areas, as well as the related input processes/accounting flows, based on an analysis of quali-quantitative indicators;
- **communications**, to the functions involved of the **action areas** for which it is necessary to prepare and/or update administrative-accounting procedures.

a.2) Identification of controls addressing the risks identified:

The risk assessment was followed by identifying specific controls that reduce to an acceptable level the risks associated with failure to achieve the System objectives at both corporate and process level. For this purpose, the Issuer has defined so-called "Administrative-accounting control matrices" within the system of administrative-accounting procedures; these documents describe the control activities existing within each significant administrative-accounting process. The controls described in the matrices are an integral part of the Issuer's system of administrative-accounting procedures.

At the process level, specific controls have been identified including checks on proper accounting recognition with reference to supporting documentation, the issue of authorisations, the completion of reconciliations and the performance of consistency checks. In addition, the controls identified at the process level have been classified, based on their characteristics, as either manual or automatic.

At corporate level, "pervasive" controls have been identified, being controls applying to the entire organisation including the assignment of responsibilities, the distribution of powers and the assignment of tasks, as well as the general controls existing over the IT systems and the segregation of duties.

a.3) Assessment of controls addressing the risks identified:

The verification and periodic assessment of the adequacy, operation and effectiveness of the administrative-accounting controls comprises the following phases:

- **Continuous supervision** by corporate/function management in the context of routine operations;

- **Performance of control and monitoring activities** intended to assess the design and effective operation of the controls in place. These activities are carried out by the Responsible Executive, who is assisted in the performance of tests by personnel in the Finance Department and external consultants.

The outcome of the above checks on the adequacy and operation of the system of accounting control was documented in a report on the effectiveness of the System that, after agreement with the Director responsible for the system of internal control and risk management, was communicated by the Responsible Executive to the Control and Risks Committee and the Board of Statutory Auditors, in its role as the Internal Control Committee.

B) Roles and Functions involved

The principal responsibilities identified in order to guarantee the proper functioning of the System are indicated below:

• the ***Board of Directors*** is responsible for appointing the Executive responsible for preparing corporate accounting documents; ensuring that the Responsible Executive satisfies adequate requirements (in terms of authority, professionalism and independence) and has the powers and resources needed to perform the duties assigned; establishing periodic information flows, so that the Responsible Executive can report on the results of the work performed and any issues identified, not least in order to agree the actions needed to overcome and significant problems. In the performance of its functions, the Board is assisted by the ***Control and Risks Committee,*** which gives advice and makes proposals in various areas, including on the administrative-accounting system of internal control;

• the ***Board of Statutory Auditors*** performs the function of the Internal Control and Audit Committee, with the duties and responsibilities specified in art. 19 of Decree 39/2010.

• the ***Director*** *responsible for the system of internal control and risk management* takes responsibility for implementing and monitoring the system of internal control, with particular reference to the administrative-accounting procedures; validates, together with the Responsible Executive, the results of the periodic risk assessments; assesses, having regarding for the investigations carried out by the Responsible Executive, the effectiveness of the procedures implemented; review all the "other financial information" disclosed to the market;

• the ***Executive responsible*** *for preparing corporate accounting documents* is, in addition to the responsibilities accepted jointly with the Director responsible for the system of internal control and risk management, responsible for assessing and monitoring the adequacy and operation of the administrative-accounting system of internal control, by carrying out investigative work.

• the ***Internal Auditor*** responsible for performing checks on the financial reporting area verifies, in compliance with international standards, the operation and suitability of the system of internal control and risk management as it relates to the financial reporting process, both continuously and in response to specific needs.

• the ***Supervisory Body*** is responsible for monitoring compliance with the Organisational Model pursuant to Decree 231/2001, including respect for the procedures established by the Issuer for the prevention of corporate offences.

EL. EN. GROUP CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31st 2021

FINANCIAL CHARTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial position

Assets	Note		31/12/2021		31/12/2020
Intangible assets	1		4.913.725		4.487.744
Tangible assets	2		100.821.759		85.576.374
Equity investments	3				
- in associated companies		918.042		955.564	
- other		1.031.420		1.035.420	
Total Equity investments			1.949.462		1.990.984
Deferred tax assets	4		10.364.271		9.296.749
Other non-current assets	4		18.598.512		15.486.016
Total non current assets			**136.647.729**		**116.837.867**
Inventories	5		155.939.226		111.593.640
Accounts receivable	6				
- third parties		145.785.080		93.159.079	
- associated companies		988.787		849.451	
Total Accounts receivable			146.773.867		94.008.530
Tax receivables	7		15.725.494		11.031.771
Other receivables	7				
- third parties		12.893.340		12.833.998	
- associated companies		261.565		322.685	
Total Other receivables			13.154.905		13.156.683
Securities and other current financial assets	8		1.090.700		-
Cash and cash equivalents	9		181.362.812		123.744.217
Total current assets			**514.047.004**		**353.534.841**
Total Assets			**650.694.733**		**470.372.708**

Liabilities	Note		31/12/2021		31/12/2020
Share capital	10		2.593.828		2.549.589
Additional paid in capital	11		46.840.698		42.556.321
Other reserves	12		88.076.501		93.667.795
Treasury stock	13		-		-
Retained earnings / (accumulated deficit)	14		86.424.921		66.391.080
Net income / (loss)			45.436.387		20.255.146
Group shareholders' equity			**269.372.335**		**225.419.931**
Minority interest			18.328.877		15.244.569
Total shareholders' equity			**287.701.212**		**240.664.500**
~Passività per benefici ai dipendenti	15		5.100.689		5.147.074
Deferred tax liabilities	16		2.505.548		2.210.480
Other accruals	17		10.469.905		5.716.769
Financial debts and liabilities	18				
- third parties		36.982.045		30.763.330	
Total Financial debts and liabilities			36.982.045		30.763.330
Other non current liabilities					
Accounts payable third parties - non current		697.227		-	
Other payables - non current		5.486.870		5.000.000	
Total Other non current liabilities	18		6.184.097		5.000.000
Total non current liabilities			**61.242.284**		**48.837.653**
Financial liabilities	19				
- third parties		23.522.190		23.827.095	
Total Financial liabilities			23.522.190		23.827.095
Accounts payable	20				
- third parties		158.065.656		94.909.844	
- associated companies		6.000		13.600	
Total Accounts payable			158.071.656		94.923.444
Income tax payables	21		9.905.819		2.944.543
Other current payables	21				
- third parties		110.251.572		59.175.473	
Total Other current payables			110.251.572		59.175.473
Total current liabilities			**301.751.237**		**180.870.555**
Total Liabilities and Shareholders' equity			**650.694.733**		**470.372.708**

Consolidated Income Statement

Income Statement	Note		31/12/2021		31/12/2020
Revenues	22				
- third parties		570.801.778		407.118.895	
- associated companies		600.376		964.397	
Total Revenues			571.402.154		408.083.292
Other revenues and income	23				
- third parties		5.934.984		5.608.425	
- associated companies		51.789		125.909	
Total Other revenues and income			5.986.773		5.734.334
Revenues and income from operating activity			**577.388.927**		**413.817.626**
Purchase of raw materials	24				
- third parties		358.601.490		255.210.640	
Total Purchase of raw materials			358.601.490		255.210.640
Changes in inventory of finished goods			(21.425.483)		(12.751.485)
Change in inventory of raw material			(19.254.617)		(3.156.387)
Direct services	25				
- third parties		47.394.512		32.877.479	
Total Direct services			47.394.512		32.877.479
Other operating services and charges	25				
- third parties		47.805.521		34.119.004	
- associated companies		6.000		12.000	
Total Other operating services and charges			47.811.521		34.131.004
Staff cost	26		84.170.078		66.692.366
Depreciation, amortization and other accruals	27		15.233.726		10.702.675
EBIT			**64.857.700**		**30.111.334**
Financial charges	28				
- third parties		(885.004)		(642.577)	
Total Financial charges			(885.004)		(642.577)
Financial income	28				
- third parties		935.306		840.971	
- associated companies		924		4.305	
Total Financial income			936.230		845.276
Exchange gain (loss)	28		1.700.277		(1.964.902)
Share of profit of associated companies			(195.348)		(424.735)
Other income	29		10.166		-
Income (loss) before taxes			**66.424.021**		**27.924.396**
Income taxes	30		17.299.636		5.382.041
Income (loss) for the financial period			**49.124.385**		**22.542.355**
Net profit (loss) of minority interest			3.687.998		2.287.209
Net income (loss)			**45.436.387**		**20.255.146**

Basic net income/(loss) per share	31	0,57	0,26
Diluted net income/(loss) per share	31	0,57	0,25

Consolidated statement of comprehensive income

	Note	31/12/2021	31/12/2020
Reported net (loss) income (A)		49.124.385	22.542.355
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans		122.837	(218.178)
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments		2.493.571	(650.257)
Total other income/(loss), net of fiscal effectes (B)		2.616.408	(868.435)
Total comprehensive (loss) income (A)+(B)		51.740.793	21.673.921
Referable to:			
Parent Shareholders		47.641.680	19.612.009
Minority Shareholders		4.099.113	2.061.912

Consolidated cash flow statement

Cash flow statement	Note	31/12/21	di cui con parti correlate	31/12/20	di cui con parti correlate
Operating activity					
Income (loss) for the financial period		**49.124.385**		**22.542.355**	
Amortizations and depreciations	27	8.709.925		7.899.157	
Interest income	28	912.066		835.598	
Intererst Expense	28	(838.188)		(606.243)	
Income tax paid		(9.564.627)		(8.008.275)	
Gain/Loss on financial investments and equity investments	29	(10.166)		0	
Share of profit of associated companies		195.348	195.348	424.735	424.735
Write-downs for impairment losses	27-29	0		0	
Stock Option Share payment loss		156.075		2.359.361	
Severance indemnity	15	114.939		125.189	
Provisions for risks and charges	17	4.444.844		1.232.132	
Bad debt reserve	6	951.925		1.291.566	
Deferred income tax assets	4	(945.616)		(2.655.510)	
Deferred income tax liabilities	16	308.493		206.830	
Inventories	5	(40.537.672)		(15.531.668)	
Accounts receivable	6	(51.775.083)	(135.171)	(3.848.997)	(34.225)
Tax receivables / payables	7-21	12.959.701		8.580.682	
Other receivables	7	(1.270.865)		(506.000)	
Accounts payable	20	59.123.677	(7.600)	17.344.048	(4.400)
Other payables	21	47.902.857		7.589.604	(70.781)
Other non- monetary variations from operating activity		(480.586)		168.541	
Cash flow generated by operating activity		**79.481.432**		**39.443.105**	
Investment activity					
Tangible assets	2	(14.729.090)		(11.069.915)	
Intangible assets	1	(1.400.523)		(351.101)	
Equity investments, securities and other financial assets	3-4-8	(4.432.775)	(159.937)	1.894.122	(13.245)
Financial receivables	4-7	151.924	66.219	(126.552)	(200.000)
Other non- monetary variations from investing activity		183.320		(12.412)	
Cash flow generated by investing activity		**(20.227.144)**		**(9.665.858)**	
Financing activity					
Non current financial liabilities	18	2.470.548		14.059.637	
Current financial liabilities	19	(867.808)		7.336.808	
Capital increase	10	4.328.616		1.137.321	
Dividends paid	32	(9.414.328)		(113.541)	
Other non- monetary variations from financing activity		(22.835)		706.689	
Purchase of a minority quota of a subsidiary company				(25.644.870)	
Cash flow generated by financing activity		**(3.505.807)**		**(2.517.956)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**1.870.116**		**(546.036)**	
Increase/(decrease) in cash and cash equivalents		**57.618.596**		**26.713.255**	
Cash and cash equivalents at the beginning of the financial period		**123.744.217**		**97.030.962**	
Cash and cash equivalents at the end of the financial period		**181.362.812**		**123.744.217**	

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	**31/12/2019**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2020**
Share capital	2.537.965			11.624		2.549.589
Additional paid in capital	41.430.624			1.125.697		42.556.321
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	82.477.079	5.833.175				88.310.254
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	303.727				-487.722	-183.995
Other reserves	4.360.563	-8		247.941	-30.919	4.577.577
Retained earnings / (accumulated deficit)	64.336.515	20.183.580		-18.004.519	-124.496	66.391.080
Net income / (loss)	26.016.748	-26.016.748			20.255.146	20.255.146
Total Group shareholders' equity	222.427.180			-16.619.258	19.612.009	225.419.931
Capital and reserve of minority interest	15.447.738	2.758.544	-113.541	-4.910.084	-225.297	12.957.360
Result of minority interest	2.758.544	-2.758.544			2.287.209	2.287.209
Total Minority interest	18.206.282		-113.541	-4.910.084	2.061.912	15.244.569
Total shareholders' equity	240.633.462		-113.541	-21.529.342	21.673.921	240.664.500

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

For details, see Notes 10 to 14..

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Consolidated Financial Statement for the El.En. Group was examined and approved by the Board of Directors on March 15th 2022.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT

The consolidated financial statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*

The Group has drafted the financial statement on the assumption that the business activity of the Group will continue.

This Consolidated Financial Statement consists of:

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

The economic information given refers to the financial years 2021 and 2020. The financial information on the other hand refers to the situations on December 31st 2021 and December 31st 2020.

The Parent Company El.En. S.p.A. has assigned the task of auditing the consolidated accounts as of December 31st 2021 to the Independent Auditors EY S.p.A.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The financial statement as of December 31st 2021 has been drafted using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED SINCE JANUARY 1ST 2021

The accounting standards adopted for drafting the consolidated financial statement are in conformity with those used for drafting the consolidated financial statement as of December 31st 2020, except for the adoption of the mew standards and modifications in force starting on January 1st 2021. The Group has not adopted in advance any of the new standards, interpretations or modifications issued but not yet in force.

The modifications which are applicable for the first time starting on January 1st 2021 are shown below:

Interest Rate Benchmark Reform – Phase 2: Modifications to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The modifications include a temporary relief for the requirements with reference to the effects on the financial statements in the moment that the interest rates offered on the inter-bank market (IBOR) are replaced by an alternative tax that is substantially risk-free (Risk Free Rate- RFR):

The modifications include the following practical expedients:

- A practical expedient which makes it possible to consider contractual changes or changes in cash flow which are directly required by the reform, to be treated as variations in a variable interest rate equivalent to an interest rate on the market.
- Makes it possible for the changes required by the IBOR reform be conducted as part of the hedging designation and hedging documentation without having the hedging relation be discontinued;
- Supplies temporary relief of the entity from having to respect the requirements for the separate identification when an RFR is designated as a hedge for a risk component.

The adoption of this amendment did not have any effect on the consolidated financial statement of the Group.

Modification to IFRS 16 Covid-19 Related Rent Concessions after June 30th 2021

On May 28th 2020 the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document gives the leases the possibility of accounting the reductions of rents related to Covid-19 without having to evaluate, through the analysis of the contracts, if the definition of lease modification of IFRS 16 has been respected. Consequently, the leases who apply this facilitation can enter into accounts the effects of the reduction of the rents directly into the income statement on the date that the reduction becomes effective. This modification will be applied to statements starting on June 1st 2020 but the Group has taken advantage of the possibility of applying it in advance starting on January 1st 2020. In 2021, considering the situation with the pandemic still raging, the IASB postponed the period of application of the practical expedient until June 30th 2022.

The adoption of this amendment did not have any effect on the consolidated financial statement of the Group.

Accounting standards, IFRS and IFRIC amendments and interpretations issued by the IASB and not yet approved by the European Union:

On the date of the approval of the financials for this year, the competent commissions of the European Union had not yet concluded the approval process necessary for the adoption of the following standards and amendments.

Description	Approved by the date of this statement	Date the standard enters into force
Amendments to IAS 1 Presentation of Financial Statements: • Classification of Liabilities as Current or Non-Current- Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) • Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	NO	Jan. 1st 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	NO	Jan. 1st 2023

No significant impact is expected on the financials of the Group from the future applications of these standards and amendments.

The chart below shows the other standards or modifications approved by the European Union, which are not yet obligatory and were not yet adopted by the Group as of December 2021:

Description	**Approved by the date of this statement**	**Date the standard comes into force**
Amendments to IFRS 3: Business Combination (issued in May 2020)	YES	Jan. 1st 2022
Amendments to IAS 16: Property, plant and equipment (issued in May 2020)	YES	Jan. 1st 2022
Amendments to IAS 37: Provisions, contingent liabilities and contingent assets (issued in May 2020)	YES	Jan. 1st 2022
IFRS 1, IFRS 9, IFRS 16, IAS 41 : Annual improvements 2018-2020 (issued in May 2020)	YES	Jan. 1st 2022
Definition of Accounting Estimates (Amendment to IAS 8) (issued in February 2021)	YES	Jan. 1st 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) (issued in February 2021)	YES	Jan. 1st 2023

The Group did not adopt in advance any new standards, interpretations or modifications that were issued but at not yet in force. No significant impact is expected on the financials of the Group from the future applications of these standards and amendments.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated financial statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. controls directly or indirectly through a majority of votes in the ordinary assembly.

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

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

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

- Contractual agreements with others having voting rights;
- Rights derived from contractual agreements;
- 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 December 31st 2021, 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	2.593.828				
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%	82,83%
Deka Mela S.r.l.		Calenzano (ITA)	EUR	40.560	85,00%		85,00%	85,00%
Esthelogue S.r.l.	2	Calenzano (ITA)	EUR	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-Chutian Laser (Wuhan) Co., Ltd	6	Wuhan (CHINA)	CNY	20.483.763		100,00%	100,00%	82,83%
Penta-Laser Equipment Wenzhou Co., Ltd	7	Wenzhou (CHINA)	CNY	45.256.782		83,76%	83,76%	82,83%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	BRL	8.138.595	98,27%		98,27%	98,27%
Pharmonia S.r.l.		Calenzano (ITA)	EUR	50.000	100,00%		100,00%	100,00%
Merit Due S.r.l.	8	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	98,89%
Galli Giovanni & C. S.r.l.	9	Cassano Magnago (ITA)	EUR	31.200		70,00%	70,00%	70,00%
Lasit Laser Polska	10	Tychy (POL)	PLN	9.795		65,00%	65,00%	45,50%
Penta Laser Technology (Shangdong) Co., Ltd.	11	Linyi (CHINA)	CNY	8.000.000		100,00%	100,00%	82,83%

(1) held by Penta-Laser Equipment Wenzhou 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 Equipment Wenzhou Co., Ltd (100%)
(7) held by Ot-las Srl (83,76%)
(8) held by Ot-las Srl (100%)
(9) held by Quanta System SpA (70%)
(10) held by Lasit SpA (65%)
(11) held by Penta-Laser Equipment Wenzhou Co., Ltd (100%)

Operations conducted during this year

For the operations conducted this year, please refer to the description given in the paragraph titled "Significant events which occurred during 2021" in the Management Report.

With respect to December 31st 2020, the scope of consolidation varied due to the founding of Lasit Laser Polska, which is held 65% by the subsidiary Lasit SpA and to the elimination of the subsidiary Deka Medical inc. which was liquidated in the first half of 2021.

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 SpA		Calenzano (ITA)	EUR	910.000	50,00%		50,00%	50,00%
Accure Inc.	1	Delaware (USA)	USD	-		39,44%	39,44%	39,44%

(1) held by Quanta System S.p.A. (39,44%)

Operations conducted during this year

For the operations conducted this year, please consult the paragraph titled "Significant events which occurred in 2021" in the Management Report.
In the final months of 2021 the equity held in the associated company Chutian (Tiajin) Laser Technologies Co. Ltd was sold and the associated company Quanta Aesthetic Lasers Usa, LLC was liquidated.

EQUITIES IN OTHER COMPANIES

For the operations conducted this year, please consult the paragraph titled "Significant events which occurred in 2021" 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, as described in detail in the section titled "Significant events which occurred in 2021" in the management report.
As of the date of this report, the Parent Company does not possess any treasury stock.

STANDARDS OF CONSOLIDATION

The consolidated financial statement includes the financials of El.En. S.p.A. and its subsidiaries as of December 31st 2021.
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 Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Income Statement, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income Statement at the time that the subsidiary is sold.

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

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

Currencies	Exchange Rate 31/12/2020	Average exchange rate 31/12/2021	Exchange Rate 31/12/2021
USD	1,23	1,18	1,13
Yen	126,49	129,88	130,38
Yuan	8,02	7,63	7,19
Real	6,37	6,38	6,31
PLN	-	4,57	4,60

USE OF ESTIMATES

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

Goodwill is subjected to impairment test to determine any loss in value.

The estimates that we have made also take into consideration the confusion generated by the spread of the Coronavirus.

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

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

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

• Leases
The determination of the right of use which emerges from lease contracts, and the relative financial liabilities, constitutes an estimate by the management. The determination of the lease term takes into consideration the expiration dates of the contract which has been underwritten, as well as the renewal clauses for which the Group believes there is a reasonable certainty for confirmation. The incremental borrowing rate is determined considering the type of asset which

is the subject of the lease contract, the jurisdiction in which it is acquired, and the currency in which the contract is stipulated. Any changes in the scenario and the trends in the market may require the revision of the components described above.

• Risk of losing law suits

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

• Goodwill

Goodwill is subject to an impairment test conducted at least once a year even without facts or circumstances which would require this type of review. .

The procedure for determining the recoverable value of the goodwill implicates, in the estimate of the value of use, hypotheses related to predictions of the cash flow expected from the cash generating units (CGU) that have been identified, making reference to multi-year plans, the determination of an appropriate rate of actualization (WACC) and the long-term growth (*g-rate*).

Any changes in the relative scenario and market trends may require the revision of the components described above.

The amounts entered into the consolidated financial statements passed the impairment test conducted on December 31st 2021.

• Warranty reserve

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

• Deferred tax assets and liabilities

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

• Benefits for employees – severance indemnity

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

• Evaluation of fair value

The Group evaluates the financial instruments at fair value at the end of each financial year.

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

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

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

The fair value of the asset or the liability is evaluated using the assumptions that the operators on the market would use to determine the price of the asset or liability, assuming that they would act in the their own best economic interest.

The Group uses evaluation techniques which are suitable for the circumstances and for which there is sufficient data available to evaluate the fair value, maximizing the use of the observable input and minimizing the use of input that is not observable.

All of the assets and liabilities for which the fair value is evaluated or shown in the statements are classified on the basis of a fair value hierarchy, as shown below:

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

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

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

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

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

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

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

indentified in the company acquired. The costs of acquisitions are entered into accounts and classified among the management expenses
When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in compliance with the terms of the contract acquired, the economic conditions and the other pertinent conditions in force on the date of the purchase. This includes the verification conducted in order to establish if an incorporated derivative must be separated from the primary contract.
If the business combination takes place in more than one phase, the purchaser must recalculate the fair value of the equity held previously and evaluated with the shareholders' equity method and report in the Income Statement any profits or losses which have been registered.
Any potential compensation must be recognized by the purchaser at fair value on the acquisition date. The potential compensation classified as part of the equity cannot be re-measured and its subsequent payment is entered into accounts with a similar entry in the equity. The variation in the fair value of the potential compensation classified as asset or liability, as a financial instrument which is the subject of IFRS 9 Financial Instruments, must be entered into the income statement in compliance with IFRS 9. The potential compensation which is not within the scope of IFRS 9 is evaluated at fair value on the date of the financial report and the variations f the fair value are entered in the income statement.
Goodwill is initially evaluated at the costs which emerges from the excess between the sum of the amounts paid and the amount recognized for the minority quotas with respect to the identified net assets acquired and the liabilities assumed by the Group. If the amount is less than the fair value of the net assets of the subsidiary acquired, the difference is reported in the Income Statement.
After the initial reporting, the goodwill is evaluate at cost reduced by the amount of losses accumulated. After the verification of loss of value, the goodwill acquired in a business combination, after the date of acquisition must be allocated to each of the cash-generating units (CGU) that have been identified and which are expected to benefit from the business combination, whether or not other assets or liabilities of the acquired entity have been assigned to that unit. The identification of the CGU coincides with each juridical subject.

If the goodwill has been assigned to a unit generating cash flow and the entity disposes of part of the assets of that unit, the goodwill associated with the asset disposed of must be included in the accounting value of the asset of that unit when determining the profit or loss derived from the disposal. The goodwill associated with the asset that has been disposed of must be determined on the basis of the relative values of the disposed assets and the part maintained by the unit generating cash flow.
The goodwill derived from the acquisitions made before January 1st 2004 is entered t the amount registered under this heading in the last consolidated statement drawn up on the basis of the preceding accounting standards (December 31st 2003).

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

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

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

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

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

C) FINANCIAL CHARGES

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

D) LOSSES IN VALUE OF ASSETS

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

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

E) FINANCIAL ASSETS: EQUITIES

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

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

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

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

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

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

F) FINANCIAL INSTRUMENTS

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

Financial assets

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

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

- Financial assets at amortized cost;
- Financial assets at fair value registered in the comprehensive income statement (OCI) with reclassification of the profits and losses accumulated in the income statement at the time of the sale;

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

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

Cancellation
A financial asset is cancelled when:

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

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

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

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

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

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

Financial liabilities
As soon as they are entered, the financial liabilities re classified among the “financial liabilities at fair value entered in the income statement”, among the “mortgages and financing”, or among the “derivatives intended for use as hedge instruments”.
All of the financial liabilities are initially entered at fair value to which they add, in the case of mortgages, financing and debts, the cost of the transaction that is directly connected to it.
The financial liabilities of the Group include trade debts and other long-term debts, mortgages and financing, including bank overdrafts, and derivative financial instruments.
For purposes of the subsequent evaluation, the financial liabilities are classified in two categories:
• Financial liabilities at fair value entered in the income statement.
• Financial liabilities at amortized cost (financing and loans).

The financial liabilities at fair value with variations entered in the income statement include the liabilities held for negotiations and financial liabilities initially entered at fair value with the variations shown in the income statement.
The profits or losses on the liabilities held for negotiations are entered in the income statement.
The financial liabilities at amortized cost (financing and loans), after the initial registration, are evaluated with the criteria of amortized cost using the method of actual interest rate. The profits and losses are entered in the income statement when the liability has been extinguished, as well as by means of the process of amortization.

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

Derivatives and measurement of hedging operations

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

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

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

G) INVENTORY

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

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

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

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

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY

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

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

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

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

STOCK OPTION PLANS

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

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

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

L) REVENUE RECOGNITION

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

Sale of goods

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

Variable prices

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

Financing component

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

Installation services

The Group supplies installation services which are sold to the client either separately or together with the systems. The installation services to customize or significantly modify the systems or equipment.
The contracts which refer to both the sale of the equipment and the installation services are composed of two obligations because the equipment and the installation services are both sold separately and are two distinct parts of the contract. And the installation service. Consequently, the Group allocates the price of the operation on the basis of the relative selling prices of the systems alone and the installation service.
The Group recognizes the revenue derived from the installation service over time since the client simultaneously receives and uses the benefits that are supplied.

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

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

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

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

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

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

STOCK OPTION PLAN

El.En. S.p.A.

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

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	31/12/2021	31/12/2021	
Plan 2016-2025	31-dic-25	485.250			340.300		144.950	144.950	€ 3,18

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

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

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

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

The overall *fair value* of the stock options is 2.942.080 Euros.
During 2021 the average price registered for the El.En. S.p.A. stock was about 11,47 Euros (the amount registered after the split which assigned 4 shares for each old share).

For the characteristics of the stock option plan and the increase in capital that was approved for implementing it, please consult the description in Note (10) of this report.

Information on the 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:

	31/12/2020	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	31/12/2021
Goodwill	3.038.065							3.038.065
Development costs	614.170				-10.064	-239.242		364.864
Patents and rights to use patents of others	25.646		-1.933		1	-12.041		11.673
Concessions, licenses, trade marks and similar rights	342.925	1.321.318	-969		-6.542	-592.210	5.374	1.069.896
Other intangible assets	105.019	93.702			238.023	-136.423		300.321
Intangible assets under construction and advance payments	361.919	30.011			-263.024			128.906
Total	**4.487.744**	**1.445.031**	**-2.902**		**-41.606**	**-979.916**	**5.374**	**4.913.725**

Goodwill

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

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

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

CASH GENERATING UNIT (CGU)	**Goodwill 31/12/2021**	**Goodwill 31/12/2020**
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
Total	3.038.065	3.038.065

As of December 31st 2021, 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. Results of these tests are shown below.
Quanta System S.p.A.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta System SpA, which covered a time span from 2022-2024.

For the purposes of determining the value of use of the CGU, they considered the actualized cash flows of the three years for which there was an explicit prediction added to a terminal value, assumed to be equal to the perpetual income calculated by simulating a situation of cash flow over a mid- to long period considering a margin equal to that for the last year of explicit forecast and multiplying the cash flow actualized by the growth rate “g” of 1,5%.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2021 and with the outlook for the particular market in which they operate.
The Board of Directors considered the assumptions and the corresponding financials charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 7%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 8%.

Cutlite Penta S.r.l.: the recoverable amount was determined on the basis of the *Discounted Cash Flow* (DCF) method by actualizing the cash flow contained in the financial and economic plan approved by the Board of Directors of Cutlite Penta S.r.l., which covered a time span from 2022 to 2024.
For the purpose of determining the use value of the CGU they considered the actualized financial flows for the three years considered in the explicit prediction added to a terminal value which is equal to the current value of the perpetual revenue calculated by simulating a situation of cash flows over a mid- to long-period considering margins equal to the average for the three years involved in the explicit prediction and multiplying the actualized cash flow by a growth rate “g” equal to 1,5%.
The main hypotheses of the economic and financial plan used to conduct the impairment test is related to the growth rate of the sales volume during the time period covered by the plan. The rates considered for the formulation of the predictions used for the impairment tests are consistent with the data registered in 2021 and with the outlook for the market to which they belong.
The Board of Directors considered the assumptions and the corresponding financials charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 7,%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 8%.

ASA S.r.l.: the recoverable amount was determined on the basis of the *Discounted Cash Flow* (DCF) method by actualizing the cash flow contained in the financial and economic plan approved by the Board of Directors of ASA S.r.l., which covered a time span from 2022 to 2024.
For the purposes of determining the value of use of the CGU, they considered the actualized cash flows of the three years for which there was an explicit prediction added to a terminal value, assumed to be equal to the perpetual income calculated by simulating a situation of cash flow over a mid- to long period considering a margin equal to that for the last year of explicit forecast and multiplying the cash flow actualized by the growth rate “g” of 1,5%.
The main hypotheses of the economic and financial plan used to conduct the impairment test is related to the growth rate of the sales volume during the time period covered by the plan. The rates considered for the formulation of the predictions used for the impairment tests are consistent with the data registered in 2021 and with the outlook for the market to which they belong.
The Board of Directors considered the assumptions and the corresponding financials charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 7%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%. By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 8%.

The verification of the procedures of the impairment test with the application of the International accounting standards was approved autonomously by the BOD of the Parent Company.

Other intangible fixed assets

The entry of "development costs" includes the costs sustained by the Parent Company El.En and by the subsidiary Asa srl for the development of prototypes.
The "Patent and rights to use the patents of others" were related to the capitalization of the costs sustained for the purchase of patents by Quanta System and by the Parent Company El.En. Spa.
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, Cutlite Penta and Penta Laser Equipment Wenzhou 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 and the costs sustained by the subsidiary Asa for the studies conducted in order to obtain approval for sales on the Chinese markets.

Tangible fixed assets (note 2)

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

Cost	**31/12/2020**	**Increase**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**Translation adjustment**	**31/12/2021**
Lands and buildings	56.616.061	8.118.718			2.642.248	1.994.016	69.371.043
Plants & machinery	13.790.533	1.817.878	-66.369		-117.255	27.516	15.452.303
Industrial and commercial equipment	15.831.796	2.074.851	-1.364.080		-89.654	238.596	16.691.509
Other assets	13.458.840	1.404.522	-1.023.198		119.954	171.701	14.131.819
Tangible assets under construction and advance payments	7.808.326	1.335.055			-2.863.715	676.045	6.955.711
Total	107.505.556	14.751.024	-2.453.647		-308.422	3.107.874	122.602.385
Lands and buildings right of use	14.003.537	5.550.000	-1.267.818		-26.918	180.490	18.439.291
Plants & machinery right of use	29.947	14.050					43.997
Industrial and commercial equipment right of use	1.079.887	51.111	-26.323		1	-8.133	1.096.543
Other assets right of use	3.045.282	1.338.555	-142.051			-10.984	4.230.802
Total	18.158.653	6.953.716	-1.436.192		-26.917	161.373	23.810.633
Total	**125.664.209**	**21.704.740**	**-3.889.839**		**-335.339**	**3.269.247**	**146.413.018**

Accumulated depreciation	**31/12/2020**	**Depreciations**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**Translation adjustment**	**31/12/2021**
Lands and buildings	8.638.108	1.351.233			274.204	181.078	10.444.623
Plants & machinery	6.471.515	1.089.128	-89.149		49.443	9.780	7.530.717
Industrial and commercial equipment	11.742.052	1.361.770	-512.638		-386.276	97.392	12.302.300
Other assets	8.242.612	1.713.448	-899.883	-1.216	12.245	118.210	9.185.416
Tangible assets under construction and advance payments							
Total	35.094.287	5.515.579	-1.501.670	-1.216	-50.384	406.460	39.463.056
Lands and buildings right of use	2.658.278	1.215.006	-1.074.359		-10.300	120.568	2.909.193
Plants & machinery right of use	26.620	6.059					32.679
Industrial and commercial equipment right of use	676.902	123.551	-25.436		-1	-5.005	770.011
Other assets right of use	1.631.748	869.815	-76.769		-1	-8.473	2.416.320
Total	4.993.548	2.214.431	-1.176.564		-10.302	107.090	6.128.203
Total	**40.087.835**	**7.730.010**	**-2.678.234**	**-1.216**	**-60.686**	**513.550**	**45.591.259**

Net value	31/12/2020	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	Translation adjustment	31/12/2021
Lands and buildings	47.977.953	8.118.718		-1.351.233	2.368.044	1.812.938	58.926.420
Plants & machinery	7.319.018	1.817.878	22.780	-1.089.128	-166.698	17.736	7.921.586
Industrial and commercial equipment	4.089.744	2.074.851	-851.442	-1.361.770	296.622	141.204	4.389.209
Other assets	5.216.228	1.404.522	-123.315	-1.712.232	107.709	53.491	4.946.403
Tangible assets under construction and advance payments	7.808.326	1.335.055			-2.863.715	676.045	6.955.711
Total	72.411.269	14.751.024	-951.977	-5.514.363	-258.038	2.701.414	83.139.329
Lands and buildings right of use	11.345.259	5.550.000	-193.459	-1.215.006	-16.618	59.922	15.530.098
Plants & machinery right of use	3.327	14.050		-6.059			11.318
Industrial and commercial equipment right of use	402.985	51.111	-887	-123.551	2	-3.128	326.532
Other assets right of use	1.413.534	1.338.555	-65.282	-869.815	1	-2.511	1.814.482
Total	13.165.105	6.953.716	-259.628	-2.214.431	-16.615	54.283	17.682.430
Total	**85.576.374**	**21.704.740**	**-1.211.605**	**-7.728.794**	**-274.653**	**2.755.697**	**100.821.759**

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

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

The heading of “Industrial and commercial equipment” refers in particular to purchases made by El.En. and the subsidiaries Asclepion GmbH, Quanta System SpA, Esthelogue, Deka M.E.L.A and Penta-Laser Technology (Shandong) and Penta Laser Equipment (Wenzhou). This heading also includes the capitalization of the costs of some machinery sold to clients using operative leasing; these sales, in fact, are considered as revenue from multi-year rentals in conformity with the IAS/IFRS standards.

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

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

Equity investments (note 3)

The analysis of the equity investments is as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Equity investment in associated companies	918.042	955.564	-37.522	-3,93%
Other equity investments	1.031.420	1.035.420	-4.000	-0,39%
Total	**1.949.462**	**1.990.984**	**-41.522**	**-2,09%**

Equities in associated companies

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

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

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

Immobiliare Del.Co. S.r.l.:	246	thousand euro
Actis S.r.l.:	1	thousand euro
Elesta S.p.A.:	796	thousand euro
Accure Inc.:	(125)	thousand euro

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

Società	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	449.212	103.925	-5.738	19.476	25.214
Elesta SpA	4.094.022	2.483.796	-345.108	2.067.393	2.412.501
Immobiliare Del.Co. Srl	791.146	765.915	-29.683	129.479	159.161
Quanta Aesthetic Lasers USA, LLC(**)	-	-	-33.773	-	33.773
Chutian (Tianjin) Lasertechnology Co. Ltd(**)	947.357	1.013.373	-33.877	119.614	153.491
Accure Acne, Inc.	1.398.166	244.503	-4.424.012	224.093	4.648.105

(*) Data on December 31st 2020
(**) Consolidated data until sale or liquidation

Equities in other companies

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

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

Other non-current assets	**31/12/2021**	**31/12/2020**	**Variation**	**Var. %**
Financial receivables - third parties	230.097	309.773	-79.676	-25,72%
Deferred tax assets	10.364.271	9.296.749	1.067.522	11,48%
Other non-current assets	18.368.415	15.176.243	3.192.172	21,03%
Total	**28.962.783**	**24.782.765**	**4.180.018**	**16,87%**

The deferred tax assets amounted to about 10.364 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 deductable 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. For further details, see Note 16. The deferred tax assets are registered when the existence of adequate future fiscal profits which can be used to pay the temporary differences is probable. In this regard the Group estimates the probable temporal manifestations and the amount of the taxable future profits.

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

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	31/12/2021	31/12/2020	Variation	Var. %
Raw materials, consumables and supplies	70.393.805	50.007.446	20.386.359	40,77%
Work in progress and semi finished products	44.030.631	28.814.289	15.216.342	52,81%
Finished products and goods	41.514.790	32.771.905	8.742.885	26,68%
Total	**155.939.226**	**111.593.640**	**44.345.586**	**39,74%**

The final inventory amounted to about 155.939 thousand Euros, an increase of 39% with respect to the 111.594 thousand Euros on December 31st 2020 in consideration of the increase in the volume of business.

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

	31/12/2021	31/12/2020	Variation	Var. %
Gross amount of Inventory	175.975.856	126.652.714	49.323.142	38,94%
Devaluation provision	-20.036.630	-15.059.074	-4.977.556	33,05%
Total	**155.939.226**	**111.593.640**	**44.345.586**	**39,74%**

The obsolescence fund is calculated so as to align the stock value with the presumed selling price and recognizing, where necessary the obsolescence and slow rotation. The amount of the fund increased by about 4.978 thousand Euros with respect to December 31st 2020 while its incidence on the gross value of the inventory showed a slight decrease and fell from 11,9% on December 31st 2020 to 11,4% on December 31st 2021.

Accounts receivable (note 6)

Receivables are composed as follows

	31/12/2021	31/12/2020	Variation	Var. %
Accounts receivable from third parties	145.785.080	93.159.079	52.626.001	56,49%
Accounts receivable from associated	988.787	849.451	139.336	16,40%
Total	**146.773.867**	**94.008.530**	**52.765.337**	**56,13%**

Accounts receivable from third parties	31/12/2021	31/12/2020	Variation	Var. %
Italy	61.099.730	39.096.567	22.003.163	56,28%
EEC	12.772.816	12.199.296	573.520	4,70%
ROW	79.724.797	48.498.304	31.226.493	64,39%
minus: bad debt reserve	-7.812.261	-6.635.088	-1.177.173	17,74%
Total	**145.785.080**	**93.159.079**	**52.626.003**	**56,49%**

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

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

	2021
At the beginning of the period	6.635.088
Provision	2.482.320
Amounts utilized and unused amounts reversed	-1.233.629
Other movements	-296.766
Translation adjustment	225.248
At the end of the period	**7.812.261**

The incidence of the bad debt reserve on the total accounts receivable from third parties fell from 6,6% on December 31st 2020 to 5% on December 31st 2021.

Breakdown of accounts receivable from third parties is shown below:

Accounts receivable from third parties	31/12/2021	31/12/2020
To expire	112.834.547	69.584.707
Overdue:		
0-30 days	18.256.294	9.644.667
31-60 days	4.452.482	3.316.061
61-90 days	3.070.180	1.657.023
91-180 days	2.902.471	2.640.035
Over 180 days	4.269.106	6.316.586
Total	**145.785.080**	**93.159.079**

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

Accounts receivable in:	31/12/2021	31/12/2020
Euros	81.278.600	59.927.161
USD	14.459.004	9.284.335
Other currencies	50.047.476	23.947.583
Total	**145.785.080**	**93.159.079**

The value in Euros shown in the chart for the receivables originally expressed in US dollars or other currency (mainly RMB and Yen) represents the amount in currency converted at the exchange rate in force on December 31st 2021 and December 31st 2020

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

Tax receivables/Other receivables (note 7)

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

	31/12/2021	31/12/2020	Variation	Var. %
Tax receivables				
VAT receivables	13.415.790	7.396.357	6.019.433	81,38%
Income tax receivables	2.309.704	3.635.414	-1.325.710	-36,47%
Total	**15.725.494**	**11.031.771**	**4.693.723**	**42,55%**

Current financial receivables				
Financial receivables - third parties	697	13.959	-13.262	-95,01%
Financial receivables - associated	261.565	322.685	-61.120	-18,94%
Total	**262.262**	**336.644**	**-74.382**	**-22,10%**
Other current receivables				
Security deposits	382.800	885.108	-502.308	-56,75%
Advance payments to suppliers	5.515.057	5.068.509	446.548	8,81%
Other receivables	6.994.786	6.866.422	128.364	1,87%
Total	**12.892.643**	**12.820.039**	**72.604**	**0,57%**

Total Current financial receivables e Other current receivables	**13.154.905**	**13.156.683**	**-1.778**	**-0,01%**

The financial year closed with a VAT credit of over 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 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 Equipment Wenzhou.

Securities and other current financial assets (note 8)

	31/12/2021	31/12/2020	Variation	Var. %
Securities and other current financial assets				
Other current financial assets	1.090.700		1.090.700	
Total	**1.090.700**		**1.090.700**	

The amount entered under the heading of "Other current financial assets" consists of mutual funds held by the subsidiaries Deka Mela and Quanta System, acquired in 2021 for the purpose of making a temporary use of cash.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Bank and postal current accounts	181.318.394	123.700.628	57.617.766	46,58%
Cash on hand	44.418	43.589	829	1,90%
Total	**181.362.812**	**123.744.217**	**57.618.595**	**46,56%**

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 14 million Euros for the Chinese companies containing deposits which will become available upon the expiration of some payments to suppliers with the issuing of some bank bills.

Net financial position as of December 31st 2021

The net financial position of the Group as of December 31st 2021 is shown on the chart below (data shown in thousands of Euros):

Net financial position	**31/12/2021**	**31/12/2020**
Cash and bank	181.363	123.744
Financial instruments	1.091	0
Cash and cash equivalents	**182.454**	**123.744**
Current financial receivables	**1**	**14**
Bank short term loan	(20.388)	(20.659)
Part of financial long term liabilities due within 12 months	(3.134)	(3.168)
Financial short term liabilities	**(23.522)**	**(23.827)**
Net current financial position	**158.932**	**99.931**
Bank long term loan	(27.204)	(23.366)
Other long term financial liabilities - non current part	(9.778)	(7.398)
Other non current liabilities	(6.184)	(5.000)
Financial long term liabilities	**(43.166)**	**(35.763)**
Net financial position	**115.766**	**64.168**

On July 15th 2020, the European Securities and Markets Authority (ESMA) published the final report on the out come of the public consultation regarding their orientation on the obligation for information in compliance with the regulation in brochure 1 (ESMA/ 31-62-1426). The Orientations must be applied starting on May 5th 2021 and update the contents of the preceding communication of the CONSOB, including the references contained in the DEM/6064293 del 28-7-2006 communication regarding the net financial position. The Group has modified the reporting of the net financial position in compliance with these updates, including the comparative chart.

In 2021 the net financial position showed an increase of about 51,6 million, and rose from 64,2 million on December 31st 2020 to 115,8 million on December 31st 2021, registering an excellent generation of cash.
The result, in fact, is very good considering that during the year the cash flow generated by the operating activities financed gross investments for the amount of about 23 million and the payment of the dividends for about 9,4 million, besides the significant increase in inventory and accounts receivable.

It should also be recalled that the amount of 11,5 million Euros in cash was invested by the Parent Company El.En. in the preceding years in an insurance type of financial instruments which, due to their particular nature, must be entered among the non-current financial assets and last year, by the subsidiary Quanta System for the amount of 2,5 million Euro and, in the third quarter of 2021, by the subsidiary Deka Mela for 3 million Euros in similar financial instruments. Although they represent a use of cash, these amounts are not part of the net financial position. At the end of the year the total fair value of these investments amounted to 18,4 million Euros.

Information on the Consolidated Statement of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (note 10)

As of December 31st 2021, 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	2.593.828

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

Category	31/12/2020	Increase	Decrease	31/12/2021
No. of Ordinary Shares	19.612.222	79.810.088	-19.612.222	79.810.088
Total	**19.612.222**	**79.810.088**	**-19.612.222**	**79.810.088**

Number of shares after the stock split in July 2021 when issued 4 new shares for each old share. .

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 can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above mentioned Plan.
The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.

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

After the exercise by some of the beneficiaries of the Stock Option Plan 2016-2025, in 2021 the Parent Company issued 1.361.200 ordinary shares (after the stock split) and cashed in 4.328 thousand Euros including the increase in capital with share premium.

It should also be noted that the market capitalization of the Company in any case is now greater with respect to the values implicit in the consolidated shareholders' equity shown on December 31st 2021.

Additional paid in capital (note 11)

On December 31st 2021 the share premium reserve, coinciding with that of the Parent Company, amounted to 46.841 thousand Euros, an increase with respect to the 42,556 on December 31st 2020 because of the stock options that were picked up this year, as discussed in the previous Note.

Other reserves (note 12)

	31/12/2021	31/12/2020	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	80.579.145	88.310.254	-7.731.109	-8,75%
Cumulative translation adjustment	1.952.589	-183.995	2.136.584	-1161,22%
Stock option/ stock based compensation reserve	4.753.358	4.753.358		0,00%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-172.550	-175.781	3.231	-1,84%
Total	**88.076.501**	**93.667.795**	**-5.591.294**	**-5,97%**

As of December 31st 2021 the "extraordinary reserve" amounted to 80.579 thousand Euros; the decrease with respect to December 31st 2020 is related to the use of this reserve for the distribution of dividends, as was voted by the Shareholders' meeting of the Parent Company on April 27th 2021.

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 2021 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 2020.

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, as specified in the Management Report in the paragraph on Significant events which occurred in 2021.
On the date of this report, The Parent Company does not own any treasury stock.

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.

31/12/2020	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	31/12/2021
5.147.074	2.206.617	-889.748	-1.363.254	5.100.689

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

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

The present value of the liabilities for the severance fund that remains in the companies of the Group on December 31st 2021 is 5.115 thousand Euros.

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

Financial hypotheses	Year 2020	Year 2021
Annual implementation rate	0,3355%	0,98%
Annual inflation rate	1,00%	1,79%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the present value of the liability was based on the rate of iBoxx corporate AA 10+ for the amount of 0,98%, in conformity with the criteria used last year.

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

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

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

The breakdown is as follows:

	31/12/2020	Provision	(Utilization)	Other movements	Translation adjustment	31/12/2021
Deferred tax assets on inventory devaluation	2.651.490	832.573	(38.062)	-	12.820	3.458.821
Deferred tax assets on warranty reserve	490.259	654.396	(84.286)	1	38.185	1.098.555
Deferred tax assets on bad debt reserve	808.423	104.991	(53.655)	-	25.967	885.726
Deferred tax assets on losses carryforwards	20.046	28.454	-	1	(167)	48.334
Deferred tax assets on intercompany profits and consolidation adjust.	1.285.353	127.341	-	-	5.151	1.417.845
Other deferred tax assets and on IAS adjust.	4.041.178	403.661	(1.029.797)	(38.793)	78.741	3.454.990
Total	**9.296.749**	**2.151.416**	**(1.205.800)**	**(38.791)**	**160.697**	**10.364.271**
Deferred tax liability on advance depreciations	124.469	-	-	-	-	124.469
Deferred tax liability on grants on capital account	34.359	24.375	(7.680)	1	-	51.055
Other deferred tax liabilities and on IAS adjust.	2.051.652	477.938	(186.140)	-	(13.426)	2.330.024
Total	**2.210.480**	**502.313**	**(193.820)**	**1**	**(13.426)**	**2.505.548**
Net	7.086.269	1.649.103	(1.011.980)	(38.792)	174.123	7.858.723

Deferred tax assets amounted to about 10.364 thousand Euros. The deferred tax assets calculated on inventory devaluations of the various companies increased, as did the deferred tax assets calculated on warranty reserve and the internal inter-Group profits. The main decrease was related to the adaptation of the deferred taxes calculated on the re-evaluation of some company assets which was made last year by some of the Italian companies according to the regulations now in force.

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

Deferred tax liabilities amounted to 2.506 thousand Euros. The variations in the “other deferred tax liabilities” are related, among other things to an evaluation for tax purposes of some LIFO evaluated inventories and to the exchange gain/loss which were not realized. The changes in the heading of “Deferred tax liabilities on grants on capital account” was due to the taxation on some grants in capital account received and which, for tax purposes, were deferred in compliance with the laws now in force.

Other accruals (note 17)

The chart below shows the operations made with other accruals:

	31/12/2020	Provision	(Utilization)	Other movements	Translation adjustment	31/12/2021
Reserve for pension costs and similar	1.698.703	290.942	-161.059	-22.373		1.806.213
Warranty reserve on the products	2.775.417	4.726.506	-427.436	61.511	308.293	7.444.291
Reserve for risks and charges	1.242.649	639.345	-662.593			1.219.401
Total	**5.716.769**	**5.656.793**	**-1.251.088**	**39.138**	**308.293**	**10.469.905**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on December 31st 2021, amounted to 1.548 thousand Euros as opposed to the 1.466 thousand Euros on December 31st 2020. 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 2020	Year 2021
Annual implementation rate	0,3355%	0,98%
Annual inflation rate	1,00%	1,79%

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 ro which it belongs.

Other potential debts and potential liabilities

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

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

At this time the case is still in a preliminary phase during which they are gathering information using written questionnaires about the conducting of the contractual obligations and the contents of the obligations taken on with the sale of the laser systems. After the emergency caused by the Covid-19 pandemic, and the complexity of the case, the preliminary activities of the suit involving questions, answers and production of documents, began in 2021 and proceed very slowly.

During 2022 the testimony of those present at the site and the opposing parties will probably take place. At this time we expect that the discovery activity conducted by the two parties should be concluded by February 1st 2023 and that conducted by the experts by September 15th 2023.

The requests of the two parties must be formulated in October of 2023 and preliminary discussions will be conducted in front of the court in December 2023. The trial will not begin before September 3rd 2024. Consequently at this time we do not have sufficient elements to evaluate the outcome or the entity of an economic risk for the two companies. In fact, at this time no proof has been presented nor have they determined the exact amount requested for damages. In any case, for cautionary purposes, the Company has stipulated an insurance policy related to the responsibility for the damages caused by a product which comports a maximum coverage of 15.000.000 Euros for every accident. The insurance company has taken on the case and, at its own expense, has hired an American lawyer to defend the rights of their insured clients.

Consequently in the financial statement of December 31st 2021, there are no accruals in relation to the potential liability connected with this law suit.

In relation to the law suit mentioned in previous reports, in which the subsidiary Lasit Spa was sued by a client, this suit was concluded on December 31st 2021 and Lasit SpA was required to pay the court costs and return the down payment that the client had paid.

Financial debts and liabilities (note 18)

Financial m/l term debts	**31/12/2021**	**31/12/2020**	**Variation**	**Var. %**
Amounts owed to banks	27.204.446	23.365.743	3.838.703	16,43%
Amounts owed to leasing companies	9.303.547	6.515.884	2.787.663	42,78%
Amounts owed to other financiers	474.052	881.703	-407.651	-46,23%
Other non-current liabilities	6.184.097	5.000.000	1.184.097	23,68%
Total	**43.166.142**	**35.763.330**	**7.402.812**	**20,70%**

The mid- to long-term debts owed to banks as of December 31st 2021 mostly represent the amounts due after one year for:

a) bank financing which was granted to Asclepion GmbH for the construction of the building where the company is now operating and for sustaining their export activities;

b) bank financing granted by Unicredit to ASA Srl for the construction of new building for an overall amount of 2,4 million Euros which has already been entirely paid in several tranches to be repaid half-yearly for ten years starting on November 30th 2019, at the rate of Eurirs 12 months +0,5%; last installment on May 31st 2029;

c) bank financing granted by Intesa San Paolo to ASA Srl after the start of the Covid-19 emergency so that they can pay their suppliers and their employees for a total of 3 million Euros to be reimbursed in quarterly installments for six years starting on September 24th 2022, at the fixed rate of 1,02%; last installment June 24th 2026. The financing is sustained by a guarantee of Mediocredito Centrale for 90% of the amount issued;

d) bank financing granted to With Us as shown below:

- 94.672 thousand yen falling due on 05/Apr/2035 at the annual rate of 1,17%;
- 150.000 thousand yen falling due on 26/Jul/2030 at the annual rate of 0,949% on only 50.000 thousand yen;

e) bank financing granted to Cutlite Penta Srl by Intesa San Paolo, for a total of 4 million Euros to be reimbursed in quarterly installments for three years starting on December 19th 2020 at the fixed rate of 0,50%; last installment on March 19th 2023;

f) bank financing granted to Cutlite Penta Srl by Intesa San Paolo after the Covid-19 emergency in order to pay suppliers, employees and utilities, for an overall amount of 5 million Euros to be reimbursed in quarterly installments for six years starting on 28/May/2022, at the fixed rate of l,02%; last installment 28/May/2026. The financing is sustained by a guarantee of Mediocredito Centrale amounting to 90% of the amount issued;

g) bank financing granted to Cutlite Penta by Intesa San Paolo for the amount of 11 million Euros to be reimbursed in quarterly installments for five years starting on October 28th 2021 at the EURIBOR rate at three months plus a spread of 1,06%; last installment July 28th 2026;

h) bank financing granted to Cutlite Penta Srl by Credem, for a total amount of 2,5 million Euros, reimbursable on quarterly installments for three years starting on October 26th 2021, at the fixed rate of 0,55%; last installment on July 26th 2024;

i) bank financing guaranteed by Intesa San Paolo and Esthelogue Srl after the Covid-19 emergency for the payments to suppliers, employees and utilities for a total amount of 1,5 million Euros to be reimbursed in quarterly installments for six years starting on 28/Aug/2022, at the fixed rate of 1,3%; last installment 28/May/2028. The financing is sustained by a guarantee of Mediocredito Centrale for 90% of the amount issued;

l) bank financing issued to Penta-Laser Equipment Wenzhou Co. Ltd as follows:

- 9.000 thousand Rmb at the annual rate of 4,65% falling due, for the amount of 7.826 thousand Rmb in 2023, and for the amount of 1.174 thousand Rmb in 2024.

The debts owed to leasing companies refer mostly to the subsidiary company Cutlite Penta S.r.l. which acquired under leasing contracts new building for conducting their company activities and consequently treated for accounting according to standard IFRS 16 which replaced IAS 17. The contract stipulated by Cutlite Penta Srl has a duration of twelve years and expires in the month of October 2030; the residual debt as of December 31st 2021 amounted to about 4,3 million Euros. In 2021 this latter 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 December 31st amounted to about 3,9 million Euros.
The other amounts shown under the heading of “amounts owed to leasing companies” is due to the application of IFRS16 which occurred for the first time in 2019.

The amounts owed to other financiers consist, among others, of the quotas due after more than one year for:

a) Financing issued by Mediocredito to the subsidiary Lasit for a research project for the amount of 272.000 at the annual rate of 0,36% to be paid back in annual installments starting in March 2018, last installment March 8th 2025

b) Financing issued by BPER to the subsidiary Lasit for the purchase of new equipment for a total residual on December 31st 2021 of 260 thousand Euros to be paid back in installments, last installment on June 15th 2025;

c) a residual debt of 140 thousand Euros, which the subsidiary Quanta System SpA still owes for the purchase of the new subsidiary Galli Giovanni & Co. Srl., to be reimbursed in 4 annual installments, last installment on June 30th 2023.

The other non-current liabilities includes:

- the amount owed to the ex minority shareholder of Penta Laser Wenzhou 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 Wenzhou 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 697 thousand Euros.

Current liabilities

Financial debts (note 19)

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

Financial short term debts	31/12/2021	31/12/2020	Variation	Var. %
Amounts owed to banks	20.388.456	20.658.631	-270.175	-1,31%
Amounts owed to leasing companies	2.623.510	2.597.157	26.353	1,01%
Amounts owed to other financiers	510.224	571.307	-61.083	-10,69%
Total	**23.522.190**	**23.827.095**	**-304.905**	**-1,28%**

The heading of "Amounts owed to banks" is mainly composed of:

- Short-term quota on financing contracted by Asclepion GmbH (see note 18);
- Short term financing granted to Cutlite Penta Srl for 1,5 million Euros by Intesa San Paolo, to be reimbursed in quarterly installments at the fixed rate of 0,53%, last installment July 18th 2022;
- bank financing granted to Cutlite Penta Srl for 1,5 million Euros by Unicredit, to be reimbursed quarterly at the fixed rate of 0,55%, last installment on April 30th 2022; beside the brief term financing granted to the latter company (see Note 18);
- short term financing contracted by With Us besides the short-term quota on financing regarding the latter (see note 18);
- facilitated financing for applied research (MILORD project), issued by FidiToscana to the Parent Company El.En. SpA for a total of 488.285,25 Euros, reimbursable in 6 quarterly installments starting in April of 2020, last installment October 31st 2022;
- short-term financing contracted by Penta-Laser Equipment Wenzhou Co for an overall amount of 6 million Euros (corresponding to 44,2 million Yuan) falling due for 20,6, million Yuan in the month of March 2022, at the annual rate of 3,85% , for 2 million Yuan falling due in the month of June 2022 at the annual rate of 4,2% and 21,6 million Yuan falling due in the month of November 2022, at the annual rate of 0,9%;
- short term financing granted to Penta Laser (Wuhan) Co., Ltd for about 1 million Euros (corresponding to 7,3 million Yuan) falling due in the month of December 2022, at the annual rate of 1,35%.

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

"Amounts owed to other financers" includes the short-term financing described in the previous Note.

Accounts payable (note 20)

	31/12/2021	31/12/2020	Variation	Var. %
Accounts payable	158.065.656	94.909.844	63.155.812	66,54%
Amounts owed to associated companies	6.000	13.600	-7.600	-55,88%
Total	**158.071.656**	**94.923.444**	**63.148.212**	**66,53%**

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

Accounts payable in:	**31/12/2021**	**31/12/2020**
Euros	85.563.158	52.655.546
USD	5.502.784	3.224.237
Other currencies	66.999.714	39.030.061
Total	**158.065.656**	**94.909.844**

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2021 and December 31st 2020.

Income tax payables /Other current payables (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2021 amounted to 9.906 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	31/12/2021	**31/12/2020**	**Variation**	**Var. %**
Social security debts				
Debts to INPS	3.843.430	3.231.361	612.069	18,94%
Debts to INAIL	274.068	212.149	61.919	29,19%
Debts to other Social Security Institutions	687.003	596.839	90.164	15,11%
Total	**4.804.501**	**4.040.349**	**764.152**	**18,91%**
Other debts				
Debts to the tax authorities for VAT	1.178.615	654.738	523.877	80,01%
Debts to the tax authorities for withholding	2.629.956	2.254.448	375.508	16,66%
Other tax liabilities	422.093	509.238	-87.145	-17,11%
Debts to staff for wages and salaries	19.443.695	12.949.798	6.493.897	50,15%
Down payments	64.103.421	25.648.350	38.455.071	149,93%
Other debts	17.669.291	13.118.552	4.550.739	34,69%
Total	**105.447.071**	**55.135.124**	**50.311.947**	**91,25%**
Total Social security debts e Other debts	**110.251.572**	**59.175.473**	**51.076.099**	**86,31%**

The amounts owed to staff include, among other things, the debts for deferred salaries of personnel employed as of December 31st 2021.

The entry of “Down payments” consists of down payments received from clients for orders received; the increase refers in particular to the Chinese subsidiary Penta-Laser Equipment Wenzhou Co., Ltd and Penta Laser Technology (Shangdong) and the Italian subsidiaries Cutlite Penta Srl. Deka Mela Srl, Quanta System SpA and the Parent Company, El.En SpA.

The entry of “Other debts” includes, among other things, the deferred income calculated on the grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co. Ltd, to sustain the new production center and the research and development activities.

Analysis of debts by due date

	31/12/2021			31/12/2020		
	<= 1 year	**>1 year <= 5 years**	**> 5 years**	**<= 1 year**	**>1 year <= 5 years**	**> 5 years**
Amounts owed to banks	20.388.456	24.853.895	2.350.551	20.658.631	16.808.389	6.557.354
Amounts owed to leasing companies	2.623.510	5.133.872	4.169.675	2.597.157	4.077.241	2.438.643
Amounts owed to other financiers	510.224	474.052	-	571.307	881.703	-
Accounts payable	158.065.656	697.227		94.909.844	-	
Amounts owed to associated companies	6.000	-	-	13.600	-	-
Income tax payables	9.905.819			2.944.543		
Social security debts	4.804.501			4.040.349		
Other debts	105.447.071	5.486.870	-	55.135.124	5.000.000	-
Total	**301.751.237**	**36.645.916**	**6.520.226**	**180.870.555**	**26.767.333**	**8.995.997**

Segment information -IFRS8

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

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

31/12/2020		Total	Medical	Industrial	Other
Revenues		409.790	229.061	179.282	1.447
Intersectorial revenues		(1.707)		(260)	(1.447)
Net Revenues		408.083	229.061	179.023	
Other revenues and income		5.734	1.758	3.912	64
Gross Margin		141.637	93.932	47.641	64
	Inc.%	*34%*	*41%*	*26%*	*100%*
Margin		46.181	33.490	12.628	64
	Inc.%	*11%*	*15%*	*7%*	*100%*
Not assigned charges		16.069			
EBIT		30.111			
Net financial income (charges)		(1.762)			
Share of profit of associated companies		(425)	(347)	(81)	4
Other Income (expense) net		(0)			
Income (loss) before taxes		27.924			
Income taxes		5.382			
Income (loss) before minority interest		22.542			
Minority interest		2.287			
Net income (loss)		20.255			

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

31/12/2020	Total	Medical	Industrial
Assets assigned	394.541	191.779	202.762
Equity investments	1.736	1.624	112
Assets not assigned	74.096		
Total assets	470.373	193.403	202.874
Liabilities assigned	180.178	52.141	128.037
Liabilities not assigned	49.530		
Total liabilities	229.708	52.141	128.037

31/12/2021	Total	Medical	Industrial
Changes in fixed assets:			
- assigned	15.623	(793)	16.417
- not assigned	48	0	0
Total	15.671	(793)	16.417

31/12/2020	Total	Medical	Industrial
Changes in fixed assets:			
- assigned	6.188	1.691	4.498
- not assigned	(2.771)	0	0
Total	3.418	1.691	4.498

Information according to the geographical area

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

31/12/2020	Total	Italy	Europe	Row
Revenues	408.083	72.557	73.918	261.608

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

31/12/2020	Total	Italy	Europe	Row
Assets assigned	468.382	303.188	39.969	125.225
Equity investments	1.991	2.002	0	(11)
Total assets	470.373	305.190	39.969	125.214
Liabilities assigned	229.708	124.678	18.622	86.408
Total liabilities	229.708	124.678	18.622	86.408

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

31/12/2020	Totale	Italia	Europa	Row
Changes in fixed assets:				
- assigned	3.418	1.419	(292)	2.290
Total	3.418	1.419	(292)	2.290

Information on the consolidated Income Statement

Revenue (note 22)

The chart below shows the subdivision of the revenue of the Group derived from contracts with clients as of December 31st 2021 and 2020:

	31/12/2021	31/12/2020	Variation	Var. %
Total medical systems	257.749.660	182.945.182	74.804.478	40,89%
Total industrial systems	245.769.570	167.283.207	78.486.363	46,92%
Total service	67.882.924	57.854.903	10.028.021	17,33%
Total revenue	**571.402.154**	**408.083.292**	**163.318.862**	**40,02%**

Breakdown of the revenue by geographical areas

Medical sector

	31/12/2021	31/12/2020	Variation	Var. %
Italy	33.579.841	23.743.933	9.835.908	41,4%
Europe	91.384.598	57.881.940	33.502.658	57,9%
ROW	186.325.316	147.434.422	38.890.893	26,4%
Total Medical	**311.289.754**	**229.060.295**	**82.229.459**	**35,90%**

Industrial sector

	31/12/2021	31/12/2020	Variation	Var. %
Italy	82.855.338	48.813.402	34.041.936	69,7%
Europe	24.996.573	16.035.786	8.960.787	55,9%
ROW	152.260.489	114.173.809	38.086.681	33,4%
Total Industrial	**260.112.400**	**179.022.997**	**81.089.403**	**45,30%**

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

	31/12/2021	31/12/2020	Variation	Var. %
Goods transferred at a specific time	564.005.606	400.354.405	163.651.201	40,9%
Services transferred over time	7.396.548	7.728.887	-332.339	-4,3%
Total revenue	**571.402.154**	**408.083.292**	**163.318.862**	**40,0%**

The overall growth reached 40% and was greater in the industrial sector which had been slowed down more than the medical sector in the first half of 2020 by the pandemic.

For further details, please consult the Management Report.

Other income (note 23)

The analysis of the other income is as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Other income due to Insurance refunds	165.390	224.825	-59.435	-26,44%
Recovery of expenses	1.443.209	1.004.610	438.599	43,66%
Capital gains on disposal of fixed assets	169.955	132.082	37.873	28,67%
Other income	4.208.219	4.372.817	-164.598	-3,76%
Total	**5.986.773**	**5.734.334**	**252.439**	**4,40%**

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

The entry "Other income" consists mainly of government grants related both to the new factory as well as to research projects for an amount of about 2.346 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd and Penta Laser Technology (Shangdong) Co., Ltd.

Costs for the purchase of goods (note 24)

The analysis is shown on the following chart:

	31/12/2021	31/12/2020	Variation	Var. %
Purchases of raw materials and finished products	347.342.690	250.103.215	97.239.475	38,88%
Packaging	2.605.712	1.396.955	1.208.757	86,53%
Shipping charges on purchases	2.266.370	1.583.602	682.768	43,11%
Other purchase expenses	1.239.660	1.035.072	204.588	19,77%
Other purchases	5.147.058	1.091.796	4.055.262	371,43%
Total	**358.601.490**	**255.210.640**	**103.390.850**	**40,51%**

The costs for the purchase of goods and relative accessory charges on December 31st 2021 were 358.601 thousand Euros as opposed to 255.211 thousand Euros for last year, with an increase of about 40,5% .
Net of the variations in the inventory, the incidence of these costs was 55,6% as opposed to 58,6% for last year.

Direct services/ Operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2021	31/12/2020	Variation	Var. %
Direct services				
Outsourced processing	22.479.092	12.651.359	9.827.733	77,68%
Technical services on products	3.036.195	1.223.476	1.812.719	148,16%
Shipment charges on sales	4.842.523	3.970.299	872.224	21,97%
Sale commissions	15.116.328	12.723.994	2.392.334	18,80%
Royalties	232.800	124.800	108.000	86,54%
Travel expenses for technical assistance	1.273.039	1.371.623	-98.584	-7,19%
Other direct services	414.535	811.928	-397.393	-48,94%
Total	**47.394.512**	**32.877.479**	**14.517.033**	**44,15%**
Other operating services and charges				
Maintenance and technical assistance on equipment	1.190.178	723.928	466.250	64,41%
Commercial services and consulting	2.737.079	2.126.125	610.954	28,74%
Legal and administrative services and consulting	1.550.621	1.243.110	307.511	24,74%
Audit fees	538.964	388.743	150.221	38,64%
Insurances (no staff cost)	942.557	787.604	154.953	19,67%
Travel and accommodation expenses	2.723.021	2.204.430	518.591	23,52%
Trade shows	1.308.809	1.069.032	239.777	22,43%
Promotional and advertising fees	5.424.123	4.992.998	431.125	8,63%
Expenses related to real estate	3.383.728	2.796.220	587.508	21,01%
Other taxes	1.029.311	833.750	195.561	23,46%
Vehicles maintenance expenses	2.041.251	1.543.088	498.163	32,28%
Office supplies	707.991	566.878	141.113	24,89%
Hardware and Software assistance	1.506.402	1.209.166	297.236	24,58%
Bank charges	422.096	323.697	98.399	30,40%
Leases and rentals	1.916.763	1.384.845	531.918	38,41%
Salaries and indemnity to the Board of Directors and Board of Auditors	3.764.300	2.778.488	985.812	35,48%
Temporary employment	1.714.765	946.452	768.313	81,18%
Other services and charges	14.909.562	8.212.450	6.697.112	81,55%
Total	**47.811.521**	**34.131.004**	**13.680.517**	**40,08%**

Operating services and charges amounted to 47.812 thousand Euros and show an increase over the 34.131 thousand Euros on December 31st 2020.
The increases are mainly due to the fact that the preceding year was influenced by the effects of Covid 19.

The most significant amounts in the category of “Operating services and charges” are related to consultancy fees and publicity expenses to support the selling activities, travel and accommodation expenses, trade shows and fairs, while the entry of “Other services and charges” consist mainly of the expenses related to technical and scientific consulting fees amounting to 3.037 thousand Euros and studies and research for an amount of about 5.235 thousand Euros.

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

Staff costs (note 26)

The chart below shows the costs for staff:

	31/12/2021	31/12/2020	Variation	Var. %
Wages and salaries	65.513.868	50.578.972	14.934.896	29,53%
Social security contributions	15.616.187	11.385.531	4.230.656	37,16%
Severance indemnity	2.189.304	1.970.325	218.979	11,11%
Staff costs for stock options/stock based compensation	156.075	2.310.548	-2.154.473	-93,25%
Other costs	694.644	446.990	247.654	55,40%
Total	**84.170.078**	**66.692.366**	**17.477.712**	**26,21%**

The costs for personnel amounted to 84.170 thousand Euros and showed an increase with respect to the 66.692 thousand Euros registered last year because it was influenced by the use of the *Cassa Integrazione Guadagni* due to the Covid 19 pandemic.
The increase is also due to staff hiring and the number of employees rose from 1.626 people on December 31st 2020 to 1.902 on December 31st 2021.
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 Equipment Wenzhou to some employees. In 2021 the costs were registered only by the Chinese companies.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

	31/12/2021	31/12/2020	Variation	Var. %
Amortization of intangible assets	979.916	698.695	281.221	40,25%
Depreciation of tangible assets	5.515.579	5.091.811	423.768	8,32%
Depreciation of tangible assets right of use	2.214.431	2.108.652	105.779	5,02%
Accrual for bad debts	2.030.400	1.744.660	285.740	16,38%
Accrual for risks and charges	4.493.400	1.058.857	3.434.543	324,36%
Total	**15.233.726**	**10.702.675**	**4.531.051**	**42,34%**

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

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

The breakdown of the category is as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	470.846	389.307	81.539	20,94%
Dividends from other investments	24.162	9.678	14.484	149,66%
Financial income from associated companies	924	4.305	-3.381	-78,54%
Interests income from current securities and financial assets	180.368	193.866	-13.498	-6,96%
Capital gain and other income from current securities and financial assets	73.807	40.843	32.964	80,71%
Other financial income	186.123	207.277	-21.154	-10,21%
Total	**936.230**	**845.276**	**90.954**	**10,76%**
Financial charges				
Interests on bank debts and on short term loans	127.059	118.544	8.515	7,18%
Interests on bank debts and on other m/l term loans	132.588	83.995	48.593	57,85%
Capital losses and other charges on current securities and financial assets	29.504		29.504	
Other financial charges	595.853	440.038	155.815	35,41%
Total	**885.004**	**642.577**	**242.427**	**37,73%**
Exchange gain (loss)				
Exchange gains	3.525.405	964.072	2.561.333	265,68%
Exchange losses	-1.821.779	-2.932.510	1.110.731	-37,88%
Financial income fair value of on exchange rate derivatives		3.537	-3.537	-100,00%
Other exchange gains (losses)	-3.349	-1	-3.348	334800,00%
Total	**1.700.277**	**-1.964.902**	**3.665.179**	**-186,53%**

The “interests 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 17 thousand Euros for the interests charges deriving from the application of the IAS 19 accounting standard and 100 thousand Euros for the entry of interest for leases derived from the application of the IFRS 16 standard.

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

Other income and charges (note 29)

	31/12/2021	31/12/2020	Variation	Var. %
Other income				
Capital gains on equity investments	10.166		10.166	
Total	**10.166**		**10.166**	

Income taxes (note 30)

	31/12/2021	31/12/2020	Variation	Var. %
IRES and other foreign income taxes	15.909.553	8.810.361	7.099.192	80,58%
Income taxes - IRAP	2.530.850	743.016	1.787.834	240,62%
Deferred income taxes - IRES and for foreign companies	-733.176	-2.282.855	1.549.679	-67,88%
Deferred income taxes - IRAP	96.054	-179.564	275.618	-153,49%
Income tax receivable	-933.259	-579.812	-353.447	60,96%
Other income tax	93.263	149.574	-56.311	-37,65%
Previous years tax	336.351	-1.278.679	1.615.030	-126,30%
Total	**17.299.636**	**5.382.041**	**11.917.595**	**221,43%**

The costs for deferred and current taxes this year was 17.300 thousand Euros:the overall tax rate was 26%, an increase over the 19,3% for last year which was characterized by the fiscal facilitations issued in Italy to contrast the effects of the pandemic and the fiscal benefits for the re-evaluation of certain company assets which were received by some of the Italian companies.

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

	2021	2020
Profit/loss before taxes	66.424.021	27.924.396
Theoretical IRES Aliquot	24,00%	24,00%
Theoretical IRES	15.941.765	6.701.855
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	(528.670)	905.019
One time income tax charges	278.226	(367.013)
Tax credits	(933.259)	(579.812)
Tax credit on patents (Patent Box)	(150.000)	(458.022)
Value adjustments	307.057	(1.380.071)
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	(673.039)	92.083
Higher (lower) fiscal incidence due to the effects of consolidation	430.650	(95.449)
Actual IRES	14.672.731	4.818.589
Actual IRES aliquot	22,09%	17,26%

Earnings per share (note 31)

The average weighted number of shares in circulation this year amounted to 79.484.074 ordinary shares, after the pick up of the stock options and the stock split. The profits per share on December 31st 2021 therefore amounted to 0,57 Euros. The diluted profit per share, which takes into consideration also the stock options assigned last year, was 0,57 Euros.

Dividends distributed (note 32)

The shareholders' meeting of El.En. SpA held on April 27th 2021 voted to distribute to the shares in circulation on the date the coupon came due, a dividend of 0,40 Euros (zero point forty) gross for each share in circulation. The dividend distributed was 7.969.374,40 Euros.

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

With reference to December 31st 2021 we wish to point out that there are no "Other components of the comprehensive income statement" noteworthy.

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

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

Information about related parties (note 35)

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

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.
All the transactions with related parties took place at normal market conditions.

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

The Members of the Board of Directors and the Board of Statutory Auditors and General Director

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

Subsidiary companies
Normally the operations and reciprocal payments among the companies of the Group included in the area of consolidation are eliminated during the formulation of the consolidated statement and for this reason they are not described here.
Associated companies
All of the relations of receivables and payables, all of the costs and revenue, financing and guarantees granted to associated companies during 2021 are shown clearly and in detail.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the Group.

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

	Financial Receivables		**Accounts receivable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl	30.000		1.959	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA	200.000		846.885	
Chutian (Tianjin) Laser Technology Co. Ltd			39.612	
Quanta Aesthetic Lasers USA, LLC			2.769	
Accure Inc.			97.562	
Total	**261.565**	-	**988.787**	-

	Financial Payables		**Other payables**		**Accounts Payable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl					6.000	
Total	-	-	-	-	**6.000**	-

Associated companies:	Sales	Service	Total
Elesta SpA	309.327	116.715	426.042
Accure Inc	133.262	41.072	174.334
Total	**442.589**	**157.787**	**600.376**

Associated companies:	Other revenues
Elesta SpA	20.498
Actis Srl	1.360
Accure Inc.	29.931
Totale	**51.789**

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

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

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

Impact of related parties transactions	Total	related parties	Inc %
Impact of related parties transactions on the statement of financial position			
Equity investments	1.949.462	918.042	47,09%
Receivables LT	230.097	-	0,00%
Accounts receivable	146.773.867	988.787	0,67%
Other current receivables	13.154.905	261.565	1,99%
Non current financial liabilities	36.982.045	-	0,00%
Current financial liabilities	23.522.190	-	0,00%
Accounts payable	158.071.656	6.000	0,00%
Other current payables	110.251.572	-	0,00%
Other non current payables	6.184.097		0,00%
Impact of related parties transactions on the income statement			
Revenues	571.402.154	600.376	0,11%
Other revenues and income	5.986.773	51.789	0,87%
Purchase of raw materials	358.601.490	-	0,00%
Direct services	47.394.512	-	0,00%
Other operating services and charges	47.811.521	6.000	0,01%
Financial charges	885.004	-	0,00%
Financial income	936.230	924	0,10%
Income taxes	17.299.636		0,00%

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

The main risk factors to which the Parent Company and the subsidiary companies 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 amount 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:

With the conclusion of the acquisition of the minority share of Penta Laser Wenzhou by Ot-las S.r.l., El.En. S.p.A. granted a guarantee in favor of the selling partner for the payment described in the earn-out clause for 40 million Renminbi (about 5 million Euros) in the case that they proceeded with an IPO of Penta Wenzhou within 5 years from the acquisition.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:

- In favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo
- In favor of Penta Laser (Wuhan) on the short-term guarantee obtained for 3 million Euros.

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

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

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 20 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. Also in 2018 ASA underwrote a bank guarantee issued by CREDEM to the supplier ENI Spa for 8.000 Euros with expiration date on December 31st 2021, a guarantee for the issuing of thirteen "MULTICARD ENI" cards after underwriting a contract for the supplying of fuel.
In the month of June 2020 te company obtained a guarantee from Mediocredito Centrale on the financing of 3 million Euros obtained from Intesa San Paolo. The sum guaranteed amounted to 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 which is added to the residual mortgage taken out for the construction of the old building for the amount of about 427 thousand Euros.

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

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

Financial Instruments (note 37)

Fair value

The chart below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value	Book value	Fair value	Fair value
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets				
Equity investments in other companies	1.031.420	1.035.420	1.031.420	1.035.420
Non current financial receivables	230.097	309.773	230.097	309.773
Current financial receivables	262.262	336.644	262.262	336.644
Securities and other non-current financial assets	18.368.415	15.172.111	18.368.415	15.172.111
Securities and other current financial assets	1.090.700	-	1.090.700	-
Cash and cash equivalents	181.362.812	123.744.217	181.362.812	123.744.217
Financial debts and liabilities				
Non current financial liabilities	36.982.045	30.763.330	36.982.045	30.763.330
Current financial liabilities	23.522.190	23.827.095	23.522.190	23.827.095

Fair value hierarchy

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

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

As of December 31st 2021, the Group owns the following stocks valued at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		18.368.415		18.368.415
Mutual funds	1.090.700			1.090.700
Other equity investments			1.031.420	1.031.420
Total	**1.090.700**	**18.368.415**	**1.031.420**	**20.490.535**

Other information (note 38)

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

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

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

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

The chart below illustrates the content of these regulations:

El.En. spa

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	Art. 1,sub-sections from 198 to 206, Law n. 160/2019	86.520

Ente concedente	Ente Erogatore	Titolo dell'agevolazione	Descrizione	Importo
Tuscany region	Sviluppo Toscana	Grant for research and development	POR FESR 2014-2020 – Priority axis 1- Contest for help in research, development and innovation – Project co-financed by the Regione Toscana called "FOMEMI" Sensors and instruments with Fotonic technology for Medicine and Minimal Invasiveness	190.934

Moreover, the Company received facilitated financing for applied research (MILORD project), issued by FidiToscana in 2017 for an overall amount of 488.285 Euros to be reimbursed in 6 half-yearly installments starting in April 2020, last installment on October 31st 2022. During this year the company paid back an amount of 162.762 Euros.

Ot-las srl

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	D.L. 145/2013 e S.M.	28.788

Cutlite Penta srl

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	D.L. 145/2013 e S.M.	98.845
Financial administration	Tax credit for research and development	Art. 1, sub-sections from 198 to 206, Law n. 160/2019	17.095

Quanta System spa

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	Art. 1, sub-sections from 198 to 206, Law n. 160/2019	123.686
Financial administration	Tax credit for sanitizing expenses and the purchase of protective devices	Art. 125 of D.L. 34/2020	13.430

ASA srl

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	Art. 1, sub-sections from 198 to 206, Legge n. 160/2019	22.597

Data	nr. Contratto	Ragione sociale	Descrizione oggetto contratto	Importo
March 21° 2007, renewal February 11th 2021	AGR 00549	Department of Experimental and Clinical Sciences of the University of Florence	With the contract dated March 21st 2007 we created the joint laboratory between the Department of Experimental and Clinical Biomedical Sciences of the University of Florence and the ASA Srl company which is called: ASACAMPUS JOINT RESEARCH LABORATORY The purpose of the laboratory is to study the effects of physical stress, in particular gravitational, mechanical, photonic, photo-mechanical and magnetic fields at a cellular and molecular level. It is equipped with rooms and equipment made available by the University of Florence; the Asa Srl company has made available their personnel and equipment as stated in the contract..	The value of the benefits cannot be calculated.

Lasit spa

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for research and development	Art. 1, sub-sections from 198 to 206, Law n. 160/2019	23.494
Financial administration	Tax credit for research and development	Incremental measure for the investments in the regions of southern Italy art. 244, c. 1DL n. 34 of 2020	25.452

Esthelogue srl

Ente	Titolo dell'agevolazione	Agevolazioni fiscali, previdenziali, altri contributi	Importo
Financial administration	Tax credit for publicity investments	Art. 57bis c.1 D.L. 50/17	9.766

Information supplied in compliance with art. 149-duodecies of the *Regolamento Emittenti Consob*

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2021 related to auditing services and for those other than the ones conducted by EY S.p.A for the Parent Company and for some of the Italian and foreign subsidiaries.

	Company providing the service	Receiver	note	2021 fees (Euros)
Audit	EY SpA	El.En S.p.A		64.000
	EY SpA	Italian subsidiaries		53.500
	EY Network	Foreign subsidiaries		108.919
Certification services	EY SpA	El.En S.p.A	(1)	15.000
	EY SpA	Foreign subsidiaries	(2)	143.897
	EY Network	Foreign subsidiaries		507.426
Other services	EY Network	Foreign subsidiaries		13.865
				906.607

(1) Summary review of the non-Financial Document

(2) Revision of the past data for the preparation of the share reform process.

The honorariums shown in the chart are shown net of the reimbursements for expenses incurred and supervising contributions in favor of Consob.

Average number of employees

Personnel	Average of the period	31/12/2021	Average of previous period	31/12/2020	Variation	Var. %
Total	**1.764**	**1.902**	**1.562**	**1.626**	**276**	**16,97%**

SUBSEQUENT EVENTS

Potential developments of the “Laser Cutting” business unit

On February 11th 2022, Penta Laser Wenzhou completed the “Share reform” , that is, the transformation of its company from joint venture into corporation, a procedure which is very complex in China and which, among other things, involved a new auditing of the accounts or the last three years in conformity with the International accounting standards accotding to a practice followed in China by all of the companies that are quoted on the stock market.
Penta Laser Wenzhou, which, for the occasion was renamed Penta Laser Zhejiang (the city and region of where the company is located), is now the Parent Company of the Chinese and Italian companies involved in laser cutting of metals. The transformation into corporation obtained after the process of reorganization of the business unit, represents the necessary condition towards the IPO of the business unit which, after this step has been completed, will be one of the strategic options chosen to pursue our ambitious objectives for growth in this sector.

War in Ukraine

The invasion of Ukraine by the Russian military forces and the war that followed created great uncertainty and a critical situation in international relations among all of the nations involved directly and indirectly in the conflict. The state of war in the Ukrainian territory and the rigid sanctions imposed on Russia would seem to preclude, at least for now, any commerce with these areas. In the past, the Group has maintained profitable trade relations with Ukraine and Russia, in particular in the sector of aesthetic and medical applications: the services which could be offered by our equipment correspond perfectly to the luxury products and high end range for which there is a significant demand on these markets. The sales in the areas that are directly involved in the conflict represent less than 2% of the consolidated sales volume. The Group counts on making up for the drop in sales which certainly will be registered in these areas with an improvement in the trends in the rest of the world.
The administrators, moreover, intend to carefully monitor the situation in consideration of the potential negative impat on the general economic context. Some of the risks which may be connected with this situation are:

- Amounts owed by clients who are residents in these countries
- Trade relations with clients and/or strategic suppliers who are residents of these countries
- Oscillations in the prices of raw materials and Energy commodities
- Possible repercussions, even indirect ones, on te global economic and financial system.

CURRENT OUTLOOK

The general state of the demand and the significant number of orders received by the end of December 2021 extended the positive momentum of the brilliant results obtained in 2021. Considering the current market context, net of the effects on the markets directly involved in the conflict between Ukraine and Russia, and on the assumption that the indirect effects of the war do not alter the positive conditions of our markets and do not further obstruct the supply chain, the El.En Group in 2022 expects to continue its growth trend and exceed by at least 10% its sales volume for 2021 and improve the EBIT.

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

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

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

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2021.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the consolidated financial statement dated December 31st 2021:

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

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

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

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

Calenzano, March 15th 2022

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

El.En. S.p.A.

Consolidated financial statements as at December 31, 2021

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

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the [consolidated] financial statements of El.En. Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

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

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Estimate of the inventory provision The consolidated financial statements of the Group as at December 31, 2021 include Inventories for an amount equal to Euro 155,939 thousand, net of a provision for inventory of Euro 20,037 thousand. The inventory provision is calculated to align the book value at the net realizable value. The process and methodologies of the Management for the estimation of net realizable value of Inventories and, consequently, the provision for inventory, were based on complex assumptions, that by their nature imply the use of the Management's judgment, in particular with reference to the assumptions adopted to identify obsolete and slow moving items, any excess of inventories with respect to the possibility of future use or sale, as well as further conditions that may generate an excess of the book value compared to the net realizable value, also considering the fast evolution of the technologies of the Group's products. In consideration of the relevance of the amount of the Inventories recognized in the financial statements and the complexity of the assumptions used in estimating its net realizable value, we deemed this area to be a key audit matter. Such matter is reported in the paragraph " Use of estimates" and in the explanatory note 5 "Inventories " to the financial statements.	Our audit procedures in response to the key audit matter included, among others: i) the analysis of the procedure and key controls adopted by the Group for the identification and monitoring of obsolete and / or slow-moving Inventories and for the estimate of the inventory provision; ii) the assessment of the assumptions that required a significant judgment by the Management for the estimate of the provision for the inventories, such as the obsolescence rate of inventories and forecasts of sale or use; iii) test of details on the accuracy and completeness of the data used for the estimate performed on sample basis; iv) the verification of the calculations performed by the Management for the determination of the utilization and sale rate of the products in stock and its net realizable value. Lastly, we evaluated the adequacy of the information provided in the explanatory notes to the financial statements with respect to this matter

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

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

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

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

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

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

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

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

the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

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

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

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

Report on compliance with other legal and regulatory requirements

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

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

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

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

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

The Directors of El.En. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group El.En. as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of El.En. Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of El.En. Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

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

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

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

Florence, March 31, 2022

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

As disclosed by the Directors on page 4, the accompanying consolidated financial statements of El.En. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

EL.EN. SpA
SEPARATE FINANCIAL STATEMENT
AS OF DECEMBER 31st 2021

ACCOUNTING CHARTS AND NOTES

Statement of financial position

Assets	Note		31/12/2021		31/12/2020
Intangible assets	1		193.235		291.736
Tangible assets	2		19.288.864		19.196.881
Equity investments	3				
- in subsidiary companies		16.374.006		16.374.006	
- in associated companies		969.379		819.379	
- other		1.024.498		1.024.498	
Total Equity investments			18.367.883		18.217.883
Deferred tax assets	4		1.999.235		2.527.424
Other non-current assets	4		30.861.798		40.141.170
Total non current assets			**70.711.015**		**80.375.094**
Inventories	5		37.138.691		28.126.708
Accounts receivable	6				
- third parties		12.947.162		6.490.829	
- subsidiary companies		31.598.099		24.867.577	
- associated companies		837.144		483.684	
Total Accounts receivable			45.382.405		31.842.090
Tax receivables	7		5.358.912		3.462.686
Other receivables	7				
- third parties		930.438		782.592	
- subsidiary companies		4.375.402		6.769.264	
- associated companies		261.565		261.565	
Total Other receivables			5.567.405		7.813.421
Securities and other current financial assets	8		-		-
Cash and cash equivalents	9		45.701.818		17.649.208
Total current assets			**139.149.231**		**88.894.113**
Total Assets			**209.860.246**		**169.269.207**

Liabilities	Note		31/12/2021		31/12/2020
Share capital	10		2.593.828		2.549.589
Additional paid in capital	11		46.840.698		42.556.321
Other reserves	12		86.123.920		93.851.798
Treasury stock	13		-		-
Retained earnings / (accumulated deficit)	14		(984.283)		(984.283)
Net income / (loss)			24.044.358		238.265
Total shareholders' equity			**158.618.521**		**138.211.690**
Severance indemnity	15		794.369		848.236
Deferred tax liabilities	16		356.979		265.139
Other accruals	17		1.774.216		2.125.164
Financial debts and liabilities	18				
- third parties		160.929		370.479	
Total Financial debts and liabilities			160.929		370.479
Other non current liabilities					
Accounts payable third parties - non current		185.949		-	
Total Other non current liabilities			185.949		-
Total non current liabilities			**3.272.442**		**3.609.018**
Financial liabilities	19				
- third parties		320.771		4.317.532	
Total Financial liabilities			320.771		4.317.532
Accounts payable	20				
- third parties		24.993.273		16.841.135	
- subsidiary companies		1.217.419		471.371	
- associated companies		6.000		12.000	
Total Accounts payable			26.216.692		17.324.506
Income tax payables	21		4.774.110		4.752
Other current payables	21				
- third parties		16.503.867		5.779.595	
- subsidiary companies		153.843		22.114	
Total Other current payables			16.657.710		5.801.709
Total current liabilities			**47.969.283**		**27.448.499**
Total Liabilities and Shareholders' equity			**209.860.246**		**169.269.207**

Income Statement

Income Statement	Note		31/12/2021		31/12/2020
Revenues	22				
- third parties		56.947.254		26.237.101	
- subsidiary companies		61.022.658		37.642.610	
- associated companies		308.408		336.564	
Total Revenues			118.278.320		64.216.275
Other revenues and income	23				
- third parties		779.966		399.844	
- subsidiary companies		458.881		356.431	
- associated companies		21.858		20.905	
Total Other revenues and income			1.260.705		777.180
Revenues and income from operating activity			**119.539.025**		**64.993.455**
Purchase of raw materials	24				
- third parties		60.595.084		31.932.825	
- subsidiary companies		2.075.923		944.865	
Total Purchase of raw materials			62.671.007		32.877.690
Changes in inventory of finished goods			(1.270.209)		(730.078)
Change in inventory of raw material			(7.795.001)		(2.019.001)
Direct services	25				
- third parties		18.189.224		10.084.709	
- subsidiary companies		37.599		37.494	
Total Direct services			18.226.823		10.122.203
Other operating services and charges	25				
- third parties		7.351.775		5.915.047	
- subsidiary companies		124.860		62.791	
- associated companies		6.000		12.000	
Total Other operating services and charges			7.482.635		5.989.838
Staff cost	26		20.506.008		15.433.487
Depreciation, amortization and other accruals	27		1.842.190		2.517.986
EBIT			**17.875.572**		**801.330**
Financial charges	28				
- third parties		(18.429)		(21.904)	
- subsidiary companies		46.413		(17.047)	
Total Financial charges			27.984		(38.951)
Financial income	28				
- third parties		198.624		233.951	
- subsidiary companies		10.149.243		318.669	
- associated companies		300		300	
Total Financial income			10.348.167		552.920
Exchange gain (loss)	28		443.788		(443.938)
Other charges	29		(258.038)		(717.709)
Other income	29		463.399		-
Income (loss) before taxes			**28.900.872**		**153.652**
Income taxes	30		4.856.514		(84.613)
Income (loss) for the financial period			**24.044.358**		**238.265**

Statement of comprehensive income

	31/12/2021	31/12/2020
Reported net (loss) income	24.044.358	238.265
Other income/(loss) that will not be entered in income statement net of fiscal effects:		
Measurement of defined-benefit plans	3.230	(30.919)
Total other income/(loss), net of fiscal effectes (B)	3.230	(30.919)
Total comprehensive (loss) income	24.047.588	207.346

Cash flow statement

Cash flow statement	Note	31/12/21	related parties	31/12/20	related parties
Operating activity					
Income (loss) for the financial period		**24.044.358**		**238.265**	
Amortizations and depreciations	27	2.035.903		1.808.161	
Interest income	28	314.005		407.664	
Intererst Expense	28	(15.468)		(15.343)	
Income tax paid		0		0	
Write-downs for impairment losses	29	0		419.903	419.903
Stock Option Share payment loss		0		176.968	
Severance indemnity	15	(49.617)		(46.148)	
Provisions for risks and charges	17	(350.947)		722.394	
Bad debt reserve	6	(3.059.753)	(3.009.033)	(253.218)	(279.558)
Deferred income tax assets	4	527.170		(227.478)	
Deferred income tax liabilities	16	91.839		(64.118)	
Inventories	5	(9.011.983)		(2.749.080)	
Accounts receivable	6	(10.480.561)	(4.074.949)	2.163.380	1.411.425
Tax receivables / payables	7-21	3.147.253		197.909	
Other receivables	7	(1.065.495)	(599.775)	(904.593)	(348.913)
Accounts payable	20	8.892.186	740.048	4.609.359	(628.513)
Other payables	21	10.597.347	131.729	359.132	10.434
Cash flow generated by operating activity		**25.616.237**		**6.843.157**	
Investment activity					
Tangible assets	2	(1.782.494)		(3.148.420)	
Intangible assets	1	(127.073)		(114.536)	
Equity investments, securities and other financial assets	3-4-8	(323.736)	(150.000)	1.243.479	(694.256)
Financial receivables	7	12.450.610	12.443.638	(17.448.920)	(17.512.828)
Cash flow generated by investing activity		**10.217.307**		**(19.468.397)**	
Financing activity					
Non current financial liabilities	18	(143.415)		(312.401)	
Current financial liabilities	19	(3.996.761)		(316)	
Capital increase	10	4.328.616		1.137.321	
Dividends paid	31	(7.969.374)		0	
Cash flow generated by financing activity		**(7.780.934)**		**824.604**	
Increase/(decrease) in cash and cash equivalents		**28.052.610**		**(11.800.637)**	
Cash and cash equivalents at the beginning of the financial period		**17.649.208**		**29.449.845**	
Cash and cash equivalents at the end of the financial period		**45.701.818**		**17.649.208**	

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

Changes in the Shareholders' equity

Total shareholders' equity	**31/12/2019**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**31/12/2020**
Share capital	2.537.965			11.624		2.549.589
Additional paid in capital	41.430.624			1.125.697		42.556.321
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	82.477.079	5.833.175				88.310.254
Special reserve for grants received	426.657					426.657
Other reserves	4.360.563			247.941	-30.919	4.577.585
Retained earnings / (accumulated deficit)	-984.283					-984.283
Net income / (loss)	5.833.175	-5.833.175			238.265	238.265
Total shareholders' equity	136.619.082			1.385.262	207.346	138.211.690

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

NOTES TO THE FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The El.En. Financial Statement was examined and approved by the Board of Directors on March 15th 2022.

The amounts shown in this statement are in Euros unless otherwise indicated.

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT AND ACCOUNTING STANDARDS

The financial statement for 2021 which represents the separate financial statement of El.En. S.p.A. is drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments for which the evaluation has been made on the basis of the principle of *fair value*.

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

This separate Financial Statement consists of:

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

The economic information given refers to the financial years 2021 and 2020. The financial information on the other hand refers to the situations on December 31st 2021 and December 31st 2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The financial statement as of December 31st 2021 has been formulated using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, including all of the international standards which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The accounting principles used for drawing up this financial statement are in compliance with the accounting standards used for drawing up the financial statement on December 31st 2020 with the exception of the new principles and those revised by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee as described in the consolidated financial statement for the El.En. Group in the specific chapter titled "Accounting standards and evaluation criteria applied starting on January 1st 2021" which should be consulted for further details.

USE OF ESTIMATES

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

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

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

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

• Leases
The determination of right of use which emerges from leasing contracts, and the relative financial liabilities, represents a significant estimate on the part of the management. The determination of the lease term bears in consideration the expiration of the contract which has been underwritten as well as any renewal clauses which the Group believes are reasonably certain to be applied.
The incremental borrowing rate is created considering the typology of the asset which is the subject of the leasing contract, the jurisdiction in which this object is acquired and the currency that is used in the contract. Any changes in the market scenario and trends may require a review of the elements described.

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

• Warranty reserve
The warranty reserve is established in order to cover the costs of intervention that is under technical guarantee on the products and is determined on the basis of the commercial agreements being used by the Company. The product guarantee fund is estimated on the basis of the cost of spare parts and technical assistance in guarantees that are

sustained during the period, adapted to the sales volumes for the year and to the average number of years granted by the guarantee, which differ on the basis of the sector to which they belong.

• Deferred tax assets and liabilities

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

• Employee benefits - Severance indemnity

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

• Evaluation of fair value

The Company evaluates the financial instruments at fair value at the end of each financial year.

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

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

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

The fair value of the asset or the liability is evaluated using the assumptions that the operators on the market would use to determine the price of the asset or liability, assuming that they would act in the their own best economic interest.

The Company uses evaluation techniques which are suitable for the circumstances and for which there is sufficient data available to evaluate the fair value, maximizing the use of the observable input and minimizing the use of input that is not observable.

All of the assets and liabilities for which the fair value is evaluated or shown in the statements are classified on the basis of a fair value hierarchy, as shown below:

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

The evaluation of the *fair value* is classified entirely at the same level of the fair value hierarchy in which the lowest level of input of the hierarchy used for the evaluation is classified .

For the assets and liabilities entered in the statement at fair value on a recurrent basis, the Company determines if there have been transfers between hierarchy levels by reviewing the classification (based on the lowest level input which is significant for the purposes of evaluation of fair value in its entirety) at the closing of the each statement.

At the closing of each statement the Company analyzes the variations in the amounts of the assets and liabilities for which the re-determination or re-evaluation is required on the basis of the accounting standards of the Company.

For the purpose of the information related to fair value, the Company determines the classes of asset or liability on the basis of the type, characteristics and risks of the asset or liability and the hierarchy level of the fair value previously described.

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

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

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

B) TANGIBLE FIXED ASSETS

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

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

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

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

C) FINANCIAL CHARGES

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

D) LOSSES IN VALUE OF ASSETS

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

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

E) FINANCIAL ASSETS: EQUITIES

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

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

With reference to 2021, no subsidiary companies show the presence of indicators of long lasting losses in value except the companies which have been subjected to devaluation.

F) FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

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

Cancellation
A financial asset is cancelled when:

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

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

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

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

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

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

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

Financial liabilities
As soon as they are entered, the financial liabilities re classified among the “financial liabilities at fair value entered in the income statement”, among the “mortgages and financing”, or among the “derivatives intended for use as hedge instruments”.
All of the financial liabilities are initially entered at fair value to which they add, in the case of mortgages, financing and debts, the cost of the transaction that is directly connected to it.
The financial liabilities of the Company include trade debts and other long-term debts, mortgages and financing, including bank overdrafts, and derivative financial instruments.
For purposes of the subsequent evaluation, the financial liabilities are classified in two categories:
• Financial liabilities at fair value entered in the income statement.
• Financial liabilities at amortized cost (financing and loans).

The financial liabilities at fair value with variations entered in the income statement include the liabilities held for negotiations and financial liabilities initially entered at fair value with the variations shown in the income statement.
The profits or losses on the liabilities held for negotiations are entered in the income statement.
The financial liabilities at amortized cost (financing and loans), after the initial registration, are evaluated with the criteria of amortized cost using the method of actual interest rate. The profits and losses are entered in the income statement when the liability has been extinguished, as well as by means of the process of amortization.
The cost of amortization is calculated by identifying the discount or the premium on the acquisition and the fees or costs which are an integral part of the actual interest rate. The amortization at the actual interest rate is included among the financial charges in the income statement.

Derivatives and measurement of hedging operations
Fair value hedge: if a derivative financial instrument is designated as a hedge against fluctuations in the fair value of an asset or a liability that is entered in the statements, attributed to a particular risk which can affect the income statement,

the profit or loss derived from the later evaluations of the current value of the hedging instrument are shown in the income statement. The profit or loss on the amount that is hedged that can be attributed to the risk that is hedged, modify the book value of that amount and are shown in the income statement.

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

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

G) INVENTORY

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

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

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

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

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY

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

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

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

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

STOCK OPTION PLANS

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

From the point of view of the model on which it is based the stock option plan adopted by El.En, should be considered a "foreign" option since the exercising of the right to the options is possible only after the vesting period and can take place at any time during the exercise period.

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

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

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

L) REVENUE RECOGNITION

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

Sale of goods

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

Variable prices

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

M) ENTRIES IN FOREIGN CURRENCY

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

N) GRANTS

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

O) LEASES

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

For the contracts in which the Company is the lessee, on the date of the beginning of the leasing contract a liability is recognized for the payment of the rent established in the leasing contract and an asset which represents the right of use of the underlying asset for the duration of the contract (the right of use).
The Company records separately the costs for the interests on the leasing liability and the depreciation of the right of use of the asset. The Company also proceeds with the remeasurement of the leasing liability when certain events occur (for example, a change in the conditions of the leasing contract, a change in the future payments of the lease caused by a variation in a rate or tax used for determining those payments). In these cases, the amount of the remeasurement of the liability for leasing is usually recognized as a rectification of the right of use of the asset.

P) TAXES

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

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ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED SINCE JANUARY 1st 2021

For the accounting standards, amendments and interpretations applied since January 1st 2021, please consult the consolidated financial statement.

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STOCK OPTION PLANS

El.En. S.p.A.

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

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	31/12/2021	31/12/2021	
Plan 2016-2025	31-dic-25	485.250			340.300		144.950	144.950	€ 3,18

(*) the exercising price was changed after the stock split approved by the shareholders' meeting on July 20th 2021, which split the shares in a ration of four to one for all ordinary shares in circulation.

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

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

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

The overall *fair value* of the stock options is 2.942.080 Euros.

During 2021 the average price registered for the El.En. S.p.A. stock was about 11,47 Euros (the amount registered after the split which assigned 4 shares for each old share).

For the characteristics of the stock option plan and the increase in capital that was approved for implementing it, please consult the description in Note (10) of this report.

Information on the Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

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

	31/12/2020	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	31/12/2021
Development costs	84.863				-10.064	-74.776	23
Patents and rights to use patents of others	13.332					-3.334	9.998
Concessions, licenses, trade marks and similar rights	59.004	69.736				-68.306	60.434
Other intangible assets	79.537	88.202			30.001	-79.160	118.580
Intangible assets under construction and advance payments	55.000	4.200			-55.000		4.200
Total	**291.736**	**162.138**			**-35.063**	**-225.576**	**193.235**

Under the heading of “Development costs” we have entered the costs sustained for the development of new prototypes; under the heading of “Concessions, licenses, trademarks and similar rights” we have entered the costs sustained for the acquisition of new software licenses; the heading of “Intangible assets under construction” is mainly composed of the costs of a new software now being implemented.

Tangible fixed assets (note 2)

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

Cost	**31/12/2020**	**Increase**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**31/12/2021**
Lands and buildings	17.767.933	150.199			9.076	17.927.208
Plants & machinery	6.005.601	627.349				6.632.950
Industrial and commercial equipment	6.623.313	470.467	-62.645		-106.155	6.924.980
Other assets	3.395.519	305.075	-150.559		-5.718	3.544.317
Tangible assets under construction and advance payments	49.177	266.295			-49.177	266.295
Total	**33.841.543**	**1.819.385**	**-213.204**		**-151.974**	**35.295.750**
Lands and buildings right of use	37.618					37.618
Plants & machinery right of use	29.947	14.050				43.997
Industrial and commercial equipment right of use	62.892					62.892
Other assets right of use	514.787	105.764				620.551
Total	**645.244**	**119.814**				**765.058**
Total	**34.486.787**	**1.939.199**	**-213.204**		**-151.974**	**36.060.808**

Accumulated depreciation	**31/12/2020**	**Depreciations**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**31/12/2021**
Lands and buildings	4.759.615	444.946			-862	5.203.699
Plants & machinery	2.618.722	431.766				3.050.488
Industrial and commercial equipment	5.535.527	493.944	-45.770		-135.156	5.848.545
Other assets	2.078.094	276.675	-140.783		-5.717	2.208.269
Tangible assets under construction and advance payments						
Total	**14.991.958**	**1.647.331**	**-186.553**		**-141.735**	**16.311.001**
Lands and buildings right of use	11.483	6.272				17.755
Plants & machinery right of use	26.620	6.059				32.679
Industrial and commercial equipment right of use	20.959	11.850			-1	32.808
Other assets right of use	238.886	138.815				377.701
Total	**297.948**	**162.996**			**-1**	**460.943**
Total	**15.289.906**	**1.810.327**	**-186.553**		**-141.736**	**16.771.944**

Net value	**31/12/2020**	**Increase**	**(Disposals)**	**Revaluation / Devaluation / Depreciations**	**Other movements**	**31/12/2021**
Lands and buildings	13.008.318	150.199		-444.946	9.938	12.723.509
Plants & machinery	3.386.879	627.349		-431.766		3.582.462
Industrial and commercial equipment	1.087.786	470.467	-16.875	-493.944	29.001	1.076.435
Other assets	1.317.425	305.075	-9.776	-276.675	-1	1.336.048
Tangible assets under construction and advance payments	49.177	266.295			-49.177	266.295
Total	**18.849.585**	**1.819.385**	**-26.651**	**-1.647.331**	**-10.239**	**18.984.749**
Lands and buildings right of use	26.135			-6.272		19.863
Plants & machinery right of use	3.327	14.050		-6.059		11.318
Industrial and commercial equipment right of use	41.933			-11.850	1	30.084
Other assets right of use	275.901	105.764		-138.815		242.850
Total	**347.296**	**119.814**		**-162.996**	**1**	**304.115**
Total	**19.196.881**	**1.939.199**	**-26.651**	**-1.810.327**	**-10.238**	**19.288.864**

The heading of “Lands and buildings” and the relative right of use includes the real estate complex in Via Baldanzese in Calenzano (Florence) where the Company and its subsidiaries Deka M.E.L.A. S.r.l., Esthelogue S.r.l., Pharmonia S.r.l. and Merit Due S.r.l. and its associate Elesta SpA operate and the buildings in Via Dante Alighieri also in Calenzano; the first was acquired in 2008 and the second in 2014; the building located in the municipality of Torre Annunziata, acquired in 2006, which is used for the activities of research, development and manufacture of the subsidiary Lasit S.p.A.
The increase in the heading for “Lands and buildings” is related to the remodeling of existing buildings.

The increase registered in the category of Plants and Machinery and Equipment are also related to the modernization work conducted as part of the *Industria 4.0* incentives

The increase under the heading of “Other assets” is related in particular to the purchase of motor vehicles, furniture and electronic equipment.

In the column of “Other movements” of the various categories, we have registered the reclassification made to the respective categories of the assets under construction at the moment they were completed and, for the category of “Equipment” the discarding of goods that had been completely amortized.

Equity investments (note 3)

Equities in subsidiary companies

Company name	Headquarters	Percentage held	Book value	Equity 31/12/2021	Result 31/12/2021	Share of equity	Difference
Ot-Las S.r.l.	Calenzano (ITA)	98,89%	3.224.616	23.518.530	197.142	23.257.474	20.032.858
Deka Mela S.r.l.	Calenzano (ITA)	85,00%	1.533.341	18.426.455	4.075.123	15.662.487	14.129.146
Esthelogue S.r.l.	Calenzano (ITA)	50,00%	50.000	143.157	542.767	71.579	21.579
Deka Sarl	Lione (FRA)	100,00%	0	-426.650	-258.038	-426.650	-426.650
Lasit S.p.A.	Torre Annunziata (ITA)	70,00%	1.117.166	11.845.951	2.009.735	8.292.166	7.175.000
Quanta System S.p.A.	Milano (ITA)	100,00%	8.053.031	54.939.850	14.153.747	54.939.850	46.886.819
Asclepion GmbH	Jena (GER)	50,00%	1.174.821	28.710.466	4.681.497	14.355.233	13.180.412
BRCT Inc.	New York (USA)	100,00%	1.128.446	-68.955	1.965	-68.955	-1.197.401
Deka Japan Co., Ltd	Tokyo (JAP)	55,00%	42.586	1.363.463	135.594	749.905	707.319
Cutlite do Brasil Ltda	Blumenau (BRASIL)	98,27%	0	-1.155.425	316.138	-1.135.436	-1.135.436
Pharmonia S.r.l.	Calenzano (ITA)	100,00%	50.000	276.566	-3.797	276.566	226.566
Total			16.374.006	137.573.408	25.851.873	115.974.218	99.600.211

It should be noted that for the subsidiary Deka Sarl, the Company has accrued a reserve for covering the losses of companies in which they hold an equity, as described in Note (17).

For BRCT Inc. one must consider that this company holds equities evaluated at the cost which fair value would be much greater and more than enough to cover the negative difference between the book value and the fraction of the shareholders’ equity.

In relation to Cutlite do Brasil it should be noted that the negative difference between the accounting value and the portion of the shareholders’ equity is covered by a hedge fund for losses by subsidiaries and by a devaluation credit fund for the same subsidiary.

Equities in associated companies

Company name	Headquarters	Percentage held	Book value	Equity 31/12/2021	Result 31/12/2021	Share of equity	Difference
Actis S.r.l. (*)	Calenzano (ITA)	12,00%	1.240	345.187	-5.738	41.422	40.182
Elesta SpA	Calenzano (ITA)	50,00%	693.939	1.591.777	-345.108	795.889	101.950
Immobiliare Del.Co. S.r.l.	Solbiate Olona (ITA)	30,00%	274.200	25.231	-29.683	7.569	-266.631
Total			969.379	1.962.195	-380.529	844.880	-124.499

(*) Data as of December 31st 2020

The data related to the associated company "Immobiliare Del.Co. S.r.l.", show a difference between the purchase price and the corresponding quota of the shareholders' equity which is due to the greater value implicit in the lands and buildings that are owned, as emerged during the voluntary re-evaluation of this real estate conducted by the associated company in conformity with D.L. 185/08.

The chart below shows a summary of the data related to the associated companies:

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	449.212	103.925	-5.738	19.476	25.214
Elesta SpA	4.094.022	2.483.796	-345.108	2.067.393	2.412.501
Immobiliare Del.Co. Srl	791.146	765.915	-29.683	129.479	159.161

(*)Data as of December 31st 2020

Equities

Equity investments	31/12/2020			Movements of the period			31/12/2021		
	Cost	Reval./(Deval.)	Balance 31/12/2020	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2021	Reval./(Deval.)	Cost
- in subsidiary companies									
Deka Mela S.r.l.	1.533.341		1.533.341				1.533.341		1.533.341
Ot-Las S.r.l.	3.534.362	-309.746	3.224.616				3.224.616	-309.746	3.534.362
Esthelogue S.r.l.	1.865.739	-1.815.739	50.000				50.000	-1.815.739	1.865.739
Deka Sarl	3.738.720	-3.738.720	0					-3.738.720	3.738.720
Lasit S.p.A.	1.117.166		1.117.166				1.117.166		1.117.166
Quanta System S.p.A.	8.053.031		8.053.031				8.053.031		8.053.031
BRCT Inc.	1.128.446		1.128.446				1.128.446		1.128.446
Asclepion GmbH	1.174.821		1.174.821				1.174.821		1.174.821
Cutlite do Brasil Ltda	3.384.919	-3.384.919	0					-3.384.919	3.384.919
Deka Japan Co., Ltd	42.586		42.586				42.586		42.586
Pharmonia S.r.l.	50.000		50.000				50.000		50.000
Total	25.623.131	-9.249.124	16.374.006	0	0	0	16.374.006	-9.249.124	25.623.131

Equity investments	31/12/2020			Movements of the period			31/12/2021		
	Cost	Reval./(Deval.)	Balance 31/12/2020	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2021	Reval./(Deval.)	Cost
- in associated companies									
Actis S.r.l.	1.240		1.240				1.240		1.240
Elesta S.p.A.	1.172.687	-628.747	543.940	150.000			693.940	-628.747	1.322.687
Immobiliare Del.Co. S.r.l.	274.200		274.200				274.200		274.200
Total	1.448.127	-628.747	819.379	150.000	0	0	969.379	-628.747	1.598.127

The increase in the equity held in Elesta SpA is related to the deposit made by the shareholders as a part of a future increase in capital.

Equity investments	31/12/2020			Movements of the period			31/12/2021		
	Cost	Reval./(Deval.)	Balance 31/12/2020	Changes	Reval./(Deval.)	Other movements	Balance 31/12/2021	Reval./(Deval.)	Cost
- other									
Concept Laser Solutions GmbH	19.000		19.000				19.000		19.000
Consorzio Energie Firenze	1.000		1.000				1.000		1.000
CALEF	3.402		3.402				3.402		3.402
R&S	516		516				516		516
R.T.M. S.p.A.	364.686	-364.686	0					-364.686	364.686
Hunkeler.it S.r.l.	112.100		112.100				112.100		112.100
EPICA International Inc.	888.480		888.480				888.480		888.480
Total	1.389.184	-364.686	1.024.498	0	0	0	1.024.498	-364.686	1.389.184

The amount of “equities in other companies” is mainly due to the equity held by “Epica International Inc” for an amount of 888 thousand Euros. With reference to the value of this equity the administrators decided that since the equity instrument was not quoted on the regulated markets and, since there was a wide range of possible evaluations at fair value related to various underwritings, the cost represented the best estimate of the fair value in this range and also in consideration of the average share price of the underwriting.

Financial charges during this year on amounts entered among the assets
No financial charges were entered for the items listed among the assets.

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

Other non-current assets	**31/12/2021**	**31/12/2020**	**Variation**	**Var. %**
Financial receivables - subsidiaries	18.050.000	27.500.000	-9.450.000	-34,36%
Deferred tax assets	1.999.235	2.527.424	-528.189	-20,90%
Other non-current assets	12.811.798	12.641.170	170.628	1,35%
Total	**32.861.033**	**42.668.594**	**-9.807.561**	**-22,99%**

The financial receivables from subsidiary companies refer to:
- the financing issued during 2020 to the subsidiary Otlas Srl for a total of 19 million Euros, to be paid back in deferred half-yearly installments, at the annual BCE + 0,25%. This financing was issued for the purpose of acquiring the minority share in the subsidiary Penta Laser Equipment Wenzhou.

The conditions applied for this financing are specified also in Note (7).

The heading of “Other non-current assets” refers to temporary uses of cash made by the company for life insurance policies which are based on a management that is separate with securities with guaranteed capital and with the possibility of cashing them in, either totally or partially, during the period of the contract, on the condition that at least one year has elapsed since the policies have been stipulated. Since this is a mid-term investment the company has decided to classify them among the non-current assets held for sale and enter them into accounts at the fair value of the policies in the assets and the re-evaluation of the policies in the income statement and, consequently, to exclude them from the net financial position.

For an analysis of the heading “Deferred tax assets”, refer to the chapter on “Deferred tax assets and liabilities”.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	31/12/2021	31/12/2020	Variation	Var. %
Raw materials, consumables and supplies	22.425.479	14.630.478	7.795.001	53,28%
Work in progress and semi finished products	11.614.424	10.179.305	1.435.119	14,10%
Finished products and goods	3.098.788	3.316.925	-218.137	-6,58%
Total	**37.138.691**	**28.126.708**	**9.011.983**	**32,04%**

An analysis of the final inventory shows an increase in stock of 32%, which is due to a series of factors: the great increase in the production volume, the need to give our clients excellent service in terms of delivery times and consequently to maintain a high level of inventory, the difficulties encountered on the supply chain for the punctual delivery of certain components and the lengthening of delivery times have forced us to increase the level of stock.

It should also be noted that the amounts shown above are net of the devaluation fund, as shown on the chart below.

	31/12/2021	31/12/2020	Variation	Var. %
Gross amount of Inventory	43.540.729	33.751.014	9.789.715	29,01%
Devaluation provision	-6.402.038	-5.624.306	-777.732	13,83%
Total	**37.138.691**	**28.126.708**	**9.011.983**	**32,04%**

The fund is calculated in order to align the inventory value with that with which the inventory could presumably be sold by recognizing obsolescence or slow turnover. The amount of the fund increased by about 778 thousand Euros with respect to December 31st 2020, while the incidence on the gross value of the inventory decreased from 17% in 2020 to 15% on 2021.

Accounts receivable (note 6)

Receivables are composed as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Accounts receivable from third parties	12.947.162	6.490.829	6.456.333	99,47%
Accounts receivable from subsidiaries	31.598.099	24.867.577	6.730.522	27,07%
Accounts receivable from associated	837.144	483.684	353.460	73,08%
Total	**45.382.405**	**31.842.090**	**13.540.315**	**42,52%**

Accounts receivable from third parties	31/12/2021	31/12/2020	Variation	Var. %
Italy	4.166.751	1.913.782	2.252.969	117,72%
EEC	2.115.306	2.217.214	-101.908	-4,60%
ROW	6.984.335	2.729.783	4.254.552	155,86%
minus: bad debt reserve	-319.230	-369.950	50.720	-13,71%
Total	**12.947.162**	**6.490.829**	**6.456.333**	**99,47%**

The accounts receivable from subsidiary and associated companies are inherent to the ordinary operations.

The chart below shows the changes in the provisions for bad debts which occurred during this year:

	2021
At the beginning of the period	369.950
Provision	244.589
Amounts utilized and unused amounts reversed	-295.309
At the end of the period	**319.230**

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

Accounts receivable in:	**31/12/2021**	**31/12/2020**
Euros	6.199.031	3.315.463
USD	6.748.131	3.175.366
Total	**12.947.162**	**6.490.829**

The amount in Euros shown in the chart of the receivables originally expressed in US dollars represents the amount in currency converted at the exchange rate in force on December 31st 2021 and December 31st 2020.

The chart below shows the analysis of the accounts receivable from third parties and from subsidiary companies for 2021 and for 2020, net of the devaluation fund:

Accounts receivable from third parties	**31/12/2021**	**31/12/2020**
To expire	10.506.644	4.188.455
Overdue:		
0-30 days	1.755.730	692.438
31-60 days	161.713	127.320
61-90 days	86.889	142.562
91-180 days	53.908	213.254
Over 180 days	382.278	1.126.800
Total	**12.947.162**	**6.490.829**

Accounts receivable from subsidiaries	**31/12/2021**	**31/12/2020**
To expire	15.924.684	10.759.522
Overdue:		
0-30 days	883.576	347.000
31-60 days	555.976	562.392
61-90 days	644.450	426.221
91-180 days	2.547.567	1.161.950
Over 180 days	11.041.846	11.610.492
Total	**31.598.099**	**24.867.577**

For a detailed analysis of the accounts receivable from subsidiary and associate companies, refer to the chapter in the information sheet on related parties.

Tax receivables/Other receivables (note 7)

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

	31/12/2021	31/12/2020	Variation	Var. %
Tax receivables				
VAT receivables	4.183.568	1.612.794	2.570.774	159,40%
Income tax receivables	1.175.344	1.849.892	-674.548	-36,46%
Total	**5.358.912**	**3.462.686**	**1.896.226**	**54,76%**

Current financial receivables				
Financial receivables - third parties	527	7.499	-6.972	-92,97%
Financial receivables - subsidiaries	2.907.824	5.901.461	-2.993.637	-50,73%
Financial receivables - associated	261.565	261.565		0,00%
Total	**3.169.916**	**6.170.525**	**-3.000.609**	**-48,63%**
Other current receivables				
Security deposits	102.977	78.183	24.794	31,71%
Advance payments to suppliers	278.773	242.559	36.214	14,93%
Other receivables	548.161	454.351	93.810	20,65%
Other receivables from subsidiary companies	1.467.578	867.803	599.775	69,11%
Total	**2.397.489**	**1.642.896**	**754.593**	**45,93%**

Total Current financial receivables e Other current receivables	**5.567.405**	**7.813.421**	**-2.246.016**	**-28,75%**

The amount entered among the "tax receivables" related to Value Added Tax (VAT) is the natural effect of the large amount of exports which characterize the sales volume of the company.

The "income tax receivables" include the tax credits which were recognized for research, development and innovation activities and those that replace benefits that were recognized in previous years in the form of iper and super amortizations.
The financial receivables are related to short-term financing issued to subsidiary and associated companies in order to provide for normal operational activities. The main financial receivables issued to subsidiary companies including those mentioned in Note (4) are the following:

Group companies	m/l term amount (/1000)	Short term amount (/1000)	Currency	Annual interest rate
Otlas Srl	18.050	-	Eur	BCE + 0,25%
Esthelogue S.r.l.	-	1.665	Eur	BCE + 1% (up to 1.065 thousand Euros) 4% (over 1.065 thousand Euros)
Lasit S.p.A.	-	680	Eur	BCE + 1%
BRCT Inc.	-	562	USD	2,50%

For further details on the financial receivables from subsidiaries and associated companies, please see the chapter, regarding "related parties".

The entry of "Other receivables from subsidiary companies" entered in the section "Other current receivables" is related to the receivables due from Esthelogue Srl and Deka Mela Srl, as part of the adherence to the national tax consolidation.

Securities and other current financial assets (note 8)

In the financial statement as of December 31st 2021 there are no securities or other current financial assets.

Cash and cash equivalents (note 9)

Cash and cash equivalents is composed as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Bank and postal current accounts	45.696.039	17.642.248	28.053.791	159,01%
Cash on hand	5.779	6.960	-1.181	-16,97%
Total	**45.701.818**	**17.649.208**	**28.052.610**	**158,95%**

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

Net financial position as of December 31st 2021

The net financial position as of December 31st 2021 is composed as follows (in thousands of Euros).

Net financial position	**31/12/2021**	**31/12/2020**
Cash and bank	45.702	17.649
Cash and cash equivalents	**45.702**	**17.649**
Current financial receivables	**1**	**7**
Bank short term loan	(3)	(4.003)
Part of financial long term liabilities due within 12 months	(318)	(314)
Financial short term liabilities	**(321)**	**(4.318)**
Net current financial position	**45.382**	**13.339**
Other long term financial liabilities - non current part	(161)	(370)
Other non current liabilities	(186)	0
Financial long term liabilities	**(347)**	**(370)**
Net financial position	**45.035**	**12.969**

The net financial position showed an increase of about 32,1 million for the year. For details, see the Management Report.
It should also be recalled that in the preceding years 11,5 million Euros in cash was invested in financial instruments of an insurance type which, for their very nature must be entered among the non-current financial assets; although they represent a use of cash this amount is not part of the net financial position. At the end of the year the fair value of the investment was for 12,8 million Euros.

Financial receivables from subsidiaries and associated companies for an amount of 21.219 thousand Euros have been excluded from the net financial position because they are related to the policy of financial assistance to the companies of the Group (for details, please consult the information on related parties).
In continuation of past policy, it was deemed opportune to exclude this financing from the net financial position shown above.

Information on the Statement of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (note 10)

As of December 31st 2021, the capital stock of El.En. was as follows:

Authorized (to stock option plan service)	Euros	2.612.671
Underwritten and deposited	Euros	2.593.828

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

Category	31/12/2020	Increase	Decrease	31/12/2021
No. of Ordinary Shares	19.612.222	79.810.088	-19.612.222	79.810.088
Total	**19.612.222**	**79.810.088**	**-19.612.222**	**79.810.088**

Number of shares after the stock split in July 2021 which consisted in the issue of four new shares for every old share.

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

Increase of capital in the stock option plan service

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

On September 13th 2016, the Board of Directors of the Company, following a recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 ("Stock Option Plan 2016-2025") in compliance with the mandate conferred to them by the Shareholders' meeting mentioned above and identified the beneficiaries of the plan, the number of options to be assigned, the temporal limits for picking up the options, and the price of underwriting them.
The Board, in compliance with art. 2443, II sub-section, CC., also executed the mandate conferred upon them by the Assembly, to increase, upon payment, entirely and exclusively for use in the stock option plan, separately and with the exclusion of the option right described in art. 2441, sub-section V, c.c., the capital stock, by 104.000,00 Euros by issuing 800.000 ordinary shares (3.200.000 ordinary shares after the stock split) which can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above mentioned Plan.

The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.
The plan will terminate on December 31st 2025 and the options that have not been picked up before that date will expire permanently; the capital will be definitively increased for the amount actually underwritten and released by that date.

After some of the beneficiaries of the stock option plan 2016-2025 picked up their options on the first occasion which opened on September 14th 2019, the Parent Company issued, in 2021, 1.361.200 ordinary shares (after the split) and cashed in 4.328 thousand Euros including the increase in capital with share premium.

It should also be noted that the value of capitalization of the Company is currently greater with respect to the implicit values of the shareholders' equity on December 31st 2021.

Additional paid in capital (note 11)

On December 31st 2021 the share premium reserve amounted to 46.841 thousand Euros, an increase with respect to the 42.556 on December 31st 2020 due to the stock options which were picked up during the year, as described in the preceding note.

Other reserves (note 12)

	31/12/2021	31/12/2020	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	80.579.145	88.310.254	-7.731.109	-8,75%
Stock option/ stock based compensation reserve	4.753.358	4.753.358		0,00%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-172.542	-175.773	3.231	-1,84%
Total	**86.123.920**	**93.851.798**	**-7.727.878**	**-8,23%**

On December 31st 2021 the "extraordinary reserve" amounted to 80.579 thousand Euros; the decrease with respect to December 31st 2020 is due to the use of the reserve for the distribution of dividends, in compliance with the resolution of the shareholders' meeting on April 27th 2021.

The reserve for "*stock option/stock based compensation"* includes the amount for the figurative costs determined in compliance with IFRS 2 of the stock option plans assigned by the Company.

The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to December 31st 2020.

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

Treasury stock (note 13)

On April 27th 2021 the shareholders' meeting authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as specified in the Management Report in the paragraph on Significant events which occurred in 2021.
On the date of this report, El.En. S.p.A. does not own any treasury stock.

Retained earnings (note 14)

This category includes the rectifications in the shareholders' equity which were a consequence of the adoption of the international accounting standards and the entry of the capital gains earned after the sale of the treasury stock which took place in February 2005 and, in a minimal quantity, the sale of treasury stock in October 2012.

Availability and possibility of utilization of the reserves

SHAREHOLDERS' EQUITY:	**31/12/2021**	**Possibility of utilization**	**Portion available**	**Utilized in the previous two periods for covering losses**	**Utilized in the previous two periods for other purposes**
Share capital	2.593.828				
Additional paid in capital	46.840.698	ABC	46.840.698		
Legal reserve	537.302	B	537.302		
Reserve for treasury stock					
Other reserves:					
Extraordinary reserve	80.579.145	ABC	80.579.145		4.904.950
Reserve for contribution on capital account	426.657	ABC	426.657		
Retained earnings	-984.283	ABC	-984.283		
Other reserves	4.580.816	AB	13.392		
			127.412.911	**0**	**4.904.950**
Portion not distributable					
Portion distributable			**127.412.911**		

Legend: A) increase in capital; B) for covering losses; C) for distribution to partners

Non-current liabilities

Severance indemnity (note 15)

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

31/12/2020	**Provision**	**(Utilization)**	**Payment to complementary pension forms, to INPS fund and other movements**	**31/12/2021**
848.236	808.314	-261.360	-600.821	794.369

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For the purposes of international accounting standards, the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans. After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

The current value of the severance indemnity fund remaining with the company as of December 31st 2021 was 848 thousand Euros.

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

Financial hypotheses	**Year 2020**	**Year 2021**
Annual implementation rate	0,3355%	0,98%
Annual inflation rate	1,00%	1,79%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx corporate AA 10+ for the amount of 0,98%, in conformity with the criteria used last year.

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

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

The analysis is shown on the chart below.

	31/12/2020	**Provision**	**(Utilization)**	**Other movements**	**31/12/2021**
Deferred tax assets on inventory devaluation	1.350.645	143.385	-	1	1.494.031
Deferred tax assets on warranty reserve	102.000	80.400	-	-	182.400
Deferred tax assets on bad debt reserve	768.109	-	(651.091)	-	117.018
Other deferred tax assets and on IAS adjust.	306.670	-	(99.864)	(1.020)	205.786
Total	**2.527.424**	**223.785**	**(750.955)**	**(1.019)**	**1.999.235**
Deferred tax liability on advance depreciations	124.470	-	-	-	124.470
Deferred tax liability on grants on capital account	20.542	24.375	-	1	44.918
Other deferred tax liabilities and on IAS adjust.	120.127	67.464	-	-	187.591
Total	**265.139**	**91.839**	**-**	**1**	**356.979**
Net	2.262.285	131.946	(750.955)	(1.020)	1.642.256

Deferred tax assets amounted to about 2 million Euros. The main variations this year are due to the increase in the deferred tax assets calculated on the inventory devaluation and the warranty reserve, while among the main uses there is that related to the bas debt fund on the basis of the maturing of the requirements for tax deductibility on some losses on receivables.
The deferred tax assets are entered into accounts to the extent that there is the probable existence of adequate tax revenues in the future for which the temporary differences can be used. In this regard, the Company estimates the probable temporal manifestation and the amount of the future revenue that can be taxed.

Deferred tax liabilities amounted to 357 thousand Euros and refer, among other things, to the postponement of the taxation of some grants in capital account which have been received and, for fiscal purposes, have been deferred, in compliance with the law.
Under the heading of “Other movements” we have entered, among other things, the deferred taxes on the value adjustments made on the severance indemnity fund and entered into accounts directly in the Other Comprehensive Income (“OCI”).

Other accruals (note 17)

The chart below shows the operations made with other accruals.

	31/12/2020	Provision	(Utilization)	Other movements	31/12/2021
Reserve for pension costs and similar	83.310	22.215		-2	105.523
Warranty reserve on the products	425.001	335.000			760.001
Reserve for risks and charges	618.000		-502.800		115.200
Other accruals	998.853	258.038	-463.399		793.492
Total	**2.125.164**	**615.253**	**-966.199**	**-2**	**1.774.216**

In the entry "reserve for pension costs and similar" the TFM (severance indemnity fund for the directors) and the indemnity fund for clients' agents are included.

The warranty reserve is calculated on the basis of the costs for spare parts and assistance sustained the preceding year, adjusted to the sales volume of the current year and the average number of years of the warranty which differ depending on the sector to which they belong.
The use entered in the reserve for risks and charges is related to the definition of the charges for employees, the amount of which was estimated and accrued last year.
The heading of "Other accruals" refers to the reserve for losses on equity, net of the accruals made on the relative receivables, of the subsidiaries in Cutlite Do Brasil and Deka Sarl. This latter again registered losses which continued to erode their capital.
According to IAS 37, the amount owed to the agents must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost to be sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations are made on the basis of the hypotheses described below:

Financial hypotheses	Year 2020	Year 2021
Annual implementation rate	0,3355%	0,98%
Annual inflation rate	1,00%	1,79%

Other potential debts and potential liabilities
On April 24th and on May 4th of 2018 El.En. Spa and its subsidiary, Cutlite Penta Srl, received a citation to appear in front of the Superior Court of Hartford (Connecticut) in relation to their responsibility for damages caused in the factory of one client which was destroyed by a fire. At the time of the fire on the factory there were three laser systems produced by Cutlite Penta.
El.En. and Cutlite Penta vehemently rejected every hypothesis that considers them even remotely connected with this event.
At this time the case is still in a preliminary phase during which they are gathering information using written questionnaires about the conducting of the contractual obligations and the contents of the obligations taken on with the sale of the laser systems. After the emergency caused by the Covid-19 pandemic, and the complexity of the case, the preliminary activities of the suit involving questions, answers and production of documents, began in 2021 and proceed very slowly.
During 2022 the testimony of those present at the site and the opposing parties will probably take place. At this time we expect that the discovery activity conducted by the two parties should be concluded by February 1st 2023 and that conducted by the experts by September of 2023.
The requests of the two parties must be formulated in October of 2023 and preliminary discussions will be conducted in front of the court in December 2023. The trial will not begin before September 3rd 2024. Consequently at this time we do not have sufficient elements to evaluate the outcome or the entity of an economic risk for the two companies. In fact, at this time no proof has been presented nor have they determined the exact amount requested for damages. In any case, for cautionary purposes, the Company has stipulated an insurance policy related to the responsibility for the damages caused by a product which comports a maximum coverage of 15.000.000 Euros for every accident. The insurance

company has taken on the case and, at its own expense, has hired an American lawyer to defend the rights of their insured clients.

Financial debts and liabilities (note 18)

The chart below shows the breakdown of the amounts owed.

Financial m/l term debts	**31/12/2021**	**31/12/2020**	**Variation**	**Var. %**
Amounts owed to leasing companies	160.929	207.717	-46.788	-22,52%
Amounts owed to other financiers		162.762	-162.762	-100,00%
Other non-current liabilities	185.949		185.949	
Total	**346.878**	**370.479**	**-23.601**	**-6,37%**

The amount entered under the heading of "Amounts owed to leasing companies" is derived from the application of IFRS 16.
The amount entered under "Other non-current liabilities" refers to debts towards suppliers that came due more than 12 months ago or having payment terms of more than a year.

Current liabilities

Financial debts (note 19))

Financial short term debts	31/12/2021	31/12/2020	Variation	Var. %
Amounts owed to banks	2.591	4.003.418	-4.000.827	-99,94%
Amounts owed to leasing companies	149.707	145.641	4.066	2,79%
Amounts owed to other financiers	168.473	168.473		0,00%
Total	**320.771**	**4.317.532**	**-3.996.761**	**-92,57%**

The “Amounts owed to leasing companies” and “Amounts owed to other financiers” include the short-term quota of debts described in the previous note.

The amount entered among “ Amounts owed to other financers” is related to the facilitated financing for applied research (MILORD project) issued by FidiToscana to the Company and reimbursable in 6 half-yearly installments starting in April of 2020, last installment on October 31st 2022.

Accounts Payable (note 20)

	31/12/2021	31/12/2020	Variation	Var. %
Accounts payable	24.993.273	16.841.135	8.152.138	48,41%
Amounts owed to subsidiary companies	1.217.419	471.371	746.048	158,27%
Amounts owed to associated companies	6.000	12.000	-6.000	-50,00%
Total	**26.216.692**	**17.324.506**	**8.892.186**	**51,33%**

For a detailed analysis of the accounts payable to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

The chart below shows a detailed breakdown of the accounts payable to third parties divided according to the type of currency:

Accounts payable in:	31/12/2021	31/12/2020
Euros	22.639.453	14.918.371
USD	2.319.440	1.885.863
Other currencies	34.380	36.901
Total	**24.993.273**	**16.841.135**

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2021 and on December 31st 2020.

Income tax payables /Other current payables (note 21)

The debts for income taxes on December 31st 2021 amounted to 4.774 thousand Euros and were entered net of the relative down payments and sums withheld.

The breakdown of the other current payables is the following:

	31/12/2021	31/12/2020	Variation	Var. %
Social security debts				
Debts to INPS	1.660.527	1.204.101	456.426	37,91%
Debts to INAIL	104.793	86.390	18.403	21,30%
Debts to other Social Security Institutions	196.686	164.261	32.425	19,74%
Total	**1.962.006**	**1.454.752**	**507.254**	**34,87%**
Other debts				
Debts to the tax authorities for withholding	1.121.836	866.799	255.037	29,42%
Other tax liabilities	19.942	857	19.085	2226,95%
Debts to staff for wages and salaries	3.534.421	2.198.569	1.335.852	60,76%
Down payments	8.262.348	268.308	7.994.040	2979,43%
Other debts to subsidiary companies	153.843	22.114	131.729	595,68%
Other debts	1.603.314	990.310	613.004	61,90%
Total	**14.695.704**	**4.346.957**	**10.348.747**	**238,07%**
Total Social security debts e Other debts	**16.657.710**	**5.801.709**	**10.856.001**	**187,12%**

The “Debts to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2021.

Analysis of debts according to due date

	31/12/2021			31/12/2020		
	<= 1 year	**>1 year <= 5 years**	**> 5 years**	**<= 1 year**	**>1 year <= 5 years**	**> 5 years**
Amounts owed to banks	2.591	-	-	4.003.418	-	-
Amounts owed to leasing companies	149.707	160.929	-	145.641	207.717	-
Amounts owed to other financiers	168.473	-	-	168.473	162.762	-
Accounts payable	24.993.273	185.949		16.841.135		
Amounts owed to subsidiary companies	1.371.262	-	-	493.485	-	-
Amounts owed to associated companies	6.000	-	-	12.000	-	-
Income tax payables	4.774.110			4.752		
Social security debts	1.962.006			1.454.752		
Other debts	14.541.861			4.324.843		
Total	**47.969.283**	**346.878**	**-**	**27.448.499**	**370.479**	**-**

Information on the Income Statement

Revenue (note 22)

The chart below shows the division of the revenue of the Company derived from contracts with clients as of December 31st 2021 and 2020.

	31/12/2021	31/12/2020	Variation	Var. %
Total medical systems	92.498.268	45.577.430	46.920.838	102,95%
Total industrial systems	11.735.378	6.248.292	5.487.086	87,82%
Total service	14.044.674	12.390.552	1.654.122	13,35%
Total revenue	**118.278.320**	**64.216.275**	**54.062.046**	**84,19%**

Subdivision of revenue by geographical area

Medical sector

	31/12/2021	31/12/2020	Variation	Var. %
Italy	51.471.649	32.515.804	18.955.845	58,3%
Europe	17.606.241	8.154.159	9.452.082	115,9%
ROW	31.925.899	12.894.569	19.031.330	147,6%
Total Medical	**101.003.789**	**53.564.533**	**47.439.256**	**88,56%**

Industrial sector

	31/12/2021	31/12/2020	Variation	Var. %
Italy	11.713.978	7.199.521	4.514.457	62,7%
Europe	4.586.843	3.031.406	1.555.437	51,3%
ROW	973.709	420.814	552.894	131,4%
Total Industrial	**17.274.530**	**10.651.741**	**6.622.788**	**62,18%**

Subdivision of the revenue on the basis of the moment of recognition

	31/12/2021	31/12/2020	Variation	Var. %
Goods transferred at a specific time	118.037.053	63.969.866	54.067.187	84,5%
Services transferred over time	241.266	246.408	-5.142	-2,1%
Total revenue	**118.278.320**	**64.216.275**	**54.062.045**	**84,2%**

The Company registered a sales volume of more than 118 million, an increase of 84% with respect to 2020.
After the most acute phase of Covid-19 in the Spring of 2020 during which El.En. felt the drastic effects of the fall in demand, the production rhythm slowed down and *Cassa Integrazione* was used to pay the salaries, already in the second part of the year the market conditions had improved considerably and they were able to close the year with a strong acceleration both in the production volume and the results.
This tendency was maintained in 2021 in both of the operating sectors of El.En, as demonstrated by the rapid growth in the sales volume, which showed an increase of almost 90% in the medical sector and over 60% in the industrial sector.

Other income (note 23)

Analysis of the other income is as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Other income due to Insurance refunds	12.378	208.489	-196.111	-94,06%
Recovery of expenses	392.578	128.475	264.103	205,57%
Capital gains on disposal of fixed assets	38.927	23.937	14.990	62,62%
Other income	816.822	416.279	400.543	96,22%
Total	**1.260.705**	**777.180**	**483.525**	**62,22%**

Costs for the purchase of goods (note 24)

The analysis of these purchases is shown on the chart below.

	31/12/2021	31/12/2020	Variation	Var. %
Purchases of raw materials and finished products	60.785.165	31.830.610	28.954.555	90,96%
Packaging	1.019.574	458.381	561.193	122,43%
Shipping charges on purchases	497.850	292.782	205.068	70,04%
Other purchase expenses	355.102	290.939	64.163	22,05%
Other purchases	13.316	4.978	8.338	167,50%
Total	**62.671.007**	**32.877.690**	**29.793.317**	**90,62%**

Direct services/ other operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2021	31/12/2020	Variation	Var. %
Direct services				
Outsourced processing	17.206.379	9.368.845	7.837.534	83,66%
Technical services on products	174.393	143.429	30.964	21,59%
Shipment charges on sales	361.399	241.478	119.921	49,66%
Sale commissions	101.346	13.005	88.341	679,28%
Royalties	232.800	122.400	110.400	90,20%
Travel expenses for technical assistance	71.406	55.796	15.610	27,98%
Other direct services	79.100	177.250	-98.150	-55,37%
Total	**18.226.823**	**10.122.203**	**8.104.620**	**80,07%**
Other operating services and charges				
Maintenance and technical assistance on equipment	502.458	370.080	132.378	35,77%
Commercial services and consulting	226.596	101.270	125.326	123,75%
Legal and administrative services and consulting	402.407	311.786	90.621	29,07%
Audit fees	115.601	119.416	-3.815	-3,19%
Insurances (no staff cost)	269.412	175.596	93.816	53,43%
Travel and accommodation expenses	101.741	97.998	3.743	3,82%
Trade shows	27.510	40.507	-12.997	-32,09%
Promotional and advertising fees	161.340	64.253	97.087	151,10%
Expenses related to real estate	1.019.769	885.544	134.225	15,16%
Other taxes	102.757	98.300	4.457	4,53%
Vehicles maintenance expenses	275.498	218.923	56.575	25,84%
Office supplies	53.406	52.023	1.383	2,66%
Hardware and Software assistance	391.693	323.988	67.705	20,90%
Bank charges	45.451	16.904	28.547	168,88%
Leases and rentals	211.861	190.276	21.585	11,34%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.183.960	849.325	334.635	39,40%
Temporary employment	189.580	184.524	5.056	2,74%
Other services and charges	2.201.595	1.889.125	312.470	16,54%
Total	**7.482.635**	**5.989.838**	**1.492.797**	**24,92%**

The increases in both categories are due to the fact that last year they were influenced by the effects of Covid 19.

In the category of "other services and charges" we have included among other things, the costs of technical and scientific consulting and studies and research for a total of 477 thousand Euros. For the activities of Research and Development, please consult the Management Report.

Staff costs (note 26)

The chart below shows the costs for staff

	31/12/2021	31/12/2020	Variation	Var. %
Wages and salaries	14.691.778	11.017.929	3.673.849	33,34%
Social security contributions	5.008.473	3.556.614	1.451.859	40,82%
Severance indemnity	805.353	720.407	84.946	11,79%
Staff costs for stock options/stock based compensation		138.537	-138.537	-100,00%
Other costs	404		404	
Total	**20.506.008**	**15.433.487**	**5.072.521**	**32,87%**

The sharp increase on the volume of business has made it necessary to re-enforce the numerous company functions, in the first place for the immediate production requirements, but also for the secondary needs, mainly research and

development and regulatory, which are all under considerable pressure for the great amount of work and, re-enforced, in any case, for the purpose of creating the premises needed to maintain these volumes which are far greater than those registered in the past.
The comparison with 2020 was altered by the conditions induced by the Covid pandemic with the almost total interruption of the operating activities and recourse to *Cassa Integrazione*.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

	31/12/2021	31/12/2020	Variation	Var. %
Amortization of intangible assets	225.576	250.946	-25.370	-10,11%
Depreciation of tangible assets	1.647.331	1.399.965	247.366	17,67%
Depreciation of tangible assets right of use	162.996	157.252	5.744	3,65%
Accrual for bad debts	-25.913	73.823	-99.736	-135,10%
Accrual for risks and charges	-167.800	636.000	-803.800	-126,38%
Total	**1.842.190**	**2.517.986**	**-675.796**	**-26,84%**

In reference to the accruals for risks and charges which were made last year, please consult Note (17), while the entry for accruals for bad debts is negative due to the prevalence of releases of excess funds.

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

The breakdown of the category is as follows:

	31/12/2021	31/12/2020	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	721	10.185	-9.464	-92,92%
Dividends	10.010.000	135.579	9.874.421	7283,15%
Dividends from other investments	24.162	9.678	14.484	149,66%
Financial income from subsidiary companies	139.243	183.090	-43.847	-23,95%
Financial income from associated companies	300	300		0,00%
Interests income from current securities and financial assets	173.736	189.056	-15.320	-8,10%
Capital gain and other income from current securities and financial assets		7.325	-7.325	-100,00%
Other financial income	5	17.707	-17.702	-99,97%
Total	**10.348.167**	**552.920**	**9.795.247**	**1771,55%**
Financial charges				
Interests on bank debts and on short term loans	3.378	4.023	-645	-16,03%
Financial charges - subsidiary companies	-46.413	17.047	-63.460	-372,26%
Other financial charges	15.051	17.881	-2.830	-15,83%
Total	**-27.984**	**38.951**	**-66.935**	**-171,84%**
Exchange gain (loss)				
Exchange gains	960.374	205.338	755.036	367,70%
Exchange losses	-516.586	-927.657	411.071	-44,31%
Other exchange gains (losses)		278.381	-278.381	-100,00%
Total	**443.788**	**-443.938**	**887.726**	**-199,97%**

During this year we have entered dividends from subsidiaries for the amount of 10.010 thousand Euros, distributed by the subsidiaries Deka Mela, Quanta System and Lasit.

The interest from securities and financial assets are related to investments of cash.

The entry “other financial charges” includes the entering into accounts of interest charges derived from the application of IAS 19 to the severance indemnity for an amount of about 3 thousand Euros.

Other net income and charges (note 29)

	31/12/2021	31/12/2020	Variation	Var. %
Other charges				
Accrual for losses in group companies	258.038	297.806	-39.768	-13,35%
Devaluation of equity investment		419.903	-419.903	-100,00%
Total	**258.038**	**717.709**	**-459.671**	**-64,05%**
Other income				
Decrease of the reserve for losses in group companies	463.399		463.399	
Total	**463.399**		**463.399**	

The amount shown under the heading of "Accrual for losses of Group companies" is related to the subsidiary Deka Sarl due to the losses registered this year.

The heading of "Devaluation of equity investments" included in 2020 the devaluation conducted directly on the value of the equity held in Deka Sarl and in Esthelogue.

The entry of "Decrease in the reserve for losses in Group companies" is related to the subsidiary Cutlite do Brasil Ltda.

Income taxes (note 30)

	31/12/2021	31/12/2020	Variation	Var. %
IRES income taxes	3.796.638	453.338	3.343.300	737,49%
Income taxes - IRAP	842.055	81.908	760.147	928,05%
Deferred IRES income taxes	575.651	-275.235	850.886	-309,15%
Deferred income taxes - IRAP	43.358	-16.361	59.719	-365,01%
Income tax receivable	-551.915	-286.555	-265.360	92,60%
Charges (Income) for IRES from tax consolidation	148.900	17.166	131.734	767,41%
Other income tax	-4.987	7.893	-12.880	-163,18%
Previous years tax	6.814	-66.767	73.581	-110,21%
Total	**4.856.514**	**-84.613**	**4.941.127**	**-5839,68%**

Income taxes for this year were 4.856 thousand Euros as opposed to the -85 thousand Euros registered last year.

The amount of income taxes this year was positively influenced by the tax credits and in particular, those related to research and development and innovation which were greater than those granted last year.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2021	2020
Profit/loss before taxes	28.900.872	153.652
Theoretical IRES Aliquot	24,00%	24,00%
Theoretical IRES	6.936.209	36.876
One time income tax charges		(46.342)
Tax credit	(551.915)	(286.555)
Charges (income) for IRES from fiscal consolidation	148.900	17.166
Dividends	(2.282.280)	
Higher (lower) fiscal incidence with respect to the theoretical aliquot	(279.813)	128.694
Actual IRES	3.971.101	(150.161)
Actual IRES aliquot	13,74%	-97,73%

The tax rate for this year was positively influenced by the greater tax credits and the limited IRES taxation on the dividends received during the year as was provided for in the current tax laws.

The break-down of the deferred tax assets and liabilities is shown in the chart for the preceding note (16). The amount of income taxes includes the balance related to this financial year.

Dividends distributed (note 31)

The shareholders' meeting held on April 27th 2021 voted to distribute to all the shares in circulation on the date that the coupon came due a dividend of 0,40 (zero point forty) gross Euros per share in circulation. The dividend distributed amounted to 7.969.374,40 Euros.

Non-recurring significant, atypical and unusual events and operations (note 32)

For the year 2021 and for the same period last year the company did not conduct any non-recurring, significant, atypical or unusual operations as specified by the Consob Communication of July 28th 2006 n. DEM/6064293.

Information about related parties (note 33)

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

One of the Managing Directors, the majority shareholder of the company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the company.
All the transactions with related parties took place at normal market conditions.

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

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

Subsidiary and associated companies
El. En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.
The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Ot-las Srl (ex Cutlite Penta Srl), and Lasit SpA.
Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Deka M.E.L.A. Srl, to Esthelogue Srl, to Deka Sarl, to ASA Srl and to Asclepion Laser Technologies GmbH, which organize their distribution.

The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.
It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

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

Subsidiary companies:	Financial receivables < 1 year	Financial receivables > 1 year	Other receivables < 1 year	Other receivables > 1 year	Accounts receivable < 1 year	Accounts receivable > 1 year
Asclepion Laser Technologies GmbH					1.271.477	
Deka MELA Srl			1.189.378		11.390.300	
Otlas Srl		18.050.000			2.131.415	
Cutlite Penta Srl					7.526.362	
Esthelogue Srl	1.665.000		278.200		3.906.249	
Deka Sarl					2.767.210	
BRCT Inc.	562.388				17.594	
Lasit Spa	680.436				56.084	
Quanta System SpA					144.567	
ASA Srl					252.151	
Cutlite do Brasil Ltda					283.959	
Penta Laser (Wuhan) Co. Ltd					2.448.249	
Pharmonia Srl					1.220	
- Bad debt reserve					-598.738	
Total	**2.907.824**	**18.050.000**	**1.467.578**	**0**	**31.598.099**	**0**

Associated companies:	Financial Receivables < 1 year	Financial Receivables > 1 year	Accounts Receivable < 1 year	Accounts Receivable > 1 year
Actis Srl	30.000		1.959	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA	200.000		835.185	
Total	**261.565**	**-**	**837.144**	**-**

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Accounts Payable < 1 year	Accounts Payable > 1 year
Asclepion Laser Technologies GmbH					247.080	
Deka MELA Srl					6.462	
Otlas Srl			153.843			
Cutlite Penta Srl					142.210	
Esthelogue Srl					90.549	
Deka Sarl					21.180	
Lasit Spa					244.711	
Quanta System SpA					258.236	
ASA Srl					122	
Penta Laser (Wuhan) Co. Ltd					23.516	
Penta-Laser Equipment (Wenzhou) Co. Ltd					183.352	
Total			**153.843**		**1.217.419**	

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Accounts Payable < 1 year	Accounts Payable > 1 year
Actis Srl					6.000	
Total	**-**	**-**	**-**	**-**	**6.000**	**-**

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Deka MELA Srl	22.016	79.894		101.910
Cutlite Penta Srl	110.407	1.118		111.525
Esthelogue Srl	80.300			80.300
Deka Sarl	22.180			22.180
Lasit Spa	807.045	1.920		808.965
Quanta System SpA	524.213	29.390		553.603
Asclepion Laser Technolohies GmbH	242.562	47.458		290.021
ASA Srl	100			100
With Us Co Ltd	90.624			90.624
Deka Japan Ltd		2.678		2.678
Penta-Laser Equipment Wenzhou Co. Ltd	176.476			176.476
Total	**2.075.923**	**162.459**	**-**	**2.238.381**

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

Subsidiary companies:	Sales	Services	Total
Deka MELA Srl	45.020.477	1.497.730	46.518.207
Otlas Srl	1.659.723	47.682	1.707.405
Cutlite Penta Srl	1.526.700	457.512	1.984.212
Esthelogue Srl	2.376.725	164.185	2.540.910
Deka Sarl	2.019.284	31.992	2.051.276
Lasit Spa	102.476	1.688	104.164
Asclepion Laser Technologies GmbH	4.499.095	274.038	4.773.133
Quanta System SpA	321.722	111.970	433.693
ASA Srl	778.143	2.719	780.862
Penta-Laser Equipment (Wenzhou) Co. Ltd	113.848		113.848
Penta Laser Technology (Shangdong) Co., Ltd.	1.337		
Cutlite do Brasil Ltda	11.612		11.612
Pharmonia Srl		2.000	2.000
Total	**58.431.141**	**2.591.517**	**61.022.658**

Associated companies:	Sales	Services	Total
Elesta SpA	191.693	116.715	308.408
Total	**191.693**	**116.715**	**308.408**

Subsidiary companies:	Other revenues
Deka MELA Srl	242.860
Otlas Srl	961
Cutlite Penta Srl	9.836
Esthelogue Srl	43.288
Deka Sarl	21.297
Lasit Spa	105.619
Quanta System SpA	617
Asclepion Laser Technologies GmbH	34.404
Total	**458.881**

Associated companies:	Other revenues
Elesta SpA	20.498
Actis Srl	1.360
Total	**21.858**

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

The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl, Esthelogue and Elesta Spa for the portions of the buildings in Calenzano which they occupy and to Lasit Spa for the factory at Torre Annunziata.
Moreover, we have entered into accounts approx. 139 thousand Euros in interest earned on the financing granted to subsidiary companies.

Among the "Other receivables" and "Other payables" we have entered the amounts from the fiscally consolidated companies Ot-las S.r.l., Deka M.E.L.A and Esthelogue Srl.

The chart below shows the incidence that the operations with related parties had on the economic and financial situation of the Company.

Impact of related parties transactions	Total	related parties	Inc %
Impact of related parties transactions on the statement of financial position			
Equity investments	18.367.883	17.343.385	94,42%
Receivables LT	18.050.000	18.050.000	100,00%
Accounts receivable	45.382.405	32.435.243	71,47%
Other current receivables	5.567.405	4.636.967	83,29%
Non current financial liabilities	160.929	-	0,00%
Current financial liabilities	320.771	-	0,00%
Accounts payable	26.216.692	1.223.419	4,67%
Other current payables	16.657.710	153.843	0,92%
Other non-current payables	185.949	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	118.278.320	61.331.066	51,85%
Other revenues and income	1.260.705	480.739	38,13%
Purchase of raw materials	62.671.007	2.075.923	3,31%
Direct services	18.226.823	37.599	0,21%
Other operating services and charges	7.482.635	130.860	1,75%
Financial charges	(27.984)	(46.413)	165,86%
Financial income	10.348.167	10.149.543	98,08%
Income taxes	4.856.514		0,00%

Risk factors and procedures for the management of financial risks

The main risk factors to which the company is exposed, identified as either operative or financial, are described below.

Risk related to improper use of machinery
Since the company 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 company.

Risks related to possible difficulties in obtaining supplies and the increase in the price of raw materials
The company 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 company 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 company 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 company 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 company.
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 company 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 company.

Risk of losing key resources and know-how
The risk is connected to the significant dependence that the company 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 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 risk therefore is connected to the relative level of dependence of the company 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 company 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 company may be expose, there are the growing obligations for reporting the emissions produced, the expectations related to the use of low-impact energy sources, and the uncertainties arriving in the signals from the markets with potential unexpected variations in the prices of energy. One should also note the risks derived from the progressive change in climate conditions and extreme weather events which expose the company to damage of the infrastructures like industrial buildings and plants and machinery, rather than to potential interruption in the supply of essential raw materials and the potential reduction of the production capacity. In order to mitigate at least in part this risk, the company stipulated an insurance policy which protects them against damages derived directly from weather events like hurricanes, storms, wind, hail, inundations, floods, and earthquakes. Among the risks associated with the transition to an economy with low carbon emissions, the reputation risks are also included: to not undertake a gradual decarbonization process could have a negative impact on the reputation of the company and consequently on the economic and financial results.

Procedures for the management of financial risk

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

Currency risk

The company is exposed to the risk caused by fluctuations in the exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.

Credit risks

As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the company. The devaluation provision which is accrued at the end of the year represents about 2% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult note (6).

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies.

As far as guarantees granted to third parties are concerned:
With the conclusion of the acquisition of the minority share of Penta Laser Wenzhou by Ot-las S.r.l., El.En. S.p.A. granted a guarantee in favor of the selling partner for the payment described in the earn-out clause for 40 million Renminbi (about 5 million Euros) in the case that they proceeded with an IPO of Penta Wenzhou within 5 years from the acquisition.

Moreover, in July of 2021 El.En. SpA underwrote the following bank guarantees:

- In favor of Cutlite Penta Srl for financing of 11 million Euros issued by Intesa San Paolo
- In favor of Penta Laser (Wuhan) on the short-term guarantee obtained for 3 million Euros.

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

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

Financial instruments (note 35)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Company.

	Book value	Book value	Fair value	Fair value
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets				
Equity investments in other companies	1.024.498	1.024.498	1.024.498	1.024.498
Non current financial receivables	18.050.000	27.500.000	18.050.000	27.500.000
Current financial receivables	3.169.916	6.170.525	3.169.916	6.170.525
Securities and other non-current financial assets	12.811.798	12.638.062	12.811.798	12.638.062
Cash and cash equivalents	45.701.818	17.649.208	45.701.818	17.649.208
Financial debts and liabilities				
Non current financial liabilities	160.929	370.479	160.929	370.479
Current financial liabilities	320.771	4.317.532	320.771	4.317.532

Fair value hierarchy

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

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

As of December 31st 2021, the Company held the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		12.811.798		12.811.798
Other equity investments			1.024.498	1.024.498
Total	**0**	**12.811.798**	**1.024.498**	**13.836.296**

Other information (note 36)

Remuneration of directors and statutory auditors

	31/12/2021	31/12/2020	Variation	Var%
Remuneration of directors	1.091.660	757.006	334.654	44,21%
Remuneration of statutory auditors	72.800	72.800	0	0,00%
Total	**1.164.460**	**829.806**	**334.654**	**40,33%**

Information on public financing as per art. 1, sub-section 125 of Law no. 124 of August 4th 2017 ("Annual law for the market and the competition")

Law no.124 of August 4th 2017 and the subsequent modifications in art. 35 D.L. 34/2019 with modifications by L. 58/2019 introduced some measures intended to insure transparency in the system of public financing; in particular, it states that companies must indicate in the Explanatory Notes of the financial statement and in the consolidated Notes if there is one, information regarding any subsidies, grants, benefits, contributions in money or in kind, which do not have a general character and are not paid for or reimbursed as those effectively issued by the public administration and by the subjects specifically indicated in the above mentioned law.
Therefore, the amounts for the sales of goods or services inherent in the operations conducted as part of their activity are excluded, in the presence of reciprocal relations managed according to the rules of the market, the general measures that can be used by all of the companies belonging to the general structure of the system defined by the state (for example, ACE), the selective economic advantages received in application of a regime of assistance accessible to all companies which satisfy certain conditions, on the basis of predetermined general criteria (tax facilitations and grants, also related to the hiring of the disabled), the grants for training received from inter-professional funds like, for example, Fondimpresa, since they are institutions financed by the contributions from the companies themselves.

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

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

Institute	Type of facilitation	Fiscal facilitations and other grants	Amount
Financial administration	Tax credit for research and development	Art. 1, sub-sections from 198 to 206, Law n. 160/2019	86.520

Instititute granting	Institute issuing	Type of facilitation	Description	Amount
Regione Toscana	Sviluppo Toscana	Grant for research project expenses	POR FESR 2014-2020 – Priority axis 1- Contest for help in research, development and innovation – Project co-financed by the Regione Toscana called "FOMEMI" Sensors and instruments with Fotonic technology for Medicine and Minimal Invasiveness	190.934

It should also be noted that the Company received facilitated financing for applied research (MILORD project), issued by FidiToscana during 2017 for the amount of 488.285 Euros to be paid back in 6 half-yearly installments starting in April 2020, last installment on October 31st 2022. During this year the Company paid back 162.762 Euros.

***Information supplied in compliance with* art. 149-duodecies of the Regolamento Emittenti Consob (Consob Regulations)**

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2021 related to auditing services.

	Company providing the service	Receiver	note	2021 fees (Euros)
Audit	EY SpA	El.En. SpA		64.000
Certification servises	EY SpA	El.En. SpA	(1)	15.000
				79.000

(1) Revision of the Non-Financial Statement

The honorariums shown are net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees subdivided by category

Personnel	Average of the period	31/12/2021	Average of previous period	31/12/2020	Variation	Var. %
Executives	16	16	15	15	1	6,67%
Middle managers	14	12	14	15	-3	-20,00%
White collar workers	141	147	130	135	12	8,89%
Blue collar workers	114	124	101	104	20	19,23%
Total	**284**	**299**	**259**	**269**	**30**	**11,15%**

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

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

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

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2021.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the separate financial statement dated December 31st 2021:

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

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

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the company;

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

Calenzano, March 15th 2022

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

El.En. S.p.A.

Financial statements as at December 21, 2021

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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of El.En. S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of income, the statement of comprehensive income, the changes in shareholder's equity and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Other Matters

The financial statements of the Company for the year ended as of December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2021.

Key Audit Matters

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

We identified the following key audit matter:

Key Audit Matter	Audit Response
Estimate of the inventory provision The financial statements of the Company as at December 31, 2021 include Inventories for an amount equal to Euro 37,138 thousand, net of a provision for inventory of Euro 6,402 thousand. The inventory provision is calculated to align the book value at the net realizable value. The process and methodologies of the Management for the estimation of net realizable value of Inventories and, consequently, the provision for inventory, were based on complex assumptions, that by their nature imply the use of the Management's judgment, in particular with reference to the assumptions adopted to identify obsolete and slow moving items, any excess of inventories with respect to the possibility of future use or sale, as well as further conditions that may generate an excess of the book value compared to the net realizable value, also considering the fast evolution of the technologies of the Company's products. In consideration of the relevance of the amount of the Inventories recognized in the financial statements and the complexity of the assumptions used in estimating its net realizable value, we deemed this area to be a key audit matter. Such matter is reported in the paragraph " Use of estimates" and in the explanatory note 5 "Inventories " to the financial statements.	Our audit procedures in response to the key audit matter included, among others: i) the analysis of the procedure and key controls adopted by the Company for the identification and monitoring of obsolete and / or slow-moving Inventories and for the estimate of the inventory provision; ii) the assessment of the assumptions that required a significant judgment by the Management for the estimate of the provision for the inventories, such as the obsolescence rate of inventories and forecasts of sale or use; iii) test of details on the accuracy and completeness of the data used for the estimate performed on sample basis; iv) the verification of the calculations performed by the Management for the determination of the utilization and sale rate of the products in stock and its net realizable value. Lastly, we evaluated the adequacy of the information provided in the explanatory notes to the financial statements with respect to this matter

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

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

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

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

Report on compliance with other legal and regulatory requirements

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

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

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

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

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

The Directors of El.En. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of El.En. S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of El.En. S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of El.En. S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Florence, March 31, 2022

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

As disclosed by the Directors on page 4, the accompanying financial statements of El.En. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

El. En. S.p.A.
Headquarters in Via Baldanzese, 17 Calenzano (Florence)
Registry of companies in Florence: n. 03137680488

Report of the Board of Statutory Auditors
(in compliance with art. 2429 c.c. and art. 153 del D. Lgs. n. 58 / 1998).

To our shareholders,
The Board of Directors of El.En. S.p.A. herewith presents to the Assembly of the company the draft of financial statement as of December 31st 2021 which was consigned to the Board of Statutory Auditors on March 15th 2022.

During the financial year 2021 the Board of Statutory Auditors conducted its activity in compliance with the regulations of the "*Testo Unico delle disposizioni in materia di intermediazione finanziaria*" (rules for financial intermediaries) D. Lgs. February 24th 1998 n. 58, D.Lgs. January 27th 2010 n. 39 and in conformity with the operating principles of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Business Administrators and Accountants) for the companies quoted on the stock market and with Consob Communication of April 6th 2001, modified and integrated with communication DEM/ 3021582 of April 4th 2003 and subsequently with communication DEM/6031329 of April 7th 2006 and the recommendations contained in the Self-disciplining Code for companies quoted on the stock market approved by the Commission for Corporate Governance of the Borsa Italiana to which the Company belongs.

In compliance with D.Lgs. n.58 of February 24th 1998 and D. Lgs. Of January 27th 2010 no. 39, it should be noted that the activity of controlling the accounts in the separate and consolidation financial statement is the responsibility of the independent auditors, Ernst & Young S.p.A to which the shareholders' assembly held on June 4th 2020, following a proposal by his Board of statutory Auditors in compliance with art. 13 e 17 del D.Lgs. 27th January 2010, n. 39 conferred the task of the legal auditing of the which was confirmed for the auditing of the financials for the years 2021-2029.

1. Appointment and activities of the Board of Statutory Auditors
The Board of Statutory Auditors was nominated by the Shareholders' meeting held on May 15th 2019 for the duration of three years and therefore, until the date of the assembly convened for the approval of the financial statement related to the year 2021, in the persons of Vincenzo Pilla (President), Paolo Caselli and Rita Pelagotti (Acting auditors).
The shareholders' meeting which met to approve the financials closed on December 31st 2021, therefore had to appoint a new Board of Auditors. During 2021 the Board of Auditors conducted its activity holding 11 meetings; moreover, it participated with or more components in all of the meetings to which it was called and is required to participate, and precisely: 2 meetings of the shareholders' assembly, 9 meetings of the Board of Directors, 6 meetings of the Commission for Controls and risks, 2 meetings of the Commission for appointments, and 5 meetings of the Remuneration Committee.

2. Activities supervising the observance of the law and the company statutes
The Board of Statutory Auditors has periodically obtained from the board members, also through their participation in the Shareholders meetings, the Board of Directors, and the various commissions, information on the activities conducted and on the main economic and financial operations that have been approved and implemented this year, made by the Company and the companies belonging to the Group, also in compliance with art. 150, subsection 1 of TUF.
On the basis of the information received, they can reasonably affirm that the activities voted and carried out are in conformity with the law and with the company Statute and are not manifestly imprudent, risky or in potential conflict of interest or in contrast with the decisions made by the Assembly or of a nature to compromise the shareholders' equity.
The Board of Auditors has supervised the observance by the Company of the obligations for supplying information in accordance with the laws regarding information that is regulated, confidential or required by the supervising authorities, all in conformity with the programs and contents indicated by Consob.

Among the significant events which occurred in 2021 (described by the BOD in the Management Report for 2021), the Board of Auditors wishes to call attention to the following in consideration of their relevance:

- In the first place, it should be noted that because of the continuation of the emergency caused by the Covid-19 pandemic, the Board of Auditors has maintained a constant Exchange of information with the authorities who control the respect of the regulations related to safety in the work places of the company and the Group.
- The meeting of the Assembly held on April 27th, 2021 appointed the Board of Directors for the three-year period 2021-2023 and set the number of members at seven: Gabriele Clementi as president and as other members, Barbara Bazzocchi, Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Michele Legnaioli and Daniela Toccafondi. The composition of the Board of Directors respects the balance of genders in compliance with Art. 147-*ter*, sub-section 1-ter of D.Lgs. 58/1998.
- The same Assembly authorized the purchase of treasury stock (in compliance with art. 2357 and 2357-ter cc) within 18 months of the resolution, of a maximum number of ordinary shares of the company, which, in any case, may not exceed the fifth part of the capital stock (which on the date of the resolution amounted to. 3.973.758 shares for a nominal value of 516.588,54 Euros) at the conditions indicated in the resolution and in respect of the current laws and regulations.
- On the same day, the Board of Directors appointed the president, Ing. Gabriele Clementi and the board members Barbara Bazzocchi and Andrea Cangioli as executive members.
- On July 20th 2021, the Assembly voted to eliminate the nominal value expressed for the shares and the increase in the total number of shares by splitting the ordinary shares in circulation, in a ratio of four to one, for the purpose of facilitating the exchange and negotiability of the stock considering the current market value.
- In the month of October 2021 the subsidiary Penta Laser Equipment (Wenzhou) was underwritten for an increase in capital stock only by the minority partners, which had as a result a reduction of the percentage of control in the company which decreased from 84,54 % to 83,76%.
- During the last two months of 2021 the equity in the associated company Chutian (Tiajin) Laser Technologies Co., Ltd was sold to a third party and the associated company Quanta Aesthetic Lasers Usa, LLC was liquidated.
- In the month of January 2021, the subsidiary Cutlite Penta S.r.l. stipulated the final contract for the purchase of a building adjacent to the one they have in Prato where they conduct their operations, with an investment of about 5 million Euros, which was made necessary by the need for more space to dedicate to production.

3. Supervising activity of the respect of the principles of correct administration and the adequacy of the organizational structure

The Board of Auditors has acquired knowledge and has supervised the adequacy of the organizational structure, the respect of the standards of correct administration, the adequacy of the instructions given by the Company to its subsidiaries in compliance with art. 114, sub-section 2 of the TUF, by acquiring information from the persons responsible for the correct functioning of the company and by meetings held with the Independent Auditors as part of the reciprocal exchange of relevant data and information.

The organizational structure of El.En. S.p.A., also following the introduction of the new position of General Director, was deemed to be adequate overall in terms of structure, procedure and competency in relation to the dimensions of the company and the type of activity they conduct. From the exchange of information which took place between the Board of Statutory Auditors (or single auditors) of the subsidiaries Quanta System S.p.a., Lasit S.p.a., Ot-las S.r.l, Cutlite Penta S.r.l., Deka MELA S.r.l. and Esthelogue S.r.l. no critical elements emerged.

The Management Report, which contains information received during the meetings of the Board of Directors and from the Managing Director, the General Director, the management, did not reveal the existence of any unusual and/or atypical operation with the companies of the Group, with third parties or with related parties.

3.1 Self-evaluation process

The Board of Statutory Auditors has correctly fulfilled their duty to conduct a periodical self-evaluation regarding its composition, independence and size on the basis of the *Norme di Comportamento del Collegio Sindacale* (Regulations for Boards of Auditors) recommended by the CNDCEC (regulation Q.1.1 updated in 2019 regarding to the self-evaluation of the board and the periodical internal process of evaluation concerning the suitability requirements for its members and the Self-disciplining Code and the Coporate Governance Code *(Principio VIII, Raccomandazione 9).*

The self-evaluation process took into consideration the subjective profiles of the single components and the overall body, in relation to its quantitative composition, qualitative composition, independence, honorability, professionalism, diversity, time available, and remuneration and concluded with a positive result in terms of conformity to the requirements established by the current laws.

The Board, moreover has acknowledged the positive outcome of the evaluations in terms of composition, dimensions, and functions of the Board of Directors and the committees with particular attention to the requirements for the independent administrators and the determination of the remuneration.

The Board also supervised the concrete methods of the implementation of the rules for corporate governance indicated in this sector by the Corporate Governance Code to which the Company adheres.

4. Supervising activity on the system of internal controls and risk management.

The Board of Statutory Auditors supervised the adequacy of the systems of internal control and risk management by:

- Meeting with the top management of El.En. S.p.a. for the purpose of examining the system of internal controls and risk management;
- Holding periodical meetings with the internal auditors for the purpose of evaluating the methods used for planning the work, based on the identification and evaluation of the main risks present in the processes and the organizational units;
- Examining the periodical reports made by the Control managers and the periodical information sheets issued regarding the outcome of the monitoring activity on the implementing of the corrective actions that were required.
- Acquiring information from the managers responsible for the company functions of El.En. S.p.a. and the Group in order to examine the results of the verifications they had conducted, also for the purpose of issuing information reports, in relation to the activity monitoring the company risks.
- Meeting with the controlling bodies of the subsidiary companies in compliance with sub-sections 1 and 2 of art. 151 of the TUF during which the Board of Auditors acquired information on the events deemed to be significant which involved the companies of the Group and the systems of internal controls;
- Having joint encounters with the Supervising body ex D.Lgs 231/2001 of El.En. S.p.a.;
- Having discussions about the results of the work of the Independent Auditors;
- Participating regularly in the work of the Control and Risks Commission of El.En. S.p.a. and when so required by the topics, by joint discussions on them with the commission.

While conducting their control activities the Board of Statutory Auditors has maintained continuous contact with the control managers.

The Internal Audit function of El En spa operates on the basis of an annual plan. The annual plan defines which activities and processes will be subjected to a risk-based verification. The plan was approved by the Board of Directors who voted on November 12th 2021.

The activities conducted by the function during the year covered the entire range of the scheduled activities. No significant issues emerged from this activity.

The Board of Statutory Auditors recognizes the fact that annual reports of the Control Functions conclude with a favorable opinion concerning the overall organization of the internal controls.

On the basis of the activity conducted, the information acquired and the contents of the report made by the control functions, the Board of Auditors believes that there are no issues sufficiently critical to invalidate the organization of the system of internal controls and risk management.

5. Supervising activity of the administrative accounting system and on the process of financial information.
The Board of Auditors, in its function as Committee for internal controls and auditing, in compliance with art. 19 D.Lgs. n. 39/2010, has monitored the process and verified the effectiveness of the system of internal controls and risk management as far as the financial information reports are concerned.

The Board of Auditors, on the occasion of the appointment by the Board of Directors of the Executive officer responsible for the preparation of the financial statements, gave their favorable opinion in compliance with art. 154-bis D. Lgs. 58/98.
The Board of Auditors has periodically met with the Executive officer responsible for the preparation of the financial statements in order to exchange information concerning the administrative-accounting system and the reliability of this latter for the purpose of correct representation of the management facts. The Board of Auditors has also examined the statements of the General Manager and the Executive officer responsible for the preparation of the financial statements in compliance with art. 154 bis of the TUF.
The Board of Auditors did not find any evidence of defects which could invalidate the opinion of adequacy and effectiveness in the application of the administrative accounting procedures.
During the periodical meetings with the Board of Auditors, the managers of the Independent Auditors did not report any critical situations inherent to the administrative and accounting procedures of the Company that could invalidate the internal controls system.
The Board also recognized that El.En. S.p.a., in compliance with the Regulations UE 2019/815 had drafted the annual consolidated financial report in the European Electronic format (European Single Electronic Format – ESEF). In relation to the year 2021, the operation of associating each entry with an element of the above mentioned taxonomy (tagging) was examined by the Board of Directors in the meeting held last March 15th and concerns, for the first year in which it is in force, only the numerical charts (income statement, statement of financial position, cash flow statement and the changes in the shareholders' equity), while, next year it will also affect the explanatory notes of the Consolidated statement.

6. Supervising activity on the operations with related parties and inter-Group.
The main operations conducted with related parties and inter-Group are reported in the Explanatory notes to the financial statement and in the Management Report.

The Board of Statutory Auditors recalls that, in compliance with the resolution voted on November 12th 2010 by the Board of Directors, the Commission for Controls and Risks also conducts the functions related to operations with related parties and monitoring of situations of conflict of interest that have been assigned to it by the role attributed to independent administrators by art. 4, sub-section 3 Regulations for Related Parties Consob and the new *Regolamento interno relativo alle operazioni con parti correlate* of El.En. S.p.a approved on the same date and modified the last time on June 30th 2021, after the approval of the Board of Auditors.
The Board of Auditors also supervised conformity with the procedures with related parties to the present day laws now in force and their correct application.
They found that, from the information received from the administrators and from the conversations with representatives of the auditing company, there were no atypical or unusual operations conducted with companies of the Group, related parties or third parties during 2021 or after the closure of the financial year.
In compliance with art. 4 sub-section 6 of the Consob regulations containing instructions regarding operations with related parties (adopted with resolution 17221 on March 12th 2010 and later modified) they supervised the conformity of the procedures used by the Company (by means of the approval of the special regulations) to the principles indicated in the Consob Regulations mentioned above as well as the observance of their rules.
The Board of Statutory Auditors has verified the adequacy, on the basis of the evaluation method being used of the process used for the impairment tests in order to be able to identify the existence of any losses of long-duration in value that are entered among the assets of the company.

The Board of Statutory Auditors believes that the internal procedure used by the Parent Company for the purpose of complying with art. 15 of the Market Regulations, which was adopted with resolution n. 20249 of December 28th 2017 (after the preceding art. 36 of Market Regulations, which had been adopted with resolution n. 16191 in 2007), in relation to the regulations governing the conditions for quotation of parent companies controlling other companies that are founded or regulated by the laws of countries that do not belong to the European Union and are of significant importance for the consolidated financial statements, is adequate.

7. Methods for the effective implementation of the rules of Corporate Governance

While carrying out its functions, the Board of Auditors, in compliance with art. 2403 of the Civil Code and with art. 149 of the TUF, supervised the methods for the effective implementation of the rules for Corporate Governance in accordance with the ethics code which El.En. has declared that they follow. El.En. S.p.a. adheres to the Self-disciplining Code promoted by the Borsa Italiana S.p.A.; the Board of Directors has nominated two independent administrators and has set up the following committees: Nominations Committee, Remuneration Committee, and the Controls and Risks Committee for the operations with related parties and for sustainability (the name of which was changed in order to reflect the additional responsabilities which have been attributed to it), and in conformity with art. 123-bis of the TUF has issued the annual “Report on Corporate Governance and Ownership” in which they supply information concerning**:**

- The practices of corporate governance that are actually applied;
- The main characteristics of the system for internal controls and risk management;
- The mechanisms relating to the functioning of the Shareholders’ meeting, its main powers, the rights of the shareholders and the ways in which they can exercise them;
- The composition and the functioning of the administrative and controlling bodies and the independent commissions as well as all of the other information to be supplied in conformity with art. 123-bis del TUF.

The Board of Directors approved the Report on Corporate Governance and Ownership” on March 15th 2022.

As mentioned above, the Board of Statutory Auditors has verified the correct application by the Board of Directors of the criteria and the procedures adopted to evaluate the independence the independent administrators in compliance with. Articles 2 and 4 of the Corporate Governance Code 3.C.5 of the Self-Disciplining Code to which the Company adheres.

8. Supervision activity of the auditing of accounts

In compliance with art. 19 del D.Lgs. 39/2010 the Board of Statutory Auditors identifies itself also in the Committee for internal controls and Auditing and has conducted the required activity of supervision on the auditing of the annual accounts and the consolidated accounts.

The Board of Auditors met with the auditing company, EY S.p.A. also in compliance with article 150, sub-section 3 of the TUF for the purpose of a mutual exchange of information. Suring these meetings, the auditing company did not find any acts or facts that were considered reprehensible or irregularities which required specific comment in compliance with art. 155, sub-section 2 of the TUF.

During 2021 considering the occurrence of the alternating of the appointment as auditors, the Board of Auditors met with the preceding auditing company Deloitte & Touche S.p.a. on February 1st 2021 and the current auditors, EY S.p.a. on September 8th 2021 (and later on March 21st 2022) and examined the Annual Auditing Plan of El.En. S.p.a. which had been drafted by this latter who considered it adequate; periodic exchanges of information were also conducted between the two companies concerning their respective activities. The Auditing Company issued a report on the limited auditing of the half-yearly consolidated statement without finding any fault with it.

The draft for the consolidated statement, the consolidated non-financial document and the financial statement for 2021 along with the management report prepared by the administrators and the declarations prepared by the the Managing Director and the Executive officer responsible for the preparation of the financial statements, was brought in for the approval of the Board of Directors at a meeting held on March 15th 2022 and was entirely placed at the disposal of the Board of Statutory Auditors.

On March 31st 2022 the Independent Auditors, in compliance with art 14 del D.Lgs. 39/2010 and art. 10 of the Regulations (EU) n. 537/2014 issued the auditing reports on the financial statement of El.En. S.p.a. and the consolidated financial statement of the El.En. Group for the year ending on December 31st 2021.

As far as the opinions and attestations are concerned, the Independent Auditors in their report on the auditing of the separate and consolidated financial statement:

- Issued an opinion stating that the separate financial statement of El.En. S.p.a. and the consolidated financial statement give a true and correct representation of the statement of financial position as of December 31st 2021, of the economic result and the cash flow for the year ending on that date in conformity with the International Financial Reporting Standards used by the European Union as well as the regulations issued in implementation of art. 9 of the D.Lgs. 38/2005;

- Issued an opinion on the basis of which the annual report and the consolidated report were drafted (in compliance with *Regolamento Delegato* (UE) 2019/815 CE concerning the single for communication– ESEF) in XHTML format in conformity with the laws in the above mentioned alle *Regolamento Delegato;*
- Issued an opinion on the consistency in which it was demonstrated that the Management Report and some of the specific information contained in the report on the Corporate Governance and Ownership are consistent with the Separate financial statement of El.En. S.p.a. dated December 31st 2021 and have been drawn up in conformity with the law;
- Declared, as far as any errors in the Management Report are concerned (art. 14, co. 2, letter e) D.Lgs 39/2010), on the basis of their knowledge and understanding of the Company and its relative context, that they have nothing to report.

The Independent Auditors presented a declaration of independence to the Board of Statutory Auditors, in compliance with art. 6 of the Regulations (EU) n. 537/2014, from which it emerged that there were no significant defects in the system of internal controls and risk management, in relation to the process of financial information and/or the accounting system, also contained in the declaration in compliance with art. 6 of the EU Regulation 537/214 from which it emerged that there were no situations which might compromise their independence.

The Independent Auditor, EY S.p.A was also charged with the following tasks during 2021, the costs for which, as reported in the attachment to the financial statement in compliance with art. 149 *duodecies* of the *Regolamento Emittenti*, have been entered in the income statement:

Type of service	**Company that performed the service**	Client	note	**Fees for services in 2021 (Euros)**
Audit	EY SpA	El.En. SpA		64.000
Certificationsse rvices	EY SpA	El.En. SpA	(1)	15.000
		Totale		**79.000**

(1) Revision of the non-financial statement

9. Remuneration policies

The Board of Statutory Auditors verified the company processes which have led to the definition of the remuneration policies of the company, in particular in relation to the Managing Director, the General Director and the managers with strategic responsibilities. The Nominations committee and the Remuneration committee reported to the Board of Directors regularly during the year.

10. Omissions, reprehensible facts, opinions given and initiatives undertaken

During the financial year 2021 the Board of Statutory Auditors did not receive any reports in conformity with art. 2408 C.C. nor did it receive complaints from third parties.

During the year 2021 the Board of Auditors issued opinions in compliance with the current regulations, including (i) opinion of the report on incentive remuneration; (ii) opinion of the remuneration of the executive board members having particular responsibilities; (iii) opinion concerning the appointment of the manager directing the system of internal controls and risk management; confirmation of the internal auditor and the executive in charge of the drafting of the financial statements; (iv) opinion concerning the approval of the Regulations for operations with related parties; (v) opinion on the existence of the conditions for the exercising of stock-options by board members.

During the activity conducted and on the basis of the information received, they found no omissions, reprehensible facts, irregularities or, in any case, circumstances of a significance that would require reporting to the supervising authorities or to be mentioned in this report.

11. Monitoring of the respect of the regulations as per D.Lgs. 30th December 2016 n. 254 – Consolidated Non-financial Statement

In compliance with art. 3, sub-section 7 of D.Lgs. 254/2016, art. 2403 c.c. and art. 149 TUF, the Board of Auditors monitored the observance of the regulations established in the same decree in relation to the Consolidated Non-financial Statement (NFS) prepared by the company with reference to the companies belonging to the industrial Group founded by El.En. S.p.a. and its subsidiaries.
The Board of Statutory Auditors consequently monitored the adequacy of the procedures, the processes and the structures involved in the production, reporting, calculation and representation of the results and of the information of a non-financial nature as well as the adequacy of the organizational, administrative and reporting and control systems organized by the Company for the purpose of formulating a correct and complete representation in the NFS of the activities of the Company, its results, and its impact in relation to the non-financial issues mentioned in art. 3, sub-section 1, of D.Lgs. 254/2016.

The NFS was drawn up in conformity with the "GRI Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI), which represent a universally recognized model for the reporting of economic, environmental and social performance of an organization, according to the "Core" option, i.e. using the universally applicable indicators which are considered important for most organizations.
The Independent Auditors charged with this task, EY S.p.A., issued its opinion on Consolidated Non-financial Statement in compliance with art. 3, C.10, D.Lgs. 254/2016 and art. 5 Consob Regulation n. 20267 and concluded that no elements had been brought to their attention that indicated that the NFD of the Group was not drawn up, in all of its main aspects, in conformity with articles 3 and 4 of D.Lgs. 254/2016 and the GRI Standards.
No facts worthy of mention emerged from the monitoring activity of the Board in relation to this report.

12. Conclusions

Bearing in mind the situation described above, the Board of Statutory Auditors, in consideration of the contents of the reports issued by the Independent Auditors and the joint declarations of the Managing Director and the Executive officer responsible for the preparation of the financial statements, expresses a favorable opinion for the approval of the financial statement of El.En. S.p.a. as of December 31st 2021 and the allocation of the net income as restated by the Board of Directors on March 15th 2022.

Florence, March 31st 2022

The Board of Auditors

Dott. Vincenzo Pilla, President of the Board of Auditors.

Dott. Paolo Caselli, Acting Auditor.

Dott.ssa Rita Pelagotti, Acting Auditor.