HALF YEARLY FINANCIAL REPORT AS OF 30TH JUNE 2019

El.En. Group

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on June 30th 2019)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Board of statutory auditors

CHAIRMAN

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

Deloitte & Touche S.p.A.

EL.EN. GROUP

HALF-YEARLY MANAGEMENT REPORT

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This half-yearly financial statement for the half ending on June 30th 2019, approved by the Board of Directors on September 12th 2019, drawn up in consolidated form in compliance with to Art. 154-ter of February 24th 1998, Legislative Decree 58 (TUF) and later modifications and additions, has been drawn up in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified by the European Union.

By IFRS we mean also the International Accounting Standards (IAS) which are still in force, as well as all of the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC).
In this report which is drawn up in conformity with IAS 34, Intermediate Reports, we have used the same accounting principles used for the consolidated financial of December 31st 2018 with the exception of the accounting standards that went into force starting on January 1st 2019 described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

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

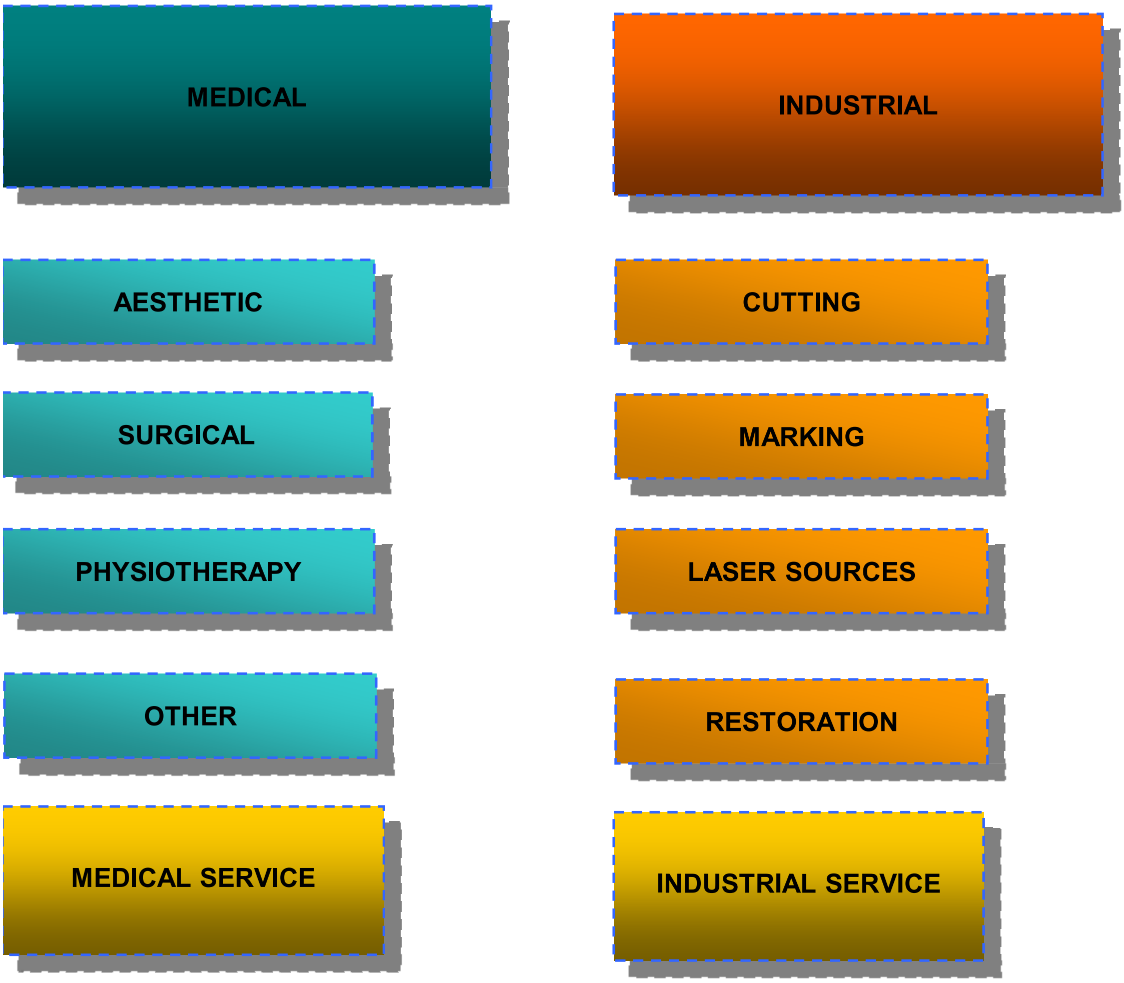
1.2. Description of the activities of the group

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



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.
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.

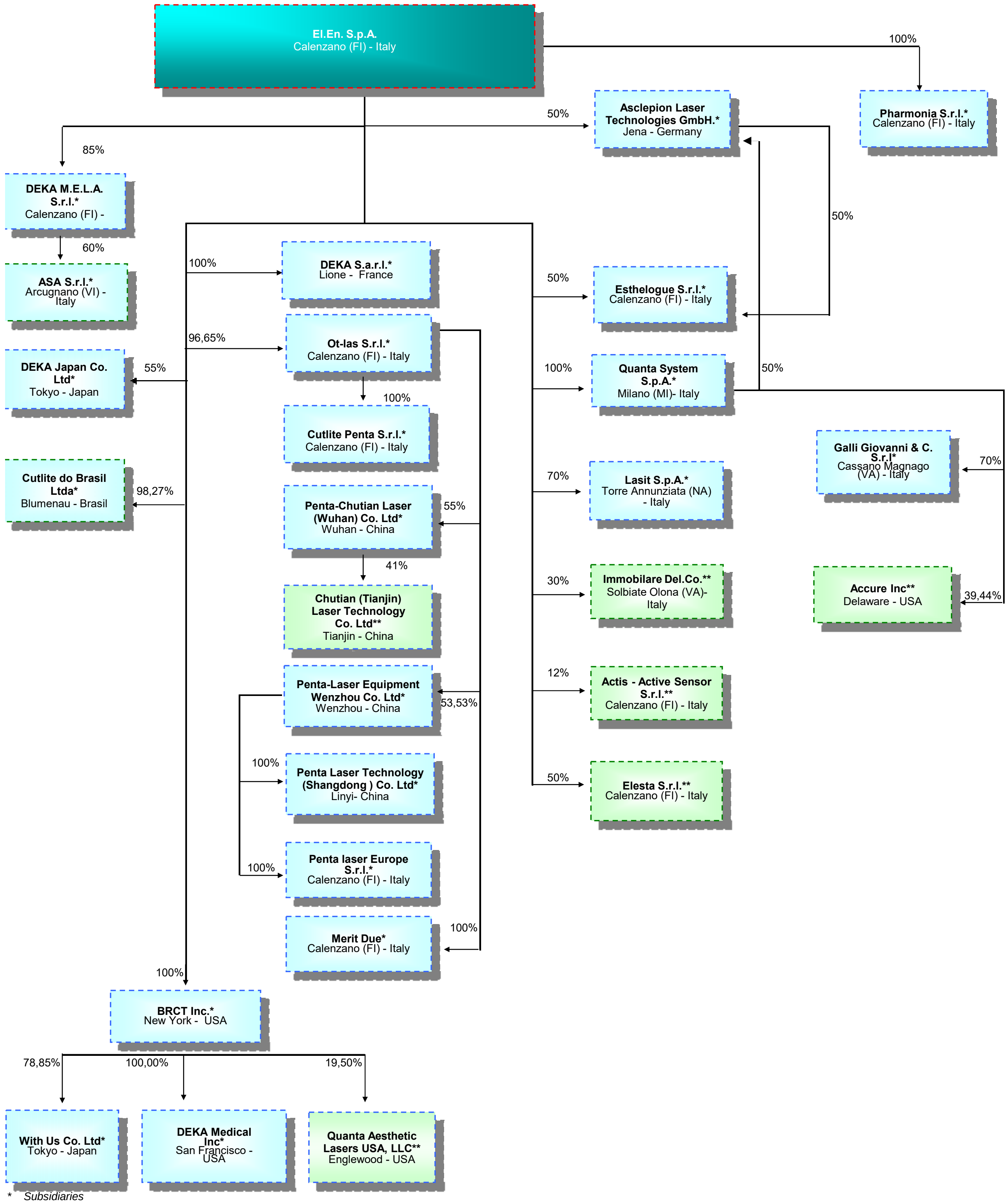
The outlook for growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging. There is also an increased demand 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 of it 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.
The first half of 2019 confirms the particular focus of the Group on Research and Development and highlights the increase in the resources dedicated to this vital activity.

1.3. Description of the Group

As of June 30th 2019 the Group was composed as follows:



* Subsidiaries
** Associates

1.4. Performance indicators

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

	30/06/19	30/06/18
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	10,6%	8,1%
ROI (EBIT / Total Asset)	8,4%	7,3%
ROS (EBIT / Sales)	8,9%	7,9%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,75	0,79
Debt Ratio (Total Liability / Total Asset)	0,44	0,41
Leverage ((Net Equity+ Loans) / Net Equity)	1,14	1,06
Current Ratio (Current Asset / Current Lability)	2,09	2,19
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,42	1,49
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,60	0,62

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

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

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

1.5. 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 **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.

1.6. Group financial highlights

During the first half of 2019 the El.En. Group registered a consolidated sales volume of 188 million Euros, showing a growth of 17,3% over the first half of 2018 and an EBIT of 16,7 million Euros, an increase of 31,3% with respect to the first half of 2018.

The rapid growth in the sales volume in the second quarter confirmed the promising start shown at the beginning of the year. The more favorable time of year made it possible to reach, in the second quarter, a significant overall sales volume of around 105 million with respect to the 84 million registered in the first quarter of the year. Considering that the sales margin was practically unchanged in comparison with the periods with which they were being compared, it clearly was thanks to the entity of the sales volume, which was well over 100 million, that we were able to achieve this significant operating leverage, resulting in an EBIT for the quarter which amounted to 10,5% of the sales volume.

Consequently, thanks to the rapidity with which the sales volume not only met but exceeded the growth forecast, the EBIT for this half has reached by a large margin its own growth forecasts and also improved in its incidence on the sales volume which rose from 7,9% in 2018 to 8,9% in these first six months of the year. As far as the slight drop in the sales margins from 40,3% to 39,5% is concerned, this is due to a slight decline in the industrial sector and also reflects the small decrease in research and development grants; this latter represents a type of income the distribution of which over time is not uniform and which the Group counts on receiving in more significant amounts in the future.

It should also be noted that the Group concluded some sales with leasing companies with a re-purchase requirement and therefore, in compliance with IFRS 15 which considers this type of sale the same as multi-year leasing even though the full price has been received, revenue for an amount of about one million Euros was written off, with a negative impact of 0,4 million on the EBIT with respect to the "traditional" accounting method for revenue and cost of sales. The decrease in revenue and margins for the half will be recovered entirely during the multi-year period in which the leasing contract is valid.

The growth in sales volume occurred in all of the applicative segments in which the Group is active.

In the industrial sector the applications for cutting sheet metal obtained significant results not only in China where we have factories dedicated to the local market, but also in some of the neighboring companies in the Far East. Excellent results were also obtained in Europe and in Brazil. The marking sector also went very well and showed the greatest growth in Italy and in the applications for identification.

In the medical sector growth was even faster; this is an extremely important result which is derived from the contribution of all the main applicative sectors. By accelerating a trend that started in the last few years, the area which has shown the most rapid growth is that of applications for urology. The systems for the removal of kidney stones and for the treatment benign hypertrophy of the prostate (BPH) along with the single and multi-use optical fibers used for the operations with almost 22 million Euros in sales volume in this half doubled the result obtained two years ago in the first half of 2017. Thanks to the explosive growth in the urology segment and, in 2019, that of endovascular applications the surgical sector has confirmed its trend for overall growth. In fact, sales outside of the United States of the Mona Lisa Touch for the treatment of vaginal atrophy were good, while the “sell out” on the American market was greatly reduced and the “sell in” to our distributor, that is slowly reducing its stock, has been reduced to zero.
With the objective of maintaining the leadership in the sector of urological applications and to recover it for the Mona Lisa Touch, the Group is conducting an intense program of research and development, both aimed at the innovation of the technologies used for the systems as well as the clinical studies that are able to demonstrate its effectiveness and safety. For this reason an important multi-year clinical study of the Mona Lisa Touch has been started in collaboration with our distributing partner in the USA, Cynosure, now a division of Hologic Inc, with the objective of consolidating in compliance with the most stringent regulations, what has already been amply demonstrated by the evidence and common practice concerning the effectiveness and safety of the treatment.
Excellent results were also obtained in the aesthetic sector which showed growth in all the main applicative segments: hair removal, skin resurfacing, body contouring, and tattoo removal along with the launching of new products. In particular, among these latter, one should note the success obtained by the new Mediostar which is equipped with powerful Monolith handpieces and the gradual spread in the popularity of Deka’s Onda system for body contouring which has not disappointed expectations and is on its way to being one of the Group’s best selling products this year, thanks also to the intense activity conducted in order to obtain authorization for sales in the various countries all over the world.

Our main markets demonstrated that they were quite receptive during this period and have maintained a high level of demand despite the general economic situation which has shown signs of stagnation in several areas which are very important for us: China, where the outlook for growth has been again hit by the so-called “customs wars”, Europe which seems to be heading toward a period of reduced growth due to the slowdown of the German economy and the probable Brexit and the Italian economy which certainly is not faring any better than the German one. Our market position has turned out to be a winner also in this phase which remains very positive for us and only negative factors extraneous to our markets but having major impact on the world economy would seem to be able to interrupt our prospects for further growth even beyond those forecast at the beginning of the year.

We are continuing our investment program for the enlargement of our manufacturing capacity at various production facilities in the Group: from Florence to Jena, from Wenzhou to Torre Annunziata, and from Samarate to Vicenza. The two-year investment program of about 30 million Euros has almost reached the amount that had been budgeted – we are now at 29,5 million, and this amount will be significantly exceeded also on account of some further opportunities which have appeared for the development of our activities. We believe that the brief term market conditions exist, as demonstrated by our results, as well as the mid-term conditions, as shown by the outlook for the development of our markets, to maintain a high level of growth. In order to obtain this we have equipped ourselves with adequate structures both for the operating logistics, to which the investments described above are mainly directed, as well as for research and development, described in the specific section, and moreover, and perhaps above all, the acquisition of highly qualified personnel and management who are able to promote our ambitious programs for growth.

The chart below shows the sales volume for the first six months of 2019 divided by sector of activity of the Group, compared with the same data for last year.

	30/06/2019	**Inc %**	**30/06/2018**	**Inc %**	**Var. %**
Medical	112.129	59,50%	93.598	58,27%	19,80%
Industrial	76.321	40,50%	67.039	41,73%	13,85%
Total revenue	**188.450**	**100,00%**	**160.637**	**100,00%**	**17,31%**

The overall growth for this half amounts to 17%, with the medical sector which came close to 20% and again is growing faster than the industrial sector which, however, still maintains a double-digit growth rate.

The chart below shows the sales volume for this half divided by geographical area.

	30/06/2019	Inc %	30/06/2018	Inc %	Var. %
Italy	32.088	17,03%	30.757	19,15%	4,33%
Europe	36.780	19,52%	31.308	19,49%	17,48%
ROW	119.582	63,46%	98.571	61,36%	21,32%
Total revenue	**188.450**	**100,00%**	**160.637**	**100,00%**	**17,31%**

All of the areas showed some growth but the most significant occurred in the non-European countries (ROW) and reflects, especially for Italy, a less favorable phase in the economic cycle.

The chart below shows the sales trend, divided by segments, in the sector of medical and aesthetic systems which represents almost 60% of the Group's sales volume:

	30/06/2019	Inc %	30/06/2018	Inc %	Var. %
Aesthetic	60.579	54,03%	51.071	54,56%	18,62%
Surgical	23.257	20,74%	21.197	22,65%	9,72%
Physiotherapy	5.405	4,82%	5.317	5,68%	1,67%
Others	452	0,40%	277	0,30%	62,87%
Total medical systems	**89.693**	**79,99%**	**77.862**	**83,19%**	**15,19%**
Medical service	22.436	20,01%	15.736	16,81%	42,58%
Total medical revenue	**112.129**	**100,00%**	**93.598**	**100,00%**	**19,80%**

The overall growth in the medical sector which almost reached 20% is an extremely significant result.

The best result is that for sales of after-sales service, goods and consumables where the sales volume increased by about 42%. This remarkable result was achieved in general by the good trend for all the types of revenue related to this sector: creams and accessories in the aesthetic sector, "full risk" technical assistance contracts, and ordinary service on the installations, but above all, it was due to the sales of upgrading on IPL systems for hair removal and single and multi-use optical fibers for urological applications.
In fact, the most significant development in the sales volume this half occurred in the urological segment. The overall sales volumes in the urological segment for systems and accessories can be observed by extrapolating them from the surgical and service sectors where they are registered. From this data we can note an overall volume of 22 million in the first half of 2019, showing a growth of 25% over the first half of 2018. These are volumes which make the Group and, especially, Quanta System, which developed most of it, one of the principal competitors on the global market and leader in particular in the segment of laser systems for lithotripsy. A major contribution was made to the sales volume in this period by the sales of systems to our OEM partners, which are all companies of major international standing which sell our systems under their own brand name and also equip them with our optical fibers for surgical applications.

In the surgical segment, a good trend was also shown in this half by the sales of lasers for endovascular applications which registered a three-digit growth rate but starting from insignificant amounts, and by systems for otolaryngology which acquired an interesting opening on the American market. Although it decreased, sales of the Mona Lisa Touch systems still maintained a good level outside of the United States and were only marginally affected by the change in attitude of the market which was a consequence of the FDA statements made in July of 2018. For now, however, our sales of the Mona Lisa Touch in the USA have come to a standstill.

The therapy sector maintains its steady growth on one of the markets in which the activities of ASA, one of our companies, business units and brands in this sector has continued to grow steadily for many years. In the second quarter of 2019 the company ASA began the transfer of the production activities to their new headquarters and it is now fully operational.

We came close to a growth rate of 20% in the aesthetic sector. All of the segments contributed to the positive trend in the increase of the sales volume. The driving segments were again those for hair and tattoo removal (the technology of which is used in the Far East for anti-aging applications). Thanks to Deka's Onda Coolwaves system for body contouring and the treatments for the elimination of cellulitis and the other systems dedicated to body shaping, in particular the B-star distributed in Italy by Esthelogue in the professional aesthetics sector, the segment has become extremely important and is second only to hair removal and equal to that for tattoo removal.

2019 is turning out to be the year of recovery for the competitive positions and profitability on the Japanese aesthetics market, thanks to the new versions of systems for hair removal and the upgrading of installations which have allowed our clientele to maintain their systems with the same characteristics of greater effectiveness offered by the technological developments and required by the market as an essential factor in terms of productivity.

Among the other systems, the dental sector also showed a positive trend.

For the sector of industrial applications, the chart below shows the sales volume divided by the sectors in which the Group operates.

	30/06/2019	Inc %	30/06/2018	Inc %	Var. %
Cutting	58.529	76,69%	51.862	77,36%	12,86%
Marking	9.224	12,09%	8.303	12,38%	11,10%
Laser sources	2.226	2,92%	2.089	3,12%	6,57%
Conservation	188	0,25%	193	0,29%	-2,64%
Total industrial systems	**70.168**	**91,94%**	**62.447**	**93,15%**	**12,36%**
Industrial service	6.154	8,06%	4.592	6,85%	34,00%
Total industrial revenue	**76.321**	**100,00%**	**67.039**	**100,00%**	**13,85%**

Growth remains sustained in all the main segments. Laser cutting now represents more than three-fourths of our business in the industrial sector and continues to show two-digit growth despite unfavorable economic conditions in China and Europe.

Laser cutting is going through a phase of rapid and continual transformation in which the Group has been able to take advantage of the opportunities offered by the increase in middle range power, that is to say, of the productivity and the thickness of the sheet metal that can be cut and in this way they have rapidly acquired additional portions of the market. Along with the increase in middle-range power there has been a rapid decrease in the costs of the sub-sets which characterize our application, and the laser sources in fiber along with a process of commoditization have brought about a rapid decrease in the prices, as has been observed on the market and is documented in the financial reports of the manufacturers. The lowering of the costs of production is reflected in the lower sales prices thanks to which we have continued to expand the range of potential clients and increase, along with the technical productivity of the systems that are sold, also the profitability and financial accessibility.
As far as the Chinese market is concerned, it should be pointed out that after the decrease registered in the second half of 2018 which, from the outside was seen as the signal for the start of a decline in the economy, the market went through a positive phase in the first half of this year while the decrease in orders received during the summer would seem to indicate a less positive phase to follow.

The growth is the marking sector was very good, especially in the identification sector in which Lasit of Torre Annunziata (Naples) operates. Lasit is now completing work on the new factory they acquired in 2018 which is adjacent to the one they now occupy and this will be the beginning of a new chapter in the logistic organization of the activities of the company.

Results in the segment of laser sources were positive although, as expected, there was a slowdown in growth with respect to that registered during the early part of the year, but it will probably continue in its positive development during the rest of the year.

It should be noted that, for the industrial sector in 2019 the new manufacturing structures have gradually become available. Cutlite Penta and Ot-las have already moved to the new larger factory in Prato. Lasit is expanding as has just been described. The manufacture of industrial sources will be reorganized in Calenzano in the area that was previously occupied by Cutlite Penta; at Wenzhou the third factory is already available and will make it possible to double the production capacity with respect to early 2017, while other buildings will be used for sales offices and research and development demonstrations. Moreover, this year we were able to take advantage of the opportunity offered by the city of Lin Yi in the industrial region of Shandong to constitute a new manufacturing and selling site in this important center for Chinese manufacturing and the construction of the factory was begun and will be completed by the end of 2019 or the beginning of 2020.

Last but not least, the revenue for after-sales services grew by 34%. The revenue for technical assistance and after-sales components and the sale of consumables for RF sources which is now expanding rapidly thanks to the increased number of installations, all contributed to this remarkable result. The retrofit and upgrading activities of the CO_2 systems was conducted in China and consists of the installation of mid-powered laser sources in fiber on the systems of clients who do not wish to sustain the expense of a new system.

Sales in the restoration sector were essentially stable. An important event that took place in this sector was the donation of two laser systems for the conservation of the artistic heritage in the Uffizi museum. We are honored and proud to have contributed with our technologies to the conservation of the cultural and artistic masterpieces for which our city is famous and beloved all over the world. Among the various sites which have been restored with the help of our technologies, there is the Crypt of the Holy Sepulcher in Milan which was reopened to the public after the discovery of the extraordinary decorations and frescoes.

1.7. Consolidated income statement as of June 30th 2019

The chart below shows the consolidated income statement for the period ending on June 30th 2019, compared with that for the same period last year.

Income Statement	30/06/2019	Inc %	30/06/2018	Inc %	Var. %
Revenues	188.450	100,0%	160.637	100,0%	17,31%
Change in inventory of finished goods and WIP	4.985	2,6%	10.411	6,5%	-52,12%
Other revenues and income	1.119	0,6%	1.539	1,0%	-27,25%
Value of production	**194.555**	**103,2%**	**172.587**	**107,4%**	**12,73%**
Purchase of raw materials	108.597	57,6%	107.046	66,6%	1,45%
Change in inventory of raw material	(4.722)	-2,5%	(11.674)	-7,3%	-59,55%
Other direct services	16.295	8,6%	12.514	7,8%	30,21%
Gross margin	**74.385**	**39,5%**	**64.701**	**40,3%**	**14,97%**
Other operating services and charges	21.515	11,4%	21.243	13,2%	1,28%
Added value	**52.869**	**28,1%**	**43.458**	**27,1%**	**21,66%**
Staff cost	32.266	17,1%	28.109	17,5%	14,79%
EBITDA	**20.604**	**10,9%**	**15.349**	**9,6%**	**34,23%**
Depreciation, amortization and other accruals	3.891	2,1%	2.618	1,6%	48,60%
EBIT	**16.713**	**8,9%**	**12.731**	**7,9%**	**31,28%**
Net financial income (charges)	267	0,1%	474	0,3%	-43,70%
Share of profit of associated companies	(86)	0,0%	(109)	-0,1%	-21,69%
Other non-operating income (charges)	0	0,0%	(6)	0,0%	
Income (loss) before taxes	**16.894**	**9,0%**	**13.090**	**8,1%**	**29,06%**
Income taxes	4.675	2,5%	3.681	2,3%	26,98%
Income (loss) for the financial period	**12.219**	**6,5%**	**9.409**	**5,9%**	**29,87%**
Net profit (loss) of minority interest	1.996	1,1%	1.957	1,2%	2,00%
Net income (loss)	**10.223**	**5,4%**	**7.452**	**4,6%**	**37,19%**

The gross margin was 74.385 thousand Euros, an increase of 14,97% with respect to the 64.701 thousand Euros registered on June 30th 2018, thanks to the increase in the sales volume.

The percentage of gross margin decreased from 40,3% in the first half of 2018 to 39,5% in the first half of 2019. The change is due to the reduction of the margins in the industrial sector while in the medical sector they remained unvaried.

The application of the rigid regulations of the IFRS 15 determined a write-off of about one million Euros in revenues, with a negative impact on the EBIT of 0,4 million Euros. This negative impact with respect to the sales volume amounted to 0,5% of the latter and to 0,2% for the EBIT. The activity that was most involved in this write-off was the sale of medical and aesthetic systems in Italy where the instrument of operative leasing is particularly popular among the clientele.

The costs for other operating services and charges were 21.515 thousand Euros and registered an increase of 1,3% with respect to the 21.243 thousand Euros shown on June 30th 2018. The incidence on the sales volume decreased from 13,2% to 11,4% during the first half of 2019. About 0,8 million in operating costs, equal to 0,4% of the sales volume were reclassified among depreciation costs during the first half of 2019 in compliance with accounting standard IFRS 16.

The staff cost amounted to 32.266 million Euros and showed an increase of 14,8% with respect to the 28.109 thousand Euros for the same period last year, with an incidence on the sales volume which remains substantially unchanged at around 17%.

On June 30th 2019 there were 1.442 employees in the Group, an increase with respect to the 1.368 registered on December 31st 2018. Most of the new hiring was made by the Chinese subsidiary Penta Laser Equipment (Wenzhou), which continues its rapid growth.
A large part of the personnel expenses is directed towards research and development costs for which the Group receives grants and reimbursements on the basis of specific contracts underwritten by the institutions created for this purpose. Due to the fact that stock options and stock based compensations have been assigned to employees and collaborators, the income statement registers, among the personnel expenses, the figurative costs calculated for these plans; for the first half of 2019 the overall cost was 286 thousand Euros with respect to the 346 thousand Euros for the same period last year.

As a result of the trends described above, the EBITDA was 20.604 thousand Euros, a sizeable increase of 34,2% with respect to the 15.349 thousand Euros shown on June 30th 2018.

The costs for amortizations, depreciations and accruals showed an increase, and rose from the 2.618 thousand Euros shown on June 30th 2018 to 3.891 thousand Euros on June 30th 2019 with an incidence on the sales volume which rose from 1,6% to 2,1%.
The increase is due to the greater accruals for the risk and charges fund and to the higher depreciations caused by the substantial investments in real estate which had already begun last year, as well as being a consequence of the adoption of accounting standard IFRS 16, which was described fully in the explanatory notes of the consolidated statement on December 31st 2018, and for which we registered higher depreciations for an amount of about 0,8 million Euros which is equal to 0,4% of the sales volume with a consequent decrease in the operating costs, in particular in the costs of renting.

The EBIT amounted to 16.713 thousand Euros, an increase with respect to the 12.731 thousand Euros registered on June 30th 2018, and the incidence on the sales volume increased to 8,9% from the 7,9% shown for the same period last year.

Net financial income amounted to 267 thousand Euros with respect to the 474 thousand Euros registered for the same period last year. The trend in the exchange rates during this half determined a small gain mostly due to the strengthening of the US dollar. Moreover, the interest charges were increasing on account of the application of accounting standard IFRS 16 for an amount of 48 thousand Euros which represented the charges on the figurative financial debt that this standard extrapolates from the goods that are rented or leased.

Pre-tax income amounted to 16.894 thousand Euros, an increase with respect to the 13.090 thousand Euros shown on June 30th 2018.

The income taxes for this period amounted to 4,7 million Euros; the taxes related to this half were calculate on the basis of the best estimate of the fiscal aliquots expectd for 2019.

The tax rate for the period was about 28% and was substantially unchanged with respect to the same period last year.

The first half of this year closed with a net income for the Group of 10.223 thousand Euros, an increase with respect to the 7.452 thousand Euros for the first half of 2018.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2019

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

Statement of financial position	30/06/2019	31/12/2018	Variation
Intangible assets	4.484	4.484	
Tangible assets	73.922	61.020	12.902
Equity investments	2.341	2.459	-119
Deferred tax assets	6.544	6.334	211
Other non-current assets	12.677	12.582	95
Total non current assets	**99.968**	**86.879**	**13.089**
Inventories	95.538	85.892	9.646
Accounts receivable	90.603	80.246	10.357
Tax receivables	12.004	11.436	568
Other receivables	13.121	12.490	631
Financial instruments	2.082	1.951	131
Cash and cash equivalents	82.931	80.966	1.965
Total current assets	**296.280**	**272.982**	**23.298**
Total Assets	**396.247**	**359.861**	**36.387**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	87.707	92.167	-4.460
Retained earnings / (accumulated deficit)	64.425	50.596	13.828
Net income / (loss)	10.223	16.794	-6.571
Group shareholders' equity	**203.457**	**200.660**	**2.797**
Minority interest	19.772	18.576	1.196
Total shareholders' equity	**223.229**	**219.236**	**3.993**
Severance indemnity	4.657	4.378	278
Deferred tax liabilities	1.734	1.678	57
Reserve for risks and charges	4.389	3.955	433
Financial debts and liabilities	20.692	12.493	8.199
Total non current liabilities	**31.471**	**22.504**	**8.967**
Financial liabilities	11.138	8.314	2.824
Accounts payable	77.647	63.891	13.756
Income tax payables	3.736	2.486	1.250
Other current payables	49.027	43.430	5.597
Total current liabilities	**141.548**	**118.121**	**23.427**
Total Liabilities and Shareholders' equity	**396.247**	**359.861**	**36.387**

Net financial position	30/06/2019	31/12/2018
Cash and bank	82.931	80.966
Financial instruments	2.082	1.951
Cash and cash equivalents	**85.013**	**82.917**
Current financial receivables	**300**	**74**
Bank short term loan	(7.885)	(6.720)
Part of financial long term liabilities due within 12 months	(2.967)	(1.318)
Financial short term liabilities	**(10.851)**	**(8.038)**
Net current financial position	**74.462**	**74.954**
Bank long term loan	(10.710)	(5.401)
Other long term financial liabilities - non current part	(9.981)	(7.092)
Financial long term liabilities	**(20.692)**	**(12.493)**
Net financial position	**53.770**	**62.461**

The net financial position of the Group decreased by 8,7 million with respect to the end of 2018. In relation to the figures represented in the preceding chart it should be noted that, starting on January 1st 2019 , due to the adoption of the accounting standard IFRS 16, financial debts also include the quotas of residual debt related to operational rents and leases which are entered into accounts following the treatment previously used in compliance with IAS 17. The impact caused by the adoption of this standard amounted to about 4,9 million Euros of which 1,5 were entered among the current debts and 3,4 among the non-current debts, which brought the amount of the net financial position on June 30th to 53,8 million Euros as opposed to the 58,7 million which would have been registered if the standards had been the same.
As far as the use of cash is concerned during this half, although an excellent level of profitability, it should be noted that there was a considerable impact because of the dividends distributed to third parties by El.En. Spa, Deka M.E.L.A. and ASA for an amount of 8,7 million, while the investment in tangible technical assets was 11,1 million during this half.

In 2019 we continued with the expansion of our production facilities with the construction of new factories. The investments in new factories during ths half amounted to about 7,4 million and reached a total of 29,5 million starting in the beginning of 2018. The activities in 2019 involved the Chinese headquarters of Wenzhou and that of Lin Yi, this latter represents an opportunity that appeared at the last minute and consequently was an addition to the program that had been set initially and communicated. Moreover, we complete the factories in Jena (inaugurated on Monday, September 9th) for Asclepion, the factory in Vicenza for Asa (which will be officially inaugurated on October 4th) and the one in Prato where Cutlite Penta and Ot-Las moved starting from June. Work has continued on the new Lasit factory in Torre Annunziata and that of El.En. in Calenzano for the reorganization of the space that became available after the move to Prato by Cutlite Penta and Ot-Las which will make it possible to improve the logistics of some of the activities in the medical and industrial sectors.
The results of this first half of 2019 confirm that the Group is able to achieve significant growth rates and demonstrate how the broad investment plan that has been conducted in the last 18 months is an indispensable instrument to sustain the development of the Group and an excellent means for accelerating the internal growth of the Group.
Financial payables and receivables from associated companies have been excluded from the net financial position for an amount of, respectively 127 thousand Euros and 286 thousand Euros.
It should also be recalled that, for an amount of 11,5 million Euros, the cash has been invested in financial instruments of an insurance type, the characteristics of which require that they 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 this half, the fair value of the investments was 12,3 million Euros.

1.9. Subsidiary results

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

The chart below contains a summary of the results of 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 the first half of 2019.

	Revenues 30/06/2019	Revenues 30/06/2018	Variation	EBIT 30/06/2019	EBIT 30/06/2018	Income (loss) for the financial period 30/06/2019	Income (loss) for the financial period 30/06/2018
El.En. S.p.A.	31.039	30.328	2,34%	(183)	512	2.992	2.930
Ot-Las S.r.l.	1.872	2.196	-14,75%	(205)	(9)	(155)	(11)
Deka Mela S.r.l.	22.414	20.385	9,95%	1.104	566	1.316	833
Esthelogue S.r.l.	5.921	6.809	-13,04%	(485)	(66)	(300)	(5)
Deka Sarl	1.802	1.652	9,08%	(312)	(115)	(313)	(115)
Lasit S.p.A.	8.071	6.892	17,11%	1.335	1.246	909	854
Quanta System S.p.A.	42.242	28.940	45,96%	9.233	3.609	6.646	2.903
Asclepion GmbH	22.113	20.353	8,65%	2.378	2.070	1.557	1.387
ASA S.r.l.	5.710	5.619	1,62%	1.070	1.347	798	1.038
BRCT Inc.	-	-	0,00%	(7)	(6)	(11)	16
With Us Co., Ltd	11.922	7.036	69,44%	511	(310)	273	(459)
Penta-Chutian Laser (Wuhan) Co., Ltd	13.144	11.879	10,65%	941	331	743	241
Cutlite do Brasil Ltda	2.851	716	298,18%	(28)	(255)	(23)	(345)
Pharmonia S.r.l.	-	-	0,00%	(3)	(2)	(2)	(2)
Deka Medical Inc.	-	-	0,00%	(4)	(4)	(9)	(9)
Deka Japan Co., Ltd	808	847	-4,60%	133	214	69	135
Penta-Laser Equipment Wenzhou Co., Ltd	46.030	38.629	19,16%	1.257	2.204	1.325	1.930
JenaSurgical GmbH	-	2.312	-100,00%	-	20	-	18
Merit Due S.r.l.	30	29	3,45%	9	16	6	11
Cutlite Penta S.r.l	16.271	15.848	2,67%	353	1.480	139	1.041
Penta Laser Europe S.r.l.	-	-	0,00%	(1)	(4)	(1)	(4)
Galli Giovanni & C. S.r.l.	-	-	0,00%	-	-	-	-
Penta Laser Technology (Shangdong) Co., Ltd.	-	-	0,00%	(19)	-	(18)	-

El.En. S.p.A.
The parent company, El.En. SpA, is active in the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of after-sales services, like supplying of spare parts and consulting and technical assistance.
In following a policy of continued expansion over the years, El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales.

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial and financial resources, as a large part of the resources of the company are allocated to sustain the activities of the Group.
As in earlier years, the activities of El.En. SpA, take place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

In the first half of 2019 El.En. Spa registered a slight increase in sales volume which, however was not enough to cover the increase in the overhead costs and consequently they showed a slight operative loss which they believe can be recovered in the second half. These results would have been totally different without the sudden interruption in the sales of the Mona Lisa Touch to Cynosure which was cause by the intervention of the FDA in July 2018. In the first half of 2018 the Cynosure sales represented more than 10% of the sales volume; they are now practically zero since the start of 2019. Also for this reason, the result of the company for this half is not entirely negative; it is to be hoped that the second half in which this phenomenon (unfortunately) will no longer be significant will be better in comparison.

Deka M.E.L.A. S.r.l.
Deka M.E.L.A. was founded in the 1990s and was the first company of the Group to deal in the sale of medical systems. The company represents the main distribution channel for the range of medical laser systems developed in the El.En factory in Calenzano, which are sold under the brand name of DEKA**.** The company now constitutes the most prestigious brand name on the Italian market for laser applications in medicine and aesthetics and has a significant role at an international level. On the Italian market they have recently re-enforced their leadership and renovated their brand by including, under the new brand name of Renaissance, also the management in Italy of the products of another company of the Group, Quanta System. As a result of the broadening of the range of products offered which has been made possible by the new partnership within the Group, the sales volume in Italy has seen a constant and rapid increase.
Deka operates in the sectors of dermatology, aesthetics and surgery and in Italy use a vast network of agents for direct distribution and, for export, of highly qualified distributors that have been selected over time.
During the period to which this report refers, Deka's sales volume increased by about 10%, thanks to the good trend in International sales and, above all, a growth of 20% in sales in Italy. The most significant results were obtained by the Onda Coolwaves, which was exceeded only by the sales volume of the hair removal systems (MOTUS AX, MOTUS AY and Re;play, a Deka brand and Thunder MT a Quanta System brand).
The DEKA organization, both in Italy and in the international network, has a presence that is recognized for the innovation of the products, the professional quality of the offer, and the excellent performance of the laser systems that they sell. This has been a goal of the company in the last few years but is also a condition on which, the Group counts on creating further growth thanks to their capacity to move new products through a consolidated and effective distribution network.

Ot-Las S.r.l. e Cutlite Penta S.r.l.
After the transfer of the branch of company, which became operative in January of 2018 and made with the intent of rationalizing the industrial sector, the activities in the cutting sector which is now growing rapidly, were assigned to the "new" Cutlite Penta S.r.l., to which we gave the name of the brand which has always identified the systems developed and produced for that segment. The marking activities remained with the "old" Cutlite Penta which was called Ot-las S.r.l., in order to reflect in the name the brand that had characterized the activities of the segment.

Cutlite Penta therefore conducts activities related to the manufacture of laser systems for industrial cutting applications, by installing on X-Y movements controller by CNC laser power sources produced by the parent company El.En. S.p.A. for plastic cutting applications and by other suppliers for the cutting of metals and dies.

Ot-Las Srl, on the other hand, deals in the business of laser marking systems for large surfaces with galvanometric type movement of the beam, and also makes use of the med-powered laser sources supplied by the parent company El.En for most of its systems.
Thanks to the rapid growth of the sales volume in the segment of sheet metal cutting, the results of Cutlite Penta in 2018 set a new record in sales volume and net income. Ot-Las also showed good results in sales and a net income. In order to sustain their rapid growth, the two companies decided to move their manufacturing activities to a larger building and, in 2018 they acquired a pair of factories suitable to house their operating structures. In early 2019 the two factories had already been outfitted with all the equipment to satisfy the specific requirements of each company and at the beginning of the summer, all the activities were transferred. Thanks to this new production facility, the manufacturing can develop in a more rational manner and to significantly increase the sales volume without the limitations which had been imposed by the old buildings.

The relationship with the parent company El.En. S.p.A., which supplies the laser sources and collaborates on projects for new systems and accessories, in particular, those regarding beam delivery, remains fundamental. Beam delivery, in fact, increasingly represents a critical success factor because of the exponential increase in the power of the lasers installed on the cutting systems.

Cutlite Penta S.r.l. has gradually acquired increasingly sophisticated equipment and staff in this field and by identifying alternative partners has dealt with the technological shift from fiber laser sources which replaced the CO_2 laser sources (an important El.En SpA product) for the applications for laser metal cutting which require high-powered sources.
For the mid-powered applications, for Cutlite Penta cutting and for the marking systems of Ot-las, the contribution of the RF sources made by El.En remains decisive. The financial support provided by the parent company is also indispensable, for short-term projects for the expansion of the working capital and for mid-term projects for the expansion on the Chinese market by means of the subsidiaries **Penta Chutian Laser (Wuhan)** and **Penta Laser Equipment (Wenzhou),** the equities in which have remained among the assets of Ot-las Srl.

Penta Chutian Laser (Wuhan) e **Penta Laser Equipment (Wenzhou)**
The two companies constitute the operational base of the Group for the Chinese market in the industrial sector. The Group has now been present in China for over ten years and has a significant manufacturing capacity and an efficient selling network in one of the most dynamic markets in the world for manufacturing activities. The growth has made Penta a significant presence on the Chinese market for flat cutting systems for sheet metal and they have been able to promote their own products in the face of ferocious local competitors thanks to the quality of their key components which are designed and in part manufactured in Europe but still maintain the competitive price necessary for the local market. These characteristics have allowed it to acquire significant portions of the market and become one of the leading companies in China in the field of sheet metal cutting.

Penta Chutian of Wuhan now operates jointly with Penta Laser (Wenzhou), recently founded thanks also to the support of the municipality of Wenzhou for the new high-tech production facility which has been in operation since the Summer of 2016. The new plant at Wenzhou has more than doubled the production capacity thanks to a plant that was specifically designed for our kind of manufacturing. This facility was of fundamental importance in order to sustain the extraordinary growth of the market and has made possible the rapid growth of our sales volume. Growth continued in 2019 and with the progress in the construction of the new factories in Wenzhou, the company acquired a greater manufacturing capacity thanks to the vast area dedicated to the expansion of production. However, the sales and research activities will also benefit from the increased space because there will be both a new section for a show room and demonstrations as well as laboratories and larger office space for researchers.

Penta Laser Technology (Shangdong) Co., Ltd.
This company was founded early this year and is located in Lin yi in the industrial region of Shandong. The company represents the addition of a new manufacturing site and a commercial point of reference in an area that is important for manufacturing and metal-working industries. In the past few months the building has been outfitted, in part with the important contribution of the municipality of Lin Yi.

Quanta System S.p.A.
Quanta System became part of the area of consolidation of the Group in 2004. The company produces sophisticated laser systems both for aesthetic medicine and for surgery, in particular in the urologic sector, in which it has acquired a significant portion of the market at an international level.
During the early months of 2019 Quanta registered a period of extraordinary growth and registered record results which made it possible for the company to achieve record profits with an incidence of the EBIT on the sales volume for the half amounting to about 24%. Quanta succeeded in maintaining extremely high production levels thanks to the logistic organization made possible by the building in Samarate and its enlargement which was completed just a few months ago, so that they could satisfy the increased demand and, at the same time they obtained economies of scale which further improved the results.
The factors responsible for these brilliant results can be found in the mid-term scheduling of the research and development activities aimed at placing on the market a large series of systems with state-of-the-art technology which were capable of generating a high demand for numerous applications: in the field of aesthetics, hair removal and tattoo removal and the treatment of vascular lesions and anti-aging; in the surgery field, high-powered lithotripsy and benign prostate hyperplasy (BHP) and endovascular treatments.
The quality of the range of products together with the excellent level of management in the most delicate company functions has set Quanta in a market position that is ready, in this phase, for a further rapid growth.

In the first half of 2019 Quanta's trend was again exceptional, with an overall growth of 46% and an EBIT of 22% of its sales volume.

Lasit S.p.A.
The company is specialized in the manufacture of marking systems for small surfaces and conducts its production and development activities in its headquarters in Torre Annunziata (Naples).
Lasit operates in the market for identification of products, parts and subassemblies which is now going through a phase of growth because of the increase in requirements for identification which characterize the manufacturing industry in

general because of the stringent requirements for traceability of products that are required by the markets and by the product management systems which are conducted according to the most modern quality control standards.

Lasit is unique on its market because it offers its clientele a product of excellent quality along with customized services which it is able to provide due to the great flexibility of its manufacturing structure. The internalization of a large part of the production stages allows the company to be, at the same time, flexible and effective in limiting costs. Thanks to these characteristics in the past few years the company has shown excellent results both in terms of growth and profitability. After an excellent year in 2018, the first half of 2019 has confirmed this trend.
The mechanical workshop is equipped with state-of-the-art numerical controls and metal cutting systems so that the company can act as an internal supplier for the other companies in the Group.
In order to sustain its rapid growth which was creating difficulties from a logistic point of view and for the manufacturing spaces, in 2018 Lasit purchased a spacious piece of real estate which is adjacent to the current factory and will be able to adequately house the manufacturing processes and the other accessory activities. During 2019 the activities will be gradually moved to the new site.

Asclepion Laser Technologies GmbH
This company was founded as Asclepion-Meditec and then became the aesthetic division of Carl Zeiss Meditec, which was purchased by Zeiss in 2003. At the time the company had about forty employees who worked inside the Zeiss factory. It grew rapidly and acquired a significant position on the market of laser systems for medical and aesthetic applications, for which it constitutes one of the three business units of the Group. As of this date, Asclepion has almost 150 employees and their own factory which was recently doubled in size to prepare it for the further growth which the market trends and the investments scheduled have forecast.
Thanks to its geographical location in Jena, the global cradle of the electro-optical industry and its capacity to associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world, in the last few years, Asclepion has acquired high standing on the international markets.

Asclepion is considered an authoritative point of reference on the market for the two laser technologies in which it excels: that for semi-conductor hair removal and that for erbium systems for dermatology. For the Mediostar system, the first design had already been developed before we acquired the company. Later modifications radically redesigned the original structure and improved its performance, making it an international point of reference. The latest version of Mediostar, has been improved both in its aesthetics and ergonomics for use and maintenance and is equipped with Monolith applicators which are true jewels of German technology; they were launched on the market at the end of 2018 and are already one of the touchstones of the expansion now in progress in 2019. The erbium technology for ablation applications in dermatology has thousands of installations, especially in Germany. The potential for applications of the system have been amplified over time thanks to accessories specifically designed for photo-rejuvenation applications and, more recently, and with an excellent response from the market, for gynecology. In this latter sector, the Juliet system was a best seller in 2017 and 2018 while in 2019 it has suffered from the drop in attention to this type of product that has been shown in the United States.
By incorporating in 2018 **Jena Surgical GmbH** which had been founded previously as a front-end commercial enterprise for the surgical sector, Asclepion now also includes a surgical division which is able to offer technologies for applications in otolaryngology and, above all, urology. For this latter applicative segment Asclepion has developed systems with holmium technology and in this field has reached excellent results also in terms of the technical performance of the equipment.
In 2019 the growth phase continued both for sales volume and net income. As previously mentioned, 2019 was also the year in which the factory in Brusseler Strasse in Jena was enlarged and the construction was made possible in part also by a grant from the Turingia region. The new building was already operative and inaugurated on September 9th.

With Us Co Ltd
With Us Co. with headquarters in Tokyo is the distributor of El.En./Deka products for the aesthetic sector in Japan, where it has been able to acquire an important position in particular in the applicative sector of hair removal. Besides the Deka/ El.En. systems, With Us distributes creams and accessories and small equipment for the aesthetics business to its clients in large volumes considering the high number of selling points that they serve. The all-inclusive maintenance services offered to the vast number of installations also contributes significantly to the sales volume and profitability. After a disappointing year in 2018, 2019 has started with a significant recovery in sales volume and, consequently, in profits. The new upgrading campaign directed to the installations in the hair removal sector has also contributed significantly. In a market that is increasingly competitive, we offered our clientele the opportunity to upgrade their systems to align them with the performance available on the latest generation of products and this has generated a good level of sales volume and, above all, of customer loyalty in the clients that accepted.
As mentioned, the sales volume for the first half showed a brilliant growth of 69% in Euros, and the EBIT was once again positive with a significant contribution to the result of the Group. The outlook is good also for the second half of the year.

ASA S.r.l.
This company, located in Vicenza, is a subsidiary of Deka M.E.L.A. S.r.l., and operates in the sector of physical therapy, for which it develops and manufactures its own line of low-powered semiconductor laser equipment. Thanks to the broad range of products they offer and their ability to supply customers with training which makes it possible for them to benefit fully from their elective applications, ASA has grown rapidly and constantly over the years and always maintained a good level of profitability.
ASA is equipped with its own Research and Development office which is dedicated to the creation of diode lasers and the company has the advantage of the global distribution of some of the devices manufactured by the Parent Company El.En S,p,A, with which it collaborates constantly for the realization of new applicative protocols.
In the first half of 2019 Asa registered a consolidation of the results of the last few years. With the completion of the construction and the move to the new factory, 2019 represents, on one hand, the successful completion of years of work on the building of their new facility and, on the other, the starting point for the further developments which the new factory will make possible by freeing the activities from the logistic limitations of the old site.

Other companies, medical sector

Deka Sarl distributes Deka brand medical systems in France. Its presence represents an important outpost which is valuable for maintaining the position of the brand on the French market and those of the French speaking countries of North Africa. In the last few years the company has ot been able to maintain the economic balance on account of the insufficient volume of business and in early 2019 the Parent Company El.En. Spa had to restore the capital and pay the previous losses. The outlook for improvement has been offered by the opportunity to distribute a growing number of laser systems including those from companies that do not belong to the Group and thus increase the sales volume so as to reach a good level of profitability. This objective was not reached in the first six months of 2019, during which, among other things, the staff costs increased in order to make distribution more effective in some segments, particularly in the surgery sector.

Deka Japan, operates by distributing Deka brand medical systems in Japan; in 2018 they began the operational phase in collaboration with DKSH, which became the exclusive distributor and concentrated their activity on obtaining the authorization for the sale of new products and on supplying logistic support for DKSH. Results for the first half of 2019 were positive but with a slight drop in the sales volume and result compared to the previous year, despite the forecasts for a gradual growth on this market.

Deka Medical Inc. has ceased their distribution activity in the United States for the medical/surgical sector and this activity has been assigned to third party distributors.

Esthelogue S.r.l. distributes the laser systems of the Group in the aesthetic sector in Italy and in this context has acquired an increasingly important role for various hair removal applications and for non-invasive body contouring.
For hair removal, the Mediostar systems produced by Asclepion Gmbh represent the most characteristic product offered by Esthelogue, and it is able to satisfy every requirement of the clientele with a range that goes from the most economical light systems to the powerful Monolith handpieces of the latest generation. In the applications of non-invasive body-shaping, along with the Icoone systems, hundreds of which have been sold in the past few years, in 2019 they have added the B-Star which uses innovative technologies and methods. The launch of this system which occurred at the Cosmoprof in 2019, obtained a great success which has contributed to the improvement in the results of the company. Besides the superior quality of the products being offered, which are much more sophisticated than the average being offered in this sector, thanks to the developments made by highly qualified teams of researchers, the company can now offer another decisive factor in their success, the high level of assistance services supplied to the clientele which were given during the training period so that knowledge of the equipment was transferred to the users of our technologies.
The results for the first half of 2019 show further growth in the sales volume and a recovery in profitability. The adoption of the accounting standards of the Parent Company with the application of IFRS 15 to the revenue, have frustrated only in the appearance of their representation, the excellent results obtained and have merely postponed to future years their registration of part of the margins on sales which were completed and cashed in during this period. .

Pharmonia S.r.l. has terminated its activity of distribution of aesthetic systems specifically designed and produced for use in pharmacies and now conducts a sporadic activity in the marketing of some products on specific international markets.

Galli Giovanni & C. Srl became part of the Group in June with the purchase by Quanta of the majority control of 70%. The company is a mechanical workshop specialized in metal working for the precision removal of metal shavings and was formerly a qualified supplier to Quanta System. Thanks to the characteristics of the CNC machinery and the high professional level and specialization of the personnel, the company will contribute to maintaining the high level of quality and flexibility in the production of the mechanical parts which constitute a category of purchases that is very important also from the point of view of production costs. The workshop will be located in the factory at Samarate in order to optimize collaboration with the production, planning and engineering departments of Quanta System.

Other companies, industrial sector

BRCT Inc. acts as a financial sub-holding.

Cutlite do Brasil Ltda has a factory in Blumenau in the state of Santa Catarina and has about twenty employees. They produce laser systems for industrial applications and, to a lesser degree in the past, but significantly in 2019, attends to the distribution of laser systems produced by their Italian associates. 2019 began with signs of recovery and with a sales volume showing a considerable increase and a net result with a slight loss but still much better than in previous years. The applications of sheet metal cutting with fiber sources determined the relaunching of this activity.

Penta Laser Europe Srl was founded by Penta Laser Wenzhou which owns it 100%, for the purpose of acting as a holding company for investments to be made in Europe.

1.10. Research and Development activities

During the first half of 2019 we continued our intense activity of Research and Development for the purpose of creating new applications for lasers and for other light sources, both in the medical sector and the industrial sector (which includes applications for the restoration of works of art) and to place on the market products that are innovative because of the performance of the devices and/or the technologies that are used.

In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid- to long-term schedules.
In our laboratories we conduct research on new or unsolved problems in medicine and industry and we try to find solutions on the basis of the experience and know-how that we have developed on the interaction between laser light and biological and inert materials. As far as laser lights are concerned, we develop the sources on one hand by making a selection of its spectral content, the methods for generating it and the optimal level of power and, on the other hand, we program its management over time in relation to the laws governing its disbursement and in space as far as the shape and movement of the light beam is concerned.

The research which is aimed at obtaining mid-long-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centers throughout the world, some of which we collaborate with.

Research which is dedicated to achieving results according to a short-term schedule is concentrated on subjects for which all the preliminary feasibility studies have been completed. For these subjects a choice has already been made regarding the main functional characteristics and performance specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study and some in the phase of field verification. This mechanism concerns the sector of laser light applications to medicine but also to industry and to the conservation of our cultural and artistic heritage.

The research which is conducted is mainly applied and is basic for some specific subjects generally related to long and mid-term activities. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University and Research (MUR) and the European Union, as well as directly with Regional structures in Tuscany or the Research Institutions in Italy and other countries.

The El.En. Group is currently one of the few companies in the world that produces such a vast range of laser sources, in terms of the different type of active agent (liquid, solid, semiconductor and gas mixture) with different wave lengths, various power versions and, in some cases, using various manufacturing technologies. Consequently, research and development activity has been directed to many different systems and subsystems and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiary companies have been involved is given below.

Systems and applications for lasers in medicine

The Parent Company **El.En.**, in collaboration with **DEKA** and, more recently, **Quanta System**, have been active conducting research on biological samples and cell cultures in the laboratory and clinical experiments for applications in the surgical field of devices and sub-systems based on the use of electro-magnetic energy. There are numerous applications in the fields of general surgery, otolaryngology, aesthetic medicine, gynecology, dermatology and skin ulcers.
An application that is extremely important and has already obtained considerable commercial success, is related to urogynecoloy with the Mona Lisa Touch treatment to reduce the effects of the atrophy of the vaginal mucous. The atrophy of the vaginal mucous is a widespread and debilitating condition with interaction with other pathologies and afflicts a high percentage of women in menopause or younger women affected by tumors for which, in order to avoid a re-occurrence, they have used therapies which affect the hormonal balance and cause a kind of premature menopause.

Clinical studies are still being conducted in prestigious centers, in USA and in Italy, mainly at the San Raffaele hospital in Milan, the Gynecological Laser Surgery unit in Florence, and the Biomedical Campus in Rome have confirmed that the laser treatment is effective, safe, and without negative collateral effects; further research is in progress to broaden our knowledge about the activating mechanisms in order to develop new applications.

We can confirm that this is an extremely important innovation in the field of medicine which will always remain part of the procedure for the specific therapy. Consequently, it is our precise obligation to maintain the research activity at the top of the world developments for this new therapeutic sector in order to guide and augment the scientific and technological developments and maintain and re-enforce our position of pre-eminence.
Moreover, we are now receiving confirmation of the exceptional results obtained with the treatment of diabetic feet at several different centers where they have installed CO_2 lasers of the SMARTXIDE Quadro family, C80 model. In this sector we have introduced the possibility of using laser light for the debridement, that is, the removal of the necrotic tissue which prevents the healing of the ulcers. The treatment of chronic ulcers using lasers is based on the characteristics which we have designed, which are essential in the cleaning phase of the sores in order to reduce the presence of bacteria in the ulcer and greatly reduce the pain suffered by the patient, but also for the bio-stimulation capacity which is activated by the laser light, and which we consider our "cultural heritage" since it is the result of the lengthy research and numerous experiments which we have conducted over the years.

We have continued the successful introduction on the market of the line of equipment for hair removal called Motus, with the most recent model AY which, after the CE Medicale, obtained clearance by the FDA for sale in the USA. The Motus equipment is based on an original concept which lets the operator use the handpiece in movement with the density of the energy which causes no pain. This method has obtained great success thanks to the accumulation of the damage to the hair follicle which is caused by the repeated passages of the handpiece emitting energy.

We have concluded the development of the Luxea platform, and we have continued gathering data from the clinical trials; this is a high performance device which permits a wide range of applications in aesthetic medicine; it contains the main laser sources for the various applications. The level of integration and management have been particularly appreciated by the first experimenters and the first clients that purchased it. CE certification and certification for non-European countries have been obtained and we have initiated the procedure for obtaining FDA clearance.

For the regeneration of biological tissues we had originally coined the acronym HILT, High Intensity Laser Therapy, which characterized the specific line of our laser products which was assigned to our subsidiary ASA for global distribution; we have recently concluded the development of the new Hiro TT system, the first example of a new approach for the dynamic management of the temperature of the skin and multi-level control of the interface which makes use of advanced graphics, with state-of-the-art LCD capacitors. Sales of the system continue in 2019 with considerable success. We have deposited the request for a European patent.

As part of the FOMEMI Project, (Sensors and instruments with FOtonic technology for minimally invasive Medicine) Toscana bando unico R&S 2014, European funds: POR FESR 2014-2020**.** Bandi RSI Bando 1. Strategic projects for research and development with El.En. as project leader, which has recently been authorized for financing, we have developed a system for high resolution vision with automatic zoom which will make it possible to obtain films and photographs during the treatment of ulcers. From these images, through the elaboration of the data during the evolution of the wound after the treatments, we will be able to obtain the measurements of the area of the lesion and the segmentation, also in interactive form with the operator, in order to define the regions occupied by the various components that are present and are typical of this pathology and document the evolution over time during the various therapeutic sessions.
Moreover, we are now conducting research on a new static illuminator for laser bio-stimulation in collaboration with another technological partner in the FOMEMI project research group. For this project we are also collaborating with a different partner for feasibility studies for a special ergonomic bed to be used during treatment of patients affected by skin ulcers in order to reduce fatigue in both the doctor and the patient during the therapeutic session.

We have continued gathering objective data for the clinical evaluation of the results in order to increase the amount of specific scientific literature related to our innovative system for body shaping, Onda Coolwaves. The Onda technology permits the reduction of the layer of sub-cutaneous fat in various parts of the body and, starting even in the first session, a significant reduction of the orange-peel effect on the skin which is caused by cellulitis the equipment is based on the use of a form of electro-magnetic microwave energy which is able to reduce the adipocites. The device is equipped with innovative applicators which make it intrinsically safe by preventing the emission of energy when they are not in contact with the skin. The method used for the emission of the energy, for which we have received recognition of PTC patentability, makes it so that most of the energy is absorbed by the sub-cutaneous fat according to the design; in this way an additional protective element is obtained because the muscle layers beneath the fat are not subjected to heat that is produced.

We have continued the study of a new instrument system for acquiring position and motion data used to guide the operator in the maneuvering of the applicators in order to guarantee the greatest uniformity of treatment in the area involved.

We have concluded work on the development of systems with wave guide coupling for CO_2 lasers for surgical applications and we have started procedures necessary for obtaining CE certification and FDA clearance. The experimental activity is intended to determine the best launching conditions for the laser beam in the hollow wave guide in order to minimize dispersion during transmission.

We have completed the development of a new model, including the experimentation on RF supplied prototypes, for exciting a sealed CO_2 source for medical applications (surgical and dermatological), which has been redesigned for the purpose of allowing the integration directly on the laser source with an aim to reducing the size and the cost of the complete system, while respecting the electro-magnetic compatibility requirements.

In collaboration with Quanta System SpA we have completed the development of a real time system for monitoring the skin temperature during the pre-cooling process preceding laser treatments of the skin which will be used for safely managing energy-based treatments.

In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of urologic medicine, results of which are used mainly for the development of DEKA products as well as for the other companies of the Group.

We have applied for new patents at the Italian and some foreign patent offices.

At DEKA they have completed research on the use of lasers for stimulating nano-particles, in collaboration with various partners including Colorobbia (Bitossi Group) which is active in the development and manufacture of nano-particles; this activity is part of the INSIDE project ("*svIluppo di targeting diagNostici e teranoStici basati su nanosIstemi e/o linfociti ingegnerizzati per l'indiviDuazione precoce e il trattamento del mElanoma e della sclerosi multipla*"), co-financed with funds from European community managed by Regione Toscana – POR FESR 2014-2020, Bando 1: Strategic Research and Development Projects). As part of this project they have completed the development of a system of induction heating with radio frequency with nano-particles of iron oxide for medical applications and they are now conducting laboratory experiments on animals; the generator is equipped with a electro-magnetic radiation system with a butterfly structure which made it possible to achieve a good level of efficiency.
Moreover, they have continued the development of a system for using a laser to excite nano-particles of gold for use in the diagnosis and therapy of skin tumors (melanomas). As part of this project they have designed and built a laser light system of illumination with our Q-switch source which we developed. The laser illumination system consists of a double bundle of fibers to be integrated into an ultra-sound probe. The system has the purpose of acquiring images from ultrasonic waves emitted by nano-particles of gold after exciting the plasmonic resonance using laser impulses of very brief duration on an appropriate wave length. The particles are destined to be injected and brought inside the lesions in the soft tissues by antibodies designed to adhere selectively to the cancerous cells, all in order to obtain an image for diagnostic use.

In collaboration with Elesta we are now in the final phase of development of a device for the treatment of tissue with cancerous lesions inside organs with the emission of energy with a diffusive structure fed by optical fiber laser light inserted through the skin by means of an innovative tip for which an international patent has been requested.

At **Quanta System** they are conducting intense research on the development of laser instruments intended for aesthetic medicine and medical therapies in urology. As part of this project they have developed a prototype for a new single-use morcellator for use in urology and which can be released on the market as soon as the necessary authorizations have been obtained. Now that we have obtained the CE Medical brand and FDA clearance, the 100W holmium laser for BPH applications and for enucleation of the prostate will complete our range of holmium lasers for applications in urology which already includes the 30W model for lithotripsy and the 60W model for lithotripsy and enucleation.
In the field of lithotripsy, for the holmium laser they have developed the technique based on the so-called vapor tunnel effect which offers considerable advantages for the stabilization and effectiveness of the shattering of the stones in the upper excretion tubes.
They have continued experiments on innovative applications in the field of gastroenterology. The evaluation of the effects of the Thulium Laser on the gastric mucous which was undertaken in 2015 gave positive results which made it possible to move on to the study phase on animal models and application on humans.
At **Asclepion** they have continued an updating strategy of all the systems: a new philosophy of user interface, new electronics and new design.
They have developed an automatic recognition system for blood vessels for vascular treatments using a camera, and started experimentation.
They have completed the development of the new model of the Mediostar laser system for hair removal which has substantial technical and aesthetic innovations. Presentation of the new model took place in Rome during the Convention which hosted hundreds of Esthelogue clients and selected international Asclepion clients. They have started development for the integration of other modules for Mediostar and the relative clinical trials.

On the holmium Multipulse Ho 140 laser they are now conducting development and experimentation of innovative solutions to satisfy the market demand for the treatment of kidney stones. The EU brand for 220 volt systems has recently been obtained and the product is ready to be launched on the market.
New versions of morcellators have been completed for the requirements of innovation and adaptation to the regulations in some geographical areas.
For the dermatology field, they have completed a new product called Quadrostar for the treatment of psoriasis and vitiligo.

Laser systems and applications for industry

At **El.En.** they have continued experimentation with a sealed 300W CO_2 source based on a new concept.
They have continued the verification experiments on space filters for the shaping of the beam for high-powered sources in the production range. They have continued with the designing of a new z-dynamic with higher dynamic and thermal performance and they have implemented the XY2-100 interface on our scansion heads so that they can be piloted even by third persons and they have worked on the software to increase the elaboration performance of on-the-fly processing variable data.
They have continued experimentation on the first examples of the Blade RF1222 source.
They have continued the development of the emission characteristics of the Blade RF888 source for use in the marking of textiles.
Two new models of laser sources have been added to the catalogue: Blade RF899 as a derivation of the Blade RF888 with a mirror beam path, and Blade RF333 SH derived from Blade RF333 with a shutter with safety functions.

At **Cutlite Penta** they have continued experimentation on a new line of machines that were made last year and, continued the development of cutting heads for laser fibers, introduced methods of control, and continued their close collaboration with Penta Chutian Wuhan and Penta Laser Wenzhou.

In the field of machinery for metal cutting, the new optical, mechanical fluido-dynamic and sensoristic developments of our EVO2 cutting heads made it possible to introduce levels of laser power over 10kw into the range of products.

The constant and considerable efforts directed to the development of software made it possible to fully exploit the potential derived from the high-powers used with significant increases in the performance in terms of productivity and quality and the creation of innovative machinery for bevel cutting 2D and 3D which will be used to create a new line of application for cutting with fiber lasers.
For the range of CO_2 machinery dedicated to cutting plastic materials, they have developed both machines which integrate into the same process flat cutting and the galvanometric scansion technology as well as combined hybrid machines equipped with a double CO_2 and fiber source, both of which are avant-guard solutions which offer the client an extreme flexibility of operation.
They have also continued the development and amplification of a range of machines for making American dies, a field in which Cutlite Penta has always been a world leader.

At **Ot-las** they have developed innovative solutions for making micro-pierced sound-proofing panels in large sizes and completed development of the scansion systems on the arms of anthropomorphic robots making OEM assemblies which were used for cutting refrigerator cells. They also integrated on their machines the new source, El.En's CO_2 RF1222 by developing special scansion optical. Moreover, they have continued their research and optimization of processes in the field of leather, textiles and shoes with the consequent improvements in performance and production flexibility.

The chart below shows the costs of Research and Development for this period:

Thousands of Euros	**30/06/2019**	**30/06/2018**
Staff costs and general expenses	5.696	4.422
Equipment	165	87
Costs for testing and prototypes	1.629	1.941
Consultancy fees	227	215
Other services	110	32
Total	**7.828**	**6.696**

Following the usual company policy, the expense shown in the chart have mostly been entered in the operating costs.

The amount of expenses sustained which greatly increased this half, corresponds to about 4% of the consolidated sales volume of the Group. The expenses are mostly sustained by El.En. S.p.A., and amount to 7% of its sales volume.

1.11. Risk factors and procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, 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.

With US Co. Ltd., in the preceding years, stipulated a derivative of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euros.

Operation	Notional value	*Fair value*
Currency swap	€ 500.000	-€ 9.394
Total	**€ 500.000**	**-€ 9.394**

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 6% 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:

the Parent Company El.En. S.p.A. has underwritten:

- in 2013, a bank guarantee for a maximum of 50 thousand Euros later increased to a maximum of 100 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2019 which was not renewed.

The subsidiary Deka M.E.L.A. S.r.l. in 2016 underwrote a bank guarantee for a maximum of 127.925 Euros as a guarantee for the final reimbursement of the amount require as a down payment for the project POR FESR 2014 – 2020 Strategic Research and Development project phase 2, admitted for contributions by the *Bando Unico* approved by the Region of Tuscany with Decree 3389 on July 30th 2014, with expiration date in May 2020.

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) obtained two financing for the construction of the new factory and for the purchase of the equipment by taking out a mortgage for an overall amount of about 41 million RMB.

The subsidiary ASA 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 4,8 million Euros. Also in 2018 Asa underwrote a bank guarantee issued by

CREDEM to the supplier ENI Spa for the amount of 8.000 Euros with expiration date on December 31st 2021, as a guarantee for the issuing of thirteen MULTICARD ENI cards after they underwrote a contract for the purchase of fuel.

The German subsidiary Asclepion 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 400 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.

1.12 Governance

In compliance with Art. 19 of the company bylaws, the company is administered by a Board of Directors with a number of members which may vary from a minimum of three to a maximum of fifteen. The Assembly which convened on April 27th 2018 to discuss the renewal of the Board of Directors (which will remain until the approval of the financials for the year ending on December 31st 2020) voted to set the number at six.

As of June 30th 2019 the Board of Directors was composed as follows:

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

(*)Independent administrators in conformity with article 3 of the "Codice di Autodisciplina delle Società Quotate"

The members of the Board of Directors, for the period in which they are in office, have their legal residence at company headquarters, El. En. S.p.A. in Calenzano (Florence), Via Baldanzese 17.

On April 27th 2018, the Board of Directors assigned as executive directors, the President of the Board, Gabriele Clementi and the board members, Andrea Cangioli and Barbara Bazzocchi, separately from each other and with free signature, all of the powers of ordinary and extraordinary administration for conducting the activities related to the company business, and excluding only those powers which, in compliance with the law and with company bylaws cannot be delegated.

In order to act in conformity with the Self-disciplining Code for companies listed on the stock market:

a) On August 31st 2000 the Board of Directors presented two independent administrators among its members, in compliance with Art. 3 of the Self-disciplining code mentioned above. These independent administrators are now Dott.ssa Fabia Romagnoli and Michele Legnaioli;
b) On September 5th 2000 the Board created the following committees composed mainly by non-executive administrators:
   1. the "Nomination committee", to which are assigned the tasks in conformity with art. 5 of the self-disciplining Code for companies quoted on the stock market;
   2. the "Remuneration committee" to which are assigned the tasks in conformity with art. 6 of the self-disciplining Code for companies quoted on the stock market;
   3. the "Committee for controls and risks" formerly named "Internal controls committee" to which are assigned the tasks in conformity with art. 7 of the self-disciplining Code for companies quoted on the stock market in relation to internal controls as well as those derived from the CONSOB Regulations for Related parties concerning operations with related parties.
c) Up until 2000 the Board of Directors had appointed one or more subjects to verify that the system of internal controls was always adequate, completely operative and functioning.

The Board of Directors meets at least every quarter in order to guarantee adequate information for the Board of Statutory Auditors concerning the activities and the most important operations conducted by the Company and its subsidiaries.

Internal auditing of the company is conducted by the parent company of the Group in collaboration with the personnel of the subsidiary companies. From an organizational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members or have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organization of the activities of the Group.
As far as the accounting information is concerned, before the end of the month following the quarter being considered, the subsidiaries are required to supply to the parent company of the Group all the information necessary for drawing up the consolidated financial and economic reports.

1.13 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 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 (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. The procedures contained in the "*Regolamento per la disciplina delle operazioni delle parti correlate*" went into force on January 1st 2011.
The regulations were updated and modified by the Board of Directors during the meeting held on March 14th 2019. The updating consisted in the repetition of some of the rules of the Regolamento Parti Correlate Consob in replacement of just the referrals in order to make them easier to read and to reconstruct the operative area as well as the detailed disciplining of the so-called "equivalent presidiums" described in the Regolamento Parti Correlate Consob. The modification consisted in the refining of the contents of art.6 in relation to the resolutions related to the operations in which there relation derived from the interest of one of the administrators or auditors. In this regard, they replaced the requirement of absence of abstention from the resolution with the power of the independent administrators to request a postponement of the meeting or of the resolution in order to acquire further information.
The operations conducted with related parties, including the inter-Group relations cannot be qualified as atypical or unusual; these operations are regulated by ordinary market conditions.
In regard to the relations with related parties, please refer to the specific paragraph in the Explanatory Notes

1.14 Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we wish to state that during the first half of 2019 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.15 Opt-out regime

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

1.16 Significant events during the first half of 2019

On January 17th 2019 the Shareholders' meeting of El.En. SpA 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. 3.859.494 shares with a nominal value of 501.734,22 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, with the conditions established by the market practice approved by the CONSOB in compliance with article 13 MAR; at the conditions indicated by art. 5 MAR. 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 April 1st 2019 a new company, PENTA Laser Technology (Shangdong) Co., Ltd. , was founded; it is owned 100% by the subsidiary Penta Laser Technology (Wenzhou) Co., Ltd.

On May 15th 2019 the Shareholders' meeting of El.En. S.p.A. approved the financial statement for 2018 and also took the following resolutions:

- To assign all of the net income for distribution to the shareholders;
- To distribute to the shares in circulation on the date coupon no. 3 came due on May 27th 2019, in compliance with art. 2357-ter, second sub-section of the Civil Code, a dividend of 0,40 Euros (zero point forty Euros) gross for each share in circulation for an overall amount of 7.718.988,80 as of this date and assigning the net income for the year, for the amount of 2.814.039,00 Euros and, for the residual amount of 4.904.949,80 Euros drawing on the net income that were not distributed during the preceding years but accrued in the voluntary reserve called "extraordinary reserve".
- To accrue, where possible, in a special reserve of retained earnings, the residual dividend destined for any treasury stock which may be held by the Company on the date the coupon came due.

The Shareholders' meeting also voted to approve the report on remuneration including incentives as per ex art. 123-ter T.U.F. as well as the appointment of the members of the Board of Auditors and of the President for the three-year period 2019-2021 and the setting of the relative salaries.

On June 19th 2019 the subsidiary Quanta System S.p.A. concluded the purchase of 70% of the capital stock of "Galli Giovanni & C. Srl" a company specialized in the manufacture of high-precision mechanical parts, for the amount of 350 thousand Euros.

1.17 Subsequent events

In the month of July 2019 we completed the move of the operating activities of Cutlite Penta and Ot-las to their new enlarged headquarters in Prato.

1.18 Current outlook

The results for the first half exceeded our forecasts for growth in the sales volume for the year with an increase of 17,3% with respect to the minimum growth rate of 10% and the EBIT, which reached 8,9% of the sales volume.

Thanks to the ability to optimize the organization of the critical activities for success on our markets, the Group continues to go through a favorable phase. Our strategic position allows us to take advantage of the opportunities for growth that are offered the trends on the specific markets where we operate. The enormous investments that have been made in the past 18 months have been aimed at equipping the Group with operative structures that are able to sustain the growth that is expected. Considering the results for this half, the El.En. Group is confident that they will be able to continue to improve the results with respect to the guidance that has been issued up to now; our objective will be to exceed 10%in the annual growth of the sales volume and the target for the EBIT will be the improvement of the incidence on the sales volume with respect to that shown last year.

For the Board of Directors
Managing Director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENT

AS OF JUNE 30th 2019

Consolidated statement of financial position

Assets	Note		30/06/2019		31/12/2018
Intangible assets	1		4.483.919		4.483.948
Tangible assets	2		73.922.117		61.019.946
Equity investments	3				
- in associated companies		1.305.189		1.423.909	
- other		1.035.420		1.035.420	
Total Equity investments			2.340.609		2.459.329
Deferred tax assets	4		6.544.360		6.333.580
Other non-current assets	4		12.676.684		12.582.025
Total non current assets			**99.967.689**		**86.878.828**
Inventories	5		95.537.924		85.892.337
Accounts receivable	6				
- third parties		89.945.006		79.537.108	
- associated companies	34	658.298		709.240	
Total Accounts receivable			90.603.304		80.246.348
Tax receivables	7		12.004.052		11.435.801
Other receivables	7				
- third parties		12.994.007		12.362.979	
- associated companies	34	127.470		127.067	
Total Other receivables			13.121.477		12.490.046
Securities and other current financial assets	8		2.082.156		1.951.235
Cash and cash equivalents	9		82.930.675		80.966.102
Total current assets			**296.279.588**		**272.981.869**
Total Assets			**396.247.277**		**359.860.697**

Liabilities	Note		30/06/2019		31/12/2018
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		87.707.032		92.167.296
Treasury stock	13		-		-
Retained earnings / (accumulated deficit)	14		64.424.691		50.596.457
Net income / (loss)			10.223.201		16.794.077
Group shareholders' equity			**203.457.213**		**200.660.119**
Minority interest			19.771.527		18.575.570
Total shareholders' equity			**223.228.740**		**219.235.689**
Severance indemnity	15		4.656.590		4.378.486
Deferred tax liabilities			1.734.314		1.677.502
Other accruals	16		4.388.537		3.955.131
Financial debts and liabilities	17				
- third parties		20.691.525		12.492.839	
Total Financial debts and liabilities			20.691.525		12.492.839
Total non current liabilities			**31.470.966**		**22.503.958**
Financial liabilities	18				
- third parties		10.851.240		8.037.568	
- associated companies	34	286.530		276.608	
Total Financial liabilities			11.137.770		8.314.176
Accounts payable	19				
- third parties		77.646.916		63.891.040	
Total Accounts payable			77.646.916		63.891.040
Income tax payables	20		3.735.956		2.485.761
Other current payables	20				
- third parties		49.026.929		43.430.073	
Total Other current payables			49.026.929		43.430.073
Total current liabilities			**141.547.571**		**118.121.050**
Total Liabilities and Shareholders' equity			**396.247.277**		**359.860.697**

Consolidated income statement

Income Statement	**Note**		**30/06/2019**		**30/06/2018**
Revenues	21				
- third parties		187.927.162		159.599.765	
- associated companies	34	523.077		1.037.085	
Total Revenues			188.450.239		160.636.850
Other revenues and income	22				
- third parties		1.110.076		1.525.602	
- associated companies	34	9.173		12.950	
Total Other revenues and income			1.119.249		1.538.552
Revenues and income from operating activity			**189.569.488**		**162.175.402**
Purchase of raw materials	23				
- third parties		108.597.240		107.046.241	
Total Purchase of raw materials			108.597.240		107.046.241
Changes in inventory of finished goods			(4.985.271)		(10.411.430)
Change in inventory of raw material			(4.722.151)		(11.673.812)
Direct services	24				
- third parties		16.294.836		12.513.848	
Total Direct services			16.294.836		12.513.848
Other operating services and charges	24				
- third parties		21.515.446		21.237.425	
- associated companies		-		5.213	
Total Other operating services and charges			21.515.446		21.242.638
Staff cost	25		32.265.884		28.108.740
Depreciation, amortization and other accruals	26		3.890.855		2.618.382
EBIT			**16.712.649**		**12.730.795**
Financial charges	27				
- third parties		(417.190)		(357.726)	
Total Financial charges			(417.190)		(357.726)
Financial income	27				
- third parties		558.798		482.612	
- associated companies		2.151		9.235	
Total Financial income			560.949		491.847
Exchange gain (loss)	27		123.300		340.256
Share of profit of associated companies			(85.656)		(109.377)
Other non operating charges	28		-		(5.700)
Other non operating income	28		-		-
Income (loss) before taxes			**16.894.052**		**13.090.095**
Income taxes	29		4.674.586		3.681.334
Income (loss) for the financial period			**12.219.466**		**9.408.761**
Net profit (loss) of minority interest			1.996.265		1.957.159
Net income (loss)			**10.223.201**		**7.451.602**

Basic net income/(loss) per share	30	0,53	0,39
Diluted net income/(loss) per share	30	0,51	0,37

Consolidated statement of comprehensive income

	Note	30/06/2019	30/06/2018
Reported net (loss) income (A)		12.219.466	9.408.761
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans	32	(226.334)	(88.359)
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments	32	206.372	697.529
Total other income/(loss), net of fiscal effectes (B)		(19.962)	609.170
Total comprehensive (loss) income (A)+(B)		12.199.504	10.017.931
Referable to:			
Parent Shareholders		10.189.436	7.923.981
Minority Shareholders		2.010.068	2.093.950

Consolidated cash flow statement

Cash flow statement	Note	30/06/19	related parties	30/06/18	related parties
Operating activity					
Income (loss) for the financial period		**12.219.465**		**9.408.761**	
Amortizations and depreciations	26	3.172.403		2.090.822	
Share of profit of associated companies		85.656	85.656	109.377	109.377
Write-downs for impairment losses	26-28	0		5.700	
Stock Option		355.599		431.331	
Severance indemnity	15	(19.706)		57.434	
Provisions for risks and charges	16	433.405		58.723	
Bad debt reserve	6	(432.424)		(109.588)	
Deferred income tax assets	4	(139.305)		459.974	
Deferred income tax liabilities		56.813		18.363	
Inventories	5	(9.645.586)		(22.006.982)	
Accounts receivable	6	(9.924.531)	50.943	(3.800.526)	(74.278)
Tax receivables	7	(568.251)		(1.967.858)	
Other receivables	7	(414.108)		171.919	
Accounts payable	19	13.755.876		12.028.005	
Income tax payables	20	1.250.195		2.163.452	
Other payables	20	5.596.860		(588.031)	
Cash flow generated by operating activity		**15.782.361**		**(1.469.124)**	
Investment activity					
Tangible assets	2	(11.013.651)		(9.399.293)	
Intangible assets	1	(246.013)		(219.131)	
Equity investments, securities and other financial assets	3-4-8	(180.934)	118.720	43.528	108.483
Financial receivables	7	(228.911)	(403)	150.306	129.320
Cash flow generated by investment activity		**(11.669.509)**		**(9.424.590)**	
Financing activity					
Non current financial liabilities	17	4.710.429		293.333	
Current financial liabilities	18	1.496.972	9.922	(3.726.016)	
Dividends paid	31	(8.692.458)		(8.433.956)	
Cash flow generated by financing activity		**(2.485.058)**		**(11.866.639)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**336.778**		**707.961**	
Increase/(decrease) in cash and cash equivalents		**1.964.572**		**(22.052.392)**	
Cash and cash equivalents at the beginning of the financial period		**80.966.102**		**97.351.478**	
Cash and cash equivalents at the end of the financial period		**82.930.674**		**75.299.086**	

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

The interest earned this half amounted to 428 thousand Euros (483 thousand Euros on June 30th 2018).
Income taxes for this half amounted to 4.675 thousand Euros (3.681 thousand Euros on June 30th 2018).

Changes in consolidated shareholders' equity

Total shareholders' equity	**31/12/2017**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2018**
Share capital	2.508.671					2.508.671
Additional paid in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	95.059.871	41.146	-7.718.989			87.382.028
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	-417.403				542.230	124.827
Other reserves	2.804.914			431.331	-13.576	3.222.669
Retained earnings / (accumulated deficit)	35.173.088	15.593.147		-208.155	-56.275	50.501.805
Net income / (loss)	15.634.293	-15.634.293			7.451.602	7.451.602
Total Group shareholders' equity	190.321.011		-7.718.989	223.176	7.923.981	190.749.179
Capital and reserve of minority interest	9.199.338	4.775.827	-714.968	218.584	136.791	13.615.572
Result of minority interest	4.775.827	-4.775.827			1.957.159	1.957.159
Total Minority interest	13.975.165		-714.968	218.584	2.093.950	15.572.731
Total shareholders' equity	204.296.176		-8.433.957	441.760	10.017.931	206.321.910

Total shareholders' equity	**31/12/2018**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2019**
Share capital	2.508.671					2.508.671
Additional paid in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	87.382.028		-4.904.950	1		82.477.079
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	133.550				137.123	270.673
Other reserves	3.687.759			355.599	-48.037	3.995.321
Retained earnings / (accumulated deficit)	50.596.457	16.794.077	-2.814.039	-28.953	-122.851	64.424.691
Net income / (loss)	16.794.077	-16.794.077			10.223.201	10.223.201
Total Group shareholders' equity	200.660.119		-7.718.989	326.647	10.189.436	203.457.213
Capital and reserve of minority interest	13.530.980	5.044.590	-973.469	159.358	13.803	17.775.262
Result of minority interest	5.044.590	-5.044.590			1.996.265	1.996.265
Total Minority interest	18.575.570		-973.469	159.358	2.010.068	19.771.527
Total shareholders' equity	219.235.689		-8.692.458	486.005	12.199.504	223.228.740

The amount entered in the "comprehensive income" column refers to:

- For the conversion reserve, to the variations that have involved the assets in currency held by the Group;
- The other reserves and retained earnings/(accumulated deficit) that are mainly involved in the remeasurement of the employee severance indemnity fund at the end of the year for the amount relative to the subsidiary companies.

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

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Condensed Consolidated Half-yearly Financial Statement for the El.En. Group as of June 30th 2019 was examined and approved by the Board of Directors on September 12th 2019.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The condensed consolidated financial statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*

This condensed half-yearly consolidated financial statement is drawn up in Euros which is the working currency of the Parent Company and of many of its subsidiaries.
This Report consists of:

- the Consolidated Statement of Financial Position,
- the Consolidated Income Statement
- the Consolidated Statement of Comprehensive Income
- the Consolidated Cash Flow Statement
- the Statement of Changes in the Shareholders' Equity
- the following Notes

The economic information which is provided here is related to the first half of 2019 and the first half of 2018. The financial information, however, is supplied with reference to June 30th 2019 and December 31st 2018.

COMPLIANCE WITH THE IFRS

This consolidated financial statement for the half ending on June 30th 2019 has been drawn up in consolidated form according to article 154-ter of D.Lgs February 24th 1998 n. 58 (TUF) and later modifications and additions, is in compliance with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

This half-yearly consolidated financial report is drawn up in summary form in conformity with the IAS 34 regulations for interim reports. The document therefore does not include all of the information required for the annual financial report and must be read along with the consolidated report drawn up for the period which ended on December 31st 2018.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The Group has drawn up the condensed consolidated half-yearly financial statements using the same standards adopted for the consolidated financial statement issued on December 31st 2018 except for the use of the new standards and modifications which came into force on January 1st 2019 that are described below. The Group did not make use in advance of any of the new standards, interpretations or modifications issued but not yet in force.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED SINCE JANUARY 1ST 2019

- On January 13th 2016 the IASB published standard **IFRS 16 – *Leases*** which was supposed to replace standard IAS 17 – *Leases*, as well as the interpretation of IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* e SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  This standard supplies a new definition of "lease" and introduces a criteria based on the idea of control *(right of use)* of goods in order to distinguish leasing contracts from contracts for the supply of services; it identifies as discriminating factors for a lease: the identification of the goods, the right to replace the latter, the right to obtain substantially all of the economic benefits derived from the use of the goods, and, ultimately, the right to direct the use of the goods to which the contract refers.
  The standard establishes a single model for the recognition and evaluation of leasing contracts for the lessee which requires the registering of the goods that have been leased, even in operating lease, among the assets with the corresponding amount shown in the financial debts. On the other and the standard does not contain any significant changes for the leaser.

  The standard has been applied since January 1st 2019.

  The Group has decided to apply the standard retrospectively but entering the cumulated effect derived from the application of the standard in the shareholders' equity on January 1st 2019 (not modifying the comparative data for 2018) in compliance with paragraphs IFRS 16:C7-C13.
  In particular, the Group has entered into accounts in relation to the leasing contracts previously classified as operative:
  - A financial debt equal to the current value of the future residual payments on the date of the transaction actualized using for each contract the incremental borrowing rate which was applicable at the time of the transaction;
  - A right of use equal to the value of the financial debt on the date of the transaction, net of any deferred income or prepaid expenses referred to the lease and registered in the statement of financial position on the date of the closure of the financial statement.

  The adoption of IFRS 16 on the date of transition, January 1st 2019, brought about the entering of the right of use for 4,9 million Euros and a financial debt for the same amount.

  Adopting IFRS 16 the Group took advantage of the exemption granted by paragraph 16:5(a) in relation to short term leases for contracts lasting less than a year.
  Analogously, the Group took advantage of the exemption granted in IFRS 16:5(b) concerning leasing contracts for which the asset involved is considered low-asset. The contracts for which the exemption was granted fall mainly into the following categories:
  Computers, telephones, printers, small electronic equipment and devices.
  For these contracts, the introduction of IFRS 16 did not comport the booking of the financial debt for the lease and the relative right of use, but the rents were recorded in the income statement on a linear basis for the duration of the respective contracts.

  For the purpose of helping to understand the impact caused by the first application of this standard, the chart below shows a reconciliation between the future obligations related to leasing contracts, for which information was supplied in the analogous paragraph of the consolidated financial statement for 2018 and the impact derived from the adoption of IFRS 16 on January 1st 2019.

	Euro/000
Commitments for operative leasing as of December 31st 2018	**6.556**
Of which:	
Short term or low value leasing	609
Service components included in the rents	864
Actualization effect	176
Other variations	-
Value of right of use on January 1st 2019	4.907

- On January 7th 2017 the IASB published an interpretation titled ***"Uncertainty over Income Tax Treatments** (IFRIC Interpretation 23)"*. The interpretation dealt with the uncertainties related to the fiscal treatment of income tax. In particular the interpretation requires an entity to analyze the *uncertain tax treatments* (either individually or all together, depending on the characteristics) assuming that the tax authorities will examine the fiscal position that is involved, having full knowledge of all the relevant information. In the case that the entity believes it is improbable that the tax authorities will accept the fiscal treatment they have followed the entity must reflect on the effect of the uncertainties when evaluating the taxes levied on his current and deferred tax income. Moreover, the document does not contain any new obligation for information but emphasizes that the entity must determine if it will be necessary to supply information on the considerations expressed by the management and related to the uncertainties inherent to the accounting of the taxes, in compliance with IAS 1. The new interpretation has been applied since January 1st 2019.
  The adoption of this amendment has not comported any effect on the consolidated financial statement of the Group.

- On October 12th 2017 the IASB published a document titled **"*Long-term Interests in Associates and Joint Ventures*** *(Amendments to IAS 28)"*. This document clarifies the necessity of applying IFRS 9, including the requirements related to impairment, and other long-term factors in associated companies and joint ventures for which the shareholders' equity method is not applied.
  The adoption of this amendment has not comported any effect on the consolidated financial statement of the Group.

- On October 12th 2017 the IASB published an amendment to IFRS 9 "***Prepayment Features with Negative Compensation.*** This document specifies that the instruments that require a reimbursement in ad advance could respect the test *Solely Payments of Principal and Interest* ("SPPI") also in the case in which the "*reasonable additional compensation"* to be paid in the case of reimbursement in advance is a "*negative compensation*" for the person who is financing.
  The adoption of this amendment has not comported any effect on the consolidated financial statement of the Group.

- On December 12th 2017 the IASB published a document titled "***Annual Improvements to IFRSs 2015-2017 Cycle***" which contains the modifications to some of the standards as part of the annual improvement process of the latter. The main modifications are related to:
  - IFRS 3 *Business Combinations e IFRS 11 Joint Arrangements*: the amendment clarifies that at the moment that the entity obtains control of a business which represents *joint operation*, it must remeasure the interests previously held in that business. This process, however is not require in the case of obtaining joint control.
  - IAS 12 *Income Taxes*: the amendment clarifies that all the fiscal effects related to dividends (including payments on financial instruments classified in the shareholders' equity) must be accounted in a manner that is consistent with the transaction that generated the profits (income statement, OCI and shareholders' equity).
  - IAS 23 *Borrowing costs*: The modification clarifies that in the case of financing that remains in place even after the qualifying asset to which they refer is ready for use or for sale, these become part of the group of financings used to calculate the costs of financing.

  The adoption of this amendment has not comported any effect on the consolidated financial statement of the Group.

- On February 7th 2018 the IASB published a document titled "***Plant Amendment, Curtailment or Settlement** (Amendments to IAS 19).* The document clarifies how the entity must record a modification (i.e. a *curtailment* or a *settlement*) of a plan with defined benefits. The modifications require that the entity update its hypotheses and remeasure the net assets and liabilities derived from the plan. The amendments clarify that after the event has occurred, the entity should use the updated hypotheses to measure the *current service cost* and the interest for the rest of the period after the event.
  The adoption of this amendment has not comported any effect on the consolidated financial statement of the Group.

The chart below shows the other standards or modifications which have not yet been approved by the European Union:

Description	**Approved by the date of this report**	**Date the standard becomes effective**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	NO	Not defined
Amendments to IAS 1 and IAS 8: Definition of Material (issued in October 2018)	NO	01-Jan-20
Amendments to IFRS 3: Definition of a Business (issued in October 2018)	NO	01-Jan-20
IFRS 17 Insurance Contracts (issued in May 2017)	NO	01-Jan-21

The Group has not adopted in advance any of the new standards, interpretations or modifications which have been issued but are not yet effective.

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 companies included in the scope of consolidation on the date of this report are listed in the chart below which also shows the percentage owned directly or indirectly by the Parent Company:

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Parent company								
El.En. S.p.A.		Calenzano (ITA)	EUR	2.508.671				
Subsidiary companies								
Ot-Las S.r.l.		Calenzano (ITA)	EUR	154.621	96,65%		96,65%	96,65%
Cutlite Penta S.r.l	1	Calenzano (ITA)	EUR	500.000		100,00%	100,00%	96,65%
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	625.668	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	20.467.304		55,00%	55,00%	53,16%
Penta-Laser Equipment Wenzhou Co., Ltd	7	Wenzhou (CHINA)	CNY	32.259.393		53,53%	53,53%	51,74%
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%
Deka Medical Inc.	8	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
Penta Laser Europe S.r.l.	9	Calenzano (ITA)	EUR	200.000		100,00%	100,00%	51,74%
Merit Due S.r.l.	10	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	96,65%
Galli Giovanni & C. S.r.l.	11	Cassano Magnago (ITA)	EUR	31.200		70,00%	70,00%	70,00%
Penta Laser Technology (Shangdong) Co., Ltd.	12	Linyi (CHINA)	CNY	8.000.000		100,00%	100,00%	51,74%

(1) owned by Ot-las Srl (100%)
(2) owned by Elen SpA (50%) and by Asclepion (50%)
(3)) owned by Elen SpA (50%) and by Quanta System SpA (50%)
(4) owned by Deka Mela Srl (60%)
(5) owned by BRCT Inc. (78,85%)

(6) owned by Ot-las Srl (55%)
(7) owned by Ot-las Srl (53,53%)
(8) owned by BRCT (100%)
(9) owned by Penta-Laser Equipment Wenzhou Co., Ltd (100%)
(10) owned by Ot-las Srl (100%)
(11) owned by Quanta System Spa (70%)
(12) owned by Penta-Laser Equipment Wenzhou Co., Ltd (100%)

Operations conducted during this period
For the operations conducted during this period, please consult the paragraph on "Significant events which occurred during the first half of 2019" in the Management Report.

ASSOCIATED COMPANIES

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

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

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Immobiliare Del.Co. S.r.l.		Solbiate Olona (ITA)	EUR	24.000	30,00%		30,00%	30,00%
Actis S.r.l.		Calenzano (ITA)	EUR	10.200	12,00%		12,00%	12,00%
Elesta S.r.l.		Calenzano (ITA)	EUR	910.000	50,00%		50,00%	50,00%
Chutian (Tiajin) Laser Technologies Co.,Ltd	1	Tianjin (CHINA)	CNY	2.000.000		41,00%	41,00%	21,79%
Quanta Aesthetic Lasers Usa, LLC	2	Englewood (USA)	USD	200		19,50%	19,50%	19,50%
Accure Inc.	3	Delaware (USA)	USD	-		39,44%	39,44%	39,44%

(1) owned by Penta Chutian Laser (Wuhan) Co. Ltd (41%)

(2) owned by BRCT (19,50%)

(3) owned by Quanta System S.p.A. (39,44%)

Operations conducted during this period
For the operations conducted during this period, please consult the paragraph on "Significant events which occurred during the first half of 2019" in the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted during this period, please consult the paragraph on "Significant events which occurred during the first half of 2019" in the Management Report.

TREASURY STOCK

The shareholders' meeting held on January 17th 2019 authorized the Board of Directors to purchase treasury stock within 18 months of the date of the resolution, as described in detail in the specific section of the Management Report in the paragraph of significant events which occurred during the first half of 2019.
As of the date of this report, El.En. does not hold any treasury stock.

STANDARDS OF CONSOLIDATION

The half-yearly accounting situations used for the consolidation represent the half-yearly accounting situations as of June 30th 2019 for the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria used by the Parent Company. The results of the subsidiary companies acquired or sold during this period are included in the consolidated income statement from the actual date of acquisition until the actual date of sale.

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. We have not included the payables and receivables, income and charges, profits and losses which have been generated by transactions made between the consolidated companies.
The book value of the equity in each of the subsidiaries is eliminated in the place of the corresponding portion of the shareholders' equity of each of the subsidiaries including the final adaptation at fair value on the date of purchase; the difference which emerges, if it is in the black (positive), is treated as goodwill, and as such is entered into accounts, in accordance with IFRS 3, as illustrated below. If it is in the red (negative) it is entered directly into the Income Statement.
The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the shareholders' equity titled "Capital and Reserves of third parties"; the portion of the consolidated economic result which corresponds to the equities of third parties is entered into accounts under the heading "Income (loss) this year pertaining to third parties".

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:

	Exchange Rate	**Average exchange rate**	**Exchange Rate**
Currencies	**31/12/2018**	**30/06/2019**	**30/06/2019**
USD	1,15	1,13	1,14
Yen	125,85	124,28	122,60
Yuan	7,88	7,67	7,82
Real	4,44	4,34	4,35

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated half-yearly financial statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The 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. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.
Goodwill is subjected to an impairment test in order to determine any loss in value.

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
		01/01/2019	01/01/2019 - 30/06/2019	01/01/2019 - 30/06/2019	01/01/2019 - 30/06/2019	01/01/2019 - 30/06/2019	30/06/2019	30/06/2019	
Plan 2016-2025	31-dic-25	800.000					800.000		€ 12,72

This plan has two different sections 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%
Past 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 2019 the average price recorded for El.En. stock was about 17,2 Euros.

For the characteristics of the stock option plan and the increase in capital that was approved for implementing it, please consult the description in Note (10) of this report.

Information on the 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:

	31/12/2018	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	30/06/2019
Goodwill	3.038.065							3.038.065
Development costs	173.626	5.000			635.831	-112.767		701.690
Patents and rights to use patents of others	21.853	37.200				-11.261		47.791
Concessions, licenses, trade marks and similar rights	373.741	111.028				-113.116	1.963	373.616
Other intangible assets	18.570					-8.898		9.672
Intangible assets under construction and advance payments	858.093	57.251			-602.259			313.085
Total	**4.483.948**	**210.479**			**33.571**	**-246.042**	**1.963**	**4.483.919**

Goodwill

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

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

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

CASH GENERATING UNIT (CGU)	**Goodwill 30/06/2019**	**Goodwill 31/12/2018**
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

It should be recalled that, at the end of last year, the recoverable value of the CGUs shown in note (1) of the explanatory Notes of the consolidated financial statement closed on December 31st 2018 was subject to an impairment test for the purpose of verifying the existence of any losses in value by comparing the accounting value of the unit with the useful value, i.e., the present value of the expected future financial flows which we suppose will be derived from the continued use and eventual discontinuation of the unit and the end of its useful life. For the results of the test, please consult the previously mentioned note (1).
On the basis of the results obtained from the CGUs during the first half of 2019, the results are aligned with the prospective plans prepared for purposes of the impairment test on December 31st 2018 and no impairment indicators were found which, as of the date of this half-yearly statement, would make further tests necessary in order to verify the existence of any losses of long duration.

Other intangible fixed assets

The entry under the heading of "development costs" includes the costs sustained for the development of prototypes both by the Parent Company El.En. S.p.A. as well as, particularly in the column of "other movements" of this heading, the reclassified costs from the intangible assets under construction for the completion of a prototype by a subsidiary.
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 El.En. and by the subsidiary Quanta System.
Under the heading "Concessions, licenses, trademarks and similar rights" we have entered among other things, the costs sustained in particular by the Parent Company El.En. and by the subsidiaries, Lasit, Asclepion, Quanta and Penta Laser Equipment Wenzhou for the purchase of new software.
The residual heading of "Others intangible assets " consists mainly of the costs sustained by the parent Company El.En. and by the subsidiaries Quanta System S.p.A and Deka Mela for the creation of software.
The heading of "Intangible assets under construction" refers, besides the reclassification mentioned above, to the entry as of June 30th 2019 of the new subsidiary Galli Giovanni & C. srl,, related to a new prototype now under construction.

Tangible fixed assets (note 2)

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

Cost	31/12/2018	Increase	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2019
Lands and buildings	49.693.069	212.387			-12.531.651	75.291	37.449.096
Plants & machinery	7.553.010	874.874	-11.793		1.068.965	2.329	9.487.385
Industrial and commercial equipment	14.328.104	1.475.819	-555.265		-253.657	28.446	15.023.447
Other assets	11.064.407	641.261	-210.779		-419.827	43.086	11.118.148
Tangible assets under construction and advance payments	7.213.592	7.096.679			-2.578.838	14.109	11.745.542
Total	89.852.182	10.301.020	-777.837		-14.715.008	163.261	84.823.618
Lands and buildings right of use		194.209			18.491.466		18.685.675
Plants & machinery right of use					51.562		51.562
Industrial and commercial equipment right of use		16.021			643.472		659.493
Other assets right of use		540.363			2.319.786		2.860.149
Total		750.593			21.506.286		22.256.879
Total	**89.852.182**	**11.051.613**	**-777.837**		**6.791.278**	**163.261**	**107.080.497**

Accumulated depreciation	31/12/2018	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2019
Lands and buildings	6.708.688	423.429			-648.180	3.184	6.487.121
Plants & machinery	4.589.188	279.033	-8.257		588.702	1.645	5.450.311
Industrial and commercial equipment	10.976.230	620.734	-229.091		-209.591	14.306	11.172.588
Other assets	6.558.130	643.405	-210.679		-125.282	19.666	6.885.240
Tangible assets under construction and advance payments							
Total	28.832.236	1.966.601	-448.027		-394.351	38.801	29.995.260
Lands and buildings right of use		561.448			983.693	-3.022	1.542.119
Plants & machinery right of use		6.445			22.558		29.003
Industrial and commercial equipment right of use		57.425			372.346	109	429.880
Other assets right of use		334.439			827.192	487	1.162.118
Total		959.757			2.205.789	-2.426	3.163.120
Total	**28.832.236**	**2.926.358**	**-448.027**		**1.811.438**	**36.375**	**33.158.380**

Net value	31/12/2018	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	Translation adjustment	30/06/2019
Lands and buildings	42.984.381	212.387		-423.429	-11.883.471	72.107	30.961.975
Plants & machinery	2.963.822	874.874	-3.536	-279.033	480.263	684	4.037.074
Industrial and commercial equipment	3.351.874	1.475.819	-326.174	-620.734	-44.066	14.140	3.850.859
Other assets	4.506.277	641.261	-100	-643.405	-294.545	23.420	4.232.908
Tangible assets under construction and advance payments	7.213.592	7.096.679			-2.578.838	14.109	11.745.542
Total	61.019.946	10.301.020	-329.810	-1.966.601	-14.320.657	124.460	54.828.358
Lands and buildings right of use		194.209		-561.448	17.507.773	3.022	17.143.556
Plants & machinery right of use				-6.445	29.004		22.559
Industrial and commercial equipment right of use		16.021		-57.425	271.126	-109	229.613
Other assets right of use		540.363		-334.439	1.492.594	-487	1.698.031
Total		750.593		-959.757	19.300.497	2.426	19.093.759
Total	**61.019.946**	**11.051.613**	**-329.810**	**-2.926.358**	**4.979.840**	**126.886**	**73.922.117**

The heading of "Lands and buildings" and relative rights of use includes the real estate complex in Calenzano (Florence), where the Parent Company, El.En. S.p.A. and some of the subsidiaries are located, the building acquired at the end of 2018 by Cutlite Penta in the city of Prato for the transfer of their manufacturing activities to a more suitable location for the volume of business that they have developed, the buildings located in the municipality of Torre Annunziata, the first of which was purchased in 2006 and the second in 2018, and destined for use as a facility for the research, development and production activities of the subsidiary Lasit S.p.A., the building in Jena which, since May 2008 houses the activities of the subsidiary Asclepion GmbH, the building in Samarate (Varese), acquired at the end of 2014 by the subsidiary Quanta System S.p.A. and the new building acquired at the end of 2018 also by Quanta and adjacent to the other, as well as the other new production facility owned by the subsidiary Penta-Laser Equipment (Wenzhou).

The heading of "Plants and Machinery" refers mostly to the investments made by Asclepion GmbH, Quanta System SpA, Lasit SpA, Asa Sr, Cutlite Penta Srl, by the Parent Company, El.En. SpA and by the newly acquired Galli Giovanni & C. Srl. In relation to this latter, we proceeded to make a *Purchase Price Allocation* of the amount paid and by entering about 400 thousand Euros in the category of Plants and machinery. This amount is included in the column of "Increases".

The heading of "Industrial and commercial equipment" refers mainly to El.En. and the subsidiaries Asclepion GmbH, Quanta System SpA, Lasit S.p.A., Esthelogue and Deka Mela; this entry also includes the capitalization of the costs of some of the machinery was sold to the clientele using operative leasing. These sales, in fact, were considered as revenue for multi-year rentals in conformity with IAS/IFRS standards.

The increases under the heading of "Other assets" refer mainly to purchases of new motor vehicles, furniture and electronic equipment.

In the category of "Tangible assets under construction and advance payments" we have included, among other things, the costs sustained by the subsidiaries Cutlite Penta, Asclepion GmbH, Penta-Laser Equipment (Wenzhou) and Penta Laser Technology (Shangdong) for the new buildings which are now under construction. .

In the column of "Other movements" in the various categories we have entered mostly the goods inserted after the acquisition of Galli Giovanni & C. Srl, the transfer made to the respective categories of right of use for that already treated according to IAS 17 and what was inserted in the categories of "right of use" as a consequence of the first application of
IFRS 16 on January 1st 2019. The effect of this application amounted to about 4,9 million Euros.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/2019	31/12/2018	Variation	Var. %
Equity investment in associated companies	1.305.189	1.423.909	-118.720	-8,34%
Other equity investments	1.035.420	1.035.420		0,00%
Total	**2.340.609**	**2.459.329**	**-118.720**	**-4,83%**

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 Srl, Chutian (Tianjin) and Accure INC. are consolidated using the shareholders' equity method.

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

Immobiliare Del.Co. S.r.l.:	246	thousand Euros
Actis S.r.l.:	1	thousand Euros
Elesta S.r.l.:	1.089	thousand Euros
Chutian (Tianjin) Lasertechnology Co: Ltd:	94	thousand Euros
Accure Inc.:	-125	thousand Euros

Equities in other companies

Equities in other companies have been evaluated at fair value.
This entry refers mainly to the equity held in "Epica International Inc" for the amount of 888 thousand Euros.
With reference to the evaluation of this equity, the administrators have determined that, since the equity instrument is not quoted on a regulated market, and since there is a wide range of evaluations at fair value related to different underwritings, the cost represents the best estimate of the fair value in this range of values, also in consideration of the average share price for underwriting.

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

Other non-current assets	30/06/2019	31/12/2018	Variation	Var. %
Financial receivables - third parties	325.455	322.898	2.557	0,79%
Deferred tax assets	6.544.360	6.333.580	210.780	3,33%
Other non-current assets	12.351.229	12.259.127	92.102	0,75%
Total	**19.221.044**	**18.915.605**	**305.439**	**1,61%**

The category of "Other non-current assets" is related to the temporary use of cash by the Parent Company El.En. SpA 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. Since this is a mid-term investment the company decided to classify it among the non-current assets held for sale at the fair value of the policies in the assets and the re-evaluation of the same in the income statement and, consequently, to exclude it from the net financial position.

The deferred tax assets amount to about 6.544 thousand Euros and refer mostly to the obsolescence fund, to the variation in the inter-group profits on the inventory, to the bad debts reserve.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	30/06/2019	31/12/2018	Variation	Var. %
Raw materials, consumables and supplies	44.830.179	39.987.777	4.842.402	12,11%
Work in progress and semi finished products	25.866.836	24.349.832	1.517.004	6,23%
Finished products and goods	24.840.909	21.554.728	3.286.181	15,25%
Total	**95.537.924**	**85.892.337**	**9.645.587**	**11,23%**

The final inventory amounted to about 95.538 thousand Euros, an increase of about 11% with respect to the 85.892 thousand Euros registered on December 31st 2018, which reflects the increase in the volume of business for the period.

The chart below shows the analysis of the total amount of inventory and distinguishes the amount of the obsolescence fund from the gross value:

	30/06/2019	31/12/2018	Variation	Var. %
Gross amount of Inventory	107.049.102	97.104.090	9.945.012	10,24%
Devaluation provision	-11.511.178	-11.211.753	-299.425	2,67%
Total	**95.537.924**	**85.892.337**	**9.645.587**	**11,23%**

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 in the fund increased by about 300 thousand Euros with respect to December 31st 2018 and its incidence on the gross value of the inventory decreased, falling from 11,6% on December 31st 2018 to 10,8 % on June 30th 2019.

Accounts receivable (note 6)

Receivables are composed as follows:

	30/06/2019	31/12/2018	Variation	Var. %
Accounts receivable from third parties	89.945.006	79.537.108	10.407.898	13,09%
Accounts receivable from associated	658.298	709.240	-50.942	-7,18%
Total	**90.603.304**	**80.246.348**	**10.356.956**	**12,91%**

Accounts receivable from third parties	30/06/2019	31/12/2018	Variation	Var. %
Italy	34.953.943	32.952.971	2.000.972	6,07%
EEC	15.814.177	9.244.690	6.569.487	71,06%
ROW	44.901.950	43.496.933	1.405.017	3,23%
minus: bad debt reserve	-5.725.062	-6.157.486	432.424	-7,02%
Total	**89.945.006**	**79.537.108**	**10.407.900**	**13,09%**

The chart shows an increase in the amounts owed by clients.

The chart below shows the operations which took place this year for devaluation of receivables:

	2019
At the beginning of the period	**6.157.486**
Provision	526.771
Amounts utilized and unused amounts reversed	-976.706
Other movements	5.383
Translation adjustment	12.128
At the end of the period	**5.725.062**

Tax receivables/Other receivables (note 7)

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

	30/06/2019	31/12/2018	Variation	Var. %
Tax receivables				
VAT receivables	8.681.873	8.079.923	601.950	7,45%
Income tax receivables	3.322.179	3.355.878	-33.699	-1,00%
Total	**12.004.052**	**11.435.801**	**568.251**	**4,97%**

Current financial receivables				
Financial receivables - third parties	300.278	74.326	225.952	304,00%
Financial receivables – associated	127.470	127.067	403	0,32%
Total	**427.748**	**201.393**	**226.355**	**112,39%**
Other current receivables				
Security deposits	323.730	264.627	59.103	22,33%
Advance payments to suppliers	5.826.339	4.816.076	1.010.263	20,98%
Other receivables	6.543.660	7.197.016	-653.356	-9,08%
Total	**12.693.729**	**12.277.719**	**416.010**	**3,39%**

Total Current financial receivables e Other current receivables	**13.121.477**	**12.479.112**	**642.365**	**5,15%**

	30/06/2019	31/12/2018	Variation	Var. %
Current derivative financial instruments (asset)		10.934	-10.934	-100,00%
Total		**10.934**	**-10.934**	**-100,00%**

This half closed with a VAT credit of over 8 million Euros which was mostly a result of the intense export activity of the Group.
Among the income tax receivables we have entered credits derived from the difference between the pre-existing tax credit or down payment and the tax debt which had matured by the date to which the financial statement refers. It also includes the credit due to the Parent Company and to some of the Italian subsidiaries from the tax authorities, for the amount of the reimbursement of the excess IRES taxes paid due to the failure to deduct the relative IRAP from the expenses for personnel and similar, in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

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

The category of “Current derivative financial instruments (asset)” on December 31st 2018 included the evaluation at fair value according to IFRS 9 of the *currency rate swap* derivative contract to cover the risk in the Euro/Yen Exchange rate stipulated by the subsidiary With Us in the preceding years and expiring in April of 2020; in June of 2019 this contract showed a negative fair value and for this reason has been commented on in the following note (18).

Securities and other current financial assets (note 8)

	30/06/2019	31/12/2018	Variation	Var. %
Securities and other current financial assets				
Other current financial assets	2.082.156	1.951.235	130.921	6,71%
Total	**2.082.156**	**1.951.235**	**130.921**	**6,71%**

The amount entered under the heading of "Other current financial assets" is made up of mutual funds held by the Parent Company El.En. SpA acquired previously for the purpose of making a temporary use of cash. These securities were evaluated at market value on June 30th 2019 with value adjustment entered in the income statement.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	30/06/2019	31/12/2018	Variation	Var. %
Bank and postal current accounts	82.864.751	80.911.097	1.953.654	2,41%
Cash on hand	65.924	55.005	10.919	19,85%
Total	**82.930.675**	**80.966.102**	**1.964.573**	**2,43%**

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statements:

Net financial position as of June 30th 2019

The net financial position of the Group as of June 30th 2019 is as follows: (data in thousands of Euros):

Net financial position	**30/06/2019**	**31/12/2018**
Cash and bank	82.931	80.966
Financial instruments	2.082	1.951
Cash and cash equivalents	**85.013**	**82.917**
Current financial receivables	**300**	**74**
Bank short term loan	(7.885)	(6.720)
Part of financial long term liabilities due within 12 months	(2.967)	(1.318)
Financial short term liabilities	**(10.851)**	**(8.038)**
Net current financial position	**74.462**	**74.954**
Bank long term loan	(10.710)	(5.401)
Other long term financial liabilities - non current part	(9.981)	(7.092)
Financial long term liabilities	**(20.692)**	**(12.493)**
Net financial position	**53.770**	**62.461**

The net financial position of the Group decreased by 8,7 million with respect to the end of 2018. In relation to the figures represented in the preceding chart it should be noted that, starting on January 1st 2019 , due to the adoption of the accounting standard IFRS 16, financial debts also include the quotas of residual debt related to operational rents and leases which are entered into accounts following the treatment previously used in compliance with IAS 17. The impact caused by the adoption of this standard amounted to about 4,9 million Euros of which 1,5 were entered among the current debts and 3,4 among the non-current debts, which brought the amount of the net financial position on June 30th to 53,8 million Euros as opposed to the 58,7 million which would have been registered if the standards had been the same.
As far as the use of cash is concerned during this half, although an excellent level of profitability, it should be noted that there was a considerable impact because of the dividends distributed to third parties by El.En. Spa, Deka M.E.L.A. and ASA for an amount of 8,7 million, while the investment in tangible technical assets was 11,1 million during this half.

In 2019 we continued with the expansion of our production facilities with the construction of new factories. The investments in new factories during ths half amounted to about 7,4 million and reached a total of 29,5 million starting in the beginning of 2018. The activities in 2019 involved the Chinese headquarters of Wenzhou and that of Lin Yi, this latter represents an opportunity that appeared at the last minute and consequently was an addition to the program that had been set initially and communicated. Moreover, we complete the factories in Jena (inaugurated on Monday, September 9th) for Asclepion, the factory in Vicenza for Asa (which will be officially inaugurated on October 4th) and the one in Prato where Cutlite Penta and Ot-Las moved starting from June. Work has continued on the new Lasit factory in Torre Annunziata and that of El.En. in Calenzano for the reorganization of the space that became available after the move to Prato by Cutlite Penta and Ot-Las which will make it possible to improve the logistics of some of the activities in the medical and industrial sectors.
The results of this first half of 2019 confirm that the Group is able to achieve significant growth rates and demonstrate how the broad investment plan that has been conducted in the last 18 months is an indispensable instrument to sustain the development of the Group and an excellent means for accelerating the internal growth of the Group.
Financial payables and receivables from associated companies have been excluded from the net financial position for an amount of, respectively 127 thousand Euros and 286 thousand Euros.
It should also be recalled that, for an amount of 11,5 million Euros, the cash has been invested in financial instruments of an insurance type, the characteristics of which require that they 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 this half, the fair value of the investments was 12,3 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 June 30th 2019, 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	2.508.671

Nominal value of each share - Euros	***0,13***

Category	**31/12/2018**	**Increase**	**Decrease**	**30/06/2019**
No. of Ordinary Shares	19.297.472	0	0	19.297.472
Total	**19.297.472**	**0**	**0**	**19.297.472**

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 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.

Additional paid in capital (note 11)

On June 30th 2019 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2018.

Other reserves (note 12)

	30/06/2019	31/12/2018	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	82.477.079	87.382.028	-4.904.949	-5,61%
Cumulative translation adjustment	270.673	133.550	137.123	102,68%
Stock option/ stock based compensation reserve	4.149.818	3.794.219	355.599	9,37%
Special reserve for grants received	426.657	426.657		0,00%
Other riserve	-154.497	-106.460	-48.037	45,12%
Total	**87.707.032**	**92.167.296**	**-4.460.264**	**-4,84%**

As of June 30th 2019 the extraordinary reserve amounted to 82.477 thousand Euros; the decrease during this half is due to the payment of dividends, in accordance with the resolution approved by the shareholders' meeting on May 15th 2019.

The reserve for "*stock options/stock based compensation*" includes the figurative costs determined in compliance with IFRS 2 of the stock option plans assigned by El.En. S.p.A. and those entered by the subsidiary Penta-Laser Equipment Wenzhou Co., Ltd calculated after the increase in capital reserved for managers and underwritten at the end of the year 2017 (*stock based compensation*).

The cumulative translation adjustments summarize the effects of the variations in the exchange rates on investments in foreign currency. The effects for the first half of 2019 are shown in the column "Comprehensive (loss) income" of the Shareholders' Equity chart.

The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to December 31st 2018.

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

Treasury stock (note 13)

The shareholders' meeting held on January 17th 2019 authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as better described in the special section of the Management report "Significant events which occurred in the first half of 2019".
As of the date of this report, El.En. S.p.A. does not hold 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:

31/12/2018	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	30/06/2019
4.378.486	901.878	-548.123	-75.651	4.656.590

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans.

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

The current value of the liabilities for the severance fund that remains in the companies of the Group as of June 30th 2019 is 4.557 thousand Euros.

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

Financial hypotheses	Year 2018	Year 2018
Annual implementation rate	1,57%	0,7656%
Annual inflation rate	1,60%	1,0%-1,2%-1,4% (*)
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%

(*) 1.0% for the first five years, 1.2% from the sixth to the tenth year, 1.4% from the eleventh year.

The interest rate used to determine the current value of the liability was based on the rate of iBoxx AA 10+ for the amount of 0,7656%, 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.

Other accruals (note 16)

The chart below shows the operations made with other accruals during this half:

	31/12/2018	Provision	(Utilization)	Other movements	Translation adjustment	30/06/2019
Reserve for pension costs and similar	1.063.992	220.690	-49.849	202.931		1.437.764
Warranty reserve on the products	2.406.490	391.557	-334.722		2.799	2.466.124
Reserve for risks and charges	459.649					459.649
Other minor reserves	25.000	38.113	-38.102		-11	25.000
Total	**3.955.131**	**650.360**	**-422.673**	**202.931**	**2.788**	**4.388.537**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on June 30th 2019 amounted to about 1.187 thousand Euros, as opposed to the 1.029 thousand Euros shown on December 31st 2018.
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 2018	Year 2019
Annual implementation rate	1,57%	0,7656%
Annual inflation rate	1,60%	1,0%-1,2%-1,4% (*)

(*) 1.0% for the first five years, 1.2% from the sixth to the tenth year, 1.4% from the eleventh year.

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.

Other potential debts and liabilities

On the 24th of April and on the 4th of May 2018 El.En. spa and Cutlite Penta srl received a citation to appear at the Superior Court of Hartford (Connecticut) in relation to their responsibility for damages which occurred at a client's factory which was destroyed by fire. In the factory, at the time of the fire, there were three laser systems manufactured by Cutlite Penta.
El.En. e Cutlite Penta absolutely deny any hypothesis that might even remotely involve them in responsibility for the event.
At this time the law suit is still in a preliminary phase and information is still being gathered related to the contractual relations and obligations that the companies took on in the contracts for the sale of the laser systems. At this time there are not sufficient elements to evaluate the economic risk for the two companies. In fact, no proof has been offered and the amount of damages requested has not yet been determined. In any case, for precautionary reasons, the companies have immediately activated an insurance policy related to the responsibility for the damages caused which stipulates a maximum amount of 15.000.000 Euros for each accident. The insurance company is investigating the incident and at its own expense has hired an American lawyer to defend the rights of the insured companies.

After a law suit with a client that was started in 2018 concerning the alleged breach of a supply contract, at this time a claim for compensation is currently pending against the subsidiary Lasit Spa. Since the suit is still in progress in its probationary phase and Lasit has presented a counterclaim against the client for breach of contract, at this time it is not possible to determine the amount, if any, that will be due.

Financial debts and liabilities (note 17)

Financial m/l term debts	30/06/2019	31/12/2018	Variation	Var. %
Amounts owed to banks	10.710.359	5.400.717	5.309.642	98,31%
Amounts owed to leasing companies	8.978.712	6.083.228	2.895.484	47,60%
Amounts owed to other financiers	1.002.454	1.008.894	-6.440	-0,64%
Total	**20.691.525**	**12.492.839**	**8.198.686**	**65,63%**

The mid- to long-term debts owed to banks as of June 30th 2019 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 a new building for an amount of 2,4 million Euros which has already been entirely paid in several sets that can be reimbursed in half-yearly installments for 10 years starting on November 30th 2019 at the eurirs 12 months +0,5%; last installment due on May 31st 2029;
c) bank financing granted to With Us as detailed below:
- 35.000 thousand Yen falling due on February 28th 2022 at the annual rate of 0,60%;

d) bank financing granted to Penta-Laser Equipment Wenzhou Co. Ltd as detailed below:
- 9.360 thousand Rmb falling due the 20th of September 2021 at the annual rate of 4,842%;
- 1.802 thousand Rmb falling due the 20th of September 2021 at the annual rate of 5%.
- 3.920 thousand Rmb falling due the 20th of September 2021 at the annual rate of 5,19%.
- 2.344 thousand Rmb falling due the 20th of September 2021 at the annual rate of 5,1%.

e) bank financing granted to Cutlite Penta Srl for 1,5 million Euros by Unicredit, to be reimbursed in quarterly installments at the fixed rate of 0,55%, last installment April 30th 2022;
f) bank 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 April 18th 2022.

The amounts owed to leasing companies already since the previous year refer mainly to the subsidiary companies Quanta System S.p.A. and Cutlite Penta S.r.l. which acquired in the form of financial leasing the new buildings where they will conduct their company activities and are consequently entered into accounts in compliance with IFRS 16, which replaced IAS 17. The contract stipulated by Quanta System has a duration of 7 years and expire in the month of November 2021; the residual debt on the 30th of June 2019 amounted to about 911 thousand Euros. The contract stipulated by Cutlite Penta Srl has a duration of 12 years with an expiration date in October of 2030; the residual debt on June 30th 2019 amounted to 5,3 million Euros.
The amount that is registered under the heading of “Maount owed to leasing companies” is derived from the application of IFRS 16 which has been amply described above.

“Amounts owed to other financers” consist, among other things, in the quotas which are payable after one year for:

a) Facilitated financing for applied research (FEMTO project) issued by the MIUR to the subsidiary Quanta System S.p.A. for a total of 806.300 Euros, at an annual rate of 0,50%, to be reimbursed in 17 half-yearly installments, last installment on July 1st, 2020;
b) Financing issued by Mediocredito to the subsidiary Lasit for research project for a total of 272.000 Euro, at the annual rate of 0,36%, to be reimbursed in annual installments starting in March 2018, last installment March 8th 2025;
c) Financing issued by Monte dei Paschi di Siena to the subsidiary Lasit for the purchase of motor vehicles for a total of 114.000 Euros at the Euribor rate 6M + 2,75%, to be reimbursed in quarterly installments starting in March 2017, last installment September 30th 2021;
d) Financing issued for applied research (MILORD project), issued by FidiToscana to the Parent Company El.En. SpA for a total of 488.285,25 Euros, to be reimbursed in 6 half-yearly installments starting in April 2020, last installment October 31st 2022.
e) a residual debt of 280 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 June 30th 2023.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	30/06/2019	31/12/2018	Variation	Var. %
Amounts owed to banks	7.884.602	6.719.724	1.164.878	17,34%
Amounts owed to associated companies	286.530	276.608	9.922	3,59%
Amounts owed to leasing companies	2.460.528	974.369	1.486.159	152,53%
Amounts owed to other financiers	496.716	337.330	159.386	47,25%
Total	**11.128.376**	**8.308.031**	**2.820.345**	**33,95%**

	30/06/2019	31/12/2018	Variation	Var. %
Current liabilities for derivative financial instruments	9.394	6.145	3.249	52,87%
Total	**9.394**	**6.145**	**3.249**	**52,87%**

The heading of "Amounts owed to banks" is mainly composed of:

- short-term quota on the financing granted to Asclepion (see note 17);
- short term quota on the financing contracted by With Us besides the brief term quotas referable to the same company (see note 17);
- short-term financing granted to Penta-Laser Equipment Wenzhou Co for a total of 3,7 million Euros (corresponding to 28,9 million Yuan) with 6,8 million Yuan falling due in the month of February 2020 at the annual rate of 4,57%, 7,5 million Yuan falling due in the month of July 2019 at an annual rate of 4,75%, 7 million Yuan falling due in the month of August 2019 at the annual rate of 4,75%, 4,8 million Yuan falling due in the month of July 2019 at the annual rate of 2,3%, and 2,8 million Yuan falling due in the month of August 2019 at the annual rate of 2,3%;
- bank financing granted to Penta Chutian Laser (Wuhan) Co. Ltd for about 1,4 million Euros, corresponding to 11 million Yuan, with 10 million Yuan falling due in the month of December 2019 at the annual rate of the PBC (Central Bank of China) increased by 1,74% on June 30th 2019, and 1 million Yuan falling due in the month of January 2020 at the annual rate of the PBC (Central Bank of China) increased by 1,31% on June 30th 2019.

The entry under the heading of "amounts owed to associated companies" includes the residual debt owed to the associated company Elesta Srl after the increase in the capital stock underwritten at the end of last year and not yet paid.

The entry under the heading of "amounts owed to leasing companies" includes the short-term amounts described in the previous note.

The entry under the heading of "amounts owed to other financers" includes the short-term amounts for the financing described in the previous note.

The entry under the heading of "Current liabilities for derivative financial instruments" includes the evaluation at fair value according to IFRS 9 of the derived *currency rate swap* contract for covering the risks of the Euro/Yen Exchange rate stipulated by the subsidiary With Us. The contract will expire in April of 2020, the notional value on June 30th 2019 was 500.000 Euros, and the fair value was –9.394 Euros.

Accounts payable (note 19)

	30/06/2019	31/12/2018	Variation	Var. %
Accounts payable	77.646.916	63.891.040	13.755.876	21,53%
Total	**77.646.916**	**63.891.040**	**13.755.876**	**21,53%**

The increase in accounts payable is due to the increase in the volume of business during this half.
No significant amounts owed on overdue debts for supplies were recorded at the end of this half.

Income tax debts /Other current payables (note 20)

The income tax debts matured for some of the companies belonging to the Group on June 30th 2019 amounted to 3.736 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	30/06/2019	31/12/2018	Variation	Var. %
Social security debts				
Debts to INPS	2.630.694	2.892.179	-261.485	-9,04%
Debts to INAIL	174.256	218.744	-44.488	-20,34%
Debts to other Social Security Institutions	466.104	517.188	-51.084	-9,88%
Total	**3.271.054**	**3.628.111**	**-357.057**	**-9,84%**
Other debts				
Debts to the tax authorities for VAT	812.213	254.986	557.227	218,53%
Debts to the tax authorities for withholding	1.781.436	2.034.035	-252.599	-12,42%
Other tax liabilities	95.960	259.723	-163.763	-63,05%
Debts to staff for wages and salaries	13.323.213	12.036.362	1.286.851	10,69%
Down payments	16.791.320	14.033.952	2.757.368	19,65%
Other debts	12.951.733	11.182.904	1.768.829	15,82%
Total	**45.755.875**	**39.801.962**	**5.953.913**	**14,96%**
Total Social security debts e Other debts	**49.026.929**	**43.430.073**	**5.596.856**	**12,89%**

The amounts "Debts to staff for wages and salaries" include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2019.

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 the Japanese subsidiary With Us. Co., Ltd.

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 factory and research and development activity.

Segment information – IFRS8

Within the El.En. Group, the segments that have been identified in application of IFRS 8 are the ones shown below along with the amounts shown in the statements associated with them.

30/06/2019		Total	Medical	Industrial	Other
Revenues		189.210	112.129	76.460	622
Intersectorial revenues		(760)		(139)	(622)
Net Revenues		188.450	112.129	76.321	
Other revenues and income		1.119	903	188	29
Gross Margin		74.385	51.949	22.408	29
	Inc.%	*39%*	*46%*	*29%*	*100%*
Margin		24.540	18.197	6.314	29
	Inc.%	*13%*	*16%*	*8%*	*100%*
Not assigned charges		7.828			
EBIT		16.713			
Net financial income (charges)		267			
Share of profit of associated companies		(86)	(81)	(8)	3
Other Income (expense) net		(0)			
Income (loss) before taxes		16.894			
Income taxes		4.675			
Income (loss) before minority interest		12.219			
Minority interest		1.996			
Net income (loss)		10.223			

30/06/2018		Total	Medical	Industrial	Other
Revenues		161.387	93.612	67.227	548
Intersectorial revenues		(750)		(201)	(548)
Net Revenues		160.637	93.612	67.025	
Other revenues and income		1.539	1.023	486	30
Gross Margin		64.701	43.476	21.195	30
	Inc.%	*40%*	*46%*	*31%*	*100%*
Margin		19.440	13.348	6.063	30
	Inc.%	*12%*	*14%*	*9%*	*100%*
Not assigned charges		6.709			
EBIT		12.731			
Net financial income (charges)		474			
Share of profit of associated companies		(109)	(107)	(3)	1
Other Income (expense) net		(6)			
Income (loss) before taxes		13.090			
Income taxes		3.681			
Income (loss) before minority interest		9.409			
Minority interest		1.957			
Net income (loss)		7.452			

30/06/2019	Total	Medical	Industrial	Other
Assets assigned	331.592	170.035	161.557	
Equity investments	1.070	964	106	
Assets not assigned	63.585			
Total assets	396.247	170.999	161.663	0
Liabilities assigned	132.894	45.444	87.450	
Liabilities not assigned	40.125			
Total liabilities	173.019	45.444	87.450	0

31/12/2018	Totale	Medicale	Industriale	Altro
Assets assigned	294.947	153.709	141.238	
Equity investments	1.900	1.651	249	
Assets not assigned	63.015			
Total assets	359.861	155.360	141.487	0
Liabilities assigned	108.194	38.269	69.925	
Liabilities not assigned	32.431			
Total liabilities	140.625	38.269	69.925	0

30/06/2019	Totale	Medicale	Industriale	Altro
Changes in fixed assets:				
- assigned	10.328	4.926	5.403	0
- not assigned	2.574			
Total	12.902	4.926	5.403	0

31/12/2018	Totale	Medicale	Industriale	Altro
Changes in fixed assets:				
- assigned	22.133	9.431	12.702	0
- not assigned	(66)			
Total	22.067	9.431	12.702	0

Information on the consolidated Income Statement

Revenue (note 21)

The chart below shows the subdivision of the sales volume for the first half of 2019 among the various sectors of activity of the Group compared with the same subdivision for the same period last year. The total growth for this half was over 17%, with the medical sector, which came close to a growth of 20%, again becoming the most rapidly growing sector; in anyway the industrial sector still shows a double-digit growth rate.

	30/06/2019	30/06/2018	Variation	Var. %
Medical	112.129.219	93.598.148	18.531.071	19,80%
Industrial	76.321.020	67.038.702	9.282.318	13,85%
Total revenue	**188.450.239**	**160.636.850**	**27.813.389**	**17,31%**

Subdivision of revenue by geographical area

	30/06/2019	30/06/2018	Variation	Var. %
Italy	32.088.110	30.756.951	1.331.159	4,33%
Europe	36.779.674	31.308.478	5.471.196	17,48%
ROW	119.582.455	98.571.421	21.011.034	21,32%
Total revenue	**188.450.239**	**160.636.850**	**27.813.389**	**17,31%**

Growth was shown in all the geographical areas in which we operate but the greatest growth was registered in the non-European countries and this reflects a less favorable phase in the economic cycle, especially in Italy.

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2019	30/06/2018	Variation	Var. %
Other income due to Insurance refunds	3.354	63.931	-60.577	-94,75%
Recovery of expenses	594.289	585.268	9.021	1,54%
Capital gains on disposal of fixed assets	119.074	193.849	-74.775	-38,57%
Other income	402.532	695.504	-292.972	-42,12%
Total	**1.119.249**	**1.538.552**	**-419.303**	**-27,25%**

The heading of “Recovery of expense” refers mainly to reimbursements for shipping costs.

The entry “Other income” consists for the most part of grants for research projects for 29 thousand Euros and federal grants related both to the new production center and to the research projects for an amount of about 158 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following chart:

	30/06/2019	30/06/2018	Variation	Var. %
Purchases of raw materials and finished products	105.881.180	104.745.905	1.135.275	1,08%
Packaging	813.423	756.637	56.786	7,51%
Shipping charges on purchases	678.578	633.393	45.185	7,13%
Other purchase expenses	624.734	374.373	250.361	66,87%
Other purchases	599.325	535.933	63.392	11,83%
Total	**108.597.240**	**107.046.241**	**1.550.999**	**1,45%**

The costs for the purchase of goods and related charges as of June 30th 2019 amounted to 108.597 thousand Euros as opposed to the 107.046 thousand Euros sustained the preceding half, showing an increase of about 1,45%. Net of the variations in the inventory, the incidence of the costs for goods amounted to 52,5%

Direct services/ operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2019	30/06/2018	Variation	Var. %
Direct services				
Outsourced processing	6.734.202	3.574.557	3.159.645	88,39%
Technical services on products	789.228	415.793	373.435	89,81%
Shipment charges on sales	1.641.324	1.190.493	450.831	37,87%
Sale commissions	5.800.680	6.138.976	-338.296	-5,51%
Royalties	146.400	1.680	144.720	8614,29%
Travel expenses for technical assistance	552.008	502.045	49.963	9,95%
Other direct services	630.994	690.304	-59.310	-8,59%
Total	**16.294.836**	**12.513.848**	**3.780.988**	**30,21%**
Other operating services and charges				
Maintenance and technical assistance on equipment	485.131	321.340	163.791	50,97%
Commercial services and consultino	1.257.283	1.136.246	121.037	10,65%
Legal and administrative services and consulting	610.055	707.628	-97.573	-13,79%
Audit fees	187.104	183.659	3.445	1,88%
Insurances (no staff cost)	355.596	312.988	42.608	13,61%
Travel and accommodation expenses	2.157.912	2.216.609	-58.697	-2,65%
Trade shows	2.696.466	2.245.910	450.556	20,06%
Promotional and advertising fees	2.935.919	3.474.587	-538.668	-15,50%
Expenses related to real estate	1.350.102	1.157.474	192.628	16,64%
Other taxes	197.303	306.785	-109.482	-35,69%
Vehicles maintenance expenses	737.727	687.010	50.717	7,38%
Office supplies	334.863	238.286	96.577	40,53%
Hardware and Software assistance	360.078	410.518	-50.440	-12,29%
Bank charges	178.818	192.005	-13.187	-6,87%
Leases and rentals	889.494	1.345.954	-456.460	-33,91%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.187.102	1.093.590	93.512	8,55%
Temporary employment	485.826	246.592	239.234	97,02%
Other services and charges	5.108.667	4.965.457	143.210	2,88%
Total	**21.515.446**	**21.242.638**	**272.808**	**1,28%**

The most significant changes in the category of “Direct services” are related to “Outsourced processing” because we have made greater use of outsourcing this half, for “Technical services”, and “Shipping charges on sales” due to the increase in the level of activity and sales.

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; in the category of “Other services and charges” the most significant amounts refer to technical and scientific consultancy fees for an amount of 934 thousand Euros and studies and researchs for an amount of about 1.385 thousand Euros.

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

The decrease in the charges for “leases and rentals” is related to the application of IFRS 16, as previously described.

Staff costs (note 25)

	30/06/2019	30/06/2018	Variation	Var. %
Wages and salaries	24.828.228	21.486.814	3.341.414	15,55%
Social security contributions	6.077.793	5.315.455	762.338	14,34%
Severance indemnity	867.705	761.607	106.098	13,93%
Staff costs for stock options/stock based compensation	285.590	346.413	-60.823	-17,56%
Other costs	206.568	198.451	8.117	4,09%
Total	**32.265.884**	**28.108.740**	**4.157.144**	**14,79%**

The cost for personnel amounted to 32.266 thousand Euros and increased 14,79% with respect to 28.109 thousand Euros for the same period last year. The increase is due mainly to the additional staff hired both by the parent company and the Italian and foreign subsidiaries which rose from 1.374 on June 30th 2018 to 1.442 on June 30th 2019.

The heading of “staff costs for stock options/stock based compensation” includes the figurative costs for stock options assigned by the Parent Company to the employees of the Group (see Note 10).

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

	30/06/2019	30/06/2018	Variation	Var. %
Amortization of intangible assets	246.042	145.163	100.879	69,49%
Depreciation of tangible assets	1.966.601	1.945.659	20.942	1,08%
Depreciation of tangible assets right of use	959.757		959.757	
Accrual for bad debts	326.337	415.030	-88.693	-21,37%
Accrual for risks and charges	392.118	112.530	279.588	248,46%
Total	**3.890.855**	**2.618.382**	**1.272.473**	**48,60%**

The accrual for risks on receivables includes some devaluations made for cautionary purposes on receivables that have been difficult to collect.

The increase in the costs of depreciations and amortizations is mainly due to the application of IFRS 16 as described in the previous paragraphs.

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

The breakdown of the category is as follows:

	30/06/2019	30/06/2018	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	201.855	280.296	-78.441	-27,99%
Financial income from associated companies	2.151	9.235	-7.084	-76,71%
Interests income from current securities and financial assets	94.011	100.485	-6.474	-6,44%
Capital gain and other income from current securities and financial assets	130.921		130.921	
Other financial income	132.011	101.831	30.180	29,64%
Total	**560.949**	**491.847**	**69.102**	**14,05%**
Financial charges				
Interests on bank debts and on short term loans	193.645	114.573	79.072	69,01%
Interests on bank debts and on other m/l term loans	14.126	2.401	11.725	488,34%
Capital losses and other charges on current securities and financial assets		61.767	-61.767	-100,00%
Other financial charges	209.419	178.985	30.434	17,00%
Total	**417.190**	**357.726**	**59.464**	**16,62%**
Exchange gain (loss)				
Exchange gains	693.853	1.125.841	-431.988	-38,37%
Exchange losses	-556.437	-690.654	134.217	-19,43%
Financial charges fair value on exchange rate derivatives	-14.116	-94.931	80.815	-85,13%
Total	**123.300**	**340.256**	**-216.956**	**-63,76%**

The “Interests income from current securities and financial assets” refers to the maturation of the interest on some 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 of the foreign subsidiaries.

The heading of “Other financial charges” includes about 34 thousand Euros for the interests owed due to the application of the accounting standard IAS 19 to the severance indemnity and 40 thousand Euros for the entering into accounts of the interests due for leasing because of the application of IFRS 16.

The”Financial charges at fair value on exchange rate derivatives” are related to the evaluation in compliance with IFRS 9 of the currency rate swap derivative contract stipulated by With Us.

Other non-operating income and charges (note 28)

	30/06/2019	30/06/2018	Variation	Var. %
Other non operating charges				
Devaluation of equity investment		5.700	-5.700	-100,00%
Total		**5.700**	**-5.700**	**-100,00%**

Income taxes (note 29)

Income taxes for this half amounted to 4,7 million Euros. The taxes due for this half have been calculated on the basis of the best estimate of the fiscal aliquots expected for the year 2019.

Earnings per share (note 30)

The average weighted number of shares in circulation during this half remained constant and amounted to 19.297.472 ordinary shares. The earnings per share on June 30th 2019 were 0,53 Euros. The earnings per diluted share which takes into consideration also the stock options assigned last year, were 0,51 Euros.

Dividends distributed (note 31)

The shareholders' meeting of El.En. SpA that was held on May 15th 2019 voted to distribute a dividend of 0,40 Euros for each of the 19.297.472 shares in circulation on the date the coupon came due. The amount of the dividend paid was 7.718.988,80 Euros.

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

With reference to June 30th 2019 we wish to state that there are no other components of the statement of comprehensive income worthy of note.

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

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we declare that during the first half of 2019 the Group did not conduct any significant non-recurring, atypical or unusual operations, as defined in the aforementioned Communication.

Information about related parties (note 34)

All of the operations conducted with related parties cannot be qualified as atypical or unusual. These operations are regulated by ordinary market conditions.

In particular it should be noted that:

Subsidiary companies
Normally the operations and the reciprocal amounts due among the companies of the Group that are included in the area of consolidation are eliminated when drawing up the consolidated financial statements, and consequently they are not described here.

Associated companies
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during first half of 2019 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.
The charts below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial Receivables		**Accounts receivable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl	30.000		2.513	
Immobiliare Del.Co. Srl	31.565			
Elesta Srl			595.441	
Chutian (Tianjin) Laser Technology Co. Ltd			55.587	
Quanta Aesthetic Lasers USA, LLC			2.769	
Accure Inc.	65.905		1.988	
Total	**127.470**	**-**	**658.298**	**-**

	Financial Payables		**Other payables**		**Accounts Payable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl	286.530					
Total	286.530	-	-	-	-	-

Associated companies:	**Sales**	**Service**	**Total**
Elesta Srl	522.194	11.263	533.457
Quanta Aesthetic Lasers USA, LLC	- 10.380		- 10.380
Total	**511.814**	**11.263**	**523.077**

Associated companies:	**Other revenues**
Elesta Srl	8.573
Actis Srl	600
Total	**9.173**

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

The chart below shows the impact that the operations with related parties has had on the economic and financial situation of the Group.

Impact of related parties transactions	Total	related parties	Inc %
Impact of related parties transactions on the statement of financial position			
Equity investments	2.340.609	1.305.189	55,76%
Receivables LT	325.455	-	0,00%
Accounts receivable	90.603.304	658.298	0,73%
Other current receivables	13.121.477	127.470	0,97%
Non current financial liabilities	20.691.525	-	0,00%
Current financial liabilities	11.137.770	286.530	2,57%
Accounts payable	77.646.916	-	0,00%
Other current payables	49.026.929	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	188.450.239	523.077	0,28%
Other revenues and income	1.119.249	9.173	0,82%
Purchase of raw materials	108.597.240	-	0,00%
Direct services	16.294.836	-	0,00%
Other operating services and charges	21.515.446	-	0,00%
Financial charges	417.190	-	0,00%
Financial income	560.949	2.151	0,38%
Income taxes	4.674.586		0,00%

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

Operating risks

Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, 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.

With US Co. Ltd., in the preceding years, stipulated a derivative of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euros.

Operation	Notional value	*Fair value*
Currency swap	€ 500.000	-€ 9.394
Total	**€ 500.000**	**-€ 9.394**

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 6% 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:

the Parent Company El.En. S.p.A. has underwritten:

- in 2013, a bank guarantee for a maximum of 50 thousand Euros later increased to a maximum of 100 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2019 which was not renewed.

The subsidiary Deka M.E.L.A. S.r.l. in 2016 underwrote a bank guarantee for a maximum of 127.925 Euros as a guarantee for the final reimbursement of the amount require as a down payment for the project POR FESR 2014 – 2020 Strategic Research and Development project phase 2, admitted for contributions by the *Bando Unico* approved by the Region of Tuscany with Decree 3389 on July 30th 2014, with expiration date in May 2020.

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) obtained two financing for the construction of the new factory and for the purchase of the equipment by taking out a mortgage for an overall amount of about 41 million RMB.

The subsidiary ASA 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 4,8 million Euros. Also in 2018 Asa underwrote a bank guarantee issued by CREDEM to the supplier ENI Spa for the amount of 8.000 Euros with expiration date on December 31st 2021, as a guarantee for the issuing of thirteen MULTICARD ENI cards after they underwrote a contract for the purchase of fuel.

The German subsidiary Asclepion 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 400 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 36)

Fair value

The table 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
	30/06/2019	**31/12/2018**	**30/06/2019**	**31/12/2018**
Financial assets				
Non current financial receivables	325.455	322.898	325.455	322.898
Current financial receivables	427.748	201.393	427.748	201.393
Securities and other non-current financial assets	12.350.897	12.256.886	12.350.897	12.256.886
Securities and other current financial assets	2.082.156	1.951.235	2.082.156	1.951.235
Cash and cash equivalents	82.930.675	80.966.102	82.930.675	80.966.102
Financial debts and liabilities				
Non current financial liabilities	20.691.525	12.492.839	20.691.525	12.492.839
Current financial liabilities	11.137.770	8.314.176	11.137.770	8.314.176

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 June 30th 2019, the Group holds the following Securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		12.350.897		12.350.897
Mutual funds	2.082.156			2.082.156
Currency swap		-9.394		-9.394
Total	**2.082.156**	**12.341.503**	**0**	**14.423.659**

Other information (note 37)

Average number of employees

Personnel	Average of the period	30/06/2019	Average of previous period	31/12/2018	Variation	Var. %
Total	**1.405**	**1.442**	**1.290**	**1.368**	**74**	**5,41%**

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

Declaration of conformity of the half-yearly condensed financial statement on June 30th 2019 in compliance with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

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

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during the first half of 2019.

2. No significant aspects emerged concerning the above.

3. We also declare that:

3.1 the condensed consolidated half-yearly financial statement:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, 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 important events of the first six months of this year and their impact on the half-yearly financial statement, together with a description of the principal risks and uncertainties to which they are exposed for the remaining six months of the year. The Management Report also contains a reliable analysis of the significant operations with related parties.

Calenzano, September 12th 2019

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