

Half Yearly Financial Report as of 30th June 2015



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 2015)

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 2015, approved by the Board of Directors on August 27th 2015, 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 2014 with the exception of the accounting standards that went into force starting on January 1st 2015 described in the Explanatory Notes – paragraph pertaining to the “Accounting Principles and Evaluation Criteria”.

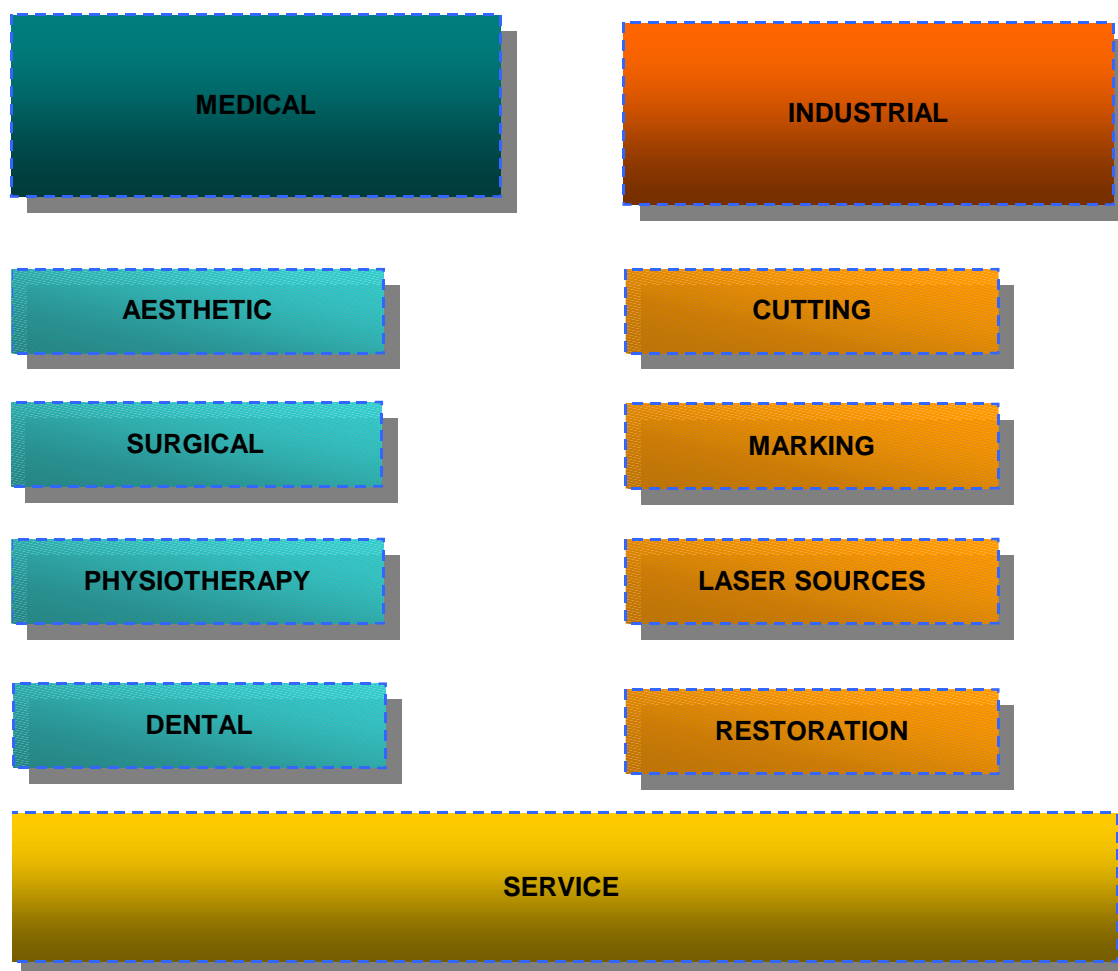
All amounts are expressed in thousands of Euros unless otherwise indicated.

1.2. Description of the activities of the Group

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group.

The Group conducts its activities in two major sectors: that of laser systems for medicine and aesthetics, and that of laser systems for manufacturing uses. In each of these two sectors the activities can be subdivided into different segments which are heterogeneous in the application required from the system and consequently for the underlying technology and the kinds of users. Within the activity sector of the Group, which is generally defined as the manufacture of laser sources and systems, the range of clients and products varies considerably, especially if one considers the global presence of the Group and therefore, the necessity of dealing with the special requirements which every region in the world has in the application of our technologies.

This vast variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximize the quota held by the Group and the benefits derived from the involvement of management personnel as minority shareholders, is the essence of the complex structure of the Group; however, this complexity is based on the linear subdivision of the activities which can be singled out, not just for reporting purposes, but, above all, for strategic purposes, as follows:



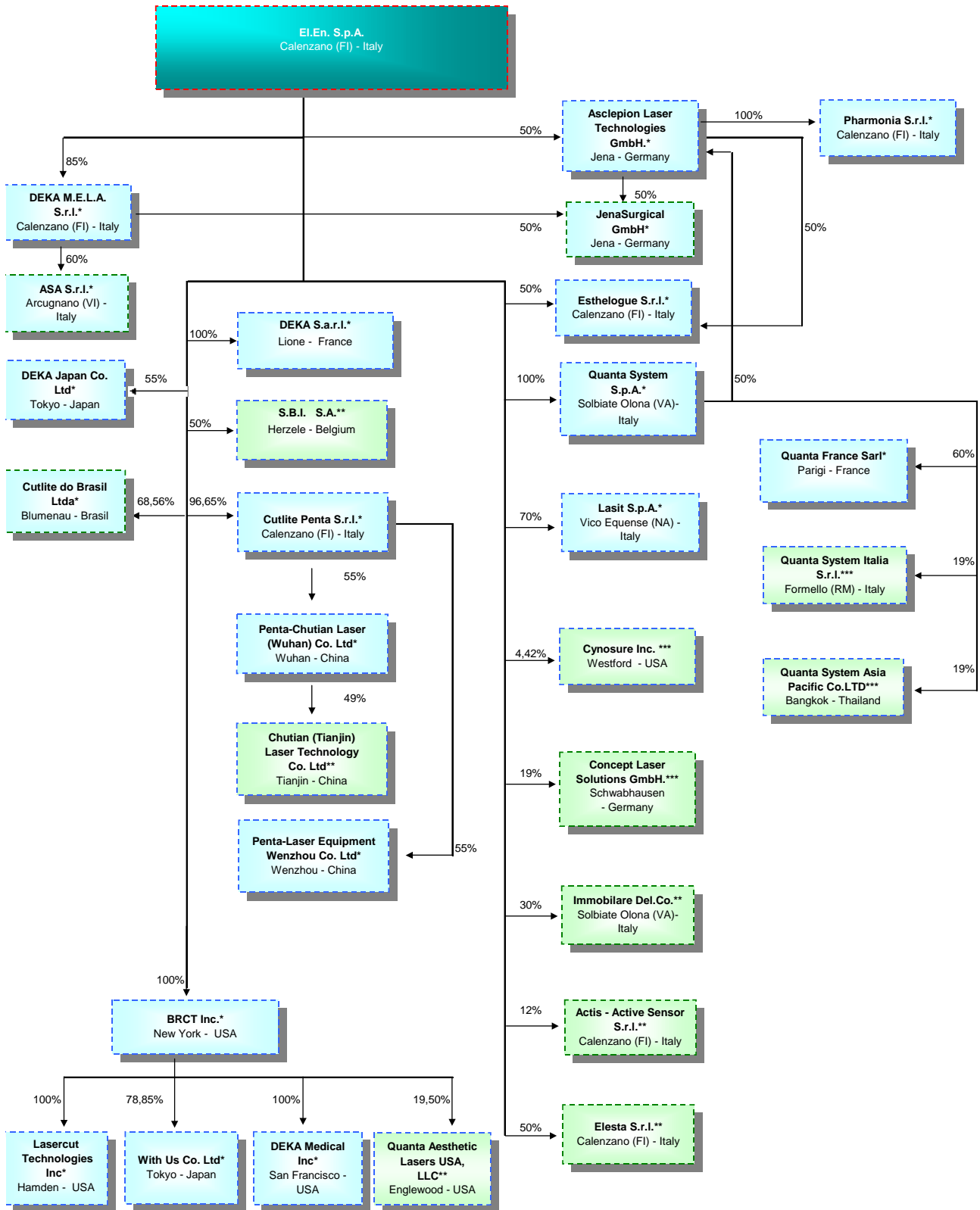
There is also a post-sales customer assistance service, integrated to the main company activity of selling laser systems, and it is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

We believe that the trend in the two main markets in which we operate will continue to be positive in the next few years. In the medical sector there is a growing demand for aesthetic and medical treatments by a population which on the average is growing older and increasingly desires to reduce the effects of aging; there is also a growing request for technologies capable of reducing the time required for some surgical operations while at the same time augmenting their effectiveness. In the industrial sector, laser systems represent flexible and innovative technologies and their use is increasingly widespread among manufacturers who must adapt their production standards to the evolution of the market.

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure which left the Group at the end of 2012 and Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also 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.

1.3. Group structure

As of June 30th 2015 the structure of the Group was as follows:



* Entirely consolidated
 ** Consolidated using the equity method
 *** Kept at fair value

1.4. Performance indicators

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

	30/06/15	30/06/14
Profitability ratios (*):		
ROE (Net income / Share Capital and Reserves)	10,2%	14,2%
ROI (EBIT / Total assets)	7,8%	6,1%
ROS (EBIT/ Revenues)	9,7%	8,1%
Structure ratios:		
Financial flexibility (Current assets / Total assets)	0,67	0,77
Leverage ((Shareholders' Equity + Financial liabilities) / Shareholders' Equity)	1,13	1,14
Current Ratio (Current assets / Current liabilities)	2,03	2,45
Acid ratio ((Current receivables + Cash and cash equivalents+ Securities)/ Current liabilities)	1,37	1,67
Quick ratio ((Cash and cash equivalents + Investments) / Current liabilities)	0,53	0,87

(*)For the interim reports the amounts of the revenue, purchases and the profit results have been 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:

Share capital and reserves = Shareholders' equity of the Group – Net income (loss)

1.5. Alternative NON-GAAP measures

In compliance with the CESR/05-178b recommendations regarding alternative performance indicators, the Group presents, in addition to the financial measures required by the IFRS, some of the measures derived from these latter but not required by the IFRS (non – GAAP measures). These measures are defined here for the purpose of facilitating a better evaluation of the performance of the Group and should not be considered alternatives to those required by the IFRS.

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

- The **earnings before interests and income taxes** or EBIT represents an indicator of operating performance and is determined by adding to the Net income (loss) for the period: the income tax, the other net income and charges, the quota of the earnings of the associated companies, the financial income/charges;
- 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 services and operating charges”.
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators, to evaluate its ability to fulfill their financial obligations the Group uses :

- the **net financial position** which is: cash available + Securities entered as current assets + current financial receivables – debts and non-current financial liabilities - current financial debts.

The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not be the same as that adopted by other operators and/or groups and for this reason may not be comparable.

1.6. Group financial highlights

In the first six months of 2015 the El.En. Group registered a sales volume of almost 107 million Euros, showing an increase of 33% over the first half of 2014 and an EBIT of 10,3 million, +60% 2014.

With the consolidation of the signs that the financial crisis is now coming to an end and the stabilization of the Euro /Dollar Exchange rate at a level that no longer penalizes European manufacturers, El.En. is now experiencing a prolonged and sustained period of growth and a return to the best levels of operating profits that it had registered before the start of the crisis.

These results were in line with the most optimistic forecasts made at the start of the year and considerably better than the average results registered by our main competitors who, as companies quoted on the Nasdaq, are required to make periodic reports, although these were also showing a general improvement.

This growth is purely organic and represents the outcome of our strategy in this phase to develop the most typical activities of the Group: the results that were achieved demonstrate how opportune this decision was and how concrete the potential for growth is in the areas in which the Group is working and investing.

It is therefore with great satisfaction that we are commenting the results for this half in which the ordinary activities performed so brilliantly that they registered earnings before taxes for 11,7 million Euros, overcoming the earnings before taxes of the first half of 2014, although this latter had benefitted from some extraordinary and non-recurring revenue. In fact, in the month of March 2014 the Group sold a block of Cynosure shares with a consolidated capital gains of about 4,5 million Euros and they had concluded a long patent dispute with a transaction that allowed the release of about 1,5 million Euros from the fund that had been set up specially as a reserve in case they loss the suit. These two operations therefore had improved the 2014 EBIT by 1,5 million and the earnings before taxes by 6 million. Thanks to the exceptional growth in the operating profits this difference was entirely offset in six months. With respect to the first half of 2014 only the net income shows a decrease due exclusively to the higher tax rate for the period (28% as opposed to 21%) since the above mentioned capital gains had benefitted from the partial exemption known as PEX. If we eliminate the non-recurring amounts, the EBIT for the first half of 2015 is double that of 2014.

We believe that the market position of the Group at this time is at an excellent level of competition thanks mainly to the innovative characteristics of our products which are the result of a systematic program of research and development and the substantial investments necessary to sustain these activities which are the life's blood of the Group. The satisfaction for the success of the company's business activity is accompanied by the confidence that the positive evolution of the economic situation is instilling in the markets.

It is clear that, after many years, the strengthening of the US dollar now puts us in a radically improved condition to be able to compete with our American competitors or with competitors with costs in US dollars. The advantage derived from the exchange rate is reflected in the improvement in the profits from sales in US dollars (which are now greatly increased thanks to the specific investments made to better address the North American markets) and also in the possibility, with the same prices /margins in Euros, to substantially increase the sales volume thanks to the advantage we now have with a strong US dollar.

These conditions underwent a change in the second half of August when the markets were shaken by the situation in China and a realignment of the Euro Dollar and Euro Yuan Exchange rate to levels that were decidedly less favourable for us. This is a real pity since, notwithstanding the troubled situation in Greece, the general health of the Italian and European economies seemed headed towards a real improvement for which up to now we had received clear and frequent signs from our selling markets.

During this half our capacity for performance and innovation combined with the growth tendency of our two main selling markets, laser applications in medicine and aesthetics and lasers for use in manufacturing, finally benefited from the renewed trust in the general economic outlook which now suggests an increase in global demand and therefore also demand for our systems. Moreover, from a financial point of view, it would seem that there is an increase in the possibility of having access to credit, a factor of fundamental importance for the quantity and quality of the demand for our products since most of the end users of our equipment and systems can make an investment of this entity only through financing or leasing granted by a financial institution.

Before commenting in detail on the numerical results for this half, the strategy that is at the base of our expectations, and now, of the results, for the growth of the Group should be recalled: a competitive advantage is created through technological innovation and the creation of new applications on products that already exist. In the presence of technical and applicative innovations the general difficulties encountered on the market are overcome by the uniqueness of the product being offered; being able to offer a large number of products in the initial phase of their life cycle makes it possible to maintain a high level of attractiveness for the clientele and, consequently, a better profitability in the sales by minimizing the fact that for products in a more advanced phase of their life cycle even a hi-tech activity like ours is subject to ordinary market dynamics and pressures.

The following table shows the sales volume for the first six months of 2015 subdivided by the activity sectors of the Group compared with the same subdivisions for the same period last year.

	30/06/2015	Inc%	30/06/2014	Inc%	Var%
Medical	72.905	68,21%	55.258	68,73%	31,94%
Industrial	33.979	31,79%	25.139	31,27%	35,16%
Total	106.884	100,00%	80.398	100,00%	32,94%

Growth was over 30% in both sectors of activity and was slightly higher in the industrial sector.

The chart below shows the geographical distribution of the sales volume.

	30/06/2015	Inc%	30/06/2014	Inc%	Var%
Italy	17.608	16,47%	16.095	20,02%	9,41%
Europe	19.510	18,25%	16.341	20,33%	19,39%
Rest of the world	69.766	65,27%	47.962	59,66%	45,46%
Total	106.884	100,00%	80.398	100,00%	32,94%

All three geographical areas showed growth, however, the international market had the fastest growing sales volume in the Group thanks to the favourable conditions for export, especially to the American market. In any case, the sales trend was satisfactory also in Italy where the first signs of recovery from the crisis begin to be felt.

The medical/aesthetic sector represents 68% of the sales of the Group; the chart below shows the sales volume in the various segments in which the Group operates.

	30/06/2015	Inc%	30/06/2014	Inc%	Var%
Aesthetic	36.049	49,45%	33.222	60,12%	8,51%
Surgical	17.707	24,29%	7.534	13,63%	135,02%
Physiotherapy	3.578	4,91%	3.822	6,92%	-6,40%
Dental	274	0,38%	425	0,77%	-35,51%
Other medical lasers	0		0		
Total medical systems	57.608	79,02%	45.003	81,44%	28,01%
Medical service	15.297	20,98%	10.255	18,56%	49,17%
Total medical revenue	72.905	100,00%	55.258	100,00%	31,94%

The overall growth is in excess of 30% and is due mainly to the three-digit increase in the surgical sector (+135%).

The applicative segments in which the Group operates in the surgical sector are otorlaryngology, urology, gynecology and vascular surgery. In urology Quanta System has acquired a significant share of the market with the Holmium systems sold both under their own brand as well as through important OEM contracts with operators of primary standing. The laser systems for endovascular applications and for the removal of BPH (benign prostate hyperplasy) with high powered Holmium and Tullium laser systems contributed to the growth in the segments in which Quanta System and Jena Surgical operate; this latter was recently founded in order to better serve the clientele in this segment. Along with the excellent results achieved in these sectors it should be pointed out that the success of the Mona Lisa Touch system for the treatment of vaginal atrophy is the main reason for the phenomenal growth that was registered. This treatment was developed by Deka and, thanks to its superior performance, guaranteed by the laser sources manufactured by El.En. in its highly specialized laboratories in Calenzano, this system effectively meets the needs of a large clientele. Mona Lisa Touch has been successfully marketed in the United States through a new and vigorous collaboration with Cynosure, exclusive distributor for the system in the US, with whom the cessation in influence on the company has not prevented the development of a mutually advantageous partnership.

In the aesthetics segment which represents 50% of the profits in the medical sector, the Group continues with their original strategy of offering several different brands using three different business units which are independent but coordinated. These companies, each of which has its own independent distribution network, offer the products derived from the research and development activity that each one has conducted in their own factories. As a result, we are able to offer a vast range of products with individual points of excellence based on the particular technologies selected by each research team and a widespread penetration of the market where each brand is recognized and appreciated for its unique qualities and, along with the others, is able to effectively meet all the clientele's requirements for quality, image and price.

The three companies involved in this segment are Deka, which distributes worldwide the products made in the factory in Calenzano by the Parent Company; Quanta System, with headquarters in Solbiate Olona (Varese) and Asclepion which has its headquarters in Jena (Germany). Each of these companies is distinguished by a particular range of products: Deka by the CO₂ Smartxide systems for photo-rejuvenation and the alexandrite Replay systems for hair removal; Quanta System by the Alexandrite Light Systems and EVO for hair removal and the Q-Plus systems for tattoo removal; Asclepion by the diode laser systems Mediostar Next and XP for hair removal and the Dermablade erbium systems for dermatological treatments and ablation aesthetics. Besides the products, each of these companies has a strong point in distribution. Deka has a position of leadership in the medical sector in Italy, Asclepion, traditionally in Germany and recently also in Italy, in the sector of professional aesthetics thanks to the Esthelogue brand, Quanta System, on the other hand, is now showing significant growth on the American market thanks to the collaboration with its distributor Quanta Aesthetic USA, in which the Group has an equity in order to re-enforce the spirit of collaboration and improve the effectiveness of the distribution.

The physical therapy sector showed a decrease which was not so much due to the group leader ASA of Vicenza which maintained their position, as to the direct activities conducted by other companies of the Group in some specific niches which in this quarter showed a fall in demand. The dental sector also decreased.

Sales volume for after-sales service and sales of consumables showed a significant increase due to the natural need for service from an increasingly numerous clientele; in particular, there was an increase in the sales of optic fibres which

are a consumable for surgical applications. Excellent results were also obtained through maintenance contracts on the installations, especially in the Far East and the half also benefitted from an exceptionally intense activity and revenue from the up-dating of the performance of some of the installations.

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

	30/06/2015	Inc%	30/06/2014	Inc%	Var%
Cutting	22.795	67,09%	16.113	64,09%	41,47%
Marking	4.888	14,39%	5.169	20,56%	-5,44%
Laser sources	2.201	6,48%	240	0,95%	819,11%
Conservation	281	0,83%	135	0,54%	108,27%
Total industrial systems	30.165	88,78%	21.656	86,15%	39,29%
Industrial service	3.814	11,22%	3.483	13,85%	9,50%
Total industrial revenue	33.979	100,00%	25.139	100,00%	35,16%

The main segment is that of cutting which remains the most important one and showed a growth of over 40%. In this sector the most significant production was that of our Chinese joint ventures which are located in Wuhan and now also at Wenzhou to serve the local market of flat cutting of metal with a local production based on technology designed mainly in Italy. Cutlite Penta also operates in the cutting segment and specializes in niches like die cutting and plastic cutting for which it detains a large share of the market in Italy and the rest of Europe.

The results for this half are positive and show a significant recovery also on the Italian market as part of a general recovery that involved the sale of investment goods for industry and the demand for machine tools in general. Cutlite do Brasil also builds systems that include laser sources from Italy and are installed locally and this company contributed with their growth to the excellent results in this segment.

The marking sector registered a decrease, however, this sector remains very interesting for the Group which has important technologies both for RF sources as well as beam delivery optic scanners. It should be recalled that the companies of the Group operate both in the marking segment and in that for the decoration of large surfaces (prevalently Cutlite Penta with the Ot-las brand systems for fabrics and leather) as well as that for identification marking through Lasit in Torre Annunziata; this company has been increasingly dynamic in offering customized solutions to the clientele and during this half was able to register a growth in their sales volume and profits.

There has also been important growth in the laser source sector thanks to the characterization of specific applications of new medium-powered RF sources which resulted in sales contracts of a sizeable dimensions which, for now, are of a non-repeatable entity, during the early months of 2015.

The volume of business for restoration systems also increased during this half; this is an activity of limited dimensions but of great satisfaction and visibility because of the importance of the masterpieces that are treated by a cultural and artistic community to which the company has become attached because of its ability to supply unique instruments. For example, during this half a new system derived from equipment use in lithotripsy was made available to the restoration department of the Vatican Museums for the removal of lime deposits on a statue.

The sales volume for customer service in the industrial sector has followed the expansion of business in the industrial sector.

1.7. Consolidated Income statement as of June 30th 2015

The chart below shows the consolidated income statement for the half ending on June 30th 2015 compared with the same period last year.

Income Statement	30/06/15	Inc. %	30/06/14	Inc. %	Var. %
Revenues	106.884	100,0%	80.398	100,0%	32,9%
Change in inventory of finished goods and WIP	1.623	1,5%	3.823	4,8%	-57,6%
Other revenues and income	961	0,9%	1.276	1,6%	-24,7%
Value of production	109.469	102,4%	85.497	106,3%	28,0%
Purchase of raw materials	59.250	55,4%	41.779	52,0%	41,8%
Change in inventory of raw material	(5.737)	-5,4%	(1.018)	-1,3%	463,4%
Other direct services	7.878	7,4%	6.678	8,3%	18,0%
Gross margin	48.077	45,0%	38.058	47,3%	26,3%
Other operating services and charges	14.643	13,7%	12.519	15,6%	17,0%
Added value	33.434	31,3%	25.540	31,8%	30,9%
For staff costs	20.905	19,6%	18.495	23,0%	13,0%
EBITDA	12.529	11,7%	7.044	8,8%	77,9%
Depreciation, amortization and other accruals	2.155	2,0%	561	0,7%	284,4%
EBIT	10.374	9,7%	6.484	8,1%	60,0%
Net financial income (charges)	1.221	1,1%	425	0,5%	187,1%
Share of profit of associated companies	99	0,1%	(1)	-0,0%	
Other net income (expense)	0	0,0%	4.451	5,5%	
Income (loss) before taxes	11.694	10,9%	11.359	14,1%	3,0%
Income taxes	3.235	3,0%	2.339	2,9%	38,3%
Income (loss) for the financial period	8.459	7,9%	9.019	11,2%	-6,2%
Minority interest	836	0,8%	527	0,7%	58,5%
Net income (loss)	7.623	7,1%	8.492	10,6%	-10,2%

The gross margin was 48.077 thousand Euros, an increase with respect to the 38.058 thousand Euros registered on June 30th 2014. The reduction in the amount of income from research activity, a mix that was less favourable with most of the sales with lower margins like that of the sales activity for laser systems for metal cutting in China, comported a decrease in the percentage incidence of the margin on the sales volume which fell from 47,3% shown during the first half of 2014 to 45 %.

It should be noted that, again, in the first half of 2015, although the Group cashed in the sale price, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the period.

Costs for operating services and charges were 14.643 thousand Euros showing an increase of 17% over the 12.519 thousand Euros registered on June 30th 2014, but the increase in the volume of business meant that their incidence on the sales volume decreased from 15,6% to 13,7%.

The costs for staff was 20.905 thousand Euros, showing an increase of 13% with respect to the 18.495 thousand Euros for the same period last year, while, thanks to the increase in the sales volume, its incidence on the sales volume decreased from 23% on June 30th 2014 to 19,6% on June 30th 2015.

The increased productivity of the two cost aggregates just discussed is one of the elements at the base of the improvement in the profitability of the Group which has succeeded in managing this significant rise in sales volume while limiting the increase in operating charges.

On June 30th 2015 the number of employees in the Group was 975 with respect to the 951 registered on December 31st 2014 and the 931 registered on June 30th 2014. The Chinese companies and Quanta System showed the greatest increase in the number of employees.

A large portion of the personnel expenses is directed towards research and development costs, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. The grants entered into accounts as of June 30th 2015 amounted to 171 thousand Euros, a decrease with respect to the 250 thousand Euros registered for the same period last year.

Due to the situation described above, the EBITDA was 12.529 thousand Euros, an increase of 77,9% with respect to the 7.044 thousand Euros shown on June 30th 2014.

The costs for amortizations, depreciations and accruals were 2.155 thousand Euros as opposed to the 561 thousand Euros on June 30th 2014; in this regard, it should be recalled that in March of 2014 this category had benefitted from the release of 1.478 thousand Euros from the risk and charges fund after the conclusion of the transaction with Palomar Inc. which, after the resolution of the suit, made the fund unnecessary. Net of the "one time" amount for 2014 the costs for amortizations, depreciations and accruals increased by 5,7%, again in this case, well below the increase in revenue.

The EBIT therefore amounted to 10.374 thousand Euros, an increase over the 6.484 thousand Euros shown on June 30th 2014 also in the incidence on the sales volume which is 9,7% with respect to the 8,1% for the same period last year. If we do not consider the one-time amount in 2014 of 1,5 million for the Palomar transaction described above, the EBIT for last year was about 5 million Euros with an incidence of 6,2% on the sales volume. Consequently, if we exclude the effects of the one-time amount the EBIT for this half is double that for last year.

Financial income amounted to 1.221 thousand Euros with respect to the 425 thousand Euros for the same period last year and benefited from the favourable trend in the Exchange rates and the relative differences registered under this heading for the amounts shown in foreign currency.

It should be remembered that the other net income as of June 30th 2014 amounting to 4.451 thousand Euros which were entirely due to the capital gains of 4,5 million Euros earned from the sale by El.En. S.p.A of a block of 1.100.000 Cynosure Inc. shares which took place in the month of March and which comported a collection of 32 million dollars.

Pre-tax income amounted to 11.694 thousand Euros which exceeds the 11.359 thousand Euros registered on June 30th 2014: this is an outstanding result and a significant increase as far as operating activity are concerned. The improvement, net of the 6 million overall contributed to the 2014 result by the Palomar transaction and by the sale of the Cynosure shares, is over 6 million (+117%) for this half.

The fiscal costs for this year amounted to a total of 3,2 million Euros. The taxes for this half were calculated on the basis of the the best estimate of the fiscal aliquots expected for the year 2015.

The tax rate for the period is about 28%, an increase with respect to the 21% for the same period last year which, it should be recalled, benefited from the partial tax exemption called PEX on the capital gains registered for the sale of the Cynosure shares.

The first half ended with a net income for the Group of 7.623 thousand Euros which is less than the 8.492 thousand Euros for last year only because of the fiscal effect described in the preceding paragraph.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2015

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

	30/06/2015	31/12/2014	Var.
Statement of financial position			
Intangible assets	3.705	3.613	92
Tangible assets	29.506	26.927	2.579
Equity investments	37.893	25.549	12.344
Deferred tax assets	6.374	5.682	692
Other non current assets	9.526	3	9.523
Total non current assets	87.004	61.775	25.229
Inventories	58.438	50.481	7.958
Accounts receivables	59.337	47.947	11.390
Tax receivables	6.984	6.618	366
Other receivables	8.998	8.415	583
Financial instruments	1.995		1.995
Cash and cash equivalents	44.659	73.804	-29.145
Total current assets	180.411	187.264	-6.853
TOTAL ASSETS	267.415	249.039	18.376
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	80.590	50.291	30.299
Retained earnings / (deficit)	28.158	35.043	-6.885
Net income / (loss)	7.623	16.520	-8.897
Share Capital and Reserves attributable to the Shareholders' of the Parent Company	157.474	142.957	14.518
Share Capital and Reserves attributable to non-controlling interests	8.332	7.579	753
Total equity	165.807	150.536	15.271
Severance indemnity	3.509	3.700	-191
Deferred tax liabilities	1.590	1.461	129
Other accruals	2.892	2.695	197
Financial liabilities	4.823	5.907	-1.084
Non current liabilities	12.814	13.763	-949
Financial liabilities	17.203	21.494	-4.291
Accounts payables	40.395	35.267	5.128
Income tax payables	3.737	2.223	1.514
Other payables	27.459	25.756	1.703
Current liabilities	88.794	84.740	4.054
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	267.415	249.039	18.376

Net financial position	30/06/2015	31/12/2014
Cash and bank	44.659	73.804
Financial instruments	1.995	0
Cash and cash equivalents	46.654	73.804
Short term financial receivables	131	714
Bank short term loan	(13.979)	(17.634)
Part of financial long term liabilities due within 12 months	(3.224)	(3.861)
Financial short term liabilities	(17.203)	(21.494)
Net current financial position	29.581	53.023
Bank long term loan	(1.642)	(2.604)
Other long term financial liabilities	(3.181)	(3.303)
Financial long term liabilities	(4.823)	(5.907)
Net financial position	24.758	47.116

For comments on the consolidated net financial position, please refer to the specific paragraphs in the Explanatory Notes.

In any case we wish to point out again that during this half part of the cash held by the company for an amount of 9,5 million Euros, was used for a temporary financial investment the nature of which requires that it be entered among the non-current assets and excluded from the net financial position.

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 parent company El.En. and its subsidiaries. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the first half of 2015:

	Revenues 30-giu-15	Revenues 30-giu-14	Var. %	EBIT 30-giu-15	EBIT 30-giu-14	Net income 30-giu-15	Net income 30-giu-14
El.En. SpA	32.320	22.120	46,12%	3.493	816	3.589	20.195
<i>Subsidiary companies:</i>							
Deka Mela Srl	14.514	12.722	14,08%	342	201	623	392
Cutlite Penta Srl	7.930	6.237	27,15%	106	-318	71	-237
Esthologue Srl	4.394	3.282	33,88%	204	40	115	3
Deka Sarl	1.945	1.403	38,63%	19	-139	19	-138
BC Tech GmbH (ex Deka Lasertechnologie GmbH)	0	0		0	2.017	0	2.017
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.)	0	55	-100,00%	1.919	54	1.919	50
Deka Medical Inc.	136	143	-5,05%	-71	-46	-77	-65
Quanta System SpA	17.274	15.206	13,60%	2.154	1.876	1.386	1.213
Asclepion Laser Technologies GmbH	12.026	10.067	19,46%	998	2.310	632	1.560
Asa Srl	3.660	3.793	-3,52%	780	784	570	512
AQL Srl	0	40	-100,00%	0	-8	0	-10
Lasit Spa	4.206	4.030	4,35%	526	542	308	313
Lasercut Technologies Inc.	0	35	-100,00%	-10	12	-13	10
BRCT Inc.	0	0		-18	192	33	188
With Us Co LTD	10.798	9.762	10,61%	1.798	755	1.079	429
Deka Japan Co LTD	641	863	-25,76%	-141	-37	-122	-24
Penta Chutian Laser (Wuhan) Co Ltd	15.383	11.575	32,89%	99	454	491	144
Penta Laser Equipment (Wenzhou) Co Ltd	13.936	10.487	32,89%	388	205	221	131
Lenap Inc. (ex Lasit Usa Inc.)	0	0		0	-3	0	-3
Cutlite do Brasil Ltda	1.586	1.251	26,84%	-381	-491	-406	-448
Pharmonia Srl	25	1.214	-97,94%	-25	27	-20	14
Quanta France Sarl	362	341	6,21%	-156	2	-156	2
JenaSurgical GmbH	976	0		20	-12	21	-12

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 involves the use of important managerial and financial resources as a significant part of the resources of the company are utilized 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).

Thanks to the success of some of the products and the favourable Euro/Dollar exchange rate, the operating results for this half repeat those of the best years in the history of the company with a record sales volume of 32,3 million and a greatly improved level of EBIT. The pre-tax income and the net income are not at the same level as those for last year because of the capital gains of 19,3 million Euros earned as a result of the sale of a block of Cynosure shares in March 2014.

The outlook for the end of the year remains very good.

Deka M.E.L.A. S.r.l.

The DEKA company and their brand name are the main vehicle for the distribution of the range of medical laser system developed in the El.En. factory in Calenzano and are its first and main market. Deka, in fact, was created by El. En in the 1990s and has gradually consolidated its position on the market, first in Italy and afterwards in other countries. Deka operates in the sectors of dermatology, aesthetics and surgery, using a network of agents for direct distribution in Italy and a highly qualified network of distributors for export. Thanks to the launch of the new Mona Lisa Touch laser system for the treatment of vaginal atrophy, Deka is again active in the field of gynaecology in which it had operated with its CO₂ laser systems in the first years of its activity.

Although the level of exports to Japan remains substantially unchanged, Deka's distribution network has obtained excellent results in the rest of the world with a growth in the sales volume of about 14%, which, together with a more favourable mix of products sold has greatly improved the profitability of the company.

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 in order to create further growth thanks to their capacity to move new products through a consolidated and effective distribution network.

Cutlite Penta S.r.l.

This company, which has its Headquarters in Calenzano, produces laser systems for the industrial cutting applications and on X-Y movements controller by CNC installs laser power sources manufactured by El.En. S.p.A. In 2013, after the merger with Ot-las S.r.l., they added the new business of laser marking for large surfaces with galvanometric movement of the beam.

During 2014 the company was able to continue the re-organization of its activities and the re-launching of its presence on the market so that there was a gradual growth during the year which made it possible to offset the initial losses and register a positive EBIT notwithstanding the obvious difficulties on its main selling markets, both Italian and European. During the first half of 2015 the company was able to reap the rewards of the work conducted in 2014 and showed an increase in sales volume of 27% and a return to profitability even during the first half.

The relationship with the Parent Company, El.En. S.p.A., remains fundamental both for the acquisition of laser sources as well as the collaboration on projects for new systems and new accessories, in particular for those involving "beam delivery", and for the financial support supplied by the Parent Company for mid-term initiatives like the expansion on the Chinese market through the subsidiary **Penta Chutian Laser (Wuhan)**. This latter company was founded seven years ago for the purpose of giving the Group a local factory serving the most important manufacturing market in the world; this was a necessary condition in order to be able to play a leading role in the local competition which is extremely aggressive in terms of price, and the international competition which is better known than we are.

During 2015 the phase of rapid growth continued for their activities which, together with **Penta Laser Equipment (Wenzhou)**, a subsidiary controlled by Cutlite Penta with the same percentage as Wuhan which was founded in order to enlarge the production capacity headed for the Chinese market, registered an increase in sales volume of over 40% for the Chinese sub-consolidated.

The factory at Wenzhou is almost completed and will give a further impetus to the growth. It should be mentioned that the favourable market and the relative growth that followed were obtained by a better mix in the composition of products by adapting it to the changes in the technological pattern of the metal cutting segment which, in the past few years, have been characterized by the increased use of fibre sources.

Quanta System S.p.A.

Quanta System has its headquarters in Solbiate Olona (Varese); it represents a company of excellence at a global level for its innovation and technological research in the laser sector, with outstanding performance also in the sector of art restoration and cultural heritage.

Since 2012 when El.En. acquired 100% control of the company, they have seen their subsidiary develop a significant and constant growth in sales volume and net income with the new management structure able to capitalize on their superior knowledge of some of the laser technologies and acquire a greater market share in some applicative sectors for surgical and aesthetic lasers. The growth in the surgical segment in particular has been quite significant, especially for the mid-powered Holmium systems for lithotripsy for which Quanta holds an important portion of the market at a global level, and for Tullium lasers for the treatment of benign hypertrophy of the prostate.

Along with the alexandrite laser systems, these products represent the foundation of their line of products which thanks to Quanta System's ability for innovation, continue to make them suitable for the requirements of the market as is clearly demonstrated by the results for this half: sales volume of 17,2 million (+13,6%) and EBIT of 2,1 million Euros, a growth of about 15%.

During 2015, new laser systems are being introduced, in particular, the picosecond system Discovery Pico which makes Quanta one of the world leaders in the segment for laser devices for the removal of tattoos and pigmented lesions.

It should also be recalled that Quanta has gained an important position on the American market for medical systems for aesthetics thanks to its distributor Quanta Aesthetic Usa in which the Group has acquired a minority share in support of the development of Quanta on the US market.

The current market conditions offer a favourable outlook for a positive trend in their activities especially in view of the re-enforcement of their manufacturing structure which will be enlarged thanks to the purchase concluded at the end of 2014 of a new factory in Samarate (Varese) where operations will gradually be transferred starting at the end of this year.

Lasit S.p.A. is specialized in the manufacture of marking systems for small surfaces and besides having a valid research and development team in their headquarters in Torre Annunziata (Naples). Lasit is also equipped with a complete modern mechanical workshop with advanced technology (including laser cutting systems) where they carry out work for other companies of the Group and are able to offer their own clientele customized services which make the company unique on the market. Their focus on the clients' requirements by offering custom services and systems has allowed Lasit to consolidate its position on the market with a gradual growth in sales volume and profitability which make it one of the most brilliant successful companies in the Group.

During 2015 the company continued in its growth and development and achieved excellent results this half while reorganizing its own infrastructures in order to create the foundations for further growth.

Asclepion Laser Technologies GmbH

This company was acquired in 2003 from Carl Zeiss Meditec and represents one of the main companies of the Group; 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 continually acquired portions of the market for laser equipment for medical applications.

The product which has been the driver in the growth of the company in the last few years is the Mediostar system for hair removal which is made in several different models with different levels of performance and price in order to cover all the niches in this market. Mediostar is joined by Asclepion's more traditional line of products, like the Erbium lasers for dermatology for which the company has thousands of installations, especially in Germany: the range of potential applications for this system has been broadened thanks to specifically designed accessories. Clients have also shown appreciation for the Quadro Star PRO Yellow system for vascular applications.

Thanks to the quality of their products and their fortunate location, the trend this half was very positive and showed record results for the company which were below those for last year only because of the exceptional circumstances that characterized 2014.

The market position offers a favourable outlook for a continuation of the profitable activity of the company in the months that are traditionally the most favourable.

With Us Co Ltd

This company distributes Deka products on the Japanese market and in the past few years has become one of the most important companies for the Group. Numerous special systems specifically for the Japanese market have been developed which have been able to satisfy their applicative and operative requirements very effectively and have created important sales volumes for Deka. There are several thousand installations in the country and they are continually increasing, consequently the all-inclusive customer service contracts that are supplied to the numerous clientele whose loyalty is assured by opportune improvements in the systems, represent an important part of the sales volume of the company.

The sales volume showed an increase again this half with an improvement in the mix of products and services offered that comported a return to profitability. With Us has become an important presence on the Japanese market and has been able to take advantage of its competitive position even in a situation in which imports from Europe are less profitable.

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 a range of laser equipment, and it also is active in the distribution and marketing of some of the equipment produced by the Parent Company El.En. S.p.A. The perfect balance between the innovation of the products and the clinical and sales activity that they conduct as a support for the therapeutic methods developed with the systems consolidated the quality of the product they offer and of their market position so that the company was able to register a constant growth rate even during the years of crisis. During the first half of 2015 they continued this favourable trend with a sales volume that is substantially stable and a net income that showed significant growth thanks also to the favourable exchange rates on the main markets. Important investments have been planned in order to support the further expansion of the company on the international markets.

During this half ASA distributed dividends for 805 thousand Euros.

Other companies – medical sector

Deka Sarl distributes the range of Deka laser systems in France. The company continues in a phase of growth in their sales volume and profitability thanks to a mix of products and the penetration of the French-speaking countries of North- Africa: this situation remains positive and with a visibility and appreciation of the brand at the local level which promises well for the future acceptance of products which the Group is planning to launch in the next few quarters.

Deka Japan, distributes Deka brand medical systems on the Japanese market and has gradually acquired an increasingly significant position on the market. They have consolidated their competitive position also by obtaining from MOH, the Ministry of Health, the authorization to sell the Smartxide system, which now can be sold and advertised in Japan and increase their sales. Notwithstanding this, again in the first half of 2015, the volume of business did not grow and the company was not able to break even. A new focus on the activities and the products for sale is needed in order to return to profitability.

Deka Medical Inc. ceased their active distribution in the medical/aesthetic and surgical sector in the United States and this activity has been assigned to third parties. Deka Medical maintains a direct presence in the territory by conducting, with its own staff, a marketing activity to support the distributors.

Esthelogue S.r.l. in the last few years has been active in the distribution of technologies to the professional aesthetics market in Italy. After overcoming a series of initial difficulties, Esthelogue has registered a constant growth in the last few years and has taken on an important role in particular thanks to laser systems for hair removal: in this segment, the Mediostar Next system produced by Asclepion of Jena, represents the point of reference for the market and is synonymous with quality, reliability and performance. Growth in the sales volume was over 33% with a significant improvement both in the EBIT and net income.

Pharmonia S.r.l. has exhausted its role as distributor of aesthetic systems designed specifically for use in pharmacies and has been occasionally involved in the distribution in Italy of medical applications for its parent company, Asclepion and mainly in the distribution in some foreign countries of specific products made by the Group.

Quanta France is the French distributor for Quanta System which controls it 60%. During this half the volume of business was less than expected and they were unable to break even.

Other companies, industrial sector

With the sale by **BRCT Inc.** of the little factory in Branford, Connecticut, where **LaserCut Technologies Inc.** conducted the residual activity of after-sales service for some of the industrial systems in the USA, the activity of this latter company has effectively ceased. BRCT Inc. continues to act as a financial sub-holding company which, in fact, was intensified in 2014 with the purchase of the partnership in Quanta USA LLC.

Cutlite do Brasil Ltda has their factory in Blumenau in the state of Santa Catarina. The company has 29 employees and manufactures laser systems for industrial applications and distributes laser systems produced by the Italian companies belonging to the Group. Although the company showed a good recovery in sales volume in this half they still have been unable to break even, however this objective seems to be within reach by the end of the year considering the number of orders that have been received.

1.10. Research and Development activities

During the first half 2015 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market.

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 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.

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 the only corporation in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid, with semiconductor, gas) each one with different wave lengths and 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.

Laser systems and applications in medicine

The parent company, El.En. has been active in research and clinical for surgical applications of the devices and sub-systems for the SMARTXIDE² family of products (the product name is pronounced "Smartxide quadro" to highlight the Italian origin of the devices belonging to this family, considering the characteristics and performance that are particularly appreciated by the clientele) which has recently been developed and placed on the market for different applications in aesthetic medicine and surgery. The systems are equipped with a laser source fed by radio frequency with an average power of up to 80w and interface management from personal computer installed on the device. These are multi-disciplinary systems which can be used in general surgery, otolaryngology, dermatology, gynecology, odontostomatology, neurology, laparoscopic surgery, aesthetic surgery, and, in the same field, research for new clinical applications in gynecology, urogynecology, paradontology and endodontics, in neurology and ophthalmology has been continued or initiated.

For this purpose we are now working on further technological innovations contained in scanning systems characterized by optical systems and newly developed electronic controls, which make it possible to perform surgical operations on various parts of the anatomy with extreme precision; in particular, we have been able to obtain a high consistency between the focal distance in those cases where they are using different wave lengths of the laser beam at the same time, as occurs in surgical applications with the visible guide light being used with the laser light that the surgeon uses for cutting and vaporizing with micro-manipulators seen under the microscope. For some of the versions of this type of instruments we have developed a way to install a second semiconductor laser source in which the wave length can be selected by the client when ordering. We are now conducting research with doctors in various specializations for further uses in other fields in which it is essential to avail of a laser beam with a wave length that is different in the various phases of an operation on the same organ. Intense research is also being conducted at various centers in Italy and other countries in order to collect clinical results relating to the innovative possibilities offered by the equipment of this type.

An application that is extremely important is used in urogynecology and, in particular, for a new treatment to reduce the effects of the atrophy of vaginal mucous. There are already several centers in Italy and other countries that perform this

treatment which is called the “Mona Lisa Touch” or “Monna Lisa Touch” depending on the country. This particular pathology is common and quite disabling with interactions with other pathologies; it afflicts a high percentage of women in natural menopause and younger women with breast tumours to whom therapies are given that provoke early menopause which causes similar side effects.

We have developed in this sector a new applicator for laser treatment. For surgical uses, we are now developing applications in otorhinolaryngoiatry, ophthalmology, proctology and neurosurgery.

As part of the BI-TRE project co-financed by the Region of Tuscany with European Union funds, we conducted research on the anastomosis methods of blood vessels using laser beams with semi-conductor lasers and special patches and, in the field of neurosurgery in particular, the technique would allow the surgeon to save hours in the duration of operations on the brain.

We continued research activity as part of the FORTE project, approved by the Region of Tuscany and co-financed with funds from the EU. This project is related to the development of new systems for minimally invasive surgical operations for controlled local and partial ablation of the spinal cord for the reduction of herniated discs. Along with this research, which is related to orthopaedics, we are developing an innovative device to separate the vertebrae and maintain the distance between them.

Another project is the development of a device for the laser ablation of breast tumours, with delivery of energy from a diffusing tip which is cooled by closed forced circulation of sterile liquid; combined with this project we are developing a method of characterization of tissue damage through ultrasound during and after the ablative operation.

An important part of the FORTE project is the research sector related to ablative, minimally invasive neurosurgery. The technique now being developed is based on the use of a small-diameter inserter to be placed in the brain by using a robot arm which is attached to the bed of the patient. The inserter is moved through a hole of just a few millimetres in diameter that has been made in the skull or through the palate, in order to place an optic fibre laser energy dispenser; the surgeon uses high resolution 3D X-ray images acquired with Cone Beam technology attached to the patient’s bed and plans the operation by using the robot arm in order to program the path and the final position of the inserter. The project has outstanding partners from specialized research centers in Tuscany and companies associated with multinationals active in the field of robotics. The research of this type is part of the trend involving development of systems for minimally invasive surgery which has a major impact both on the quality of life of the patient and on the reduction of expenses for the health care agencies.

In particular, in recent years we have developed a system for obtaining 3D images of X rays with CONEBEAM technology as part of the MILORDS project. The performance in terms of speed of acquisition and spatial resolution place it among the top devices of this type in the world. We are developing dedicated software and improved hardware components in order to improve it as much as possible.

We have just completed the preliminary study and design stage for a new instrument that would reduce the layer of body fat based on the use of a new form of energy.

We have conducted clinical experiments with the first prototype equipment on cadavers with encouraging results at Cadaverlab in Arezzo. We have created the base for an original optical guiding system for the operator intended to increase the safety of the treatments and the control of their uniformity. We are now preparing a prototype of the first experiments *in vivo* and a prototype series. We have conducted experiments on ex-vivo samples and on animal models and have collected the histological data for evaluating the effects and determining the best doses and treatment procedures.

In collaboration with the associated company Elesta Srl, founded by El.En. together with Esaote, we conducted technological research and development activity on miniaturized percutaneous applicators which are cooled by circulating liquid and dispenser terminals. Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs. We have continued research and experimentation in collaboration with the university clinics of Pisa and Florence and with the Department of Engineering and Telecommunications of the University of Florence; we have also continued research to improve the precision in recording the margins of ablation.

We are now conducting clinical trials and industrial development of laser equipment and devices for the treatment of cutaneous ulcers for which the LUC study authorized by the Ministry of Health, is now in progress. The “end point” has been reached for the safety of the laser during the debridement of diabetic ulcers. This activity was officially underwritten by the Italian Ministry of Health in 2011 and a convention was signed with the Hospital of Carreggi in Florence. Once again, bureaucratic red-tape slowed down the activities and we just now concluded the collection of data from the first twenty-one patients for the elaboration of the statistics to support the officialising of the results, which appear to be very good.

We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis; at the same time, we have been taking the necessary measures for the protection of our brand names and applications in the most important countries.

We ran feasibility studies on new applications for dye lasers in dermatology, both alone and associated with carbon dioxide laser treatments. The dye laser system has recently undergone significant technological developments aimed at increasing the duration of the substances involved in the production mechanism of the laser light that are subject to deterioration.

In the PHOTOBIO LAB 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 ophthalmology, proctology and neurology.

DEKA M.E.L.A. in collaboration with El.En. carried on an intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynecological and uro-gynecological, otolaryngology and odontostomatology. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as Italian and foreign academic and professional medical centers.

At Quanta System they are conducting intense research on instruments for use in aesthetic medicine and medical therapies in urology.

They have developed incremental innovations of the Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes and automatic recognition; development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP); development of incremental innovations on Holmium systems for lithotripsy, improving the performance of the cavity, of the launch of the fibre and of the fibres themselves. Moreover, with the release of the "Discovery Pico" system they have completed the development of a laser system with very brief impulses (hundredths of picoseconds) for dermatological applications and have applied for a patent.

They have completed the "redesign" of the Cyber TM 200 w laser with triple cutting pedal, coagulation and "stand by" and they have perfected its connection with the Da Vinci Robot.

They have completed the Q-Scale project and have terminated the planning of the Phocas project of Horizon 2020 and defined the group of European partners.

At Asclepion Laser Technologies they conducted activity for the development of a new laser for the removal of pigmented lesions and tattoos and ran studies on innovative methods and devices for "body shaping". They continued research to evaluate new concepts of optic fibres and ferrules; they also conducted studies for the use of applications in the medical field and image recognition and cataloguing technologies.

Another on-going activity is that involving a study, as part of the European project in collaboration with ACTIS, an associated company of El.En., of a treatment for tumours through the activation of nano-particles by means of laser light and ultrasound, which is the European Union project LUS BUBBLE (Light and Ultrasound Activated microbubbles for cancer treatment).

At Asa they continued to work on the development of new systems for physical therapy with an important scientific support contributed by the ASA structure which is specialized in this field.

Laser systems and applications for industry

At El.En., in collaboration with the subsidiary Cutlite Penta we continued research for the development of innovative pre-cutting processes and machine micro-perforation of labels and systems for applications in the field of cutting and welding plastic materials and for the beverage sector in order to prolong the shelf-life of food products. We continued the study that had been begun on software and algorithms for high-speed advanced coding in the sector of transactional paper-digital converting.

For the development of laser sources we have concluded the project on the 850W source and are beginning the experimentation of a sealed 300W source, and designed and tested a new delivery system on the Bright 30 source of the Milord project. We have developed a focusing head for lasers in fibre and dedicated process sensors. We have also studied and added new sensors on metal cutting machines.

We continued verification and experimentation activities on scanning and focalizing heads for fibre lasers, for remote welding plants for metal materials for the automotive sector and for the mass production of furniture parts. As part of this project we started to develop a new dynamic system with high-speed response focalization.

We have conducted tests and experiments on algorithms and sensors for new high-speed marking methods with variable jobs in real time, according to the codes that are present on the material that needs to be processed in reels of paper and other materials.

We have developed a stand-alone system for the marker which makes it possible to create the self-taught program for every size of insole.

We continued experimenting with marking applications on large sizes using a head with a small aperture (35mm) instead of the high definition head (aperture 70mm). In this optical configuration the depth of field is such that the dynamic z becomes useless. In the sheet metal cutting sector, we concluded the studies necessary for fast piercing and developed the software for the fly cut of thin sheets.

In the die cutting sector we have developed a method for securing rotating dies to the machine. This method is much simpler than the preceding one and also offers higher precision and reduces the regulations during the testing phase so that the time required for set up is much shorter.

In the field of plexiglass cutting, we have developed and tested the combination of a marker on a cutting machine, basically following what we did last year with the dies. We continued with the experiments necessary for the development of the latest innovations.

Further development activities and tuning processes have been carried out for cutting MDF (Medium Density Fiberboard) rigid wooden modular packaging, an expanding sector as far as high quality fruit and vegetable packaging is concerned. The work of development was focused on the optimization of the process parameters whose efficiency needs to be brought to the highest level in order to achieve the economic competitiveness required in the transition between the laser excitation and high tension discharge to the new RF laser sources with the beam being carried by optics housed on Cartesian high dynamic handling systems. We continued with the study of the characteristic and limits of this technology which manages the cutting by means of a remote control without the use of proximity sensors for the focusing and delivery of the process gas.

We are studying ways to eliminate most of the optical routes of the CO₂ laser beam with solutions that include the assembly directly on the mobile portal of the machine of the new sources with radio-frequency pumping.

At El.En. we have conducted research on remote control welding of sheet metal with superficial treatments and applications with optical retroaction systems.

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

<i>thousands of euros</i>	30/06/2015	30/06/2014
Costs for staff and general expenses	3.364	3.185
Equipment	67	12
Costs for testing and prototypes	836	618
Consultancy fees	195	377
Other services	35	41
Intangible assets	14	0
Total	4.512	4.233

As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs, with the exception of 85 thousand Euros.

The amount of expenses sustained corresponds to 4,2% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 6,3% 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 derivative 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 risks

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 statements of the Group.

During the last year and during the current one, With Us Co. Ltd stipulated derivatives of the "currency rate swap" type to partially hedge the risks of exchange rates for acquisitions in Euros.

<i>Operation</i>	<i>Notional value</i>	<i>Fair value</i>
Currency swap	€1.900.000	€15.382
Currency swap	€2.250.000	-€70.781
Currency swap	€2.900.000	-€7.899
Total	€7.050.000	-€63.298

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 period represents about 9% of the total trade receivables from third parties.

In relation to guarantees granted to third parties, it should be recalled that the Parent Company El.En. in 2009, underwrote along with a minority partner, a bank guarantee for a maximum of one million Euros as a guarantee for the loan of the subsidiary Quanta System owed to the Banca Popolare di Milano for facilitated financing for a total amount of 900 thousand Euros, for which the reimbursement installments expire up to 84 months from the date of issuance, which occurred in the second half of 2009. After the acquisition of the entire equity from the minority shareholder which took place on October 8th 2012, El.En. promised to free this partner from all financial obligations towards the Banca Popolare di Milano.

The Parent Company, El.En. SpA underwrote the following guarantees in the preceding years:

- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, which has been extended to September 2015.

- a bank guarantee for a maximum of 50 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 2016 with possibility of extension annually.

- A bank guarantee for a maximum of 253 thousand Euros as a guarantee for the return of the amount requested as a down payment on the research project "BI-TRE", which was granted by the *Bando Regionale 2012* approved by the Region of Tuscany with Management Decree n. 5160 on November 5th 2012, with expiration date in February 2018.

Moreover, the subsidiary Deka MELA underwrote a bank guarantee for a maximum of 1.178 thousand Euros as a guarantee for the payment of the sum necessary for the reimbursement of the value added tax related to the fiscal year 2010, which expired on March 2015.

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 was extremely positive at the end of this half. For this reason we believe that this type of risk is adequately 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 28th 2015 to discuss the renewal of the Board of Directors (which will remain until the approval of the financial statement for the year ending on December 31st 2017) voted to set the number at six.

As of June 30th 2015 the Board of Directors is composed as follows:

Name	Position	Place and date of birth
Gabriele Clementi	President and executive director	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Executive director	Forlì, 17 June 1940
Andrea Cangoli	Executive 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 May 15th 2015, the Board of Directors assigned as executive directors, the President of the Board, Gabriele Clementi and the board members, Andrea Cangoli 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 “Compensation 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 and risk management 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 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 2015 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 2015

On January 14th 2015 El.En. S.p.A. bought 500.000 shares worth about 3,5% of Epica International Inc., which is the distributor and majority partner of the associated company Imaginalis S.r.l.. The investment is part of the policy of supporting activities in the sector of *imaging* in which Imaginalis has developed a series of products whose potential we count on being able to use thanks to the collaboration with Epica and its ability to successfully conclude the growth programs.

The shareholders' meeting of the Parent Company El.En. S.p.A., which was held on April 28th 2015, approved the financial statement for 2014 and voted to distribute the net income for the year, for an amount of 23.529.094,00 Euros as follows:

- 18.704.726,00 Euros as extraordinary reserve;
- for the shares in circulation on the date that coupon 13 came due, May 25th 2015 – in compliance with art. 2357-*ter*, second subsection of the Civil Code – a dividend of one Euro gross for each share in circulation for on overall amount on the date of the vote of 4.824.368,00 Euros;
- to accrue, where necessary, in a special reserve of retained earnings, the residual dividend directed to treasury stock that is held by the company on the date that the coupon comes due.

The shareholders' meeting approved the report on the remuneration in compliance with art. 123-*ter*, sub-section 6, D.Lgs. 24 February 1998, n. 58, related to the remuneration policy including the incentive bonuses for 2015-2016.

Moreover, the shareholders' meeting appointed the Board of Directors for the three-year period 2015-2017 and, therefore, until the approval of the financial statement for the year 2017. The assembly established that there should be six members on the board and appointed Gabriele Clementi as president. They also elected as the other members: Barbara Bazzocchi, Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Michele Legnaioli. The composition of the Board of Directors respects the balance of genders in compliance with Art. 147-*ter*, comma 1-*ter* del D.Lgs. 58/1998.

In conclusion, the Shareholders' Meeting of the Parent Company El.En. S.p.A. authorized the Board of Directors to purchase treasury stock. The purchase of the treasury stock as it has been proposed by the Board of Directors, will be

made for the following concurrent or alternative purposes: to stabilize the stock, for assignment to employees and/or collaborators, and for exchange with equities during company acquisitions. Authorization has been granted for the purchase for a payment amounting to a maximum of 20.000.000,00 (twenty million/00) Euros, in one or more *tranches* for a maximum number of ordinary shares of the company, the only category of financial instrument currently issued by the company, and, in any case, for not more than a fifth of the capital stock. Now, 20% of the underwritten and paid capital of El.En. is equal to 964.873 shares. The authorization was granted for the maximum amount of time permitted by law which is 18 months from the date of the vote of the shareholders' meeting.

The purchase can be made on the regular stock markets for a price that is not more than 20% less nor over than 10% more than the official trade price for transactions registered on the day before the purchase. The Board of Directors has also been authorized to sell, within ten years of the purchase, the shares acquired at a price or equivalent in the case of company operations, which is not less than 95% of the average of the official prices for transactions registered in the five days preceding the sale or transfer.

On May 15th 2015 The Board of Directors of the Parent Company El.En. S.p.A. appointed as executive board members the President Gabriele Clementi and the board members Barbara Bazzocchi and Andrea Cangioli and assigned them, with separate and independent signature, all the ordinary and extraordinary power of administration for conducting all the activities that are part of the company mission, with the sole exception of those activities which in compliance with the law and with the company by-laws cannot be delegated. They also appointed the members of the committees in compliance with the Self-Disciplining Code for quoted companies and, in particular the remuneration committee, the risks and controls committee, and the nominating committee and since their term had expired, the members of the supervisory body in compliance with D.Lgs. 8th June 2001, n 231. The Board of Directors also evaluated on the basis of the information available, the independence of the non-executive Board Members, Fabia Romagnoli and Michele Legnaioli, with a positive outcome.

1.17. Subsequent events

There were no other significant events which occurred after the closure of this half.

1.18. Current outlook

The results for the first half of 2015 are aligned with the most optimistic forecasts that had been made for this financial period: an annual sales volume of 200 million Euros with a growing EBIT, with the goal of reaching an EBIT of 20 million if the exchange rate remained stable, i.e., under 1,1 US dollars per Euro. The impetus with which we began the second part of 2015 encourages us to believe in the possibility of exceeding 210 million in sales volume with an annual EBIT of 20 million, as long as the effects of the recent turbulence in the exchange rates and the trust which up until recently has been placed on the markets can be kept at a minimum level.

For the Board of Directors

The Managing Director

Ing. Andrea Cangioli