

**EL.EN. S.p.A.**

**ANNUAL FINANCIAL REPORT**

**as of December 31<sup>st</sup> 2017**

El.En. S.p.A.

Headquarters in Calenzano (Florence) – Via Baldanzese n. 17

Capital stock: underwritten and paid € 2.508.671,36

Company registered with the Registro delle Imprese di Firenze n. 03137680488

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This document has been translated into English for the convenience of readers who do not understand Italian. The original Italian document should be considered the authoritative version.

# **CORPORATE BOARDS OF THE PARENT COMPANY**

## **Board of Directors**

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

## **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.

# MANAGEMENT REPORT 2017

## INTRODUCTION

To our shareholders,

The financial year 2017 closed with a consolidated sales volume of 306,5 million Euros and a net consolidated income for the Group of 15,6 million Euros net of income tax for 6,8 million and a net result for third parties of 4,8 million Euros. The management and the Company wish to express their great satisfaction for these results.

## REGULATORY FRAMEWORK

In compliance with the *European Regulation* n. 1606 of July 19<sup>th</sup> 2002, the El.En. Group has formulated the consolidated financial statement as of December 31<sup>st</sup> 2017 in compliance with the international accounting standards approved by the European Commission.

In conformity with Legislative Decree 38/2005, starting in the financial year 2006 the annual financial statements of the parent company, El.En. S.p.A. (separate financial statement) has been drawn up according to the international accounting standards (IFRS); when reporting data related to the parent company we will refer to the above mentioned standards.

## SIGNIFICANT EVENTS WHICH OCCURRED DURING THE FINANCIAL YEAR 2017

On May 15<sup>th</sup> 2017 the Shareholders' meeting approved the financial statement for December 31<sup>st</sup> 2016 and voted to distribute the net income for the year, amounting to 41.510.952,00 Euros, as follows:

- 33.791.963,20 Euros as extraordinary reserve;
- for the shares in circulation on the date that coupon 1 came due, May 29<sup>th</sup> 2017 – in compliance with art. 2357-ter, second sub-section of the Civil Code – a dividend for the amount of 0,40 Euros gross for each share in circulation on the date of the resolution, for a total amount of 7.718.988,80 Euros.

The assembly also voted to approve the report on incentive remuneration, ex art. 123-ter T.U.F..

In the month of May, Cutlite Penta S.r.l. participated in the founding of Laser Emme S.r.l. and acquired a 19% equity for an amount of 7.600 euros.

At the end of the month of November, the minority shareholders of the subsidiary Cutlite do Brasil withdrew from the company. Because of the reduction in capital stock the percentage owned by the Parent Company El.En. SpA rose from 68,56% to 98,27%.

On December 18<sup>th</sup> 2017 El.En. Spa sold their equity in Imaginalis Srl to Epica International for an amount of 581 thousand Euros to be paid as follows: about 112 thousand Euros in cash and the rest by means of 493.458 newly issued shares.

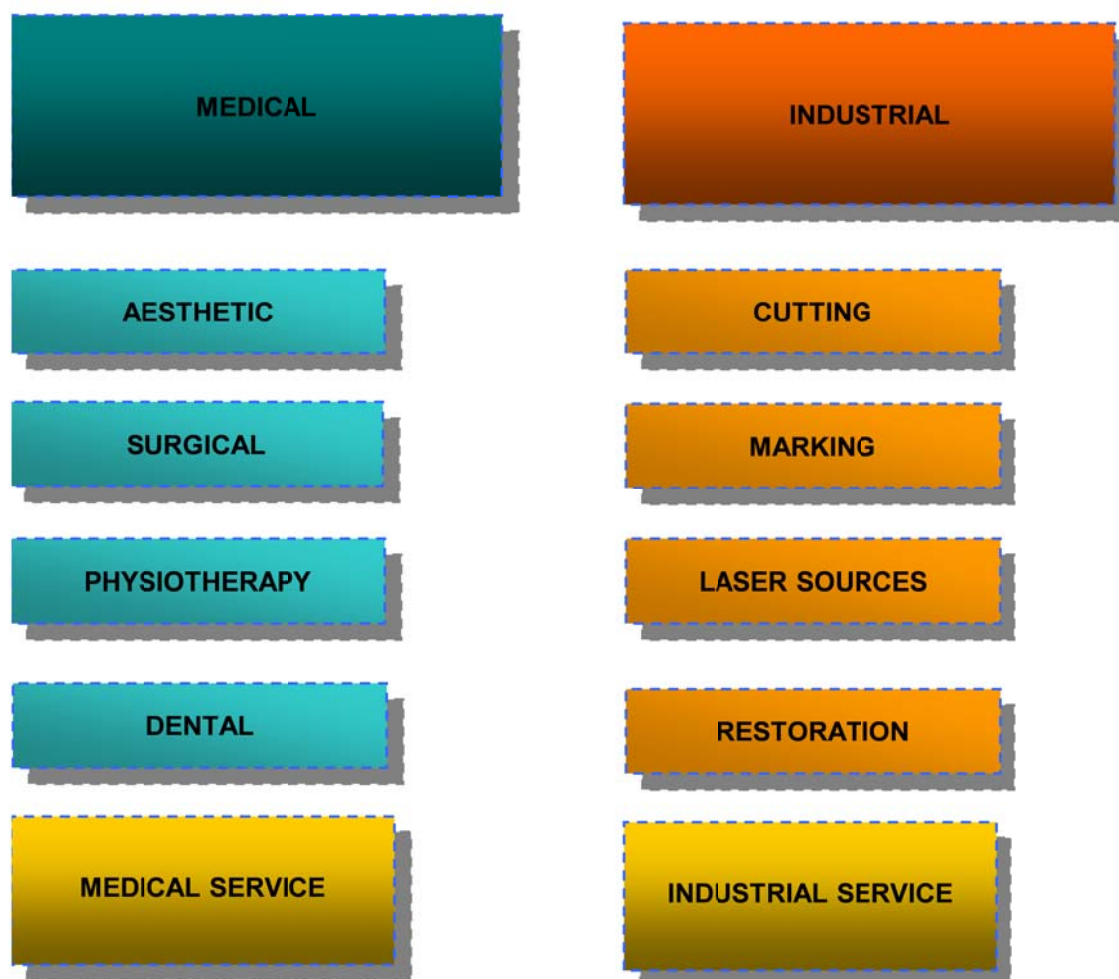
At the end of the financial year 2017, as part of a process of reorganization in the industrial sector of the Group, Cutlite Penta passed to a newly constituted company all of the activities related to laser cutting, with effect starting in January 2018. Moreover, Cutlite Penta was renamed Ot-las, and the name Cutlite Penta was given to the new company. This was done in order to maintain the correspondence between the name of the company and their respective brands since Ot-las kept the business of laser marking (which has always been sold under the name of Ot-las) while the Cutlite Penta brand has always been associated with systems for laser cutting.

## 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 may be determined by the geographical area it covers, or by its particular merchandise niche, or even by a broader range of activities including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company with an aim to improve coverage of the selling markets by optimizing the dynamism and flexibility of the single business units without losing the advantages of a unified management of the technical, managerial commercial and financial resources.

The Group conducts its activities in two major sectors: that of laser systems for medicine and aesthetics (medical sector), and that of laser systems for manufacturing uses (industrial sector). In each of these two sectors the activities can be subdivided into segments which differ according to the specific 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 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:



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.

A better 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 1<sup>st</sup> 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.

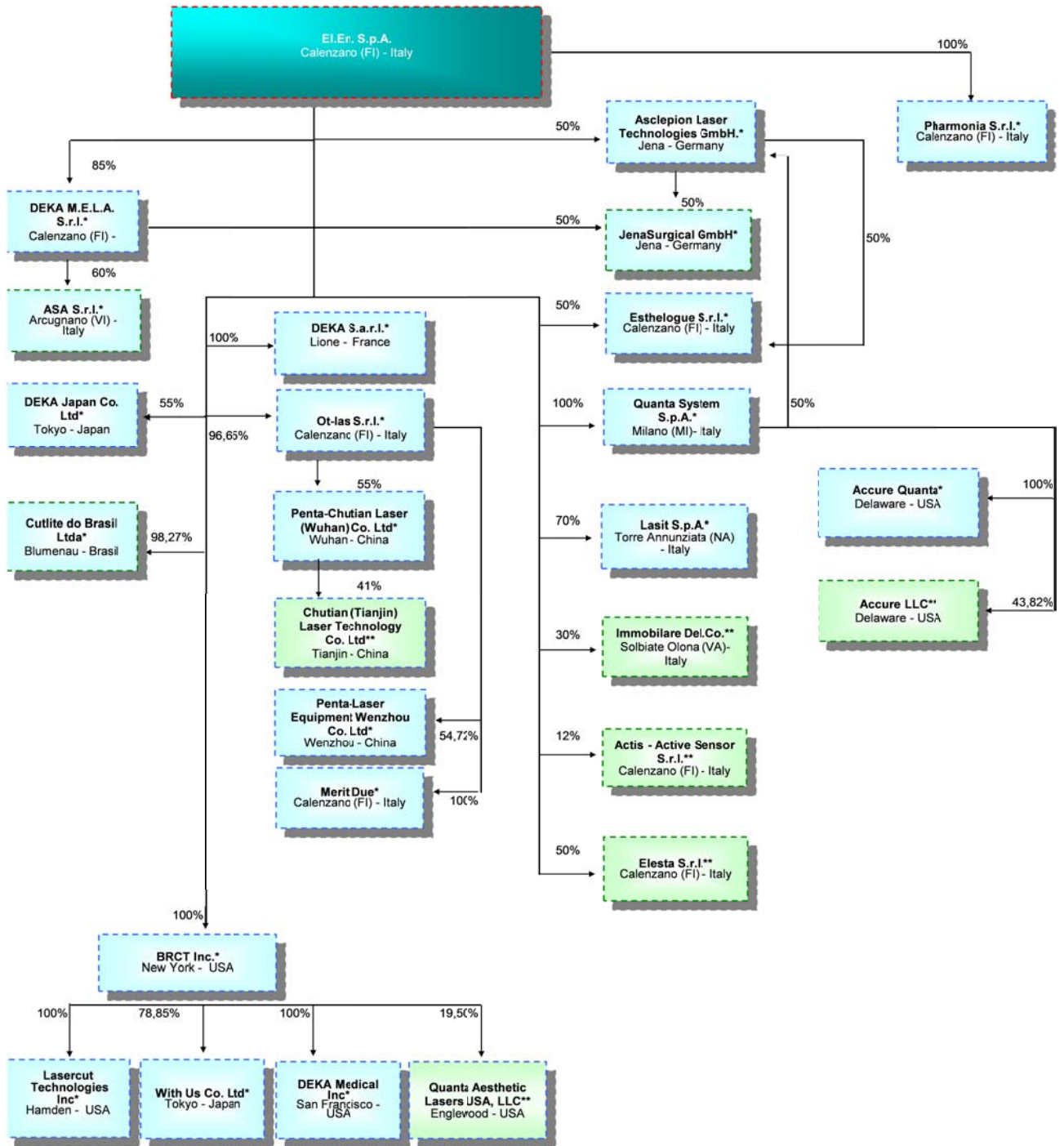
The extraordinary growth registered in the last two years and, particularly in 2017, in the industrial sector, which was far greater than the growth predicted by market researchers, can be attributed to the transformation of the market for laser systems for cutting sheet metal and special metals, the most important market for laser machining, and to our capacity to take advantage of this positive phase. The main reason for this transformation is the technological shift in which laser sources in fiber replaced and quickly made obsolete the high powered CO<sub>2</sub> laser sources which had been used up to that time for this type of work. Laser sources in fiber made it possible for the users to reduce the costs of running the system and offered greater ease of installation and maintenance, with the possibility of installing lasers with a level of power that had been unthinkable with CO<sub>2</sub> lasers. The purchase and management of high-powered systems (more than 4 kW) which, up until two years ago had been almost prohibitively expensive for most potential users, is now accessible to a growing number of users and can be set for power levels of up to 10/12 kW. The high level of productivity for laser cutting systems equipped with high-powered optical fibers is reshaping the market and replacing traditional technologies for cutting metals like punches which for cutting and perforating require utensils that have no flexibility and wear out over time. Along with the amplification of the market, the superior performance of the systems that are now available have brought about the rapid obsolescence of the systems that were already in operation and this accelerated the market for replacements and up-dating of the vast number of systems that were installed.

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



# DESCRIPTION OF THE GROUP

On December 31<sup>st</sup> 2017, the Group was composed as follows:



\* Subsidiaries  
 \*\* Associates

## PERFORMANCE INDICATORS

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

	31/12/2017	31/12/2016
<b>Profitability Ratios (*):</b>		
ROE (Net Income / Own Shareholders' Equity)	8,9%	28,6%
ROI (EBIT / Total Asset)	9,1%	9,2%
ROS (EBIT / Sales)	9,9%	10,9%
<b>Capital structural ratios:</b>		
Investments Flexibility ratio (Current Asset / Total Asset)	0,80	0,78
Leverage ((Net Equity+ Loans) / Net Equity )	1,07	1,08
Current Ratio (Current Asset / Current Liability)	2,34	2,49
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,76	1,84
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,86	1,03

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)

## ALTERNATIVE NON-GAAP MEASURES

The El.En. Group uses some alternative performance indicators which have not been identified as accounting measurements by the IFRS in order to offer a more precise evaluation of the performance of the Group. For this reason the criteria applied by the Group may not be the same as that used by other groups and the results obtained may not be comparable with those determined by these latter.

These alternative performance indicators are determined in conformity with the *Orientation on alternative performance indicators* issued by ESMA/2015/1415 and adopted by the CONSOB with communication no. 92543 on December 3<sup>rd</sup> 2015 and refer only to the performance during the specific financial period being presented in this document and the periods used for comparison.

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.

In order to evaluate its capacity to meet its financial obligations the Group uses as alternative performance indicators:

- 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.

## GROUP FINANCIAL HIGHLIGHTS

The consolidated sales volume grew 21,3% with respect to 2016 and exceeded the threshold of 300 million, establishing a new record for the Group and confirming the solid growth that has been registered in the past few years. The consolidated EBIT came close to 10% of the sales volume and reached 30,4 million showing a growth of 10,35% over 2016. Notwithstanding the growth in the EBIT, the net result decreased from 40,4 million in 2016 to 15,6 million in 2017. This decrease is due mostly to the sale of Cynosure shares in 2016 that had made it possible to enter among the non-operating income a capital gains of about 23 million Euros most of which is tax free because of the PEX exemption.

The EBIT are, once again, excellent, and show a significant improvement, even exceeding the guidance given early in the year and its up-dating showing an increase supplied after the second and third quarters. We knew that the net result would be lower because the huge capital gains earned in 2016 was clearly not going to be repeated.

The financial year 2017 was characterized by a very rapid growth in the sales volume in the industrial sector which, by the end of the year had shown an extraordinary growth of 52,5%. Even though the medical sector had shown a good growth rate, the overwhelming rise in the industrial sector made it so that it represented 43% of the revenue of the Group (it had been 34% in 2016). By taking advantage of a favorable phase in the market, the factors of which will be discussed further on in this report, the companies in the industrial sector were able to manage the extremely rapid growth in the sales volume by controlling the overhead costs and achieving a leverage effect that considerably improved the revenue results and the contribution of the industrial sector to the overall revenue of the Group became determining. The operating structures of the Group in fact, were ready to deal with the important growth which they were able to achieve in 2017, and reached the critical mass necessary to achieve results which were comparable to those in the medical sector. The ground had already been laid in order to be able to take advantage of the opportunities offered by the rapidly expanding market by the investments made to acquire a significant position on certain markets, in particular the Chinese market for flat cutting sheet metal.

Although it showed a drop in revenue from one of its most representative products and on its most important market, the Mona Lisa Touch for vaginal atrophy in the United States, the excellent results shown by all the other segments of application and for Mona Lisa Touch outside of the United States, allowed the Group to register, again in 2017, an increase in revenue of 5% in the medical sector, with a trend that gradually improved during the year.

The improvement of the general economic conditions during the year had beneficial effects on our markets and re-enforced the generally positive tendency thanks also to factors that are independent of the economic cycle. Also in Italy where the growth in the GNP has demonstrated that we are now leaving the ten-year financial crisis behind us, long after the other European countries and the United States where the growth of the GNP has been much stronger than in Italy, the obstacles and the difficulties that were present in the years following 2008 have gradually disappeared. The credit that is necessary for the purchase of equipment is now sufficiently available and, above all, the confidence in the sustainability of the positive economic phase have created favorable conditions for the purchase of our systems. The trend in currency exchange has, unfortunately, not been favorable, with the Euro which became stronger all year long and, in particular, in December, rising from 1,05 per dollar on December 31<sup>st</sup> 2016 to 1,19 on December 31<sup>st</sup> 2017, and then rising even more in the first months of 2018. The negative effects of the weakness of the dollar are reflected in the result of the financial management which felt the loss on its credits/debts in this currency and, in general, makes our competitors who have their cost base in US dollars more competitive in our regard.

In the section dedicated to research and development we will describe the main topics and show the crucial role held by this activity in our strategy which is the first critical factor in our success. The presence of several different research and development directions for new products and applications is at the base of the effectiveness of our most important competitive weapon. Radical innovations in the past have made it possible to open new markets with rapid increases in sales volume combined with the high revenue that normally goes along with extremely innovative new products. On the other hand, gradual innovations which improve the performance, functioning or ergonomics and aesthetics of certain systems make it possible to maintain a competitive position in specific application sectors which constitute a stable market.

One should also take note of the multi-disciplinary nature of our research activity, on the product to the extent in which we make technological improvements on our systems, and on the process in which the innovative technologies and meticulous application studies make the implementation of new medical applications or industrial processes possible.

The table below shows the sub-division of the sales volume, as of December 31<sup>st</sup> 2017, between the activity sectors of the Group compared with those for 2016.

	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Medical	174.416	56,91%	166.056	65,73%	5,03%
Industrial	132.045	43,09%	86.590	34,27%	52,49%
<b>Total revenue</b>	<b>306.461</b>	<b>100,00%</b>	<b>252.646</b>	<b>100,00%</b>	<b>21,30%</b>

The chart below shows the trend in sales volume for the period divided by geographical area.

	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Italy	60.038	19,59%	46.983	18,60%	27,79%
Europe	52.839	17,24%	43.832	17,35%	20,55%
ROW	193.584	63,17%	161.831	64,05%	19,62%
<b>Total revenue</b>	<b>306.461</b>	<b>100,00%</b>	<b>252.646</b>	<b>100,00%</b>	<b>21,30%</b>

The growth of the sales volume is significant in all the geographical area analyzed; the Italian market shows the most significant growth, both in the medical sector and the industrial sector.

In the medical sector, the new sales organization of Deka and Quanta has encountered immediate success, with Deka conducting the distribution in Italy for the two ranges of products joined under the brand name of *Renaissance* and the growth of Esthelogue, specialized in the distribution of technologies for the professional aesthetics sector, was consolidated.

The industrial sector in Italy has returned to a significant volume and registered the best year since the beginning of the crisis. Favorable market conditions and products focused on the needs of the market were, in Italy and abroad, the determining factors for the good results. The Italia market has benefitted from the fiscal facilitations promoted by the government financial policy of 2017 with increased amounts of depreciation, especially for the goods which fall into the category called *Industria 4.0*. Excellent results were also shown by Ot-las S.r.l. (formerly Cutlite Penta S.r.l.) and Lasit, who showed that they were able to take advantage of the opportunities offered by the domestic market.

However, the volume of business also increased for exports. For example, even though Lasit received an undeniable benefit from the fiscal facilitations offered by *Industria 4.0*, for whose purposes the characteristics of an integrated marking system perfectly suit the cybernetic environment of a smart factory, at the same time the company more than doubled their exports, which rose from 24% to 41% of their sales volume and expanded independently from any fiscal facilitations, thanks to the quality of its products and the capacity to supply flexible, customized solutions to meet the specific needs of their clients.

For the sector of the medical and aesthetic systems, which in 2017 represented about 57% of the sales volume of the Group, the sales are shown on the chart below:

	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Aesthetic	100.002	57,34%	83.984	50,58%	19,07%
Surgical	34.528	19,80%	37.233	22,42%	-7,27%
Physiotherapy	9.432	5,41%	8.491	5,11%	11,07%
Dental	406	0,23%	346	0,21%	17,39%
Others	193	0,11%	306	0,18%	-36,92%
<b>Total medical systems</b>	<b>144.561</b>	<b>82,88%</b>	<b>130.361</b>	<b>78,50%</b>	<b>10,89%</b>
Medical service	29.855	17,12%	35.696	21,50%	-16,36%
<b>Total medical revenue</b>	<b>174.416</b>	<b>100,00%</b>	<b>166.056</b>	<b>100,00%</b>	<b>5,03%</b>

The sales volume for medical system grew increasingly throughout the year and by the end of the year had reached a growth rate of over 10%.

The overall picture therefore, is favorable, and has been driven by the aesthetic sector where the Group's sales volume exceeded 100 million Euros showing a growth of over 19%. The dental and therapy segments also showed two-figure growth. Further on we will examine in detail the reasons and motivation for the drop in the segments of surgery and service which limited to just 5% the annual growth in the sector but which were mostly expected and included in the forecasts that the company communicated to the market already at the beginning of 2017.

The record sales volume in the aesthetic segment was reached thanks to the contribution of all the main areas of application in which the Group operates: hair removal, removal of tattoos and pigmented lesions, and skin rejuvenation and all three of the business units which, independently but coordinated within the Group, operate in this sector: Dekalaser, Quanta e Asclepion.

Thanks to the continual introduction of new technologies we have continued to grow in the hair removal segment. The market is expanding and we are drivers in its growth thanks to innovative systems which improve the effectiveness and lower the price of the treatments, thus augmenting the number of potential clients. Dekalaser's Motus AX system, with its particular features which make alexandrite lasers more accessible and less painful, closed its second year on the market on the rise. The new and more powerful versions of Mediostar (produced by Asclepion in the Next, Pro and Light versions) have consolidated its position as a standard of reference in Italy in the professional aesthetic sector where it is sold by our direct distribution network which operates under the brand name of Esthelogic. With Thunder MT Quanta has launched the most powerful hair removal laser available on the market and renewed its tradition as leader for specific technologies for this kind of equipment.

Also for systems for the removal of tattoos and pigmented lesions, which is the second in the Group for volume of business, the results were excellent. This is the main result thanks to the consolidation of the success of the picosecond systems of Quanta System, the Discovery Pico and il Discovery Pico plus, which are also sold through some of the agents in Dekalaser's network, for example, in Italy. By using impulses with a duration in picoseconds obtained thanks to an innovative and ingenious technological solution, these systems make it possible to increase the effectiveness of the treatment and are positioned on the market at a level where its innovation allows for a considerable sales margin. The range of systems with traditional technology using impulses in nano-seconds which includes Quanta's Q-Plus C and Asset, the QS4 by Quanta and the Tattoo-Star by Asclepion have also registered excellent results. The geographical distribution of sales of these systems corresponds to different application areas of the technology which are more popular in some regions than others. In the western world, the vast and growing popularity of tattoos also comports a demand for their removal when they are no longer desired. In eastern countries the technology makes it possible to lighten the skin color and remove pigmented lesions which appear with age on the skin of Orientals and for this reason the treatment is referred to as skin toning or anti-aging.

There was a marked increase in the sale of CO<sub>2</sub> systems for skin rejuvenation along with the erbium systems for ablation; this is a segment, like that for hair removal, in which the Group has been active for more than twenty years but which continues to represent an important market. Clearly, the technologies that are offered now have little in common with those of twenty years ago since they have exceeded them in effectiveness, ease of use, reliability and low cost and for these reasons the market has continued to expand.

Sales of the Group's body shaping lasers are still of a limited volume, however, we are about to launch the product which, during 2017 we announced would be available in the second quarter of 2018. The sales volume for 2017 grew but up to now only thanks to the technologies developed by third parties and distributed by our network.

There are three main areas in which the Group offers solutions for laser surgery. Urology with its applications for lithotripsy and the treatment of benign hypertrophy of the prostate (BPH), otorhinolaryngology with solutions for ear and larynx surgery and gynecology with its Mona Lisa Touch system for the treatment of vaginal atrophy and other gynecological pathologies. The distribution of the Group's products, just as occurs in the aesthetic sector, takes place through a network of direct distribution in Italy and Germany by means of some important OEM clients and through distributors. The sales volume for Monna Lisa Touch in the United States (where it is spelled Mona Lisa Touch – MLT) is considerable thanks to the efficient distribution system organized by Cynosure which has made MLT an absolute leader on the market. The decrease in the sales volume in the surgery sector is due exclusively to the drop registered for sales in the United States. This result was not unexpected because of the stabilization of the market and the scheduled reduction of inventory by our exclusive distributor; in any case, although the decrease was attenuated in the third and fourth quarters due to a substantial volume of purchase by Cynosure/Hologic, it is still significant. Cynosure is now a division of its Parent Company Hologic and this is a change which is potentially very positive for the development of the market since Hologic is a strong and consolidated partner in the specific sector of gynecology and better able to deal with the market, both for the commercial distribution of the product as well as for the clinical experimentation which is needed to confirm the leadership of the product and amplify the range of its elective applications. Hologic has admitted that they had to face a series of unexpected difficulties in the new division and have started a profound re-organization that will mean the postponement until next year of the acceleration in sales that the significant investment made in Cynosure (1.6 billion US dollars) comports. In the rest of the world the sales volume for MLT showed a further increase with respect to 2016.

The other applicative segments for surgery showed good results with considerable growth and consolidated their positions both in the distribution of the products with the brand names of the Group (which in this sector are Quanta, Jena Surgical and Dekalaser), as well as for the products introduced on the market thanks to OEM agreements with leading companies in the sector.

The trend in the physical therapy sector, with a growth of over 10%, remains very good. This business is conducted for the Group by Asa in Vicenza which, by carefully balancing investments in structures, products and marketing has gradually amplified their International presence. The activity which supplies clinical support and training in the use of laser technologies for physical therapy is at the base of the success of the company. Along with the sales, they supply qualified training programs which instruct the clientele in the use of the correct doses of energy to be used for the specific applications that our technologies make possible and to follow the scientifically tested procedures. In this way ASA makes the benefits of this highly effective laser application generally available.

The drop in after-sales services and sales of consumables has been confirmed also on an annual basis. There are three reasons for this drop: a decrease in sales of up-grades on aesthetic systems, an activity which had reached its peak in 2016; a fall in the sales of certain consumables like creams for the aesthetic sector and optical fibers for surgery, and thirdly, the exceptional revenue that was received as part of a service contract which had characterized 2016. The drop was derived mostly from ordinary events but of an exceptional nature which occurred in 2016 and therefore we are confident that the revenue from after-sales service will resume their normal growth level in 2018.

For the sector of industrial applications, the chart below shows the break-down of the sales volume divided by the market segment in which the Group operates.

	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Cutting	102.897	77,93%	61.677	71,23%	66,83%
Marking	17.300	13,10%	13.548	15,65%	27,70%
Laser sources	3.363	2,55%	2.712	3,13%	23,98%
Conservation	173	0,13%	383	0,44%	-54,73%
<b>Total industrial systems</b>	<b>123.733</b>	<b>93,71%</b>	<b>78.320</b>	<b>90,45%</b>	<b>57,98%</b>
Industrial service	8.312	6,29%	8.270	9,55%	0,51%
<b>Total industrial revenue</b>	<b>132.045</b>	<b>100,00%</b>	<b>86.590</b>	<b>100,00%</b>	<b>52,49%</b>

In 2017 with a sales volume of 103 million the laser cutting segment exceeded the medical and aesthetic segment, became the most important segment in the Group for sales volume.

In the introduction we commented that the market for laser systems for cutting sheet metal is going through a phase of rapid expansion due to a technological discontinuity which has multiplied the number of potential users and, at the same time, has reduced the technological gap which existed in the traditional technology between the market leaders and their competitors, which made it possible for even minor players to acquire portions of the market.

The chief driver in this transformation and acceleration has been the Chinese market. In China, El.En. had applied an expansion strategy for metal cutting starting in 2007 by creating a joint venture in Wuhan for the purpose of taking advantage of the opportunities on the local market which is the most important market in the world for manufacturing activities. The market position they achieved made it possible to fully take advantage of the technological change and the consequent market explosion. In order to sustain this latter, the Group started a second, very modern factory in Wenzhou, which is now about to reach the saturation point in its production capacity.

However, the successes in the cutting segment are not just confined to China: Ot-las S.r.l. (formerly Cutlite Penta S.r.l.) has designed a new line of systems which have allowed it to grow rapidly also in the segment of metal cutting, which joins that of their traditional leadership, cutting plastic and dies. The growth of Ot-las S.r.l. (formerly Cutlite Penta S.r.l.) in 2017 was 25%.

Results in the marking segment were also very satisfactory, with a growth of about 28%, achieved with the contribution of both segments in which the Group is active: in the first place, that for marking small surfaces for identification and decoration in which Lasit operates and that for the decoration and enhancement of large surfaces in which Ot-las S.r.l. (formerly Cutlite Penta S.r.l.) offers Ot-las brand systems. We have previously commented on the excellent results of Lasit, which exceeded a growth of 35% obtained at an international level.

The annual growth was excellent in the segment of laser sources in which our CO<sub>2</sub> technology, which is no longer used for metal cutting that requires high-powered sources is, however, the preferred source for mid-power lasers for applications that are now going through a phase of great success, like packaging or special applications in the textile sector.

There was a decrease in the sales volume in the restoration sector, an area where the Group receives some revenue but above all, contributes to the conservation of the world's artistic heritage. The activity of the Group in this sector represents a homage paid to our location in one of the cradles of the world's greatest art, and is an activity to which we dedicate our technologies and receive a certain amount of visibility, especially through collaboration and donations to important institutions like the Getty Museum in Malibu, California, and, recently, the Angeli del Bello Association in Florence.

The sales volume for service and after-sales assistance registered a small increase which is derived chiefly from the increase in the number of systems installed. The technological evolution of the sources already installed created a large increase in the sales of systems also in view of a presumed reduction in the maintenance costs which, in the future may also comport a reduction in revenue for service.



## CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31<sup>st</sup> 2017

The chart below shows the consolidated income statement for the year ending December 31<sup>st</sup> 2017 compared with that for 2016.

Income Statement	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Revenues	306.461	100,0%	252.646	100,0%	21,30%
Change in inventory of finished goods and WIP	5.452	1,8%	3.401	1,3%	60,29%
Other revenues and income	4.264	1,4%	3.224	1,3%	32,27%
<b>Value of production</b>	<b>316.178</b>	<b>103,2%</b>	<b>259.272</b>	<b>102,6%</b>	<b>21,95%</b>
Purchase of raw materials	166.694	54,4%	129.636	51,3%	28,59%
Change in inventory of raw material	(419)	-0,1%	(1.587)	-0,6%	-73,60%
Other direct services	22.618	7,4%	20.689	8,2%	9,32%
<b>Gross margin</b>	<b>127.284</b>	<b>41,5%</b>	<b>110.533</b>	<b>43,8%</b>	<b>15,15%</b>
Other operating services and charges	37.068	12,1%	32.030	12,7%	15,73%
<b>Added value</b>	<b>90.216</b>	<b>29,4%</b>	<b>78.503</b>	<b>31,1%</b>	<b>14,92%</b>
Staff cost	54.091	17,7%	46.116	18,3%	17,29%
<b>EBITDA</b>	<b>36.125</b>	<b>11,8%</b>	<b>32.388</b>	<b>12,8%</b>	<b>11,54%</b>
Depreciation, amortization and other accruals	5.676	1,9%	4.794	1,9%	18,40%
<b>EBIT</b>	<b>30.449</b>	<b>9,9%</b>	<b>27.594</b>	<b>10,9%</b>	<b>10,35%</b>
Net financial income (charges)	(3.365)	-1,1%	1.933	0,8%	
Share of profit of associated companies	(430)	-0,1%	186	0,1%	
Other non-operating income (charges)	564	0,2%	23.009	9,1%	-97,55%
<b>Income (loss) before taxes</b>	<b>27.217</b>	<b>8,9%</b>	<b>52.721</b>	<b>20,9%</b>	<b>-48,37%</b>
Income taxes	6.807	2,2%	9.728	3,9%	-30,03%
<b>Income (loss) for the financial period</b>	<b>20.410</b>	<b>6,7%</b>	<b>42.993</b>	<b>17,0%</b>	<b>-52,53%</b>
Net profit (loss) of minority interest	4.776	1,6%	2.586	1,0%	84,71%
<b>Net income (loss)</b>	<b>15.634</b>	<b>5,1%</b>	<b>40.408</b>	<b>16,0%</b>	<b>-61,31%</b>

The gross margin was 127.284 thousand Euros, an increase of 15,1% with respect to the 110.533 thousand Euros for 2016 thanks to the increase in the sales volume.

The decrease in sales margins from 43,8% to 41,5% in 2017 was due mainly to the variation in the sales mix. In fact, the quota of sales in the industrial sector increased, in particular on the Chinese market where the sales margins are lower than those in the medical sector, notwithstanding an improvement shown as the year progressed. The margins in the medical sector also decreased slightly, in this case due to the effects of the mix and the sales policy pursued during the period which had a positive effect on the overall volume but comported a slight reduction on the margins.

The costs for operating services and charges were 37.068 thousand Euros, showing an increase of 15,7% with respect to the 32.030 thousand Euros registered in 2016; their incidence on the sales volume remains practically unchanged, falling to 12,1% from 12,7% for last year.

The costs for personnel were 54.091 thousand Euros, showing an increase of 17,3% with respect to the 46.116 thousand Euros for last year, while the incidence on the sales volume decreased from 18,3% in 2016 to 17,7% in 2017.

As of December 31<sup>st</sup> 2017 there were 1.212 employees in the Group, an increase with respect to the 1.093 registered on December 31<sup>st</sup> 2016. Most of the new hiring was made by the Chinese subsidiary, Penta Laser Equipment (Wenzhou) which is now in rapid expansion.

A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose.

The grants that had been received by December 31<sup>st</sup> 2017 amounted to 298 thousand Euros, a decrease with respect to the 1.257 thousand Euros registered for last year. After the assignment of stock options/stock based compensation to

employees and collaborators, the income statement includes among the personnel expenses the figurative cost calculated for these plans: for 2017 the overall cost was 1,4 million Euros with respect to the 0,2 million Euros for last year.

The EBITDA amounted to 36.125 thousand Euros, an increase with respect to the 32.388 thousand Euros shown for 2016. The slight decrease in the incidence on the sales volume which dropped from 12,8% to 11,8% is mainly due to the reduction in the sales margins: the stringent control of the personnel and overhead costs comported an increase in productivity and consequently an effective operative leverage, at the base of the total value of the EBITDA.

The costs for amortizations, depreciations and accruals showed an increase from 4.794 thousand Euros on December 31<sup>st</sup> 2016 to 5.676 thousand Euros on December 31<sup>st</sup> 2017, with an incidence on the sales volume which is unchanged at 1,9%. In this regard, the increase in the bad debt reserve for the Chinese companies should be noted.

The EBIT, therefore, showed a positive amount of 30.449 thousand Euros, an increase with respect to the 27.594 thousand Euros on December 31<sup>st</sup> 2016. The incidence on the sales volume was close to 10% and showed a decrease with respect to the 10,9% for last year. For the EBIT which increased in value but not in incidence on the sales volume we may make the same considerations as those made for the EBITDA.

The financial charges amounted to 3.365 thousand Euros with respect to the financial income of 1.933 thousand Euros registered last year. The differences in exchange rates and, in particular, that with the US dollar determined the cost for the period.

It should be recalled that the amount shown under the heading of “Other non-operating income and charges” for an amount of 23.009 thousand Euros on December 31<sup>st</sup> 2016, was made up of the capital gains earned from the sale by El.En. SpA of the last shares held in Cynosure Inc.

The costs for income current and deferred taxes this year was 6.807 thousand Euros: the overall tax rate was 26%. For the details related to taxes and tax rates, please consult the chart in the Explanatory Notes. It should be remembered that the capital gains entered in the income statement for the sale of the Cynosure shares in 2016 was subject to a partial regime of fiscal exemption called PEX and therefore had determined an average tax rate that was very low.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31<sup>st</sup> 2017

The statement of financial position below shows a comparison between this year's results and those of last year.

Statement of financial position	31/12/2017	31/12/2016	Variation
Intangible assets	4.259	3.896	363
Tangible assets	39.178	39.616	-439
Equity investments	3.587	3.818	-230
Deferred tax assets	6.269	6.526	-257
Other non-current assets	12.371	10.881	1.490
<b>Total non current assets</b>	<b>65.664</b>	<b>64.737</b>	<b>927</b>
Inventories	66.567	62.138	4.429
Accounts receivable	80.445	62.446	17.999
Tax receivables	8.942	5.213	3.729
Other receivables	13.939	8.564	5.375
Financial instruments	2.036	0	2.036
Cash and cash equivalents	97.351	97.589	-238
<b>Total current assets</b>	<b>269.281</b>	<b>235.950</b>	<b>33.331</b>
<b>Total Assets</b>	<b>334.945</b>	<b>300.687</b>	<b>34.258</b>
Share capital	2.509	2.509	0
Additional paid in capital	38.594	38.594	0
Other reserves	98.411	64.137	34.274
Retained earnings / (accumulated deficit)	35.173	36.188	-1.015
Net income / (loss)	15.634	40.408	-24.773
<b>Group shareholders' equity</b>	<b>190.321</b>	<b>181.835</b>	<b>8.486</b>
Minority interest	13.975	10.864	3.111
<b>Total shareholders' equity</b>	<b>204.296</b>	<b>192.699</b>	<b>11.597</b>
Severance indemnity	4.217	3.861	356
Deferred tax liabilities	1.483	1.607	-124
Reserve for risks and charges	3.797	3.514	282
Financial debts and liabilities	5.875	4.342	1.533
<b>Total non current liabilities</b>	<b>15.371</b>	<b>13.324</b>	<b>2.047</b>
Financial liabilities	9.161	10.613	-1.451
Accounts payable	63.257	44.694	18.563
Income tax payables	1.654	4.285	-2.631
Other current payables	41.205	35.072	6.133
<b>Total current liabilities</b>	<b>115.278</b>	<b>94.664</b>	<b>20.614</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>334.945</b>	<b>300.687</b>	<b>34.258</b>

In compliance with the Consob communication of July 28<sup>th</sup> 2006 and in conformity with the CESR recommendations of February 10<sup>th</sup> 2005 “Recommendations for the uniform implementation of the regulations of the European Commission on information charts”, the net financial position of the El.En. Group on December 31<sup>st</sup> 2017 is the following:

<b>Net financial position</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Cash and bank	97.351	97.589
Financial instruments	2.036	0
<b>Cash and cash equivalents</b>	<b>99.388</b>	<b>97.589</b>
<b>Current financial receivables</b>	<b>155</b>	<b>150</b>
Bank short term loan	(8.230)	(7.991)
Part of financial long term liabilities due within 12 months	(932)	(2.621)
<b>Financial short term liabilities</b>	<b>(9.161)</b>	<b>(10.613)</b>
<b>Net current financial position</b>	<b>90.381</b>	<b>87.127</b>
Bank long term loan	(3.525)	(1.231)
Other long term financial liabilities	(2.350)	(3.111)
<b>Financial long term liabilities</b>	<b>(5.875)</b>	<b>(4.342)</b>
<b>Net financial position</b>	<b>84.506</b>	<b>82.784</b>

The net financial position of the Group increased by 2 million Euros with respect to the end of 2016.

The operative cash flow generated during 2017 amounted to about 17 million Euro. The main cash outings and investments in 2017 were the increase in working capital, dividends paid to third parties for a total of 9,4 million Euros, and investments in tangible and intangible assets for an amount of 5 million Euros.

The internal growth of the company represents a strategic option which the Group is pursuing at this time with the current expenses for research and development and commercial promotions that are entered in the income statement and temporarily reduce the operating profitability and the technical investments for the production facilities; the increase in working capital is the other significant entry among the investments sustaining growth.

It should also be recalled that 11,5 million Euros in cash, of which one million this year, has been invested in financial instruments of an insurance type which for their particular nature require that they be entered among the non-current financial assets; even though they represent a use of cash, this amount is not included in the net financial position.

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

	<b>31/12/2017 Capital and reserves</b>	<b>31/12/2017 Income statement</b>	<b>31/12/2016 Capital and reserves</b>	<b>31/12/2016 Income statement</b>
<b>Balance per parent company statement</b>	<b>138.988</b>	<b>41</b>	<b>145.817</b>	<b>41.511</b>
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiary companies		20.019		12.747
- share of profit (loss) of associated companies		(432)		183
- elimination of rectification of value of equities		0		425
- elimination of dividends		(3.439)		(1.472)
- value adjustment of the Cynosure equity and rectification of the capital gains		0		(13.493)
- other (charges) income		(975)		250
Total contribution of subsidiary companies	53.547	15.172	38.659	(1.360)
Elimination of intercompany profits on inventory	(2.014)	280	(2.298)	160
Elimination of intercompany profits from sales of fixed assets	(200)	141	(343)	97
<b>Balance as per consolidated statement – Group quota</b>	<b>190.321</b>	<b>15.634</b>	<b>181.835</b>	<b>40.408</b>
<b>Balance as per consolidated statement – Third party quota</b>	<b>13.975</b>	<b>4.776</b>	<b>10.864</b>	<b>2.586</b>
<b>Balance as per consolidated statement</b>	<b>204.296</b>	<b>20.410</b>	<b>192.699</b>	<b>42.993</b>

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

### Financial highlights

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

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

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial resources; also from a financial point of view, a large part of the resources of the company are allocated to sustain the activities of the Group and of El.En. itself.

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

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

	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Medical	43.111	79,75%	46.936	81,92%	-8,15%
Industrial	10.949	20,25%	10.356	18,08%	5,73%
<b>Total revenue</b>	<b>54.061</b>	<b>100,00%</b>	<b>57.291</b>	<b>100,00%</b>	<b>-5,64%</b>

The company registered a sales volume of 54 million Euros, a decrease of 5,6% with respect to 2016.

As can be seen on the chart, the reduction in sales volume was related only to the medical sector. In this sector, the surgical segment set the pace with respect to 2016, for the reasons explained in the comments on the evolution of the consolidated sales volume. In fact, El.En. Spa is the manufacturer of the Mona Lisa Touch and they are the ones that were directly affected by the drop in sales volume by the American distributor Cynosure/Hologic, which we described above in detail. The results in the other segments of the medical sector, however, were positive. Results were satisfactory also in the industrial sector, where El.En. had to stop the production of high-powered CO<sub>2</sub> laser sources (above 2kW), while the production for mid-powered sources (from 150 W to 1,5 kW) gradually increased.

## Income statement as of December 31<sup>st</sup> 2017

Income Statement	31/12/2017	Inc %	31/12/2016	Inc %	Var. %
Revenues	54.061	100,0%	57.291	100,0%	-5,64%
Change in inventory of finished goods and WIP	539	1,0%	(451)	-0,8%	
Other revenues and income	814	1,5%	1.511	2,6%	-46,09%
<b>Value of production</b>	<b>55.415</b>	<b>102,5%</b>	<b>58.351</b>	<b>101,9%</b>	<b>-5,03%</b>
Purchase of raw materials	27.438	50,8%	27.251	47,6%	0,69%
Change in inventory of raw material	1.179	2,2%	2.193	3,8%	-46,21%
Other direct services	4.070	7,5%	4.239	7,4%	-4,00%
<b>Gross margin</b>	<b>22.727</b>	<b>42,0%</b>	<b>24.669</b>	<b>43,1%</b>	<b>-7,87%</b>
Other operating services and charges	6.925	12,8%	6.175	10,8%	12,15%
<b>Added value</b>	<b>15.802</b>	<b>29,2%</b>	<b>18.494</b>	<b>32,3%</b>	<b>-14,55%</b>
Staff cost	15.519	28,7%	13.121	22,9%	18,28%
<b>EBITDA</b>	<b>283</b>	<b>0,5%</b>	<b>5.373</b>	<b>9,4%</b>	<b>-94,73%</b>
Depreciation, amortization and other accruals	1.263	2,3%	1.358	2,4%	-6,97%
<b>EBIT</b>	<b>(980)</b>	<b>-1,8%</b>	<b>4.015</b>	<b>7,0%</b>	
Net financial income (charges)	(140)	-0,3%	3.899	6,8%	
Other non-operating income (charges)	464	0,9%	36.079	63,0%	-98,71%
<b>Income (loss) before taxes</b>	<b>(656)</b>	<b>-1,2%</b>	<b>43.993</b>	<b>76,8%</b>	
Income taxes	(698)	-1,3%	2.482	4,3%	
<b>Net income (loss)</b>	<b>41</b>	<b>0,1%</b>	<b>41.511</b>	<b>72,5%</b>	<b>-99,90%</b>

2017 was a year of transition for El.En. S.p.a with important organizational and structural changes.

In January 2017 the company hired a General Director, whose intervention made it possible to improve the organization of the company's activities and also those of the Group from many points of view. A visit to our factories will give a good idea of the profound transformation worked on the manufacturing system of the company, while a series of changes which were needed to re-enforce the key company functions, like medical research and development in the regulatory area, a fundamental task aimed at accelerating growth in the future, are not so evident. The drop in sales volume and margins that occurred this year also on account of extraordinary causes and not depending on the actions of the company, made the economic effects of the reorganization even more evident and determined an operating loss.

The gross margin was 22.727 thousand Euros, a decrease of 7,9% with respect to the 24.669 thousand Euros for last year; the percentage incidence of the margin on the sales volume dropped to 42,0% from 43,1% on December 31<sup>st</sup> 2016 also due to the decrease in grants for research. The fall in sales of the Mona Lisa Touch systems for the treatment of vaginal atrophy by the American distributor Cynosure, purchased in 2017 by Hologic, had a decisive impact on the decrease in the sales volume and the margins.

The cost for operating services and charges was 6.925 thousand Euros, an increase over the 6.175 thousand Euros registered last year and with an incidence on the sales volume which rose from 10,8% on December 31<sup>st</sup> 2016 to 12,8% for this year.

The staff cost was 15.519 thousand Euros and shows an increase of 18,3% with respect to the 13.121 thousand Euros for last year and with an incidence on the sales volume which rose from 22,9% in 2016 to 28,7% for this year. On December 31<sup>st</sup> 2017 there were 234 employees in the company, an increase with respect to the 215 registered on December 31<sup>st</sup> 2016. The increase in the costs for personnel reflects certain events of non-repeatable nature which caused costs for operative and logistic re-organization, as described above.

A large portion of the personnel expenses is directed towards research and development, for which El.En. S.p.A. receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. The grants entered into accounts as of December 31<sup>st</sup> 2017 amounted to 148 thousand Euros, whereas last year they amounted to 956 thousand Euros.

For the reasons explained above, the EBITDA was 283 thousand Euros, a decrease with respect to the 5.373 thousand Euros for the preceding year, with an incidence on the sales volume which decreased from 9,4% on December 31<sup>st</sup> 2016 to 0,5% for this year.

The costs for amortizations, depreciations and accruals were 1.263 thousand Euros, showing a slight drop with respect to the 1.358 thousand Euros registered on December 31<sup>st</sup> 2016.

The EBIT therefore dropped from 4.105 thousand Euros on December 31<sup>st</sup> 2016 to -980 thousand Euros for this year, a decrease which reflects the drop in sales volume and a worse mix of products sold in terms of sales margins while maintaining a high level of costs, in particular for research and development and marketing.

The financial charges amounted to 140 thousand Euros, with respect to the financial income of 3.899 thousand Euros for the year ending December 31<sup>st</sup> 2016. The dividends received were almost double those of last year 1,86 million as opposed to 950 thousand Euros in 2016, but the exchange rate differences fell from a gain of 2,3 million in 2016 to a loss of 2,6 million in 2017, mainly due to the significant fall in value of the US dollar.

It should be recalled that in 2016 among the other non-operating income and charges we registered an income due to the capital gains of 36.507 thousand Euros earned as a result of the sale of 998.628 Cynosure Inc. shares, an event which is clearly non-repeatable.

The pre-tax income therefore shows a negative result of 656 thousand Euros, with respect to the positive amount of 43.993 thousand Euros for last year. Thanks to the entry in the income taxes of a revenue of 698 thousand Euros on account of the application of the fiscal consolidation, the net income was 41 thousand Euros.

## STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31<sup>st</sup> 2017

Statement of financial position	31/12/2017	31/12/2016	Variation
Intangible assets	223	217	6
Tangible assets	13.239	12.679	561
Equity investments	17.179	16.535	643
Deferred tax assets	2.532	2.737	-205
Other non-current assets	12.059	10.849	1.209
<b>Total non current assets</b>	<b>45.232</b>	<b>43.017</b>	<b>2.215</b>
Inventories	21.415	22.178	-762
Accounts receivable	36.552	33.592	2.960
Tax receivables	4.010	2.489	1.520
Other receivables	6.500	6.380	119
Financial instruments	2.036	0	2.036
Cash and cash equivalents	43.373	57.213	-13.840
<b>Total current assets</b>	<b>113.886</b>	<b>121.852</b>	<b>-7.966</b>
<b>Total Assets</b>	<b>159.118</b>	<b>164.869</b>	<b>-5.751</b>
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	98.829	64.188	34.641
Retained earnings / (accumulated deficit)	-984	-984	
Net income / (loss)	41	41.511	-41.470
<b>Total shareholders' equity</b>	<b>138.988</b>	<b>145.817</b>	<b>-6.829</b>
Severance indemnity	889	945	-57
Deferred tax liabilities	476	685	-209
Reserve for risks and charges	578	489	89
Financial debts and liabilities	488	488	
<b>Total non current liabilities</b>	<b>2.431</b>	<b>2.607</b>	<b>-176</b>
Accounts payable	13.377	11.750	1.627
Income tax payables	0	649	-649
Other current payables	4.322	4.046	277
<b>Total current liabilities</b>	<b>17.699</b>	<b>16.445</b>	<b>1.254</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>159.118</b>	<b>164.869</b>	<b>-5.751</b>

Net financial position	31/12/2017	31/12/2016
Cash and bank	43.373	57.213
Financial instruments	2.036	0
<b>Cash and cash equivalents</b>	<b>45.410</b>	<b>57.213</b>
<b>Current financial receivables</b>	<b>130</b>	<b>63</b>
<b>Financial short term liabilities</b>	<b>0</b>	<b>(0)</b>
<b>Net current financial position</b>	<b>45.540</b>	<b>57.277</b>
Other long term financial liabilities	(488)	(488)
<b>Financial long term liabilities</b>	<b>(488)</b>	<b>(488)</b>
<b>Net financial position</b>	<b>45.052</b>	<b>56.788</b>

For the analysis of the net financial position, please consult the Notes in the separate financial statement of El.En. S.p.A



## 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 financial year 2017.

	Revenues	Revenues	Variation	EBIT	EBIT	Income	Income
	31/12/2017	31/12/2016		31/12/2017	31/12/2016	(loss) for the financial period	(loss) for the financial period
Ot-las S.r.l. (formerly Cutlite Penta S.r.l.)	30.142	24.032	25,42%	2.268	677	2.610	449
Deka Mela S.r.l.	40.693	36.075	12,80%	2.293	2.019	2.083	1.769
Esthelogue S.r.l.	10.418	9.285	12,20%	641	649	446	389
Deka Sarl	3.856	3.884	-0,72%	(125)	(4)	(125)	(4)
Lasit S.p.A.	13.843	10.224	35,40%	2.555	987	1.847	623
Quanta System S.p.A.	50.075	43.551	14,98%	9.015	7.347	6.610	4.962
Asclepion GmbH	37.923	34.222	10,81%	3.904	3.012	2.606	1.997
ASA S.r.l.	9.962	8.790	13,33%	2.312	2.010	1.873	1.532
BRCT Inc.	-	-	0,00%	23	(17)	3	95
With Us Co., Ltd	19.528	22.308	-12,46%	(134)	3.102	79	1.747
Penta-Chutian Laser (Wuhan) Co., Ltd	29.312	27.136	8,02%	2.362	1.467	1.643	870
Cutlite do Brasil Ltda	1.306	1.879	-30,49%	(593)	(936)	(610)	(781)
Lasercut Technologies Inc.	-	1	-100,00%	681	7	681	2
Pharmonia S.r.l.	428	362	18,23%	12	14	9	11
Deka Medical Inc.	14	99	-85,86%	-	16	(12)	4
Deka Japan Co., Ltd	2.342	2.246	4,27%	299	69	200	68
Penta-Laser Equipment Wenzhou Co., Ltd	67.452	38.412	75,60%	5.657	2.310	4.644	1.604
JenaSurgical GmbH	2.827	1.792	57,76%	(49)	2	(52)	3
Accure Quanta, Inc.	-	-	0,00%	(6)	(2)	292	(2)
Merit Due S.r.l.	58	58	0,00%	31	30	21	19

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

Deka M.E.L.A. 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 was founded by El.En. in the early 1990s and has gradually consolidated their position on the market, first in Italy and then internationally. Deka operates in the sectors of dermatology, aesthetics and surgery and uses a network of agents for direct distribution in Italy and, for export, a network of highly qualified distributors that have been selected over a period of time. After the launching of the Monna Lisa Touch laser system for the treatment of vaginal atrophy, Deka has reappeared successfully in the gynecology field in which it had previously operated with CO<sub>2</sub> laser systems during its first years of activity. In 2017 the company showed a growth of 13%, thanks mainly to the sales of alexandrite systems for hair removal and CO<sub>2</sub> laser systems like Monna Lisa Touch for vaginal atrophy and the Smartxide range for photo-rejuvenation.

For the second consecutive year of the rapid growth, the revenue results have benefitted and improved at the operative level thanks to a slight increase in the sales margins and despite the increase in the overheads and cost for personnel, thanks also to the increased importance of distribution in Italy. In fact, sales in Italy have shown a great acceleration, in part due to the reorganization which, with the Renaissance brand products, has also concentrated the distribution for the associated company, Quanta System in DEKA.

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. ( formerly Cutlite Penta S.r.l.)**

Cutlite Penta 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.

At the end of 2017, as part of the process of re-organization of the industrial sector of the Group, Cutlite Penta conferred to a newly created S.r.l. company which was to become effective in January of 2018, all of the activities related to systems for laser cutting. Moreover, Cutlite Penta was renamed Ot-las, and the name Cutlite Penta was given to the new company. This was done in order to maintain the correspondence between the name of the company and the brand names they produced, since Ot-las kept the business of laser systems for marking which had always been sold under the brand name Ot-las, while Cutlite Penta has always been associated with systems for laser cutting.

This re-organization, which brings the two companies back to the state in which they were before the merger in 2013, was conducted in order to increase the focus on the activities and facilitate the synergy with the other companies of the Group; it took place at the closing of a year in which the company, which was still being managed as a single unit, had registered record results: the sales volume had exceeded 30 million with a growth of 25%, the EBIT of 2.268 thousand Euros brought the company to a level which had never before been reached.

The relationship with the Parent Company El.En. S.p.A., remains fundamental for the supply of laser sources and for collaboration on projects for new systems and new accessories, in particular concerning beam delivery. In the last few years Ot-las S.r.l. (formerly Cutlite Penta S.r.l.) has progressively become equipped with structures and personnel that are increasingly evolved in this regard and, by selecting alternative partners, has also dealt with the technological shift which has marginalized the use of CO<sub>2</sub> laser sources (an important El.En. product) from power cutting applications. In this regard, the use of fiber sources, which the company acquires from third parties, has turned out to be of great effectiveness.

El.En.'s contribution of RF sources, on the other hand, remains decisive for mid-powered applications and marking systems. Moreover, the financial support of the Parent Company remains essential, even for mid-term projects like the expansion on the Chinese market through the subsidiaries **Penta Chutian Laser (Wuhan)** and **Penta Laser Equipment (Wenzhou)**.

The first of the two Chinese companies just celebrated ten years since its founding and allowed the Group to expand by making use of the local manufacturing facilities, which are the most important in the world for manufacturing. In these ten years it has become one of the most important companies on the Chinese market and has acquired a significant position thanks to its aggressive pricing policy which has allowed it to insert itself among the local competitors, typically very low cost, and the more renowned international competition which is qualified but often too expensive for the Chinese client.

Penta Chutian of Wuhan now operates jointly with Penta Laser (Wenzhou), which was created three years ago thanks to the support guaranteed by the municipality of Wenzhou for the new high-tech factory which began operations in the Summer of 2016. The new factory has more than doubled the production capacity in an environment that was designed specifically to house our production. It has been of fundamental importance for sustaining the extraordinary growth of the market: thanks to the new factory it has been possible to manage an increase of 80% of the sales volume which is due to the growing demand for laser systems for cutting sheet metal. This market has been opened to new and vaster dimensions by the new technology for fiber lasers thanks to its greater productivity and maintainability. The demand and the outlook remain solid for 2018.

#### **Quanta System S.p.A.**

Quanta was founded as a specialized research center for the manufacture of scientific lasers and has maintained its superior capacity to make technologically advanced lasers in the medical sector to which it has almost completely dedicated all of its activity.

The rapid growth trend of the company was confirmed again in 2017. In 2016 it exceeded the threshold of 40 million Euros in sales volume and in 2017 it reached 50 million and further improved their EBIT (about 9 million) and net income (about 7 million).

There are several factors which have contributed to this brilliant out come. The main one is the company's ability to offer innovative products to the market and to distinguish itself for technological solutions which make certain laser treatments more effective. Along with the lively dynamics of the sales, the investments made in the new high-tech

factory in Samarate have given a concrete support thanks to the gradual increase in the production capacity which has demonstrated that they are able to manage a high demand.

Among the main activities conducted in 2017, we may note the consolidation of their position in the segment of lasers for removing tattoos and pigmented lesions using pico-second technology and the start-up in Italy of a joint distribution network with the products of DEKA, under the brand name Renaissance using the distribution network managed by DEKA.

The favorable trend on the market and some new products which will be available for sale both in the aesthetic sector and the surgical sector let us hope that in 2018 they will be able to break the record set in 2017.

**Lasit S.p.A.** is specialized in the manufacture of systems for marking small surfaces and conducts the production and development activity of their products in their factory in Torre Annunziata (NA); their mechanical workshop is fitted with the most technologically advanced equipment, including laser cutting machines which allows them to do machining work also for the other companies of the Group and maintain a high degree of flexibility in the customization of systems for their clientele, a service which makes them unique on the market. In fact, their focus on the needs of the clients as well as their offering of custom systems and services have allowed Lasit to consolidate their position on the market. Lasit is now enjoying the benefits of a rapidly expanding market thanks to the growing need for traceability and identification in the manufacturing process. These needs can be met by laser marking systems which can easily and effectively be added to every production process. Consequently, the company showed excellent results in 2017 with a sales volume of 13,8 million Euros and an EBIT which reached the extraordinary level of 18,5% on the sales volume.

### **Asclepion Laser Technologies GmbH**

Asclepion was purchased in 2003 from Carl Zeiss Meditec, and is now one of the most important companies of the Group and one of the three business units with which the Group operates on the market of laser systems for medical applications. 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.

The most successful product, which was the driver in the growth registered in the last few years, continues to be the Mediostar for hair removal with various models with different levels of performance and different price ranges that cover the various niches of the market. Along with Mediostar the company produces the more traditional line of Asclepion products, the erbium lasers for dermatology of which the company has thousands of installations in particular in Germany; the potential range of applications of the system has been amplified thanks to the accessories specifically designed for photo-rejuvenation and, more recently, gynaecological applications, which have met with considerable success on the market. In this latter sector, the Juliet system for vaginal treatments using erbium technology has become a point of reference and has recently been offered with success also in the United States.

In 2015 Asclepion started **Jena Surgical GmbH**, a specific division for the promotion and distribution of systems for surgical applications on the International markets and an entity that, looking to the future, represents one of Asclepion's most important clients and one of its most significant directives for development. In 2017 Jena Surgical was showing strong growth and came close to 3 million in sales volume.

Asclepion also had a record year in 2017, with a sales volume of close to 38 million and an EBIT of just under 4 million Euros. The good position of the range of products offered and the favorable conditions of the market promise well for another good year in 2018.

### **With Us Co Ltd**

With us Co. has achieved an important market position in the field of aesthetics in Japan, by proposing the systems produced by the Group and offering all-inclusive maintenance service for the growing number of systems already installed. After a record year in 2016, the company showed a drop in revenue and sales volume and they were unable to break even for the EBIT. This circumstance is derived also from the need to up-date the range of products specifically made for the Japanese market. Activity is now being intensified in order to be able to propose innovative solutions for this market and the trend for 2018 is expected to be stable.

### **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; 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 therapeutic effectiveness and the validity of the clinical support have allowed Asa to continue to grow in the past few years and in 2017 they almost reached a sales volume of 10 million, with an excellent level of profitability. The innovative nature of the products makes it possible to maintain a good sales margin which, in turn, makes it possible to invest in development and promotional activities – a virtuous cycle which we are confident will continue next year. Among other things, in 2018 Asa will be building a new factory which will give the company a logistic and operative structure that is able to sustain their ambitious development plans.

### **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. The sales volume reached in 2017 was substantially the same as that for the preceding year but not enough to allow the company to break even due to the increase in personnel costs which had been made to favor the rapid development of the company.

**Deka Japan**, which distributes the Deka brand medical systems in Japan, in 2017 was going through a year of transition because, starting in 2018, it will conduct its activities through a distributor, DKSH. From the collaboration with this experienced company, the oldest foreign company in Japan, and from the authorization to sell certain products in Japan, we are confident that we can achieve an improvement in the volume of business and operating profitability.

**Deka Medical Inc.** ceased their distribution activity in the US for the medical/ aesthetic and 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 particular hair removal applications. The Mediostar Next laser systems with its evolutions, Mediostar Pro and XL represent the technological competitive advantage for Esthelogue. Mediostar, is an effective and reliable product made by Asclepion in Jena. The other factor in the success of Esthelogue, which is equally important, is the assiduous and qualified training and assistance they offer their clients which transfers value and know-how to the users of our technologies. Since their presence is increasingly widespread and consolidated, the Group is confident that they can take advantage on a mid-term basis of the Esthelogue structure and the trust that the clients have in the company's technologies, also for moving new and different applicative technologies on this interesting market.

**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.

### **Other companies, industrial sector**

**Lasercut Technologies Inc.** terminated its after-sales service activity for some industrial systems on the USA.; **BRCT Inc.** acts as a financial sub-holding, a role that has been intensified since the acquisition in 2014 of the equity in Quanta USA LLC.

**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, attends to the distribution of laser systems produced by the Italian companies of the Group. 2017 confirmed the critical situation of the company which registered losses that even eroded its capital.

## Research and Development activities

During 2017 the Group conducted an intense research and development activity for the purpose of discovering new laser applications and different light sources for both 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 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 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, various power versions in some cases, and 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 the subsidiary **DEKA** has been active in research on biological samples and cell cultures in the laboratory for surgical applications of the devices and sub-systems for the SMARTXIDE<sup>2</sup> 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 surgery, in gynecology, for cutaneous ulcers and for aesthetic medicine. We are now adding further technological innovations which will make it possible to conduct surgical operations on various parts of the anatomy with extreme precision.

An application that is extremely important and has already obtained considerable commercial success, is related to urogynecology and urology. We have continued the experimentation activities with the Monna Lisa treatment (or Mona Lisa, depending on the country), our treatment to reduce the effects of the atrophy of vaginal mucous. Moreover, at several centers that operate in university structures or highly prestigious private clinics in Italy or other countries (particularly in the USA) we are conducting important research to increase our knowledge of the acting mechanisms and obtain new applications from further scientific advancements.

The fundamental clinical studies conducted on laser treatment of the atrophy of vaginal mucous have confirmed that it is effective, safe and has no negative collateral effects. It can be stated that this is an extremely important innovation for medicine which will always remain among the basic requirements for the specific therapy. It is our precise intention to remain at the top of the global development of this new therapeutic sector and we will direct and re-enforce the scientific and technological developments in order to maintain our pre-eminent position. The atrophy of the vaginal mucous is a very common and incapacitating condition which interacts with other pathologies and affects a high percentage of women in menopause and young women with tumors for whom therapies that alter the hormone balance and provoke a sort of premature menopause are indicated.

Moreover, we are conducting research on a new class of applications in gynecology based on the exceptional characteristics of the *restitutio ad integrum* that the use of CO<sub>2</sub> lasers supplies to soft tissues in the various anatomic areas being treated.

We are accumulating important scientific papers published in international reviews on the effectiveness of the treatment on women who have had breast tumors and have been forced to use pharmaceuticals that induce premature menopause in order to avoid recurrence.

For surgical applications we are now obtaining interesting results for the treatment for diabetic feet. In this sector we have introduced the possibility of cleaning (debridement) and removal of the necrotic tissue and the lesions with a laser which leaves the treated portion practically sterile and with the additional advantage of reducing the pain suffered by the patient during the treatment; in fact, the laser light works without mechanical contact with the various parts of the ulcer and vaporizes or cuts the parts to be eliminated with extreme precision; when, on the other hand, for this kind of treatment, scalpels or other contact instruments are used, more nerve endings are involved by the mechanical pressure applied by the scraping or cutting which necessarily comports a tearing effect which involves a volume of material which includes the area surrounding the portions to be eliminated both on the sides and underneath it.

Moreover, the laser energy is emitted in impulses of extremely short duration which instantaneously vaporize the nerve endings which may be present only in a small superficial layer of biological material to be eliminated; in fact, due to the brevity of the impulses, the heat does not affect the layers below it. The healing of chronic ulcers by means of laser treatments is based on the above characteristics of the laser beam opportunely designed by us to be used in the clearing phase of the lesion but also on the capacity for bio-stimulation operated by the laser light, our cultural heritage because of the numerous experiments and research that we have conducted over the years.

We have given the name “Giotto Touch” to the device and the treatment; the name of Giotto is related to the great artist of the painter who was the first one to study perspective in painting which, up to that time had been purely instinctive, and gave three-dimensionality to his figures. This important characteristic recalls the effect generated by our laser device which makes it possible to restore three-dimensionality and structure to the ulcerated portions of the body once they have been cured. We have recently installed a Giotto Touch device in an important hospital in China on the basis of an agreement with the National Chinese Society for treating ulcers that are difficult to cure, for clinical trials on the treatment of ulcers.

For the regeneration of tissues we had previously coined the acronym HILT, *High Intensity Laser Therapy*, which characterized the range of laser products. The specific distribution on the market was entrusted to our subsidiary ASA; in this regard we should also mention the completion of the development of the new Hiro TT system, the first example of this new approach of “multi-level” control which makes use of advanced graphics, with latest generation LCD capacitors; the device received the CE approval mark in January 2017.

In 2018 we began selling the systems and the great interest in them has been confirmed by the various centers where the device is being experimented.

As part of the FOMEMI Project, with El.En leading the project, which has recently received approval for funding on the basis of the Regione Toscana contest for European Funds, we are conducting research activities for the characterization of the components present in the ulcers of diabetic feet, using visible light and near infrared; we have also scheduled research on the tissue/air interface using the analysis of the radio-frequency version of the ultrasound echo signal. We are also conducting research on a static illuminator for laser bio-stimulation in collaboration with some of the partners in the FOMEMI research project.

In collaboration with Elesta, we are now concluding the development of a device for the percutaneous laser ablation of breast tumors, with delivery of energy from a diffusing tip which is cooled by closed forced circulation of biocompatible sterile liquid.

We have completed the study and planning phase of an innovative system for “Body Shaping”(reduction of the adipose layer in various parts of the body), called Onda, based on the use of a new form of energy that is able to provoke a reduction of the adipocytes by necrosis or apoptosis. We are now running laboratory experiments to improve the control of the superficial and in depth temperature. The study for the interpretation of the action mechanisms intended to optimize the usage protocols has continued.

The device has been equipped with innovative applicators which have the intrinsic safety of not transferring energy when they are not in contact with the skin; moreover, they have been designed in such a way as to launch the energy through a cooled contact with the normal electrical field of the skin itself and the underlying structures; in this way, the sub-cutaneous fat and the muscle below it are aligned in the chain of tissues which absorb the energy and most of the energy is absorbed by the fat, as planned, so that this gives an extra protection to guarantee that the muscle layers below the fat are not subjected to excessive heat. We plan to place the product on the market in the Spring of 2018.

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.

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, results of which are used mainly for the development of DEKA products as well as for the other companies of the Group.

We have developed a new compact feeding system which is mounted on the body of the Blade RF88 to be used on medical systems.

Knowledge of oscillators was applied for the development of an induction heating system of nano-particles of iron oxide, as part of a collaboration in a pilot project for medical applications.

They have begun 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 terapeutici basati su nanosistemi e/o linfociti ingegnerizzati per l'individuazione precoce e il trattamento del melanoma e della sclerosi multipla*”) (Regione Toscana – POR FESR 2014-2020, Bando 1: Strategic Research and Development Projects).

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 whose experimental phase has just been completed. The product will be presented at the International European Urology Congress which will be held in the next few days.

They have concluded the development of the Thunder system for hair removal with high powered Alexandrite and Nd:Yag sources that can also be activated with simultaneous emission and with a highly original delivery mechanism. They have just started the clinical trials on the advanced potential for hair removal.

They have completed laboratory and clinical experiments on incremental innovations of the Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes for automatic recognition. In the surgery sector they have completed the development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP); and they have completed the development of incremental innovations on holmium systems for lithotripsy, improving the performance of the cavity, of the launch of the fiber and of the fibers themselves.

Also in the field of lithotripsy, for the Holmium laser, they have developed the technique called Vapor Tunnel by Quanta System which offers considerable advantages in the stabilization and effectiveness of the shattering of the stones in the upper excretion tubes.

They have conducted experiments on innovative applications in the field of gastro-enterology. 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. The interest and the study of the results obtained determined the extension of the experiments on the ablation of superficial, the debulking of tumors in the gastro-intestinal tract and the coagulation of bleeding in the rectal tract due to gastric lesions caused by reflux.

Research on laser applications in the dermatological field produced the development of pico-second laser which emit, in the red range; special wave length converters were studied for operating in the field between 680nm and 770nm, based on extremely compact parametric oscillators on OPO (Optical Parametric Oscillators) and OPA (Optical Parametric Amplifier). The study focused on an extremely compact structure that can be housed in a handpiece; this placement required the development of an articulated transporting arm for the laser beam which could maintain the polarization constant along the pathway.

They also developed the armored Thunder Compact system for restoration of the cultural heritage, which is easy to carry and suited to the rugged conditions of some restoration sites.

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 are now developing the new Mediostar 4.0 with substantial technical and aesthetic innovations. They have started development for the integration of other modules for Mediostar and the relative clinical trials.

New versions of the morcellator to be used with the Holmium systems for the treatment of benign hypertrophy of the prostate have been completed in order to meet the needs for innovation and adaptation in certain geographic areas.

The mass production of Tattoostar Pico was started. This system for the removal of pigmented lesions and tattoos was first presented at the Medica fair in November of 2017.

In the field of dermatology they have completed the first development phase of the new product, Quadrostar for treating psoriasis and vitiligo and of the system for removing tattoos and pigmented lesions, Tattoostar Ruby.

## Laser systems and applications for industry

For the carbon dioxide ( $CO_2$ ) sources with planar discharging, we have designed, developed and tested a new system for the treatment of the beam with a strengthened spatial filter for use with sources with increased power; we have designed and tested techniques for optical filtering inside the resonator for the selection of the wave length and the fundamental mode of the stable branch. The aim is to improve the stability of the focal spot and to increase the speed of the phases needed for start-up and testing. We are now conducting verification trials.

For the new source we are now developing a radio-frequency feeding system with a power level adapted to the discharging surface by combining the outlets of several amplifiers into a single feeding point.

We have run stability tests over time on carbon monoxide (CO) sources in order to learn about the behavior of the gas mixture and estimate its deterioration during functioning. Moreover, we have designed control systems for the cutting heads of 5-axis machines, process sensors for flat cutting machines, and systems for the focalization and homogenization of laser beams for industrial and medical applications.

At El.En., in collaboration with the subsidiary Ot-las S.r.l. (ex Cutlite Penta S.r.l.), we have continued research on innovative processes for pre-cutting and micro-perforation of labels in a machine and on systems for applications in the field of cutting and welding plastic products, in the soft drink sector, for prolonging the shelf life of food products.

We continued our development of software and algorithms for high-speed advanced coding in the field of digital converting.

We are conducting intense activity aimed at increasing the maximum power of sources in the RF range by improving and increasing the power of the emissions and laser sources while maintaining a high quality and modulability of the beam in order to make innovative applications possible like the micro-piercing of panels and special applications in the field of digital converting and the cutting of rigid modular wooden packing materials in MDF (Medium Density Fibreboard).

In the sector of remote high-speed machining significant resources have been dedicated to the improvement of the mid-to long term repeatability/drift performance. For this purpose we have developed optical sensors that are able to generate lower drift levels over time with respect to the capacitive type in the performance of the galvanometers used in scanning heads for applications in the sector of digital converting and we are now conducting experimental tests and characterization of the devices. Besides this, we have conducted minor research on focalization systems of laser sources both the carbon dioxide type we manufacture and the solid state type in optical fiber.

We have conducted a study aimed at improving the performance of the Blade RF888 sources for marking textiles, with reference to the wave length and the fluctuations of power during the transients.

At **Ot-las S.r.l.** (ex Cutlite Penta S.r.l.) they have developed and experimented with new process sensors installed in machines for metal cutting.

They have also continued testing and experimentation of scanning and focalizing heads for lasers in fibre developed in our factory, for remote welding plants for metal materials, and the manufacture of large series of furniture accessories. As part of this project we have also initiated the development of a new dynamic focalization system with high-speed response.

At **Ot-las S.r.l.** (ex Cutlite Penta S.r.l.), **Penta Laser Equipment Wenzhou Co. Ltd** e **Penta-Chutian Laser (Wuhan) Co. Ltd** they have developed and started production of laser systems for cutting metal that are equipped with very high-powered laser sources in fiber, with sources of up to 12kW, for high-speed cutting of sheet metal, even of considerable thickness. For these systems, they have developed focalizing heads with specific technical details which make them suitable for managing even very high-powered laser beams.

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

<i>Thousands of Euros</i>	31/12/2017	31/12/2016
Staff costs and general expenses	8.058	7.194
Equipment	169	149
Costs for testing and prototypes	3.944	2.317
Consultancy fees	712	683
Other services	54	57
<b>Total</b>	<b>12.936</b>	<b>10.401</b>

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

The amount of expenses sustained corresponds to about 5% 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.



## 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 statements of the Group.

With Us Co. Ltd. in preceding years stipulated three derivatives of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euro.

<i>Operation</i>	Notional value	<i>Fair value</i>
Currency swap	€ 350.000	€ 28.765
Currency swap	€ 750.000	-€ 678
Currency swap	€ 1.450.000	€ 63.296
<b>Total</b>	<b>€ 2.550.000</b>	<b>€ 91.383</b>

### *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 8% of the total accounts receivable from third parties. For an analysis of the due dates on accounts receivable from third parties, please consult the relative note 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 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 2018 with possibility of extension annually.

-in 2014 a bank guarantee for a maximum of 253 thousand Euros as a guarantee for the restitution of the amount requested as a down payment on the "BI-TRE" research project, which was accepted for a grant in the Bando Regionale 2012 approved by the Regione Toscana with *Decreto Dirigenziale* n. 5160 on November 5<sup>th</sup> 2012, with expiration date in February 2018.

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 30<sup>th</sup> 2014, with expiration date in May 2020.

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) obtained two types of 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 30 million RMB.

#### *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. For this reason we believe that these risks are fully covered.

#### *Management of the capital*

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

## **STOCK OPTIONS OFFERED TO ADMINISTRATORS, COLLABORATORS AND EMPLOYEES**

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

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

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

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

The Plan will end on December 31<sup>st</sup> 2025 and the options that have not been picked up by that date will lapse definitively, the capital stock will be considered definitively increased by the amount that was actually underwritten and released on that date.

According to the Plan, the following individuals will be assigned stock option rights: the President of the Board of Directors, Gabriele Clementi, the two managing directors Andrea Cangioli and Barbara Bazzocchi, a manager with strategic responsibilities, the El.En. s.p.a. executives that have positions as executive administrators of subsidiary companies, other El.En. s.p.a. executives that have significant roles, executive administrators of subsidiary companies that are considered of strategic importance for the development of the Group, persons belonging to the categories of employees who, for their professional and personal characteristics and loyalty to the company have an important role, or may have one in the future.

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

The price, including the share premium which must be paid by all those who are picking up the option in compliance with the Stock Option Plan 2016-2025, has been set at 12,72 Euros by the Board of Directors.

The price was calculated by the Board of Directors on the basis of the arithmetical average of the official prices registered by the shares on the market during the six months prior to September 13<sup>th</sup> 2016. The criteria for determining

the price for the stock being issued for the Stock Option Plan was approved in compliance with articles 2441, sub-section VI of the Civil Code, and 158, sub-section II, T.U.F., issued by the Independent Auditors Deloitte & Touche s.p.a.. This favorable opinion was already published before the assembly and, in accordance with the law, is attached to the notary's statement, which is deposited with the Registry of Companies in Florence and can be consulted at company headquarters or at their site, [www.elengroup.com](http://www.elengroup.com) in the section "*Investor Relations / Governance / Documenti Assembleari / 2016*" as well as on the authorized market storage site [www.emarketstorage.com](http://www.emarketstorage.com).

The Board of Directors also modified art. 6 of the relative by-law concerning capital stock to make it consistent with the described above resolutions.

## TREASURY STOCK

The decision taken by the Shareholders' meeting of the Parent Company El.En. S.p.A on April 28<sup>th</sup> 2015 to authorize the Board of Directors to purchase treasury stock definitively expire in the month of October 2016 without any purchase having been made. Consequently, El.En. S.p.A. does not detain any treasury stock.

## STAFF

As already mentioned, the staff of the Group rose from 1093 people on December 31<sup>st</sup> 2016 to 1212 on December 31<sup>st</sup> 2017. The division within the Group is as follows:

Company	2017 Average	31-dec-17	31-dec-16	Var.	Var. %
El.En. S.p.A.	224,50	234	215	19	8,84%
Ot-las Srl	57,50	63	52	11	21,15%
Deka M.E.L.A. Srl	18,50	20	17	3	17,65%
Esthelogue Srl	14,00	15	13	2	15,38%
Deka Sarl	10,50	10	11	-1	-9,09%
Lasit SpA	53,50	56	51	5	9,80%
Quanta System SpA	128,50	135	122	13	10,66%
Asclepion Laser T. GmbH	102,00	109	95	14	14,74%
Asa Srl	45,00	49	41	8	19,51%
BRCT Inc.	0,00	0	0	0	0,00%
With Us Co Ltd	45,50	46	45	1	2,22%
Penta-Chutian Laser (Wuhan) Co., Ltd	115,50	109	122	-13	-10,66%
Cutlite do Brasil Ltda	22,50	22	23	-1	-4,35%
Lasercut Technologies Inc	0,00	0	0	0	0,00%
Pharmonia S.r.l.	0,00	0	0	0	0,00%
Deka Medical Inc	0,00	0	0	0	0,00%
Deka Japan Ltd	3,00	0	6	-6	-100,00%
Penta-Laser Equipment Wenzhou Co. Ltd	309,50	340	279	61	21,86%
Jena Surgical GmbH	2,50	4	1	3	300,00%
Accure Quanta Inc.	0,00	0	0	0	0,00%
Merit Due S.r.l.	0,00	0	0	0	0,00%
<b>Total</b>	<b>1.152,50</b>	<b>1.212</b>	<b>1.093</b>	<b>119</b>	<b>10,89%</b>

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

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

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

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

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

## **CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)**

In compliance with the laws and regulations,, El.En. S.p.A. has drawn up a consolidated Non-Financial Statement for 2017 which is deposited and published as a separate report in accordance with art. 5, sub-section 1 letter b of Legislative Decree 254 of 30 December 2016.

The consolidated Non-financial Statement for 2017 can also be consulted on the site [www.elengroup.com](http://www.elengroup.com) - “Investor relations/financial documents/reports and statements” section.

## **INTER-GROUP RELATIONS AND WITH RELATED PARTIES**

In compliance with Regolamento Consob dated March 12<sup>th</sup> 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](http://www.elengroup.com) section. “*Investor Relations/governance/corporate documents*”.

These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 force in the past (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties (“*Regolamento Operazioni con Parti Correlate*”) n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24<sup>th</sup> 2010. The procedures contained in the “*Regolamento per la disciplina delle operazioni delle parti correlate*” went into force on January 1<sup>st</sup> 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 of the Consolidated statement of the El.En. Group and the separate statement of El.En. S.p.A.

## **OPT-OUT REGIME**

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

## **OTHER INFORMATION**

### **Atypical and unusual operations**

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

### **Management and coordinating activities**

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

### **Compliance according to art. 15 and following of the Consob Market Regulations**

(adopted after vote n. 20249 on December 28<sup>th</sup> 2017)

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

- On December 31<sup>st</sup> 2017 among the companies that are controlled by El.En. S.p.A. the following are subject to the regulations: With Us Co. Ltd, Penta Chutian Laser (Wuhan) Co. Ltd e Penta-Laser Equipment (Wenzhou) Co. Ltd.
- Procedures have been adopted to assure the complete compliance to the regulation.

### **Fiscal consolidation**

It should be recalled that for the three year period 2011-2013 which was later extended for the three year period 2014-2016 and 2017-2019, for the subsidiary Esthelogue S.r.l. and, for the three year period 2012-2014, extended for the three year period 2015-2017, for the subsidiary Ot-las (ex Cutlite Penta S.r.l.), the Parent Company El.En. S.p.A. will adhere to the IRES regime of taxation of the national consolidated as per art.117 and following paragraphs of the TUIR and of the Ministerial Decree of June 9<sup>th</sup> D.M. 2004. The relations between the parties, as far as this law is concerned, are regulated by the special "Consolidation Agreement".

## **SUBSEQUENT EVENT**

No significant events occurred after the closing of the year.

## **CURRENT OUTLOOK**

The results for 2017 improved both the records for the sales volume and EBIT that were set in 2016 and have made the task of exceeding them next year even more challenging.

Thanks to the re-organization operations that took place in 2017 in the medical sector, the Group has prepared the groundwork for maintaining the thrust in growth that has been shown in the last few years. In the industrial sector, after two years of extraordinary development, growth may continue but most likely at a lower level.

If the favorable trend of the market shown in 2017 continues, the Group expects to achieve a consolidated growth of about 10% and maintain the EBIT at 10% with respect to the sales volume.

## **DESTINATION OF NET INCOME**

To our shareholders,

In submitting for your approval the separate financial statement of El.En. S.p.A. as of December 31<sup>st</sup> 2017, we propose to allocate the net income for this year as follows:

- To distribute all of the net income to the shareholders
- To distribute to the shares in circulation on the date that coupon 2 came due on May 28<sup>th</sup> 2018, in accordance with art. 2357-ter, second sub-section of the Civil Code, a dividend of 0,40 Euros (zero comma 40 Euros) gross for each share in circulation for an overall amount as of today's date of 7.718.988,80 Euros, assigning all of the net income for this year, amounting to 41.146,00 Euros, and for the residual amount 7.677.842,80 Euros, drawing from the net income not distributed in the preceding years and accrued in the voluntary reserve called "extraordinary reserve".

***For the Board of Directors***

Managing Director– Ing. Andrea Cangioli