HALF YEARLY FINANCIAL REPORT AS OF 30TH JUNE 2018

El. En. Group

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on June 30th 2018)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

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

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

EL.EN. GROUP

HALF-YEARLY MANAGEMENT REPORT

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This half-yearly financial statement for the half ending on June 30th 2018, approved by the Board of Directors on September 12th 2018, drawn up in consolidated form in compliance with to Art. 154-ter of February 24th 1998, Legislative Decree 58 (TUF) and later modifications and additions, has been drawn up in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified by the European Union.

By IFRS we mean also the International Accounting Standards (IAS) which are still in force, as well as all of the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC).
In this report which is drawn up in conformity with IAS 34, Intermediate Reports, we have used the same accounting principles used for the consolidated financial of December 31st 2017 with the exception of the accounting standards that went into force starting on January 1st 2018 described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

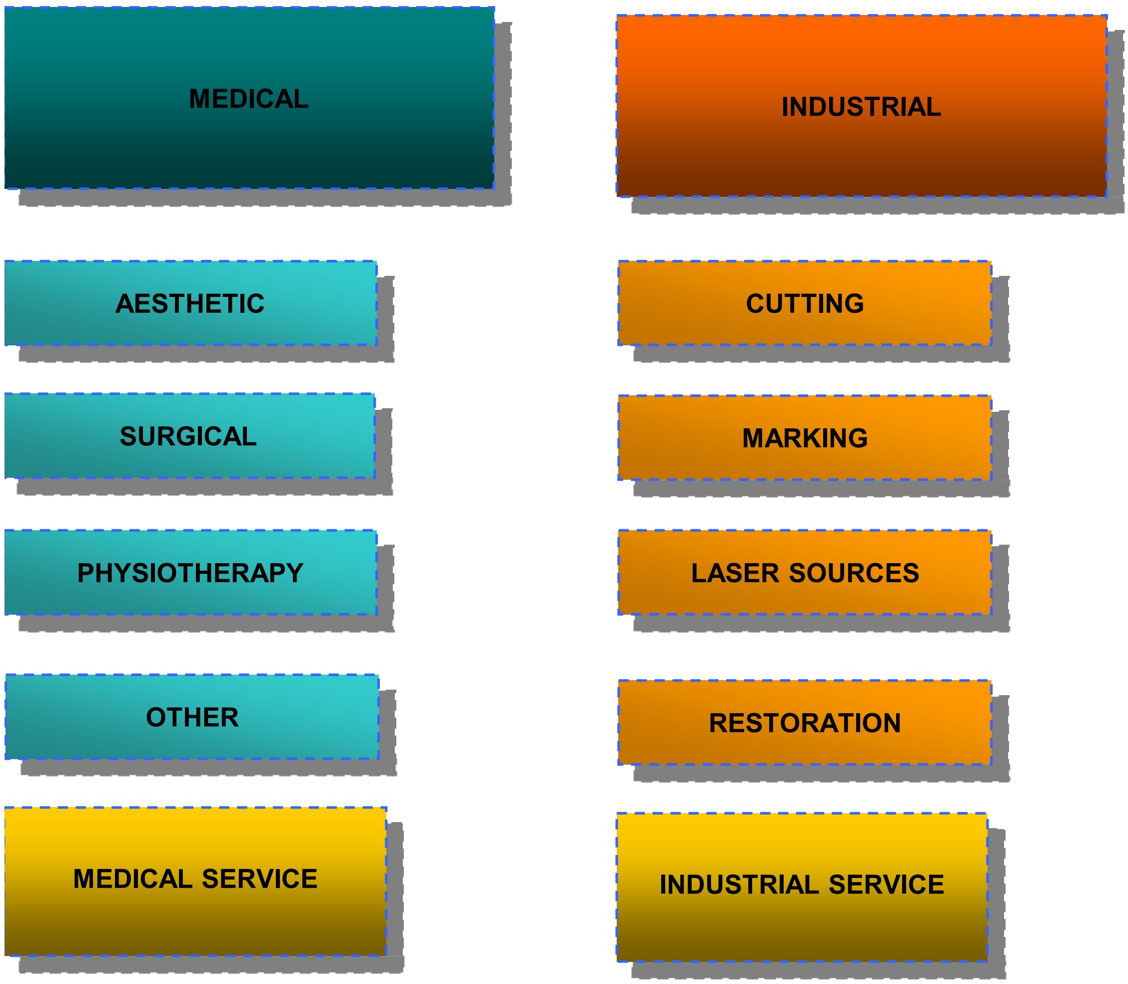
All amounts are expressed in thousands of Euros unless otherwise indicated.

1.2. Description of the activities of the Group

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which 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 1st of 2017.

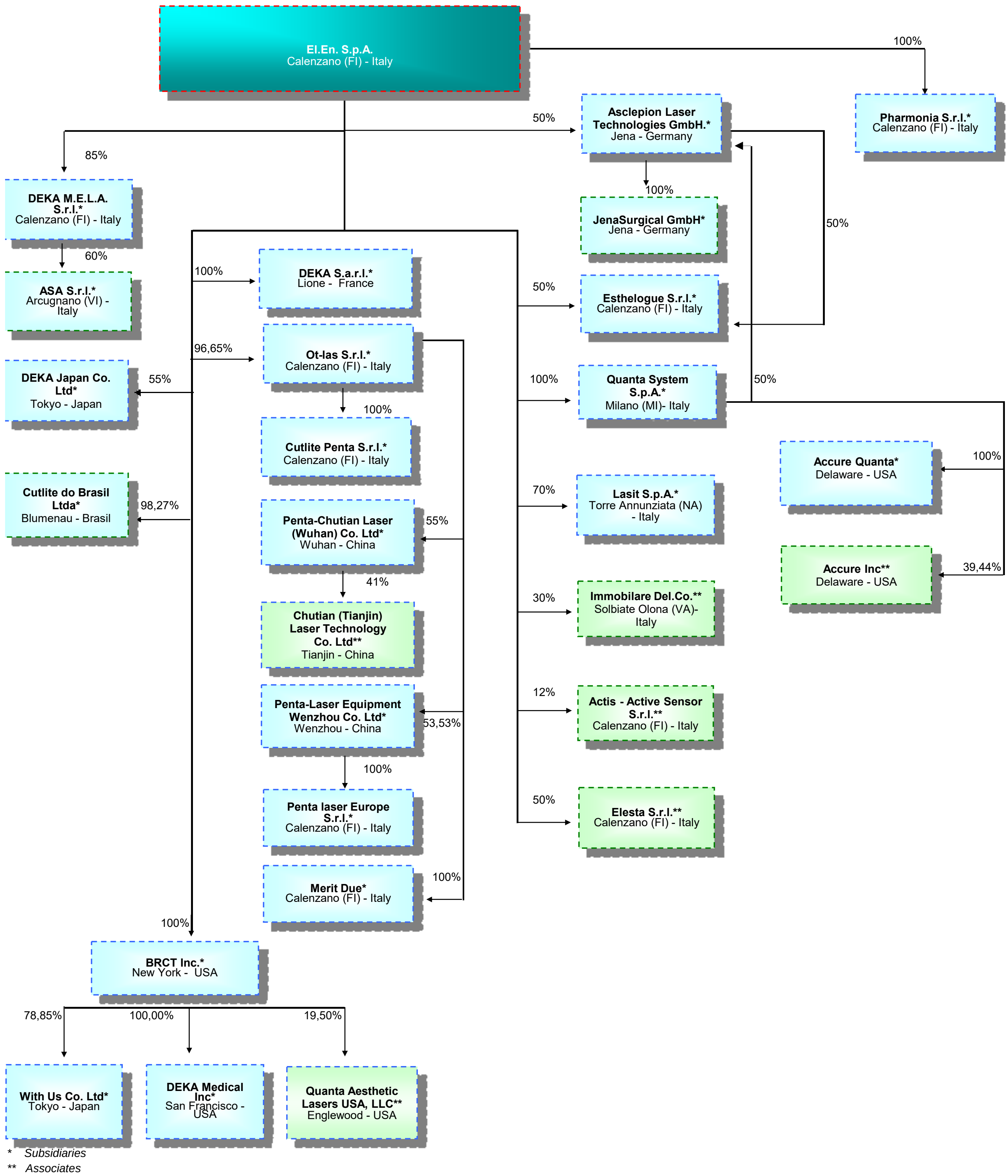
Although they both use laser technologies and share numerous strategic components and some activities at the R&D and production level, the Medical and Industrial sectors are active on two completely different kinds of markets. Their internal operations are organized in such a way as to satisfy the radically different needs of the clients of the two different sectors. Moreover, specific dynamics in the demand and expectations for growth that are connected to different key factors correspond to each of the two markets.
The outlook for growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging. There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser systems represent an increasingly indispensable tool for manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component of it which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

The extraordinary growth that has been registered recently in the industrial sector, particularly in 2017, which was much greater than that forecast by market researchers, is mainly due to the transformation of the most important market for laser processing in the manufacturing sector, that is, the cutting of sheet metal and metal parts, and our ability to profit from this particular situation. The main reason for this transformation was caused by the technological shift which saw the fiber laser sources replace and quickly render obsolete, the high powered CO_2 laser sources which had been used up to that time for this kind of cutting. The laser sources in fiber made it possible for users to reduce costs while at the same time offering easier installation and maintenance with the possibility of installing laser poker that were unthinkable with the CO_2 laser sources. The purchase and running of high-powered systems (more than 4 kW) which up until two years ago was prohibitively expensive for most potential users is now accessible to a growing number of clients and can reach powers of up to 10/12 kW.
The high productivity of laser cutting systems equipped with high-powered optical fiber sources is reshaping the market by replacing traditional technologies for metal cutting like punches which for cutting and piercing require utensils that have no flexibility and become worn out over time. Along with the amplification of the market, the improved performance of the systems which are now available have brought about the rapid obsolescence of the systems that are presently operating in the field and have accelerated the market for the replacement and up-dating of the vast number of systems already 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.

1.3. Description of the Group

As of June 30th 2018 the structure of the Group was as follows:



1.4. Performance indicators

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

	30/06/18	30/06/17
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	8,1%	6,9%
ROI (EBIT / Total Asset)	7,3%	8,8%
ROS (EBIT / Sales)	7,9%	9,2%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,79	0,78
Debt Ratio (Total Liability / Total Asset)	0,41	0,36
Leverage ((Net Equity+ Loans) / Net Equity)	1,06	1,08
Current Ratio (Current Asset / Current Lability)	2,19	2,55
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,49	1,83
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,62	0,89

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

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

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

1.5. ALTERNATIVE NON-GAAP MEASURES

The El.En Group uses some alternative performance indicators considered as accounting measurements by the IFRS, in order to obtain a better evaluation of the performance of the Group. For this reason the criteria applied for determining it may not be the same as that used by other companies and the result obtained may not be comparable with that obtained by these latter.
These alternative performance indicators, established in conformity with the guidelines for alternative performance indicators issued by the ESMA/2015/1415 and listed by CONSOB as per communication no. 92543 of December 3rd 2015, refer only to the performance of the financial period that is the subject of the current financial report 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.

1.6. Group financial highlights

During the first half of 2018 the El.En. Group registered a consolidated sales volume of 161 million Euros, showing a growth of 12,4% over the first half of 2017 and an EBIT of 12,7 million Euros, a decrease of about 3% with respect to the previous period and with an incidence on the sales volume of 7,9%.
The positive results obtained for the financial management which last year were severely penalized by the exchange rates losses generated by the strengthening of the Euro with respect to the other currencies, comported an improvement in the half-yearly results before taxes and in the net income which was 9,4 million Euros before minority interest and increased by 16,8%.

The half-yearly results therefore exceed the forecasts for growth of the sales volume while they show a delay with respect to the forecasts for growth of the EBIT. In the brief summary of the half-yearly economic results, there appear to be two main factors for the drop in the EBIT: the reduction of the gross margin of the sales over the sales volume and an increase in the overhead, especially the commercial ones.

The overall situation on out specific markets continues to be favorable and presents significant opportunities for the growth of our business. In the medical sector, all the segments showed growth in sales volume, most of which was obtained in the most important geographical areas. The decrease in the gross margin depended on a mix of products and services that were sold. The less favorable mix particularly influenced the medical sector, with a transversal effect of the exchange rates which were less favorable in the first half of 2017, but above all, a greater influence of the distribution channels with lower margins, i.e, OEM clients rather than direct distribution in particular in the segment of consumables, and, a greater influence of the products that were more advanced in their life cycle and therefore less brilliant in the price dynamics. As usual, we count on recovering the margins thanks to the greater importance of the new products and during this half we launched several new systems which we are counting on from this point of view, Onda for one, which should have a significant impact in the next few quarters. The industrial sector registered excellent sales volumes in Italy and the rest of Europe and also in China. We did not expect to be able to repeat the extraordinary growth rates registered last year; growth in 2018 remains substantial and demonstrates the solidity of our positions. In the industrial sector, among other things, a reduction in grants related to income was registered and, as far as the activity in China, which represents 60% of the sales volume, is concerned, the effect of the exchange rates is worth a reduction of 3% with respect to last year for all of the amounts earned in RMB.

The increase in overhead costs reflects the support given to the development of the sales volume which, in absolute terms, should produce results especially during the second half of the year and consequently proportionally reduce the level of expenses which has been reached, in particular in the Chinese activity in the industrial sector.

The half-yearly trend in sales, the acquisition of orders and the results expected from the introduction of new products on the market make it so that, even though we are now behind in relation to the EBIT objectives indicated in the annual guidance, these would still appear to be obtainable on account of the expected further increase in sales volume.

As far as the new products are concerned, the first half was characterized by the launching of Onda which uses, in an innovative way, microwave energy combined with a sophisticated cooling system for the effective and painless emission of “Coolwaves” for the removal of adipose cells and the firming and improvement of the look of cellulitis. For this system, in March we obtained the CE brand which allows sales within the European Community and some other countries and the first shipments were made in May.

Onda represented the return of the Deka brand in the sector of non-invasive “body shaping” after the success of Triactive and of Smartlipo, which was a milestone in the growth of the Group in the aesthetic sector. The renewed attention of the market for completely non-invasive treatments is an applicative segment that is now expanding very rapidly and gave rise to the invention, development, proto-typing and experimentation of this new product which, notwithstanding the many difficulties and thanks to the innovative quality of its technology for this application, is finally being successfully completed right at this time.

Numerous systems were either launched on the market this half or obtained authorization for sales in other countries, thus enlarging their sales potential. Besides Onda which we described above, Quanta System, for its range of high-powered systems for the treatment of BPH (benign prostate hyperplasy) added a 100W power Holmium system which obtained FDA clearance, while the Japanese Ministry of Health authorized the sale of 200W Tullium and 70W Holmium systems. These are very significant products even in light of OEM sales which are typical of a large portion of the surgical sales of the Group. The Motus AY system for hair removal was also introduced in the second quarter of the year and it has just received FDA clearance which will allow it to be sold in the USA.

In the industrial sector during the first half of the year new models were launched for sheet metal cutting systems that will include laser sources with powers ranging from 6, 8, 12, to 15kW. These increases in power, which mean improved productivity and increases in the maximum thickness that can be cut, comport a specific and complex configuration of the system and of the management groups of the beam in order to take full advantage of the productivity obtainable from each increment in power.

The chart below shows the division of the sales volume in the first six months of 2018 according to the sectors of activity of the Group, compared with the same data for the same period last year.

	30/06/2018	Inc %	30/06/2017	Inc %	Var. %
Medical	93.598	58,27%	82.935	58,05%	12,86%
Industrial	67.039	41,73%	59.942	41,95%	11,84%
Total revenue	**160.637**	**100,00%**	**142.877**	**100,00%**	**12,43%**

The two sectors are aligned with their excellent two-digit growth rates for this period with a slightly higher one shown in the medical sector. This is a significant result especially if one considers that during the half the exchange rates penalized the entity of the volume of business for an overall amount of about 3%.

The chart below shows the geographic distribution of the sales for this period.

	30/06/2018	Inc %	30/06/2017	Inc %	Var. %
Italy	30.757	19,15%	28.041	19,63%	9,69%
Europe	31.308	19,49%	24.209	16,94%	29,32%
ROW	98.571	61,36%	90.627	63,43%	8,77%
Total revenue	**160.637**	**100,00%**	**142.877**	**100,00%**	**12,43%**

From the point of view of geographical distribution, the best results were obtained in Europe where growth came close to 30%, while for Italy and non-European countries it was close to 10%. For growth broken down by geographical area, the results were similar in the medical and industrial sectors. Of particular interest is the growth in the industrial sector in Europe which represents the intention of the company to acquire substantial market quotas also outside of the traditional markets of the Group, Italy and China.

The chart below shows the results of the sales in the various segments of the medical sector which represents 58% of the sales volume of the Group:

	30/06/2018	Inc %	30/06/2017	Inc %	Var. %
Aesthetic	51.071	54,56%	48.414	58,38%	5,49%
Surgical	21.197	22,65%	14.306	17,25%	48,17%
Physiotherapy	5.317	5,68%	4.827	5,82%	10,14%
Others	277	0,30%	302	0,36%	-8,23%
Total medical systems	**77.862**	**83,19%**	**67.850**	**81,81%**	**14,76%**
Medical service	15.736	16,81%	15.085	18,19%	4,31%
Total medical revenue	**93.598**	**100,00%**	**82.935**	**100,00%**	**12,86%**

All of the main sectors showed an increase in sales volume.

The extraordinary growth of almost 50% in the surgical sector is of the greatest interest. The range of products in the surgical sector offers solutions for many different applicative segments. Sales were outstanding in all the most important segments for the sales volume of the Group. From this point of view, the recovery of the Mona Lisa Touch, particularly in the USA, was of fundamental importance and the decrease which was shown in 2017 is now being overcome thanks to a relaunching by the management of Hologic appointed to run Cynosure which again focused their business on this product which has exceptional features and great potential, and is now operating successfully.

The Mona Lisa touch is an effective treatment for vaginal atrophy, a pathology that is typical of female aging. A pathology which, instead, is typical of male aging is BPH (benign prostate hypertrophy) to which we have dedicated the high-powered Holmium and Tullium laser systems which are based on technologies in which Quanta System and Asclepion excel. In this segment, as in the systems for lithotripsy, growth was significant thanks also to the completion of the range of systems dedicated to our most important OEM clients, the primary operators in the sector which distribute them under their own brand name.

There was significant growth also in the main sector, aesthetics, where the launching of new products played a significant role. We have already mentioned the launching of Onda for "body shaping" applications and for the removal of cellulitis blemishes, which had a significant impact on sales, just as did Thunder MT by Quanta, the most powerful laser system available on the market and the Motus AY system for hair removal which has now been on sale for several months. Sales for the Erbium systems which with MCL 31 and its Juliet version for gynecology, represent a traditional stronghold in the range of Asclepion products, have also shown important developments. The sales volumes developed in the sector for the removal of tattoos and pigmented lesions was not as brilliant but was still satisfactory.

The progress of Asa in the physical therapy sector continued and showed an increase of 10% this half. At the base of this growth there is a scrupulous attention to the scheduling of the release of new products combined with marketing activity and customer care of the highest level. We should also note the launching during this half of the Hiro TT, the latest in a series of products developed through the collaboration of Asa and El.En. for promoting the use of high intensity Nd:YAG laser sources for therapeutic treatments.
Sales volumes in the dental sector and the other applicative segments of the medical sector were negligible.

After a pause in 2017, sales for medical service have started to grow again. There was an increase in the sales of consumables, creams sold in the aesthetic sector and, above all, single and multi-use optical fibers used in urological applications.

The chart below shows the breakdown of the sales volume for the sector of industrial applications, divided according to the market segments in which the Group operates.

	30/06/2018	Inc %	30/06/2017	Inc %	Var. %
Cutting	51.862	77,36%	45.486	75,88%	14,02%
Marking	8.303	12,38%	8.227	13,73%	0,91%
Laser sources	2.089	3,12%	1.844	3,08%	13,26%
Conservation	193	0,29%	105	0,18%	83,21%
Total industrial systems	**62.447**	**93,15%**	**55.662**	**92,86%**	**12,19%**
Industrial service	4.592	6,85%	4.280	7,14%	7,30%
Total industrial revenue	**67.039**	**100,00%**	**59.942**	**100,00%**	**11,84%**

The sales volume in the industrial sector showed a significant growth in all its segments with a significant acceleration in the second quarter.

The phase of rapid expansion in the market of laser systems for cutting sheet metal continued. The companies in the Group which operate in this sector are taking advantage of the opportunities created by the rapid increase of the market. The high powered laser sources in fiber have replaced the CO_2 sources used traditionally for cutting, thanks to their greater reliability, simplicity of use and variability of power. These features in fact have increased the applicative potential and the productivity of laser systems for metal cutting and consequently the number of potential clients interested in using them. Moreover, the improvement in the technology has reduced the technology gap which existed in the traditional technology between the market leaders and their competitors since it allowed even smaller players to acquire portions of the market. This very positive phase involves all of the markets, but especially the Chinese market where the Group has been present for over ten years with their joint ventures in Wuhan and Wenzhou. In order to sustain the growth of the market the production capacity will be increased again in 2018, by the transfer, to be completed by July, to a new and larger factory rented in Wuhan, while in Wenzhou we are continuing with the construction of a second factory which will become operative in 2019.

Cutlite Penta, which operates mainly in Italy and the rest of Europe in the cutting sector also benefitted from the favorable phase and continued to increase its revenue. The success of sales in Europe were particularly satisfying both in the niche of die cutting as well as metal cutting where the outlook for growth is more significant.

The marking sector remained stable during this period but this result should be improved during the next quarter in view of the market situation.

The sales of laser sources was also satisfactory; for this sector growth is now based on the identification of niche applications in the sector of packaging, special treatments and the textile sector.

The sales volume for restoration also showed a recovery. In this sector the Group earns revenue but above all, contributes to the conservation of the artistic heritage on a global level. The activity of the Group in this sector is a homage to our city, cradle of world artistic production, and represents an activity to which we dedicate our technologies and gain high visibility sometimes through collaboration wit, or donations to, important institutions.

Sales volume for customer service also increased; in this sector sales of consumables related to the use of laser sources has become increasingly important.

1.7. Consolidated income statement as of June 30th 2018

The chart below shows the consolidated income statement for the half ending on June 30th 2018 compared with the same period last year.

Income Statement	**30/06/2018**	**Inc %**	**30/06/2017**	**Inc %**	**Var. %**
Revenues	160.637	100,0%	142.877	100,0%	12,43%
Change in inventory of finished goods and WIP	10.411	6,5%	5.208	3,6%	99,90%
Other revenues and income	1.539	1,0%	1.661	1,2%	-7,36%
Value of production	**172.587**	**107,4%**	**149.746**	**104,8%**	**15,25%**
Purchase of raw materials	107.046	66,6%	79.766	55,8%	34,20%
Change in inventory of raw material	(11.674)	-7,3%	(237)	-0,2%	4832,67%
Other direct services	12.514	7,8%	10.708	7,5%	16,87%
Gross margin	**64.701**	**40,3%**	**59.509**	**41,7%**	**8,72%**
Other operating services and charges	21.243	13,2%	17.977	12,6%	18,16%
Added value	**43.458**	**27,1%**	**41.532**	**29,1%**	**4,64%**
Staff cost	28.109	17,5%	26.062	18,2%	7,85%
EBITDA	**15.349**	**9,6%**	**15.469**	**10,8%**	**-0,78%**
Depreciation, amortization and other accruals	2.618	1,6%	2.335	1,6%	12,13%
EBIT	**12.731**	**7,9%**	**13.134**	**9,2%**	**-3,07%**
Net financial income (charges)	474	0,3%	(2.204)	-1,5%	
Share of profit of associated companies	(109)	-0,1%	(49)	0,0%	123,17%
Other non-operating income (charges)	(6)	0,0%	0	0,0%	
Income (loss) before taxes	**13.090**	**8,1%**	**10.881**	**7,6%**	**20,30%**
Income taxes	3.681	2,3%	2.824	2,0%	30,37%
Income (loss) for the financial period	**9.409**	**5,9%**	**8.057**	**5,6%**	**16,77%**
Net profit (loss) of minority interest	1.957	1,2%	2.047	1,4%	-4,40%
Net income (loss)	**7.452**	**4,6%**	**6.010**	**4,2%**	**23,99%**

The gross margin was 64.701 thousand Euros, an increase of 8,72% over the 59.509 thousand Euros shown on June 30th 2017, thanks to the increase in the sales volume. The decrease in margins from 41,7% to 40,3% during the first half of 2018 was due mainly to the less favorable mix of sales in the medical sector and also to a reduction, under the heading of "other revenues and income" of grants registered for the period, particularly for the Chinese company Penta Laser Wenzhou. The mix in the medical sector showed a greater incidence of consumables with lower margins of the OEM clients and also had to deal with exchange rates which were unfavorable with respect to 2017.

The costs for other operating services and charges were 21.243 thousand Euros and register an increase of 18,16% with respect to the 17.977 thousand Euros shown on June 30th 2017. The increase is mainly related to commercial and marketing expenses intended to support selling activities but also to R&D expenses. The incidence on the sales volume rose from 12,6% to 13,2% during the first half of 2018.

The staff costs were 28.109 thousand Euros, showing an increase of 7,85% with respect to the 26.062 thousand Euros for the same period last year, with an incidence on the sales volume which decreased from 18,2% on June 30th 2017 to 17,5% on June 30th 2018.

As of June 30th 2018 the number of employees in the Group was 1.374, an increase with respect to the 1.212 registered on December 31st 2017. New hiring involved mainly the Chinse subsidiary Penta Laser Equipment (Wenzhou).
A large portion of the personnel expenses is directed towards research and development costs (which increased by 18% this half), for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose (which decreased this half).

Among the grants entered as of June 30th 2018, most of them were related to research projects for an amount of about 30 thousand Euros and federal grants related to the new factory and to research projects for an amount of about 511 thousand Euros for the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd.

The EBITDA was 15.349 thousand Euros, showing a decrease of 0,8% with respect to the 15.469 thousand Euros shown on June 30th 2017.
The decrease in the EBITDA, whose incidence fell from 10,8% to 9,6%, is a result of the slight reduction on the sales margins and the increase in overhead, which, as described above, increased also in preparation for the support of the further growth which is expected both in the medical and industrial sectors.

The costs for amortizations, depreciations and accruals showed an increase and rose from 2.335 thousand Euros on June 30th 2017 to 2.618 thousand Euros on June 30th 2018, in line with the increase in revenue. The increase is also due to the significant investments in technical assets, factories and plants that have been completed or are now under construction.

The EBIT amounted to 12.731 thousand Euros, a decrease with respect to the 13.134 thousand Euros registered on June 30th 2017; the incidence on the sales volume decreased to 7,9% from 9,2% for the same period last year.

Net financial income amounted to 474 thousand Euros as opposed to the net financial charges of 2.204 thousand Euros registered for the same period last year. The turnabout in the exchange rates determined the difference in the results: the Euro was stronger in relation to the main currencies in the first half of 2017 and dropped, especially in relation to the US dollar, during the first half of 2018.

Pre-tax income amounted to 13.090 thousand Euros, an increase over the 10.881 thousand Euros shown on June 30th 2017.

The income taxes amounted to 3,7 million Euros; the taxes related to this half were calculate on the basis of the best estimate of the fiscal aliquots expectd for 2018.

The tax rate for the period was about 28% and was greater than the 26% registered for the same period last year.

The first half of this year closed with a net income of the Group of 7.452 thousand Euros, an increase with respect to the 6.010 thousand Euros for the last half.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2018

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

Statement of financial position	**30/06/2018**	**31/12/2017**	**Variation**
Intangible assets	4.333	4.259	74
Tangible assets	46.631	39.178	7.454
Equity investments	3.464	3.587	-123
Deferred tax assets	5.837	6.269	-432
Other non-current assets	12.475	12.371	104
Total non current assets	**72.740**	**65.664**	**7.076**
Inventories	88.574	66.567	22.007
Accounts receivable	84.355	80.445	3.910
Tax receivables	10.910	8.942	1.968
Other receivables	13.539	13.939	-400
Financial instruments	1.975	2.036	-62
Cash and cash equivalents	75.299	97.351	-22.052
Total current assets	**274.652**	**269.281**	**5.371**
Total Assets	**347.393**	**334.945**	**12.447**
Share capital	2.509	2.509	0
Additional paid in capital	38.594	38.594	0
Treasury stock	0	0	0
Other reserves	91.693	98.411	-6.718
Retained earnings / (accumulated deficit)	50.502	35.173	15.329
Net income / (loss)	7.452	15.634	-8.183
Group shareholders' equità	**190.749**	**190.321**	**428**
Minority interest	15.573	13.975	1.598
Total shareholders' equità	**206.322**	**204.296**	**2.026**
Severance indemnity	4.390	4.217	174
Deferred tax liabilities	1.501	1.483	18
Reserve for risks and charges	3.855	3.797	59
Financial debts and liabilities	6.169	5.875	293
Total non current liabilities	**15.916**	**15.371**	**544**
Financial liabilities	5.435	9.161	-3.726
Accounts payable	75.285	63.257	12.028
Income tax payables	3.818	1.654	2.163
Other current payables	40.617	41.205	-588
Total current liabilities	**125.155**	**115.278**	**9.877**
Total Liabilities and Shareholders' equity	**347.393**	**334.945**	**12.447**

Net financial position	**30/06/2018**	**31/12/2017**
Cash and bank	75.299	97.351
Financial instruments	1.975	2.036
Cash and cash equivalents	**77.274**	**99.388**
Current financial receivables	**126**	**155**
Bank short term loan	(4.554)	(8.230)
Part of financial long term liabilities due within 12 months	(881)	(932)
Financial short term liabilities	**(5.435)**	**(9.161)**
Net current financial position	**71.965**	**90.381**
Bank long term loan	(3.868)	(3.525)
Other long term financial liabilities	(2.301)	(2.350)
Financial long term liabilities	**(6.169)**	**(5.875)**
Net financial position	**65.796**	**84.506**

The net financial position of the Group decreased by about 19 million with respect to the closing for the year 2017.

During this period the Group paid out dividends to third parties for a total of 8,4 million Euros. Investments in technical assets amounted to 9,4 million Euros, almost one million Euros of which was used for investments in new plants in pre-existing factories, and 6,7 million for the purchase, construction and equipping of new manufacturing facilities in Calenzano, Torre Annunziata, Jena, Vicenza and Wenzhou, which are all part of a vast investment program for the enlargement of the production capacity for an overall amount of about 28 million Euros during 2018 - 2019.

The increase in the net working capital represented the main component of the uses of cash, which is the effect of the present growth and in preparation of the expected future increased growth. The most significant changes were registered in the Chinese companies, Quanta System and El.En..

It should also be recalled that 11,5 million Euros in cash were invested in financial instruments of an insurance type that, because of their particular nature, must be entered among the non-current financial assets and consequently despite the fact that they constitute a use of cash, are not considered part of the net financial position.

1.9. Subsidiary results

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

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the first half of 2018.

	Revenues 30/06/2018	Revenues 30/06/2017	Variation	EBIT 30/06/2018	EBIT 30/06/2017	Income (loss) for the financial period 30/06/2018	Income (loss) for the financial period 30/06/2017
El.En. S.p.A.	30.328	24.338	24,61%	512	(1.502)	2.930	(209)
Ot-Las S.r.l.	2.196	14.481	-84,84%	(9)	1.019	(11)	729
Deka Mela S.r.l.	20.385	18.094	12,66%	566	894	833	1.103
Esthelogue S.r.l.	6.809	5.525	23,24%	(66)	395	(5)	267
Deka Sarl	1.652	1.786	-7,50%	(115)	72	(115)	72
Lasit S.p.A.	6.892	6.519	5,72%	1.246	918	854	600
Quanta System S.p.A.	28.940	25.693	12,64%	3.609	4.607	2.903	3.328
Asclepion GmbH	20.353	16.806	21,11%	2.070	1.816	1.387	1.221
ASA S.r.l.	5.619	5.105	10,07%	1.347	1.298	1.038	972
BRCT Inc.	-	-	0,00%	(6)	28	16	21
With Us Co., Ltd	7.036	11.037	-36,25%	(310)	(111)	(459)	43
Penta-Chutian Laser (Wuhan) Co., Ltd	11.879	14.413	-17,58%	331	1.119	241	574
Cutlite do Brasil Ltda	716	607	17,96%	(255)	(311)	(345)	(324)
Pharmonia S.r.l.	-	428	-100,00%	(2)	14	(2)	11
Deka Medical Inc.	-	15	-100,00%	(4)	(1)	(9)	(7)
Deka Japan Co., Ltd	847	1.213	-30,17%	214	136	135	90
Penta-Laser Equipment Wenzhou Co., Ltd	38.629	28.717	34,52%	2.204	2.413	1.930	2.041
JenaSurgical GmbH	2.312	1.371	68,64%	20	(144)	18	(144)
Accure Quanta, Inc.	-	-	0,00%	-	(4)	-	(4)
Merit Due S.r.l.	29	29	0,00%	16	16	11	11
Cutlite Penta S.r.l	15.848	-	0,00%	1.480	-	1.041	-
Penta Laser Europe S.r.l.	-	-	0,00%	(4)	-	(4)	-

In 2018 it should be noted that the sales volume of Ot-Las S.r.l. is related only to the sector of laser marking while the sales volume in the cutting sector was achieved by Cutlite Penta S.r.l. In 2017 on the other hand, both sectors were represented by Ot-Las S.r.l.

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

the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales.
The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial and financial resources, as a large part of the resources of the company are allocated to sustain the activities of the Group.
As in earlier years, the activities of El.En. SpA, take place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

In the first half of 2018 El.En. Spa began to reap the rewards from the investments made during 2017. The sales volume started to grow again rapidly (almost 25% more than the first half of the previous year) with obvious benefits to the revenue results which were no longer negative. The company therefore is now in a relaunching phase, strengthened by the consolidation of some of the fundamental internal processes, and is confident that they can achieve further improvements.

Deka M.E.L.A. S.r.l.
Deka M.E.L.A. was founded in the 1990s and was the first company of the Group to deal in the sale of medical systems. The company represents the main distribution channel for the range of medical laser systems developed in the El.En factory in Calenzano, which are sold under the brand name of DEKA. The company now constitutes the most prestigious brand name on the Italian market for laser applications in medicine and aesthetics and has a significant role at an international level. They operate in the sectors of dermatology, aesthetics and surgery and in Italy use a vast network of agents for direct distribution and, for export, of highly qualified distributors that have been selected over time. With the Mona Lisa Touch laser system for vaginal atrophy they have reappeared with great success in the gynecology sector in which they had operated with the CO_2 laser systems during their first years of activity.
During 2018 growth in their volume of business continued and exceeded 20 million Euros this half (+ 12,7%), thanks also to a significant expenditure of energy and resources to sustain the development with an increase in costs which determined a reduction in the EBIT for this period. The company and the Group are confident that they can reach the expected growth results also for the second half, thanks to the launching of new products. With the MOTUS AY system Deka re-enforced their range of products in the segment of hair removal and consolidated their position as the leader in innovation that they had already achieved with the previous system, MOTUS AX and its sophisticated depilatory methodology which was then developed into Motus AY where it was then joined by an effective Nd YAG source for vascular applications.

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

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

Ot-Las Srl deals in the business of laser marking systems for large surfaces with galvanometric type movement of the beam, and also makes use of the med-powered laser sources supplied by the parent company El.En for most of its systems.
The results for the first half of 2018 were very positive, with a sales volume and net income that continued to grow even with respect to the record amount registered in 2017.

The relationship with the parent company El.En. S.p.A., which supplies the laser sources and collaborates on projects for new systems and accessories, in particular, those regarding beam delivery, remains fundamental. Over the years, Cutlite Penta S.r.l. has gradually acquired increasingly sophisticated equipment and staff in this field and by identifying alternative partners has dealt with the technological shift from fiber laser sources which replaced the CO_2 laser sources (an important El.En SpA product) for the applications for laser metal cutting which require high-powered sources.

For the mid-powered applications, for Cutlite Penta cutting and for the marking systems of Ot-las, the contribution of the RF sources made by El.En remains decisive. The financial support provided by the parent company is also indispensable also for mid-term projects like the expansion on the Chinese market by means of the subsidiaries **Penta Chutian Laser (Wuhan)** and **Penta Laser Equipment (Wenzhou),** the equities in which have remained among the assets of Ot-las Srl.

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

Penta Chutian of Wuhan now operates jointly with Penta Laser (Wenzhou), recently founded thanks also to the support of the municipality of Wenzhou for the new high-tech production facility which has been in operation since the Summer of 2016. The new plant at Wenzhou has more than doubled the production capacity thanks to a plant that was specifically designed for our kind of manufacturing. This facility was of fundamental importance in order to sustain the extraordinary growth of the market; in fact, with the new factory the sales volume increased by 80% in 2017 due to the growing demand for laser systems for cutting sheet metal. This market has been enlarged to new and greater dimensions by the new technology of fiber laser sources thanks to the greater productivity and ease of maintenance of the systems. During 2018 the growth in sales volume continued and was sustained during the first half of the year by an intense selling activity which in this phase reduced the EBIT.

Quanta System S.p.A.
Quanta System was created as a research center specialized in manufacture of scientific lasers. The company has maintained its special capacity to develop technologically advanced laser systems for the medical sector to which it almost entirely dedicates its activity.
The sales volume grew rapidly again in the first half of 2018, showing an increase of 12% thanks also to the growing amount of sales to other companies in the Group. Among these, Deka MELA sells the medical laser systems produced by Quanta System in Italy under the brand name of Renaissance. The gross margin decreased as an effect of the mix of products and the geographical market served which, for example, favored the high sales volumes of optical fibers (which began growing again in 2018 after the slump in 2017) with which lower than average margins are associated.

The demand was stimulated by the offer of new systems both for aesthetics and for surgery (urological in particular) and remained substantial. In order to avoid logistic and operative difficulties which might be caused by the increase in the sales volume which is expected, in July the company acquired an industrial building adjacent to its headquarters so as to guarantee the necessary infrastructure for its ambitious expansion plans.

Lasit S.p.A.
Lasit is specialized in the production of marking systems for small surfaces and conducts the manufacturing and development activities for their own products at their headquarters in Torre Annunziata (NA); their mechanical workshop is outfitted with the most technologically advanced equipment including laser cutting systems and this allows them to perform machining work for other companies of the Group and to maintain great flexibility in customizing systems for the clientele – a feature which makes them unique on the market.
The rapid growth of their market, that for the identification of products, parts and sub-assemblies, which represents a requirement that is increasingly common in the field of quality manufacturing, has opened up important opportunities fr growth that the company has been able to take advantage of in the last few years.
The unique ability of the company to be able to meet the requirements of the clients in a manner which is flexible, customized, and at competitive prices has allowed Lassit to grow even at an international level and to plan for further growth in the future. For this purpose, during the first half of 2018 they acquired a new building of a size that is adequate for their future projects.
During the first half of 2018 the trend was positive and showed a growth in sales volume, EBIT and net income.

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.
The trend during the first half of 2018 showed a very positive phase with excellent results: the overall growth of the sales volume was 21% and involved all of the segments and all the main systems and applications so that the company was able to register a record EBIT which was over two million Euros and grew 14%.

The surgical division that was started in 2015 with **Jena Surgical GmbH** has gradually increased their sales volume and, in the first few months of 2018 showed promise for a record year. The increasing focus of the company on products made exclusively by Asclepion advised the incorporation of Jena Surgical with this latter and will be effective starting in July 2018; this will simplify the organization chart of the group while, at the same time, maintaining the identification of the brand with its activity in the surgical sector, for which a rapid growth is expected.

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 several financial years in which the company was able to register excellent results even at the level of their EBIT and net income, they are now going through a phase of transition and renewal of the range of products they offer, both in the field of hair removal as well as body treatments, with new products that have just been presented on the market. Consequently, they have shown a loss this half which can be improved upon only if the new range of products is successful starting in 2019.

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 was confirmed in the first half of 2018. After the purchase of land at the end of 2017, construction was begun for the new factory where the company will operate starting in 2019. The new building represents an important investment and is indicative of the confidence that we have in the outlook for growth and the intention of the Group and the partners to sustain it.

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 size of the company is calculated in order to maintain a substantial break even in relation to the volume of business that the company has developed in the last few years. The outlook for improvement is based on the opportunity to distribute a growing number of laser systems, even those of other companies of the Group, and increase the sales volume enough to reach a satisfactory level of profitability. This objective was not reached in the first half of 2018 due to a slight drop in the sales volume and the margins which, notwithstanding the tight control of the costs, made it so the company registered a loss for the period.

Deka Japan, operates by distributing Deka brand medical systems in Japan; in 2018 they began the operational phase in collaboration with DKSH, which became the exclusive distributor and concentrated their activity on obtaining the authorization for the sale of new products and on supplying logistic support for DKSH. Results are already positive and the company is working to further improve them.

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

Esthelogue S.r.l. distributes the laser systems of the Group in the aesthetic sector in Italy and in this context has acquired an increasingly important role for particular hair removal applications. The Mediostar Next laser systems with its evolutions, Mediostar Pro and XL (produced by Asclepion Gmbh) represent the technological competitive advantage for Esthelogue. 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.
The results for the first half of 2018 reflect the desire to stabilize the competitive position of the company by increasing its visibility, even locally, with an increase both in sales volume and marketing expenses, which brought about a slight loss.

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

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. Signs of recovery have now intensified after the long period of crisis that continues to afflict the country; this improves the outlook for our company but they have yet been able to break even.

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

1.10. Research and Development activities

During first half 2018 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 (that includes applications for the conservation of cultural heritage) 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 laser 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^2 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**.** An application that is extremely important and has already obtained considerable commercial success, is related to urogynecoloy 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 and strengthen our 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, in order to prevent a relapse, therapies that alter the hormone balance and provoke a sort of premature menopause are indicated. We are also gathering important scientific articles published in the most prestigious international journals, on the effectiveness of the treatment performed on young women who have had breast tumors and who have been forced into menopause by being administered pharmaceuticals.

At the laser surgery unit of the hospital of Careggi they have concluded research which has been published in a prestigious international journal on the effectiveness of the Mona Lisa Touch laser treatment on young women who have had breast tumors and been forced into menopause by altering the hormonal balance in order to reduce the risk of a relapse of the illness. DEKA is collaborating with this unit as part of an agreement for scientific collaboration. In this sector, there are also programs for clinical research in gynaecological surgery based on the exceptional characteristics of the *restitutio ad integrum* that the use of a CO_2 laser provides for the soft tissues in the various areas being treated.
For this type of equipment we have continued to conduct research on surgical applications and, in particular, we have been obtaining exceptional results for the treatment of diabetic feet. In this field they have introduced the possibility of conducting the cleaning (debridement), that is, the removal of the necrotic tissue and other tissues that are interfering with the healing of the sores, using lasers with various innovative advantages. The healing of chronic ulcers using laser treatments is based on the above mentioned characteristics of the laser beam, opportunely designed by us, to be used for the cleaning of the sore, but also on the capacity for biostimulation that is operated by the laser light, our cultural legacy from the numerous research projects and experiments which we have conducted over the years.

The new line of hair removal equipment called Motus with the AY model has been successfully introduced and, after the CE Medicale, has obtained FDA clearance for sale in the USA. The Motus equipment is based on an original concept which involves the operator using a handpiece in movement with energy density that does not cause any pain and obtains excellent results for the effect of the accumulation of damage to the hair follicle.

For the regeneration of tissues we had previously coined the acronym HILT, *High Intensity Laser Therapy*, which characterized the range of laser products and was entrusted to our subsidiary Asa for global distribution; recently we concluded the development of the new Hiro TT system, the first example of a new multi-level approach which makes use of advanced graphics with latest generation LCD capacitors. Sales were initiated several months ago and have been successful.
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 are about to start 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. For this project moreover, we are now conducting a feasibility study for an ergonomic bed for treating patients affected by skin ulcers that would minimize the effort of both doctor and patient during the therapy session.
We have completed the study and clinical evaluation 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 adipocites by necrosis or apoptosis.
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; The method used for emission makes it so that most of the enrgy is absorbed by the fat, as planned, and thus provides a further protection in order to guarantee that the mscle layers under the fat are not subject to overheating.
WE have continued work on the development of systems with wave guide coupling for CO_2 lasers for surgical applications. The experimental activity is intended to determine the best launching conditions for the laser beam in the hollow wave guide in order to minimize dispersion during transmission. We have completed the development of a new model of RF feeder for exciting a sealed CO_2 laser for medical applications (surgical and dermatological) which has been redesigned in order to be added directly to the laser source and thus reduce the size and cost of the complete system. We have continued the study of systems for measuring the skin temperature that will be useful in controlling the safety of energy-based dermatological treatments. In collaboration with Quanta System SpA we have developed a real time system for monitoring the skin temperature during the pre-cooling process preceding laser treatments.

In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of 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.

At DEKA 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 teranoStici 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). AS part of this project they have completed the development of a system of induction heating with radio frequency with nano-prticles of iron oxide for medical applications. Moreover, tey have continued the development of a system for using a laser to excite nano-particles of gold for use in the diagnosis and therapy of skin tumors (melanomas). AS part of this project thay have designed and built a laser light system of illumination with our Q-switch source made up of a double bundle of fibers to be integrated into an ultra-sound probe. The system has the purpose of acquiring images from the ultrasound waves emitted by the nano-particles of gold brought inside the lesions of soft tissues by antibodies which have been selected to make them adhere to the cancerous cells.

In collaborazione con la società Elesta è in fase di conclusione lo sviluppo di un dispositivo per l’ablazione laser percutanea di neoformazioni nella mammella, con erogazione dell’energia da punta diffondente di fibra raffreddata con circolazione chiusa forzata di liquido sterile biocompatibile.

At **Quanta System** they are conducting intense research on the development of laser instruments intended for aesthetic medicine and medical therapies in urology. As part of this project they have developed a prototype for a new single-use morcellator for use in urology and which can be released on the market as soon as the necessary authorizations have been obtained. When we have obtained the CE Medical brand and FDA clearance, the 100W holmium laser for BPH applications and for enucleation of the prostate will complete our range of holmium lasers for applications in urology which already includes the 30W model for lithotripsy and the 60W model for lithotripsy and enucleation.
In the field of lithotripsy, for the holmium laser they have developed the technique based on the so-called vapor tunnel effect which offers considerable advantages for the stabilization and effectiveness of the shattering of the stones in the upper excretion tubes.
They have 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.
We have defined and completed the launching of the Thunder MT laser which uses two sources lie Alexandrite and Nd:YAG in single emission mode or mixed mode. The machine combines a high-speed scanner and an optional air cooler controlled directly by the same interface software as the laser. For this, Thunder MT is certainly the fastest and most powerful machine in the world in the segment of laser hair removal and has the possibility of being used for treating superficial pigmentation and vascular lesions.

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.
They are now developing the new model of Mediostar with substantial technical and aesthetic innovations. They have started development for the integration of other modules for Mediostar and the relative clinical trials.
On the Holmium MultipulseHo 140 laser they are developing and experimenting with innovative solutions in order to satisfy the market demand for the treatent of kidney stones.
New versions of morcellators have been completed for reasons of innovation and in order to meet the requirements of certain countries.
In the field of dermatology, they have completed a ew product, Quadrostar for the treatment of psoriasis and vitiligo.

Laser systems and applications for industry

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

In **Cutlite Penta** they have developed and begun experimentation on new process sensors integrated on cutting machines.
They have also continued verification and experimentation on internally developed scansion and focalizing heads for lasers in fiber, for remote welding of metal materials and the mass production of details for furniture. As part of this project they have started the development of a new dynamic system for focalization with high-speed response.
They have developed and started production of laser systems for cutting metals that are equipped with very high-powered laser sources in fiber with sources up to 12 kW, for high-speed cutting of sheet metal even very thick ones. For these systems they have developed focalizing heads with specific technical features which make them suitable for controlling very high-powered laser beams.

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

Thousands of Euros	**30/06/2018**	**30/06/2017**
Staff costs and general expenses	4.422	3.909
Equipment	87	84
Costs for testing and prototypes	1.941	1.348
Consultancy fees	215	306
Other services	32	26
Total	**6.696**	**5.674**

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 4% of the consolidated sales volume of the Group. The expenses are mostly sustained by El.En. S.p.A., and amount to 7% of its sales volume.

1.11. RISK FACTORS AND PROCEDURES FOR THE MANAGEMENT OF FINANCIAL RISKS

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.
The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated statements of the Group.

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

Operation	Notional value	*Fair value*
Currency swap	€ 50.000	€ 2.770
Currency swap	€ 400.000	-€ 21.022
Currency swap	€ 1.250.000	€ 17.043
Total	**€ 1.700.000**	**-€ 1.209**

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 7% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult the relative paragraph in the consolidated financial statement.

As far as guarantees granted to third parties are concerned:

the Parent Company El.En. S.p.A. has underwritten:
- in 2013, a bank guarantee for a maximum of 50 thousand Euros later increased to a maximum of 100 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2019 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 5th 2012, with expiration date in July 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 30th 2014, with expiration date in May 2020.

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

The subsidiary ASA has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4,8 million Euros.

The German subsidiary Asclepion has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4 million Euros which is added to the residual mortgage taken out for the construction of the old building for the amount of about 400 thousand Euros.

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

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

1.12. Governance

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

As of June 30th 2018, the Board of Directors was composed as follows:

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

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

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

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

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

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

The Board of Directors meets at least every quarter in order to guarantee adequate information for the Board of Statutory Auditors concerning the activities and the most important operations conducted by the Company and its subsidiaries.
Internal auditing of the company is conducted by the parent company of the Group in collaboration with the personnel of the subsidiary companies. From an organizational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members or have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organization of the activities of the Group.
As far as the accounting information is concerned, before the end of the month following the quarter being considered, the subsidiaries are required to supply to the parent company of the Group all the information necessary for drawing up the consolidated financial and economic reports.

1.13. Inter-Group relations and with related parties

In compliance with *Regolamento Consob* dated March 12th 2010, n. 17221 and subsequent modifications, the Parent Company, El.En. SpA approved the rules disciplining relations with related parties ("*Regolamento per la disciplina* delle operazioni con parti correlate") which can be consulted on the internet site of the company www.elengroup.com *section "Investor Relations/governance/corporate documents*". These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties ("*Regolamento Operazioni con Parti Correlate*") n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010. The procedures contained in the "*Regolamento per la disciplina delle operazioni delle parti correlate*" went into force on January 1st 2011.
The operations conducted with related parties, including the inter-Group relations cannot be qualified as atypical or unusual; these operations are regulated by ordinary market conditions.
In regard to the relations with related parties, please refer to the specific paragraph in the Explanatory Notes.

1.14. Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we wish to state that during the first half of 2018 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.15. Opt-out Regime

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

1.16. Significant events during the first half of 2018

On January 2nd 2018 the founding of the Cutlite Penta Srl company became effective; as part of the process of reorganization of the activities of the Group in the industrial sector, Ot-las Srl has conferred all of its activities related to laser cutting systems to this company.

On April 27th 2018 the shareholders' meeting of the parent company El.En. S.p.A. approved the financial statement for the year 2017 and voted as follows:
- to allocate the net income for the year, amounting to 41.146,00 Euros for distribution to the shareholders;
- to distribute to the shares in circulation on the date of that coupon 2 comes due on May 28th 2018 in compliance with art. 2357-ter, second sub-section of the Civil Code, a dividend of 0.40 (zero point forty) gross per share in circulation for a total amount on the date of the resolution of 7.718.988,80 Euros using all of the net income for the year amounting to 41.146,00 Euros, and using for the residual amount of 7.677.842,80 Euros the net income which were not distributed in previous years but accrued in the voluntary reserve called "extraordinary reserve".

The Assembly also approved the report on incentive remuneration as per ex art. 123-ter T.U.F.
The shareholders' meeting also proceeded to appoint the Board of Directors for the three-year period 2018-2020 and, therefore, until the approval of the financial statement for the year 2020. The Assembly established as six the number of members and appointed Gabriele Clementi as president and elected as the other members Barbara Bazzocchi, Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Michele Legnaioli. The composition of the board of directors respects the gender equilibrium required by Art. 147-*ter*, sub-section 1-ter of Legislative Decree 58/1998.

On the same date the Board of Directors of the Parent Company El.En. S.p.A. appointed as executive board members the president, Ing. Gabriele Clementi and the members Barbara Bazzocchi and Andrea Cangioli and assigned them, separately from each other and with free signature, all the power of ordinary and extraordinary administration for conducting every activity that is part of the company mission, with the excepton of those that are prohibited by law and by the company bylaws.

On May 15th 2018 the Board of Directors of El.En. S.p.A. proceeded, among other things, to appoint the members of the committees in compliance with the Self-disciplining code of the companies quoted on the stock market and, in particular, the "remuneration committee", the "controls and risks committee" and the "Nomination committee" to confirm the various components of the present system of internal controls and to appoint Avv. Paola Giovannelli as person responsible for the protection of data in compliance with art. 37 Reg. UE 679/2016.
The board of directors also evaluate, with positive out come, on the basis of the information available, the independence of the two non-executive board members Fabia Romagnoli and Michele Legnaioli.

On June 1st 2018 the subsidiary Deka Mela Srl sold for the amount of 100 thousand Euros, its equity of 50% in Jena Surgical GmbH to Asclepion Laser Technologies GmbH which aleady held the remaining 50%. On the same date Asclepion Laser Technologies GmbH incorporated Jena Surgical GmbH by a merger which will take effect on July 1st 2018.

1.17. Subsequent events

On July 9th 2018 the subsidiary Quanta System spa concluded the purchase of an industrial building adjacent to their Headquarters in Samarate, for a total amount of € 3.175.000,00.

1.18. Current outlook

The results for the first half exceed the forecasts for growth of the sales volume for this period with an increase of 12,5% as opposed to the forecast of 10%; while they registered a delay as far as the EBIT is concerned. The EBIT remains positive at 7,9% on the sales volume but decreased by 3% with respect to the first half of 2017.
Our markets continue to go through a positive phase and we therefore believe that we can reach and exceed the forecast of 10% by the closing of the year for the annual growth of the sales volume, and, by the end of the year, if the sales volume continues to accelerate, to reach a 10% growth of the EBIT.

For the Board of Directors
Managing Director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENT

AS OF JUNE 30th 2018

Consolidated statement of financial position

Assets	**Note**		**30/06/2018**		**31/12/2017**
Intangible assets	1		4.333.000		4.259.031
Tangible assets	2		46.631.156		39.177.521
Equity investments	3				
- in associated companies		2.428.872		2.537.355	
- other		1.035.420		1.049.920	
Total Equity investments			3.464.292		3.587.275
Deferred tax assets	4		5.837.023		6.269.095
Other non-current assets	4		12.474.817		12.371.085
Total non current assets			**72.740.288**		**65.664.007**
Inventories	5		88.574.284		66.567.301
Accounts receivable	6				
- third parties		83.395.061		79.559.226	
- associated companies		960.160		885.882	
Total Accounts receivable			84.355.221		80.445.108
Tax receivables	7		10.909.831		8.941.974
Other receivables	7				
- third parties		13.194.984		13.465.479	
- associated companies		344.355		473.675	
Total Other receivables			13.539.339		13.939.154
Securities and other current financial assets	8		1.974.666		2.036.433
Cash and cash equivalents	9		75.299.088		97.351.479
Total current assets			**274.652.429**		**269.281.449**
Total Assets			**347.392.717**		**334.945.456**

Liabilities	Note		30/06/2018		31/12/2017
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		91.693.483		98.411.341
Treasury stock	13		-		-
Retained earnings / (accumulated deficit)	14		50.501.805		35.173.088
Net income / (loss)			7.451.602		15.634.293
Group shareholders' equity			**190.749.179**		**190.321.011**
Minority interest			15.572.731		13.975.165
Total shareholders' equity			**206.321.910**		**204.296.176**
Severance indemnity	15		4.390.235		4.216.537
Deferred tax liabilities			1.501.453		1.483.090
Other accruals	16		3.855.374		3.796.652
Financial debts and liabilities	17				
- third parties		6.168.510		5.875.176	
Total Financial debts and liabilities			6.168.510		5.875.176
Total non current liabilities			**15.915.572**		**15.371.455**
Financial liabilities	18				
- third parties		5.435.291		9.161.307	
Total Financial liabilities			5.435.291		9.161.307
Accounts payable	19				
- third parties		75.285.065		63.257.059	
Total Accounts payable			75.285.065		63.257.059
Income tax payables	20		3.817.701		1.654.248
Other current payables	20				
- third parties		40.617.178		41.205.211	
Total Other current payables			40.617.178		41.205.211
Total current liabilities			**125.155.235**		**115.277.825**
Total Liabilities and Shareholders' equity			**347.392.717**		**334.945.456**

Consolidated Income Statement

Income Statement	Note		30/06/2018		30/06/2017
Revenues	21				
- third parties		159.599.765		140.038.262	
- associated companies		1.037.085		2.838.743	
Total Revenues			160.636.850		142.877.005
Other revenues and income	22				
- third parties		1.525.602		1.651.190	
- associated companies		12.950		9.680	
Total Other revenues and income			1.538.552		1.660.870
Revenues and income from operating activity			**162.175.402**		**144.537.875**
Purchase of raw materials	23				
- third parties		107.046.241		79.760.459	
- associated companies		-		5.771	
Total Purchase of raw materials			107.046.241		79.766.230
Changes in inventory of finished goods			(10.411.430)		(5.208.358)
Change in inventory of raw material			(11.673.812)		(236.663)
Direct services	24				
- third parties		12.513.848		10.707.770	
Total Direct services			12.513.848		10.707.770
Other operating services and charges	24				
- third parties		21.237.425		17.927.234	
- associated companies		5.213		49.996	
Total Other operating services and charges			21.242.638		17.977.230
Staff cost	25		28.108.740		26.062.289
Depreciation, amortization and other accruals	26		2.618.382		2.335.159
EBIT			**12.730.795**		**13.134.218**
Financial charges	27				
- third parties		(357.726)		(350.830)	
Total Financial charges			(357.726)		(350.830)
Financial income	27				
- third parties		482.612		400.200	
- associated companies		9.235		6.351	
Total Financial income			491.847		406.551
Exchange gain (loss)	27		340.256		(2.259.939)
Share of profit of associated companies			(109.377)		(49.010)
Other non operating charges	28		(5.700)		-
Other non operating income	28		-		74
Income (loss) before taxes			**13.090.095**		**10.881.064**
Income taxes	29		3.681.334		2.823.787
Income (loss) for the financial period			**9.408.761**		**8.057.278**
Net profit (loss) of minority interest			1.957.159		2.047.243
Net income (loss)			**7.451.602**		**6.010.034**

Basic net income/(loss) per share	30	0,39	0,31
Diluted net income/(loss) per share	30	0,37	0,30

Consolidated statement of comprehensive income

	Note	30/06/2018	30/06/2017
Reported net (loss) income (A)		9.408.761	8.057.278
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans	32	(88.359)	57.889
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments	32	697.529	(676.080)
Total other income/(loss), net of fiscal effectes (B)		609.170	(618.190)
Total comprehensive (loss) income (A)+(B)		10.017.931	7.439.087
Referable to:			
Parent Shareholders		7.923.981	5.784.250
Minority Shareholders		2.093.950	1.654.837

Consolidated cash flow statement

Cash Flow Statement	Note	30/06/18	Related parties	30/06/17	Related parties
Operating activity					
Income (loss) for the financial period		**9.408.761**		**8.057.278**	
Amortizations and depreciations	26	2.090.822		1.910.604	
Share of profit of associated companies		109.377	109.377	49.010	49.010
Re-Devaluations of equity investments	26-28	5.700		0	
Stock Option		431.331		431.331	
Employee severance indemnity	15	57.434		90.752	
Provisions for risks and charges	16	58.723		77.111	
Bad debts provision	6	(109.588)		(393.259)	
Deferred income tax assets	4	459.974		(176.108)	
Deferred income tax liabilities		18.363		(293.472)	
Stocks	5	(22.006.982)		(4.353.760)	
Accounts receivable	6	(3.800.526)	(74.278)	(8.587.616)	(22.213)
Tax receivables	7	(1.967.858)		(1.127.815)	
Other receivables	7	171.919		(413.940)	
Accounts payable	19	12.028.005		(2.699.511)	15.000
Income Tax payables	20	2.163.452		(1.894.404)	
Other payables	20	(588.031)		3.668.689	
Cash flow generated by operating activity		**(1.469.124)**		**(5.655.111)**	
Investment activity					
Tangible assets	2	(9.399.293)		(352.185)	
Intangible assets	1	(219.131)		(327.714)	
Equity investments, securities and other financial activities	3-4-8	43.528	108.483	(1.428.108)	
Financial receivables	7	150.306	129.320	320.591	330.196
Cash flow generated by investment activity		**(9.424.590)**		**(1.787.416)**	
Financing activity					
Non current financial liabilities	17	293.333		2.218.496	
Current financial liabilities	18	(3.726.016)		(1.376.156)	
Dividends distributed	31	(8.433.956)		(8.478.956)	
Cash flow from financing activity		**(11.866.639)**		**(7.636.616)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**707.961**		**(578.132)**	
Increase (decrease) in cash and cash equivalents		**(22.052.391)**		**(15.657.275)**	
Cash and cash equivalents at the beginning of the financial period		**97.351.478**		**97.589.445**	
Cash and cash equivalents at the end of the financial period		**75.299.086**		**81.932.170**	

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

The interest earned this half amounted to 483 thousand Euros (390 thousand Euros on June 30th 2017).
Income taxes for this half amounted to 3.681 thousand Euros (2.824 thousand Euros on June 30th 2017).

Changes in consolidated shareholders' equity

Total shareholders' equity	**31/12/2016**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2017**
Share capital	2.508.671					2.508.671
Additional paid in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	61.267.908	33.791.963				95.059.871
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	-50.751				-276.928	-327.679
Other reserves	1.956.182			431.323	11.470	2.398.975
Retained earnings / (accumulated deficit)	36.187.694	6.615.615	-7.718.989	-8.757	39.674	35.115.237
Net income / (loss)	40.407.578	-40.407.578			6.010.034	6.010.034
Total Group shareholders' equity	181.834.859		-7.718.989	422.566	5.784.250	180.322.686
Capital and reserve of minority interest	8.278.805	2.585.551	-759.968	48.824	-392.406	9.760.806
Result of minority interest	2.585.551	-2.585.551			2.047.243	2.047.243
Total Minority interest	10.864.356		-759.968	48.824	1.654.837	11.808.049
Total shareholders' equity	192.699.215		-8.478.957	471.390	7.439.087	192.130.735

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

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

- For the conversion reserve, to the variations that have involved the assets in currency held by the Group;
- the other reserve and retained earnings that are mainly involved in the remeasurement of the severance indemnity fund at the end of the year for the amount related to the subsidiary companies.

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

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Condensed Consolidated Half-yearly Financial Statement for the El.En. Group as of June 30th 2018 was examined and approved by the Board of Directors on September 12th 2018.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

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

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

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

The economic information which is provided here is related to the first half of 2017 and the first half of 2018. The financial information, however, is supplied with reference to June 30th 2018 and December 31st 2017.

COMPLIANCE WITH THE IFRS

This consolidated financial statement for the half ending on June 30th 2018 has been drawn up in consolidated form according to article 154-ter of D.Lgs February 24th 1998 n. 58 (TUF) and later modifications and additions, is in compliance with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

This half-yearly consolidated financial report is drawn up in summary form in conformity with the IAS 34 regulations for interim reports. The document therefore does not include all of the information required for the annual financial report and must be read along with the consolidated report drawn up for the period which ended on December 31st 2017.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The Group has drawn up the condensed consolidated half-yearly financial statement using the same standards adopted for the consolidated financial statement issued on December 31st 2017 except for the use of the new standards and modifications which came into force on January 1st 2018 that are described below. The Group did not make use in advance of any of the new standards, interpretations or modifications issued but not yet in force.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED SINCE JANUARY 1ST 2018

The following accounting standards, amendments and interpretations have been applied since January 1st 2018:

- Standard IFRS 15 – Revenue from Contracts with Customers (published on May 28th 2014 and again with further clarifications added on April 12th 2016) which is intended to replace standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 - Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition which must be applied to all contracts stipulated with clients except those which meet the requirements for the application of other IAS/IFRS standards like leasing, insurance contracts and financial instruments. The fundamental steps for the revenue recognition according to the new model are:

    - The identification of the contract with the client;
    - The identification of the performance obligations contained in the contract;
    - The setting of the price;
    - The allocation of the price to the performance obligations contained in the contract;
    - The criteria for the entering of the revenue once the subject has satisfied all of the performance obligations.

  The standard has been applied since January 1st 2018 with retrospective modified application. From the application of the new standard and its interpretations no effects on the 2017 economic and financial situation have emerged which would require us to proceed with a restatement. The Group manufactures and sells laser systems for medical and aesthetic applications (medical sector) and laser systems for manufacturing work (industrial sector) and, on the basis of the type of contracts the revenue recognition takes place *at point of time*, which is to say, from the moment that the control of the good is transferred to the client, generally recognized as moment of delivery of the good; moreover, the guarantees that are included in the contract are of a general nature and not extended and therefore the Group has entered them into accounts in compliance with IAS 37.

- Final version of **IFRS 9 – *Financial Instruments*** (published on July 24th 2014). The document contains the results of the IASB project for the replacement of IAS 39:
    - It introduces new criteria for the classification and evaluation of the financial assets and liabilities (along with the evaluation of the modifications of the financial liabilities that are not substantial).
    - With reference to the impairment model, the new standard requires that the estimate of the losses on credits be conducted on the basis of the *expected losses* (and not on the basis of the *incurred losses* used by IAS 39) using demonstrable information which is available without unreasonable effort or charges and which include past, present and future data.
    - It introduces a new model of *hedge accounting* (increase in the types of transactions that are eligible for hedge accounting; change in the methods of accounting of forward contracts and the options when they are included in a hedge accounting report, modifications of the effectiveness test).

  The new standard has been applied since January 1st 2018. The adoption of IFRS 9 did not have any impact on the consolidated half-yearly statement of the Group.
  In particular:
  ***Classification and evaluation*:** The Group did not receive any impact from the application of the requirements for classification and evaluation in compliance withIFRS9. Financing, like the accounts receivable are held until they are cashed in on the contractual due date and we expect that they will generate cash flow that are represented only by the proceeds and the interest, therefore, in compliance with IFRS 9, they continue to be evaluated at the amortized cost. Since they are considered to be a kind of temporary use of cash, stocks and insurance policies should be allocated in the business model *Held to Collect and Sell* (HTC&S) but if they do not pass the SPPI test they are evaluated at *fair value* with impact on the income statement. This kind of treatment is in line with the accounting treatment received in the past and, consequently, there is no impact on the equity.
  Impairment: the Group did not receive any impact on its equity. In particular with reference to the accounts receivable and the application of the *expected credit losses method* after the assessment has been made, the bad debt reserve entered on June 30th 2018 has been found to be adequate even after the application of the new standard.
  Hedge accounting: The Group does not use the entering into accounts in hedge accounting of derivative financial instruments.

- Amendment to **IFRS 2** "***Classification and measurement of share-based payment transactions***" (published on June 20th 2016) which contains clarifications in relation to the accounting of the effects of the vesting conditions in the presence of *cash-settled share-based payments*, the classification of *share-based payments* with characteristics of *net settlement* and the accounting of the modifications to the terms and conditions of a *share-based payment* which modify its classifications from *cash-settled* to *equity-settled*. The modifications have been applied since January 1st 2018. The adoption of this amendment did not comport any effects on the consolidated half-yearly financial statement of the Group.

- "***Annual Improvements to IFRSs: 2014-2016 Cycle***", document published on December 8th 2016 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*) which are in addition to the pre-existing standards. Most of the modifications have been applied since January 1st 2018. The adoption of this amendment did not comport any effects on the consolidated half-yearly financial statement of the Group.

- Amendment to **IAS 40** "***Transfers of Investment Property***" (published on December 8th 2016). These modifications clarify the transfer of property to or from a real estate investment. In particular, a subject must reclassify property in or out of real estate investment only when there is evidence that there has been a change in the use of the property. This change must be based on a specific event that has occurred and therefore must not be based solely on a change in the intentions of the subject directing the property. These modifications have been applied since January 1st 2018. The adoption of this amendment did not comport any effects on the consolidated half-yearly financial statement of the Group.

- Interpretation of **IFRIC 22** "***Foreign Currency Transactions and Advance Consideration***" (published on December 8th 2016). The interpretation has the objective of supplying guide lines for transactions conducted in foreign currency in those cases where a non-monetary down payment has been made before the relative asset, cost or revenue has actually been entered into accounts. This document supplies indications on how a subject should determine the date of the transaction and, therefore, the exchange rate to be used when opertions in foreign currency occur in which the payment is made or received in advance. L'IFRIC 22 has been applied since January 1st 2018. The adoption of this interpretation did not comport any effects on the consolidated half-yearly financial statement of the Group.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet obligatory and not applied early by the Group as of June 30th 2018

- Standard IFRS 16 – Leases (published on January 13th 2016), intended to replace IAS 17 – Leases, as well as the IFRIC 4 interpretations: *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* e SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*
  The new standard supplies a new definition of *lease* and introduces the criteria based on control (*right of use)* of a good in order to distinguish leasing contracts from contracts for supplying services, and identifies as discriminating characteristics: the identification of the good, the right to replace the latter, the right to receive substantially all of the economic benefits deriving from the use of the good and the right to direct the use of the good subject of the contract.
  The standard establishes a single model for the recognition and evaluation of leasing contracts for the lessee which includes the entry of the object being leased, even operative, among the assets, the financial debt among the liabilities and also supplies the possibility of not recognizing as easing contracts that involve *"low-value assets"* and leasing agreements with a duration of the contract of 12 months or less. On the other hand, the standard does not contain any significant changes for the leasers.
  The standard will be applied starting on January 1st 2019 but advanced application is permitted only for the companies that use early application of IFRS 15 - *Revenue from Contracts with Customers*. At this time the administrators are evaluating the possible effects of the introduction of these modifications on the consolidated financial statement of the Group.
  The administrators plan to apply the new standard starting on the date on which it becomes obligatory. For this purpose the Group has initiated a plan for the evaluation of the effects of the new standard on the consolidated financial and economic situation.

- Amendment to **IFRS 9** "***Prepayment Features with Negative Compensation*** (published on October 12th 2017). This document specifies that the instruments which include an advanced reimbursement could respect the "SPPI" test even in the case in which the "*reasonable additional compensation*" to be paid in case of advanced reimbursement is a *"negative compensation"* for the subject who is financing. The modification will be applied starting January 1st 2019, but advanced application is allowed. The administrators do not expect any significant effect on the consolidated financial statement of the Group as a result of these modifications.

The other standards or modifications which have been approved by the European Union are summarized on the following chart:

Description	**Approved on the date of this financial statement**	**Date the standard should take effect**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	NO	Not defined
Annual improvements IFRSs: 2014-2017 Cycle	NO	01-Jan-19
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued in October 2017)	NO	01-Jan-19
Amendments to IAS 19: Plant Amendment, Curtailment or Settlement (issued in February 2018)	NO	01-Jan-19
Amendments to IFRIC 23: Uncertainty over Income Tax Treatments (issued in June 2017)	NO	01-Jan-19
IFRS 17 Insurance Contracts	NO	01-Jan-21

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated financial statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. controls directly or indirectly through a majority of votes in the ordinary assembly. The companies included in the scope of consolidation on the date of this report are listed in the chart below which also shows the percentage owned directly or indirectly by the Parent Company:

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Parent company								
El.En. S.p.A.		Calenzano (ITA)	EUR	2.508.671				
Subsidiary companies								
Ot-Las S.r.l.		Calenzano (ITA)	EUR	154.621	96,65%		96,65%	96,65%
Cutlite Penta S.r.l	1	Calenzano (ITA)	EUR	500.000		100,00%	100,00%	96,65%
Deka Mela S.r.l.		Calenzano (ITA)	EUR	40.560	85,00%		85,00%	85,00%
Esthelogue S.r.l.	2	Calenzano (ITA)	EUR	100.000	50,00%	50,00%	100,00%	100,00%
Deka Sarl		Lione (FRA)	EUR	155.668	100,00%		100,00%	100,00%
Lasit S.p.A.		Torre Annunziata (ITA)	EUR	1.154.000	70,00%		70,00%	70,00%
Quanta System S.p.A.		Milano (ITA)	EUR	1.500.000	100,00%		100,00%	100,00%
Asclepion GmbH	3	Jena (GER)	EUR	2.025.000	50,00%	50,00%	100,00%	100,00%
ASA S.r.l.	4	Arcugnano (ITA)	EUR	46.800		60,00%	60,00%	51,00%
BRCT Inc.		New York (USA)	USD	no par value	100,00%		100,00%	100,00%
With Us Co., Ltd	5	Tokyo (JAP)	JPY	100.000.000		78,85%	78,85%	78,85%
Deka Japan Co., Ltd		Tokyo (JAP)	JPY	10.000.000	55,00%		55,00%	55,00%
Penta-Chutian Laser (Wuhan) Co., Ltd	6	Wuhan (CHINA)	CNY	20.467.304		55,00%	55,00%	53,16%
Penta-Laser Equipment Wenzhou Co., Ltd	7	Wenzhou (CHINA)	CNY	32.259.393		53,53%	53,53%	51,74%
Cutlite do Brasil Ltda		Blumenau (BRAZIL)	BRL	8.138.595	98,27%		98,27%	98,27%
Pharmonia S.r.l.		Calenzano (ITA)	EUR	50.000	100,00%		100,00%	100,00%
Deka Medical Inc.	8	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
JenaSurgical GmbH	9	Jena (GER)	EUR	200.000		100,00%	100,00%	100,00%
Accure Quanta, Inc.	10	Wilmington (USA)	USD	5		100,00%	100,00%	100,00%
Penta Laser Europe S.r.l.	11	Calenzano (ITA)	EUR	200.000		100,00%	100,00%	51,74%
Merit Due S.r.l.	12	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	96,65%

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

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

Operations conducted during this period
For the operations conducted during this period, please consult the paragraph on “Significant events which occurred during the first half of 2018” in the Management Report.

ASSOCIATED COMPANIES

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

The equities in associated companies are shown in the chart below

Company name	Note	Headquarters	Currency	Share capital	Percentage held			Consolidated percentage
					Direct	Indirect	Total	
Immobiliare Del.Co. S.r.l.		Solbiate Olona (ITA)	EUR	24.000	30,00%		30,00%	30,00%
Actis S.r.l.		Calenzano (ITA)	EUR	10.200	12,00%		12,00%	12,00%
Elesta S.r.l.		Calenzano (ITA)	EUR	110.000	50,00%		50,00%	50,00%
Chutian (Tiajin) Laser Technologies Co.,Ltd	1	Tianjin (CHINA)	CNY	2.000.000		41,00%	41,00%	21,79%
Quanta Aesthetic Lasers Usa, LLC	2	Englewood (USA)	USD	500.200		19,50%	19,50%	19,50%
Accure Inc.	3	Delaware (USA)	USD	-		39,44%	39,44%	39,44%

(1) owned by Penta Chutian Laser (Wuhan) Co. Ltd (41%)
(2) owned by BRCT (19,50%)
(3) owned by Quanta System SpA (39,44%)

Operations conducted during this period
For the operations conducted during this period, please consult the paragraph on “Significant events which occurred during the first half of 2018” in the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted during this year, please refer to the description given in the paragraph “Significant events which occurred during 2018” in the Management Report.

TREASURY STOCK

The resolution approved by the shareholders’ meeting of the Parent Company El.En. S.p.A on April 28th 2015 authorizing the Board of Directors to purchase treasury stock expire definitively in October of 2016 without any purchases having been made. Consequently, El.En. S.p.A. does not possess any treasury stock.

STANDARDS OF CONSOLIDATION

The half-yearly accounting situations used for the consolidation represent the half-yearly accounting situations as of June 30th 2018 for the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria used by the Parent Company.

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

TRANSACTIONS IN FOREIGN CURRENCY

The accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONSOLIDATION OF FOREIGN CURRENCY

For the purposes of the Consolidated Financial Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Income Statement, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income Statement at the time that the subsidiary is sold.
The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.

For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

	Exchange Rate	**Average exchange rate**	**Exchange Rate**
Currencies	**31/12/2017**	**30/06/2018**	**30/06/2018**
USD	1,20	1,21	1,17
Yen	135,01	131,61	129,04
Yuan	7,80	7,71	7,72
Real	3,97	4,14	4,49

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated half-yearly financial statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.
Goodwill is subjected to an impairment test in order to determine any loss in value.

STOCK OPTION PLAN

El.En. S.p.A.

The chart below shows information related to the stock option plan approved during 2016 by the Parent Company El.En. S.p.A., for the purpose of promoting employee incentive and loyalty.

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01/01/2018	01/01/2018 - 30/06/2018	01/01/2018 - 30/06/2018	01/01/2018 - 30/06/2018	01/01/2018 - 30/06/2018	30/06/2018	30/06/2018	
Plan 2016-2025	31-dic-25	800.000					800.000		€ 12,72

This plan has two different sections which have different vesting and exercise periods and consequently is based on a concept equivalent to two distinct options which could be defined as “*American forward start*”.
The fair value of an “*American forward start*” option can be obtained by combining a neutral risk approach in order to determine the expected value of the stock at the start of the exercise periods and, later, using a binomial tree type model to exploit the American type option.

For the purpose determining the fair value, the following hypotheses have been formulated:

Risk free rate: 0,338492%
Historical volatility: 0,28489
Interval of time used to calculate the volatility: last year of trading.

The overall *fair value* of the stock options is 2.942.080 Euros.

During 2018 the average price recorded for El.En. stock was about 29 Euros.

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

Information on the Consolidated Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

	31/12/2017	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	30/06/2018
Goodwill	3.038.065							3.038.065
Research and development costs	86.096	9.800				-29.396		66.500
Patents and rights to use patents of others	27.302	1.450				-11.295		17.458
Concessions, licences, trade marks and similar rights	343.009	167.877				-89.648	1.075	422.312
Other intangible assets	47.139					-14.824		32.315
Intangible assets under construction and advance payments	717.420	38.931						756.350
Total	**4.259.031**	**218.058**				**-145.163**	**1.075**	**4.333.000**

Goodwill

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

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

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

CASH GENERATING UNIT (CGU)	**Goodwill 30/06/2018**	**Goodwill 31/12/2017**
Quanta System S.p.A.	2.079.260	2.079.260
ASA S.r.l.	439.082	439.082
Cutlite Penta S.r.l.	415.465	415.465
Asclepion Laser Technologies GmbH	72.758	72.758
Deka MELA S.r.l.	31.500	31.500
Total	3.038.065	3.038.065

It should be recalled that, at the end of last year, the recoverable value of the CGUs shown in note (1) of the explanatory Notes of the consolidated statement closed on December 31st 2017 was subject to an impairment test for the purpose of verifying the existence of any losses in value by comparing the accounting value of the unit with the useful value, i.e., the present value of the expected future financial flows which we suppose will be derived from the continued use and eventual discontinuation of the unit and the end of its useful life. For the results of the test, please consult the previously mentioned note (1).

On the basis of the results obtained from the CGUs during the first half of 2018, the results are aligned with the prospective plans prepared for purposes of the impairment test on December 31st 2017 and no impairment indicators were found which, as of the date of this half-yearly statement, would make further tests necessary in order to verify the existence of any losses of long duration.

Other intangible fixed assets

The “Patent and rights to use the patents of others” were related to the capitalization of the costs sustained for the purchase of patents by El.En. and by Quanta System.
Under the heading “Concessions, licenses, trademarks and similar rights” we have entered among other things, the costs sustained in particular by the Parent Company El.En. and by the subsidiaries, Lasit, Asclepion, Quanta and Asa for the purchase of new software.
The residual heading of “Others intangible assets ” consists mainly of the costs sustained by the parent Company El.En. and by the subsidiaries Quanta System S.p.A and Deka Mela for the creation of software.
The “Intangible fixed assets under construction” refer mainly to the costs of research and development sustained by one of the subsidiaries for a prototype that is now being developed.

Tangible fixed assets (note 2)

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

Cost	**31/12/2017**	**Increase**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**Translation adjustment**	**30/06/2018**
Lands	9.445.418	1.505.620			-4.513.739	53.161	6.490.460
Buildings	24.637.930	4.037.505			5.179.022	60.701	33.915.158
Plants & machinery	7.831.347	1.172.517	-18.819		1.027	9.752	8.995.824
Industrial and commercial equipment	12.102.439	504.711	-437.864		-1.393	32.615	12.200.508
Other assets	9.961.926	1.095.290	-366.489		132.678	42.873	10.866.278
Tangible assets under construction and advance payments	1.402.688	1.130.745			-735.113	1.858	1.800.178
Total	**65.381.748**	**9.446.388**	**-823.172**		**62.482**	**200.960**	**74.268.406**

Accumulated depreciation	**31/12/2017**	**Depreciations**	**(Disposals)**	**Revaluation / Devaluation**	**Other movements**	**Translation adjustment**	**30/06/2018**
Lands							
Buildings	5.620.397	520.572			83.249	2.692	6.226.910
Plants & machinery	4.526.683	334.859	-16.883		1	-1.228	4.843.432
Industrial and commercial equipment	10.101.636	482.249	-367.454		-6.403	29.341	10.239.369
Other assets	5.955.511	607.979	-255.370		-2.106	21.525	6.327.539
Tangible assets under construction and advance payments							
Total	**26.204.227**	**1.945.659**	**-639.707**		**74.741**	**52.330**	**27.637.250**

Net value	**31/12/2017**	**Increase**	**(Disposals)**	**Revaluation / Devaluation / Depreciations**	**Other movements**	**Translation adjustment**	**30/06/2018**
Lands	9.445.418	1.505.620			-4.513.739	53.161	6.490.460
Buildings	19.017.533	4.037.505		-520.572	5.095.773	58.009	27.688.248
Plants & machinery	3.304.664	1.172.517	-1.936	-334.859	1.026	10.980	4.152.392
Industrial and commercial equipment	2.000.803	504.711	-70.410	-482.249	5.010	3.274	1.961.139
Other assets	4.006.415	1.095.290	-111.119	-607.979	134.784	21.348	4.538.739
Tangible assets under construction and advance payments	1.402.688	1.130.745			-735.113	1.858	1.800.178
Total	**39.177.521**	**9.446.388**	**-183.465**	**-1.945.659**	**-12.259**	**148.630**	**46.631.156**

According to the accounting standards being used, the value of the land is separated from the value of the buildings that are located on it and the land is not amortized because it is considered an element with an unlimited useful life. The value of the lands on June 30th 2018 was 6.490 thousand Euros.

The amount entered under the heading of "increases" is related to the purchase of land both by the parent company El.En. Spa and by its subsidiary Lasit Srl, along with the adjacent building in order to create a better distribution of the manufacturing process and logistics for the former and, for the latter, to improve the organization of the production in a manner more suitable in view of the brilliant growth it has shown. The amount shown under the heading of "other movements" is related to to a better and more correct classification of the lands and buildings belonging to the Chinese subsidiary.
The heading of "Buildings" includes the building complex in Via Baldanzese a Calenzano (Florence), where the Parent Company operates along with the subsidiaries Deka M.E.L.A. Srl, Ot-Las Srl, Cutlite Penta Srl, Esthelogue Srl, Pharmonia Srl, and Merit Due Srl, the buildings in the city of Torre Annunziata: the first of which was purchased in 2006 and the second this year for the research, development and production activities of the subsidiary Lasit SpA, and the building in Jena, Germany which since May of 2008 houses the activities of the subsidiary Asclepion GmbH and the building purchased in Samarate (VA) at the end of the year 2014 by the subsidiary Quanta System SpA as a financial leasing and therefore entered into accounts according to IAS 17, and the new factory owned by the subsidiary Penta Laser Equipment (Wenzhou) on which work was completed last year.

The heading of "Plants and machinery" refers mainly to the investments made by Asclepion GmbH, by Penta Laser Equipment (Wenzhou) Co Ltd, Quanta System SpA, Ot-las Srl, Cutlite Penta S.r.l., Lasit SpA and the Parent Cmpany, El.En. SpA.

The heading of "Industrial and commercial equipment" refers mainly to El.En. and the subsidiaries With Us, Asclepion GmbH, Quanta System SpA, Lasit S.p.A., Ot-las Srl, Deka Japan, Esthelogue and Deka Mela; for this latter it should be recalled that in the past we have capitalized the costs of some of the machinery was sold to the clientele using operative leasing. These sales, in fact, were considered as revenue for multi-year rentals in conformity with IAS/IFRS standards.

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

In the category of "Tangible assets under construction and advance payments" we have included, among other things, the costs sustained by the subsidiary Asclepion GmbH and Asa Srl for the new buildings.
The amount entered under the heading of "other movements" refers to the transfer in the various categories of the costs sustained by the Parent Company for improvements and remodelling started last year and completed in 2018.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/2018	31/12/2017	Variation	Var. %
Equity investment in associated companies	2.428.872	2.537.355	-108.483	-4,28%
Other equity investments	1.035.420	1.049.920	-14.500	-1,38%
Total	**3.464.292**	**3.587.275**	**-122.983**	**-3,43%**

Equities in associated companies

For a detailed analysis of the equities held by Group in associated companies, refer to the paragraph relative to the scope of consolidation**.**

It should be recalled that the associated companies Immobiliare Del.Co. Srl, Elesta Srl, Chutian (Tianjin) Lasertechnology Co. Ltd, Quanta Aesthetic Lasers Usa, LLC and Accure, Inc. are consolidated using the shareholders' equity method.

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

Immobiliare Del.Co. S.r.l.:	249	thousand Euros
Actis S.r.l.:	1	thousand Euros
Elesta S.r.l.:	724	thousand Euros
Quanta Aesthetic Lasers USA, LLC:	1.471	thousand

		Euros thousand
Chutian (Tianjin) Lasertechnology Co: Ltd:	105	Euros thousand
Accure Inc.:	-121	Euros

Quanta USA LLC: the value of the equity includes goodwill for the amount of 2 million Euros.

At the end of last year the recoverable value of the CGU was subjected to an impairment test for the purpose of verifying the existence of any losses in value by comparing the accounting value of the unit with the use value, i.e., the present value of the expected future financial flows which we suppose will be derived from the continued use of the unit and the eventual discontinuation of it at the end of its useful life. For the results of the test, please consult note (3) of the explanatory notes of the consolidated financial statement closed on December 31st 2017.
On the basis of the results of the CGU registered for the first half of 2018 which were significantly lower than expected by the economic-financial plan on which the impairment test was built last year, the administrators determined that it was opportune to submit the CGU to a new test by up-dating the cash flows contained in the 2018-2020 plan.

The rate of actualization applied to the prospective cash flows (WACC) was 7,5%; for the cash flows related to the financial years subsequent to the period of explicit forecast and we determined a hypothetical growth rate for the long term of "g" equal to 1,5%. The determination of the amount of use on the basis of these parameters revealed a shift with respect to the accounting values and consequently the need to devaluate the goodwill for 225 thousand US dollars, bringing the residual value to 1,6 million US dollars.

Equities in other companies

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

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

Other non-current assets	**30/06/2018**	**31/12/2017**	**Variation**	**Var. %**
Financial receivables - third parties	320.585	313.323	7.262	2,32%
Deferred tax assets	5.837.023	6.269.095	-432.072	-6,89%
Other non-current assets	12.154.232	12.057.762	96.470	0,80%
Total	**18.311.840**	**18.640.180**	**-328.340**	**-1,76%**

The category of "Other non-current assets" is related to the temporary use of cash by the Parent Company El.En. SpA for life insurance policies which have as a basis a separate management of securities with capital guaranteed and with the possibility of cashing them in either partially or entirely for the duration of the contract on the condition that at least a year has passed since the policy was stipulated. Since this is a mid-term investment the company decided to classify it among the non-current assets held for sale booking the fair value in the assets and the re-evaluation of the same in the income statement and, consequently, to exclude it from the net financial position.

The deferred tax assets amount to about 5.837 thousand Euros and refer mostly to the obsolescence fund, to the variation in the inter-group profits on end of the period inventory, to bad debts reserve, to the product guarantee fund and to grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co Ltd.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	30/06/2018	31/12/2017	Variation	Var. %
Raw materials, consumables and supplies	43.665.589	31.936.890	11.728.699	36,72%
Work in progress and semi finished products	22.277.292	16.832.644	5.444.648	32,35%
Finished products and goods	22.631.403	17.797.767	4.833.636	27,16%
Total	**88.574.284**	**66.567.301**	**22.006.983**	**33,06%**

The final inventory amounted to about 88.574 thousand Euros, an increase of about33% with respect to the 66.567 thousand Euros registered on December 31st 2017, which reflects the increase in the volume of business for the period.

The chart below shows the breakdown of the total inventory, distinguishing between the amount of obsolete stock from the gross amount:

	30/06/2018	31/12/2017	Variation	Var. %
Gross amount of Inventory	100.249.938	78.580.436	21.669.502	27,58%
Devaluation provision	-11.675.654	-12.013.135	337.481	-2,81%
Total	**88.574.284**	**66.567.301**	**22.006.983**	**33,06%**

The obsolescence fund is calculated so as to align the stock value with the presumed selling price and recognizing, where necessary the obsolescence and slow rotation.
The amount in the fund decreased by about 337 thousand Euros this half and its incidence on the gross value of the inventory decreased, falling from 15,3% on December 31st 2017 to 11,6 % on June 30th 2018.

Accounts receivable (note 6)

Receivables are composed as follows:

	30/06/2018	31/12/2017	Variation	Var. %
Accounts receivable from third parties	83.395.061	79.559.226	3.835.835	4,82%
Accounts receivable from associated	960.160	885.882	74.278	8,38%
Total	**84.355.221**	**80.445.108**	**3.910.113**	**4,86%**

Accounts receivable from third parties	30/06/2018	31/12/2017	Variation	Var. %
Italy	33.509.207	31.249.701	2.259.506	7,23%
EEC	14.319.269	10.133.886	4.185.383	41,30%
ROW	42.161.059	44.879.700	-2.718.641	-6,06%
minus: bad debt reserve	-6.594.476	-6.704.063	109.587	-1,63%
Total	**83.395.061**	**79.559.226**	**3.835.835**	**4,82%**

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

	2018
At the beginning of the period	6.704.063
Provision	452.683
Amounts utilized and unused amounts reversed	-561.982
Other movements	2
Translation adjustment	-290
At the end of the period	**6.594.476**

Tax receivables/Other receivables (note 7)

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

	30/06/2018	31/12/2017	Variation	Var. %
Tax receivables				
VAT receivables	7.518.482	5.195.999	2.322.483	44,70%
Income tax receivables	3.391.349	3.745.975	-354.626	-9,47%
Total	**10.909.831**	**8.941.974**	**1.967.857**	**22,01%**

Current financial receivables				
Financial receivables - third parties	126.477	154.725	-28.248	-18,26%
Financial receivables - associated	344.355	473.675	-129.320	-27,30%
Total	**470.832**	**628.400**	**-157.568**	**-25,07%**
Other current receivables				
Security deposits	282.040	568.414	-286.374	-50,38%
Advance payments to suppliers	5.347.074	5.482.706	-135.632	-2,47%
Other receivables	7.422.350	7.168.251	254.099	3,54%
Total	**13.051.464**	**13.219.371**	**-167.907**	**-1,27%**

Total Current financial receivables e Other current receivables	**13.522.296**	**13.847.771**	**-325.475**	**-2,35%**

	30/06/2018	31/12/2017	Variation	Var. %
Current derivative financial instruments (asset)	17.043	91.383	-74.340	-81,35%
Total	**17.043**	**91.383**	**-74.340**	**-81,35%**

This half closed with a VAT credit of over 7 million Euros which was mostly a result of the intense export activity of the Group.
Among the income tax receivables we have entered credits derived from the difference between the pre-existing tax credit or down payment and the tax debt which had matured by the date to which the financial statement refers. It also includes the credit due to the Parent Company and to some of the Italian subsidiaries from the tax authorities, for the amount of the reimbursement of the excess IRES taxes paid due to the failure to deduct the relative IRAP from the expenses for personnel and similar, in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

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

The heading of "Current derivative financial instruments (asset)" includes the evaluation at fair value according to IAS 39 of the *currency rate swap* derivative contract to hedge the risk of the euro/yen Exchange rate, set up by the subsidiary With Us in the preceding years. The contract expires in August of 2020; the notional value as of June 30th 2018 was 1.250.000 Euros, and the *fair value* was 17.043 Euros.

Securities and other current financial assets (note 8)

	30/06/2018	31/12/2017	Variation	Var. %
Securities and other current financial assets				
Other current financial assets	1.974.666	2.036.433	-61.767	-3,03%
Total	**1.974.666**	**2.036.433**	**-61.767**	**-3,03%**

The amount entered under the heading of "Other current financial assets" is made up of mutual funds held by the Parent Company El.En. SpA acquired last year for the purpose of making a temporary use of cash. These securities were evaluated at market value on June 30th 2018 with value adjustment entered in the income statement.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	30/06/2018	31/12/2017	Variation	Var. %
Bank and postal current accounts	75.245.554	97.297.871	-22.052.317	-22,66%
Cash on hand	53.534	53.608	-74	-0,14%
Total	**75.299.088**	**97.351.479**	**-22.052.391**	**-22,65%**

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statement.

Net financial position as of June 30th 2018

The net financial position of the Group as of June 30th 2018 is as follows: (data in thousands of Euros):

Net financial position	**30/06/2018**	**31/12/2017**
Cash and bank	75.299	97.351
Financial instruments	1.975	2.036
Cash and cash equivalents	**77.274**	**99.388**
Current financial receivables	**126**	**155**
Bank short term loan	(4.554)	(8.230)
Part of financial long term liabilities due within 12 months	(881)	(932)
Financial short term liabilities	**(5.435)**	**(9.161)**
Net current financial position	**71.965**	**90.381**
Bank long term loan	(3.868)	(3.525)
Other long term financial liabilities	(2.301)	(2.350)
Financial long term liabilities	**(6.169)**	**(5.875)**
Net financial position	**65.796**	**84.506**

The net financial position of the Group decreased by about 19 million Euros with respect to the closure at the end of 2017.

During the first half the Group paid dividends to third parties for the amount of 8,4 million Euros. Investments in fixed assets amounted to 9,4 million Euros, almost one million Eurs of which was for investments in pre-existing plants, and 6,7 million for the purchase, construction and equipping of new production facilities in Calenzano, Torre Annunziata, Jena, Vicenza and Wenzhou, which are part of a vast investment plan for enlarging the production capacity for an overall amount which is expected to be around 28 million during the years 2018 - 2019.
The increase in net working capital represented the most important use of cash and is an effect of the present growth and the growth that is expected in the future. The most significant variations were registered by the Chinese companies and by Quanta System and El.En..

It should also be recalled that 11,5 million Euros in cash has been invested in financial instruments of an insurance type which requires that they be entered among the non-current financial assets; even though they constitute a use of cash they are therefore not part of the net financial position.

Information on the Consolidated Statement of financial position - Liabilities

Share Capital and Reserves

The main components of the shareholders' equity are shown below:

Share Capital (note 10)

As of June 30th 2018, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorized (to stock option plan service)	Euros	2.612.671
Underwritten and deposited	Euros	2.508.671

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

Category	**31/12/2017**	**Increase**	**Decrease**	**30/06/2018**
No. of Ordinary Shares	19.297.472	0	0	19.297.472
Total	**19.297.472**	**0**	**0**	**19.297.472**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increase in share capital for use in the stock option plans

The extraordinary shareholders' meeting of the Parent Company El.En. S.p.A. held on May 12th 2016, in compliance with art. 2443, II sub-section, CC., voted to authorize the Board of Directors to increase, in one or more operations and even separately, within five years after the authorization, the capital stock up to a maximum of nominal 104.000,00 Euros by issuing new shares intended for underwriting by the beneficiaries of the stock option plan for 2016-2025.
On September 13th 2016, the Board of Directors of the Company, following a recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 ("Stock Option Plan 2016-2025") in compliance with the mandate conferred to them by the Shareholders' meeting mentioned above and identified the beneficiaries of the plan, the number of options to be assigned, the temporal limits for picking up the options, and the price of underwriting them.
The Board, in compliance with art. 2443, II sub-section, CC., also executed the mandate conferred upon them by the Assembly, to increase, upon payment, entirely and exclusively for use in the stock option plan, separately and with the exclusion of the option right described in art. 2441, sub-section V, CC, the capital stock, by 104.000,00 Euros by issuing 800.000 ordinary shares which can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above mentioned Plan.
The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.
The plan will terminate on December 31st 2025 and the options that have not been picked up before that date will expire permanently; the capital will be definitively increased for the amount actually underwritten and released by that date.

Additional paid in capital (note 11)

On June 30th 2018 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2017.

Other reserves (note 12)

	30/06/2018	31/12/2017	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	87.382.028	95.059.871	-7.677.843	-8,08%
Cumulative translation adjustment	124.827	-417.403	542.230	-129,91%
Stock option/ stock based compensation reserve	3.362.888	2.931.557	431.331	14,71%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-140.219	-126.643	-13.576	10,72%
Total	**91.693.483**	**98.411.341**	**-6.717.858**	**-6,83%**

As of June 30th 2018 the extraordinary reserve amounted to 87.832 thousand Euros; the decrease during this half is due to the payment of dividends, in accordance with the resolution approved by the shareholders' meeting on April 27th 2018.
The reserve "for *stock options/stock based compensation*" includes the figurative costs determined in compliance with IFRS 2 of the stock option plans assigned by El.En. S.p.A. and those entered last year by the subsidiary Penta-Laser Equipment Wenzhou Co., Ltd calculated after the increase in capital resered for managers and underwritten at the end of the year 2017 (stock based compensation). For the evaluation of this latter underwriting, please consult Note 26 of the Explanatory Notes of the consolidated financial statement of the Group on December 31st 2017.

The cumulative translation adjustments summarizes the effects of the variations in the exchange rates on investments in foreign currency. The effects for the first half of 2018 are shown in the column "Comprehensive loss/income" of the Shareholders' Equity chart.
The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to 2017.

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

Treasury stock (note 13)

As described in detail in the paragraph "Area of Consolidation" in this document the shareholders' meeting of the Parent Company El.En. S.p.A. on April 28th 2015 authorized the Board of Directors to acquire treasury stock. This authorization expired in October 2016 without any treasury stock being acquired. Consequently, EL.En S.p.A does not possess any treasury stock.

Retained earnings/accumulated deficit (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the shareholders' equity of the Group.

Non-current liabilities

Severance indemnity (note 15)

The chart below shows the operations which have taken place during this financial period:

31/12/2017	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	30/06/2018
4.216.537	795.505	-473.144	-148.663	4.390.235

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

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

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

The present value of the liabilities for the severance fund that remains in the companies of the Group as of June 30th 2018 is 4.364 thousand Euros.

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

Financial hypotheses	Year 2017	Year 2018
Annual implementation rate	1,30%	1,45%
Annual inflation rate	1,50%	1,90%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx AA 10+ for the amount of 1,45% in conformity with the criteria used last year.

The amount entered in the column "Payment to complementary pension forms, to INPS fund and other movements" of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds or to the treasury Fund managed by INPS (with particular reference to the Parent Company El.En and the subsidiary Quanta System), in accordance with the choices made by the employees and the amount of actuarial gain or loss shown during the year.

Other accruals (note 16)

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

	31/12/2017	Provision	(Utilization)	Other movements	Translation adjustment	30/06/2018
Reserve for pension costs and similar	912.570	252.842	-175.355			990.057
Warranty reserve on the products	2.461.413	237.169	-269.212		13.278	2.442.648
Reserve for risks and charges	397.669					397.669
Other minor reserves	25.000					25.000
Total	**3.796.652**	**490.011**	**-444.567**		**13.278**	**3.855.374**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on June 30th 2018 amounted to about 948 thousand Euros, as opposed to the 883 thousand Euros shown on December 31st 2017.
According to IAS 37 the amount due must be calculated using actualization techniques in order to estimate as closely as possible the overall costs to be sustained for the payment to the agents of benefits after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2017	Year 2018
Annual implementation rate	1,30%	1,45%
Annual inflation rate	1,50%	1,90%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

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

Financial debts and liabilities (note 17)

Financial m/l term debts	30/06/2018	31/12/2017	Variation	Var. %
Amounts owed to banks	3.867.640	3.525.342	342.298	9,71%
Amounts owed to leasing companies	1.270.704	1.278.898	-8.194	-0,64%
Amounts owed to other financiers	1.030.166	1.070.936	-40.770	-3,81%
Total	**6.168.510**	**5.875.176**	**293.334**	**4,99%**

The mid- to long-term debts owed to banks as of June 30th 2018 mostly represent the amounts due after one year for:
a) bank financing which was granted to Asclepion GmbH for the construction of the building where the company is now operating and for sustaining their export activities;
b) bank financing granted to With Us as detailed below:
- 7.517 thousand Yen falling due on March 31st 2020 at the annual rate of 0,86%;
- 7.500 thousand Yen falling due on March 31st 202 at the annual rate of 1,13%

- 55.000 thousand Yen falling due on February 28th 2022 at the annual rate of 0,60%;

c) bank financing granted to Penta-Laser Equipment Wenzhou Co. Ltd as detailed below:

- 7.500 thousand Rmb falling due on July 19th 2019 at the annual rate of 4,75%;
- 9.000 thousand Rmb falling due on August 2nd 2019 at the annual rate of 4,75%.

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

a) Facilitated financing for applied research (FEMTO project) granted by MIUR to the subsidiary Quanta System S.p.A. for a total of 806.300 Euros, at the annual rate of 0,50%, to be reimbursed in 17 half-yearly installments, last installment on July 1st 2020;

b) Financing issued by Mediocredito to the subsidiary Lasit for a research project for the amount of 272.000 at the annual rate of 0,36% to be paid back in annual installments starting in March 2018, last installment March 8th 2025.

c) Financing issued by Monte dei Paschi di Siena to the subsidiary Lasit for the purchase of motor vehicles for a total of 114.000 Euros at the Euribor 6M + 2,75% rate to be paid back in installments each quarter starting in March 2017, last installment on September 30th 2021;

d) Facilitated financing for applied research (MILORD project), issued by FidiToscana to the Parent Company El.En. SpA for a total of 488.285,25 Euros, to be paid back in 6 half-yearly installments, starting on April 2020, last installment on October 31st 2022.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	30/06/2018	31/12/2017	Variation	Var. %
Amounts owed to banks	4.554.437	8.229.616	-3.675.179	-44,66%
Amounts owed to leasing companies	562.893	585.510	-22.617	-3,86%
Amounts owed to other financiers	299.710	346.181	-46.471	-13,42%
Total	**5.417.040**	**9.161.307**	**-3.744.267**	**-40,87%**

	30/06/2018	31/12/2017	Variation	Var. %
Current liabilites for derivative financial instruments	18.251		18.251	
Total	**18.251**		**18.251**	

The heading of “Amounts owed to banks” is mainly composed of:

- debts for advance payments on invoices of the subsidiary Esthelogue Srl
- short-term quota on the financing granted to Asclepion GmbH (see note 17);
- short term quota on the financing contracted by With Us besides the short-term quotas referable to the same company (see note 17);
- short-term bank financing granted to Penta-Laser Equipment Wenzhou Co for about 1.832 thousand Euros (corresponding to 14,1 million Yuan) with 6,8 million Yuan coming due in the month of February 2019 at the annual rate of 4,35% increased by 0,05% and 7,3 million Yuan in the month of November 2018 at the annual rate of 1,83% ;
- bank financing granted to Penta Chutian Laser (Wuhan) Co. Ltd for about 130 thousand Euros, corresponding to 1 milion Yuan at the annual rate of the PBC (central bank of China) increased by 1,5%.
- Financing granted to the subsidiary Quanta System SpA by Credem for a total of 1.000.000 Euros at the annual rate of 0,2% granted for operational reasons.

The heading of “Amounts owed to other financiers” includes the short-term quotas of the financing described in the preceding note.

The heading of “Current liabilities for derivative financial instruments” includes the evaluation at fair value according to IAS 39 of the derivative *currency rate swap* contracts initiated by With Us. The first contract expires in August of 2018, nominal value on June 30th 2018 was 50.000 Euros, the fair value on June 30th was 2.770 Euros; the second contract falls due in March 2019, the nominal value on June 30th 2018 was 400.000 Euros, the fair value was – 21.022 Euros.

Accounts payable (note 19)

	30/06/2018	31/12/2017	Variation	Var. %
Accounts payable	75.285.065	63.257.059	12.028.006	19,01%
Total	**75.285.065**	**63.257.059**	**12.028.006**	**19,01%**

No significant amounts owed on overdue debts for supplies were recorded at the end of this half.

Income tax payables /Other current payables (note 20)

The income tax debts matured for some of the companies belonging to the Group on June 30th 2018 amounted to 3.818 thousand Euros and are entered net of the down payments and deductions.

The break-down of the other debts is shown on the chart below:

	30/06/2018	31/12/2017	Variation	Var. %
Social security debts				
Debts to INPS	2.199.940	2.608.868	-408.928	-15,67%
Debts to INAIL	110.782	169.451	-58.669	-34,62%
Debts to other Social Security Institutions	412.351	454.999	-42.648	-9,37%
Total	**2.723.073**	**3.233.318**	**-510.245**	**-15,78%**
Other debts				
Debts to the tax authorities for VAT	99.161	2.055.551	-1.956.390	-95,18%
Debts to the tax authorities for withholding	1.375.272	1.840.463	-465.191	-25,28%
Other tax liabilities	80.521	223.613	-143.092	-63,99%
Debts to staff for wages and salaries	11.112.256	10.250.824	861.432	8,40%
Down payments	13.857.348	11.319.402	2.537.946	22,42%
Other debts	11.369.547	12.282.040	-912.493	-7,43%
Total	**37.894.105**	**37.971.893**	**-77.788**	**-0,20%**
Total Social security debts e Other debts	**40.617.178**	**41.205.211**	**-588.033**	**-1,43%**

The amounts "Owed to staff" include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2018.

The entry of "Down payments" consists of down payments received from clients for orders received; the increase refers in particular to the Chinese subsidiaries Penta-Chutian Laser (Wuhan) Co., Ltd and Penta-Laser Equipment Wenzhou Co., Ltd.

The entry of "Other debts" includes, among other things, the deferred income calculated on the grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co. Ltd, to sustain the new factory and research and development activities.

Segment information-IFRS8

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

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

30/06/2017		Total	Medical	Industrial	Other
Revenues		143.619	82.935	60.037	647
Intersectorial revenues		(742)		(95)	(647)
Net Revenues		142.877	82.935	59.942	
Other revenues and income		1.661	865	669	127
Gross Margin		59.509	40.213	19.169	127
	Inc.%	*41%*	*48%*	*32%*	*100%*
Margin		18.808	12.888	5.793	127
	Inc.%	*13%*	*15%*	*10%*	*100%*
Not assigned charges		5.674			
EBIT		13.134			
Net financial income (charges)		(2.204)			
Share of profit of associated companies		(49)	(34)	(9)	(7)
Other Income (expense) net		0			
Income (loss) before taxes		10.881			
Income taxes		2.824			
Income (loss) before minority interest		8.057			
Minority interest		2.047			
Net income (loss)		6.010			

30/06/2018	Total	Medical	Industrial	Other
Assets assigned	281.325	147.873	133.452	
Equity investments	2.895	2.643	253	
Assets not assigned	63.173			
Total assets	347.393	150.516	133.704	0
Liabilities assigned	101.777	31.906	69.871	
Liabilities not assigned	39.294			
Total liabilities	141.071	31.906	69.871	0

31/12/2017	Total	Medical	Industrial	Other
Assets assigned	252.644	129.811	122.833	
Equity investments	3.010	2.747	264	
Assets not assigned	79.292			
Total assets	334.945	132.557	123.097	0
Liabilities assigned	97.772	29.276	68.496	
Liabilities not assigned	32.877			
Total liabilities	130.649	29.276	68.496	0

30/06/2018	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	7.818	2.922	4.896	
- not assigned	(291)			
Total	7.528	2.922	4.896	0

31/12/2017	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	(1.079)	78	(1.157)	
- not assigned	1.003			
Total	(75)	78	(1.157)	0

Information on the consolidated Income Statement

Revenue (note 21)

The chart below shows the subdivision of the sales volume for the first half of 2018 among the various sectors of activity of the Group compared with the same subdivision for the same period last year. The two sectors are aligned in their excellent growth rate for this period, showing a two digit increase which is even slightly higher for the medical sector.

	30/06/2018	30/06/2017	Variation	Var. %
Medical	93.598.148	82.934.711	10.663.437	12,86%
Industrial	67.038.702	59.942.294	7.096.408	11,84%
Total revenue	**160.636.850**	**142.877.005**	**17.759.845**	**12,43%**

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2018	30/06/2017	Variation	Var. %
Insurance refunds	63.931	4.964	58.967	1187,89%
Recovery of expenses	585.268	635.706	-50.438	-7,93%
Capital gains on disposal of fixed assets	193.849	39.499	154.350	390,77%
Other income	695.504	980.701	-285.197	-29,08%
Total	**1.538.552**	**1.660.870**	**-122.318**	**-7,36%**

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

The entry “Other income” consists for the most part of grants for research projects for 30 thousand Euros and federal grants related both to the new production center and to the research projects for an amount of about 511 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following chart:

	30/06/2018	30/06/2017	Variation	Var. %
Purchases of raw materials and finished products	104.745.905	77.816.547	26.929.358	34,61%
Packagings	756.637	644.624	112.013	17,38%
Shipping charges on purchases	633.393	522.228	111.165	21,29%
Other purchase expenses	374.373	229.150	145.223	63,37%
Other purchases	535.933	553.681	-17.748	-3,21%
Total	**107.046.241**	**79.766.230**	**27.280.011**	**34,20%**

The costs for the purchase of goods and related charges as of June 30th 2018 amounted to 107.046 thousand Euros as opposed to the 79.766 thousand Euros sustained the preceding half, showing an increase of 34%.

Direct services/ other operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2018	30/06/2017	Variation	Var. %
Direct services				
Outsourced processing	3.574.557	2.560.612	1.013.945	39,60%
Technical services	415.793	349.028	66.765	19,13%
Shipment charges on sales	1.190.493	1.421.778	-231.285	-16,27%
Commissions	6.138.976	5.673.093	465.883	8,21%
Royalties	1.680	1.590	90	5,66%
Travel expenses for technical assistance	502.045	464.606	37.439	8,06%
Other direct services	690.304	237.063	453.241	191,19%
Total	**12.513.848**	**10.707.770**	**1.806.078**	**16,87%**
Other operating services and charges				
Maintenance and technical assistance on equipment	321.340	308.645	12.695	4,11%
Commercial services and consulting	1.136.246	827.253	308.993	37,35%
Legal and administrative services and consulting	707.628	733.295	-25.667	-3,50%
Audit fees	183.659	162.162	21.497	13,26%
Insurances	312.988	375.974	-62.986	-16,75%
Travel and accommodation expenses	2.216.609	1.876.192	340.417	18,14%
Trade shows	2.245.910	2.058.981	186.929	9,08%
Promotional and advertising fees	3.474.587	2.359.891	1.114.696	47,24%
Expenses related to real estate	1.157.474	1.018.840	138.634	13,61%
Other taxes	306.785	143.369	163.416	113,98%
Vehicles maintenance expenses	687.010	697.558	-10.548	-1,51%
Office supplies	238.286	227.462	10.824	4,76%
Hardware and Software assistance	410.518	305.278	105.240	34,47%
Bank charges	192.005	167.565	24.440	14,59%
Leases and rentals	1.345.954	1.192.801	153.153	12,84%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.093.590	1.149.228	-55.638	-4,84%
Temporary employment	246.592	277.547	-30.955	-11,15%
Other services and charges	4.965.457	4.095.189	870.268	21,25%
Total	**21.242.638**	**17.977.230**	**3.265.408**	**18,16%**

The most significant changes in the category of “Direct services” are related to “Outsourced processing” and “Commissions” due to the increase in production and sales and the costs for “other direct services” for increased technical and marketing consultancy.

The single most important entries under the heading of “Other operating services and charges” are represented by the promotional and publicity expenses, travels, trade shows, while for the category of “Other services and charges” the main costs refer the cost for technical and scientific consultants for about 916 thousand Euros and study and research for about 758 thousand Euros. For the research and development activities and costs, please consult the relative paragraphs in the Management Report.

Staff costs (note 25)

	30/06/2018	30/06/2017	Variation	Var. %
Wages and salaries	21.486.814	19.993.581	1.493.233	7,47%
Social security contributions	5.315.455	4.881.673	433.782	8,89%
Severance indemnity	761.607	697.288	64.319	9,22%
Staff costs for stock options/stock based compensation	346.413	346.413		0,00%
Other costs	198.451	143.334	55.117	38,45%
Total	**28.108.740**	**26.062.289**	**2.046.451**	**7,85%**

The cost for personnel amounted to 28.109 thousand Euros and increased 7,85% with respect to 26.062 thousand Euros for the same period last year. The increase is due mainly to the additional staff hired both by the parent company and the Italian and foreign subsidiaries which rose from 1.182 on June 30th 2017 to 1.374 on June 30th 2018.

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

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

	30/06/2018	30/06/2017	Variation	Var. %
Amortization of intangible assets	145.163	127.773	17.390	13,61%
Depreciation of tangible assets	1.945.659	1.782.832	162.827	9,13%
Accrual for bad debts	415.030	223.512	191.518	85,69%
Accrual for risks and charges	112.530	201.042	-88.512	-44,03%
Total	**2.618.382**	**2.335.159**	**283.223**	**12,13%**

The accrual for bad debts include some cautious write-downs on certain credit positions, the collection of which has slowed down.

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

The breakdown of the category is as follows:

	30/06/2018	30/06/2017	Variation	Var. %
Financial income				
Interests on bank and postal deposits	280.296	222.939	57.357	25,73%
Dividends from other investments		10.506	-10.506	-100,00%
Financial income from associated companies	9.235	6.351	2.884	45,41%
Interests from current securities and financial assets	100.485	107.909	-7.424	-6,88%
Other financial income	101.831	58.846	42.985	73,05%
Total	**491.847**	**406.551**	**85.296**	**20,98%**
Financial charges				
Interests on bank debts and on short term loans	114.573	192.662	-78.089	-40,53%
Interests on bank debts and on other m/l term loans	2.401	3.316	-915	-27,59%
Capital losses and other charges on current securities and financial assets	61.767	606	61.161	10092,57%
Other financial charges	178.985	154.246	24.739	16,04%
Total	**357.726**	**350.830**	**6.896**	**1,97%**
Exchange gain (loss)				
Exchange gains	1.125.841	403.505	722.336	179,02%
Exchange losses	-690.654	-2.899.427	2.208.773	-76,18%
Gains on derivative financial instruments		235.983	-235.983	-100,00%
Losses on derivative financial instruments	-94.931		-94.931	
Total	**340.256**	**-2.259.939**	**2.600.195**	**-115,06%**

The “Interests from current securities and financial assets” refers to the maturation of the interest on some insurance policies underwritten by the Parent Company.
The “Interests on bank debts and on short term loans” refers mainly to overdrafts granted by credit institutions to some of the foreign subsidiaries.
The heading of “Other financial charges” includes about 27 thousand Euros for the interests owed due to the application of the accounting standard IAS 19 to the severance indemnity while the “Losses on derivative financial instruments” are related to the evaluation in compliance with IAS 39 of the currency swap rate derivative contracts stipulated by the subsidiary With Us.

Other income and net charges (note 28)

	30/06/2018	30/06/2017	Variation	Var. %
Other non operating charges				
Devaluation of equity investment	5.700		5.700	
Total	**5.700**		**5.700**	
Other non operating income				
Capital gains on equity investments		74	-74	-100,00%
Total		**74**	**-74**	**-100,00%**

Income taxes (note 29)

Income taxes for this half amounted to 3,7 million Euros. The taxes due for this half have been calculated on the basis of the best estimate of the fiscal aliquots expected for the year 2018.

Earnings per share (note 30)

The average weighted number of shares in circulation during this half remained constant and amounted to 19.297.472 ordinary shares. The earnings per share on June 30th 2018 were 0,39 Euros. The diluted earnings per share which takes into consideration also the stock options assigned last year, was 0,37 Euros.

Dividends distributed (note 31)

The shareholders' meeting of El.En. SpA that was held on May 27th 2018 voted to distribute a dividend of 0,40 Euros for each of the 19.297.472 shares in circulation on the date the coupon came due. The amount of the dividend paid was 7.718.988,80 Euros.

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

As of June 30th 2018 the entries in the statement of comprehensive income refer exclusively to the severance indemnity evaluation and to the conversion of the financial statements of the foreign companies.

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

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we declare that during the first half of 2018 the Group did not conduct any significant non-recurring, atypical or unusual operations, as defined in the aforementioned Communication.

Information about related parties (note 34)

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

In particular it should be noted that:

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

Associated companies
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during 2018 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.
The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

The amounts shown in the charts mentioned above refer to operations that are inherent to the typical management of the Group.

	Financial receivables		**Accounts receivable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl	30.000		749	
Immobiliare Del.Co. Srl	31.565			
Elesta Srl			568.924	
Quanta Aesthetic Lasers USA, LLC	218.457		388.547	
Accure Inc.	64.334		1.941	
Total	**344.355**	**-**	**960.160**	**-**

Associated companies:	**Sales**	**Services**	**Total**
Elesta Srl	429.149	2.744	431.893
Quanta Aesthetic Lasers USA, LLC	604.817	375	605.192
Total	**1.033.966**	**3.119**	**1.037.085**

Associated companies:	**Other revenues**
Elesta Srl	12.350
Actis Srl	600
Total	**12.950**

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
Quanta Aesthetic Lasers USA, LLC		5.213		5.213
Total		**5.213**		**5.213**

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

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

Impact of related parties transactions	**Total**	**related parties**	**Inc %**
Impact of related parties transactions on the statement of financial position			
Equity investments	3.464.292	2.428.872	70,11%
Receivables LT	320.585	-	0,00%
Accounts receivable	84.355.221	960.160	1,14%
Other current receivables	13.522.296	344.355	2,55%
Non current financial liabilities	6.168.510	-	0,00%
Current financial liabilities	5.435.291	-	0,00%
Accounts payable	75.285.065	-	0,00%
Other current payables	40.617.178	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	160.636.850	1.037.085	0,65%
Other revenues and income	1.538.552	12.950	0,84%
Purchase of raw materials	107.046.241	-	0,00%
Direct services	12.513.848	-	0,00%
Other operating services and charges	21.242.638	5.213	0,02%
Financial charges	357.726	-	0,00%
Financial income	491.847	9.235	1,88%
Income taxes	3.681.334		0,00%

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

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.
The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated statements of the Group.
With US Co. Ltd., in the preceding years, stipulated three derivatives of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euros.

Operation	Notional value	*Fair value*
Currency swap	€ 50.000	€ 2.770
Currency swap	€ 400.000	-€ 21.022
Currency swap	€ 1.250.000	€ 17.043
Total	**€ 1.700.000**	**-€ 1.209**

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 7% of the total accounts receivable from third parties. For an analysis of the overdue receivables from third parties, please consult the relative paragraph in the consolidated financial statement.

As far as guarantees granted to third parties are concerned:

the Parent Company El.En. S.p.A. has underwritten:
- in 2013, a bank guarantee for a maximum of 50 thousand Euros later increased to a maximum of 100 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2019 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 5th 2012, with expiration date in July 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 30th 2014, with expiration date in May 2020.

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

The subsidiary ASA has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4,8 million Euros.

The German subsidiary Asclepion has underwritten a contract for a loan to be used for the construction of a new factory by taking out a mortgage for an overall amount of 4 million Euros which is added to the residual mortgage taken out for the construction of the old building for the amount of about 400 thousand Euros.

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

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

Financial Instruments (note 36)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value 30/06/2018	Book value 31/12/2017	Fair value 30/06/2018	Fair value 31/12/2017
Financial assets				
Non current financial receivables	320.585	313.323	320.585	313.323
Current financial receivables	470.832	628.400	470.832	628.400
Securities and other non-current financial assets	12.156.015	12.055.531	12.156.015	12.055.531
Securities and other current financial assets	1.974.666	2.036.433	1.974.666	2.036.433
Cash and cash equivalents	75.299.088	97.351.479	75.299.088	97.351.479
Financial debts and liabilities				
Non current financial liabilities	6.168.510	5.875.176	6.168.510	5.875.176
Current financial liabilities	5.435.291	9.161.307	5.435.291	9.161.307

Fair value hierarchy

The Group uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

As of June 30th, 2018 the Group holds the following securities evaluate at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		12.156.015		12.156.015
Mutual funds	1.974.666			1.974.666
Currency swap		-1.209		-1.209
Total	**1.974.666**	**12.154.806**	**0**	**14.129.473**

Other information (note 37)

Average number of employees

Personnel	Average of the period	30/06/2018	Average of previous period	31/12/2017	Variation	Var. %
Total	**1.293**	**1.374**	**1.153**	**1.212**	**162**	**13,37%**

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

Declaration of conformity of the half-yearly condensed financial statement as of June 30th 2018 in compliance with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

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

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during the first half of 2018.

2. No significant aspects emerged concerning the above.

3. We also declare that:

3.1 the condensed consolidated half-yearly financial statement:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the scope of consolidation.

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

Calenzano, 12th September 2018

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