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press release

The Bod of El.En. releases the consolidated 2018 six months financial report

Record Consolidated Revenues at 161 million of euro(up12,4%)
Net Income for the Group 7,4 million of euro(up 24%)
Strong Positive Net Financial Position at 66 million of euro
2018 revenue growth guidance confirmed over 10%

- **Consolidated Revenues: 160,6 million of euro vs. 142,9 million of euro in 1H 2017, up12,4%**
- **EBITDA: 15,3 million of euros vs. 15,5 million of euro in 1H 2017**
- **EBIT: 12,7 million of euro, was 13,1 million of euro in 1H 2017**
- **Net Financial Position: positive for 65,8 million of euro vs. 84,5 million of euro on December 31st, 2017**
- **Net income: +7,4 million of euro vs. +6 million of euro of euro in 1H 2017, + 24%**

Florence, September 12th, 2018 – The Board of Directors of El.En. SpA, leader on the laser market and listed on the STAR Segment of the Italian Stock Exchange, released today the six months consolidated financial report as of June 30, 2018.

In the first half of 2018 the growth of the El.En. Group continued with robust financial results that exceeded the sales increase forecast, highlighting the group's appreciation by the market. During the period under review, record consolidated revenues were achieved reaching 161 million of euro, up 12,4% compared to 1H 2017. EBITDA was 15,3 million euro, with an 9,6% margin on sales, slightly down compared to the 15,4 million euro of the previous financial year. EBIT amounted to 12,7 million euro, with a 7,9% on sales and with a decrease of 3% compared to 13,1 million euro in the same period of 2017. Net income for the Group was 7,4 million of euro with a 24% increase growth compared to 6,0 million in 1H 2017.

The general trends of our reference markets stays positive and continues to envisage significant growth opportunities for the group.

Medical and Industrial sector were almost aligned in the revenues growth rate of the period, both over 10%, slightly stronger in the medical second that showed revenues for 94 million of euro(vs. 83 million of euro in the corresponding period of 2017) marking a 13% increase on 2017; the industrial sector with sales for 67,0 million of Euro, (vs. 60 million in the first half of 2017) registered a 12% growth. As of geographical distribution, the most brilliant results in both sectors were obtained in Europe, where the revenues increase was just shy of 30%, while on the Italian and Extra-European markets the growth was close to 10%. Significant was the development of the industrial sector in Europe, which highlights the Group's desire to acquire relevant market shares also outside Italy and China, to date the main outlet areas for the Group's products in the sector.

Andrea Cangioli, El.En. Spa' Managing Director said: "*We are pleased by the financial results of this semester. We are growing also in not traditional markets for the Group, gaining market shares with our very innovative products. We are strengthening the manufacturing facilities and the global organization structure, with specific attention to Sales and Marketing. We are confident by this means to exploit even better in the future the opportunities surfacing both in the medical and industrial area, and to continue our growth progression."*

In the medical sector all the market segments registered sales growth, mainly achieved in the most significant geographical areas.

As for new products, in the medical sector the semester was characterized by the launch of the *Onda* system, with its innovative approach of delivering microwave energy combined with a sophisticated cooling system for the effective and painless delivery of "Coolwaves" for body remodeling, cellulite and fat treatment. This system obtained the medical CE mark, which allows the marketing in EEC countries and in a few other States, in March 2018.
The renewed attention of the market towards non-invasive "*body-shaping*" treatments, a rapidly expanding application segment, initiated the process of designing *Onda* which marks the return of the Deka brand in the non-invasive body shaping market
Several new systems were launched on the market during the semester, or of which the authorization to sell in some countries has been achieved, thus expanding their marketing potential. Quanta System has added to its range of lithotripsy systems a 100W high power Holmium system, which has obtained FDA clearance, while the Japanese health ministry has authorized the sale of 60W Holmium systems for the removal of Urological kidney stones and of a Thulium 200W system for the treatment of BPH (Benign Prostatic Hyperplasia) with the ThuLep technique. As far as Holmium high power systems are concerned, these are very significant products, also in light of the OEM marketing through important international brands, which characterizes a relevant share of the group's sales in surgery. Also the Motus AY hair removal system, introduced by Deka on the market in the second quarter, has obtained the CE medical mark and FDA clearance that allows to start sales activities in the USA. In the same way, the new Punto system released by Deka for rejuvenation has obtained the CE medical mark.

In the industrial applications for manufacturing, the development of new products is in this period focused in the integration, within sheet metal cutting systems, of laser sources of increasingly high power 6, 8, 12 up to 15kW, power levels that allow increase in productivity and in maximum thickness effectively cut. In order to benefit of the productivity increase due to higher laser power, specific and complex configurations are needed for the system and its beam delivery tools, that our companies are able to design and implement based on the sophisticated know how gained and sedimented within the years of experience in the application.

Sales revenues in the industrial sector showed growth in all its segments, with a marked acceleration in the second quarter of the year. The cutting segment grew by 14%, also thanks to the Chinese joint ventures of Wuhan and Wenzhou where production capacity will increase in 2018 with a new location of Wuhan's facility and in 2019 with the new plant under construction in Wenzhou. The trend in the marking segment remains stable with a slight 0,9% increase, while the sources segment registered a growing success, with sales up 13,3% exploiting niche applications within the packaging, special processing and textile sectors. Sales trend in art conservation was positive, a business where the Group registers revenue but above all contributes to the conservation of the artistic heritage on a global scale.

In detail:

Gross Margin of 1H 2018 was at 64.701 thousand euros, up 8,72% vs. 59.509 thousand euros as of June 30th, 2017, thanks to the increase in Sales volume. A decline in margins from 41,7% to 40,3% was registered in the first half of 2018, mostly due to a the less favorable mix of sales in the medical sector and to the reduction of certain grants to support R&D in the industrial sector.

EBITDA was equal to 15.349 thousand euro, substantially unchanged compared to the 15.469 thousand euro of 1H 2017. The decrease in EBITDA % margin, down from 10,8% to 9,6%, is the consequence of the reduction in the sales margin and the increase in structural operating costs aimed to sustain the further growth forecast, both in the medical and in the industrial sectors.

EBIT marked a positive balance of 12.731 thousand euros, down compared to 13.134 thousand euros as of June 30th, 2017, with a margin on sales decreasing to 7,9% from 9,2% in the same period of the previous year.

Pre tax income showed a positive balance of 13.090 thousand euro (10.881 thousand euro in 1H 2017), up 20,3% as an effect of the positive balance of financial management, less penalized than in the past by the trend of foreing exchange losses. The tax burden for the period showed a total expense of 3,7 million euros: the taxes for the period were calculated based on the best estimate of the expected tax rates for the year 2018. The tax rate for the period was approximately 28%, highet than 26% recorded in the same period of last year.

Net profit for the Group. The first half of 2018 ended with a net income for the Group of 7.452 thousand euros, a 24% increase compared to 6.010 thousand euros in 1H 2017.

The net financial position of the Group remains firmly positive even though declining by roughly 19 million of euros in the period to around 66,0 million euros, compared to 84,5 million euros as of December 31st, 2017. The cash absorption for the period was due to several factors: distribution of dividends totaling 8,4 million of euro; investments in fixed assets of 9,4 million, of which almost 1 million of euro for investments in plants for existing factories and 6,7 million of euro for the purchase, construction and equipment of new production facilities in Calenzano, Torre Annunziata, Jena, Vicenza and Wenzhou, (part of a larger investment plan aimed at expanding production capacity to serve the growing demand, for a total expected amount of about 28 million in the years 2018- 2019).
The increase in net working capital was the most significant cash usage of the period, as effect of the growth and in preparation for the fastest expected growth. The most significant changes were recorded in the Chinese companies, in Quanta System and in El.En.

Outlook for the current year

Financial results for the first half exceeded the revenue growth guidance, with an increase of 12,5% vs. the forecast of 10%; while they recorded a delay with respect to the expected growth in EBIT income, which remained positive at 7,9% of revenues and decreased by 3% compared to the first half of 2017.
We continue to go through a favorable phase of our markets, we therefore believe we can reach and exceed the forecast of 10% in annual revenue growth, and we can achieve at the end of the year, in presence of a further acceleration in revenues, 10% EBIT growth.

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The *manager in charge of preparing the corporate accounting records*, Enrico Romagnoli, declares, pursuant to paragraph 2, article 154-bis of the Consolidated Finance Law, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

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As required by Consob, the Half yearly report as of June 30th, 2018 will be available for the public at our premises in Calenzano, at Borsa Italiana SpA, on our website www.elengroup.com from September 12, 2018 in section "*Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2018*" and on authorized storage website www.emarketstorage.com.

CONFERENCE CALL

On Thursday, September 13th, 2018 at 15:00 CET (14:00 GMT) (9:00 EST), EL.EN. Spa will hold a conference call with the financial community, to discuss the financial results of the Group. You can dial the following numbers: from Italy +39 02 8058811, from UK +44 121 2818003, from USA +1 718 7058794. Before the conference call, you can download the presentation slides from the Investor Relations page of the El.En. website: *http://www.elengroup.com/it/investor-relations/presentazioni*

El.En., *an Italian company, is the parent of a high-.tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:*
- Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;
- Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;
- Laser systems for scientific research

EL.EN has been listed on the Star (MTA) of Borsa Italiana. Its market floatation is approximately 41% and its market capitalization amounts to Euro 490 million.

Cod. ISIN: IT0005188336
Sigla: ELN
Negoziata su MTA
Mkt cap.: 490 milioni di euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – El.En. Group Profit and Loss account as of June 30th, 2018

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%**

Tab. 2 – El.En. Group balance sheet as of June 30th, 2018

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' equity	**190.749**	**190.321**	**428**
Minority interest	15.573	13.975	1.598
Total shareholders' equity	**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**

Tab. 3 – El.En. Group cash flow statement as of June 30th, 2018

Cash flow statement	30/06/18	30/06/17
Operating activity		
Income (loss) for the financial period	**9.409**	**8.057**
Depreciations	2.091	1.911
Share of profit of associated companies	109	49
Write-downs for impairment losses	6	0
Stock Options	431	431
Severance indemnity	57	91
Reserve for risks and charges	59	77
Bad debt reserve	(110)	(393)
Deferred tax assets	460	(176)
Deferred tax liabilities	18	(293)
Inventories	(22.007)	(4.354)
Accounts receivable	(3.801)	(8.588)
Tax receivables	(1.968)	(1.128)
Other receivables	172	(414)
Accounts payable	12.028	(2.700)
Income tax payables	2.163	(1.894)
Other debts	(588)	3.669
Change in consolidation area / extraordinary events		
Cash flow generated by operating activity	**(1.469)**	**(5.655)**
Investment activity		
Tangible assets	(9.399)	(352)
Intangible assets	(219)	(328)
Equity investments, securities and other financial assets	44	(1.428)
Loan receivables	150	321
Change in consolidation area / extraordinary events		
Cash flow generated by investment activity	**(9.425)**	**(1.787)**
Financing activity		
Non current financial liabilities	293	2.218
Current financial liabilities	(3.726)	(1.376)
Dividends paid	(8.434)	(8.479)
Change in consolidation area / extraordinary events		
Cash flow generated by financing activity	**(11.867)**	**(7.637)**
Change in cumulative translation adjustment reserve and other no monetary changes	**708**	**(578)**
Increase/(decrease) in cash and cash equivalents	**(22.052)**	**(15.657)**
Cash and cash equivalents at the beginning of the financial period	**97.351**	**97.589**
Cash and cash equivalents at the end of the financial period	**75.299**	**81.932**

NOTE:

The El.En. Group uses some alternative performance indicators that are not identified as IFRS accounting measures, in order to better assess the Group's performance. Therefore criteria of determination applied by the group may not be homogeneous with that adopted by other groups and the value obtained may not be comparable.

These alternative performance indicators, determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA / 2015/1415 and adopted by CONSOB with communication no. 92543 of December 3, 2015, refer only to the performance of the accounting period covered by this release and the periods to be compared.

The Group uses the following alternative performance indicators to evaluate the financial performance:

- **Gross margin from operations,** also known as "EBITDA", it's also an indicator of operating performance and it's calculated by adding the EBIT the entries under "Depreciation, amortization and other accruals";
- **Added Value,** determined by adding to EBITDA the item "For staff costs";
- **Gross Margin,** an indicator of sales margins calculated by adding to the Added Value the line " Other operating service and charges ";
- The impact of the various income lines on revenue.

The Group uses as alternative performance indicators to evaluate their ability to cope with financial obligations:

- **Net Financial Position** as: cash and banks + securities held as current assets + current financial assets – long term financial liabilities - current financial liabilities