HALF YEARLY FINANCIAL REPORT AS OF 30TH JUNE 2020

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.547.684,36*

Registry of Companies in Florence – C.F. 03137680488

*On the date of the approval of this document

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

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on June 30th 2020)

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 2020, approved by the Board of Directors on September 10th 2020, 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 2019 with the exception of the accounting standards that went into force starting on January 1st 2020 described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

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

1.2. Description of the activities of the group

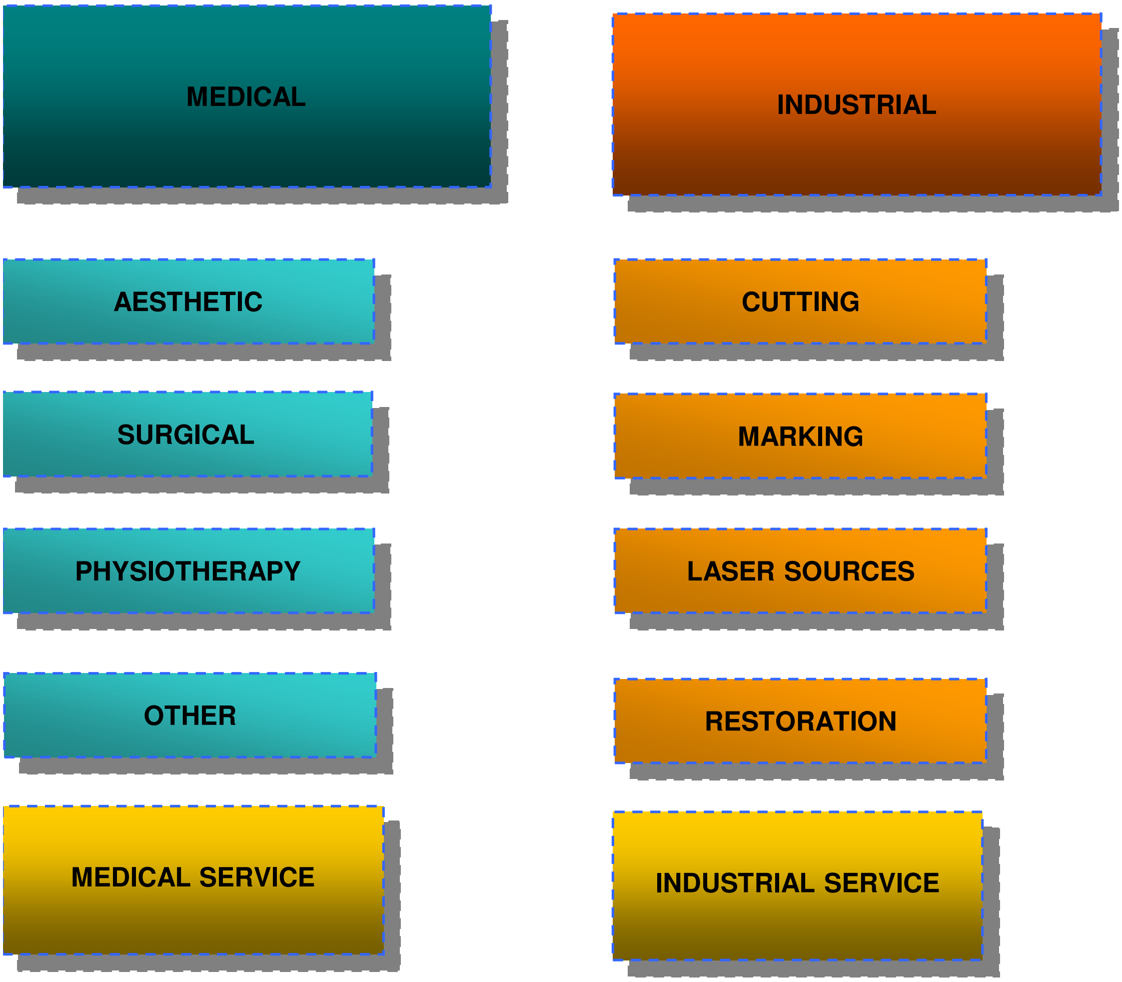
El.En was founded in 1981 and arose from the intuition of a university professor and one of his students. The Company developed over the years and became a multi-faceted, dynamic industrial group specialized in the manufacture, research and development, distribution and sale of laser systems.
The founders, Leonardo Masotti and his wife, Barbara Bazzocchi, and Ing. Gabriele Clementi, have always conducted the company and are still part of the top management.

The laser, an acronym for "**Light Amplification by Stimulated Emission of Radiation**" is a fascinating technology invented in 1960 and represents the fulcrum of the technology of the Group. This luminous emission with its unique characteristics (monochromaticity, consistency, brilliance) found and is still finding a growing number of applications which have given rise to its own specific industrial sectors and in others has radically changed the way in which they operate. Telecomunications, sensoristics, printers, lithographs, numerous processes in industrial manufacturing, numerous medical and aesthetic applications have been able to benefit from the innovations made available by the versatility, precision and reliability of laser systems. As Prof. Gérard Mourou - Nobel prize for physics in 2018 for the invention of chirped pulse amplification or CPA, which was later used to create ultra-short high intensity laser impulses (terawatt) - pointed out during his visit in January 2019 to the headquarters of Quanta System Spa in Samarate (VA), "the best is yet to come"! Scientific research and applied industrial research will continue to find innovative applications for laser technology from which we can all benefit directly or indirectly.

Among the many types of laser sources and applications that have been developed, the Group has always been specialized in systems for two particular sectors: laser systems for medicine and aesthetics which we call the Medical sector and laser systems for manufacturing which we call the Industrial sector. Each of these sectors is divided into various segments which vary from each other because of the specific application of the laser system and, consequently, for the specific underlying technologies and the type of user. For this reason, the activity of the Group which is generically defined as the manufacture of laser sources and systems, actually has a wide variety of products which are used by many different kinds of clients, also due to the global presence of the Group which forces it to adapt to the particular methods which every region in the world has in the adoption of our technologies.

Over time, the Group has acquired the structure which it now has through the creation of new companies and the acquisition of the control in others. The activities are conducted by this diverse group of companies which operate in the fields of manufacture, research, development distribution and sale of laser systems. Each company has been assigned a specific task which sometimes is based on its geographical location, sometimes on a specific market niche, and other times on a more extended and transversal area of activity including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company in such a way that the available resources can be put to the best use on the markets and take advantage of the dynamism and flexibility of each single business unit without losing the advantages of a coordinated management of some of the resources.

In our sectors of the market, the wide range of products, the capacity to segment some of the markets in order to maximize the overall quota held by the Group, together with the opportunity of involving managerial staff as minority shareholders are at the base of the company organization of the Group. The high number of different companies that compose the Group is based on the linear subdivision of the activities which we have identified also for purposes of reporting but, above all for strategic purposes, as shown below:



An integral part of the main company activity of selling laser systems, is that of the post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The division of the Group into numerous different companies also reflects the strategy for the distribution of the products and for the organization of the activities for research and development and marketing. El.En. is one of the most successful groups on our market, thanks to a series of acquisitions concluded over the years, in particular, in the medical sector (DEKA, Asclepion, Quanta System and Asa).
Following an approach that is unique and original for our sector, each company that has entered the Group has maintained its own special characteristics for the type and segment of the product, with brands and distribution networks that are independent from the other companies of the Group and represent a real business unit. Each one has been able to take advantage of the cross-fertilization which the individual research units has had on the others and has made their own elective technologies available to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.
While we recognize the importance that the multi-brand and multi-R&D has had on the growth of the Group, at the same time we realize the need to increase the coordination between the activities of the different business units of the medical sector and promote the joint activities like distribution in Italy which, under the new brand name of “Renaissance” will unite into a single organization the pre-existing networks of Deka and Quanta System.

In 2020 the integration of the networks of the Group will continue: the laser systems for aesthetic applications produced by Asclepion will be available for sale in Italy through the Renaissance network, thus re-enforcing their leadership in this geographical area while, analogously, the distribution network of Asclepion in Germany will offer the Deka systems.
An optimal integration of the medical business units is, in fact, one of the objectives of the General Director of El.En. Spa, who took on this role, a new one for the company, on January 1st of 2017.

Although they both use laser technologies and share numerous strategic components and some activities at the R&D and production level, the Medical and Industrial sectors are active on two completely different kinds of markets. Their internal operations are organized in such a way as to satisfy the radically different needs of the clients of the two different sectors. Moreover, specific dynamics in the demand and expectations for growth that are connected to different key factors correspond to each of the two markets.

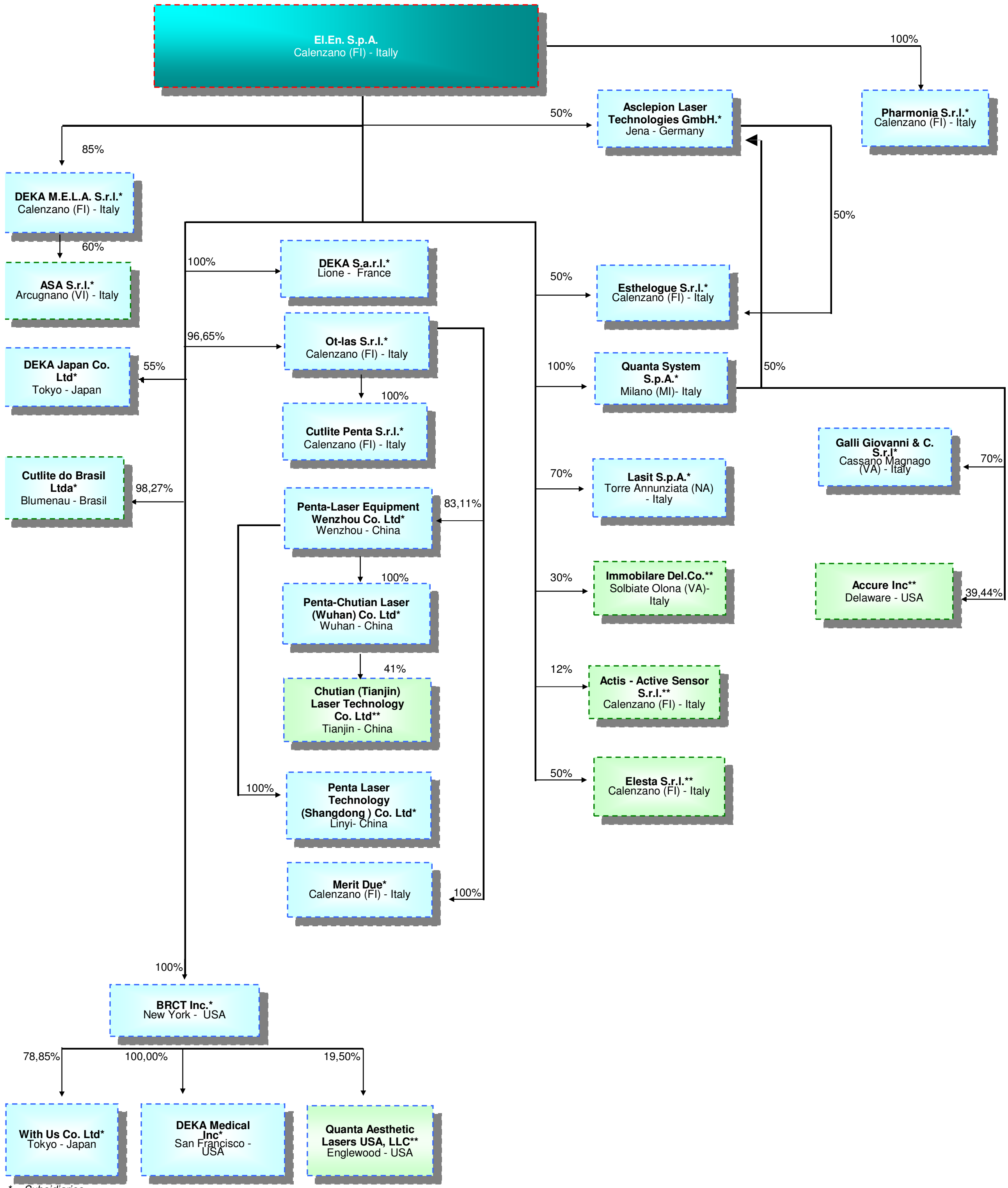
The outlook for mid-term growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging. There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser systems represent an increasingly indispensable tool for manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component of it which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

Growth in the industrial sector is expected thanks to the increase in productivity and in the quality of the products along with the great flexibility that laser operations bring to numerous manufacturing processes. Although they still refer to traditional manufacturing systems, both our cutting technologies, which transform the product, and our marking systems, which identify it or decorate it, respond to specific requirements of the manufacturing sector which are increasingly requested. Another factor which contributes to the demand are the technological innovations which make the products increasingly easy to use, productive and versatile and in this way increase the range of potential customers.

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

1.3. Description of the Group

As of June 30th 2020 the Group was composed as follows:



* Subsidiaries
** Associates

1.4. Performance indicators

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

	30/06/20	30/06/19
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	6,3%	10,6%
ROI (EBIT / Total Asset)	4,4%	8,4%
ROS (EBIT / Sales)	5,7%	8,9%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,73	0,75
Debt Ratio (Total Liability / Total Asset)	0,47	0,44
Leverage ((Net Equity+ Loans) / Net Equity)	1,25	1,14
Current Ratio (Current Asset / Current Lability)	2,05	2,09
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,31	1,42
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,56	0,60

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

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

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

1.5. Alternative non-GAAP measures

The El.En. Group uses some alternative performance measures which are not identified as accounting measures that are part of the IFRS in order to offer a better evaluation of the performance of the Group. Consequently, the criteria applied by the Group may not be homogeneous with that used by other companies and the results obtained may not be comparable with the results shown by these latter.

These alternative performance measures, determined in conformity with the guidelines for alternative measures issued by ESMA/2015/1415 and adopted by the CONSOB with notice nr. 92543 on December 3rd 2015, refer only to the economic performance of the period being considered and those with which it is being compared.

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

- the **earnings before income taxes, devaluations, depreciations and amortizations** or "EBITDA", also represents an indicator of operating performance and is determined by adding to the EBIT the amount of "Depreciations, Amortizations, accruals and devaluations";
- the **added value** is determined by adding to the EBITDA the "cost for personnel";
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the "Costs for operating services and charges".
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators to evaluate its capacity to meet their financial obligations, the Group uses:

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts.

1.6. Group financial highlights

During the first half of 2020 the El.En. Group registered a consolidated sales volume of 162,5 million Euros, with an EBIT of 9,3 million and a net income for the Group of 6,4 million.
The results register a drop with respect to those shown for the first half of 2019 for reasons that can be entirely attributed to the effects of Covid 19.
Although they are very far from the expectations for growth that the Group had for 2020 at the end of last year, in the most difficult situation ever faced by the Group and by the world economy in the recent past, these results testify to the exceptional solidity of the structures of the Group (technical, financial and operative), and their proven capacity to obtain brilliant growth rates, as well as the ability to tenaciously resist under adverse circumstances without sacrificing the potential for future growth.

The Group owes these characteristics and capacities first of all to their employees and collaborators, for whose protection they activated all the measures and procedures necessary to guarantee the greatest safety while conducting their tasks and from whom they received an exceptional response in maintaining the vital activities dynamic, lively and proactive. Despite the limitations in the means and hours available (unemployment benefits were applied extensively) even in the darkest hours of the contagion important research and development projects were completed making the launching of new products possible; relations with clients were conducted using a creative and assiduous presence on the social networks with a wealth of commercial and training promotional events; the logistic and operational structures along with the secondary support functions continued to work under complicated conditions in order to guarantee the delivery of products and technical assistance to clients all over the world. The management of the Group is counting of this great resource in the first place in order to once again achieve the brilliant results even from an economic point of view as soon as conditions will make this possible.

After a first quarter that was severely penalized by the lockdown of our Chinese factories, in the second quarter the pandemic moved from East to West where it struck Italy and the other western countries. In China, while the economic activities and everyday life almost went back to normal, the lockdown measures were being applied in the countries of western Europe, the Middle East and subsequently, the American continent.

The lockdown forced us to interrupt our activities first in China from January through March then in Italy and the rest of Europe from March through April. Even the companies operating in the medical sector who by law were allowed to continue to work were forced to shut down their activities for several weeks both for precautionary reasons in order to protect the health and safety of their employees as well as for the sudden drop in demand which occurred as a result of the spread of the pandemic in the countries which represent our main markets. Once the critical phase of lockdown was over, we had to face the general conditions of a market which had deteriorated because of the uncertainty and the limitations imposed by the regulations for the protection of public health which had changed the habits of citizens all over the world. In the final months of the half we registered a gradual improvement in the general conditions of our markets. Our manufacturing structures were started up again, in some cases even with a good rhythm of production which was above the short term expectations which, however, were not very high. Although it slowly recovered, the overall volume of demand was still very weak, in particular in the medical sector, where our main markets had been severely hit by the spread of the pandemic. For this reason, the trend for this half was that described above, recovering but still far below the results for last year (which, however, were exceptionally good) and below expectations.

At this time we can confirm the gradual recovery of the demand and, consequently, of the results which are satisfactory, given the circumstances. Of course, the overall volume of the demand has still not reached the levels of last year and is still made uncertain and unstable by the limitations that are imposed and, above all, by the uncertainties concerning the development of the contagion and its effects on the economy.

As far as costs were concerned, some types of promotional and advertising expenses were greatly reduced because of the impossibility of travelling and participating in trade fairs and symposiums. This had a positive effect on the profit and loss account. These expenses, however, have high productivity and in their absence there has been a significant reduction in the promotional activity which, along with the effects of the limitations imposed by Covid 19 will not have positive consequences for the future acquisition of orders. As far as staff costs are concerned, the extensive use of *cassa integrazione* significantly reduced this cost in the last six months[1].

Within the structure of our Group, which has operational units in different parts of the world which supply markets that are sometimes very different one from the other, there were exceptions that were both positive and negative with respect to the general trend described above, and were derived from the specific geographic and market conditions.

The Chinese manufacturers in the sector of laser cutting for metals initially underwent the longest and most stringent closure of their activities on account of the location of one of our companies in Wuhan and the fact that at the time of the lockdown of the city, most of our employees, originally from Wuhan, were there on vacation. Sales in the first quarter in China registered an unheard of drop of 68%. The Chinese companies then registered an amazing recovery in the sales volume which, in the second quarter of 2020, was even greater than the corresponding period in 2019. In the same sector, the activities in Italy of Cutlite Penta benefitted from a high level of demand and was hit by the Covid effect essentially as a result of the forced closure which was a result of the ministerial decree, DPCM of March 22nd 2020, but were able, in any case, to register an increase in sales volume on a half yearly basis. In this case we are dealing with the sector of laser cutting of sheet metal which is now going through a phase of rapid growth: our Chinese and Italian companies have operating structures and a range of products which allows them to take advantage of the opportunities for growth offered by this market.

In Japan the anti-Covid restrictive measures had less effect on the habits and behavior of the population and the aesthetic centers were not subject to a total lockdown like they were in Italy. This situation, in combination with the supply of upgrading systems for the hair removal devices was the basis for an excellent result for the first half, with sales significantly increasing with respect to the first half of 2019 and an excellent profitability.

In Brazil, the portfolio of orders obtained by our subsidiary in the sector of metal cutting was unable to be transformed into the hoped-for increase in the sales volume. The impact of the Covid, which arrived late in respect to Europe but was particularly pervasive, in the second quarter made it impossible to make deliveries. Cutlite do Brasil therefore registered zero sales volume in the second quarter with the consequent losses. Brazil is an important market also for the medical sector but the country is now going through a profound crisis and our exports are further penalized by the collapse of the local currency which makes the purchase of our systems much more expensive for the Brazilian clients.

The sector of medical and aesthetic applications also shut down during the lockdown which involved all of our clients and prevented them from working. We worked assiduously on the web to maintain contact with our clients with events that involve hundreds of clients and potential clients. In this way we were able to overcome the lack of trade fairs and symposiums and persuade our clients to benefit from the advantages offered by the new technologies. Also in this case, we were able to obtain a significant recovery especially in the medical and aesthetic sector in Italy and the professional aesthetics sector in Germany.

It should be recalled that in all of our production facilities we immediately adopted all of the safety and preventive measures necessary to protect the health and safety of our workers including the limitation of the presence of workers in

[1] *Cassa integrazione* is an Italian institution in which laid off or suspended workers are paid up to 80% of their full salary by the State. It is roughly equivalent to a redundancy fund.

the company by using smart working where possible, sanitizing the rooms, respecting all of the safety distances and measuring the temperature of all employees at the entrance to the company. All of these procedures are still being used according to regulations which we have agreed upon with our employees.

The chart below shows the sales volume for the first six months of 2020 divided by sector of activity of the Group, compared with the same data for last year.

	30/06/2020	Inc %	30/06/2019	Inc %	Var. %
Medical	100.309	61,72%	112.129	59,50%	-10,54%
Industrial	62.212	38,28%	76.321	40,50%	-18,49%
Total revenue	**162.521**	**100,00%**	**188.450**	**100,00%**	**-13,76%**

The overall sales volume fell by 13,8% with the medical sector showing a drop of 10,5% and the industrial sector a drop of 18,5%.

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

	30/06/2020	Inc %	30/06/2019	Inc %	Var. %
Italy	27.432	16,88%	32.088	17,03%	-14,51%
Europe	30.150	18,55%	36.780	19,52%	-18,03%
ROW	104.940	64,57%	119.582	63,46%	-12,24%
Total revenue	**162.521**	**100,00%**	**188.450**	**100,00%**	**-13,76%**

During this six month period the decline in the sales volume was quite uniform in the various parts of the world. It was more accentuated in Europe where we had to register the drop in sales to the international distributors in the medical sector and the decline in direct sales in the industrial sector because of the objective logistic difficulties. In Italy the shutdown of the activities in the professional aesthetic and medical sectors was a severe blow but there was a significant recovery in the sector of industrial applications for laser cutting. In the rest of the world the loss of sales volume on the Chinese market was partially offset by the positive trend of the Japanese and American markets.

The chart below shows the sales trend, divided by segments, in the sector of medical and aesthetic systems which represents almost 62% of the Group's sales volume:

	30/06/2020	Inc %	30/06/2019	Inc %	Var. %
Aesthetic	55.920	55,75%	60.579	54,03%	-7,69%
Surgical	19.908	19,85%	23.257	20,74%	-14,40%
Physiotherapy	3.273	3,26%	5.405	4,82%	-39,45%
Others	273	0,27%	452	0,40%	-39,58%
Total medical systems	**79.374**	**79,13%**	**89.693**	**79,99%**	**-11,50%**
Medical service	20.935	20,87%	22.436	20,01%	-6,69%
Total medical revenue	**100.309**	**100,00%**	**112.129**	**100,00%**	**-10,54%**

The terrible market conditions in the second quarter caused a drop in sales in the medical sector of 10,5% on a quarterly basis with respect to the corresponding period in 2019, a sudden reverse with respect to the growth of 7,4% registered during the first quarter.

Because of its vocation for export and the lack of importance of the Chinese market, in the first half the medical sector was only marginally affected by the pandemic which soon brought about the lockdown only in Italy and, of course, China. The spread of the contagion subsequently caused the restrictions in the activities and in the circulation all over the world and, in particular, in those areas which are most important for our activities like the USA, Russia, the middle eastern countries, Brazil and the other European countries.

It is difficult to comment on the trend in sales which is mostly unrelated to the normal market dynamics and which underwent a transversal drop in all segments due to external causes which severely limited or made it impossible to use the services offered by our systems. The causes can be identified exclusively in the state of uncertainty in the outlook for a return to "normal" life along with the forced closure of the activities.

The reduced impact registered in the aesthetic and service segments is closely related to the positive trend in Japan, which is one of the most significant markets in which the Group operates, with its own branch offices for almost twenty years; with respect to other countries Japan was only marginally affected by the pandemic and, even during the most critical phases did not impose a total lockdown or closure of the aesthetic centers. Actually the first half was particularly brilliant for the Japanese companies.

Even the surgical sector, which, in theory was not affected by the pandemic considering that the demand is based on the treatment of pathologies independent of the economic cycles, in any case suffered from the impact of the crisis because suddenly all the hospital activities were focused on Covid patients and structures. We will be able to deal with the normal market dynamics only when the pressure of Covid on the hospital structures has been overcome.

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

	30/06/2020	Inc %	30/06/2019	Inc %	Var. %
Cutting	48.984	78,74%	58.529	76,69%	-16,31%
Marking	7.589	12,20%	9.224	12,09%	-17,73%
Laser sources	734	1,18%	2.226	2,92%	-67,02%
Conservation	263	0,42%	188	0,25%	39,68%
Total industrial systems	**57.569**	**92,54%**	**70.168**	**91,94%**	**-17,96%**
Industrial service	4.644	7,46%	6.154	8,06%	-24,54%
Total industrial revenue	**62.212**	**100,00%**	**76.321**	**100,00%**	**-18,49%**

On a half-yearly basis the drop in sales volume in the industrial sector was about 18,5%, showing a strong recovery from the overall decline of 43% registered for the first quarter and it benefitted in particular from the recovery of the sales volume in China where the return of the demand after the interruption of the lockdown was very strong in the sheet metal cutting sector. Also very positive was the sales volume in the sheet metal cutting sector in Italy and in the rest of Europe, aligning the decline during the half with that of the marking sector, where the drop was more significant in the second quarter.

The decline in the sale of laser sources was even more significant. The forced interruption of the activities however was put to good use during the period by working on the perfecting of several products and the improvement of their performance and the completion in Calenzano of the manufacturing area dedicated to the development and production of mid-powered CO_2 sources.

The segment for lasers used for the conservation of works of art, a sector of which the company is particularly proud, showed growth during this half. Among the works of art that were restored using our lasers, of particular note is the statue of St Mark in Orsanmichele in Florence, a youthful work by Donatello.

Along with the drop in sales of systems, there was also a decline in after sales service of a certain entity as a consequence of the reduction in the activities of our clients.

1.7. Consolidated income statement as of June 30th 2020

The chart below shows the consolidated income statement for the period ending on June 30th 2020, compared with that for the same period last year.

Income Statement	30/06/2020	Inc %	30/06/2019	Inc %	Var. %
Revenues	162.521	100,0%	188.450	100,0%	-13,76%
Change in inventory of finished goods and WIP	11.417	7,0%	4.985	2,6%	129,01%
Other revenues and income	1.971	1,2%	1.119	0,6%	76,07%
Value of production	**175.909**	**108,2%**	**194.555**	**103,2%**	**-9,58%**
Purchase of raw materials	107.324	66,0%	108.597	57,6%	-1,17%
Change in inventory of raw material	(4.579)	-2,8%	(4.722)	-2,5%	-3,03%
Other direct services	13.287	8,2%	16.295	8,6%	-18,46%
Gross margin	**59.877**	**36,8%**	**74.385**	**39,5%**	**-19,50%**
Other operating services and charges	16.058	9,9%	21.515	11,4%	-25,37%
Added value	**43.820**	**27,0%**	**52.869**	**28,1%**	**-17,12%**
Staff cost	29.334	18,0%	32.266	17,1%	-9,09%
EBITDA	**14.485**	**8,9%**	**20.604**	**10,9%**	**-29,70%**
Depreciation, amortization and other accruals	5.197	3,2%	3.891	2,1%	33,57%
EBIT	**9.288**	**5,7%**	**16.713**	**8,9%**	**-44,42%**
Net financial income (charges)	(219)	-0,1%	267	0,1%	
Share of profit of associated companies	(126)	-0,1%	(86)	0,0%	47,44%
Other non-operating income (charges)	0	0,0%	0	0,0%	
Income (loss) before taxes	**8.943**	**5,5%**	**16.894**	**9,0%**	**-47,07%**
Income taxes	2.139	1,3%	4.675	2,5%	-54,25%
Income (loss) for the financial period	**6.804**	**4,2%**	**12.219**	**6,5%**	**-44,32%**
Net profit (loss) of minority interest	403	0,2%	1.996	1,1%	-79,82%
Net income (loss)	**6.401**	**3,9%**	**10.223**	**5,4%**	**-37,39%**

The gross margin was 59.877 thousand Euros, a decrease of 19,5% with respect to the 74.385 thousand Euros registered on June 30th 2019, due mainly to the drop in sales volume.

The percentage of gross margin on the sales volume decreased from 39,5% in the first half of 2019 to 36,8% in the first half of 2020. The change is due to the reduction of the margins which the crisis caused in both the medical and industrial sectors and was particularly acute in the industrial sector where the return to high volumes was also accompanied by greater pressure from the competition.

The application of the accounting standards of IFRS 15 on the revenue did not have any significant effects during this half.

The other operating services and charges were 16.058 thousand Euros and registered a decrease with respect to the 21.515 thousand Euros shown on June 30th 2019. The incidence on the sales volume decreased from 11,4% to 9,9% during the first half of 2020. The savings were derived mainly from the elimination of all international travel and the cancellation of all the trade fairs and symposiums, as well as the decrease in expenses related to the logistics of shipping and factories which was the result of the drop in the sales volume. These were savings imposed by the circumstances on highly productive expenses which remain fundamental for our marketing policies and the sale of our products, but after the experience gained during this period some of them may be revised and in the future we may decide to maintain some of the activities in virtual contact with the market and with the clients. During the lockdown this type of contact was the only one possible and it still is for many countries considering that travel is prohibited.

The staff cost amounted to 29.334 million Euros and showed a decrease with respect to the 32.266 thousand Euros shown on June 30th 2019 but on account of the drop in the sales volume the incidence increased from 17,1% in the first half of 2019 to 18% on June 30th 2020.

The reduction in the staff costs was obtained thanks to the *Cassa Integrazione* (CIG) which, as explained in Note 1, is a kind of unemployment benefit available in Italy, and other similar instruments which were used in various degrees by all the companies located in Italy as well as the French company Deka and the German Asclepion. During this period the variable components of the salaries and the hours of overtime also decreased; moreover, many employees used their accumulated vacation time in order to avoid the reduction comported by the CIG. The salaries paid for the CIG were always advanced to the employees by the companies of the Group. In China, state legislation slightly reduced the social security contributions for the period.

The effects of Covid did not have any negative effects on the number of employee of the Group; in fact, on June 30th 2020 there were 1.566 employees in the Group, an increase with respect to the 1.498 on December 31st 2019. New hiring was done mostly by the Chinese companies which, by the end of this half were operating at full speed in all the factories and producing volumes that were greater than those at the end of 2019.

A large part of the personnel expenses is directed towards research and development costs for which the Group receives grants and reimbursements on the basis of specific contracts underwritten by the institutions created for this purpose. Due to the fact that stock options and stock based compensations have been assigned to employees and collaborators, the income statement registers, among the personnel expenses, the figurative costs calculated for these plans; for the first half of 2020 the overall cost was 100 thousand Euros with respect to the 286 thousand Euros for the same period last year.

As a result of the trends described above, the EBITDA amounted to 14.485 thousand Euros, a decrease of 29,7% with respect to the 20.604 thousand Euros shown on June 30th 2019. The EBITDA also decreased its incidence on the sales volume which was 8,9% as compared with the 10,9% registered on June 30th 2019.

The costs for amortizations, depreciations and accruals showed an increase and rose from 3.891 thousand Euros on June 30th 2019 to 5.197 thousand Euros del June 30th 2020, with an incidence on the sales volume which rose from 2,1% to 3,2%. The depreciations rose due to some important investments which were made in 2019. The accruals are greater than normal to represent in the most balanced way, the deterioration of some accounts receivable, also in compliance with the ESMA recommendations in this regard.

The EBIT therefore amounted to 9.288 thousand Euros, a decrease with respect to the 16.713 thousand Euros on June 30th 2019, with an incidence on the sales volume which fell to 5,7% from 8,9% for the same period last year.

Net financial charges amounted to 219 thousand Euros with respect to the net financial income of 267 thousand Euros registered for the same period last year. Besides the higher interest cost, the result is due to the unfavorable trend in the exchange rates, in particular with the US dollar which, already by June 30th was weaker with respect to the Euro, and to the consequent exchange losses made in that period.

Pre-tax income amounted to 8.943 thousand Euros, a decrease with respect to the 16.894 thousand Euros shown on June 30th 2019.

The income taxes for this period amounted to 2,1 million Euros; the taxes related to this half were calculate on the basis of the best estimate of the fiscal aliquots expected for 2020.
The tax rate for the period was about 24%, a decrease with respect to the 28% for the same period last year.

The first half ends with a net income for the Group of 6.401 thousand Euros, a decrease with respect to the 10.223 thousand Euros for the last half.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2020

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.

	30/06/2020	31/12/2019	Variation
Intangible assets	4.728	4.834	-106
Tangible assets	82.682	81.813	870
Equity investments	2.279	2.403	-124
Deferred tax assets	7.545	6.641	904
Other non-current assets	15.359	15.276	83
Total non current assets	**112.593**	**110.966**	**1.627**
Inventories	112.346	97.037	15.309
Accounts receivable	85.401	92.026	-6.625
Tax receivables	13.516	12.689	828
Other receivables	13.421	13.453	-32
Financial instruments	0	2.127	-2.127
Cash and cash equivalents	83.466	97.031	-13.565
Total current assets	**308.151**	**314.362**	**-6.211**
Total Assets	**420.744**	**425.328**	**-4.585**
Share capital	2.548	2.538	10
Additional paid in capital	42.366	41.431	935
Other reserves	93.759	88.105	5.653
Retained earnings / (accumulated deficit)	65.805	64.337	1.469
Net income / (loss)	6.401	26.017	-19.616
Group shareholders' equity	**210.878**	**222.427**	**-11.549**
Minority interest	12.330	18.206	-5.877
Total shareholders' equity	**223.208**	**240.633**	**-17.426**
Severance indemnity	4.723	4.738	-14
Deferred tax liabilities	1.985	2.032	-47
Reserve for risks and charges	4.704	4.528	176
Financial debts and liabilities	31.157	21.116	10.041
Other non current liabilities	5.000	0	5.000
Total non current liabilities	**47.569**	**32.413**	**15.156**
Financial liabilities	24.395	16.706	7.689
Accounts payable	68.812	78.391	-9.579
Income tax payables	2.314	3.507	-1.193
Other current payables	54.447	53.677	769
Total current liabilities	**149.967**	**152.282**	**-2.315**
Total Liabilities and Shareholders' equity	**420.744**	**425.328**	**-4.585**

Net financial position	**30/06/2020**	**31/12/2019**
Cash and bank	83.466	97.031
Financial instruments	0	2.127
Cash and cash equivalents	**83.466**	**99.158**
Current financial receivables	**15**	**84**
Bank short term loan	(20.046)	(11.794)
Part of financial long term liabilities due within 12 months	(4.349)	(4.913)
Financial short term liabilities	**(24.395)**	**(16.706)**
Net current financial position	**59.085**	**82.535**
Bank long term loan	(22.862)	(11.802)
Other long term financial liabilities - non current part	(8.295)	(9.314)
Financial long term liabilities	**(31.157)**	**(21.116)**
Net financial position	**27.928**	**61.419**

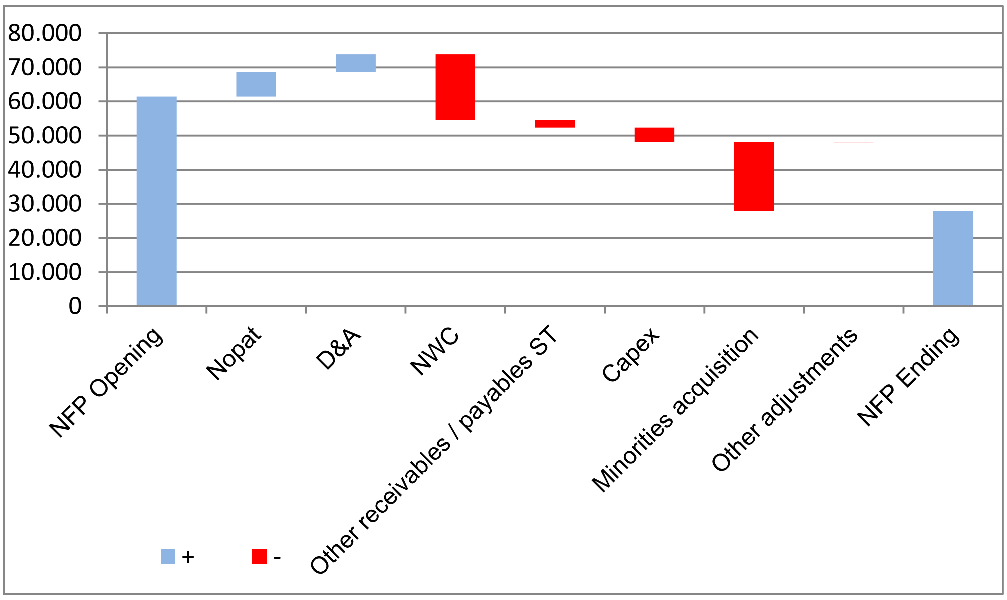
The net financial position registered a drop of about 33,5 million, from 61,4 million on December 31st 2019 to 27,9 million on June 30th 2020.
About 20 million in cash was used to acquire an important minority share of Penta Laser Wenzhou, which has become the parent company of all of our activities in China in the industrial sector; this is part of a broad investment program aimed at expanding our production capacity and developing products to better serve the local market for which we expect an increase in demand. The final payment for the purchase of this share was made right at the start of the Chinese New Year which was also the beginning of a very troubled time both for China and the rest of the world which was stricken by Covid 19. Our confidence in the mid-term outlook for this business unit remains unchanged and we are convinced that the difficulties caused by the pandemic will be overcome, although not necessarily immediately.

The increase in net working capital absorbed about 20 million in cash due to the effects of the sudden and unexpected reduction in the sales volume and production. The purchases that we had planned and made in order to support the expected growth (and which had actually occurred before the pandemic) caused a significant increase in the inventory at the end of the first quarter which, however, decreased slightly in the second quarter when work was resumed. In this half the accounts receivable decreased due to the reduction in sales and so did our accounts payable for the payment of supplies.
The amount of the investments in technical assets was about 4 million, a decrease with respect to the first half of 2019. Investments in the enlargement of production structures in fact were smaller than in the previous years because most of the new structures have been completed or are about to be completed. During this quarter we have sustained costs mostly in Jena, Lin Yi, Wenzhou, Calenzano and Torre Annunziata.

The payment of a dividend to the El.En. Spa shareholders which had initially been approved by the Board of Directors for the amount of 0,40 Euros per share was suspended by an assembly resolution which subsequently had evaluated the persistent nature of the fall in demand caused by the Covid.

It should also be recalled that 11,5 million Euros in cash was invested by the Parent Company El.En. in preceding years in financial instruments of an insurance type which because of their characteristics must be entered into accounts among the non-current financial assets and last year the subsidiary company Quanta System for 2,5 million Euros in similar financial instruments; although these represent a use of cash, these amounts are not part of the net financial position. At the end of this half the total fair value of the investments was 15 million Euros.

The chart below shows the components of the variations in the net financial position during this half.



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 2020.

	Revenues 30/06/2020	Revenues 30/06/2019	Variation	EBIT 30/06/2020	EBIT 30/06/2019	Income (loss) for the financial period 30/06/2020	Income (loss) for the financial period 30/06/2019
El.En. S.p.A.	27.163	31.039	-12,49%	(380)	(183)	(455)	2.992
Ot-Las S.r.l.	1.048	1.872	-44,02%	(248)	(205)	(20)	(155)
Deka Mela S.r.l.	16.874	22.414	-24,72%	578	1.104	462	1.316
Esthelogue S.r.l.	3.473	5.921	-41,34%	(532)	(485)	(337)	(300)
Deka Sarl	1.310	1.802	-27,30%	(240)	(312)	(241)	(313)
Lasit S.p.A.	6.682	8.071	-17,21%	1.011	1.335	748	909
Quanta System S.p.A.	34.806	42.242	-17,60%	7.355	9.233	5.807	6.646
Asclepion GmbH	19.718	22.113	-10,83%	2.406	2.378	1.580	1.557
ASA S.r.l.	3.538	5.710	-38,04%	62	1.070	97	798
BRCT Inc.	-	-	0,00%	(9)	(7)	20	(11)
With Us Co., Ltd	16.085	11.922	34,92%	1.343	511	844	273
Penta-Chutian Laser (Wuhan) Co., Ltd	13.396	13.144	1,92%	(54)	941	(160)	743
Cutlite do Brasil Ltda	461	2.851	-83,83%	(333)	(28)	(702)	(23)
Pharmonia S.r.l.	-	-	0,00%	(2)	(3)	(2)	(2)
Deka Medical Inc.	-	-	0,00%	(3)	(4)	(9)	(9)
Deka Japan Co., Ltd	612	808	-24,26%	121	133	66	69
Penta-Laser Equipment Wenzhou Co., Ltd	33.722	46.030	-26,74%	(1.799)	1.257	(1.409)	1.325
Merit Due S.r.l.	37	30	23,33%	16	9	11	6
Cutlite Penta S.r.l	17.718	16.271	8,89%	533	353	319	139
Penta Laser Europe S.r.l.	-	-	0,00%	-	(1)	-	(1)
Galli Giovanni & C. S.r.l.	345	-	0,00%	25	-	12	-
Penta Laser Technology (Shangdong) Co., Ltd.	7.420	-	0,00%	70	(19)	37	(18)

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

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

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

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

During 2019 El.En. Spa registered an important increase in their volume of business thanks to the excellent trend shown in the medical sector.
The spread of the pandemic with the limitations, the fears and the economic uncertainties which it comported all over the world in 2020 caused a drop in the demand for the products of El.En., both in the medical sector and the industrial sector. There was not an actual cancellation of orders so much as a request to delay deliveries, with the consequent slow down of sales and of production and an increase in inventory of finished products. In recent months our clients have regained confidence and we have again started to receive orders although to a lesser degree than the pre-Covid expectations and above all, following a trend that is unstable. The results for the half therefore have registered, with respect to the first six months of 2019, a drop in sales volume of 12% and a worsening of the EBIT which had shown a loss also in the first half of 2019. The dividends paid by the subsidiaries Quanta System and Deka MELA were also missing and without their significant contribution the net result for the half showed a loss. The net financial position registered a decrease of about 25 million for the period due to the mid-term financing issued to the subsidiary Ot-las to sustain an extraordinary operation, for the increase in the net working capital caused by the sudden drop in demand and the investments now in progress for the re-organization of some areas of the factory in Calenzano. The payment of a dividend to the shareholders which had been initially approved by the Board of Directors for an amount of 0,40 Euro per share, was suspended by a resolution taken by the assembly which later realized the long-term nature in the fall in demand.

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

Deka M.E.L.A. was the first company of the Group to deal in the sale of medical systems. The company represents the main distribution channel for the range of medical laser systems developed in the El.En factory in Calenzano, which are sold under the brand name of DEKA. The company now constitutes the most prestigious brand name on the Italian market for laser applications in medicine and aesthetics and has a significant role at an international level. On the Italian market they have recently re-enforced their leadership and renovated their brand by including, under the new brand name of Renaissance, also the management in Italy of the products of another company of the Group, Quanta System. In 2020 the range of products of the German company Asclepion will also be available to the clients of Renaissance in Italy.
Deka operates in the sectors of dermatology, aesthetics and surgery and in Italy uses a vast network of agents for direct distribution and, for export, of highly qualified distributors that have been selected over time. 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.
After an excellent start at the beginning of the year showing a double-digit increase in the sales volume in the early months and a significant portfolio of orders, Deka had to suffer the consequences of Covid with the blocking of sales in Italy in the month of March and a sudden decrease in sales abroad starting in April. Since then Deka has registered a slow recovery in international sales and a jump in sales in Italy but this was not enough to prevent a decrease of 25% in the sales volume and a 50% reduction in the EBIT.

Ot-Las S.r.l.

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 company also holds equities in the Chinese companies of the Group which operate in the sector of laser sheet metal cutting, recently re-organized with the sale of the share in Penta Wuhan (which was sold to Penta Wenzhou) and the purchase of a further quota in Penta Wenzhou with the payment of about 20 million Euros, financed thanks to a mid-term loan from the Parent Company.

The company operates from their offices in Prato of Cutlite Penta.

Their activity suffered a sharp decline this half because of the Covid despite the fact that they were able to sell some systems designed to manufacture surgical masks. Even with the drop in sales volume they were able to contain costs in order to limit operating losses which were slightly greater than those for the first half of 2019.

Cutlite Penta S.r.l.

This company was created from the sale of the branch of the company dedicated to the business in which it operates, laser cutting systems, to that for marking systems which was the specialty of Otlas Srl and operates exclusively in the segment of laser cutting systems for which it conducts activity of designing, manufacture and sale. Cutlite installs on "X-Y" movements controlled by CNC the power laser sources manufactured by the Parent Company El.En. S.p.A. for plastic cutting operations and sources supplied by other companies for cutting metal and dies.

Since its founding in 1992 the company has operated in the field of laser cutting of dies and plexiglass, a niche in which it detains a position of leadership on the market. In recent years it has benefitted from the transformation of the market for laser cutting of sheet metal. This transformation which, with the advent of laser sources in optical fiber which are more powerful, economical and reliable than those using other technologies, has amplified the potential market for systems whose productivity has increased to a degree that makes their purchase very desirable for an increasing number of applications and industrial manufacturers. In order to sustain this rapid growth Cutlite transferred their manufacturing activity to a more adequate structure located in the city of Prato and in 2018 purchased a pair of buildings that were suited for containing their operations together with those of Ot-las. All of their activities have been transferred since the Summer of 2019. Thanks to this new location production was conducted much more efficiently and they reached record volumes in the second half. Although they were forced to interrupt production during the lockdown, the company was still able to register a growth of 9% this half with respect to the first half of 2019 and even improved their EBIT. This result was obtained thanks to the above mentioned expansion of the market and the investments made both in the development of new products as well as for the enlargement of the production structures.

Besides operating since 2019 in a location separate from that of the Parent Company, Cutlite Penta S.r.l. is now equipped with increasingly evolved structures and staff which have allowed it to identify alternative partners in order to deal with the technological shift which replaced CO_2 laser sources (main product of the industrial division of El.En. SpA) with laser sources in fiber in the laser cutting applications that require high powered sources.

Penta Chutian Laser (Wuhan), Penta Laser Equipment (Wenzhou) and Penta Laser Technology (Shandong) Co., Ltd.

The three companies represent the massive manufacturing presence of the Group in China with four factories in order to control the local market for sheet metal cutting, almost 600 employees working in the dense selling network, and the efficient support system of after-sales assistance for our clients. The Group has now been in China for more than ten years and this presence has been very significant for them on the most dynamic market in the world for manufacturing activity. The growth obtained in recent years has made Penta one of the most important companies on the Chinese market for laser cutting systems and they are able to differentiate their products from the fierce local competition thanks to the quality of the key components which are designed and, in part, manufactured in Europe, without losing the competitiveness required to face the local market. These characteristics have allowed the company to acquire a share of the market which make it one of the prime players for laser cutting in China.

After the first company, Penta Chutian founded in Wuhan in 2007, in 2016 we added another factory at Wenzhou which was built thanks in part to the support guaranteed by the municipality of Wenzhou to the new high tech manufacturing center. The factory is equipped with a greater production capacity in order to sustain the extraordinary growth of the market and allow for a rapid development of the sales volume. We expected further growth and for this reason, in 2019 we began the construction of a second, larger factory in Wenzhou and we completed the construction of a plant in the city of Lin Yi in the heart of the region of Shandong an important district for the Chinese metalworking industry. This factory, built in record time, was inaugurated in December of 2019 and will benefit from contributions from the local municipality.

Right afterwards, in the early days of 2020 the Covid-19 epidemic began to spread in the city of Wuhan and the city was closed under quarantine and circulation was limited all over China; these restrictions were lifted finally in the month of March. The impact on the results for the half after such a long period of shutdown in the factory in Wuhan and of the blocking of all our employees who were returning from other locations to Wuhan from the vacations for the Chinese New Year was very significant. Despite the fact that when the market reopened it appeared to be very receptive and sales volumes and production recovered rapidly, the half-yearly sales volume of the Chinese companies showed a drop of about 24%. At the same time competitive pressure increased on the market and this comported a reduction in margins on sales and a loss. We still maintain intact our outlook for growth and for a positive development of the activities on this market which the improvements on products that have been obtained by technological innovations are making increasingly vast and interesting.

Quanta System S.p.A.
This company was created for photonic research and development in the scientific field and became part of the Group in the early 1990s (and subsidiary in 2004). It had used its knowledge in this field and developed in the sector of applications of lasers in medicine. It now manufactures highly sophisticated laser systems both for aesthetic medicine and surgery, particularly in the urology segment where it detains an important part of the market on a worldwide level.

After having set a record in 2019 with a sales volume of 83,6 million and net income of 13,9 million, in early 2020 Quanta had to deal with the Covid crisis, particularly because of its location in Lombardy. After having suspended production in order to guarantee the maximum safety of its employees, it has gradually restarted its activities while still making use of *cassa integrazione* due to the sudden drop in demand. Besides having to face the period of lockdown, since March Quanta has also had to deal with the scenario of the international market characterized by the weak demand, in the first place in the aesthetic sector which was hit directly by the Covid restrictions, but also in that for surgery which was impacted indirectly by the focus of all the hospital structures on Covid problems and patients. The sales volume for this half showed a drop of 18%, while the profitability remains excellent and was almost unchanged in its incidence on the sales volume, thanks to the reduction of the operating and staff costs during this period.

At the origin of these brilliant results lies the mid-term scheduling of the research and development programs aimed at placing on the market numerous systems with state-of-the-art technical characteristics capable of generating a high demand in various applicative fields: in aesthetics, hair removal, tattoo removal and treatment of vascular lesions and anti-aging; in surgery high powered lithotripsy and benign hyperplasy of the prostate (BPH) and endovascular treatments.

The results obtained even in this very difficult year of 2020 testify to the quality of the range of products, along with the highest level of management in the most delicate company functions, make Quanta a solid company with a winning position on the market.

Lasit S.p.A.
Lasit is specialized in the design, manufacture and sale of marking systems for small surfaces and conducts its activities of manufacture and development of its products at its headquarters in Torre Annunziata (NA).

Its systems are used for the identification of products, parts and sub-assemblies, a need that is increasingly common in a manufacturing world which is dealing with increasingly stringent requirements for traceability of products and their components. The laser systems for marking, with their operative flexibility and low environmental impact, are able to satisfy these requirements most effectively.

Lasit has obtained a position of respect on the market by offering their clientele a high quality product along with a service of customizing which it supplies efficiently thanks to the great flexibility of its manufacturing structure which manages internally all of the main production phases. In this way the company can accurately control the costs and respond better to even the most complex requests for customizational made by their clients.

The mechanical workshop which is equipped with state-of-the-art numerical control systems as well as lasers for cutting sheet metal, is an internal supplier for the rest of the Group.

In 2019 they began the expansion of the factory and offices in the building adjacent to the headquarters which was acquired in 2018. The growth in sales volume and profitability registered in recent years had to come to a sudden stop in the first few months of 2020 due to the pandemic and the direct limitations of the lockdown and the indirect effect of the weakening of the market which it comported. Despite the drop in its sales volume of over 15%, the company maintained a good level of margins on the sales and the control of overhead costs thanks to the use of *cassa integrazione* and was consequently able to register a net income for the half which, considering the circumstances, was very satisfactory.

Asclepion Laser Technologies GmbH
This company was founded as Asclepion-Meditec and then became the aesthetic division of Carl Zeiss Meditec, which was purchased by Zeiss in 2003. At the time the company had about forty employees who worked inside the Zeiss factory. It grew rapidly and acquired a significant position on the market of laser systems for medical and aesthetic applications, for which it constitutes one of the three business units of the Group. As of this date, Asclepion has almost 180 employees and their own factory which was recently doubled in size to prepare it for the further growth which the market trends and the investments scheduled have forecast.
Thanks to its geographical location in Jena, the global cradle of the electro-optical industry and now a lively cluster of companies and start-ups active in the field of photonics. Asclepion is rightly associated with the high consideration enjoyed by the German high-tech products at a worldwide level.

Asclepion is considered an authoritative point of reference on the market for the two laser technologies in which it excels: that for semi-conductor hair removal and that for erbium systems for dermatology. For the Mediostar system, the first design had already been developed before we acquired the company. Later modifications radically redesigned the original structure and improved its performance, making it an international point of reference.

The latest version of Mediostar, has been improved both in its aesthetics and ergonomics for use and maintenance and is equipped with Monolith applicators which are true jewels of German technology; they were launched on the market at the end of 2018 and are already one of the touchstones of the expansion conducted in 2019. The erbium technology for ablation applications in dermatology has thousands of installations, especially in Germany.

More recently, Asclepion has been involved in the surgical sector with technologies for applications in otolaryngology and, above all, urology. For this latter segment, Asclepion has developed systems with holmium and thulium technology and also in this field obtained excellent results in terms of technical performance of the equipment. The laser systems are sold under the Jenasurgical brand, which was the name of a company which later merged with Asclepion in order to simplify its structure.

After a record year in 2019, in 2020 the company was forced to deal with the general crisis caused by the Covid pandemic. The gradual rise in the sales volume registered in recent years came to a sudden stop this half but the careful management of the costs and the partial use of *cassa integrazione* made it possible for the company to register, in any case, an excellent EBIT.

With Us Co Ltd
With Us Co., with headquarters in Tokyo, is the distributor of El.En./Deka products for the aesthetic sector in Japan, where it has been able to acquire an important position in particular in the applicative sector of hair removal**.** With Us distributes creams and accessories and small equipment for the aesthetics business to its clients in large volumes considering the high number of selling points that they serve. The all-inclusive maintenance services offered to the vast number of installations also contributes significantly to the sales volume and profitability**.** The company was able to benefit from the lesser impact that Covid had in Japan on the economy and daily life of its people with respect to the rest of the world and in 2020 it continued the growth trend which had started in 2019 and was able to register particularly good results during this half.

ASA S.r.l.
This company, located in Vicenza, is a subsidiary of Deka M.E.L.A. S.r.l., and operates in the sector of physical therapy, for which it develops and manufactures its own line of low-powered semiconductor laser equipment. Thanks to the broad range of products they offer and their ability to supply customers with training which makes it possible for them to benefit fully from their elective applications, ASA has grown rapidly and constantly over the years and always maintained a good level of profitability**.**
ASA is equipped with its own Research and Development office which is dedicated to the creation of diode lasers and the company has the advantage of the global distribution of some of the devices manufactured by the Parent Company El.En S,p,A, with which it collaborates constantly for the realization of new applicative procedures.

Asa's markets were severely hit by the effects of the pandemic and Asa registered a significant drop in demand which determined a reduction of 38% in the sales volume for this half. Thanks to the containment of the overhead and variable costs, Asa was able to maintain a net income even in these unfavorable circumstances. As a precaution, the company took advantage of the facilitations offered by the State with guaranteed financing on the small and medium-size companies and suspended the payment of dividends to its shareholders.

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 company represents an important market for the Group but the high cost of distribution has made it impossible to reach an economic equilibrium in recent years.

The plan to relaunch the company in 2020 up to now has fallen through due to the effects of the Covid, with the lockdown imposed also in France and the blocking of the company's activities and those of most of its clients. After the lockdown there were signs of lively activity in sales in France, however these were not enough to prevent the company from registering a loss. Thanks to the savings in costs made possible by the use of *cassa integrazione*, the loss for the half was less than that shown in 2019. The phase of uncertainty which continues in the economy and particularly on our specific markets however makes this task arduous and it will not be easy to improve the result achieved in the first half again in the second half.

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. Despite the effects of the Covid, which were less severe in Japan than elsewhere, the company was able to maintain economic stability during this half.

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 professional aesthetic sector in Italy. This is a varied and lively market in which the company has acquired an increasingly important role for various hair removal applications and for non-invasive body contouring.

For hair removal, the Mediostar systems produced by Asclepion Gmbh represent the most characteristic product offered by Esthelogue, and it is able to satisfy every requirement of the clientele with a range that goes from the most economical light systems to the powerful Monolith handpieces of the latest generation.

In the applications of non-invasive body-shaping, along with the Icoone systems, hundreds of which have been sold in the past few years; the B-Star which uses innovative technologies and methods and the latest arrival, B-strong which uses magnetic fields for the stimulation and firming of muscle tissue.

The systems that are offered are characterized by the high level of quality and safety which is unequaled in the aesthetic sector, guaranteed by the manufacturers which are European companies working in the medical sector. The position of the company at the highest level of quality for their products is completed by another decisive factor in their success: the services offered for training, assistance and support of the clientele which transfer value and knowledge to the users of our technologies. The spread of the pandemic hit Esthelogue's markets, at the same time as the Cosmoprof, the traditional showcase for launching new products. After the Cosmoprof was cancelled, with the aesthetic centers also forced to close, with a reduced staff because of the use of *cassa integrazione*, Esthelogue was able to do a great job in keeping in touch with their clients on the web and was able to maintain interest in its products which facilitated a good level of sales volume when activity was resumed after the lockdown. The drop in sales volume during this half was significant and the results were very negative, but despite these highly unfavorable circumstances, the company was able to maintain a good market position which leaves hope for a slight recovery in the next few months.

Pharmonia S.r.l. conducts only sporadic activity in the marketing of products on some specific international markets.

Galli Giovanni & C. Srl is a mechanical workshop specialized in the production of high precision mechanical instruments. The company was a qualified supplier of Quanta System and became part of the Group in June of 2019 when Quanta purchased a controlling share of 70%. Thanks to the characteristics of the CNC machinery and the high professional level and specialization of the personnel, the company will contribute to maintaining the high level of quality and flexibility in the production of the mechanical parts which constitute a category of purchases that is very important also from the point of view of production costs. During this half the company was able to maintain an economic equilibrium.

Other companies, industrial sector

Cutlite do Brasil Ltda has a factory in Blumenau in the state of Santa Catarina. They produce laser systems for industrial applications and, attends to the distribution of laser systems produced by their Italian associates. The company was very hard hit by the Brazilian economic crisis in recent years but in 2019 began to recover and to develop a significant volume of business by taking advantage of the opportunities offered by the technology of sheet metal cutting using laser sources in fiber. The company acts mainly as a distributor for Cutlite Penta Srl and has acquired a significant role on the market of laser cutting in Brazil where it has enjoyed the same competitive advantages that are at the base of the success of Cutlite Penta along with the advantage of the location.

The outlook for a promising 2020 was thwarted by the spread of the Covid pandemic and by the effects, which occurred later than those in Italy but were very drastic, on the markets and on the economy. In the second quarter it was not possible to deliver a single system. We are more confident in our technological proposal than in the Brazilian economy and believe that we can develop a good volume of business as soon as conditions will permit.

BRCT Inc. acts as a financial subholding company**.**

1.10. Research and Development activities

During the first half of the year 2020, despite the difficulties encountered due to the emergency caused by the Covid pandemic, we conducted Research and Development activities according to the strategy, which is even more valid in times of crisis, to search for continual innovation aimed at opening new applications for lasers and other sources of energy, both in the medical and industrial sectors (which includes applications for the conservation of works of art) and to place on the market products that are innovative both for original applications as well as for the performance of the devices and the technologies used.
In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid- to long-term schedules.
In our laboratories we conduct research in order to identify and understand real problems in some sectors of medicine and, on the basis of the experience and know-how that we have acquired, we look for solutions concerning the interaction of the electro-magnetic waves, mainly of the laser light, with biological materials, by conducting experiments and preliminary tests in the laboratories that have been specifically created for this purpose at El.En. For industrial applications and for the conservation of works of art we also study the interaction between the electro-magnetic waves 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 highly innovative subjects which represent major entrepreneurial risks, which are, however typical of our international dimension and 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. The applied 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.

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

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

We also conduct an intense activity directed toward obtaining patents to protect our intellectual property; this procedure has become increasingly difficult over the years because of the protectionist policies of the most technologically advanced countries.

Systems and applications for lasers in medicine
The Parent Company **El.En.**, in collaboration with **DEKA** and, more recently, **Quanta System**, have been active conducting research on biological samples and cell cultures in the laboratory and clinical experiments for applications in the surgical field of devices and sub-systems based on the use of electro-magnetic energy. There are numerous applications in the fields of general surgery, otolaryngology, aesthetic medicine, gynecology, dermatology and skin ulcers.

An application that is extremely important and has already obtained considerable commercial success, is related to urogynecoloy with the Mona Lisa Touch treatment to reduce the effects of the atrophy of the vaginal mucous**.** The atrophy of the vaginal mucous is a widespread and debilitating condition with interaction with other pathologies and afflicts a high percentage of women in menopause or younger women affected by tumors for which, in order to avoid a re-occurrence, they have used therapies which affect the hormonal balance and cause a kind of premature menopause. We are convinced 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 as leaders in the field.

Clinical studies conducted by prestigious research centers in the United States and in Italy have repeatedly confirmed that this laser treatment is effective, safe and without any negative collateral effects. We are now conducting further research aimed at improving our knowledge of the action mechanisms to develop new applications of laser biostimulation or, as is now being affirmed, photobiomodulation.

The results of research conducted in recent years which have been presented at numerous scientific symposiums at a national and international level; they have been confirmed by specific reviewers and published in international scientific journals and represent a public and indisputable scientific validity of the results and an increase market the credibility of the devices used.
The evaluation of the treatments and the indications which may be derived from them for an improvement of the conditions for the use of the equipment are based mainly on histological and histochemical light microscopy methodologies, including interferential and confocal laser, and on electronic transmission microscopy, which is able to discriminate ultrastructural modifications with a resolution of up to 0,2 nanometers. Along with this method, they use others like molecular citology, immunohisto-chemical and computerized morphometry; this latter is used to quantitatively evaluate the differences induced by the treatments on the structure of the tissue and the cells.

The modifications that can be identified after the treatments represent a mirror of the functional adaptations that are a consequence of the effects of stimulation; for this reason we can demonstrate, for example, a new synthesis of the collagen, an increase in the amorphous matrix of the connective tissue and an increase in the number of blood capillaries (neo-angiogenesis), which define a greater flow of nutrients to the connective tissue and an increased spread towards the epithelium for a better support and improved state of health. Besides the nutrients, different growth and stimulation factors for the turnover of the molecular regulatory components essential for a new functional equilibrium of the tissues and the organs.
Moreover, this research must also insure complete safety in the use of the devices and also identify, if present, adverse reactions in the tissues like cell death (necrosis), a massive mobilization of the immune system, or the uncontrolled activation of cell growth, and suggest suitable modifications to the setup of the equipment. In particular, for vaginal atrophy (vulvo-vaginal syndrome) they have conducted an analysis of numerous bioptic samples of atrophied vaginal mucous after treatment with the Mona Lisa Touch, and four years after the first treatment, with morphometric computerized evaluations of the regenerative phenomenon of the single tissues and of the mucous complex.

For urinary tract infections (UTI) we conducted preliminary tests to evaluate the feasibility of use and the effectiveness of CO_2 lasers on the basis of studies on the specific embryonic development of the bladder trigone, where there are active bacterial colonies that can be eliminated by lasers.
For a new laser that emits ultrashort pulses in red and tissues (epidermis and dermis) studies on the characterization and the dosage were conducted by the Photo Bio Lab of El.En. We completed the development of the laser equipment for dermatology called “RED TOUCH” and we presented the request for an international patent (PCT) for the device and the method (in the USA). Very recently we received the authorization of patentability and we are now extending it to the countries belonging to the international convention and to the most important countries which have not adhered to the convention.
We are now able to confirm the exceptional results obtained in the treatment of chronic wounds and lesions at several different centers where they have used CO_2 laser equipment with special technical performance, which is increasingly specialized with respect to those used for the Mona Lisa Touch treatments.
We continued the study of new equipment and accessories in the sector of aesthetic medicine including, applications for body shaping and hair removal and placed new systems on the market during this period.
Now that we have received FDA clearance for the Luxea platform, we have continued to gather clinical data to confirm the method used in the device whose performance permits a wide range of utilization for various applications in aesthetic medicine: in this equipment we have integrated the main laser sources for many different applications. The level of integration and management met with the approval of the testers and the first clients that purchased it. We have obtained the EU certification and that of other non-European countries.

With the high resolution vision system with multispectral illumination of images including three-dimensional ones which was developed with the project called “Sensors and instruments with Photonic Techhnology for Minimally

invasive medicine “FOMEMI” we continued research from which we intend to gather data for the treatment of chronic pathologies of diabetic feet during the evolution of the lesion after the treatments, on the measurement of the area of the lesion and the segmentation, including in interactive form with the operator, in order to define the regions occupied by the various components present and typical of the pathology and to document the evolution over time during the various therapeutic treatments.
We have continued gathering objective data for the clinical evaluation of the results in order to increase the amount of specific scientific literature related to our innovative system for body shaping, Onda Coolwaves. We have continued the study of a new instrument system for acquiring position and motion data used to guide the operator in the maneuvering of the applicators in order to guarantee the greatest uniformity of treatment in the area involved.

We have completed the development of a new model, including the experiments on the prototype, of a RF feeder for exciting the sealed CO_2 laser source for medical applications (surgical and dermatological), which was redesigned for the purpose of making it possible to integrate it directly on to the laser source and thus reduce the volume and the cost of the complete system and this has permitted the creation of the Punto system with the Coolpeel application method which is revolutionizing the field of micro-ablation rejuvenation treatments. We are now conducting the PCT procedures necessary for the recognition of patentability.

In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of urologic medicine, results of which are used mainly for the development of DEKA products as well as for the other companies of the Group. We have presented new requests in order to obtain the patents from the competent Italian and international offices.

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

At **Quanta System** they have continued work on the development of laser instruments designed for the market of aesthetic medicine and the sector of medical therapies in urology, also using new technologies for the manufacture of sources with emission the performance of the systems already available on the market.

They continued experimentation on innovative applications in the gastroenterological field.

At **Asclepion** they are in the final phases in the development as part of a strategy for updating all of the systems in their catalog which includes a new philosophy of user interface, new electronics and new design.

The associated company Accure Acne Inc. has obtained the EC brand for its Accure Laser ™ system for the treatment of moderate acne vulgaris. Accure Laser is the first laser platform in the world developed to selectively strike the sebaceous glands which produce the sebum and are the key to an effective and long-lasting treatment for acne. The release on the market in Europe of the first devices is scheduled for the end of the year.

Asa has continued their work on the clinical experimentation and the validation of the therapeutic efficacy of its equipment for physical therapy using its own research structure, ASA campus which characterizes the high scientific content of the body of clinical reference documents for the Asa instruments.

They have developed an automatic recognition system for blood vessels for vascular treatments using a camera, and started experimentation.
All of the companies of the Group in these last few months have been subjected to a complex and difficult work for the adaptation of the technical clinical documentation which sustains the quality certification of the medical laser systems (EU brand). In fact, with the modifications contained in the new “MDR” regulations, the documents and experimental evidence necessary to prove the safety and effectiveness of the medical devices which were already very extensive have become even more stringent.

Laser systems and applications for industry

At **El.En.** they have continued experimentation with the range of mid-powered sealed CO_2 sources and the applicative experiments on the first examples of the Blade RF1222 series of sources which, with 1200 watts is, as of now, the most powerful in the range. They continued the development of the sources aimed at increasing the average power of emission up to 1,5 kW, a threshold which makes it possible to use RF sources in some specific fields of application which otherwise would be excluded.

We have proceeded with the development of the emission characteristics of the Blade RF888 source for marking textiles. We have improved the FIRMW systems for the dynamic performance of scansion in order to increase its precision.

At **Cutlite Penta** they have continued experimentation on a new line of machines and continued the development of cutting heads for laser fibers by improving the performance and the capacity to manage very high powers, introduced methods of control, and continued their close collaboration with Penta Chutian Wuhan and Penta Laser Wenzhou.

In the field of machinery for metal cutting, the new optical, mechanical fluido-dynamic and sensoristic developments of our EVO2 cutting heads made it possible to introduce levels of laser power over 15kw into the range of products. For 2020 they have planned the first system which includes a 30kW fiber source. They have also developed and released on the market systems for pipe cutting.

The constant and considerable efforts directed to the development of software made it possible to fully exploit the potential derived from the high-powers used with significant increases in the performance in terms of productivity and quality and the creation of innovative machinery for bevel cutting 2D and 3D which will be used to create a new line of application for cutting with fiber lasers.
They have also continued the development and amplification of a range of machines for making American dies, a field in which Cutlite Penta has always been a world leader.

On the machines of **Ot-las** they have continued the experiments on the use of a new CO_2 RF1222 laser source by El.En. and on the new scanning optics which have been specifically developed for it. Moreover, they have continued their research and optimization of processes in the field of leather, textiles and shoes with the consequent improvements in performance and production flexibility.

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

Thousands of Euros	**30/06/2020**	**30/06/2019**
Staff costs and general expenses	5.107	5.696
Equipment	176	165
Costs for testing and prototypes	1.596	1.629
Consultancy fees	424	227
Other services	65	110
Total	**7.368**	**7.828**

Following the usual company policy, the expense shown in the chart have mostly been entered in the operating costs because it is not possible to make a reasonable estimate of the return on the investment.
The amount of expenses sustained which greatly increased this half, corresponds to about 5% of the consolidated sales volume of the Group. The expenses are mostly sustained by El.En. S.p.A., and amount to 7% of its sales volume.

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

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

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

Currency risk
The Group is exposed to the risk caused by fluctuations in the exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.

Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated financial statements of the Group.

With US Co. Ltd., in the preceding years, stipulated a derivative of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euros. This contract expired in April of 2020.

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:

With the conclusion of the acquisition of the minority share of Penta Laser Wenzhou by Ot-las S.r.l., El.En. S.p.A. granted a guarantee in favor of the selling partner for the payment described in the earn-out clause for 40 million Renminbi (about 5 million Euros) in the case that they proceeded with an IPO of Penta Wenzhou within 5 years from the acquisition.

In the month of July 2020 Esthelogue Srl obtained a guarantee from Mediocredito Centrale on the financing of 1,5 million Euros obtained from Intesa San Paolo Bank. The amount guaranteed was 1,35 million Euros.

In the month of July 2020 Cutlite Penta Srl obtained a guarantee from Mediocredito Centrale on the financing of 5 million Euros obtained from the Intesa San Paolo Bank. The amount guaranteed was 4,5 million Euros..

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 41 million RMB.

In 2019 the new Chinese subsidiary Penta Laser Technology (Shangdong) also obtained financing for the construction and equipment of a new factory by taking out a mortgage for an overall value of 6,8 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. Also in 2018 ASA underwrote a bank guarantee issued by CREDEM to the supplier ENI Spa for 8.000 Euros with expiration date on December 31st 2021, a guarantee for the issuing of thirteen "MULTICARD ENI" cards after underwriting a contract for the supplying of fuel.
During 2019 ASA also underwrote a bank guarantee policy issued by ELBA Assicurazioni SpA in favor of their client ASST DI MONZA for 600 Euro with due date on November 12th 2020, as a guarantee for the correct fulfillment of all the contract obligations inherent to the sale of a therapeutic laser device.
In the month of June 2020 ASA obtained the guarantee of Mediocredito Centrale for the financing of 3 million Euros obtained from the Intesa San Paolo Bank. The guarantee amounted to 2,7 million Euros.

The German subsidiary Asclepion in 2018 underwrote 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 427 thousand Euros.

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

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

1.12 Governance

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

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

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

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

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

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

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

a) On August 31st 2000 the Board of Directors presented two independent administrators among its members, in compliance with Art. 3 of the Self-disciplining code mentioned above. These independent administrators are now Dott.ssa Fabia Romagnoli and Michele Legnaioli;
b) On September 5th 2000 the Board created the following committees composed mainly by non-executive administrators:
   1. the "Nomination committee", to which are assigned the tasks in conformity with art. 5 of the self-disciplining Code for companies quoted on the stock market;
   2. the "Remuneration committee" to which are assigned the tasks in conformity with art. 6 of the self-disciplining Code for companies quoted on the stock market;
   3. the "Committee for controls and risks" formerly named "Internal controls committee" to which are assigned the tasks in conformity with art. 7 of the self-disciplining Code for companies quoted on the stock market in relation to internal controls as well as those derived from the CONSOB Regulations for Related parties concerning operations with related parties; those of assisting the Board of Directors with preliminary functions of a propositional and consultative nature in the evaluation and decisions related to questions of sustainability connected with the activities of the company and its dynamics of interaction with all of the *stakeholders*, the social responsibility of the company, the examination of the scenarios for the preparation of the strategic plan and the corporate governance of the Company and the Group;
c) Up until 2000 the Board of Directors had appointed one or more subjects to verify that the system of internal controls was always adequate, completely operative and functioning.

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

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

1.13 Inter-Group relations and with related parties

In compliance with *Regolamento Consob* dated March 12th 2010, n. 17221 and subsequent modifications, the Parent Company, El.En. SpA approved the rules disciplining relations with related parties ("*Regolamento per la disciplina* delle operazioni con parti correlate") which can be consulted on the internet site of the company www.elengroup.com *section "Investor Relations/governance/corporate documents*". These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties ("*Regolamento Operazioni con Parti Correlate*") n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010. The procedures contained in the "*Regolamento per la disciplina delle operazioni delle parti correlate*" went into force on January 1st 2011.
The regulations were updated and modified by the Board of Directors during the meeting held on March 14th 2019. The updating consisted in the repetition of some of the rules of the Regolamento Parti Correlate Consob in replacement of just the referrals in order to make them easier to read and to reconstruct the operative area as well as the detailed disciplining of the so-called "equivalent presidiums" described in the Regolamento Parti Correlate Consob. The modification consisted in the refining of the contents of art.6 in relation to the resolutions related to the operations in which there relation derived from the interest of one of the administrators or auditors. In this regard, they replaced the requirement of absence of abstention from the resolution with the power of the independent administrators to request a postponement of the meeting or of the resolution in order to acquire further information.
During last year, in relation to the operation of acquisition by the subsidiary Ot-las Srl of the minority share of the Chinese companies Penta-Laser Equipment Wenzhou Co., Ltd e Penta-Chutian Laser Wuhan Co., Ltd already described in the annual financial report dated December 31st 2019, we voluntarily published an information sheet in compliance with article 5 of the Regolamento Consob Parti Correlate 17221/2010 and article 1.2 of the regulations which govern related parties which was adopted by the Company. This document is available on the web site of the Company at www.elengroup.com section Investor Relations.
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 2020 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 occurring during the first half of 2020

On January 3rd of 2020 the Chamberr of Commerce of Wenzhou registered the new business license of Penta Laser Wenzhou which recognizes the acquisition by Ot-las of an additional quota of 29,6%. The amount owed was about 20 million Euros and was paid in the following 15 days after obtaining the authorization of the Chinese institution for the importation of foreign currency. An earn-out of 40 million Renminbi (about 5 million Euros at the present exchange rate) will be paid if certain circumstances occur and, more specifically, an IPO of Penta Wenzhou within 5 years of the agreement.
The percentage of ownership of 83,11% in Penta Wenzhou thus obtained is therefore relative to the complex of Chinese activities which are now controller 100% by Penta Wenzhou itself, and that is to say, Penta Chutian of Wuhan and Penta Shandong of Lin Yi. With the decrease in the influence of the minority shareholders the Group will be better able to take advantage of the opportunities for development and growth of the operating structures in terms of the manufacturing and marketing capacity which has been organized and augmented in China in recent years; we were

confident that the sudden stop caused by the Covid 19 pandemic can be overcome and that we can recover the positive trend which has been typical of recent years.

On April 24th the Board of Directors of the Parent Company voted to suspend the distribution of dividends that had been proposed.

Starting in the month of March, in order to contain costs during the sudden drop in demand caused by the pandemic, all the companies of the Group with headquarters in Italy made use of the funds provided by the *cassa integrazione*, as stated in the "cash decree". This institution was also used by Deka Sarl in France and by Asclepion in Germany.

COVID-19 emergency

The evolution of our activities during the Covid 19 emergency have been described in detail in the section dedicated to the financial results of the Group.
As mentioned previously, the Group was first hit by the lockdown imposed in China starting in the month of January and then, directly by the lockdown imposed in Italy starting in the month of March. Operations in France and in Germany also suffered from the direct impact from the restrictions imposed by the Covid. Besides the direct impact of the physical interruption of activities for several weeks, the main impact was indirect and was derived from the general drop in demand registered on all of our markets. The limitations in free circulation, in gatherings and social meetings which were gradually adopted in every country determined a drop in demand, in particular in the medical sector which more closely connected to that of services to people. The manufacturing sector also saw a general decline in demand which is fully demonstrated by the sudden collapse of the GDP in Italy, Europe and the USA.
This situation of weak demand with respect to previous year would seem to continue and it is difficult to predict the habits, the consumption and the available income of the populations in our markets will allow a return to the sales volumes and revenue registered in earlier years.
During this half, the Group suffered a drop in sales volume of about 13,8%, which was equal to an overall amount of about 25 million Euros, and a decrease in the net income of the Group of 37% , amounting to about 3,8 million Euros. These losses are entirely due to the impact of the Covid emergency. When the Covid problem arose the Group was in a phase of rapid growth and expansion in part owing to the effects of a major investment plan in technical structures and human resources for which enormous investments were made in the last few years. The amounts described above therefore represent a precautionary, minimum estimate of the losses caused by the Covid, considering that the outlook for 2020 predicted a growth in both sales volume and revenue. There are no circumstances that determined the losses for the Group during this period other than those generated by the Covid. The same can be said for the outlook for brief and mid-term development, where the delays in the ambitious development programs are entirely due to the Covid.
The Group did not receive any revenue from the market niches which were opened to deal with the Covid emergency with a few negligible exceptions (like the laser cutting systems sold for making surgical masks in Italy and protective shields in plexiglass which can be counted on the fingers of one hand). The Group, on the other hand, was able to benefit from the use of the economic and financial support provided, first of all, by the *cassa integrazione* for the employees during the lockdown period in compliance with the DPDM of March 22nd 2020 and the periods of the greatest drop in demand, and, in second place, by obtaining financing for the subsidiaries ASA, Cutlite Penta and Esthelogue, guaranteed by the small medium-size companies warranty fund; they also received some specific contributions in terms of reimbursements and tax credits for the expenses sustained for the IPR.

1.17 Subsequent events

On September 4th Cutlite Penta Srl stipulated a preliminary contract for the purchase of a building adjacent to the one they have in Prato where they conduct their operations. The building has an area of about 3.600 mq and will be acquired in 2021 for an amount of 4.599 thousand Euros. The additional area is indispensable for sustaining the rapid growth registered during this half, despite the Covid, and the company is satisfied that they have been able to take advantage of the availability of an adjacent building with all of the logistic advantages that this solution offers with respect to any other opportunity.

1.18 Current outlook

The evolution of the Covid-19 pandemic and the continuing effects it is having on daily life and on the economy remain very uncertain. After a period of acute crisis caused by the lockdown, the gradual return to normality all over the world has brought about a recovery in demand which in some cases has seen a sharp rise. The overall situation on the markets in which the Group operates however, is still weak and it will not be possible to recuperate the ground lost with respect to the results of 2019. For the second half we expect a sales volume and EBIT that are better than those for the first half but still below those registered for 2019. If the present market conditions continue and there are no further relapses or new restrictions, for the whole 2020 our aim will be to limit within 10% the drop in sales volume with respect to 2019 and in the second half improve the incidence of the EBIT on the sales volume.

For the Board of Directors
Managing Director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENT

AS OF JUNE 30th 2020

Consolidated statement of financial position

Assets	Note		30/06/2020		31/12/2019
Intangible assets	1		4.728.014		4.833.808
Tangible assets	2		82.682.170		81.812.628
Equity investments	3				
- in associated companies		1.243.244		1.367.332	
- other		1.035.420		1.035.420	
Total Equity investments			2.278.664		2.402.752
Deferred tax assets	4		7.545.311		6.641.048
Other non-current assets	4		15.359.018		15.275.980
Total non current assets			**112.593.177**		**110.966.216**
Inventories	5		112.346.187		97.037.190
Accounts receivable	6				
- third parties		84.692.635		91.210.947	
- associated companies		708.671		815.140	
Total Accounts receivable			85.401.306		92.026.087
Tax receivables	7		13.516.464		12.688.545
Other receivables	7				
- third parties		13.292.554		13.324.317	
- associated companies		128.541		128.326	
Total Other receivables			13.421.095		13.452.643
Securities and other current financial assets	8		-		2.126.791
Cash and cash equivalents	9		83.465.671		97.030.962
Total current assets			**308.150.723**		**314.362.218**
Total Assets			**420.743.900**		**425.328.434**

Liabilities	Note		30/06/2020		31/12/2019
Share capital	10		2.547.619		2.537.965
Additional paid in capital	11		42.365.582		41.430.624
Other reserves	12		93.758.519		88.105.328
Treasury stock	13		-		-
Retained earnings / (accumulated deficit)	14		65.805.362		64.336.515
Net income / (loss)			6.401.008		26.016.748
Group shareholders' equity			**210.878.090**		**222.427.180**
Minority interest			12.329.533		18.206.282
Total shareholders' equity			**223.207.623**		**240.633.462**
Severance indemnity	15		4.723.338		4.737.530
Deferred tax liabilities			1.984.694		2.031.588
Other accruals	16		4.704.158		4.528.232
Financial debts and liabilities	17				
- third parties		31.156.937		21.115.757	
Total Financial debts and liabilities			31.156.937		21.115.757
Other non current liabilities	17				
Other payables - non current		5.000.000		-	
Total Other non current liabilities			5.000.000		-
Total non current liabilities			**47.569.127**		**32.413.107**
Financial liabilities	18				
- third parties		24.395.101		16.706.435	
Total Financial liabilities			24.395.101		16.706.435
Accounts payable	19				
- third parties		68.810.107		78.372.780	
- associated companies		1.600		18.000	
Total Accounts payable			68.811.707		78.390.780
Income tax payables	20		2.313.717		3.507.179
Other current payables	20				
- third parties		54.375.844		53.606.690	
- associated companies		70.781		70.781	
Total Other current payables			54.446.625		53.677.471
Total current liabilities			**149.967.150**		**152.281.865**
Total Liabilities and Shareholders' equity			**420.743.900**		**425.328.434**

Consolidated income statement

Income Statement	Note		30/06/2020		30/06/2019
Revenues	21				
- third parties		162.199.908		187.927.162	
- associated companies		321.449		523.077	
Total Revenues			162.521.357		188.450.239
Other revenues and income	22				
- third parties		1.876.361		1.110.076	
- associated companies		94.267		9.173	
Total Other revenues and income			1.970.628		1.119.249
Revenues and income from operating activity			**164.491.985**		**189.569.488**
Purchase of raw materials	23				
- third parties		107.323.585		108.597.240	
Total Purchase of raw materials			107.323.585		108.597.240
Changes in inventory of finished goods			(11.416.846)		(4.985.271)
Change in inventory of raw material			(4.579.114)		(4.722.151)
Direct services	24				
- third parties		13.287.242		16.294.836	
Total Direct services			13.287.242		16.294.836
Other operating services and charges	24				
- third parties		16.057.516		21.515.446	
Total Other operating services and charges			16.057.516		21.515.446
Staff cost	25		29.334.458		32.265.884
Depreciation, amortization and other accruals	26		5.196.858		3.890.855
EBIT			**9.288.286**		**16.712.649**
Financial charges	27				
- third parties		(307.919)		(417.190)	
Total Financial charges			(307.919)		(417.190)
Financial income	27				
- third parties		380.238		558.798	
- associated companies		2.214		2.151	
Total Financial income			382.452		560.949
Exchange gain (loss)	27		(294.022)		123.300
Share of profit of associated companies			(126.291)		(85.656)
Other non operating charges	28		-		-
Other non operating income	28		-		-
Income (loss) before taxes			**8.942.506**		**16.894.052**
Income taxes	29		2.138.596		4.674.586
Income (loss) for the financial period			**6.803.910**		**12.219.466**
Net profit (loss) of minority interest			402.902		1.996.265
Net income (loss)			**6.401.008**		**10.223.201**

Basic net income/(loss) per share	30	0,33	0,53
Diluted net income/(loss) per share	30	0,32	0,51

Consolidated statement of comprehensive income

	Note	30/06/2020	30/06/2019
Reported net (loss) income (A)		6.803.910	12.219.466
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans	32	(28.670)	(226.334)
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments	32	(317.063)	206.372
Total other income/(loss), net of fiscal effects (B)		(345.733)	(19.962)
Total comprehensive (loss) income (A)+(B)		6.458.177	12.199.504
Referable to:			
Parent Shareholders		6.082.120	10.189.436
Minority Shareholders		376.057	2.010.068

Consolidated cash flow statement

Cash flow statement	Note	30/06/20	related parties	30/06/19	related parties
Operating activity					
Income (loss) for the financial period		**6.803.910**		**12.219.466**	
Amortizations and depreciations	26	3.861.452		3.172.403	
Share of profit of associated companies		126.291	126.291	85.656	85.656
Stock Option		123.971		355.599	
Severance indemnity	15	(51.916)		(19.706)	
Provisions for risks and charges	16	175.927		433.405	
Bad debt reserve	6	955.413		(432.424)	
Deferred income tax assets	4	(895.210)		(139.305)	
Deferred income tax liabilities		(46.894)		56.813	
Inventories	5	(15.308.996)		(9.645.586)	
Accounts receivable	6	5.669.369	106.468	(9.924.531)	50.943
Tax receivables	7	(827.918)		(568.251)	
Other receivables	7	(38.693)		(414.108)	
Accounts payable	19	(9.579.074)	(16.400)	13.755.876	
Income tax payables	20	(1.193.463)		1.250.195	
Other payables	20	5.769.155		5.596.860	
Cash flow generated by operating activity		**(4.456.676)**		**15.782.362**	
Investment activity					
Tangible assets	2	(3.907.698)		(11.013.651)	
Intangible assets	1	(205.174)		(246.013)	
Equity investments, securities and other financial assets	3-4-8	2.041.481	124.088	(180.934)	118.720
Financial receivables	7	70.308	(215)	(228.911)	(403)
Cash flow generated by investment activity		**(2.001.083)**		**(11.669.509)**	
Financing activity					
Non current financial liabilities	17	9.525.698		4.710.429	
Current financial liabilities	18	7.691.819		1.496.972	9.922
Capital increase	10	944.613		0	
Dividends paid	31	(113.541)		(8.692.458)	
Acquisition of minority shares		(25.129.870)			
Cash flow generated by financing activity		**(7.081.280)**		**(2.485.058)**	
Change in cumulative translation adjustment reserve and other no monetary changes		**(26.252)**		**336.777**	
Increase/(decrease) in cash and cash equivalents		**(13.565.291)**		**1.964.572**	
Cash and cash equivalents at the beginning of the financial period		**97.030.962**		**80.966.102**	
Cash and cash equivalents at the end of the financial period		**83.465.671**		**82.930.674**	

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 370 thousand Euros (428 thousand Euros on June 30th 2019).
Income taxes for this half amounted to 2.139 thousand Euros (4.675 thousand Euros on June 30th 2019).

Changes in consolidated shareholders' equity

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

Total shareholders' equity	**31/12/2019**	**Net income allocation**	**Dividends distributed**	**Other movements**	**Comprehensive income (loss)**	**30/06/2020**
Share capital	2.537.965			9.654		2.547.619
Additional paid in capital	41.430.624			934.958		42.365.582
Legal reserve	537.302					537.302
Treasury stock						
Other reserves:						
Extraordinary reserve	82.477.079	5.833.175				88.310.254
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	303.727				-295.447	8.280
Other reserves	4.360.563			123.970	-8.507	4.476.026
Retained earnings / (accumulated deficit)	64.336.515	20.183.573		-18.699.792	-14.934	65.805.362
Net income / (loss)	26.016.748	-26.016.748			6.401.008	6.401.008
Total Group shareholders' equity	222.427.180			-17.631.210	6.082.120	210.878.090
Capital and reserve of minority interest	15.447.738	2.758.544	-113.541	-6.139.265	-26.845	11.926.631
Result of minority interest	2.758.544	-2.758.544			402.902	402.902
Total Minority interest	18.206.282		-113.541	-6.139.265	376.057	12.329.533
Total shareholders' equity	240.633.462		-113.541	-23.770.475	6.458.177	223.207.623

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

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

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

With reference to the capital and reserve of minority interest and the retained earnings/deficit, the decrease shown in the column of other movements amounting respectively to 6,1 and 18,7 million Euros, refers mostly to the liquidation of the main minority shareholder of Penta Laser Wenzhou by Otlas Srl which took place in January of 2020. The change in the retained earnings/deficit also includes the amount which may be owed because of the earn-out clause of 40 million

Renminbi (about 5 million Euros) which must be paid in the case of an IPO of Penta Wenzhou within five years of the date of acquisition.

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 as of June 30th 2020 was examined and approved by the Board of Directors on September 10th 2020.

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 2020 and the first half of 2019. The financial information, however, is supplied with reference to June 30th 2020 and December 31st 2019.

COMPLIANCE WITH THE IFRS

This consolidated financial statement for the half ending on June 30th 2020 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 2019.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The Group has drawn up the condensed consolidated half-yearly financial statements using the same standards adopted for the consolidated financial statement issued on December 31st 2019 except for the use of the new standards and modifications which came into force on January 1st 2020 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 2020

The following accounting standards, amendments and interpretations must be applied starting on January 1st 2020

- On October 31st 2018 rhe IASB published the document titled "***Definition of Material*** (***Amendments to IAS 1 and IAS 8***)". This document introduced a modification in the definition of "relevant" contained in the IAS 1– Presentation of Financial Statements and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The aim of this amendment is to make the term "relevant" more specific and to introduce the concept of "obscured information" along with the concepts of omitted or erroneous information already present in the two standards being modified. The amendment clarifies that information is "obscured" when it is described in such a way as to create in the primary readers of the statement an effect that is similar to that produced if the same information was wrong or omitted.
  The adoption of this amendment did not comport any effect on the consolidated financial statement of the Group.

- On March 29th 2018, the IASB published an amendment to the "***References to the Conceptual Framework in IFRS Standards***". The amendment will take effect starting January 1st 2020 but application in advance is allowed. The *Conceptual Framework* defines the fundamental concepts of financial information and guides the Board in the development of the IFRS standards. The document helps guarantee that the standards are conceptually consistent and that similar transactions are treated in the same way so as to supply useful information to the investors, financers and other creditors. The *Conceptual Framework* supports the companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more in general, helps the parts involved to understand and interpret the standards.

- On September 26th 2019, the IASB published an amendment named "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". The same amendment modifies IFRS 9 - *Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements for the application of *hedge accounting*, and includes temporary exceptions of the latter, for the purpose of reducing the impact derived from the uncertainty of the IBOR reform (which is still in progress) on the future cash flow in the period preceding its completion. The amendment, moreover requires the company to supply in the statement further information concerning their hedging accounts which are directly involved in the uncertainties generated by the reform and to which they apply the above mentioned exceptions. The adoption of this amendment did not comport any effect on the consolidated financial statement of the Group.

- On October 22nd 2018 the IASB published a document named "***Definition of a Business (Amendments to IFRS 3)***". This document supplies some clarification concerning the definition of business for the purpose of a correct application of standard IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and goods. In any case, in order to satisfy te definition of business, an integrated system of activities/processes must include, at the minimum, an input and a substantial process which together contribute significantly to the ability of creating an output. To this purpose, the IASB has replaced the term "capacity to create an output" with the term "capacity to contribute to the creation of an output", The amendment, moreover, has introduced a test called "*concentration test*") which is optional, and which makes it possible to exclude the presence of a business if the price paid is substantially related to a single activity or group of activities. The modifications will be applied to all the business combinations and acquisitions of activities after January 1st 2020 but application in advance is allowed.
  The adoption of this amendment did not comport any effect on the consolidated financial statement of the Group.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union but not obligatorily applied and not adopted by the Group in advance as of June 30th 2020.

As of June 30th 2020 no accounting standards, amendments or IFRS/IFRIC interpretations approved by the European Union but have been issued but are not obligatorily applied on June 30th 2020.

The other standards or modifications not yet approved by the European Union and not yet obligatorily applicable which have not been adopted by the Group as of January 1st 2020 are shown on the chart below:

Description	**Approved by the date of this report**	**Date when the standard becomes mandatory**
Covid-19 Related Rent Concessions – Amendment to IFRS 16 (issued in May 2020)	NO	n.a.*
Extension of the temporary exemption from applying IFRS 9 – amendments to IFRS 4 (issued in May 2020)	NO	01-Jan-21
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	NO	01- Jan -22
Amendments to IFRS 3: Business Combination (issued in May 2020)	NO	01- Jan -22
Amendments to IAS 16: Property, plant and equipment (issued in May 2020)	NO	01- Jan -22
Amendments to IAS 37: Provisions, contingent liabilities and contingent assets (issued in May 2020)	NO	01- Jan -22
Annual improvements 2018-2020 (issued in May 2020)	NO	01- Jan -22
IFRS 17 - Insurance Contracts (issued in May 2017)	NO	01- Jan -23

* As of June 30th 2020 the El.En. Group has in progress negotiations for the revision of some operative lease contracts; any adjustments will be considered after the EU approval.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The half yearly condensed 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	2.547.619				
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	20.483.763		100,00%	100,00%	80,33%
Penta-Laser Equipment Wenzhou Co., Ltd	7	Wenzhou (CHINA)	CNY	32.299.393		83,11%	83,11%	80,33%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	BRL	8.138.595	98,27%		98,27%	98,27%
Pharmonia S.r.l.		Calenzano (ITA)	EUR	50.000	100,00%		100,00%	100,00%
Deka Medical Inc.	8	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
Merit Due S.r.l.	9	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	96,65%
Galli Giovanni & C. S.r.l.	10	Cassano Magnago (ITA)	EUR	31.200		70,00%	70,00%	70,00%
Penta Laser Technology (Shangdong) Co., Ltd.	11	Linyi (CHINA)	CNY	8.000.000		100,00%	100,00%	80,33%

(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 Penta-Laser Equipment Wenzhou Co., Ltd (100%)
(7) owned by Ot-las Srl (83,11%)
(8) owned by BRCT (100%)
(9) owned by Ot-las Srl (100%)
(10) owned by Quanta System SpA (70%)
(11) owned by Penta-Laser Equipment Wenzhou Co., Ltd (100%)

Operations conducted during this period

For the operations conducted during this period, please consult the paragraph on “Significant events which occurred during the first half of 2020” in the Management Report.
With respect to 2019 the scope of consolidation has not undergone any changes except for the increase in the equity in Penta-Laser Equipment Wenzhou Co., Ltd acquired by Otlas Srl for 29,6% and for the variations in the consolidated percentages of the equities which had been owned by Wenzhou respectively in Penta-Chutian Laser (Wuhan) Co., Ltd and Penta Laser Technology (Shangdong) Co., Ltd.

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.p.A.		Calenzano (ITA)	EUR	910.000	50,00%		50,00%	50,00%
Chutian (Tiajin) Laser Technologies Co.,Ltd	1	Tianjin (CHINA)	CNY	2.000.000		41,00%	41,00%	32,93%
Quanta Aesthetic Lasers Usa, LLC	2	Englewood (USA)	USD	200		19,50%	19,50%	19,50%
Accure INC.	3	Delaware (USA)	USD	-		39,44%	39,44%	39,44%

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

Operations conducted during this period

For the operations conducted during this period, please consult the paragraph on “Significant events which occurred during the first half of 2020” in the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted during this period, please consult the paragraph on “Significant events which occurred during the first half of 2020” in the Management Report.

TREASURY STOCK

The shareholders' meeting held on January 17th 2019 authorized the Board of Directors to purchase treasury stock within 18 months of the date of the resolution, as described in detail in the specific section of the Management Report in the paragraph of significant events which occurred during the first half of 2020.
As of the date of this report, El.En. does not hold any treasury stock and the authorization expired definitively on July 17th 2020.

STANDARDS OF CONSOLIDATION

The half-yearly accounting situations used for the consolidation represent the half-yearly accounting situations as of June 30th 2020 for the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria used by the Parent Company. The results of the subsidiary companies acquired or sold during this period are included in the consolidated income statement from the actual date of acquisition until the actual date of sale.

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

TRANSACTIONS IN FOREIGN CURRENCY

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

CONSOLIDATION OF FOREIGN CURRENCY

For the purposes of the Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Income Statement, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income Statement at the time that the subsidiary is sold.
The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.
For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

	Exchange Rate	**Average exchange rate**	**Exchange Rate**
Currencies	**31/12/2019**	**30/06/2020**	**30/06/2020**
USD	1,12	1,10	1,12
Yen	121,94	119,27	120,66
Yuan	7,82	7,75	7,92
Real	4,52	5,41	6,11

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 at least annually in order to determine any loss in value.

Impact of the Corona virus on the estimates

The estimates that we have made also take into consideration the uncertainties generated by the spread of the Corona virus, which is described in detail in the paragraph titled "Covid-19 Emergency" contained in the Management Report. In particular, the elements which, given their nature, require greater use of estimates by the Management and for which we have considered the current and potential effects of the economic storm derived from the Corona virus are the following:

• Bad debt reserve; this fund represents the best estimation of the management on the potential loss in the portfolio of receivables from clients. The estimate is based on expected losses on similar receivables in the past, on the trend of past due receivables, on the evaluation of the quality of the receivable and the outlook for the economic and market conditions; the estimate made by the administrators, although it is based on past data and market conditions, may be subject to change in the competitive or market environment in which the Group operates. Although the Group has clients with a high credit rating and an insignificant history of losses, the fund is larger than normal in order to represent in the most balanced way possible the deterioration of some of the receivables;

• Inventory obsolescence fund; the inventory of raw materials and finished products with slow rotation are periodically analyzed on the basis of the related data in the past and the possibility of selling them at a lower price than would be normal for market transactions. If, from this analysis, it appears necessary to reduce the value of the inventory, a special devaluation fund is created; as with the bad debt reserve, the determining of the Inventory obsolescence fund is calculated on the basis of past data and market information, and any changes which may have occurred in the market scenario and the trends may significantly modify the criteria used for determining the underlying estimates.

• Leases: the determination of right of use which emerges from leasing contracts, and the relative financial liabilities, represents a significant estimate on the part of the management. In particular, a high level of judgment is used to set the lease term and for the calculation of the incremental borrowing rate. The determination of the lease term bears in consideration the expiration of the contract which has been underwritten as well as any renewal clauses which the Group believes are reasonably certain to be applied. The incremental borrowing rate is created considering the typology of the asset which is the subject of the leasing contract, the jurisdiction in which this object is acquired and the currency that is used in the contract. Any changes in the market scenario and trends may require a review of the elements described.

• Goodwill: Since the Covid 19 pandemic, due to its intensity and unpredictability, constitutes an external factor with presumed potential for loss (impairment indicator) the impairment tests have been recalculated by evaluating the trends of the different CGU (*cash generating unit*) on the basis of an updated outlook elaborated considering the negative effects of Covid-19. The procedure used for determining the recoverable value of goodwill implicates, in the estimate of the value of use, hypotheses related to the prediction of the cash flow expected from the CGU which have been identified by referring to multi-year programs, the setting of an appropriate actualization rate (WACC) and long-term growth (*g-rate*). Any changes in the scenario in which the company operates and in the trends of the market would require a review of the components described above.

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
		01/01/2020	01/01/2020 - 30/06/2020	01/01/2020 - 30/06/2020	01/01/2020 - 30/06/2020	01/01/2020 - 30/06/2020	30/06/2020	30/06/2020	
Plan 2016-2025	31-dic-25	574.662			74.262		500.400	100.400	€ 12,72

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

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

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

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

During the first half of 2020 the average price recorded for El.En. stock was about 23,26 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:

	31/12/2019	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	30/06/2020
Goodwill	3.038.065							3.038.065
Development costs	747.253					-140.345		606.908
Patents and rights to use patents of others	33.868	5.979				-10.596		29.252
Concessions, licenses, trade marks and similar rights	548.933	37.515			2.972	-152.479	-890	436.051
Other intangible assets	13.961	26.000				-7.549		32.412
Intangible assets under construction and advance payments	451.728	133.599						585.326
Total	**4.833.808**	**203.093**			**2.972**	**-310.969**	**-890**	**4.728.014**

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 30/06/2020**	**Goodwill 31/12/2019**
Quanta System S.p.A.	2.079.260	2.079.260
ASA S.r.l.	439.082	439.082
Cutlite Penta S.r.l.	407.982	407.982
Ot-las S.r.l.	7.483	7.483
Asclepion Laser Technologies GmbH	72.758	72.758
Deka MELA S.r.l.	31.500	31.500
Total	3.038.065	3.038.065

Since the Covid-19 pandemic both for intensity and unexpectedness constitutes an external factor which presumes a potential loss in value (impairment indicator) the management of the company decided to review the economic and financial plans of the CGU shown above and to verify as of June 30th 2020 the existence of any losses in value by comparing the book value of the unit with the recoverable value, that is to say, the current value of the expected future cash flow which we presume will be derived from the continued use and from the eventual discarding of the unit at the end of its useful life (impairment test). The results of the test are shown below:

Quanta System S.p.A.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta System SpA, which covered a time span from 2020-2022. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed

at the same value of the perpetual revenue of the flow calculated by applying to the sales volume of the last year with a specific forecast, a growth rate "g" equal to 1,5% and considering a margin equal to the average one of the three year period with an explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The predictions for the development of the sales volume in the next few years were elaborated by the management on the basis of the expectations of a return to pre-Covid volumes like the outlook for the market in which they operate.
The Board of Directors considered the assumptions and the corresponding financial charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 8,27%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate "g" of 0,5% and a WACC +1% equal to 9,27%.

Cutlite Penta S.r.l.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Cutlite Penta, which covered a time span from 2020-2023. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow calculated by applying to the sales volume of the last year with a specific forecast, a growth rate "g" equal to 1,5% and considering a margin equal to the average one of the three year period with an explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The predictions for the development of the sales volume in the next few years were elaborated by the management on the basis of the expectations of a return to pre-Covid volumes like the outlook for the market in which they operate.
The Board of Directors considered the assumptions and the corresponding financial charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 8,27%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate "g" of 0,5% and a WACC +1% equal to 9,27%.

ASA S.r.l.*:* the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Asa Srl, which covered a time span from 2020-2023. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow calculated by applying to the sales volume of the last year with a specific forecast, a growth rate "g" equal to 1,5% and considering a margin equal to the average one of the two-three year period with an explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The predictions for the development of the sales volume in the next few years were elaborated by the management on the basis of the expectations of a return to pre-Covid volumes like the outlook for the market in which they operate.
The Board of Directors considered the assumptions and the corresponding financial charts to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 8,27%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate "g" of 0,5% and a WACC +1% equal to 9,27%.

The verification that the procedure for the impairment tests correspond to those contained in the International accounting standards was the subject of an autonomous approval conducted by the Board of Directors of the Parent Company.

Other intangible fixed assets

The “Development costs” are related to the costs sustained for the development of prototypes both by the Parent Company El.En. S.p.A. and the subsidiary Asa Srl.
The “Patent and rights to use the patents of others” are related to the capitalization of the costs sustained for the purchase of patents by Quanta System and by the Parent Company El.En. Spa.
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, Asa, Lasit, Quanta, and With Us for the purchase of new software.
The residual heading of “Other 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 M.E.L.A for the creation of software.

Tangible fixed assets (note 2)

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

Cost	31/12/2019	Increase	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2020
Lands and buildings	49.795.790	930.492			1.857.147	-146.735	52.436.694
Plants & machinery	10.594.616	673.127	4.276		340.061	-21.074	11.591.006
Industrial and commercial equipment	15.516.355	378.364	-198.268		582.484	-43.497	16.235.438
Other assets	12.223.010	844.917	-73.715		57.711	-40.921	13.011.002
Tangible assets under construction and advance payments	10.145.125	1.631.888			-2.849.683	-98.053	8.829.277
Total	98.274.896	4.458.788	-267.707		-12.280	-350.280	102.103.417
Lands and buildings right of use	14.119.526	16.200	-21.546			-65.332	14.048.848
Plants & machinery right of use	29.947						29.947
Industrial and commercial equipment right of use	1.005.954					2.855	1.008.809
Other assets right of use	2.661.057	410.780	-201.392			6.011	2.876.456
Total	17.816.484	426.980	-222.938			-56.466	17.964.060
Total	**116.091.380**	**4.885.768**	**-490.645**		**-12.280**	**-406.746**	**120.067.477**

Accumulated depreciation	31/12/2019	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2020
Lands and buildings	7.347.425	630.815			2	-16.422	7.961.820
Plants & machinery	5.608.889	407.470	-16.700		-1	-15.913	5.983.745
Industrial and commercial equipment	11.050.460	725.540	-196.882		-7.808	-20.517	11.550.793
Other assets	7.182.402	715.560	-33.752		-3.047	-32.895	7.828.268
Tangible assets under construction and advance payments							
Total	31.189.176	2.479.385	-247.334		-10.854	-85.747	33.324.626
Lands and buildings right of use	1.533.363	606.430	-6.196			-23.180	2.110.417
Plants & machinery right of use	13.310	6.655					19.965
Industrial and commercial equipment right of use	563.325	58.998				1.269	623.592
Other assets right of use	979.578	399.015	-74.880		-1	2.995	1.306.707
Total	3.089.576	1.071.098	-81.076		-1	-18.916	4.060.681
Total	**34.278.752**	**3.550.483**	**-328.410**		**-10.855**	**-104.663**	**37.385.307**

Net value	31/12/2019	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	Translation adjustment	30/06/2020
Lands and buildings	42.448.365	930.492		-630.815	1.857.145	-130.313	44.474.874
Plants & machinery	4.985.727	673.127	20.976	-407.470	340.062	-5.161	5.607.261
Industrial and commercial equipment	4.465.895	378.364	-1.386	-725.540	590.292	-22.980	4.684.645
Other assets	5.040.608	844.917	-39.963	-715.560	60.758	-8.026	5.182.734
Tangible assets under construction and advance payments	10.145.125	1.631.888			-2.849.683	-98.053	8.829.277
Total	67.085.720	4.458.788	-20.373	-2.479.385	-1.426	-264.533	68.778.791
Lands and buildings right of use	12.586.163	16.200	-15.350	-606.430		-42.152	11.938.431
Plants & machinery right of use	16.637			-6.655			9.982
Industrial and commercial equipment right of use	442.629			-58.998		1.586	385.217
Other assets right of use	1.681.479	410.780	-126.512	-399.015	1	3.016	1.569.749
Total	14.726.908	426.980	-141.862	-1.071.098	1	-37.550	13.903.379
Total	**81.812.628**	**4.885.768**	**-162.235**	**-3.550.483**	**-1.425**	**-302.083**	**82.682.170**

The heading of “Lands and buildings” and relative rights of use includes the real estate complex in Calenzano (Florence), where the Parent Company, El.En. S.p.A. and some of the subsidiaries are located, the building acquired at the end of 2018 by Cutlite Penta in the city of Prato for the transfer of their manufacturing activities to a more suitable location for the volume of business that they have developed, the buildings located in the municipality of Torre Annunziata, the first of which was purchased in 2006 and the second in 2018, and destined for use as a facility for the research, development and production activities of the subsidiary Lasit S.p.A., the building in Jena which, since May 2008 houses the activities of the subsidiary Asclepion GmbH, along with the new building inaugurated by this subsidiary in September of 2019, the building in Samarate (Varese), acquired at the end of 2014 by the subsidiary Quanta System S.p.A. and the new building acquired at the end of 2018 also by Quanta and adjacent to the other, the building constructed in 2019 located in Arcugno which houses the activities of the subsidiary ASA srl as well as the new manufacturing facility owned by the subsidiary Penta-Laser Equipment (Wenzhou).
The increases shown for the period are related mostly to the costs sustained for the factories of the Parent Company El.En. Spa, Asclepion and Penta Laser Technology (Shangdong) Co., Ltd.

The amount shown for “Plants and machinery” is mostly related to investments made by Asclepion GmbH, Quanta System SpA, Lasit SpA, Asa Srl, Cutlite Penta Srl, the Parent Company El.En. SpA and by Galli Giovanni & C. Srl. In reference to this latter it should be noted that in the year of its acquisition 2019 we effected the *Purchase Price Allocation* of the amount paid for about 400 thousand Euros in the category of Plants and Machinery.

The heading of “Industrial and commercial equipment” refers mainly to El.En. and the subsidiaries Asclepion GmbH, Quanta System SpA, Lasit S.p.A., Esthelogue, Deka Mela and Penta-Laser Equipment (Wenzhou). This entry also includes the capitalization of the costs of some of the machinery was sold to the clientele using operative leasing: these sales, in fact, were considered as revenue for multi-year rentals in conformity with IAS/IFRS standards.

The increases under the heading of “Other assets” refer mainly to purchases of new motor vehicles, also in view of the application of IFRS16, furniture, décor 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 Parent Company El.En. for the improvements that it is making on the existing buildings and by the subsidiaries Lasit, Quanta, Penta-Laser Equipment (Wenzhou) and Penta Laser Technology (Shangdong) for the new buildings now under construction or being furnished and equipped.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/2020	31/12/2019	Variation	Var. %
Equity investment in associated companies	1.243.244	1.367.332	-124.088	-9,08%
Other equity investments	1.035.420	1.035.420		0,00%
Total	**2.278.664**	**2.402.752**	**-124.088**	**-5,16%**

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 SpA, Chutian (Tianjin) Lasertechnology Co. Ltd and Accure Inc. are consolidated using the shareholders' equity method.

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

Immobiliare Del.Co. S.r.l.:	251	thousand Euros
Actis S.r.l.:	1	thousand Euros
Elesta S.p.A.:	1.089	thousand Euros
Chutian (Tianjin) Lasertechnology Co: Ltd:	28	thousand Euros
Accure Inc.:	-126	thousand Euros

Equities in other companies

Equities in other companies have been evaluated at fair value.
This entry refers mainly to the equity held in "Epica International Inc" for the amount of 888 thousand Euros.
With reference to the evaluation of the equity, the Board members believed that, since the equity instrument was not quoted on the regular stock market, and since there was a wide range of possible evaluations of the fair value related to different underwriters, the cost represents the best estimate of the fair value in this range of amounts, also in consideration of the average stock price for underwriting it.

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

Other non-current assets	30/06/2020	31/12/2019	Variation	Var. %
Financial receivables - third parties	321.233	322.723	-1.490	-0,46%
Deferred tax assets	7.545.311	6.641.048	904.263	13,62%
Other non-current assets	15.037.785	14.953.257	84.528	0,57%
Total	**22.904.329**	**21.917.028**	**987.301**	**4,50%**

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 and by the subsidiary Quanta System ApA which invested in the same type of financial instruments for an amount of 2,5 million Euros. Since this is a mid-term investment the companies decided to classify it among the non-current assets held for sale at the fair value of the policies in the assets and the re-evaluation of the same in the income statement and, consequently, to exclude it from the net financial position.

The deferred tax assets amount to about 7.545 thousand Euros and refer mostly to the obsolescence fund for inventory, to the variation in the inter-group profits on the inventory, to the bad debt reserve exceeding the amount that is tax deductible.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	30/06/2020	31/12/2019	Variation	Var. %
Raw materials, consumables and supplies	51.597.724	47.242.769	4.354.955	9,22%
Work in progress and semi finished products	25.372.311	24.809.867	562.444	2,27%
Finished products and goods	35.376.152	24.984.554	10.391.598	41,59%
Total	**112.346.187**	**97.037.190**	**15.308.997**	**15,78%**

The final inventory amounted to about 112.346 thousand Euros, an increase of about 16% with respect to the 97.037 thousand Euros registered on December 31st 2019, which reflects the decrease in sales which occurred during the lockdown imposed by the spread of the corona virus.

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

	30/06/2020	31/12/2019	Variation	Var. %
Gross amount of Inventory	126.505.946	110.008.469	16.497.477	15,00%
Devaluation provision	-14.159.759	-12.971.279	-1.188.480	9,16%
Total	**112.346.187**	**97.037.190**	**15.308.997**	**15,78%**

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 of the fund increased by about 1.188 thousand Euros with respect to December 31st 2019 and its incidence on the gross value of the inventory remains substantially the same decreasing from 11,8% on December 31st 2019 to 11,2% on June 30th 2020.

Accounts receivable (note 6)

Receivables are composed as follows:

	30/06/2020	31/12/2019	Variation	Var. %
Accounts receivable from third parties	84.692.635	91.210.947	-6.518.312	-7,15%
Accounts receivable from associated	708.671	815.140	-106.469	-13,06%
Total	**85.401.306**	**92.026.087**	**-6.624.781**	**-7,20%**

Accounts receivable from third parties	30/06/2020	31/12/2019	Variation	Var. %
Italy	33.155.611	39.588.758	-6.433.147	-16,25%
EEC	8.905.097	9.797.506	-892.409	-9,11%
ROW	49.009.840	47.247.184	1.762.656	3,73%
minus: bad debt reserve	-6.377.913	-5.422.501	-955.412	17,62%
Total	**84.692.635**	**91.210.947**	**-6.518.312**	**-7,15%**

The chart shows an overall decrease in the amounts owed by clients.

The chart below shows the operations which took place this year for bad debt reserve:

	2020
At the beginning of the period	5.422.501
Provision	1.304.715
Amounts utilized and unused amounts reversed	-98.335
Other movements	-193.104
Translation adjustment	-57.864
At the end of the period	**6.377.913**

The incidence of the bad debt reserve on the total receivables from third parties rose from 5,6% on December 31st 2019 to 7% on June 30th 2020 also on account of the greater caution applied in the calculation of the Expected Credit Loss (IFRS 9) after the possible difficulties in cashing in the receivables caused by the Covid-19.

Tax receivables/Other receivables (note 7)

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

	30/06/2020	31/12/2019	Variation	Var. %
<u>Tax receivables</u>				
VAT receivables	9.982.494	8.625.609	1.356.885	15,73%
Income tax receivables	3.533.970	4.062.936	-528.966	-13,02%
Total	**13.516.464**	**12.688.545**	**827.919**	**6,52%**
<u>Current financial receivables</u>				
Financial receivables - third parties	14.716	83.749	-69.033	-82,43%
Financial receivables - associated	128.541	128.326	215	0,17%
Total	**143.257**	**212.075**	**-68.818**	**-32,45%**
<u>Other current receivables</u>				
Security deposits	463.742	406.423	57.319	14,10%
Advance payments to suppliers	5.746.996	5.749.408	-2.412	-0,04%
Other receivables	7.067.100	7.084.737	-17.637	-0,25%
Total	**13.277.838**	**13.240.568**	**37.270**	**0,28%**
Total Current financial receivables e Other current receivables	**13.421.095**	**13.452.643**	**-31.548**	**-0,23%**

This half closed with a VAT credit of over 10 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.

Securities and other current financial assets (note 8)

	30/06/2020	31/12/2019	Variation	Var. %
Securities and other current financial assets				
Other current financial assets		2.126.791	-2.126.791	-100,00%
Total		**2.126.791**	**-2.126.791**	**-100,00%**

The amount entered under the heading of "Other current financial assets" on December 31st 2019 is made up of mutual funds held by the Parent Company El.En. SpA acquired previously for the purpose of making a temporary use of cash. These securities were sold during the first half of 2020.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	30/06/2020	31/12/2019	Variation	Var. %
Bank and postal current accounts	83.420.979	96.990.628	-13.569.649	-13,99%
Cash on hand	44.692	40.334	4.358	10,80%
Total	**83.465.671**	**97.030.962**	**-13.565.291**	**-13,98%**

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

Net financial position as of June 30th 2020

The net financial position of the Group as of June 30th 2020 is as follows: (data in thousands of Euros):

Net financial position	**30/06/2020**	**31/12/2019**
Cash and bank	83.466	97.031
Financial instruments	0	2.127
Cash and cash equivalents	**83.466**	**99.158**
Current financial receivables	**15**	**84**
Bank short term loan	(20.046)	(11.794)
Part of financial long term liabilities due within 12 months	(4.349)	(4.913)
Financial short term liabilities	**(24.395)**	**(16.706)**
Net current financial position	**59.085**	**82.535**
Bank long term loan	(22.862)	(11.802)
Other long term financial liabilities - non current part	(8.295)	(9.314)
Financial long term liabilities	**(31.157)**	**(21.116)**
Net financial position	**27.928**	**61.419**

The net financial position registered a drop of about 33,5 million, from 61,4 million on December 31st 2019 to 27,9 million on June 30th 2020.
About 20 million in cash was used to acquire an important minority share of Penta Laser Wenzhou, which has become the parent company of all of our activities in China in the industrial sector; this is part of a broad investment program aimed at expanding our production capacity and developing products to better serve the local market for which we expect an increase in demand. The final payment for the purchase of this share was made right at the start of the Chinese New Year which was also the beginning of a very troubled time both for China and the rest of the world which was stricken by Covid 19. Our confidence in the mid-term outlook for this business unit remains unchanged and we are convinced that the difficulties caused by the pandemic will be overcome, although not necessarily immediately.

The increase in net working capital absorbed about 20 million in cash due to the effects of the sudden and unexpected reduction in the sales volume and production. The purchases that we had planned and made in order to support the expected growth (and which had actually occurred before the pandemic) caused a significant increase in the inventory at the end of the first quarter which, however, decreased slightly in the second quarter when work was resumed. In this

half the accounts receivable decreased due to the reduction in sales and so did our accounts payable for the payment of supplies.
The amount of the investments in technical assets was about 4 million, a decrease with respect to the first half of 2019. Investments in the enlargement of production structures in fact were smaller than in the previous years because most of the new structures have been completed or are about to be completed. During this quarter we have sustained costs mostly in Jena, Lin Yi, Wenzhou, Calenzano and Torre Annunziata.

The payment of a dividend to the El.En. Spa shareholders which had initially been approved by the Board of Directors for the amount of 0,40 Euros per share was suspended by an assembly resolution which subsequently had evaluated the persistent nature of the fall in demand caused by the Covid.

It should also be recalled that 11,5 million Euros in cash was invested by the Parent Company El.En. in preceding years in financial instruments of an insurance type which because of their characteristics must be entered into accounts among the non-current financial assets and last year the subsidiary company Quanta System for 2,5 million Euros in similar financial instruments; although these represent a use of cash, these amounts are not part of the net financial position. At the end of this half the total fair value of the investments was 15 million Euros.

Information on the Consolidated Statement of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (*note 10*)

As of June 30th 2020, 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	2.547.619

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

Category	**31/12/2019**	**Increase**	**Decrease**	**30/06/2020**
No. of Ordinary Shares	19.522.810	74.262	0	19.597.072
Total	**19.522.810**	**74.262**	**0**	**19.597.072**

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

Increase in the capital in the stock option plan service

The extraordinary shareholders' meeting of the Parent Company El.En. S.p.A. held on May 12th 2016, in compliance with art. 2443, II sub-section, CC., voted to authorize the Board of Directors to increase, in one or more operations and even separately, within five years after the authorization, the capital stock up to a maximum of nominal 104.000,00 Euros by issuing new shares intended for underwriting by the beneficiaries of the stock option plan for 2016-2025.

On September 13th 2016, the Board of Directors of the Company, following a recommendation of the Remuneration Committee, voted on the implementation of the stock option plan for 2016-2025 ("Stock Option Plan 2016-2025") in compliance with the mandate conferred to them by the Shareholders' meeting mentioned above and identified the beneficiaries of the plan, the number of options to be assigned, the temporal limits for picking up the options, and the price of underwriting them.

The Board, in compliance with art. 2443, II sub-section, CC., also executed the mandate conferred upon them by the Assembly, to increase, upon payment, entirely and exclusively for use in the stock option plan, separately and with the exclusion of the option right described in art. 2441, sub-section V, CC, the capital stock, by 104.000,00 Euros by issuing 800.000 ordinary shares which can be underwritten by the administrators, collaborators and employees of El.En. S.p.A. and the companies it controls who are the beneficiaries of the stock options included in the above mentioned Plan.

The options may be picked up by the beneficiaries in conformity to the terms and conditions stated in the regulations of the Plan which was definitively approved on September 13th in two equal sections: the first from September 14th 2019 until December 31st 2025, and the second from September 14th 2020 until December 31st 2025.

The plan will terminate on December 31st 2025 and the options that have not been picked up before that date will expire permanently; the capital will be definitively increased for the amount actually underwritten and released by that date.

After some of the beneficiaries of the Stock Option 2016-2025 picked up their options, when the first window opened on September 14th 2019, the Parent Company, during the first half of 2020, issued 74.262 ordinary shares for a nominal amount of 9.654,06 Euros and cashed in 935 thousand Euros as an increase in additional paid-in capital.

It should also be noted that despite the turbulence on the financial markets due to the Covid-19 emergency which caused a sudden drop in the quotations of the stocks, the value of capitalization of the Company at this time is, in any case, greater than the amounts implicit in the consolidated shareholders’ equity as of June 30th 2020.

Additional paid in capital (note 11)

On June 30th 2020 the share premium reserve, coinciding with that of the Parent Company, amounted to 42.366 thousand Euros, an increase with respect to the 41.431 on December 31st 2019, due to the stock options which had been picked up, as described in the preceding note.

Other reserves (note 12)

	30/06/2020	**31/12/2019**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	88.310.254	82.477.079	5.833.175	7,07%
Cumulative translation adjustment	8.280	303.727	-295.447	-97,27%
Stock option/ stock based compensation reserve	4.629.387	4.505.417	123.970	2,75%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-153.361	-144.854	-8.507	5,87%
Total	**93.758.519**	**88.105.328**	**5.653.191**	**6,42%**

As of June 30th 2020 the “extraordinary reserve” amounted to 88.310 thousand Euros; the increase shown with respect to December 31st 2019 is related to the allocation of the net income for 2019, in compliance with the resolution voted by the Shareholders’ meeting of the Parent Company on June 4th 2020.

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

The cumulative translation adjustments summarize the effects of the variations in the exchange rates on investments in foreign currency. The effects for the first half of 2020 are shown in the column “Comprehensive (loss) income” of the Shareholders’ Equity chart.

The reserve for contributions in capital account must be considered a reserve of profits and is unchanged with respect to December 31st 2019.

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

Treasury stock (note 13)

The shareholders’ meeting held on January 17th 2019 authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as is described in detail in the section devoted to this subject in the Management Report concerning significant events which occurred in the first half of 2020.
At the date of this report, El.En. S.p.A. does not own any treasury stock and the authorization expired definitively on July 17th 2020.

Retained earnings (note 14)

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

Non-current liabilities

Severance indemnity (note 15)

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

31/12/2019	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	30/06/2020
4.737.530	883.008	-351.703	-545.497	4.723.338

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

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans.
As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS 19 purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

The current value of the liabilities for the severance fund that remains in the companies of the Group as of June 30th 2020 is 4.712 thousand Euros.

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

Financial hypotheses	Year 2018	Year 2018
Annual implementation rate	0,77%	0,74%
Annual inflation rate	1,0%-1,2%-1,4% (*)	0,5%-1,0%-1,2%-1,4% (**)
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

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

(**) 0,5% for the first two years, 1,0% from the third to the fifth year, 1,2% from the sixth to the tenth year, 1,4% from the eleventh year.

The interest rate used to determine the current value of the liability was based on the rate of iBoxx corporate AA 10+ for the amount of 0,74%, 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:

	31/12/2019	Provision	(Utilization)	Other movements	Translation adjustment	30/06/2020
Reserve for pension costs and similar	1.509.928	122.560	-2.907	295		1.629.876
Warranty reserve on the products	2.508.655	114.871	-37.222	-1	-21.670	2.564.633
Reserve for risks and charges	509.649					509.649
Total	**4.528.232**	**237.431**	**-40.129**	**294**	**-21.670**	**4.704.158**

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on June 30th 2020, amounted to about 1.374 thousand Euros as compared to the 1.267 thousand Euros on December 31st 2019.
According to IAS 37 the amount due must be calculated using actualization techniques in order to estimate as closely as possible the overall costs to be sustained for the payment to the agents of benefits after the termination of employment.

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

Financial hypotheses	Year 2018	Year 2019
Annual implementation rate	0,77%	0,74%
Annual inflation rate	1,0%-1,2%-1,4% (*)	0,5%-1,0%-1,2%-1,4% (**)

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

(**) 0,5% for the first two years, 1,0% from the third to the fifth year, 1,2% from the sixth to the tenth year, 1,4% from the eleventh year.

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

Other potential debts and liabilities

On the 24th of April and on the 4th of May 2018 El.En. spa and Cutlite Penta srl received a citation to appear at the Superior Court of Hartford (Connecticut) in relation to their responsibility for damages which occurred at a client's factory which was destroyed by fire. In the factory, at the time of the fire, there were three laser systems manufactured by Cutlite Penta.
El.En. e Cutlite Penta absolutely deny any hypothesis that might even remotely involve them in responsibility for the event.
At this time the case is still in a preliminary phase during which they are gathering information using written questionnaires about the conducting of the contractual obligations and the contents of the obligations taken on with the sale of the laser systems. After the emergency caused by the Covid 19 epidemic, all of the prodromal activities of the law suit have been postponed until 2021. Currently there are not enough elements to evaluate the entity of economic risk for the two companies. In fact, no proof has been presented nor has any quantification of the damage been requested. In any case, for precautionary purposes, the company immediately proceeded to activate the insurance policy related to responsibility for damages caused by a product, which has a ceiling of 15.000.000 Euros for each claim. The insurance company has taken on the claim and has hired at its own expense an American lawyer to protect the rights of the companies insured.

Following a suit filed by a client in 2018 regarding a presumed breach of contract, a case is currently pending for compensation of damages against the subsidiary Lasit Spa. Since the case is still in the preliminary investigation phase and Lasit has presented a counter-claim accusing the client in turn of breach of contract, at his time it is not possible to determine the amount which might be due.

Financial debts and liabilities (note 17)

Financial m/l term debts	30/06/2020	31/12/2019	Variation	Var. %
Amounts owed to banks	22.861.542	11.801.558	11.059.984	93,72%
Amounts owed to leasing companies	7.503.702	8.435.630	-931.928	-11,05%
Amounts owed to other financiers	791.693	878.569	-86.876	-9,89%
Other non-current liabilities	5.000.000		5.000.000	
Total	**36.156.937**	**21.115.757**	**15.041.180**	**71,23%**

The mid- to long-term debts owed to banks as of June 30th 2020 mostly represent the amounts due after one year for:

a) bank financing which was granted to Asclepion GmbH for the construction of the building where the company is now operating and for sustaining their export activities;
b) bank financing granted by Unicredit to Asa Srl for the construction of a new building for an amount of 2,4 million Euros which has already been entirely paid in several sets that can be reimbursed in half-yearly installments for 10 years starting on November 30th 2019, at the Eurirs rate of 12 months +0,5%, last installment May 31st 2029;
c) bank financing granted by Intesa San Paolo to ASA Srl after the Covid 19 emergency in order to pay their suppliers and employees, for a total amount of 3 million Euros to be reimbursed once every quarter for six years starting on September 24th 2022, at the fixed rate of 1,02%; last installment June 24th 2026. The financing is sustained by a guarantee from Mediocredito Centrale for an amount equal to 90% of amount loaned;
d) bank financing granted to With Us as shown below:

- 15.000 thousand Yen falling due on February 28th 2022 at the annual rate of 0,60%,
- 98.224 thousand yen falling due on April 5th 2035 at the annual rate of 1,17%;

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

- 10.456 thousand Rmb falling due on September 20th 2021 at the annual rate of Banca Centrale Cinese (PBC) minus 0,45%%;
- 7.814 thousand Rmb falling due on September 20th 2022 at the annual rate of Banca Centrale Cinese (PBC) minus 0,45%%;

e) bank financing granted to Cutlite Penta Srl for 1,5 million Euros by Unicredit, to be reimbursed once every quarter at the fixed rate of 0,55%, last installment April 30th 2022;
f) bank financing granted to Cutlite Penta Srl for 1,5 million Euros by Intesa San Paolo, to be reimbursed once every quarter at the fixed rate of 0,53%, last installment April 18th 2022;
g) bank financing granted to Cutlite Penta Srl by Intesa San Paolo, for a total of 4 million Euros to be reimbursed once every quarter for three years starting on September 19th 2020, at the fixed rate of 0,50%; last installment March 19th 2023;
h) bank financing granted to Cutlite Penta Srl by Intesa San Paolo after the Covid-19 emergency in order to be able to pay their suppliers, employees and utilities for an overall amount of 5 million Euros to be reimbursed once every quarter, for six years starting on May 28th 2022, at the fixed rate of 1,02%; last installment May 28th 2026. The financing is assisted by a guarantee from Mediocredito Centrale for an amount equal to 90% of amount loaned;
i) bank financing granted by Intesa San Paolo to Esthelogue Srl after the Covid-19 emergency in order to be able to pay their suppliers, employees and utilities for an overall amount of 1,5 million Euros to be reimbursed once every quarter, for six years starting on August 28th 2022, at the fixed rate of 1,3%; last installment May 28th 2026. The financing is assisted by a guarantee from Mediocredito Centrale for an amount equal to 90% of amount loaned;

The amounts owed to leasing companies already since the previous year refer mainly to the subsidiary companies Quanta System S.p.A. and Cutlite Penta S.r.l. which acquired in the form of financial leasing the new buildings where they will conduct their company activities and are consequently entered into accounts in compliance with IFRS 16, which replaced IAS 17.
The contract stipulated by Quanta System has a duration of 7 years and expire in the month of November 2021; the residual debt on the 30th of June 2020 amounted to about 568 thousand Euros. The contract stipulated by Cutlite Penta Srl has a duration of 12 years with an expiration date in October of 2030; the residual debt on June 30th 2020 amounted to 4,9 million Euros.
The other amounts shown under this heading are derived from the application of IFRS 16 which first occurred in 2019.

"Amounts owed to other financers" consist, among other things, in the quotas which are payable after one year for:
a) Financing issued by Mediocredito to the subsidiary Lasit for research project for a total of 272.000 Euro, at the annual rate of 0,36%, to be reimbursed in annual installments starting in March 2018, last installment March 8th 2025;
b) Financing issued by Monte dei Paschi di Siena to the subsidiary Lasit for the purchase of motor vehicles for a total of 114.000 Euros at the Euribor rate 6M + 2,75%, to be reimbursed in quarterly installments starting in March 2017, last installment September 30th 2021;

c) Financing issued by the BPER to the subsidiary Lasit for the purchase of new equipment for a total residual amount on June 30th 2020 of 368 thousand Euros to be reimbursed on a staggered basis, last expiration date June 15th 2025.
d) Facilitated Financing issued for applied research (MILORD project), issued by FidiToscana to the Parent Company El.En. SpA for a total of 488.285,25 Euros, to be reimbursed in 6 half-yearly installments starting in April 2020, last installment October 31st 2022;
e) a residual debt of 210 thousand Euros, which the subsidiary Quanta System SpA still owes for the purchase of the new subsidiary Galli Giovanni & Co. Srl., to be reimbursed in 4 annual installments, last installment June 30th 2023.

The entry under "Other non-current liabilities" includes the amount owed to the ex-minority partner of Penta Laser Wenzhou for 40 Million Renminbi (about 5 million Euros), to be paid in compliance with the earn-out clause included in the sales contract, should we proceed with an IPO of Penta Wenzhou within 5 years of the date of purchase.

It should also be noted that after the slowdown in business caused by the Covid 19 emergency, some companies of the Group requested a moratorium on some of the financing that they had obtained from banks or leasing companies. The amounts which have been postponed are not of a significant entity.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	**30/06/2020**	**31/12/2019**	**Variation**	**Var. %**
Amounts owed to banks	20.046.263	11.793.503	8.252.760	69,98%
Amounts owed to leasing companies	2.632.815	2.643.406	-10.591	-0,40%
Amounts owed to other financiers	1.716.023	2.265.991	-549.968	-24,27%
Total	**24.395.101**	**16.702.900**	**7.692.201**	**46,05%**

	30/06/2020	**31/12/2019**	**Variation**	**Var. %**
Current liabilities for derivative financial instruments		3.535	-3.535	-100,00%
Total		**3.535**	**-3.535**	**-100,00%**

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

- short-term quota on the financing granted to Asclepion GmbH and Cutlite Penta Srl (see note 17);
- short term financing contracted by With Us besides the brief term quotas referable to the same company (see note 17);
- Financing contracted by the Parent Company El.En. SpA for 4 million Euros at the rate of 0,1% expiring within one year;
- Short term bank financing granted to Penta-Laser Equipment Wenzhou Co for a total amount of 5,8 million Euros (corresponding to 45,8 million Yuan) falling due for 6,8 million Yuan in the month of February 2021, at the annual rate of the PBC (Central Bank of China) increased by 0,3%, and for 16,5 million Yuan falling due in the month of August 2020, at the annual rate of the PBC (Central Bank of China) increased by 1%, for 20 million Yuan, falling due in the month of March 2021 at the annual rate of the PBC (Central Bank of China) increased by 2%, for 2,5 million Yuan falling due in the month of Octobers 2020 at the annual rate of 2,4%;
- Financing granted to the subsidiary Quanta System SpA by Credem for a total of Euros 3.000.000 at the rate of 0,07% granted for operating reasons.

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

The heading of "amounts owed to other financers" includes :
- the short term financing described in the previous note;
- the residual debt for 1,2 million Euros of the subsidiary Penta-Laser Equipment Wenzhou Co towards the minority shareholders for the acquisition of the equity in Penta Chutian Laser (Wuhan) Co. Ltd.

The heading of "Current liabilities for derivative financial instruments" on December 31st 2019 included the evaluation at fair value according to IFRS 9 of the derived *currency rate swap* contract for covering the risks of the Euro/Yen Exchange rate stipulated by the subsidiary With Us. The contract expired in April of 2020.

Accounts payable (note 19)

	30/06/2020	31/12/2019	Variation	Var. %
Accounts payable	68.810.107	78.372.780	-9.562.673	-12,20%
Amounts owed to associated companies	1.600	18.000	-16.400	-91,11%
Total	**68.811.707**	**78.390.780**	**-9.579.073**	**-12,22%**

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

Income tax payables /Other current payables (note 20)

The income tax debts matured for some of the companies belonging to the Group on June 30th 2020 amounted to 2.314 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	30/06/2020	31/12/2019	Variation	Var. %
Social security debts				
Debts to INPS	2.138.238	3.413.111	-1.274.873	-37,35%
Debts to INAIL	112.057	235.541	-123.484	-52,43%
Debts to other Social Security Institutions	489.302	575.331	-86.029	-14,95%
Total	**2.739.597**	**4.223.983**	**-1.484.386**	**-35,14%**
Other debts				
Debts to the tax authorities for VAT	709.671	770.164	-60.493	-7,85%
Debts to the tax authorities for withholding	1.223.108	2.702.440	-1.479.332	-54,74%
Other tax liabilities	257.172	493.918	-236.746	-47,93%
Debts to staff for wages and salaries	11.624.014	12.997.162	-1.373.148	-10,56%
Down payments	25.060.101	17.478.384	7.581.717	43,38%
Other debts to associated companies	70.781	70.781		0,00%
Other debts	12.762.181	14.940.639	-2.178.458	-14,58%
Total	**51.707.028**	**49.453.488**	**2.253.540**	**4,56%**
Total Social security debts e Other debts	**54.446.625**	**53.677.471**	**769.154**	**1,43%**

The "Debts to staff for wages and salaries" include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2020.

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-Laser Equipment Wenzhou Co., Ltd. and Penta Laser Technology (Shangdong) Co., Ltd.

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

Segment information – IFRS8

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

30/06/2020		Total	Medical	Industrial	Other
Revenues		164.068	100.309	62.319	1.440
Intersectorial revenues		(1.547)		(107)	(1.440)
Net Revenues		162.521	100.309	62.212	
Other revenues and income		1.971	698	1.272	
Gross Margin		59.877	43.776	16.101	
	Inc.%	*36%*	*43%*	*25%*	
Margin		16.657	15.213	1.443	
	Inc.%	*10%*	*15%*	*2%*	
Not assigned charges		7.368			
EBIT		9.288			
Net financial income (charges)		(219)			
Share of profit of associated companies		(126)	(84)	(43)	0
Other Income (expense) net		0			
Income (loss) before taxes		8.943			
Income taxes		2.139			
Income (loss) before minority interest		6.804			
Minority interest		403			
Net income (loss)		6.401			

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

30/06/2020	Total	Medical	Industrial	Other
Assets assigned	368.540	182.799	185.741	
Equity investments	2.027	1.871	156	
Assets not assigned	50.177			
Total assets	420.744	184.671	185.896	0
Liabilities assigned	166.182	49.431	116.752	
Liabilities not assigned	31.354			
Total liabilities	197.536	49.431	116.752	0

31/12/2019	Total	Medical	Industrial	Other
Assets assigned	344.555	172.080	172.475	
Equity investments	2.150	1.933	217	
Assets not assigned	78.623			
Total assets	425.328	174.013	172.693	0
Liabilities assigned	141.703	45.676	96.027	
Liabilities not assigned	42.992			
Total liabilities	184.695	45.676	96.027	0

30/06/2020	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	3.035	1.936	1.099	
- not assigned	(2.271)			
Total	764	1.936	1.099	0

31/12/2019	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	17.410	6.183	11.227	
- not assigned	3.733			
Total	21.143	6.183	11.227	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 2020 among the various sectors of activity of the Group compared with the same subdivision for the same period last year. There was a drop in the overall sales volume of 13% with the medical sector decreasing 10,5% and the industrial sector 18,5%. These decreases are entirely due to the Covid 19 pandemic.

	30/06/2020	30/06/2019	Variation	Var. %
Medical	100.308.868	112.129.219	-11.820.351	-10,54%
Industrial	62.212.489	76.321.020	-14.108.531	-18,49%
Total revenue	**162.521.357**	**188.450.239**	**-25.928.882**	**-13,76%**

Subdivision of revenue by geographical area

	30/06/2020	30/06/2019	Variation	Var. %
Italy	27.431.869	32.088.110	- 4.656.241	-14,51%
Europe	30.149.630	36.779.674	- 6.630.044	-18,03%
ROW	104.939.858	119.582.455	- 14.642.597	-12,24%
Total revenue	**162.521.357**	**188.450.239**	**- 25.928.882**	**-13,76%**

In these six months the drop in sales volume was quite uniform in various parts of the world. It was more accentuated in Europe where we had to register a fall in sales to international distributors in the medical sector and the decrease in direct sales in the industrial sector due to the objective logistic difficulties.

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2020	30/06/2019	Variation	Var. %
Other income due to Insurance refunds	2.346	3.354	-1.008	-30,05%
Recovery of expenses	430.498	594.289	-163.791	-27,56%
Capital gains on disposal of fixed assets	23.891	119.074	-95.183	-79,94%
Other income	1.513.893	402.532	1.111.361	276,09%
Total	**1.970.628**	**1.119.249**	**851.379**	**76,07%**

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

The entry “Other income” consists for the most part of federal grants related both to the new production center and to the research projects for an amount of about 1.123 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd. and the new Penta Laser Technology (Shangdong) Co., Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following chart:

	30/06/2020	30/06/2019	Variation	Var. %
Purchases of raw materials and finished products	105.311.220	105.881.180	-569.960	-0,54%
Packaging	606.928	813.423	-206.495	-25,39%
Shipping charges on purchases	558.845	678.578	-119.733	-17,64%
Other purchase expenses	335.838	624.734	-288.896	-46,24%
Other purchases	510.754	599.325	-88.571	-14,78%
Total	**107.323.585**	**108.597.240**	**-1.273.655**	**-1,17%**

The costs for the purchase of goods as of June 30th 2020 amounted to 107.324 thousand Euros as opposed to the 108.597 thousand Euros sustained the preceding half, showing an decrease of about 1,17%. Net of the variations in the inventory, the incidence of the costs for goods amounted to 56,2%

Direct services/ operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2020	30/06/2019	Variation	Var. %
Direct services				
Outsourced processing	5.356.287	6.734.202	-1.377.915	-20,46%
Technical services on products	451.468	789.228	-337.760	-42,80%
Shipment charges on sales	1.527.396	1.641.324	-113.928	-6,94%
Sale commissions	4.969.599	5.800.680	-831.081	-14,33%
Royalties	67.200	146.400	-79.200	-54,10%
Travel expenses for technical assistance	575.599	552.008	23.591	4,27%
Other direct services	339.693	630.994	-291.301	-46,17%
Total	**13.287.242**	**16.294.836**	**-3.007.594**	**-18,46%**
Other operating services and charges				
Maintenance and technical assistance on equipment	353.188	485.131	-131.943	-27,20%
Commercial services and consulting	1.041.982	1.257.283	-215.301	-17,12%
Legal and administrative services and consulting	553.850	610.055	-56.205	-9,21%
Audit fees	219.032	187.104	31.928	17,06%
Insurances (no staff cost)	377.065	355.596	21.469	6,04%
Travel and accommodation expenses	1.084.117	2.157.912	-1.073.795	-49,76%
Trade shows	756.759	2.696.466	-1.939.707	-71,94%
Promotional and advertising fees	2.332.762	2.935.919	-603.157	-20,54%
Expenses related to real estate	1.368.794	1.350.102	18.692	1,38%
Other taxes	308.947	197.303	111.644	56,59%
Vehicles maintenance expenses	644.632	737.727	-93.095	-12,62%
Office supplies	264.006	334.863	-70.857	-21,16%
Hardware and Software assistance	571.448	360.078	211.370	58,70%
Bank charges	155.482	178.818	-23.336	-13,05%
Leases and rentals	793.019	889.494	-96.475	-10,85%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.222.336	1.187.102	35.234	2,97%
Temporary employment	451.576	485.826	-34.250	-7,05%
Other services and charges	3.558.521	5.108.667	-1.550.146	-30,34%
Total	**16.057.516**	**21.515.446**	**-5.457.930**	**-25,37%**

The operating services and charges were 16.058 thousand Euros and show a drop with respect to the 21.515 thousand Euros on June 30th 2019.

Due to the effects of Covid-19 the savings are derived mostly from the cancellation of all international travelling and trade fairs and symposiums, as well as the decrease in the amount of expenses related to the logistics of moving and shipping and the factories which was caused by the reduction in the volume of business.

The most significant amounts in the category of "Operating services and charges" are related to consultancy fees and publicity expenses to support the selling activities, travel and accommodation expenses, trade shows and fairs; in the category of "Other services and charges" the most significant amounts refer to technical and scientific consultancy fees for an amount of 992 thousand Euros and studies and research for an amount of about 635 thousand Euros.

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

Staff costs (note 25)

	30/06/2020	30/06/2019	Variation	Var. %
Wages and salaries	22.861.220	24.828.228	-1.967.008	-7,92%
Social security contributions	5.289.376	6.077.793	-788.417	-12,97%
Severance indemnity	864.842	867.705	-2.863	-0,33%
Staff costs for stock options/stock based compensation	99.564	285.590	-186.026	-65,14%
Other costs	219.456	206.568	12.888	6,24%
Total	**29.334.458**	**32.265.884**	**-2.931.426**	**-9,09%**

The costs for personnel were 29.334 thousand Euros, a reduction of 9% with respect to the 32.266 thousand Euros registered for last year.
The reduction of the personnel costs was obtained thanks to the CIG (*cassa integrazione*) which was used in various degrees by all of the companies of the Group located in Italy as well as the French company Deka and the German Asclepion. In this half the variable components of the salaries and the hours of overtime also decreased. Many employees decided to use their accumulated vacation time in order to avoid the reduced salary that the *cassa integrazione* comports.
The heading of "staff costs for stock options/stock based compensation" includes the figurative costs for stock options assigned by the Parent Company to the employees of the Group (see Note 10).

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

	30/06/2020	30/06/2019	Variation	Var. %
Amortization of intangible assets	310.969	246.042	64.927	26,39%
Depreciation of tangible assets	2.479.385	1.966.601	512.784	26,07%
Depreciation of tangible assets right of use	1.071.098	959.757	111.341	11,60%
Accrual for bad debts	1.257.757	326.337	931.420	285,42%
Accrual for risks and charges	77.649	392.118	-314.469	-80,20%
Total	**5.196.858**	**3.890.855**	**1.306.003**	**33,57%**

The amortizations and depreciations increased due to the important investments made during 2019 and completed during this year.
The accruals for bad debts are more numerous than usual in order to represent in the most balanced way, the possible deterioration of some receivables, also in compliance with the ESMA recommendations in this regard.
The accrual for risks and charges is mainly due to the amounts accrued in the product guarantee fund of the various companies of the Group.

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

The breakdown of the category is as follows:

	30/06/2020	30/06/2019	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	163.634	201.855	-38.221	-18,93%
Financial income from associated companies	2.214	2.151	63	2,93%
Interests income from current securities and financial assets	91.382	94.011	-2.629	-2,80%
Capital gain and other income from current securities and financial assets	10.475	130.921	-120.446	-92,00%
Other financial income	114.747	132.011	-17.264	-13,08%
Total	**382.452**	**560.949**	**-178.497**	**-31,82%**
Financial charges				
Interests on bank debts and on short term loans	53.919	193.645	-139.726	-72,16%
Interests on bank debts and on other m/l term loans	26.620	14.126	12.494	88,45%
Capital losses and other charges on current securities and financial assets	4.252		4.252	
Other financial charges	223.128	209.419	13.709	6,55%
Total	**307.919**	**417.190**	**-109.271**	**-26,19%**
Exchange gain (loss)				
Exchange gains	504.208	693.853	-189.645	-27,33%
Exchange losses	-801.844	-556.437	-245.407	44,10%
Financial income fair value of on exchange rate derivatives	3.614		3.614	
Financial charges fair value on exchange rate derivatives		-14.116	14.116	-100,00%
Total	**-294.022**	**123.300**	**-417.322**	**-338,46%**

The “Interests income from current securities and financial assets” refers to the maturation of the interest on some insurance policies underwritten by the Parent Company.

The “Interests on bank debts and on short term loans” refers mainly to overdrafts granted by credit institutions to some of the foreign subsidiaries.

The heading of “Other financial charges” includes about 18 thousand Euros for the interests owed due to the application of the accounting standard IAS 19 to the severance indemnity and 47 thousand Euros for the entering into accounts of the interests due for leasing because of the application of IFRS 16.

Other non-operating income and charges (note 28)

As of June 30th 2020 there are no other non- operating income and charges in the financial statement.

Income taxes (note 29)

Income taxes for this half amounted to 2,1 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 2020.

Earnings per share (note 30)

The average weighted number of shares in circulation during this half after the pick up of the stock option amounted to 19.566.644 ordinary shares. The earnings per share on June 30th 2020 were 0,33 Euros. The diluted earnings per share which takes into consideration also the stock options assigned last year, were 0,32 Euros.

Dividends distributed (note 31)

The shareholders' meeting held on June 4th 2020 voted to not distribute any dividends.

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

With reference to June 30th 2020 we wish to state that there are no other components of the statement of comprehensive income worthy of note.

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

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we declare that during the first half of 2020 the Group did not conduct any significant non-recurring, atypical or unusual operations, as defined in the aforementioned Communication.

Information about related parties (note 34)

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

In particular it should be noted that:

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

Associated companies
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during first half of 2020 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.
The charts below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial Receivables		**Accounts receivable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Actis Srl	30.000		675	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA			515.180	
Quanta Aesthetic Lasers USA, LLC			2.769	
Accure Inc.	66.976		154.071	
Total	**128.541**	**-**	**708.671**	**-**

	Financial Payables		**Other payables**		**Accounts Payable**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta SpA					1.600	
Accure Inc.			70.781			
Total	**-**	**-**	**70.781**	**-**	**1.600**	**-**

Associated companies:	**Sales**	**Service**	**Total**
Elesta SpA	184.896	50.667	235.563
Accure Inc	85.886		85.886
Total	**270.782**	**50.667**	**321.449**

Associated companies:	**Other revenues**
Elesta SpA	8.704
Actis Srl	600
Accure Inc.	84.963
Total	**94.267**

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

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

Impact of related parties transactions	**Total**	**related parties**	**Inc %**
Impact of related parties transactions on the statement of financial position			
Equity investments	2.278.664	1.243.244	54,56%
Receivables LT	321.233	-	0,00%
Accounts receivable	85.401.306	708.671	0,83%
Other current receivables	13.421.095	128.541	0,96%
Non current financial liabilities	31.156.937	-	0,00%
Current financial liabilities	24.395.101	-	0,00%
Accounts payable	68.811.707	1.600	0,00%
Other current payables	54.446.625	70.781	0,13%
Other non current payables	5.000.000	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	162.521.357	321.449	0,20%
Other revenues and income	1.970.628	94.267	4,78%
Purchase of raw materials	107.323.585	-	0,00%
Direct services	13.287.242	-	0,00%
Other operating services and charges	16.057.516	-	0,00%
Financial charges	307.919	-	0,00%
Financial income	382.452	2.214	0,58%
Income taxes	2.138.596		0,00%

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

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

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

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

With US Co. Ltd., in the preceding years, stipulated a derivative of the type called "currency rate swap" in order to hedge the risk in currency exchange for purchases in Euros. This contract expired in April of 2020.

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:

With the conclusion of the acquisition of the minority share of Penta Laser Wenzhou by Ot-las S.r.l., El.En. S.p.A. granted a guarantee in favor of the selling partner for the payment described in the earn-out clause for 40 million Renminbi (about 5 million Euros) in the case that they proceeded with an IPO of Penta Wenzhou within 5 years from the acquisition.

In the month of July 2020 Esthelogue Srl obtained a guarantee from Mediocredito Centrale on the financing of 1,5 million Euros obtained from Intesa San Paolo Bank. The amount guaranteed was 1,35 million Euros.

In the month of July 2020 Cutlite Penta Srl obtained a guarantee from Mediocredito Centrale on the financing of 5 million Euros obtained from the Intesa San Paolo Bank. The amount guaranteed was 4,5 million Euros..

The Chinese subsidiary Penta-Laser Equipment (Wenzhou) in previous years obtained financing for the construction of a new factory and the necessary equipment by taking out a mortgage for a total value of 41 million RMB.

In 2019 the new Chinese subsidiary Penta Laser Technology (Shangdong) also obtained financing for the construction and equipment of a new factory by taking out a mortgage for an overall value of 6,8 million RMB.

The subsidiary ASA S.r.l. underwrote a loan contract to be used for the construction of the new factory by taking out a mortgage for a total amount of 4,8 million Euros. Also in 2018 ASA underwrote a bank guarantee issued by CREDEM to the supplier ENI Spa for 8.000 Euros with expiration date on December 31st 2021, a guarantee for the issuing of thirteen "MULTICARD ENI" cards after underwriting a contract for the supplying of fuel.
During 2019 ASA also underwrote a bank guarantee policy issued by ELBA Assicurazioni SpA in favor of their client ASST DI MONZA for 600 Euro with due date on November 12th 2020, as a guarantee for the correct fulfillment of all the contract obligations inherent to the sale of a therapeutic laser device.
In the month of June 2020 ASA obtained the guarantee of Mediocredito Centrale for the financing of 3 million Euros obtained from the Intesa San Paolo Bank. The guarantee amounted to 2,7 million Euros.

The German subsidiary Asclepion in 2018 underwrote 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 427 thousand Euros.

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

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

Financial Instruments (note 36)

Fair value

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

	Book value	Book value	Fair value	Fair value
	30/06/2020	**31/12/2019**	**30/06/2020**	**31/12/2019**
Financial assets				
Equities in other companies	1.035.420	1.035.420	1.035.420	1.035.420
Non current financial receivables	321.233	322.723	321.233	322.723
Current financial receivables	143.257	212.075	143.257	212.075
Securities and other non-current financial assets	15.035.794	14.952.687	15.035.794	14.952.687
Securities and other current financial assets	-	2.126.791	-	2.126.791
Cash and cash equivalents	83.465.671	97.030.962	83.465.671	97.030.962
Financial debts and liabilities				
Non current financial liabilities	31.156.937	21.115.757	31.156.937	21.115.757
Current financial liabilities	24.395.101	16.706.435	24.395.101	16.706.435

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 2020, the Group holds the following Securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		15.035.794		15.035.794
Total		**15.035.794**		**15.035.794**

Other information (note 37)

Average number of employees

Personnel	Average of the period	30/06/2020	Average of previous period	31/12/2019	Variation	Var. %
Total	**1.532**	**1.566**	**1.433**	**1.498**	**68**	**4,54%**

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

Declaration of conformity of the half-yearly condensed financial statement on June 30th 2020 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 2020.

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 condensed financial statement, together with a description of the principal risks and uncertainties to which they are exposed for the remaining six months of the year. The Management Report also contains a reliable analysis of the significant operations with related parties.

Calenzano, September 10th 2020

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

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
El.En. S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of El.En. S.p.A. and subsidiaries (the "El.En. Group"), which comprise the statement of financial position as of June 30, 2020, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended and the related explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of El.En. Group as of June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Neri Bandini
Partner

Florence, September 10, 2020

This report has been translated into the English language solely for the convenience of international readers