

HALF YEARLY FINANCIAL REPORT AS OF 30TH JUNE 2021



EL.EN. S.P.A.

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

Capital stock: underwritten and paid € 2.592.380,18^(*)

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

^(*) At 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 2021)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

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

Ernst & Young S.p.A

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EL.EN. GROUP

**HALF-YEARLY MANAGEMENT
REPORT**

1.1. Adoption of international accounting principles

This half-yearly financial statement for the half ending on June 30th 2021, approved by the Board of Directors on September 10th 2021, 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 2020 with the exception of the accounting standards that went into force starting on January 1st 2021 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 as part of the top management.

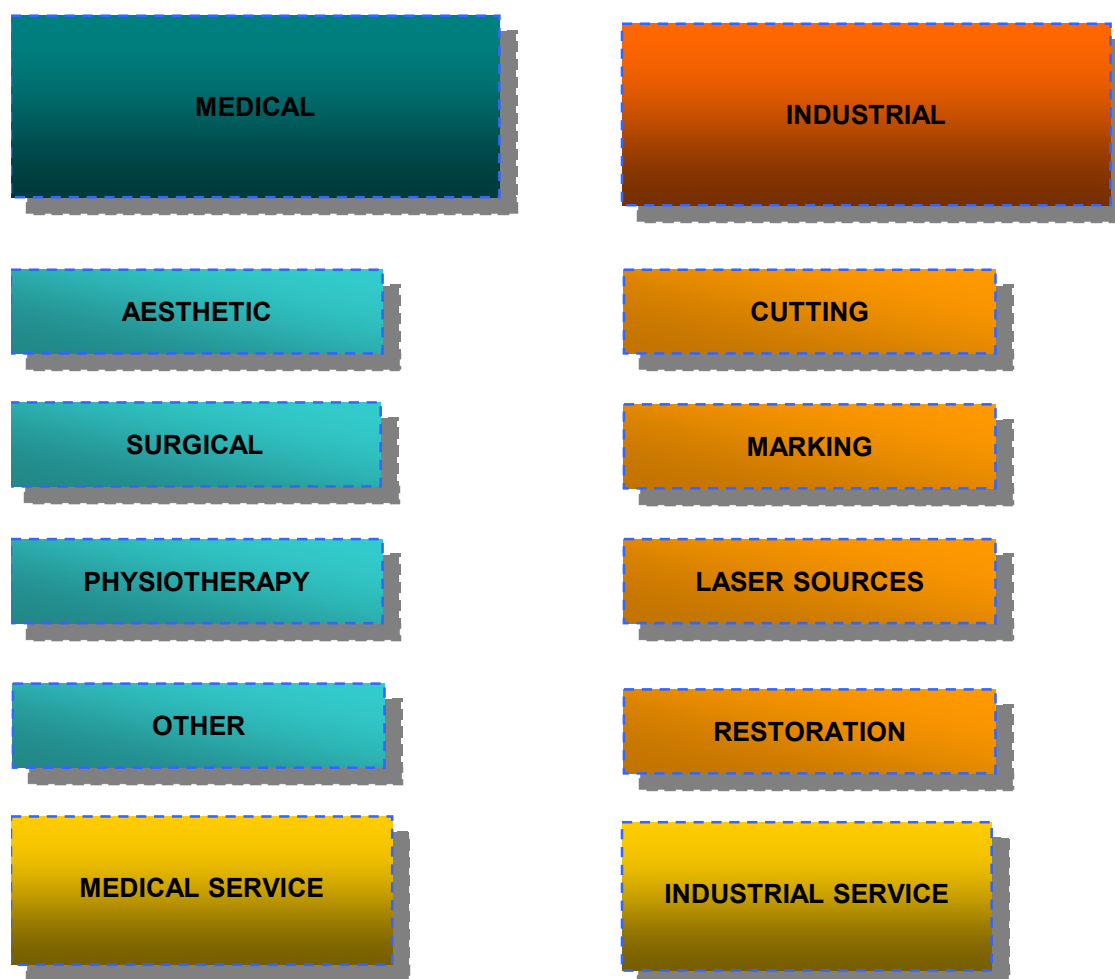
The laser, an acronym for “**Light Amplification by Stimulated Emission of Radiation**” is a fascinating technology invented in 1960 and represents the fulcrum of the technology of the Group. This luminous emission with its unique characteristics (monochromaticity, consistency, brilliance) found and 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. Telecommunications, 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.

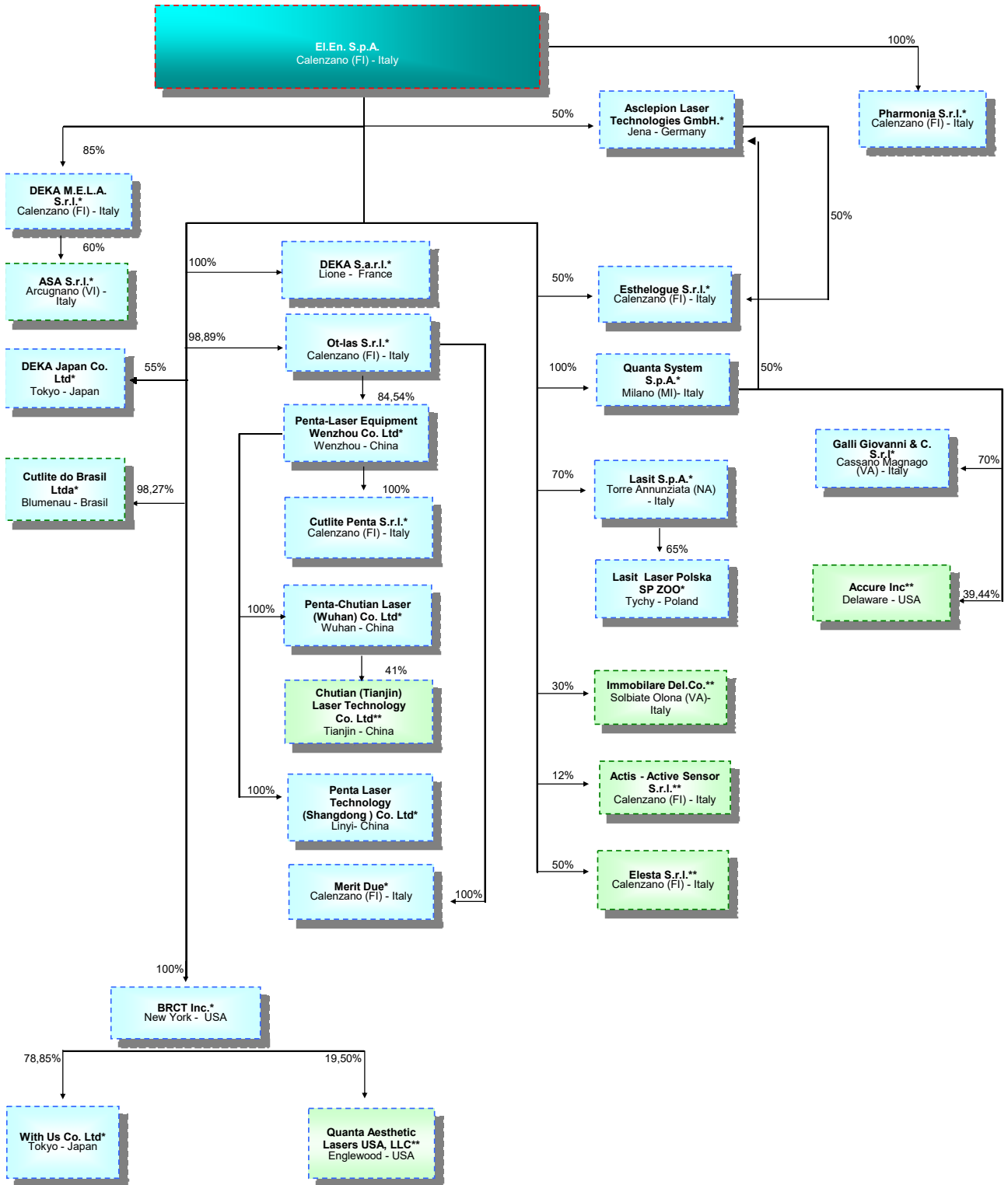
The outlook for mid-term growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging. There is also an increased 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 2021 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.

	30/06/21	30/06/20
Profitability Ratios (*):		
ROE (Net Income / Own Shareholders' Equity)	20,2%	6,3%
ROI (EBIT / Total Asset)	10,9%	4,4%
ROS (EBIT / Sales)	11,3%	5,7%
Capital structural ratios:		
Investments Flexibility ratio (Current Asset / Total Asset)	0,78	0,73
Debt Ratio (Total Liability / Total Asset)	0,54	0,47
Leverage ((Net Equity+ Loans) / Net Equity)	1,21	1,25
Current Ratio (Current Asset / Current Liability)	1,74	2,05
Current liability coverage ((Current receivables + Cash & cash equivalent + Investments) / Current liabilities)	1,17	1,31
Quick ratio ((Cash & cash equivalent + Investments) / Current liabilities)	0,55	0,56

(*) 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 interest and income taxes**, or “EBIT”, represents the difference between revenue and other operating income and production costs, operating service and charges, depreciations, amortizations, accruals and devaluations;
- 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 2021 the El.En. Group registered a sales volume of 274 million Euros, with an EBIT of about 30,9 million Euros and a net income for the Group of 22,4 million.

These are extraordinarily positive results which represent a record for the Group and demonstrate the excellent performance in a favorable phase of the market.

In the past we have described the instruments which we have set up in order to follow our expansion strategy by making major investments in order to take advantage of the growth in demand which was expected on our markets which consisted of fixed investments in logistic and operative structures aimed at increasing our production capacity, and investments in the organization, particularly in the personnel with the skills necessary to maintain the high level of product innovation which is characteristic of the leadership of our operating units. In recent months the developments which we planned and hoped for have come to fruition. The conclusion of the most critical phase of the pandemic now presents market conditions which, thanks to our fundamental preparatory work, make it possible for us to register extraordinary results. These results, in fact, exceed those which were predicted in the multi-year program which was set out before the start of the pandemic, with a gradual acceleration which we have confirmed in the new revision of the guidance for the year (see paragraph 1.18).

This has been achieved notwithstanding the fact that the pandemic is still influencing our everyday life, with all kinds of limitations and inconveniences, not to mention the numerous illnesses and deaths which we are still dealing with. Since the beginning of the pandemic we have applied and continue even now to apply, all of the safety procedures and the strict observance of distancing in compliance with the regulations in order to protect the health and safety of our employees and collaborators. In this way it has been possible to conduct our normal production activities as well as the activities sustaining them. Most of these activities are conducted with the employees physically present, although a limited group is still using smart working. We should also like to recall at this time the spirit of collaboration which prevailed among the personnel of the Group during the pandemic and the manner in which they worked with effectiveness and dedication even in the most difficult periods.

The demand for our products remained steady in all the applicative segments and on all the geographical markets. The list of businesses which achieved positive results is quite long. In the medical sector, the hair removal systems met with particular success in the United States; the body contouring systems with its innovative and accessory technologies for the improved performance of the treatments; the systems for removing tattoos and pigmented lesions, popular in the Far East for the anti-aging treatments; the professional aesthetics market in Italy and Japan. In the industrial sector the rising business was again that related to laser cutting of sheet metal where the positive trend continues to grow which, thanks to the increase in technical and economic performances of our systems associated with an increase in the number of applications which can be used and, consequently, also the amplification of the potential market. The Chinese market is fundamental for us in this segment, but also on the European markets and, in particular the Italian one, we have achieved a significant role and a prestigious competitive position which, up to a few years ago, seemed unobtainable. Also in the field of our applications for the manufacturing sector, the mid-powered laser sources and the marking systems manufactured by Lasit and Ot-las have achieved remarkable results.

In any case, it should be noted that we are still experiencing difficulties in obtaining supplies of several types of materials. Delivery times for some electronic, plastic and metal components have become longer in the last few months and have created problems in our manufacturing processes. Up to now we have not had to stop the production lines for lack of materials but the effects of this problem have had and continue to have a significant impact which comports a decreased efficiency in the production processes due to the need to continually reschedule the manufacturing programs on the basis of the materials available which do not always coincide with those which are needed at the time; the increase in the cost of components caused by the lack of supply has had as a natural consequence an increase in prices and the need to increase the stock of raw materials in order to avoid the lengthy delivery times imposed by the suppliers and prevent problems in the punctual delivery of products to our clients. The difficulties in obtaining supplies are accompanied by the increase in the costs of some raw materials and semi-finished products, metals like copper and aluminum for example, which up to now have not diminished the profitability of our sales.

It should also be noted that one of the great limitations imposed by the pandemic, that of travel restrictions, particularly international travel, has comported a profound transformation in the marketing activities. Trade fairs and symposiums have been reduced practically to zero along with international travel, all of which have been replaced by an intense activity of contact via web, webmarketing and videocall. The costs of this web activity are increasing but are still limited with respect to the same activities conducted in the traditional way. In a phase in which demand is so favorable and sales volume is increasing rapidly, even without the costly stimulus (especially in the medical sector) procured by the traditional sales and marketing methods with a physical presence, we have registered, a significant benefit for our operating results.

Despite the great uncertainties related to the evolution of the pandemic and its conclusive phase, which has lasted much longer than we had hoped, our markets appear favorable in this period and have benefitted not only from the natural post-crises recovery, but also from a climate of trust and optimism which is derived from the outlook for a significant support of the economy thanks to the expansive industrial policies implemented all over the world. By the end of this half, our portfolio of orders, in both sectors was at the highest level ever registered by the Group.

We therefore wish to express our satisfaction for the results which we are presenting here and, above all, for all the factors which have allowed us to obtain these results. The position which the Group has achieved on the markets is the result of an organizational endeavor and preparation which has been going on for years and which has developed in the heart of its companies a high level of organizational, managerial and technical knowledge and capacity, thanks to which we are now able to fully benefit in this favorable phase of demand and growth by identifying the needs and having available the technical and organizational means required to satisfy them and further stimulate them to our advantage.

During this half we celebrated the fortieth anniversary of the foundation of El.En. Spa, a celebration which occurred in a particularly flourishing period for the activities of the Group, which demonstrates the extraordinary initial intuition of the founders and the quality and intensity of work that they and their collaborators in the Group have conducted over the years.

Just a few days before this anniversary Prof. Leonardo Masotti died; he was one of the founders of the company, the scientific soul of El.En., who inspired the most significant products and most innovative processes, a university professor who generously shared his knowledge with his students and associates at El.En. He will be remembered with affection and gratitude.

During this half the activities related to sustainability were intensified by the Group. As part of the activities which are included in the Sustainability Plan of the Group and all of the subsidiaries, besides monitoring the projects now in progress and reaching the objectives which have been set, they have identified other areas and projects for improvement. The commitment of the Group is also reflected in the improvement of the ESG rating obtained from the main sustainability rating companies.

The chart below shows the division of the sales volume in the first six months of 2021 according to the sector of activity in the Group compared with the same division for the same period last year.

Before explaining the data in detail, it should be noted that the period with which it is compared, the first half of 2020 corresponds to the most acute phase of the pandemic, which started in Wuhan and spread to the rest of the world. The results from that half saw our activities in the industrial sector completely blocked in China for two and a half months and, in Italy for more than a month starting in March. In the medical sector the sales in Italy stopped in the month of March, while the international sales began to show a strong drop in demand starting in the month of April.

	30/06/2021	Inc %	30/06/2020	Inc %	Var. %
Medical	146.688	53,55%	100.309	61,72%	46,24%
Industrial	127.223	46,45%	62.212	38,28%	104,50%
Total revenue	273.911	100,00%	162.521	100,00%	68,54%

The overall growth was close to 69%, and was strongest in the industrial sector which had been slowed down by the pandemic in the first half of 2020 more than the medical sector.

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

	30/06/2021	Inc %	30/06/2020	Inc %	Var. %
Italy	50.276	18,35%	27.432	16,88%	83,28%
Europe	53.888	19,67%	30.150	18,55%	78,74%
ROW	169.747	61,97%	104.940	64,57%	61,76%
Total revenue	273.911	100,00%	162.521	100,00%	68,54%

As mentioned above, the comparison with 2020 is not significant; on the other hand, the recovery of sales in Italy of around 18% of the total is interesting.

Results of sales in the sector of medical an aesthetic systems, which represents about 54% of the total sales volume of the Group, is shown in the chart below:

	30/06/2021	Inc %	30/06/2020	Inc %	Var. %
Aesthetic	94.136	64,17%	55.920	55,75%	68,34%
Surgical	21.038	14,34%	19.908	19,85%	5,67%
Physiotherapy	6.339	4,32%	3.273	3,26%	93,68%
Others	475	0,32%	273	0,27%	74,06%
Total medical systems	121.988	83,16%	79.374	79,13%	53,69%
Medical service	24.700	16,84%	20.935	20,87%	17,99%
Total medical revenue	146.688	100,00%	100.309	100,00%	46,24%

Recovery has been significant in all segments. The results of sales in every segment are described below.

Results in the aesthetic segment were particularly noteworthy and consolidate its prevalence in the medical sector. In this segment it should be recalled, the Group supplies systems for hair removal, tattoo removal, body contouring, rejuvenation. Hair removal is the most significant sector in terms of sales volume and is also the one which most contributed to the extraordinary results shown here. The demand for laser hair removal treatments continues to expand thanks to the capacity of the market leader, that is, our company, to develop systems that are increasingly effective, compact and rapid making the laser application less expensive and easier to use and amplifying the number of clients that make use of laser technology. The launching of Again, a very high-powered platform intended for a clientele with heavy duty operations, has enriched our range of depilatory systems which includes the Alexandrite Motus and Mediostar with semi-conductors which are the best sellers in terms of quantity and are able to make hair removal rapid and inexpensive even for smaller volumes of business. The other aesthetic segments also registered excellent results, in particular the applications for body contouring in which Onda Coolwaves, our main system with the original microwave technology has now been joined by systems with complimentary technology which have added to its already significant commercial success.

As occurred in the first quarter, the lower growth of the surgical segment should be interpreted considering the excellent results registered in the first half of 2020, before the pandemic lockdown and the greater difficulties which we encountered in the return to normality in the surgical sector, in particular in urology, due to the focus of all the hospital activities on the Covid patients.

In the physical therapy sector the recovery has been excellent and Asa has again returned to the growth which has characterized it in recent years.

The volume of business for after-sales service, which includes technical assistance and sales of spare parts and consumables has also been very good. The recovery could have been even better if the production difficulties had not prevented us from satisfying the demand for optical fibers in urology in the early months of the year. The most critical problems have now been solved and already in the second quarter the volume of production and sales was more than satisfactory.

For the industrial applications, the chart below shows the data for the sales volume according to the market segments in which the Group operates.

	30/06/2021	Inc %	30/06/2020	Inc %	Var. %
Cutting	106.211	83,48%	48.984	78,74%	116,83%
Marking	9.327	7,33%	7.589	12,20%	22,90%
Laser sources	3.503	2,75%	734	1,18%	377,12%
Conservation	119	0,09%	263	0,42%	-54,53%
Total industrial systems	119.160	93,66%	57.569	92,54%	106,99%
Industrial service	8.064	6,34%	4.644	7,46%	73,65%
Total industrial revenue	127.223	100,00%	62.212	100,00%	104,50%

The comparisons shown in this chart are based on a benchmark that is not very significant, in particular for the cutting segment in which two-thirds of the activities are conducted in China and where, in early 2020, we underwent a long total lockdown. This, however, does not detract from the exceptional performance registered in the cutting sector which

is now operating at a very fast pace. These are production and sales volumes for which we have made major investments in the manufacturing capacity which are now being increasingly used with a beneficial effect also on the income statement thanks to the operating leverage. The trend has been very positive also in the other main segments like that for marking and for laser sources which are now recovering rapidly after the period of crisis and showing respectable amounts also in absolute terms.

The sales volume in the small segment of restoration is not indicative for this half. It is, however, a source of great prestige for the Group to be able to participate in the restoration of great masterpieces. The recent ceremony which celebrated the restoration work on the Ponte di Rialto in Venice offers us the opportunity to point out that our laser systems were widely used in this work of exceptional significance and contributed to the return of the bas-reliefs, plaques and mascaroons on the famous bridge to their original splendor.

1.7. Consolidated income statement as of June 30th 2021

The chart below shows the consolidated income statement for the period ending on June 30th 2021, compared with that for the same period last year.

Income Statement	30/06/2021	Inc %	30/06/2020	Inc %	Var. %
Revenues	273.911	100,0%	162.521	100,0%	68,54%
Change in inventory of finished goods and WIP	12.745	4,7%	11.417	7,0%	11,64%
Other revenues and income	2.162	0,8%	1.971	1,2%	9,73%
Value of production	288.819	105,4%	175.909	108,2%	64,19%
Purchase of raw materials	184.890	67,5%	107.324	66,0%	72,27%
Change in inventory of raw material	(16.934)	-6,2%	(4.579)	-2,8%	269,82%
Other direct services	20.948	7,6%	13.287	8,2%	57,65%
Gross margin	99.915	36,5%	59.877	36,8%	66,87%
Other operating services and charges	20.763	7,6%	16.058	9,9%	29,30%
Added value	79.153	28,9%	43.820	27,0%	80,63%
Staff cost	40.015	14,6%	29.334	18,0%	36,41%
EBITDA	39.138	14,3%	14.485	8,9%	170,19%
Depreciation, amortization and other accruals	8.280	3,0%	5.197	3,2%	59,33%
EBIT	30.857	11,3%	9.288	5,7%	232,22%
Net financial income (charges)	1.088	0,4%	(219)	-0,1%	
Share of profit of associated companies	(111)	0,0%	(126)	-0,1%	-12,13%
Income (loss) before taxes	31.835	11,6%	8.943	5,5%	256,00%
Income taxes	6.928	2,5%	2.139	1,3%	223,93%
Income (loss) for the financial period	24.907	9,1%	6.804	4,2%	266,07%
Net profit (loss) of minority interest	2.457	0,9%	403	0,2%	509,75%
Net income (loss)	22.451	8,2%	6.401	3,9%	250,74%

The gross margin was 99.915 thousand Euros, an increase of 67% with respect to the 59.877 thousand Euros shown on June 30th 2020, mainly due to the exceptional increase in the sales volume. The percentage of gross margin on the sales volume decreased slightly but showed improvement both in the medical and industrial sectors and the overall decrease was caused by the impact of the industrial sales which structurally registered a lower margin (see the relative paragraph in the information sheet in compliance with IFRS8 in the Notes). The increase of its incidence is due to the comparison with the first half of 2020 which reflected the greater impact of the pandemic on the activities in the industrial sector, especially in China.

The operating services and charges amounted to 20.763 thousand Euros, showing an increase with respect to the 16.058 on June 30th 2020 but with a sharp decrease in its incidence on the sales volume which dropped from 9,9% on June 30th 2020 to 7,6% on June 30th 2021. In this cost aggregate we benefitted from the decrease in marketing expenses due to the almost total elimination of international travel, and participation in trade fairs and symposiums which, particularly in the medical sector, represent a significant cost. We have not been able to attend to many trade fairs or symposiums in

this period: in China for the sector of sheet metal cutting, in Japan for the sector of equipment for aesthetic treatments in Italy and in Europe, and in Dubai for specialist symposiums in various medical disciplines. In the coming months, however, we are planning on attending an increasingly numerous series of events but it will take a longtime before we return to pre-Covid levels. Less costly but highly effective instead is the amount we are spending and the personnel we are dedicating to contact and promotion on the web which has increased since the beginning of the pandemic when it was the only marketing activity possible.

The costs for personnel was 40.015 thousand Euros, showing an increase with respect to the 29.334 thousand Euros on June 30th 2020, with an incidence on the sales volume which, however, decreased from 18% in the first half of 2020 to 14,6% on June 30th 2021.

On June 30th 2021 there were 1.810 employees in the Group, an increase with respect to the 1.626 on December 31st 2020. Most of the new employees were hired by the Chinese companies whose volume of business has been growing rapidly and are now in a phase of preparation of the production structures in the new factories.

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.

As a result of the trends described above, thanks to the increase in sales volume and the improvement in the structural costs, the EBITDA amounted to 39.138 thousand Euros, an increase of about 170% with respect to the 14.485 thousand Euros on June 30th 2020. The EBITDA also increased in its incidence on the sales volume which was 14,3% with respect to the 8,9% shown on June 30th 2020.

The costs for amortizations, depreciations and accruals showed a sharp increase and rose from 5.197 thousand Euros on June 30th 2020 to 8.280 thousand Euros on June 30th 2021, while the incidence on the sales volume remains substantially unchanged 3%.

The EBIT therefore amounted to 30.857 thousand Euros, showing a sharp increase with respect to the 9.288 thousand Euros of the first half of 2020, with an incidence on the sales volume which increased to 11,3% from 5,7% for the same period for the preceding year.

The net financial amounted to 1.088 thousand Euros with respect to the net financial charges of 219 thousand Euros registered for the same period last year, and benefitted from a more favorable exchange rate with the US dollar which was re-evaluated with respect to the Euro.

The pre-tax income amounted to 31.835 thousand Euros, as opposed to the 8.943 thousand Euros shown on June 30th 2020.

The income tax for the period amounted to 6,9 million Euros. The income tax incurred during this period were calculated on the basis of the best estimate of the fiscal aliquots expected for the year 2021.

The tax rate for the period amounted to about 21,8%, showing a decrease with respect to the 24% registered for the same period last year.

The first half ends with a net income for the Group of 22.451 thousand Euros which, as occurred in the first quarter, abundantly exceeds the result for the first half of 2020 which amounted to 6.401 thousand Euros.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2021

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

Statement of financial position	30/06/2021	31/12/2020	Variation
Intangible assets	4.867	4.488	380
Tangible assets	92.377	85.576	6.800
Equity investments	1.876	1.991	-115
Deferred tax assets	11.044	9.297	1.747
Other non-current assets	15.495	15.486	9
Total non current assets	125.659	116.838	8.821
Inventories	143.030	111.594	31.437
Accounts receivable	132.557	94.009	38.549
Tax receivables	10.433	11.032	-599
Other receivables	13.530	13.157	374
Financial instruments	2.015	0	2.015
Cash and cash equivalents	137.224	123.744	13.480
Total current assets	438.790	353.535	85.255
Total Assets	564.449	470.373	94.076
Share capital	2.591	2.550	41
Additional paid in capital	46.552	42.556	3.996
Other reserves	86.431	93.668	-7.236
Retained earnings / (accumulated deficit)	86.511	66.391	20.120
Net income / (loss)	22.451	20.255	2.196
Group shareholders' equity	244.536	225.420	19.116
Minority interest	16.479	15.245	1.234
Total shareholders' equity	261.014	240.665	20.350
Severance indemnity	4.831	5.147	-316
Deferred tax liabilities	2.218	2.210	8
Reserve for risks and charges	8.142	5.717	2.425
Financial debts and liabilities	30.632	30.763	-132
Other non current liabilities	5.775	5.000	775
Total non current liabilities	51.598	48.838	2.760
Financial liabilities	23.977	23.827	150
Accounts payable	140.489	94.923	45.566
Income tax payables	7.185	2.945	4.241
Other current payables	80.185	59.175	21.010
Total current liabilities	251.836	180.871	70.966
Total Liabilities and Shareholders' equity	564.449	470.373	94.076

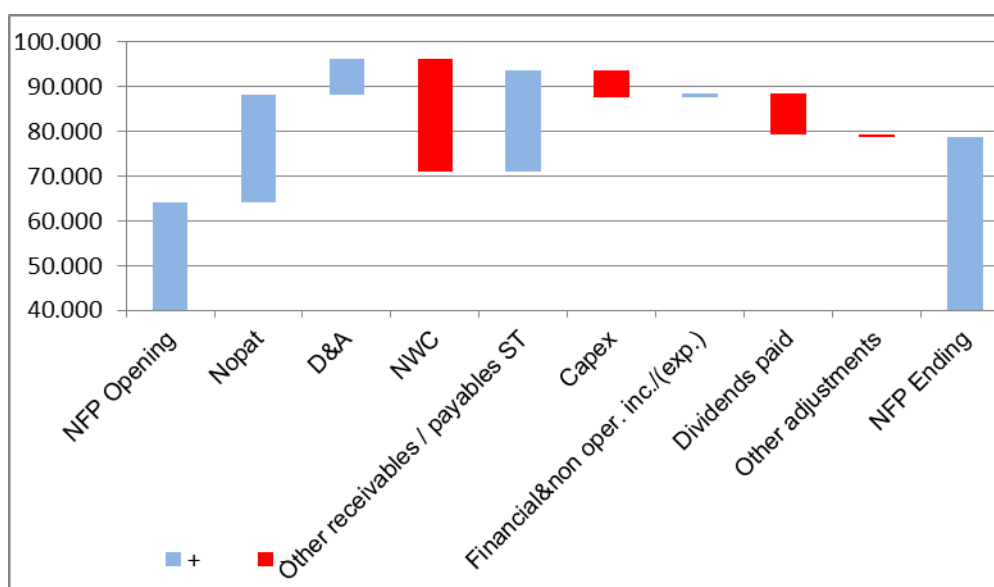
Net financial position	30/06/2021	31/12/2020
Cash and bank	137.224	123.744
Financial instruments	2.015	0
Cash and cash equivalents	139.239	123.744
Current financial receivables	2	14
Bank short term loan	(20.784)	(20.659)
Part of financial long term liabilities due within 12 months	(3.193)	(3.168)
Financial short term liabilities	(23.977)	(23.827)
Net current financial position	115.264	99.931
Bank long term loan	(20.087)	(23.366)
Other long term financial liabilities - non current part	(10.545)	(7.398)
Other non current liabilities	(5.775)	(5.000)
Financial long term liabilities	(36.407)	(35.763)
Net financial position	78.857	64.168

On July 15th 2020, the European Securities and Markets Authority (ESMA) published their final report for public consultation related to their guidelines regarding the requirements for information in compliance with the regulations contained in the document 1 (ESMA/ 31-62-1426). The guidelines must be applied starting on May 5th 2021 and they update the contents of the preceding communications of the CONSOB, including the references present in Communication n. DEM/6064293 dated July 28th 2006 regarding the net financial position. In compliance with these updates the Group has modified the charts showing the net financial position, including the comparative ones.

During this period the net financial position showed an increase of about 15 million, rising from 64,2 million on December 31st 2020 to 78,9 million on June 30th 2021.

The cash flow generated by the operative activities covered all of the requirements derived from the increase in working capital which is normal in this phase of rapid growth, those derived from the fixed investments and from the payment of dividends which El.En. and the subsidiaries resumed after a year of suspension. The chart below shows a positive cash flow for the headings under “Other current receivables/liabilities”, determined by the increase in the down payments received from clients, a practice which, in China, represents a significant volume, and from the tax liabilities which is an effect of the increase in revenue and the increased costs for income taxes set for this period. The increase in capital cashed in by the company due to the effects of the exercising of the stock options assigned to employees, amounting to 4,0 million Euros this half, also contributed to the improvement of the net financial position. The solid financial position allows the Group the maximum freedom in defining the support of its growth strategy.

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



It should be noted that the amounts of postal and bank deposits of the Chinese companies includes about 9 million Euros in term deposits which are frozen until the due date of some of the payments to suppliers which will be made by issuing bank bills.

It should also be recalled that 11,5 million Euros in cash in preceding years has been invested by the Parent Company in financial instruments of an insurance type which, due to their characteristics, must be entered into accounts among the non-current financial assets. In the past few years the subsidiary Quanta System has invested 2,5 million Euros in similar financial instruments; although they represent a normal use of cash, these amounts cannot be considered part of the net financial position. At the end of this period the total fair value of these investments amounted to 15,3 million Euros.

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 2021.

	Revenues	Revenues	Variation	EBIT	EBIT	Income (loss) for the financial period	Income (loss) for the financial period
	30/06/2021	30/06/2020		30/06/2021	30/06/2020	30/06/2021	30/06/2020
El.En. S.p.A.	52.529	27.163	93,38%	6.405	(380)	15.033	(455)
Ot-Las S.r.l.	2.448	1.048	133,59%	196	(248)	116	(20)
Deka Mela S.r.l.	28.870	16.874	71,09%	2.220	578	2.209	462
Esthologue S.r.l.	7.462	3.473	114,86%	316	(532)	260	(337)
Deka Sarl	2.697	1.310	105,88%	16	(240)	15	(241)
Lasit S.p.A.	8.459	6.682	26,59%	1.290	1.011	920	748
Quanta System S.p.A.	41.586	34.806	19,48%	8.938	7.355	6.776	5.807
Asclepion GmbH	27.410	19.718	39,01%	3.140	2.406	2.014	1.580
ASA S.r.l.	6.535	3.538	84,71%	1.661	62	1.231	97
BRCT Inc.	-	-	0,00%	1	(9)	4	20
With Us Co., Ltd	18.890	16.085	17,44%	1.319	1.343	835	844
Penta-Chutian Laser (Wuhan) Co., Ltd	19.452	13.396	45,21%	247	(54)	521	(160)
Cutlite do Brasil Ltda	3.028	461	556,83%	38	(333)	104	(702)
Pharmonia S.r.l.	-	-	0,00%	(3)	(2)	(3)	(2)
Deka Japan Co., Ltd	961	612	57,03%	116	121	56	66
Penta-Laser Equipment Wenzhou Co., Ltd	65.564	33.722	94,43%	2.087	(1.799)	2.166	(1.409)
Merit Due S.r.l.	37	37	0,00%	9	16	5	11
Cutlite Penta S.r.l	36.988	17.718	108,76%	2.980	533	2.896	319
Galli Giovanni & C. S.r.l.	462	345	33,91%	133	25	92	12
Penta Laser Technology (Shangdong) Co., Ltd.	21.825	7.420	194,14%	638	70	609	37
Lasit Laser Polska	-	-	0,00%	(97)	-	(98)	-

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).

The first half of 2021 saw a remarkable development in sales volume (+ 93,4% with respect to 2020, +69,2% with respect to 2019), with excellent trends in the industrial sector and, above all, in the medical sector which more than doubled its volume of business with respect to both the first half of 2020 and also 2019. Sales on the American market were particularly significant, thanks mainly to the latest generation of hair removal systems. The growth in sales volume facilitated a return to the levers of profitability which El.En. had not achieved for years, with an EBIT of 12,2% on the sales volume. The net result, amounting to about 15 million Euros, thanks to the contribution of the dividends from the subsidiaries which had been suspended in 2020, was even more significant. The outlook for the second half of the year is positive and is based on the numerous orders received which are occupying to their full extent all of the production departments who are attempting to respect a dense delivery schedule.

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

Deka M.E.L.A. was the first company in the Group to attend to the marketing of medical systems in Italy and abroad, the natural market for the systems developed and manufactured by El.En. in Calenzano, for which Deka is still the main channel of distribution. DEKA is now the most prestigious and famous brand name on the Italian market for laser applications for medicine and aesthetics and this leadership has been re-enforced by the introduction of the Renaissance brand in which the Group has united the distribution in Italy of the medical systems manufactured by Quanta System and Asclepion. At the international level, the Deka brand has a very prestigious role and is one of the main players on the market.

Deka operates in the sectors of dermatology, aesthetics and surgery and makes use of a consolidated network of agents for the direct distribution in Italy and a network of highly qualified distributors who have been selected over time for international export.

The Deka organization, both in Italy and in the international network, is a highly visible and recognized presence and a synonym for product innovation, professionalism in supplying and excellent performance of the laser systems they offer. These features represent the conditions in which the Group is investing in order to augment its further growth, thanks to their ability to move new products through their consolidated and effective distribution network.

During the first half of 2021 the company registered a return to market conditions which were almost normal, with a significant recovery in the sales volume. In particular, on the International markets, the demand was high, also thanks to the wide range of products offered by Deka which is always focused on the needs of the client and ready to apply the best technological innovations to the systems they offer to the market. Deka was able to take advantage of the excellent receptivity of our markets in part thanks to the work they conducted even during the most difficult phase of the pandemic in the Spring of 2020, by creating, in particular, new systems for hair removal and body contouring which are at the foundation of the excellent results they obtained. The sales volume of Deka for this half showed an increase of 71% with respect to the first half of 2020, an average increase over two years of 13,5% with respect to the first half of 2019; these are remarkable results which are accompanied by a significant increase in profitability. In this regard, it should be noted that the marketing expenses for this period are considerably less than they were in 2019 due to the impossibility of participating in trade fairs and symposiums and, more in general, unrestricted travel. The increase in the sales volume consequently was achieved without an increase in the marketing expenses which our products had required previously; the costs for marketing on-line and for contact on the social networks, although they have greatly increased, are still much less than those spent for the traditional marketing methods, all of which benefitted the economic results of our business. At this time market condition continue to be favorable and for the end of the year we expect to achieve the same excellent results as those for the first half.

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 makes use mostly of the scanning systems and the mid-power CO₂ laser sources supplied by El.En..

Ot-las conducts its activity in a section of the factory in Prato also occupied by Cutlite Penta.

The company's operating activity registered excellent results in the first six months of the year and came close to 2,5 million Euros in sales volume, a result which allows it to once again get a positive EBIT.

The equity in the companies of the Group that operate in the sector of sheet metal cutting for which Ot-las is the holding company, is very significant. After the re-organization of the companies conducted over the last two years, Ot-las now controls Penta Laser Wenzhou with an equity of 84,54%, and the latter detains 100% control over the Chinese companies, Penta Chutian Wuhan, Penta Laser Shandong and the Italian company, Cutlite Penta.

Cutlite Penta S.r.l.

This company was created from a branch of Ot-las in order to separate the business in which it operates, systems for laser cutting, from that for marking in which Ot-las operates. Cutlite is dedicated exclusively to the segment of laser cutting for which it conducts the activities of production planning and sales. Cutlite installs on "X-Y" movements controlled by CNC the powerful laser sources produced by the Parent Company, El.En. S.p.A. for applications of plastic

cutting and sources produced by other suppliers for the cutting of metal and dies. Besides flat cutting, Cutlite has developed and produces 5-axis systems and rotary axis systems for dies and metal pipes.

Since it was founded in 1992 Cutlite Penta has operated in the sector of systems for cutting dies and plexiglass, a niche in which it is considered one of the market leaders. In the last few years it has benefitted from the transformation of the market for sheet metal cutting.

This transformation, with the advent of laser sources in optical fiber which are increasingly powerful, economical and reliable with respect to the CO₂ traditionally used in this sector has amplified the productivity of the laser systems and their applicative potential and caused a rapid amplification of the market making it possible for new players to acquire an important role on the market, something that would not have been possible if the technology had remained the same.

Cutlite was able to take advantage of the new technology and, thanks also to the contribution of the associated Chinese companies which had already adopted the new technology previously they were able to enter the market with a range of systems that was ideal from the point of view of the ratio between price and performance. The results in terms of growth were highly satisfactory. In order to sustain the rapid growth, Cutlite made major investments in its operative and logistic structures and in 2019 transferred their operations together with those of Ot-las, and at the end of 2020 acquired another industrial building adjacent to the first one. Despite the interruption of activities imposed by the Covid pandemic in the Spring of 2020, the volume of business and production actually increased even in 2020 and continues to increase now in 2021; in fact, the company is registering record volumes with a sales record for the half of about 37 million and operating profits of over 8%. The portfolio of orders is solid and the operating structures are able to sustain this rapid growth for the second half of the year.

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

The presence of manufacturing structures of the Group in China has increased over time, beginning with the first factory in Wuhan which was started as a joint venture in 2007 and reaching the five factories which we now have located in the cities of Wuhan, Wenzhou and Lin Yi which have made it possible to effectively dominate the local market for laser cutting of sheet metal in the area of greatest demand for manufacturing plants. More than 800 workers are employed also in the dense marketing network and in the efficient after-sales technical assistance to our clients. The growth in recent years has made Penta one of the most significant players on the Chinese market for laser cutting and they have been able to distance their products from the intense local competition thanks to the quality of their key components which are designed and, for the most part, manufactured in Europe without losing the competitive edge necessary to deal on the local market. These characteristics have made it possible for them to become one of the leading companies in China in the field of sheet metal cutting. The ability to effectively manage increasingly powerful laser sources has become a singular trait that distinguishes our products on a highly competitive market. With the systems equipped with 30kW sources now part of the standard range, in 2021 we will also start to install powers of up to 40kW. The increase in the amount of power available at decreasing costs has made it possible for laser cutting applications to become economically more attractive in terms of productivity and technically utilizable in applicative fields which were previously confined to traditional technologies with respect to which the laser systems can offer advantages like quality, flexibility, environmental impact and, ultimately, also cost.

During 2021 the companies continued in the recovery from the stage of total lockdown imposed in the Winter of 2020, in particular in the factories in Wuhan, epicenter of the pandemic, and Wenzhou, the second most severely affected city in China. The drastic measures taken after the first wave of the epidemic and the rigorous limitations on arrivals from abroad allowed China to return to almost normal conditions of everyday life starting in the Summer of 2020, with great benefits for the markets which recovered rapidly.

The sales volume for this half confirmed the expectations for a rapid growth and a significant recovery in profitability, and offer an outlook for a year which promises to be filled with great satisfaction. In the meantime, we have concluded the re-organization of the laser cutting sector with Penta Laser Wenzhou becoming the leader of the division and having 100% control of the business units in Lin Yi and Wuhan and even Cutlite Penta in Prato whose activities are closely coordinated.

Quanta System S.p.A.

This company was created as a spin-off of the laboratories of scientific research on photonics and became part of the Group in the early 1990s and a subsidiary in 2004 thanks to its particular skills it developed in the sector of applications for lasers in medicine. The company now produces sophisticated laser systems for aesthetic medicine and for surgery, in particular in the segment of urology, in which it detains an important part of the international market.

After the records it set in 2019 with an annual sales volume of 83,6 million and net income of 13,9 milioni, Quanta suffered the impact of the pandemic in 2020 and registered a drop in sales volume which mostly involved the aesthetic sector. At the beginning of 2021, while the markets are going through a phase of recovery after the conclusion of the most severe phase of the pandemic Quanta System has been able to achieve an excellent level of sales volume,

especially in the aesthetic segment. The development of sales for applications in urology and the sale of the consumables related to this field has not been so rapid also due to problems, now solved, which obstructed the production of optical fibers in the early months of the year.

The market position of Quanta System, thanks to the characteristics of its range of systems for medical, aesthetic and surgical applications is such that we can predict a phase of further growth and recovery in all the applicative segments for the second half of this year.

Lasit S.p.A.

This company is specialized in the design, manufacture and sales of systems for marking small surfaces and conducts its manufacturing operations and product development in their headquarters in Torre Annunziata (Naples).

Its systems are used for the identification of products, parts and sub-assemblies, a requirement that has become very frequent in the manufacturing world where the need for traceability of products and components has become increasingly stringent. Laser marking systems with their flexibility and low environmental impact are able to satisfy this requirement with the greatest efficiency.

Lasit has achieved a respectable position on its market by offering its clients a high quality product along with a personalization service which is supplied punctually thanks to the great flexibility of the company's production structure which is organized in order to perform all of the main production phases inside the factory. The company is therefore able to control the costs and improve their response to even the most complex requests for personalization.

The mechanical workshop is equipped with state-of-the-art numerical control systems and even laser systems for cutting sheet metal and represents a qualified internal supplier also for the rest of the Group..

After the setback suffered in 2020 due to the pandemic and the direct limitations it imposed like the lockdown and the indirect ones like the weakness of the market, Lasit resumed their steady growth rate and showed a rapid increase in their sales volume and earnings which were greater than those registered for the first half of 2019. In 2019 Lasit acquired the factory adjacent to their Headquarters and now has an adequate logistic infrastructure to sustain their development over the next few years. In 2021 in Poland Lasit founded the subsidiary **Lasit Laser Polska** in order to take advantage of the opportunities offered by the rapid development of manufacturing in some parts of the country. This company has just started their operations.

Asclepion Laser Technologies GmbH

This company was founded as Asclepion-Meditec and then became the aesthetic division of Carl Zeiss Meditec, which was purchased from 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 150 employees and their own factory which was recently doubled in size with ample spaces dedicated to the training of its clientele and employees.

The location in Jena, international cradle of photonics and a lively cluster of start-ups active in the world of electro-optics, represents a significant advantage for Asclepion, both for its high-tech image as well as the facility of access to environments that are very proactive in the basic and complementary technologies necessary for the production of our systems.

Asclepion is considered an authoritative point of reference on the market for the two laser technologies in which it excels: that for diode laser (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 and later developments radically modified its structure and improved its performance, making it an international point of reference. 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 system with holmium and thulium technology and has achieved excellent results also in terms of the technical performance of the equipment. The laser systems are marketed under the brand name of Jenasurgical.

The beginning of 2021 was very positive and during this half the revenue registered a significant recovery, with over 27 million in sales volume which made it possible to achieve an excellent level of operating earnings.

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. Besides the Deka/ El.En. systems, With Us distributes creams and accessories and small equipment for the aesthetics business or intended for home use, in significant volumes considering the high number of stores they serve.

The all-inclusive maintenance services they provide for the systems previously installed contribute significantly to the sales volume and revenue. The excellent results obtained in 2020 during which the effects of the pandemic had only marginally influenced their activity, are still continuing in 2021 with a further expansion of their sales volume and the confirmation of the results for the first half.

ASA S.r.l.

From its Headquarters in Vicenza which were recently moved to a new building they own, ASA operates in the sector of physical therapy for which it develops and manufactures a line of low and mid-powered semi-conductor lasers. Thanks to the range of products which it offers and their capacity to supply training services to their clients which make it possible for the clients to take best advantage of the benefits of the technologies in their elective applications, ASA has grown rapidly and consistently in size over the years and has always maintained a good level of profits.

ASA is equipped with its own Research and Development office which is dedicated to the creation of diode lasers and the company has taken advantage of the Nd.YAG technology systems manufactured by the Parent Company El.En S.p.A, which distributes them all over the world, beside contributing concretely to the definition of specific products and of new applicative protocols.

Asa has taken advantage of the return to normal market conditions after the most acute phase of the pandemic and has registered excellent results for the first half of 2021, improving their sales volume for 2019 and registering an excellent net income for the period. Moreover, during this half, Asa again began paying dividends to its shareholders, including those which had been suspended last year. The outlook for the end of 2021 is positive.

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 marketing point but the high cost of distribution has made it impossible to achieve the break even in the last few years. In order to interrupt the string of negative results, in 2020 the company has to profoundly modify its selling organization and give up some key figures in the company. The results of the new, leaner structure, thanks to the strong recovery of the market after the most critical phase of the pandemic, were encouraging, with an excellent recovery in sales volume, which was close to 2,7 million Euros, and the company was able to break even this half.

Deka Japan, is active in Japan and distributes Deka brand medical systems on the Japanese market. Since 2018 they have been collaborating with DKSH which acts as the sole distributor on the market, while Deka Japan concentrates on obtaining the authorizations necessary for the sale of new products and the logistical support of DKSH. Results for this half have been good as we expect a good closure for the year.

Deka Medical Inc., has been inactive for several year and was liquidated during the first half of the year.

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 represent the most typical product featured by Esthelogue and are able to satisfy every requirement of the clientele with a vast range of devices including the very powerful Monolith handpieces. For non-invasive body contouring Esthelogue offers a complete range which includes the Icoone in its latest version, the B-Star system and the B-strong Plus system which use innovative technologies and methods. The systems that they offer feature a level of quality and safety that is unequaled in the aesthetics sector, guaranteed by the manufacturers, European companies which operate with the standards of their prevalent sector, which is the medical sector. Their position at the highest level of product quality is also completed by another decisive factor in the success which characterizes the activities of Esthelogue: the services of training, assistance and support of their clients transfer value and knowledge to the end-users of our technologies. The spread of the pandemic had a very severe impact on the Esthelogue market in 2020 and again in 2021 because the aesthetic centers were forced to close for long periods during the lockdown and then again in the red zones during the second wave of the pandemic. In 2021 there was a strong recovery of the market and our products and services were widely used so that Esthelogue was able to register the excellent results which they had expected previously but which the effects of the pandemic had prevented them from achieving in 2020. The sales volume for the half rose to 7,5 million

(+115% over 2020 and above all, +26% over 2019) so that they were able to register a significant EBIT. The outlook for the coming year is positive.

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

Galli Giovanni & C. Srl is a machine shop specialized in high precision mechanical work. The company became part of the Group in 2019 when Quanta acquired a controlling equity of 70%; previously they had been a qualified supplier of Quanta System. Thanks to the characteristics of the CNC machinery and the expert professionalism and specialization of their staff, they contribute to maintaining the high standards of quality and flexibility in the manufacture of mechanical parts. These latter represent a category of purchases that are very significant also from the point of view of the amount of production costs.

The economic trend of the company remained positive and increased. In order to allow the operations to keep up with the growth of its main client, Quanta System, they are now about to acquire a new building to which they will move and enlarge the operations, with an investment of about 300 thousand Euros which will be financed by the controlling company, Quanta System, and they plan to move the operations to the new building in the early months of 2022.

BRCT Inc. acts as a financial sub-holding company.

Other companies, industrial

Cutlite do Brasil Ltda has a factory in Blumenau in the state of Santa Catarina. They produce laser systems for industrial applications and, attend to the distribution of laser systems produced by their Italian associates and operate in a factory that is able to supply an effective technical support for the hundreds of installations in the territory. The company was very hard hit by the Brazilian economic crisis but in recent years Cutlite has been able to benefit from the opportunities which, also in Brazil, have been opened by the sheet metal cutting technologies using increasingly powerful laser sources in fiber. Cutlite do Brasil has gradually increased their sales volume and acquired a growing role on the market of sheet metal cutting in Brazil by benefitting from the same competitive advantages that are at the foundation of the success of Cutlite Penta, to which they add the advantage of location. The pause that was imposed by the Covid pandemic in 2020 in the progression of sales seems to have been overcome and the first half of 2021 registered an excellent sales volume, close to that for the whole year 2020 and an excellent acquisition of orders is promising for a year end closure which is, finally, positive for the year.

1.10. Comments on Research and Development

During the first half of 2021, despite all of the difficulties caused by the Covid pandemic emergency, we continued conducting research and development activities according to the strategy which, in times of crisis, is even more valid, pursuing continual innovation intended to open new applications for laser and other energy sources both in the medical and industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative because of the performance of the devices and/or the technologies that are 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-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.

Moreover, for the laser systems that are dedicated both to new and consolidated applications we continue to develop technologies to improve the performance, efficiency and sustainability by applying a process of continual improvement of the laser sources on one hand, and acting on the innovation of their 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 to be applied to the target 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. In China the expenses for research and development have fiscal advantages due to the increased deductibility.

The El.En. Group is currently one of the few companies in the world that develops, produces, and markets products based on such a wide range of technologies which include: solid state lasers, semi-conductor lasers, active fiber lasers, lasers with colouring agents, CO₂ lasers, as well as conversion systems in frequency including OPO and Tama, which are able to supply solutions from infrared to ultraviolet with various levels of power and duration of emission in order to satisfy a vast range of applications.

Besides laser technology, El.En. is also active in other technologies related to electro-magnetic Energy, including in particular, radio-frequency, microwave and high-intensity electro-magnetic fields. For this reason Research and Development is conducted on many different systems, sub-systems 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 conduct an intense activity in order to obtain patents and protect the intellectual property of our inventions; this process becomes increasingly difficult over the years because of the policies of protectionism promoted by the most technologically advanced nations.

Systems and applications for lasers in medicine

The Parent Company, **El.En.**, in collaboration with **DEKA** and more recently with **Quanta System** and **Elesta**, 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, urology and vulnology.

Since November of 2020 DEKA has had its own Medical Advisory Board for women's genital health, which operates mainly in the applicative segment of CO₂ laser systems. They have recently expanded their range of products with the introduction of the new "**Monnalisa Glide**" system, an evolution of the historic "Monna Lisa Touch", one of the main products of the Group for which there is a vast amount of scientific and experimental literature, and which is improved with the combination of a non-ablative spectral component with a wave length of 1540nm united with the traditional CO₂ laser radiation for the purpose of improving the effects of the treatment of vaginal atrophy.

In the sector of dermatological applications, we have continued research on the new product "**RED TOUCH**", based on a laser source with emissions in red, which represents a unique and innovative solution for photo-rejuvenation of the skin which is based on the direct interaction of the radiation with the collagen present in the tissue; during the studies conducted at the El.En. PhotoBio this solution was found to be very effective in the stimulation of the neocollagenogenesis of elastic fibers which were able to greatly improve the appearance of the skin.

Also in the field of dermatology, we have continued to collect clinical data to confirm the methods used in the "**Luxea**" equipment, whose performance comports a number of uses for various applications in aesthetic medicine; in this equipment the main laser sources for various applications have been added. The level of integration and management met with the approval of the first experimenters and clients who bought it. In particular, we are now conducting clinical experiments on a new range of treatments for vascular lesions, including angiomas and port wine stains based on proprietary technology which we expect to release on the market in the second half of 2021.

In the first half of 2021 we obtained FDA clearance for an important new accessory in the SmartXide family, the **Scar3**, scanner, which offers a specific new solution for the treatment for dermatology (skin resurfacing) for the treatment and reduction of acne and surgical scars.

As part of the Body Shaping we have continued to gather objective data for the clinical evaluation of the results to enrich the specific scientific literature related to our innovative system for body shaping, **Onda Coolwaves** which, in the first quarter of the year, was improved with a new handpiece for massaging of the parts being treated and further improve the effectiveness of the Coolwaves treatment.

We have concluded the development of systems with superluminescent LED matrices combined with electro-stimulation for the reduction of the adipose layers and systems for muscular stimulation for the reduction of localized adipose based on electrical ("**PhysiQ**") and magnetic ("**Schwarzzy**") stimulation. This latter equipment using electromagnetic fields for the stimulation of specific muscle masses in the body, may also be used for applications in the rehabilitation field and have already obtained satisfactory results in sales in the first half of 2021. We are also conducting further activities aimed at improving the performance of the devices and the quality of the treatment thanks to the development of specific applicators.

In the hair removal sector we have continued research and development activity aimed at optimizing the clinical aspects of new high-end products ("**Elite-IQ**" and "**Again**"); in particular, we are studying the temporal structure of the impulses produced for the purpose of improving the effectiveness of the treatment by reducing the discomfort, also in association with specific procedures for cooling the skin during the treatment.

We are about to release on the market "**Motus AZ**", a new product which is intended for the American market and is characterized by a complete range of treatments applied with a series of handpieces with cooling on contact: **Moveo HR** (Hair removal); **Moveo PL** (Pigmented Lesions); **Moveo VL** (Vascular lesions); **Moveo SR** (Skin rejuvenation). "**Motus AZ**" has already obtained FDA Clearance.

In the field of gynecology we have been working on the development of systems for the treatment of incontinence caused by stress and, in particular we have completed a medical system called "**Dr Arnold**" for the stimulation of the pelvic floor by means of high intensity magnetic impulses.

For surgical applications we have continued the research and development activities related to CO₂ laser technology. We have created new accessories and systems including **Multipulse Pro Duo** which is marketed by the subsidiary

Asclepion, and is a system which makes it possible to perform a vast range of surgical operations thanks to the double function of the arm-fiber.

In the first half of 2021 we released a new CO₂ system for surgical applications dedicated exclusively to applications using fibers for delivery and we are completing the medical certification for the sterile single-use (re-processable) wave guides produced by Quanta System SpA.

During the first half of 2021 DEKA obtained the medical certification of their new product, “**SmartPico**”, a laser system dedicated mainly to applications for the removal of tattoos and benign pigmented lesions which operates on a pico-second regime.

At **Quanta System** they have also conducted intense research and development activity on laser sources and systems destined for the aesthetic medicine market and that for medical therapies in urology even using new technologies for producing sources with emission characteristics able to further improve the performance of systems already on the market.

In the urology sector they are now enlarging the family of laser sources in fiber with TFL Thulium wave lengths. In particular besides the compact 60W source with high power peaks, a version with 80W power will soon be available. They are continuing the comparative study between TFL sources and existing technologies in order to evaluate the particulate obtained in the urological lithotripsy. After the completion of the development, they are proceeding with the design and prototyping of a new laser system for urology, all solid state on continuous regime, impulse and with ultra-short impulses. Combining all of these options in urological lithotripsy will make it possible to treat concretely with different densities and in different conditions, thus allowing applications that are now possible only using multiple systems.

Among the other products whose development has been conducted by Quanta System this year, we should note the continuation of the activity for the development and innovation in dermatology in the segment dedicated to the removal of tattoos, skin lesions and dermatological lesions in general.

On Pico and Q-switch systems, the new solid state laser handpiece (OPO) for generating wave lengths in red (694 nm), using a patented delivery system of the pump energy, is now available.

They have also concluded the prototyping of the zoom handpiece with focal variability for the Pico and Q-switch systems which is available on the new systems and compatible with the equipment already installed in the field.

They are continuing with the design and prototyping of a new platform which is the evolution of the EVO system and which will include all the long impulse sources available with fiber exits. New laser source technologies and new materials will be used to increase the specifications of optical power. This system will make it possible to combine the different sources into a single or simultaneous function with new specifications.

They are continuing in the development of a new generation of handpieces and accessories for applications in dermatology. In particular, on the new platforms there will be new interchangeable zoom handpieces which will make it possible to amplify the range of laser spot and energy density.

They are proceeding with the development of new accessories for cutaneous cooling with a new family of accessories with contact cooling and air cooling with improved efficiency and ergonomics which can be perfectly integrated on platforms with multiple sources. This development will make it possible to guarantee an improved uniformity in the distribution of the gradient of the contact temperature, with greater comfort for the patient in the dermatological and aesthetic applications like hair removal, vascular lesions, skin rejuvenation. Moreover, the new design will allow the greater efficiency, comfort and simplicity of use.

At **Asclepion** they are now completing the development activity which is part of an updating strategy of all the systems in their range which includes a new philosophy of interface with the client, new electronics and new design. They have developed an automatic recognition system of vessels for vascular treatments using a camera and they are now conducting the clinical and technical experimentation. They have continued with the development of a surgical system for urological applications which features the presence of a morcellator integrated into the system.

In the first half of 2021 at **Elesta** they concluded the development of sterile accessories for the minimally invasive laser treatments guided by images. They developed a new hardware platform for the ESI (Echolaser Smart Interface) device and extended the application to the programming of the treatments of malign pathologies mainly in endocrinology and urology. They have developed an infrastructure for remote control of the device which is useful as a support and tutor for laser sessions. They have requested a patent for this device.

The associated company **Accure Acne Inc.** obtained the CE brand for their Accure Laser™ system for the treatment of patients with moderate acne vulgaris and began marketing the new product with the first units sold in 2021.

Accure Laser is the first laser platform in the world developed to selectively target the sebaceous glands which are the source of the production of sebum and the key to an effective and long lasting treatment of acne.

Accure Laser TM is the result of a major research and development project conducted by Accure Acne Inc. in collaboration with El.En. and Quanta System, and represents a product of great innovative value in the field of dermatology treatments. It is, in fact, the first laser system in the world which combines sophisticated automatic control elements aimed at guaranteeing the effectiveness and the safety of the treatment which is automatically adapted to the specific area to be treated in the individual patient. Among the automatic elements of Artificial Intelligence (AI) there is an "auto trigger system" which automatically activates the laser emission only when the target cooling temperature has been reached, the ADD system of Automatic Determination of Dose and the DEM system which automatically controls the interruption of the emissions by applying a direct measurement of the limit when the end point has been reached. This product is protected by a massive portfolio which includes more than 14 patents.

Asa has continued in their project of clinical experimentation and validation of the therapeutic effectiveness of their equipment for physical therapy by making use of their own research structures at ASA campus which characterizes the high level of scientific content of the body of documents for the clinical reference of the Asa instruments.

All of the companies of the Group working in the medical sector in recent months have had to deal with the complex and onerous task of adapting the technical and clinical documentation required in order to obtain the quality certification for laser systems used in medicine (EU brand). In fact, as part of the series of modifications in the regulations imposed by the new "MDR" directive the documentary requirements and the experimental evidence necessary to prove the safety and effectiveness of medical devices which is already very extensive are now even more stringent.

Laser systems and applications for industry and for restoration

At **El.En.** we have launched a campaign of product re-engineering in light of the increasingly demanding applications to which its products are aimed. We have continued to work on the improvement of the range of mid-powered sealed CO₂ sources also with applicative experiments on the first examples of the series of Blade RF1222 sources which, with 1.200 Watt is now the most powerful in the range.

We continued to improve the source for the purpose of increasing the average power up to 1,5 kW, a threshold which would make it possible to use RF in some specific applicative fields which otherwise would be precluded, like that for dies developed by Cutlite Penta. The first operative models are already installed in pilot sites in the field.

These sectors require performances in terms of the lengthening of the intervals for ordinary maintenance, and direct the efforts for development towards materials and status monitoring systems of the opening of the cavity as well as a greater autonomy of the refill cartridge of the laser gas mix.

We have perfected the development of the RF188 model for the Chinese market which requires middle to low-power sources at very competitive prices for high volumes and forces the designers to engineer solutions that are increasingly efficient along with improved performance.

In the sector of systems for galvanometric scissions, we have begun a program for the renewal of the control electronics and related software and have concluded the initial phase for creating the equipment for the control and testing of the galvanometric assemblies and the relative testing procedure. These components are being increasingly installed also in the medical systems manufactured by the Group with requests for greater performances and production efficiency. The controlling software was the subject of an important development project aimed at stabilizing the performance and implementing the control algorithms that were capable of guaranteeing them at every level of operation.

Another important activity has been directed to the study of FEM dynamics of deflection mirrors that have a large optical aperture with materials that are innovative with respect to the traditional ones.

The system which is dedicated to restoration, the Blaster 100W, is now being drastically renovated in terms of software and hardware in relation to the control unit and interface with the operator. We have also started work on the development of a 300 W transportable system for applications to a broader type of conservation which could be extended also to the sectors of paint stripping and industrial cleaning.

Cutlite Penta has developed a new system for controlling the power of lasers used in the production of backlit acrylic panels in order to increase the consistency and modularity of the final effect. They continued with the development of new lines of machinery and accessories like the cutting heads for lasers in fiber by improving their performance and their capacity to manage very high powers and they have introduced innovative control methods and continued in their close collaboration with Penta Chutian Wuhan and Penta Laser Wenzhou.

In the sector of machines for cutting metals, the new optical, mechanical, fluid-dynamic and sensor developments in the EVO2 cutting heads has allowed the introduction of the range of laser powers of over 15kW aiming at 40kW.

Machines equipped with 30kW sources are now a reality of great commercial appeal and represent a product in continual evolution thanks to the development of cutting processes that are increasingly state-of-the-art. They also conducted activity aimed at the development of innovative systems for cutting pipes and combined machines for cutting both pipes and flat sheets which is a segment that offers great sales potential.

The development of the software and the characterization of the cutting parameters, also with the relative support gases, 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 by presenting a new line based on the El.En. RF1222 laser with a power increased to 1.5kW to be installed at some selected clients' with the function of beta tester.

On the machines of **Ot-las** they have continued the experiments on the use of a new CO₂ RF1222 laser source by El.En. and on the new scanning optics which have been specifically developed for it and arable to manage the high average power and peak along with the growing request for dynamic performance. In consideration of the growth of the machines produced in terms of automation, they have designed new systems for specific functions, including, for example. The use of positioning devices for forming the insoles of shoes, systems for moving large blocks of natural stone and others.

They have also continued to conduct research for the optimization of processes in the field of leather, textiles and shoes with the consequent improvements in performance and production flexibility. They continue to work on solutions for personalization to be integrated into the complete production processes which require surface treatments of various materials besides those to add to the production lines with the use of universal robotic systems.

At **Lasit** the development was related to 3 axis marking systems in applications of mass production of high-quality components in the field of cycling, automotive and machine tools with personalized solutions, as well as in the field of accessories for high fashion.

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

<i>Thousands of Euros</i>	30/06/2021	30/06/2020
Staff costs and general expenses	5.762	5.107
Equipment	171	176
Costs for testing and prototypes	2.400	1.596
Consultancy fees	240	424
Other services	74	65
Total	8.648	7.368

Following the usual company policy, the expenses 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 corresponds to about 3% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 4% 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.

Procedures for the management of financial risks

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.

This year the Parent Company El.En. SpA stipulated a currency forward contract to partially cover the risks in the exchange rate with the US dollar.

<i>Operation</i>	Notional value	<i>Fair value</i>
Currency forward contract	\$6.000.000	-€ 25.153
Total	\$6.000.000	-€ 25.153

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 5% 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 issued by Intesa San Paolo. The amount of the guarantee 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 issued by Intesa San Paolo. 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. For the same reason, in 2020 mortgages for 100 million RMB were added.

Also the new Chinese subsidiary Penta Laser Technology (Shangdong) in 2019 obtained financing for the construction and equipping of a new factory by taking out mortgages for an overall amount of about 6,8 million RMB. During 2020 they took out other mortgages reaching a total amount of 20 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. In the month of June 2020 ASA obtained a guarantee from Mediocredito Centrale on the financing of 3 million Euros obtained from Intesa San Paolo. The amount guaranteed was 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 by-laws, the Company is administered by a Board of Directors composed of a number of members which varies from a minimum of three to a maximum of fifteen. The number of members was set at seven by the Shareholders' meeting on April 27th 2021 which was called to vote on the renewal of the Board of Directors (which will remain in office until the approval of the financial statement on December 31st 2023).

As of June 30th 2021, 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 Cangoli	Managing director	Firenze, 30 December 1965
Fabia Romagnoli (*)	Board Member	Prato, 14 July 1963
Daniela Toccafondi (*)	Board Member	Prato, 18 July 1962
Michele Legnaioli (*)	Board Member	Firenze, 19 December 1964
Alberto Pecci	Board Member	Pistoia, 18 September 1943

(*) Independent administrators, in compliance with art. 148, sub-section 3, D. Lgs. 58/1998 and art. 2 of the Code of Corporate Governance 2020 (*ex art. 3 of the Aurodisciplining Code of Quoted companies 2018*)

The members of the Board of Directors have the headquarters of El.En. S.p.A. in Calenzano (FI), Via Baldanzese n. 17 as their domicile while they are in office.

On April 27th 2021 the Board of Directors nominated as executive board members the president Ing. Gabriele Clementi and board members Barbara Bazzocchi and Ing. Andrea Cangoli and attributed to them separately and with free signature, all of the ordinary and extraordinary powers of administration needed to carry out all the activities that are part of the company mission, with the exception of the those that are specifically prohibited from proxy by law or by the company by-laws.

In conformity with the Corporate Governance Code 2020 now in force (and the preceding Self-discipline Codes for Quoted Companies 2018)

- a) On August 31st 2000, the Board of Directors presents among its components at least two independent administrators in compliance with art. 2 of the Corporate Governance Code (*ex art. 3 of the Self-disciplining Code*). At this time there are three of them: Dott.ssa Fabia Romagnoli, Prof.ssa Daniela Toccafondi and Michele Legnaioli;
- b) On September 5th 2000, the Board of Directors created the following committees composed mainly of non-executive administrators:
 1. The "Nominations Committee" which is charged with the duties described in art. 4, Racc. 19, of the Corporate Governance Code 2020 (*ex art. 5 of the Self-disciplining Code 2018 cit.*);
 2. The "Remuneration Committee", which is charged with the duties described art. 5, Racc. 25, of the Corporate Governance Code 2020 (*ex art. 6 of the Self-disciplining Code 2018 cit.*);
 3. The "Controls and Risks Committee" (*ex "Commission for internal controls"*), which is charged with the duties described in art. 6, Racc. 32, of the Corporate Governance Code 2020 (*ex art. 7 of the Self-disciplining Code 2018 cit.*) as well as those derived from the CONSOB Regulations on Related Parties regarding operations with related parties; and with those in assisting the Board of Directors in their preparatory functions which are of a proactive and consulting nature, in the evaluation and decisions related to questions of sustainability connected to the activities of the Company, and to the dynamics of its interaction with all of the stakeholders, to the social responsibility of the Company, to the examination of the situation for the preparation of the strategic plan and to the corporate governance of the Company and the Group.
- c) Since 2000 the Board of Directors has also designated persons who have the responsibility of verifying that the system of internal controls and risk management is adequate and functioning.

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

Since they are relevant for the entire Group, the internal controls of the Group are conducted by the Parent Company in collaboration with the personnel of the subsidiary companies. From the point of view of organization the administrators of the Parent Company participate in many of the board meetings of the subsidiary companies as members of their boards. In the others, the administrative bodies supply all the information considered necessary for defining the organization of the activities of the Group.

As far as the financial information is concerned, by the end of the month after the end of each quarter, the subsidiaries must supply, all of the information necessary for the Parent Company to be able to draw up the consolidated economic and financial 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*”) (“Regolamento OPC El.En.”) 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 force in the past (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties (“*Regolamento Operazioni con Parti Correlate*”) n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010 and those approved on March 14th 2019.

The El.En OPC regulations which came into force on July 1st 2021 recently update and modified by The Board of Directors during the meeting held on June 30th 2021 after the adoption by the Consob on December 10th 2020 of resolution 21624 issued in implementation of the regulatory proxy contained in 2391-bis of the Civil Code, as amplified by Legislative Decree 49/2019 for the purposes of implementing the EU directive 2017/828 – the so-called Shareholder Rights Directive 2 (“SHRD 2”) – which modifies the directive 2007/36/CE which regards the encouragement of long-term commitment by the shareholders. The Board proceeded with the approval of some of the additions to the El.En. OPC Regulations in order to align it with the regulatory set-up, considering that the Italian regulatory set-up was already mature with reference to the adoption of the European regulations and consequently it was a simply a fine-tuning of the internal procedures which El.En. had already adopted at the end of 2010.

The modifications made were related to:

- a) Definition of the related parties: the Directive and, consequently Consob refer to the definitions of related parties contained in the International Accounting Standards pro tempore now in force. We propose the insertion of a different definition which, in particular, amplifies the scope of the related parties: all of the subsidiary companies become related parties with each other as well as with the Parent Company.
- b) The requirement for the administrator involved in the operation abstain from voting: this regulation had already been adopted by El.En., and was later modified in 2019. This provision was then re-inserted to make it consistent with the new discipline with reference to all of the operations, even those of little significance in which an administrator has an interest, either for himself or for a third party, which is in conflict with those of the Company. In line with the jurisprudence and the doctrine that was formed in the meantime, Consob clarified that the administrator who is obliged to abstain contributes to reaching the quorum constituting the administrative body but is excluded from the decision making one.
- c) Approval procedure: the reserve for the powers of the administrative body to pass resolutions for the most important operations. This intervention is also in line with the main principles of the corporate governance code, that is, the central role of the Board of Directors in the strategic decisions and in the approval of the operations which have the most economic, and financial significance. Moreover, in relation to the procedures we proceeded with the definition of the following obligations, which, in any case, are consistent with the applicative practice already followed by El.En.: (i) the express provision requiring the commission of independent administrators to verify in advance the independence of the expert that is going to be selected and qualified as independent; (ii) the speed with which the commission of independent administrators are involved in the transaction phase and the preparatory phase of an operation of major importance; (iii) the specific obligation to attach the opinion of the commission of independent administrators to the minutes of the meetings of that commission.
- d) Cases of exemption: a few minor modifications were made in relation also to the ordinary operations of major importance and at market or standard conditions in relation to which there is an explicit obligation of the *Commission for controls and risks, OPC and Sustainability* to verify annually operations even of major importance which are exempted and the discipline of the relative flow of information.

During 2019, in relation to the operation described in the annual financial report on December 31st 2019, of the acquisition by the subsidiary Ot-las s.r.l. of the minority quota of the Chinese companies Penta-Laser Equipment Wenzhou Co., Ltd and Penta-Chutian Laser Wuhan Co., Ltd, on a voluntary basis they published an information document in compliance with article 5 of the *Regolamento Consob Parti Correlate* 17221/2010 and art. 1.2. of the regulations for the disciplining of related parties adopted by the Company. The document is available on the site of the Company, www.elengroup.com section Investor Relations.

The other operations made with related parties, including the inter-group operations, cannot be qualified as either atypical or unusual. These kinds of operations are regulated at ordinary market conditions.

In relation to the related parties, see the explanatory notes in the Consolidated Financial Statement of the El.En. Group.

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 2021 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 2021

In the month of January Cutlite Penta concluded the purchase of the industrial building adjacent to its headquarters, with an investment of about 5 million Euros sustained by real estate leasing and in this way, in a form that was ideal from a logistics point of view, enlarged the space available for their operations which are now in rapid expansion.

On April 27th the shareholders' meeting of the Parent Company approved the financial statement for 2020 and resolved as follows:

- to allocate all of the net income for 2020 to an extraordinary reserve;
- to distribute to the shares in circulation on the date that coupon no. 4 came due on May 24th 2021 in compliance with art. 2357-*ter*, second sub-section of the Civil Code – a dividend, of Euros 0,40 (zero point forty) gross for each share in circulation.
- to use, for the distribution of the dividend, the profits which have not been distributed for the years preceding December 31st 2017 and to accrue in the voluntary reserve called “extraordinary reserve” the overall amount of 7.947.517,60 Euros on the date of the resolution; it is understood that they also resolved that this amount could be increased by other amounts which might turn out to be necessary for the distribution of the dividend to the shares in circulation on the date that the stock options fall due in the period occurring between the date of the resolution of the shareholders' meeting and the record date (May 25th 2021).
- to accrue where necessary, in a special reserve, for retained earnings, the residual dividend destined for treasury stock which may be held at that time by the company on the date that the coupon comes due.

Also on April 27th 2021, the shareholders' meeting of El.En. S.p.A. which met in an ordinary meeting, proceeded to authorize the purchase of treasury stock at the conditions proposed by the Board of Directors and in compliance with articles 2357 and 2357-*ter* cc. The purchase of treasury stock may be made for the purpose of proceeding with the assignment or distribution to employees and/or collaborators and/or members of the administrative bodies of the company or its subsidiaries on the basis of plans for incentive remuneration approved by the stockholders of the Company as well as, for the residual, for the purpose of possessing a trading or exchange instrument for use in operations of a strategic nature. These objectives should be pursued with plans and operations of purchase and sale and/or instructions carried out in compliance with the terms and regulations stipulated in the laws in force at the time and, in particular, by the Regulations in UE 596/2014 (“MAR”) and relative delegated regulations as well as the market practice approved by CONSOB. The authorization was granted for the purchase within 18 months of the resolution, of one or more sets of a maximum number of ordinary shares of the Company, the only category they now issue, which, in any case cannot exceed more than one fifth of the capital stock. On the date of the resolution, 20% of the underwritten capital of El.En. amounted to 3.973.758 shares for a nominal value of 516.588,54 Euros. The purchase of treasury stock must take place respecting the criteria of equality in the treatment of shareholders in compliance with art. 132 T.U.F. and art. 144-*bis* Regolamento Emittenti. Therefore, the administrators may proceed with the purchase with the following concurrent and/or alternative methods where applicable and which will be determined at the time of the individual operations: or by means of public offer for purchase or exchange on the regulated markets. The purchase may take place at a price which is, at the least not less than the nominal value of 0,13 Euros per share and, at the most, not more than 10% over the official trading price registered the day preceding the purchase. Moreover, the shares can be sold within 10 years of the resolution at a price or equivalent value in the case of company operations, not less than 95% below the average trading price registered during the five days preceding the sale. Both the purchases and the sales of the treasury stock must take place in the full respect of the European, delegated and domestic laws in force at the time.

The Assembly also voted to approve the report on remuneration and incentive bonuses as per ex art. 123-*ter* T.U.F. The Assembly also proceeded with the appointment of the Board of Directors for the triennial 2021-2023 and, consequently, until the approval of the financial statement for 2023 and set the number of board members at seven. They appointed Gabriele Clementi as president and Barbara Bazzocchi, Andrea Cangiolli, Alberto Pecci, Fabia

Romagnoli, Michele Legnaioli e Daniela Toccafondi as board members. The composition of the board respects the gender balance in compliance with Art. 147-*ter*, sub-section 1-*ter* of D.Lgs. 58/1998.

On the same day, the Board of Directors of the Parent Company El.En. S.p.A. appointed as executive members the president Ing. Gabriele Clementi and board members Barbara Bazzocchi and Andrea Cangioli and attributed to them, separately and with independent signature, all of the powers of ordinary and extraordinary administration for carrying out the duties which are described in the company by-laws, with the exception of those which are specifically prohibited by law or by the company by-laws.

In the month of May 2021 they founded the Lasit Laser Polska company with headquarters in Poland and capital stock of 9.500 PLN (about 2.000 Euros) 65% of which is detained by the subsidiary Lasit SpA.

1.17 Subsequent events

On July 20th 2021, the Shareholders' meeting of El.En. S.p.A., in an extraordinary meeting approved the proposal of the Board of Directors of EL.EN. S.p.A. related to the elimination of the nominal value expressed for the stock and the increase in the total number of shares by means of splitting of the ordinary shares in circulation in a ratio of one to four with the objective of facilitating the liquidation and negotiability of the stock in consideration of the present market value.

The elimination of the indication of the nominal value of the shares expressed in the by-laws was decided for the purpose of obtaining greater flexibility in the conducting of operations on the capital and simplification of operations like the increase or reduction of capital, the combining or splitting of shares, and the cancellation of treasury stock and comports a reduction in the costs related to some bureaucratic procedures.

The stock split with a ratio of 1:4 of the 19.929.586 ordinary shares created an increase in the number of shares in circulation which now amount to 79.718.344 after the withdrawal and cancellation of the shares issued and now in existence and the and the distribution of four newly issued ordinary shares for each share that was withdrawn and cancelled. The capital stock did not undergo any variations as a result of the stock split.

Consequently the Assembly approved the following modifications to article 6 of the by-laws (sub-sections 1-3-4) related to the capital stock, in compliance with articles 2328, 2346 and 2443 c.c. and the rectification of the Stock Option Plan for 2016-2025. The operations related to the withdrawal and issuing of the split stock without the expression of nominal value began on August 2nd 2021 with the attribution of the new ISIN code IT0005453250.

1.18 Current outlook

The overall situation on the markets in which the Group operates at this time manifests favorable conditions, even though critical factors may emerge at any time in consideration of the prolonged transition from the pandemic crisis.

With the current market conditions, and if there are no other relapses or new restrictions, on the basis of the sales trends of the Group and the current number of orders received, it looks like we may be able to exceed 550 million Euros in sales volume this year and achieve an EBIT that is continually improving.

For the Board of Directors

Managing Director

Ing. Andrea Cangioli

EL.EN. GROUP

**HALF-YEARLY CONDENSED CONSOLIDATED
FINANCIAL STATEMENT**

AS OF JUNE 30th 2021

Consolidated statement of financial position

Assets	Note	30/06/2021	31/12/2020
Intangible assets	1	4.867.427	4.487.744
Tangible assets	2	92.376.756	85.576.374
Equity investments	3		
- in associated companies		840.243	955.564
- other		1.035.420	1.035.420
Total Equity investments		1.875.663	1.990.984
Deferred tax assets	4	11.043.936	9.296.749
Other non-current assets	4	15.494.920	15.486.016
Total non current assets		125.658.702	116.837.867
Inventories	5	143.030.470	111.593.640
Accounts receivable	6		
- third parties		131.635.324	93.159.079
- associated companies		921.830	849.451
Total Accounts receivable		132.557.154	94.008.530
Tax receivables	7	10.432.644	11.031.771
Other receivables	7		
- third parties		13.268.814	12.833.998
- associated companies		261.565	322.685
Total Other receivables		13.530.379	13.156.683
Securities and other current financial assets	8	2.014.751	-
Cash and cash equivalents	9	137.224.444	123.744.217
Total current assets		438.789.842	353.534.841
Total Assets		564.448.544	470.372.708

Liabilities	Note	30/06/2021	31/12/2020
Share capital	10	2.590.846	2.549.589
Additional paid in capital	11	46.551.934	42.556.321
Other reserves	12	86.431.411	93.667.795
Treasury stock	13	-	-
Retained earnings / (accumulated deficit)	14	86.510.902	66.391.080
Net income / (loss)		22.450.679	20.255.146
Group shareholders' equity		244.535.772	225.419.931
Minority interest		16.478.531	15.244.569
Total shareholders' equity		261.014.303	240.664.500
Severance indemnity	15	4.831.213	5.147.074
Deferred tax liabilities		2.218.108	2.210.480
Other accruals	16	8.141.582	5.716.769
Financial debts and liabilities	17		
- third parties		30.631.582	30.763.330
Total Financial debts and liabilities		30.631.582	30.763.330
Other non current liabilities	17		
Accounts payable third parties - non current		705.850	-
Other payables - non current		5.069.500	5.000.000
Total Other non current liabilities		5.775.350	5.000.000
Total non current liabilities		51.597.835	48.837.653
Financial liabilities	18		
- third parties		23.977.125	23.827.095
Total Financial liabilities		23.977.125	23.827.095
Accounts payable	19		
- third parties		140.489.024	94.909.844
- associated companies		-	13.600
Total Accounts payable		140.489.024	94.923.444
Income tax payables	20	7.185.249	2.944.543
Other current payables	20		
- third parties		80.185.008	59.175.473
Total Other current payables		80.185.008	59.175.473
Total current liabilities		251.836.406	180.870.555
Total Liabilities and Shareholders' equity		564.448.544	470.372.708

Consolidated income statement

Income Statement	Note	30/06/2021	30/06/2020
Revenues	21		
- third parties		273.590.054	162.199.908
- associated companies		321.020	321.449
Total Revenues		273.911.074	162.521.357
Other revenues and income	22		
- third parties		2.120.991	1.876.361
- associated companies		41.411	94.267
Total Other revenues and income		2.162.402	1.970.628
Revenues and income from operating activity		276.073.476	164.491.985
Purchase of raw materials	23		
- third parties		184.890.093	107.323.585
Total Purchase of raw materials		184.890.093	107.323.585
Changes in inventory of finished goods		(12.745.317)	(11.416.846)
Change in inventory of raw material		(16.934.421)	(4.579.114)
Direct services	24		
- third parties		20.947.817	13.287.242
Total Direct services		20.947.817	13.287.242
Other operating services and charges	24		
- third parties		20.762.792	16.057.516
Total Other operating services and charges		20.762.792	16.057.516
Staff cost	25	40.014.843	29.334.458
Depreciation, amortization and other accruals	26	8.280.262	5.196.858
EBIT		30.857.407	9.288.286
Financial charges	27		
- third parties		(345.781)	(307.919)
Total Financial charges		(345.781)	(307.919)
Financial income	27		
- third parties		412.898	380.238
- associated companies		761	2.214
Total Financial income		413.659	382.452
Exchange gain (loss)	27	1.020.598	(294.022)
Share of profit of associated companies	28	(110.973)	(126.291)
Income (loss) before taxes		31.834.910	8.942.506
Income taxes	29	6.927.545	2.138.596
Income (loss) for the financial period		24.907.365	6.803.910
Net profit (loss) of minority interest		2.456.686	402.902
Net income (loss)		22.450.679	6.401.008
Basic net income/(loss) per share	30	1,13	0,33
Diluted net income/(loss) per share	30	1,12	0,32

Consolidated statement of comprehensive income

	Note	30/06/2021	30/06/2020
Reported net (loss) income (A)		24.907.366	6.803.910
<u>Other income/(loss) that will not be entered in income statement net of fiscal effects:</u>			
Measurement of defined-benefit plans	32	290.743	(28.670)
<u>Other income/(loss) that will be entered in income statement net of fiscal effects:</u>			
Cumulative conversion adjustments	32	532.905	(317.063)
Total other income/(loss), net of fiscal effectes (B)		823.648	(345.733)
Total comprehensive (loss) income (A)+(B)		25.731.014	6.458.177
Referable to:			
Parent Shareholders		23.123.100	6.082.120
Minority Shareholders		2.607.914	376.057

Consolidated cash flow statement

Cash flow statement	Note	30/06/21	related parties	30/06/20	related parties
Operating activity					
Income (loss) for the financial period		24.907.365		6.803.910	
Amortizations and depreciations	26	4.197.922		3.861.452	
Share of profit of associated companies	28	110.973	110.973	126.291	126.291
Stock Option		0		123.971	
Severance indemnity	15	66.695		(51.916)	
Provisions for risks and charges	16	2.424.813		175.927	
Bad debt reserve	6	918.367		955.413	
Deferred income tax assets	4	(1.839.001)		(895.210)	
Deferred income tax liabilities		7.628		(46.894)	
Inventories	5	(31.436.831)		(15.308.996)	
Accounts receivable	6	(39.466.992)	(72.379)	5.669.369	106.468
Tax receivables	7	599.126		(827.918)	
Other receivables	7	(1.323.810)		(38.693)	
Accounts payable	19	45.565.580	(13.600)	(9.579.074)	(16.400)
Income tax payables	20	4.240.706		(1.193.463)	
Other payables	20	21.009.536		769.155	
Cash flow generated by operating activity		29.982.077		(9.456.676)	
Investment activity					
Tangible assets	2	(5.439.914)		(3.907.698)	
Intangible assets	1	(775.476)		(205.174)	
Equity investments, securities and other financial assets	3-4-8	(2.109.244)	115.321	2.041.481	124.088
Financial receivables	4-7	154.917	61.120	70.308	(215)
Cash flow generated by investment activity		(8.169.717)		(2.001.083)	
Financing activity					
Non current financial liabilities	17	(3.963.909)		14.525.698	
Current financial liabilities	18	480.078		7.691.819	
Capital increase	10	4.036.870		944.613	
Dividends paid	31	(9.414.328)		(113.541)	
Acquisition of minority shares		0		(25.129.870)	
Cash flow generated by financing activity		(8.861.289)		(2.081.280)	
Change in cumulative translation adjustment reserve and other non monetary changes		529.155		(26.252)	
Increase/(decrease) in cash and cash equivalents		13.480.226		(13.565.291)	
Cash and cash equivalents at the beginning of the financial period		123.744.217		97.030.962	
Cash and cash equivalents at the end of the financial period		137.224.443		83.465.671	

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 396 thousand Euros (370 thousand Euros on June 30th 2020).
Income taxes for this half amounted to 6.928 thousand Euros (2.139 thousand Euros on June 30th 2020).

Changes in consolidated shareholders' equity

<i>Total shareholders' equity</i>	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						
<i>Other reserves:</i>						
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

<i>Total shareholders' equity</i>	31/12/2020	Net income allocation	Dividends distributed	Other movements	Comprehensive income (loss)	30/06/2021
Share capital	2.549.589			41.257		2.590.846
Additional paid in capital	42.556.321			3.995.613		46.551.934
Legal reserve	537.302					537.302
Treasury stock						
<i>Other reserves:</i>						
Extraordinary reserve	88.310.254	238.265	-7.969.374			80.579.145
Special reserve for grants received	426.657					426.657
Cumulative translation adjustment	-183.995				463.124	279.129
Other reserves	4.577.577			1	31.600	4.609.178
Retained earnings / (accumulated deficit)	66.391.080	20.016.881		-74.756	177.697	86.510.902
Net income / (loss)	20.255.146	-20.255.146			22.450.679	22.450.679
Total Group shareholders' equity	225.419.931		-7.969.374	3.962.115	23.123.100	244.535.772
Capital and reserve of minority interest	12.957.360	2.287.209	-1.444.954	71.002	151.228	14.021.845
Result of minority interest	2.287.209	-2.287.209			2.456.686	2.456.686
Total Minority interest	15.244.569		-1.444.954	71.002	2.607.914	16.478.531
Total shareholders' equity	240.664.500		-9.414.328	4.033.117	25.731.014	261.014.303

For details please refer to notes 10 to 14.

The amount entered in the column titles "comprehensive income 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.

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 2021 was examined and approved by the Board of Directors on September 10th 2021.

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 2021 and the first half of 2020. The financial information, however, is supplied with reference to June 30th 2021 and December 31st 2020.

COMPLIANCE WITH THE IFRS

This consolidated financial statement for the half ending on June 30th 2021 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 2020.

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 2020 except for the use of the new standards and modifications which came into force on January 1st 2021 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 2021

The accounting standards used for drawing up the consolidated condensed half-yearly report are the same as those used for the consolidated financial statement published on December 31st 2020 with the exception of the adoption of new standards and modifications which came into force on January 1st 2021. The Group did not adopt in advance any of the new standards, or modifications which were not yet in force.

Several modifications were applied for the first time in 2021 but they did not have any impact on the consolidated condensed half-yearly financial statement of the Group:

Interest Rate Benchmark Reform – Phase 2: Modifications to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The modifications include a temporary simplification of the requirements with reference to the effects on the financial statements since the interest rate offered on the inter-bank market (IBOR) is replaced by an alternative rate which is substantially risk-free (Risk Free Rate- RFR):

The modifications include the following practical expedients:

- A practical expedient which makes it possible to consider the contractual changes or changes in cash flow which are directly required by the reform, to be treated as a variation in a variable interest rate, equivalent to a movement in a market of an interest rate.
- It will allow for the changes required by the IBOR reform to be made in the area of the designation of covering and covering documentation without the covering relation being discontinued;
- It will supply a temporary relief to the entity in the obligation to respect the requisites for separate identification when the RFT is designated as a cover for the risk component.

These modifications have not had any impact on the half-yearly statement of the Group. The Group intends to use these practical expedients in the future when the expedients are applicable.

Accounting standards, amendments and IFRS and IFRIC interpretations issued by the IASB but not yet authorized by the European Union.:

The standards or modifications not yet authorized by the European Union which are not yet obligatory and not adopted by the Group on January 1st 2021 are shown on the chart below:

Description	Authorized at the time of this statement	Date standards come into force
Amendments to IAS 1 Presentation of Financial Statements:		
• Classification of Liabilities as Current or Non-Current- Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	NO	01-Jan-23
• Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)		
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	NO	01-Jan-23
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	NO	01-Jan-23
IFRS 17 - Insurance Contracts (issued in May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	NO	01-Jan-23

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	
<u>Parent company</u>								
El.En. S.p.A.		Calenzano (ITA)	EUR	2.590.846				
<u>Subsidiary companies</u>								
Ot-Las S.r.l.		Calenzano (ITA)	EUR	154.621	98,89%		98,89%	98,89%
Cutlite Penta S.r.l.	1	Calenzano (ITA)	EUR	500.000		100,00%	100,00%	83,60%
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%	83,60%
Penta-Laser Equipment Wenzhou Co., Ltd	7	Wenzhou (CHINA)	CNY	44.852.983		84,54%	84,54%	83,60%
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%
Merit Due S.r.l.	8	Calenzano (ITA)	EUR	13.000		100,00%	100,00%	98,89%
Galli Giovanni & C. S.r.l.	9	Cassano (ITA)	EUR	31.200		70,00%	70,00%	70,00%
Lasit Laser Polska	10	Tychy (POL)	PLN	-		65,00%	65,00%	45,50%
Penta Laser Technology (Shangdong) Co., Ltd.	11	Linyi (CHINA)	CNY	8.000.000		100,00%	100,00%	83,60%

(1) owned by Penta-Laser Equipment Wenzhou Co., Ltd (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 (84,54%)

(8) owned by Ot-las Srl (100%)

(9) owned by Quanta System SpA (70%)

(10) owned by Lasit SpA (65%)

(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 2021” in the Management Report.

With respect to December 31st 2020 the scope of consolidation has changed due to the founding of the new company Lasit Laser Polska, 65% of which is owned by the subsidiary Lasit SpA and due to the exit of the subsidiary Deka Medical Inc. which was liquidated this half.

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 SpA		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%	34,27%
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 2021” 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 2021” in the Management Report.

TREASURY STOCK

On April 27th the Shareholders’ meeting authorized the Board of Directors to purchase treasury stock within 18 months of the resolution, as described in detail in the special section of the Management Report, “Significant events which occurred during the first half of 2021.”

STANDARDS OF CONSOLIDATION

The half-yearly accounting situations used for the consolidation represent the half-yearly accounting situations as of June 30th 2021 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	31/12/2020	30/06/2021	30/06/2021
USD	1,23	1,21	1,19
Yen	126,49	129,87	131,43
Yuan	8,02	7,80	7,67
Real	6,37	6,49	5,91
PLN	-	4,54	4,52

SEASONAL VARIATIONS

The markets on which the Group operates are not particularly affected by changes in season which may cause variations in the sales volumes and operating costs during the different months, however, traditionally, the last quarter of the year is the time when the sales volume is usually the highest and the first quarter of the year is when it is lowest.

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. The estimates that have been made have taken into consideration the uncertainties generated by the spread of the Covid pandemic.

In the paragraphs below we have summarized the main process of evaluation and key assumptions used in the process which might have an effect on the amounts shown in the Consolidated Condensed Half-Yearly Financial Statement or for which there is a risk that rectifications of the amounts might emerge on the book value on the assets or liabilities during the year after that to which the statement refers.

• **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. In particular the Group uses a matrix to calculate the ECL (Expected Credit Loss) for accounts receivable. The aliquots for the reserve are based on the number of days the debt has come due and the rate of unpaid debts observed by the Group in the past. The Group sets the matrix to refine the historical data on losses for bad debts with provisional elements. On each date of reference, the past insolvency rates are updated and the changes in estimates on provisional elements are analyzed. The evaluation of the relation between the insolvency rates in the past, the outlook for economic conditions and the ECL represent a significant estimate. The amount of the ECL is conditioned by the changes in circumstances and the outlook for the economic conditions. The estimate made by the Administrators, despite the fact that it is based on past performance and market data, may be subject to changes in the competitive environment or the market in which the Group operates.

• **Inventory obsolescence fund**

Determining the inventory obsolescence fund represents a significant estimate for the management. 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. The reserve 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.

• **Risk of losing legal disputes**

When the Group is involved in legal or tax disputes in which there is some probability that they will have to pay or when the amount of the losses deriving from it can be reasonably estimated, they accrue this amount in a reserve. Considering the uncertainties inherent in the outcome of these processes it is very difficult to predict with certainty the amount that will have to be paid in these disputes and it is therefore possible that the reserve may vary according to the developments of the procedures in progress. The Group monitors the status of the cases and the proceedings and consults their legal consultants and fiscal and legal experts.

• **Goodwill**

Goodwill is subject to impairment tests at least once a year even when there are no facts or circumstances which require this revision. The procedure for determining the recoverable value of goodwill implicates, in the estimate of the value of use, hypotheses related to the prediction of the expected cash flow from each *cash generating unit* (CGU) identified by referring to the plans for the next three-year period, the determination of an appropriate actualization rate (WACC), and the growth over a long period of time (g-rate). Any changes in the scenario which has been referred to and in the trends of the market may require a review of the components described.

The amounts entered in the Condensed Consolidated Half-yearly Financial Statement passed the impairment tests conducted on December 31st 2020. As of June 30th 2021 no indications of impairment had emerged.

- **Warranty reserve**

The warranty reserve is set in order to cover possible intervention for technical guarantees on products and is determined on the basis of the commercial agreements established by the Group.

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 (before split)
		01/01/2021	01/01/2021 - 30/06/2021	01/01/2021 - 30/06/2021	01/01/2021 - 30/06/2021	01/01/2021 - 30/06/2021	30/06/2021	30/06/2021	
Plan 2016-2025	31-dic-25	485.250			317.364		167.886	167.886	€ 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 2021 the average price recorded for El.En. stock was about 34,69 Euros (the value before the split which assigned four new shares for each old share).

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:

	31/12/2020	Increase	Decrease	Revaluation / Devaluation	Other movements	Depreciation	Translation adjustment	30/06/2021
Goodwill	3.038.065							3.038.065
Development costs	614.170					-123.627		490.543
Patents and rights to use patents of others	25.646					-7.321		18.326
Concessions, licenses, trade marks and similar rights	342.925	721.578			-6.541	-216.382	2.612	844.192
Other intangible assets	105.019	5.500			208.022	-48.463		270.078
Intangible assets under construction and advance payments	361.919	52.327			-208.023			206.223
Total	4.487.744	779.405			-6.541	-395.793	2.612	4.867.427

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 30/06/2021	Goodwill 31/12/2020
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

At the end of last year the recoverable value of the CGU was subjected to an impairment test for the purpose of verifying the existence of any losses in value by comparing the book value of the unit and the value of the unit, that is, the current value of the expected future cash flows which we suppose will be derived from the continued use and from the disposal at the end of its useful life.

The impairment test conducted for the purposes of the Consolidated Financial Statement on December 31st 2020 did not show any losses in value. On the basis of the results registered by the CGU in the first half of 2021, which were aligned with the plans made for the purpose of the impairment test on December 31st 2020, no indicators of impairment were found that, on the date of this half-yearly financial statement, have made it necessary to conduct further tests in order to verify the existence of long-lasting losses in value.

Other intangible 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 “Industrial Patents 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, With Us and Penta Laser Equipment Wenzhou 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 subsidiary Cutlite Penta for the creation of software and the costs sustained by the subsidiary Asa for the studies conducted for the purpose of obtaining sales approval on the Chinese markets.

Tangible fixed assets (note 2)

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

Cost	31/12/2020	Increase	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2021
Lands and buildings	56.616.061	2.468.380			3.028.377	786.568	62.899.386
Plants & machinery	13.790.533	337.399	-50.536		-109.930	14.641	13.982.107
Industrial and commercial equipment	15.831.796	976.449	-1.132.759		100.554	86.924	15.862.964
Other assets	13.458.840	415.863	-260.103		37.410	55.104	13.707.114
Tangible assets under construction and advance payments	7.808.326	501.040			-3.091.420	266.676	5.484.622
<i>Total</i>	107.505.556	4.699.131	-1.443.398		-35.009	1.209.913	111.936.193
Lands and buildings right of use	14.003.537	5.015.750	-1.156.651		-25.235	45.254	17.882.655
Plants & machinery right of use	29.947	14.050					43.997
Industrial and commercial equipment right of use	1.079.887	10.043	-13.193			-10.245	1.066.492
Other assets right of use	3.045.282	630.889	-140.916			-13.837	3.521.418
<i>Total</i>	18.158.653	5.670.732	-1.310.760		-25.235	21.172	22.514.562

Total	125.664.209	10.369.863	-2.754.158		-60.244	1.231.085	134.450.755
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Accumulated depreciation	31/12/2020	Depreciations	(Disposals)	Revaluation / Devaluation	Other movements	Translation adjustment	30/06/2021
Lands and buildings	8.638.108	775.592				66.625	9.480.325
Plants & machinery	6.471.515	511.378	-48.442		23.891	7.147	6.965.489
Industrial and commercial equipment	11.742.052	719.238	-565.974		-49.731	29.832	11.875.417
Other assets	8.242.612	774.989	-245.448		14.007	38.847	8.825.007
Tangible assets under construction and advance payments							
<i>Total</i>	35.094.287	2.781.197	-859.864		-11.833	142.451	37.146.238
Lands and buildings right of use	2.658.278	542.628	-1.002.699		-9.656	31.076	2.219.627
Plants & machinery right of use	26.620	3.718			-1		30.337
Industrial and commercial equipment right of use	676.902	60.934	-12.314			-6.345	719.177
Other assets right of use	1.631.748	413.650	-76.156		1	-10.623	1.958.620
<i>Total</i>	4.993.548	1.020.930	-1.091.169		-9.656	14.108	4.927.761

Total	40.087.835	3.802.127	-1.951.033		-21.489	156.559	42.073.999
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Net value	31/12/2020	Increase	(Disposals)	Revaluation / Devaluation / Depreciations	Other movements	Translation adjustment	30/06/2021
Lands and buildings	47.977.953	2.468.380		-775.592	3.028.377	719.943	53.419.061
Plants & machinery	7.319.018	337.399	-2.094	-511.378	-133.821	7.494	7.016.618
Industrial and commercial equipment	4.089.744	976.449	-566.785	-719.238	150.285	57.092	3.987.547
Other assets	5.216.228	415.863	-14.655	-774.989	23.403	16.257	4.882.107
Tangible assets under construction and advance payments	7.808.326	501.040			-3.091.420	266.676	5.484.622
<i>Total</i>	72.411.269	4.699.131	-583.534	-2.781.197	-23.176	1.067.462	74.789.955
Lands and buildings right of use	11.345.259	5.015.750	-153.952	-542.628	-15.579	14.178	15.663.028
Plants & machinery right of use	3.327	14.050		-3.718	1		13.660
Industrial and commercial equipment right of use	402.985	10.043	-879	-60.934		-3.900	347.315
Other assets right of use	1.413.534	630.889	-64.760	-413.650	-1	-3.214	1.562.798
<i>Total</i>	13.165.105	5.670.732	-219.591	-1.020.930	-15.579	7.064	17.586.801
Total	85.576.374	10.369.863	-803.125	-3.802.127	-38.755	1.074.526	92.376.756

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

The heading of “Plants and Machinery” is related to investments made by the Parent Company El.En. SpA and by the subsidiaries Asclepion GmbH, Quanta System SpA, Lasit SpA, Asa Srl, Cutlite Penta Srl and by Galli Giovanni & C. Srl. In reference to this latter, it should be recalled that in the year in which it was purchased, 2019, we made a *Purchase Price Allocation* for the amount of about 400 thousand Euros in the category “Plants and Machinery”.

The heading of “Industrial and commercial equipment” refers mainly to El.En. and the subsidiaries Asclepion GmbH, Quanta System SpA, Lasit SpA, Esthelogue, Dekka 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, 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:

	30/06/2021	31/12/2020	Variation	Var. %
Equity investment in associated companies	840.243	955.564	-115.321	-12,07%
Other equity investments	1.035.420	1.035.420		0,00%
Total	1.875.663	1.990.984	-115.321	-5,79%

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:

	thousand
Immobiliare Del.Co. S.r.l.:	257 Euros
	thousand
Actis S.r.l.:	1 Euros
	thousand
Elesta S.p.A.:	718 Euros
	thousand
Chutian (Tianjin) Lasertechnology Co: Ltd:	-17 Euros
	thousand
Accure Inc.:	-119 Euros
	thousand
Total	840 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)

<i>Other non-current assets</i>	30/06/2021	31/12/2020	Variation	Var. %
Financial receivables - third parties	228.258	309.773	-81.515	-26,31%
Deferred tax assets	11.043.936	9.296.749	1.747.187	18,79%
Other non-current assets	15.266.662	15.176.243	90.419	0,60%
Total	26.538.856	24.782.765	1.756.091	7,09%

Deferred tax assets amounted to about 11.044 thousand Euros and refer mostly to the inventory obsolescence fund, to inter-group profits on the year-end inventory, the reserve for bad debts exceeding the tax-deductible amount as well as the deferred taxes calculate on the revised evaluation of some company assets which was made by some of the Italian companies in compliance with present regulations.

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.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

	30/06/2021	31/12/2020	Variation	Var. %
Raw materials, consumables and supplies	67.535.082	50.007.446	17.527.636	35,05%
Work in progress and semi finished products	35.077.633	28.814.289	6.263.344	21,74%
Finished products and goods	40.417.755	32.771.905	7.645.850	23,33%
Total	143.030.470	111.593.640	31.436.830	28,17%

The final inventory amounted to about 143.030 thousand Euros, an increase of about 28% with respect to the 111.594 thousand Euros registered on December 31st 2020, which reflects the increase in sales.

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

	30/06/2021	31/12/2020	Variation	Var. %
Gross amount of Inventory	160.599.007	126.652.714	33.946.293	26,80%
Devaluation provision	-17.568.537	-15.059.074	-2.509.463	16,66%
Total	143.030.470	111.593.640	31.436.830	28,17%

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 fund increased by about 2.509 thousand Euros with respect to December 31st 2020 while its incidence on the gross value of the inventory registers a slight decrease from 11,9% on December 31st 2020 to 10,9% on June 30th 2021.

Accounts receivable (note 6)

Receivables are composed as follows:

	30/06/2021	31/12/2020	Variation	Var. %
Accounts receivable from third parties	131.635.324	93.159.079	38.476.245	41,30%
Accounts receivable from associated	921.830	849.451	72.379	8,52%
Total	132.557.154	94.008.530	38.548.624	41,01%

<i>Accounts receivable from third parties</i>	30/06/2021	31/12/2020	Variation	Var. %
Italy	45.255.575	39.096.567	6.159.008	15,75%
EEC	14.706.529	12.199.296	2.507.233	20,55%
ROW	79.226.676	48.498.304	30.728.372	63,36%
minus: bad debt reserve	-7.553.456	-6.635.088	-918.368	13,84%
Total	131.635.324	93.159.079	38.476.245	41,30%

The chart shows an increase of accounts receivable due to the increase of sales volume.

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

	2021
At the beginning of the period	6.635.088
Provision	1.719.912
Amounts utilized and unused amounts reversed	-875.771
Translation adjustment	74.226
At the end of the period	7.553.456

The incidence of the bad debt reserve on the total receivables from third parties fell from 6,6% on December 31st 2020 to 5,4% on June 30th 2021 also on account of the greater caution applied last year in the calculation of the Expected Credit Loss (IFRS 9) after the possible difficulties in cashing in the receivables caused by the Covid-19.

The chart below shows the analysis of accounts receivable from third parties

<i>Accounts receivable from third parties</i>	30/06/2021	31/12/2020
To expire	101.633.394	69.584.707
Overdue:		
0-30 days	15.594.139	9.644.667
31-60 days	4.528.801	3.316.061
61-90 days	2.597.602	1.657.023
91-180 days	2.710.140	2.640.035
Over 180 days	4.571.248	6.316.586
Total	131.635.324	93.159.079

Tax receivables/Other receivables (note 7)

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

	30/06/2021	31/12/2020	Variation	Var. %
<i>Tax receivables</i>				
VAT receivables	6.982.889	7.396.357	-413.468	-5,59%
Income tax receivables	3.449.755	3.635.414	-185.659	-5,11%
Total	10.432.644	11.031.771	-599.127	-5,43%
<i>Current financial receivables</i>				
Financial receivables - third parties	1.676	13.959	-12.283	-87,99%
Financial receivables - associated	261.565	322.685	-61.120	-18,94%
Total	263.241	336.644	-73.403	-21,80%
<i>Other current receivables</i>				
Security deposits	344.647	885.108	-540.461	-61,06%
Advance payments to suppliers	3.490.559	5.068.509	-1.577.950	-31,13%
Other receivables	9.431.932	6.866.422	2.565.510	37,36%
Total	13.267.138	12.820.039	447.099	3,49%
Total Current financial receivables e Other current receivables	13.530.379	13.156.683	373.696	2,84%

This half closed with a VAT credit of over 7 million Euros which was mostly a result of the intense export activity of the Group.

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

For a detailed analysis of the financial receivables from associated companies please refer to the Information on Related Parties” in this document.

The heading of “Other receivables” refers mainly to prepaid expenses of the various companies as well as the deposits for the participation in tenders paid by the Chinese subsidiary Penta Laser Equipment Wenzhou.

Securities and other current financial assets (note 8)

	30/06/2021	31/12/2020	Variation	Var. %
<i>Securities and other current financial assets</i>				
Other current financial assets	2.014.751		2.014.751	
Total	2.014.751		2.014.751	

The amount entered under the heading of “Other current financial assets” is related to the mutual funds held by the subsidiaries Dekamela and Quanta System, acquired during this half for a temporary use of cash.

Cash and cash equivalents (note 9)

Cash and cash equivalents are composed as follows:

	30/06/2021	31/12/2020	Variation	Var. %
Bank and postal current accounts	137.185.746	123.700.628	13.485.118	10,90%
Cash on hand	38.698	43.589	-4.891	-11,22%
Total	137.224.444	123.744.217	13.480.227	10,89%

It should be noted that the amount of the deposits in postal and bank accounts includes 9 million Euros for the Chinese companies which are frozen until the due date of some payments to suppliers by issuing of bank bills.

Net financial position as of June 30th 2021

The net financial position of the Group as of June 30th 2021 is as follows: (data in thousands of Euros):

Net financial position	30/06/2021	31/12/2020
Cash and bank	137.224	123.744
Financial instruments	2.015	0
Cash and cash equivalents	139.239	123.744
Current financial receivables	2	14
Bank short term loan	(20.784)	(20.659)
Part of financial long term liabilities due within 12 months	(3.193)	(3.168)
Financial short term liabilities	(23.977)	(23.827)
Net current financial position	115.264	99.931
Bank long term loan	(20.087)	(23.366)
Other long term financial liabilities - non current part	(10.545)	(7.398)
Other non current liabilities	(5.775)	(5.000)
Financial long term liabilities	(36.407)	(35.763)
Net financial position	78.857	64.168

On July 15th 2020, the European Securities and Markets Authority (ESMA) published the final report on the outcome of the public consultation regarding their orientation in relation to the obligations to provide information in compliance with the regulations contained in the document 1 (ESMA/ 31-62-1426). The orientations must be applied starting on May 5th 2021 and update the contents of the preceding communications from the CONSOB, including the references present in communication n. DEM/6064293 of July 28th 2006 related to the net financial position. The Group modified the publication of the net financial position in compliance with this update, including the comparative.

The net financial position this half registered an increase of about 15 million, from 64,2 million on December 31st 2020 to 78,9 million on June 30th 2021.

The cash flow generated by the manufacturing activities covered the costs of the increase in working capital which is normal in this phase of rapid growth, as well as the costs derived from the fixed investments and the payment of dividends which El.En and the subsidiary companies resumed after a year of interruption.

It should also be noted that the bank and postal deposits of the Chinese companies include about 9 million Euros in deposits that are frozen until the due date of some payments to suppliers through the issuing of some bank bills.

Moreover, it should be noted that, in previous years, 11,5 million Euros in cash has been invested by the Parent Company in financial instruments of an insurance type which, because of their special nature, must be entered into accounts among the non-current financial assets. In previous years, the subsidiary Quanta System also invested 2,5 million Euros in similar financial instruments; despite the fact that they constitute a normal use of cash, these amounts cannot be considered part of the net financial position. At the end of this half, the total fair value of these investments was 15,3 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 2021, 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	2.590.846

Nominal value of each share - Euros

0,13

Category	31/12/2020	Increase	Decrease	30/06/2021
No. of Ordinary Shares	19.612.222	0	0	19.929.586
<i>Total</i>	19.612.222	0	0	19.929.586

Nominal value and number of shares before the split in July 2021.

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 (after the stock split approved by the shareholders' assembly on July 20th 2021, (see note 38) 3.200.000 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.

During 2021, after some of the beneficiaries exercised their rights according to the Stock Option Plan 2016-2025, the Parent Company issued 317.364 ordinary shares (before the split) for a nominal amount of 41.257,32 Euros and cashed in 3.996 thousand Euros as an increase in additional paid-in capital.

It should also be noted that 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 2021.

Additional paid in capital (note 11)

On June 30th 2021 the share premium reserve, coinciding with that of the Parent Company, amounted to 46.552 thousand Euros, an increase with respect to the 42.556 on December 31st 2020, due to the stock options which had been picked up, as described in the preceding note.

Other reserves (note 12)

	30/06/2021	31/12/2020	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	80.579.145	88.310.254	-7.731.109	-8,75%
Cumulative translation adjustment	279.129	-183.995	463.124	-251,70%
Stock option/ stock based compensation reserve	4.753.358	4.753.358		0,00%
Special reserve for grants received	426.657	426.657		0,00%
Other reserves	-144.180	-175.781	31.601	-17,98%
Total	86.431.411	93.667.795	-7.236.384	-7,73%

As of June 30th 2021 the "extraordinary reserve" amounted to 80.579 thousand Euros; the increase shown with respect to December 31st 2020 is related to the allocation of this amount for the payment of dividends, in compliance with the resolution voted by the Shareholders' meeting of the Parent Company on April 27th 2021.

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.

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 2021 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 2020.

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 April 27th 2021 authorized the Board of Directors to purchase treasury stock, within 18 months of the date of resolution, as described in detail in the special section of the Management Report, in the paragraph "Significant events which occurred during the first half of 2021".

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:

31/12/2020	Provision	(Utilization)	Payment to complementary pension forms, to INPS fund and other movements	30/06/2021
5.147.074	964.232	-277.562	-1.002.531	4.831.213

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 severance fund that remains in the companies of the Group as of June 30th 2021 amounts to 4.848 thousand Euros.

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

Financial hypotheses	Year 2020	Year 2021
Annual implementation rate	0,3355%	0,7884%
Annual inflation rate	1,00%	1,00%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx corporate AA 10+ for the amount of 0,7884%, 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:

	31/12/2020	Provision	(Utilization)	Other movements	Translation adjustment	30/06/2021
Reserve for pension costs and similar	1.698.703	145.891	-127.869			1.716.725
Warranty reserve on the products	2.775.417	2.996.985	-430.089		76.313	5.418.626
Reserve for risks and charges	1.242.649	466.582	-703.000			1.006.231
Total	5.716.769	3.609.458	-1.260.958		76.313	8.141.582

The clients' agents' indemnity fund which is included under the heading of "Reserve for pension funds and similar" on June 30th 2021, amounted to about 1.472 thousand Euros as compared to the 1.466 thousand Euros on December 31st 2020.

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 2019	Year 2021
Annual implementation rate	0,3355%	0,7884%
Annual inflation rate	1,00%	1,00%

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. Because of the Covid-19 pandemic emergency and the complexity of the case, the preliminary activities of the suit by means of an exchange of questions, answers and production of documents began only in 2021 and proceed very slowly. At this time it is expected that the requests of the parties in relation to their demands will be formulated in the first half of 2022 and that judgement will start in the last quarter of 2022. Consequently, we do not yet have sufficient elements to evaluate the eventuality and the entity of the economic risk for the two companies. In fact, no means of proof have been produced and no direct quantification of the entity of the damages has been formulated. 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 they have 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. Lasit has presented a counter-claim accusing the client in turn of breach of contract. The two parties have until September 28th 2021 to deposit usual documentation.

Consequently, in the half-yearly financial statement as of June 30th 2021, there are no accruals in relation to potential liabilities connected to the two suits described above.

Financial debts and liabilities and other non-current liabilities (note 17)

<i>Financial m/l term debts</i>	30/06/2021	31/12/2020	Variation	Var. %
Amounts owed to banks	20.086.738	23.365.743	-3.279.005	-14,03%
Amounts owed to leasing companies	9.881.595	6.515.884	3.365.711	51,65%
Amounts owed to other financiers	663.249	881.703	-218.454	-24,78%
Other non-current liabilities	5.775.350	5.000.000	775.350	15,51%
Total	36.406.932	35.763.330	643.602	1,80%

The mid- to long-term debts owed to banks as of June 30th 2021 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:
 - 91.120 thousand Yen falling due on April 5th 2035 at the annual rate of 1,17%,
 - 150.000 thousand Yen falling due on July 26th 2030 at the annual rate of 0,949% on only 50.000 thousand Yen
- e) 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 July 18th 2022;
- f) 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;
- g) 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;
- h) 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 2028. The financing is assisted by a guarantee from Mediocredito Centrale for an amount equal to 90% of amount loaned
- i) bank financing granted to Penta-Laser Equipment Wenzhou Co. Ltd as follows:
 - 3.485 thousand Rmb falling due on September 20th 2021 at the annual rate of the Central Bank of China (PBC) diminished by 0,45%;
 - 1.954 thousand Rmb falling due on December 20th 2021 at the annual rate of the Central Bank of China (PBC) diminished by 0,45%;
 - 1.954 thousand Rmb falling due on June 20th 2022 at the annual rate of the Central Bank of China (PBC) diminished by 0,45%;

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 2021 amounted to about 219 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 2021 amounted to 4,5 million Euros. This latter company then in 2021 stipulated another leasing contract for the purchase of a new building adjacent to the other one for a duration of 12 years, expiring in January 2033; the residual debt on June 30th 2021 amounted to 4,1 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 financiers” 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 the BPER to the subsidiary Lasit for the purchase of new equipment for a total residual amount on June 30th 2021 of 346 thousand Euros to be reimbursed on a staggered basis, last expiration date June 15th 2025.
- c) 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;
- d) a residual debt of 140 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 heading of other non-current liabilities also 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.
- the amounts owed to suppliers over 12 months past due or for which terms of payment are for more than a year amounted to 706 thousand Euros.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given

<i>Financial short term debts</i>	30/06/2021	31/12/2020	Variation	Var. %
Amounts owed to banks	20.783.681	20.658.631	125.050	0,61%
Amounts owed to leasing companies	2.634.679	2.597.157	37.522	1,44%
Amounts owed to other financiers	533.612	571.307	-37.695	-6,60%
Total	23.951.972	23.827.095	124.877	0,52%

	30/06/2021	31/12/2020	Variation	Var. %
Current liabilities for derivative financial instruments	25.153		25.153	
Total	25.153		25.153	

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

- short-term quota on the financing granted to Asclepion GmbH (see note 17);
- bank financing granted to Cutlite Penta Srl for 1,5 million Euros by Unicredit, to be reimbursed in quarterly installments at the fixed rate of 0,55%, last installment April 30th 2022; besides the short-term installments for the financing referred to the same (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 6 million Euros (corresponding to 46,2, million Yuan) falling due for 6,8 million Yuan in the month of November 2021, at the annual rate of 4,05%., for 20 million Yuan falling due in the month of March 2022 at the annual rate of 3,85%; for 9,4 million Yuan falling due in the month of August at the annual rate of 1,76%; for 10 million Yuan falling due in the month of December 2021 at the annual rate of 1,76%.

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 financiers” includes :

- the short term financing described in the previous note and the financing granted 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 of 6M + 2,75% to be reimbursed in quarterly installments starting in March 2017, last installment on September 30th 2021.

The heading of “Current liabilities for derivative financial instruments” on June 30th 2021 included the evaluation at fair value according to IFRS 9 of the derived *currency rate forward* contract for covering the risks of the U.S. dollar exchange rate underwritten this half by the Parent Company, El.En. S.p.A.

Accounts payable (note 19)

	30/06/2021	31/12/2020	Variation	Var. %
Accounts payable	140.489.024	94.909.844	45.579.180	48,02%
Amounts owed to associated companies		13.600	-13.600	-100,00%
Total	140.489.024	94.923.444	45.565.580	48,00%

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 2021 amounted to 7.185 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	30/06/2021	31/12/2020	Variation	Var. %
<i>Social security debts</i>				
Debts to INPS	2.878.301	3.231.361	-353.060	-10,93%
Debts to INAIL	110.281	212.149	-101.868	-48,02%
Debts to other Social Security Institutions	525.092	596.839	-71.747	-12,02%
Total	3.513.674	4.040.349	-526.675	-13,04%
<i>Other debts</i>				
Debts to the tax authorities for VAT	1.223.432	654.738	568.694	86,86%
Debts to the tax authorities for withholding	1.708.808	2.254.448	-545.640	-24,20%
Other tax liabilities	449.583	509.238	-59.655	-11,71%
Debts to staff for wages and salaries	15.797.127	12.949.798	2.847.329	21,99%
Down payments	41.407.784	25.648.350	15.759.434	61,44%
Other debts	16.084.600	13.118.552	2.966.048	22,61%
Total	76.671.334	55.135.124	21.536.210	39,06%
Total Social security debts e Other debts	80.185.008	59.175.473	21.009.535	35,50%

The “Debts to staff for wages and salaries” include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2021.

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. And the Italian subsidiaries Cutlite Penta Srl and Deka Mela Srl.

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.

30/06/2021	Total	Medical	Industrial	Other
Revenues	275.034	146.688	127.483	864
Intersectorial revenues	(1.123)		(260)	(864)
Net Revenues	273.911	146.688	127.223	
Other revenues and income	2.162	892	1.053	217
Gross Margin	99.915	65.425	34.273	217
	<i>Inc. %</i>	<i>36%</i>	<i>44%</i>	<i>27%</i>
Margin	39.505	28.193	11.096	217
	<i>Inc. %</i>	<i>14%</i>	<i>19%</i>	<i>100%</i>
Not assigned charges	8.648			
EBIT	30.857			
Net financial income (charges)	1.088			
Share of profit of associated companies	(111)	(108)	(6)	2
Other Income (expense) net	0			
Income (loss) before taxes	31.835			
Income taxes	6.928			
Income (loss) before minority interest	24.907			
Minority interest	2.457			
Net income (loss)	22.451			

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	
	<i>Inc. %</i>	<i>36%</i>	<i>43%</i>	<i>25%</i>
Margin	16.657	15.213	1.443	
	<i>Inc. %</i>	<i>10%</i>	<i>15%</i>	<i>2%</i>
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			

30/06/2021	Total	Medical	Industrial	Other
Assets assigned	490.889	217.080	273.809	
Equity investments	1.618	1.494	125	
Assets not assigned	71.941			
Total assets	564.449	218.574	273.934	0

Liabilities assigned	249.109	57.476	191.633	
Liabilities not assigned	54.326			
Total liabilities	303.434	57.476	191.633	0

31/12/2020	Total	Medical	Industrial	Other
Assets assigned	394.541	191.779	202.762	
Equity investments	1.736	1.624	112	
Assets not assigned	74.096			
Total assets	470.373	193.403	202.874	0

Liabilities assigned	180.178	52.141	128.037	
Liabilities not assigned	49.530			
Total liabilities	229.708	52.141	128.037	0

30/06/2021	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	6.406	(1.215)	7.621	
- not assigned	774			
Total	7.180	(1.215)	7.621	0

31/12/2020	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	6.188	1.691	4.498	
- not assigned	(2.771)			
Total	3.418	1.691	4.498	0

Information on the consolidated Income Statement

Revenue (note 21)

The chart below shows the subdivision of the revenue of the Group derived from contracts with clients on June 30th 2021 and 2020.

	30/06/2021	30/06/2020	Variation	Var. %
Total medical systems	121.987.616	79.374.290	42.613.326	53,69%
Total industrial systems	119.159.919	57.568.893	61.591.026	106,99%
Total service	32.763.539	25.578.174	7.185.365	28,09%
<i>Total revenue</i>	273.911.074	162.521.357	111.389.717	68,54%

Subdivision of revenue by geographical area

Medical sector

	30/06/2021	30/06/2020	Variation	Var. %
Italy	16.664.232	9.907.406	6.756.826	68,20%
Europe	41.579.173	23.237.178	18.341.995	78,93%
ROW	88.444.200	67.164.284	21.279.916	31,68%
<i>Total Medical</i>	146.687.605	100.308.868	46.378.737	46,24%

Industrial sector

	30/06/2021	30/06/2020	Variation	Var. %
Italy	33.611.795	17.524.463	16.087.331	91,80%
Europe	12.308.923	6.912.452	5.396.471	78,07%
ROW	81.302.751	37.775.574	43.527.177	115,23%
<i>Total Industrial</i>	127.223.469	62.212.489	65.010.980	104,50%

Subdivision of revenue on the basis of the time required for recognition of the revenue

	30/06/2021	30/06/2020	Variation	Var. %
Goods transferred at a specific time	270.416.254	158.593.970	111.822.284	70,51%
Services transferred over time	3.494.820	3.927.387	-432.567	-11,01%
<i>Total revenue</i>	273.911.074	162.521.357	111.389.717	68,54%

It should be recalled that the half that is used for comparison here, the first half of 2020, was impacted by the most acute phase of the pandemic which began in Wuhan and spread to the rest of the world. The results for that half saw out activities completely locked down in China for two and a half months and in Italy for a month starting in March. In the medical sector the selling activities in Italy also came to a complete halt in the month of March and international sales were severely impacted starting in the month of April.

The overall growth is close to 69%, and particularly strong in the industrial sector which in the first half of 2020 was even harder hit by the pandemic than the medical sector.

For further details, please consult the Management Report.

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2021	30/06/2020	Variation	Var. %
Other income due to Insurance refunds	48.389	2.346	46.043	1962,62%
Recovery of expenses	632.752	430.498	202.254	46,98%
Capital gains on disposal of fixed assets	78.412	23.891	54.521	228,21%
Other income	1.402.849	1.513.893	-111.044	-7,33%
<i>Total</i>	2.162.402	1.970.628	191.774	9,73%

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

The heading of “Other income” includes mainly the federal grants related to the new factory and for research projects for the amount of about 499 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd and the new Penta Laser Technology (Shandong) Co., Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following chart:

	30/06/2021	30/06/2020	Variation	Var. %
Purchases of raw materials and finished products	179.480.190	105.311.220	74.168.970	70,43%
Packaging	1.217.808	606.928	610.880	100,65%
Shipping charges on purchases	1.095.824	558.845	536.979	96,09%
Other purchase expenses	580.086	335.838	244.248	72,73%
Other purchases	2.516.185	510.754	2.005.431	392,64%
<i>Total</i>	184.890.093	107.323.585	77.566.508	72,27%

The costs for the purchase of goods as of June 30th 2021 amounted to 184.890 thousand Euros as opposed to the 107.324 thousand Euros sustained the preceding year, showing an increase of about 72%. Net of the variations in the inventory, the incidence of the costs for goods amounted to 56,7% as opposed to the 56,2% for last year.

Direct services/ operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2021	30/06/2020	Variation	Var. %
<i>Direct services</i>				
Outsourced processing	9.973.309	5.356.287	4.617.022	86,20%
Technical services on products	1.316.886	451.468	865.418	191,69%
Shipment charges on sales	2.027.907	1.527.396	500.511	32,77%
Sale commissions	6.744.386	4.969.599	1.774.787	35,71%
Royalties	124.800	67.200	57.600	85,71%
Travel expenses for technical assistance	509.896	575.599	-65.703	-11,41%
Other direct services	250.633	339.693	-89.060	-26,22%
<i>Total</i>	20.947.817	13.287.242	7.660.575	57,65%
<i>Other operating services and charges</i>				
Maintenance and technical assistance on equipment	580.386	353.188	227.198	64,33%
Commercial services and consulting	1.243.349	1.041.982	201.367	19,33%
Legal and administrative services and consulting	747.451	553.850	193.601	34,96%
Audit fees	288.549	219.032	69.517	31,74%
Insurances (no staff cost)	405.875	377.065	28.810	7,64%
Travel and accommodation expenses	1.009.275	1.084.117	-74.842	-6,90%
Trade shows	225.624	756.759	-531.135	-70,19%
Promotional and advertising fees	2.506.489	2.332.762	173.727	7,45%
Expenses related to real estate	1.493.179	1.368.794	124.385	9,09%
Other taxes	404.854	308.947	95.907	31,04%
Vehicles maintenance expenses	920.245	644.632	275.613	42,76%
Office supplies	315.317	264.006	51.311	19,44%
Hardware and Software assistance	710.935	571.448	139.487	24,41%
Bank charges	196.675	155.482	41.193	26,49%
Leases and rentals	841.389	793.019	48.370	6,10%
Salaries and indemnity to the Board of Directors and Board of Auditors	1.649.843	1.222.336	427.507	34,97%
Temporary employment	768.793	451.576	317.217	70,25%
Other services and charges	6.454.564	3.558.521	2.896.043	81,38%
<i>Total</i>	20.762.792	16.057.516	4.705.276	29,30%

The operating services and charges were 20.763 thousand Euros and show an increase with respect to the 16.057 thousand Euros on June 30th 2020.

These increases are derived from the fact that the preceding year was influenced by the effects of the Covid 19 pandemic.

The most significant amounts in the category of “Operating services and charges” are related to consultancy fees and publicity expenses supporting the marketing activities, travel and accommodations, while the heading of “Other services and charges” have as their main entries, the technical and scientific consulting services for the amount of 1.622 thousand Euros and studies and research for about 1.381 thousand Euros.

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

Staff costs (note 25)

	30/06/2021	30/06/2020	Variation	Var. %
Wages and salaries	31.114.656	22.861.220	8.253.436	36,10%
Social security contributions	7.615.711	5.289.376	2.326.335	43,98%
Severance indemnity	955.574	864.842	90.732	10,49%
Staff costs for stock options/stock based compensation		99.564	-99.564	-100,00%
Other costs	328.902	219.456	109.446	49,87%
<i>Total</i>	40.014.843	29.334.458	10.680.385	36,41%

The staff costs were 40.015 thousand Euros an increase with respect to the 29.334 thousand Euros for last year which was affected by the use of Cassa Integrazione Guadagni because of the Covid 19 pandemic.

The increase is also due to the increase in the number of employees which rose from 1.566 on June 30th 2020 to 1.810 on June 30th 2021.

The heading of “staff costs for stock options/stock based compensation” included as of June 30th 2020 the figurative costs for stock options and stock based compensation assigned by assigned by El.En. and by Penta Laser Equipment Wenzhou to some of their employees.

Depreciation, amortization and other accruals (note 26)

The chart below shows the breakdown for this category:

	30/06/2021	30/06/2020	Variation	Var. %
Amortization of intangible assets	395.793	310.969	84.824	27,28%
Depreciation of tangible assets	2.781.197	2.479.385	301.812	12,17%
Depreciation of tangible assets right of use	1.020.930	1.071.098	-50.168	-4,68%
Accrual for bad debts	1.250.929	1.257.757	-6.828	-0,54%
Accrual for risks and charges	2.831.413	77.649	2.753.764	3546,43%
<i>Total</i>	8.280.262	5.196.858	3.083.404	59,33%

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:

	30/06/2021	30/06/2020	Variation	Var. %
Financial income				
Interests income on bank and postal deposits	199.948	163.634	36.314	22,19%
Financial income from associated companies	761	2.214	-1.453	-65,63%
Interests income from current securities and financial assets	96.858	91.382	5.476	5,99%
Capital gain and other income from current securities and financial assets	16.889	10.475	6.414	61,23%
Other financial income	99.203	114.747	-15.544	-13,55%
<i>Total</i>	413.659	382.452	31.207	8,16%
Financial charges				
Interests on bank debts and on short term loans	66.630	53.919	12.711	23,57%
Interests on bank debts and on other m/l term loans	53.757	26.620	27.137	101,94%
Capital losses and other charges on current securities and financial assets		4.252	-4.252	-100,00%
Other financial charges	225.394	223.128	2.266	1,02%
<i>Total</i>	345.781	307.919	37.862	12,30%
Exchange gain (loss)				
Exchange gains	1.730.774	504.208	1.226.566	243,27%
Exchange losses	-685.023	-801.844	116.821	-14,57%
Financial income fair value of on exchange rate derivatives		3.614	-3.614	-100,00%
Financial charges fair value on exchange rate derivatives	-25.153		-25.153	
<i>Total</i>	1.020.598	-294.022	1.314.620	-447,12%

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 9 thousand Euros for the interests owed due to the application of the accounting standard IAS 19 to the severance indemnity and 50 thousand Euros for the entering into accounts of the interests due for leasing because of the application of IFRS 16.

Share profit/loss of associated companies (note 28)

The loss registered during this half was mainly due to the performance of Elesta which was very severely impacted by the effects of the Covid pandemic and in particular by the difficulties in obtaining access to the hospitals.

Income taxes (note 29)

Income taxes for this half amounted to 6,9 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 2021.

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 19.811.309 ordinary shares. The earnings per share on June 30th 2021 were 1,13 Euros. The diluted earnings per share which takes into consideration also the stock options assigned last year, were 1,12 Euros.

Dividends distributed (note 31)

The shareholders’ meeting held on April 27th 2021 voted to distribute to the shares in circulation on the date the coupon came due, amounting to 0,40 (zero point forty) Euros gross for each share in circulation. The dividend amounted to 7.969.374,40 Euros.

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

With reference to June 30th 2021 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 2021 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 2021 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.

Associated companies:	Financial Receivables		Accounts receivable	
	< 1 year	> 1 year	< 1 year	> 1 year
Actis Srl	30.000		749	
Immobiliare Del.Co. Srl	31.565			
Elesta SpA	200.000		696.979	
Chutian (Tianjin) Laser Technology Co. Ltd			37.137	
Quanta Aesthetic Lasers USA, LLC			2.769	
Accure Inc.			184.196	
Total	261.565	-	921.830	-

Associated companies:	Sales	Service	Total
Elesta SpA	140.762	49.537	190.299
Accure Inc	130.271	450	130.721
Total	271.033	49.987	321.020

Associated companies:	Other revenues
Elesta SpA	10.571
Actis Srl	600
Accure Inc.	30.240
Total	41.411

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	1.875.663	840.243	44,80%
Receivables LT	228.258	-	0,00%
Accounts receivable	132.557.154	921.830	0,70%
Other current receivables	13.530.379	261.565	1,93%
Non current financial liabilities	30.631.582	-	0,00%
Current financial liabilities	23.977.125	-	0,00%
Accounts payable	140.489.024	-	0,00%
Other current payables	80.185.008	-	0,00%
Other non current payables	5.775.350	-	0,00%
Impact of related parties transactions on the income statement			
Revenues	273.911.074	321.020	0,12%
Other revenues and income	2.162.402	41.411	1,92%
Purchase of raw materials	184.890.093	-	0,00%
Direct services	20.947.817	-	0,00%
Other operating services and charges	20.762.792	-	0,00%
Financial charges	345.781	-	0,00%
Financial income	413.659	761	0,18%
Income taxes	6.927.545		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.

Procedures for the management of financial risks

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.

This year the Parent Company El.En. SpA stipulated a currency forward contract to partially cover the risks in the exchange rate with the US dollar.

<i>Operation</i>	Notional value	<i>Fair value</i>
Currency forward contract	\$6.000.000	-€ 25.153
Total	\$6.000.000	-€ 25.153

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 5% 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 issued by Intesa San Paolo. The amount of the guarantee 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 issued by Intesa San Paolo. 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. For the same reason, in 2020 mortgages for 100 million RMB were added.

Also the new Chinese subsidiary Penta Laser Technology (Shangdong) in 2019 obtained financing for the construction and equipping of a new factory by taking out mortgages for an overall amount of about 6,8 million RMB. During 2020 they took out other mortgages reaching a total amount of 20 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. In the month of June 2020 ASA obtained a guarantee from Mediocredito Centrale on the financing of 3 million Euros obtained from Intesa San Paolo. The amount guaranteed was 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
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Financial assets				
Equities in other companies	1.035.420	1.035.420	1.035.420	1.035.420
Non current financial receivables	228.258	309.773	228.258	309.773
Current financial receivables	263.241	336.644	263.241	336.644
Securities and other non-current financial assets	15.270.952	15.172.111	15.270.952	15.172.111
Securities and other current financial assets	2.014.751	-	2.014.751	-
Cash and cash equivalents	137.224.444	123.744.217	137.224.444	123.744.217
Financial debts and liabilities				
Non current financial liabilities	30.631.582	30.763.330	30.631.582	30.763.330
Current financial liabilities	23.977.125	23.827.095	23.977.125	23.827.095

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 2021, the Group holds the following Securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Investment contracts		15.270.952		15.270.952
Mutual funds	2.014.751			2.014.751
Currency rate forward		-25.153		
Total	2.014.751	15.245.799		17.285.703

Other information (note 37)

Average number of employees

Personnel	Average of the period	30/06/2021	Average of previous period	31/12/2020	Variation	Var. %
Total	1.718	1.810	1.562	1.626	184	11,32%

Subsequent events (note 38)

On July 20th 2021, the Shareholders' meeting of El.En. S.p.A., in an extraordinary meeting approved the proposal of the Board of Directors of EL.EN. S.p.A. related to the elimination of the nominal value expressed for the stock and the increase in the total number of shares by means of splitting of the ordinary shares in circulation in a ratio of one to four with the objective of facilitating the liquidation and negotiability of the stock in consideration of the present market value.

The elimination of the indication of the nominal value of the shares expressed in the by-laws was decided for the purpose of obtaining greater flexibility in the conducting of operations on the capital and simplification of operations like the increase or reduction of capital, the combining or splitting of shares, and the cancellation of treasury stock and comports a reduction in the costs related to some bureaucratic procedures.

The stock split with a ratio of 1:4 of the 19.929.586 ordinary shares created an increase in the number of shares in circulation which now amount to 79.718.344 after the withdrawal and cancellation of the shares issued and now in existence and the and the distribution of four newly issued ordinary shares for each share that was withdrawn and cancelled. The capital stock did not undergo any variations as a result of the stock split.

Consequently the Assembly approved the following modifications to article 6 of the by-laws (sub-sections 1-3-4) related to the capital stock, in compliance with articles 2328, 2346 and 2443 c.c. and the rectification of the Stock Option Plan for 2016-2025. The operations related to the withdrawal and issuing of the split stock without the expression of nominal value began on August 2nd 2021 with the attribution of the new ISIN code IT0005453250.

For the Board of Directors

Managing Director – Ing. Andrea Cangioli

Declaration of conformity of the half-yearly condensed financial statement on June 30th 2021 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 2021.

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 2021

Managing Director

Executive officer in charge of the preparation of the company financial documents

Ing. Andrea Cangioli

Dott. Enrico Romagnoli

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
EL.EN. S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of EL.EN. S.p.A. and its subsidiaries (the "EL.EN. Group") as of 30 June 2021. The Directors of EL.EN. S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim 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 on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of EL.EN. Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The consolidated financial statements for the year ended 31 December 2020 and the interim condensed consolidated financial statements for the half-year period ended 30 June 2020 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the



consolidated financial statements on March 31, 2021 and expressed an unqualified conclusion on the interim condensed consolidated financial statements on September 10, 2020.

Florence, September 10, 2021

EY S.p.A.
Signed by: Lorenzo Signorini
(Statutory Auditor)

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