

El.En. Group

Consolidated Non-Financial Statement 2018

Pursuant to Italian Legislative Decree n. 254 of 2016



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LETTER TO OUR STAKEHOLDERS

Dear stakeholders,

We are proud to present the Consolidated Non-financial Statement (NFS) of the El.En. Group. This document is meant to allow you to know more about us and to evaluate our commitment, the objectives and results obtained in the area of social responsibility which includes taking care of our people, the quality of our products, the investments in research and development to improve the welfare of the human race, as well as the respect for the environment, for human rights and the fight against corruption; these values represent the fundamental basis for the daily management of our activities and the starting point for the planning of all the future initiatives.

Our attention to these issues was expressed even more clearly thanks to the approval of our first Sustainability Plan which defined the medium to long-term goals of the Group, clarified the initiatives promoted in this field and represented an important demonstration to our stakeholders of the path we had taken.

Sustainability means creating value over time and being able to successfully meet the challenges of tomorrow; we believe that the future will be open to those who will be able to meet these challenges and assume the responsibility in terms of sustainability for the future generations by managing the changes and innovating with enthusiasm while remaining true to the values and principles which they have always honored.

This is what guides us every day in our business, makes us proud and urges us to improve continuously.

The President

Gabriele Clementi

ABOUT OUR REPORTING

This document represents the second edition of the Consolidated Non-financial Statement (hereinafter the "NFS") of the companies belonging to the industrial Group comprised of El.En. S.p.A. (hereinafter the "Parent Company") and its subsidiaries (hereinafter the "El.En. Group" or "the Group"). The NFS reports, to the extent that is necessary to ensure an understanding of the Group's operations, performance, results and the impact regarding the topics considered material and set out in Articles 3 and 4 of the Legislative Decree 254/16, with reference to the financial year 2018 (from the 1st of January to the 31st of December).

As established by Art. 5 of Italian Leg. Decree 254/16, this document constitutes a separate report and is marked with specific wording in order to connect it to the NFS required by law.

The NFS represents a first step towards an even more transparent and comprehensive sustainability communication, as well as being an opportunity for communicating the annual results of the sustainability performance that have been achieved during the financial year 2018 by the Group.

This NFS has been prepared in accordance with the new standard «Global Reporting Initiative Sustainability Reporting Standards» established in 2016 by the GRI - Global Reporting Initiative (hereinafter "GRI Standards"), according to the «Core» option. Furthermore, for the preparation of the document the Guidelines CE 2017/C215/01, have been taken into account.

The selection of the topics and the indicators reported in the document was based on the information assessed as relevant for the Group and its stakeholders during the materiality Analysis described in the chapter "Sustainability" of this document. Concerning the information required by Art. 3, sub-section 2 of D.lgs. 254/16 it should be noted that in consideration of the business activity of the Group, the polluting air emissions other than greenhouse gases did not turn out to be relevant.

The reporting and editing activities of this document involved several Functions across all the geographical areas in which the Group operates, centrally coordinated by the working group dedicated to the project.

The scope of the economic and financial data and information is the same as that of the Annual Financial Report. The scope of the social and environmental data and information presented is the same as that of the companies consolidated on a line-by-line basis in the Group Annual Financial Report.

With reference to the significant changes which occurred during the period being reported it should be noted that on January 2nd, 2018, the creation of the Cutlite Penta S.r.l. company became effective; to this latter company, Ot-las S.r.l., as part of a process of re-organization of the activities of the Group in the cutting sector, conferred all of their activities related to laser cutting systems.

The information and the data reported refer to the financial year 2018 (from January 1st 2018 to December 31st 2018). The data related to the previous financial year, when available, are reported only for comparative purposes and to facilitate an evaluation of the trend in the activity. The restatements of the data previously published have been clearly stated.

In addition, to fairly present the Group's performance and ensure the reliability of data, the use of estimates has been limited as much as possible. Any estimate in this document is made using the best available methods and is expressly noted.

The Consolidated Non-Financial Statement is published annually: this 2018 version was approved by the Board of Directors of El.En S.p.A. on March 14th 2019.

The NFS was subject of a limited assurance engagement (according to the criteria set out by the ISAE 3000 Revised principle) by Deloitte & Touche S.p.A. which, at the end of the work performed, released a specific report with regard to the compliance of the information contained in the Consolidated Non-financial Statement prepared by El.En S.p.A. as required by the Legislative Decree 254/2016.

The El.En. Group is aware of the company's responsibility to society and to the environment and has initiated a program of continuous development regarding sustainability which has given rise, among other things, to the Group Sustainability Plan which was approved by the Board of Directors of El.En. S.p.A. on November 14th, 2018 and described in the chapter "Sustainability".

Moreover we reported that:

Environmental matters

The Group pays attention to the responsible management of its activities, seeking a balance between economic objectives and indispensable environmental requirements. Moreover, the Group confirms the commitment to adopt a medium to long-term Group environmental policy for the purpose of controlling and reducing the environmental impact of its activities.

Respect for human rights

The Group protects human rights through the adoption and dissemination of the Ethics Code which requires conformity with the Universal Declaration of Human Rights issued by the United Nations and requires that it be respected also by its main suppliers. In particular, the Parent Company requires compliance with the Ethics Code by their consultants, distributors, agents and suppliers of critical components. Moreover the Group confirms the commitment to adopt a Group Human rights policy and to institute specific training in this field especially in those countries where legislation is not as restrictive as in Italy.

Fight against passive and active corruption

This subject is regulated by the Ethics Code of the Group to which all subsidiaries, associated companies and the main suppliers must comply. Moreover, the subject is overseen by the Parent Company and its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. through the Organizational Model pursuant to Italian Legislative Decree 231/2001. For the purpose of re-enforcing its anti-corruption and bribery system, the Group confirms the commitment to adopt a Group anti-corruption policy. The development and implementation of the aforementioned plan should reasonably take place by the end of 2019.

Social matters

The Group has always paid particular attention to the quality and safety of its products and, to this aim, the main manufacturing companies of the Group have adopted a quality control system and obtained certification ISO 9001* and ISO 13485** related to the quality control systems or medical devices.

Moreover, the Group bases its critical success factors also on its capacity for innovation, as demonstrated by the investments in research and development which have the objective of creating innovative systems and applications to meet the needs of customers and create new ones.

Employees-related matters

In the Ethics Code the Group has codified their commitment to respect and protect the dignity, the health, the safety and the privacy of their employees and collaborators. Moreover, as part of the quality control system (ISO 9001) adopted by the main manufacturing companies of the Group, the certified companies safeguard the aspects related to the management of the employees. In particular, the Parent Company has conducted a codification of the procedures for the management of human resources as well as a profiling of the company functions with a detailed description of the necessary responsibilities and skills.

Supply chain matters

As stated in the Ethics Code, the Group sets as one of its objectives that of creating relationships with their suppliers that are based on standards of transparency and correctness. In light of the renewed and growing interest of the organization in issues related to the supply chain, as shown in the materiality analysis, the Group is committed to the adoption of a Suppliers' Code of Conduct in order to define and share the principles, social and environmental best practices and ethical behavior aimed at promoting a supply chain that is both responsible and sustainable.

Moreover, the Group is committed to adding to the process of qualification, selection and evaluation of the suppliers in Italy and abroad, a checklist of environmental and social criteria to evaluate all potential new suppliers.

The above-mentioned plan should be implemented reasonably by 2020.

Moreover, the company is committed to formalize the reporting process for non-financial information as part of a procedure which defines roles, responsibilities and deadlines, by 2019.

For the list of the companies belonging to the Group that are consolidated with the integral method, please consult the section titled "Area of consolidation" in the annual financial report of El.En S.p.A. dated December 31st, 2018.

*Companies certified as per ISO 9001: ASA S.r.l., El.En S.p.A., Deka M.E.L.A. S.r.l., Penta Chutian Laser (Wuhan) Co. Ltd and Penta Laser Equipment Wenzhou Co. Ltd, Quanta System S.p.A. and Asclepion Laser Technologies GmbH.

**Companies certified as per ISO 13485: ASA S.r.l., El.En S.p.A., Deka M.E.L.A. S.r.l., Quanta System S.p.A. and Asclepion Laser Technologies GmbH.





DEKA
Inna

Sustainability

OUR STRATEGY
FOR A SUSTAINABLE
FUTURE

1 SUSTAINABILITY

1.1 SUSTAINABILITY FOR THE EL.EN. GROUP

Sustainability means creating value over time and being ready to accept and successfully deal with the future challenges; in the light of the development of the context to which we are referring and moved by the desire to communicate our commitment, we have undertaken a program of sustainability that is more detailed because we have always believed that the respect of the law, the protection of employment, the correct use of human resources and the protection of the environment, the Research & Development activities and the quality of our products, as well as the safeguarding of the interests and creation of value for all of our stakeholders are the only pathway that can be followed by a company that is innovative, sustainable and successful.

These principles have always been the foundation of the development of the Group and the economic growth of the last years is the demonstration that value is created with a responsible management that respects the economic, social and environmental balance.

2018 was an important year for the consolidation of the commitment of the company for a sustainable development and for greater awareness of the impact and importance of this subject. Many initiatives were taken:

1 A **special team** was created with the task of drawing up the Non-Financial Statement and identifying the local colleagues in charge of managing the information flow from the subsidiary companies.

2 We presented our first **Sustainability Plan** approved by the Board of Directors of the Parent Company, which defined the medium to long-term objectives. The Plan is described in chapter 1.4.

3 For the purpose of guaranteeing adequate supervision and monitoring of the processes related to sustainability, the Board of Directors assigned to the **Committee for Controls and Risks** the analysis of the policies and objectives of the Group in terms of sustainability and the supervision of the Sustainability Plan.

1.2 OUR STAKEHOLDERS

Only by listening to its stakeholders the El.En. Group can be aware of the extent to which they are satisfying the expectations and the interests of its stakeholders and identify the issues on which they should concentrate their efforts or confirm the strategy which has already been planned.

We have implemented a process for mapping and identifying our stakeholders which has led to the identification of the following stakeholders having interest in the Group, both within and without it.



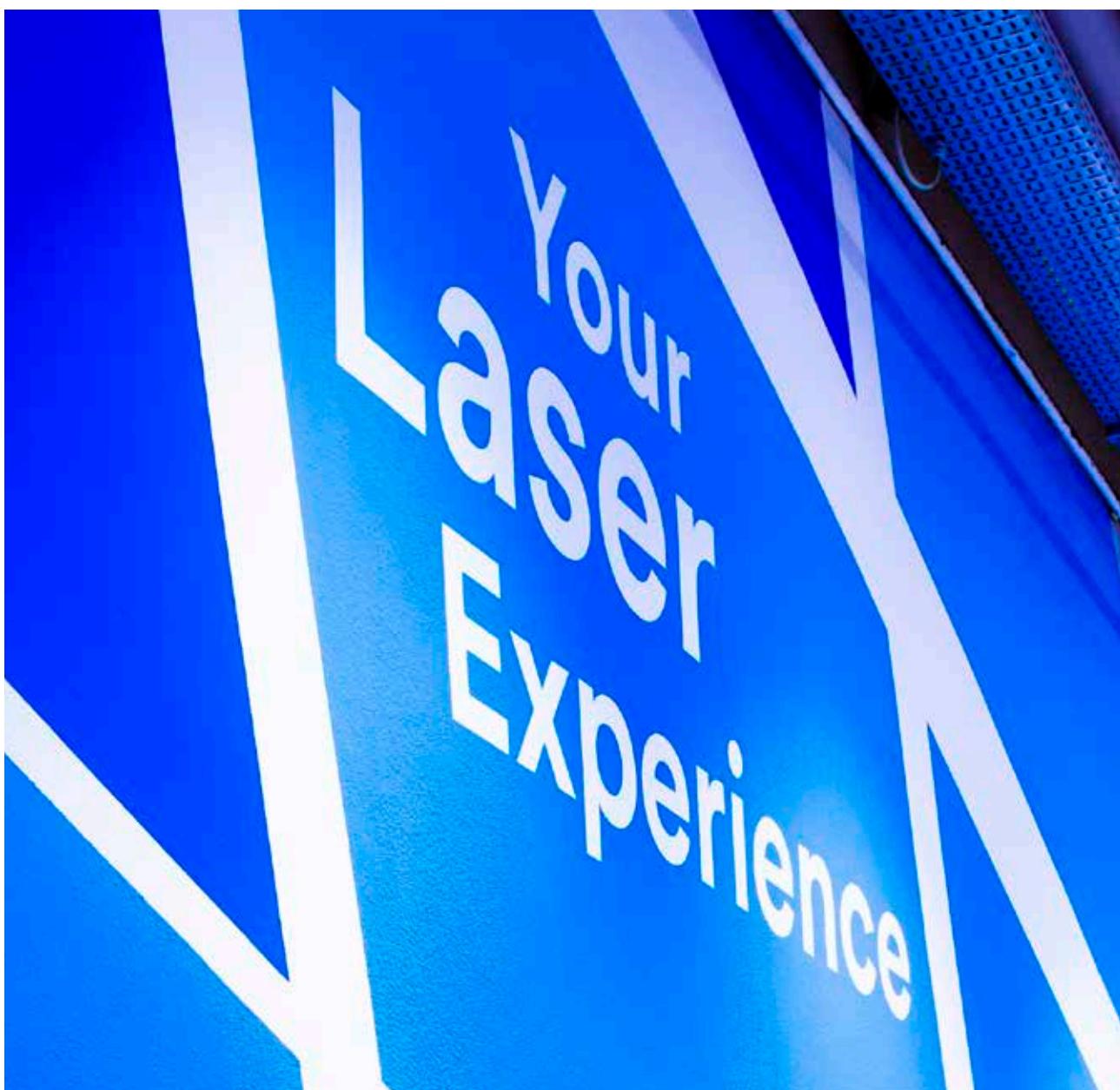
During this year, in order to collect and evaluate the expectations and the issues of the greatest interest for our stakeholders, we have conducted specific activities of stakeholder engagement: in particular, we have submitted a questionnaire to a selected sample of stakeholders (employees and suppliers). This process will be implemented next year submitting questionnaires

to other categories of stakeholders who have not been interviewed yet, with the support of market analysis and new communication initiatives.

The chart below shows the methods and the main channels of communication and dialog between the Group and its stakeholders:

Stakeholder	Topic	Main dialogue instruments
 Human resources	<ul style="list-style-type: none"> Growth and training Health and safety in the workplace Identity and values Human rights and working conditions Quality of work Ethics, integrity and compliance Diversity, equal opportunity and non-discrimination Industrial relations 	<ul style="list-style-type: none"> Intranet portal Training and refresher courses Company mailing list Communications from top management Collective bargaining Questionnaires materiality analysis
 Universities and Research Centers	<ul style="list-style-type: none"> Research, development and innovation Transparency 	<ul style="list-style-type: none"> Financial reports Scientific publications Tenders and competition Experimentation and research projects Communications from top management
 Clients (B2B)	<ul style="list-style-type: none"> Product quality and safety Anticipation and acknowledgement of the expectations of the clients Trust and satisfaction of the clients 	<ul style="list-style-type: none"> Company website Evaluation of client satisfaction Handling of complaints After-sales service Advertising
 Consumers (B2C)	<ul style="list-style-type: none"> Trust and satisfaction of the consumers Product quality and safety 	<ul style="list-style-type: none"> Company website Handling of complaints After-sales service Advertising
 Local communities	<ul style="list-style-type: none"> Indirect social impact Respect of the territory Support of employment Legality Support of social initiatives 	<ul style="list-style-type: none"> Company website Local meetings and events Press releases Collaboration and support of the artistic and cultural heritage in sites of public interest National and regional research projects
 Institutions and regulatory bodies	<ul style="list-style-type: none"> Corporate Governance Transparency Legality Economic and financial performance Indirect social impact 	<ul style="list-style-type: none"> Company website Disclosures required Financial reports Shareholders meetings Dissemination of regulatory information Investor conference Press releases
 Suppliers	<ul style="list-style-type: none"> Transparency Ethical responsibility Human rights and working conditions Continuity of business relations Negotiating conditions Development of partnerships Qualification and evaluation 	<ul style="list-style-type: none"> Company web site Participation in initiatives and events Negotiating relations Technical qualification meetings Periodical auditing Questionnaires materiality analysis

Stakeholder	Topic	Main dialogue instruments
Shareholders and investors	<ul style="list-style-type: none"> • <i>Corporate Governance</i> • <i>Transparency</i> • <i>Economic and financial performance</i> • <i>Ethics, integrity and compliance</i> 	<ul style="list-style-type: none"> • Company web site • Financial reports • Shareholders' meetings • Dissemination of regulatory information • Investor conferences • Press releases
Agents and distributors	<ul style="list-style-type: none"> • Transparency • Ethics, integrity and compliance • Human rights and working conditions • Continuity of business relations • Negotiating conditions • Development of partnerships 	<ul style="list-style-type: none"> • Company web site • Participation in initiatives and events • Negotiating conditions • Training and refresher courses



Our companies are members, interact and communicate with various associations which operates in the same territory or economic sector. The chart below shows these associations.

Association	Company
Confindustria	El.En.; Deka Mela, Ot-las; Esthelogue; ASA, Cutlite Penta
Confcommercio	El.En.; Deka Mela
ESU-EDA	Cutlite Penta
IADD - International Association of diecutting and diemaking	Cutlite Penta
Comitato elettronico italiano	El.En.
AITA - Associazione Italiana Tecnologie Additive	El.En.
IBC - Associazione Beni di Consumo	El.En.; Deka Mela; Esthelogue; Pharmonia
ACIMIT	Ot-las
CEF – Consorzio Energia Firenze	El.En.
FAPIB – Associazione Nazionale Produttori e Fornitori di Tecnologie per la Bellezza e il Benessere	Esthelogue
Assorestauro	El.En.
AIIA - Associazione italiana internal auditors	El.En.
CUOA – Centro Universitario di Organizzazione Aziendale	ASA
German Chamber of Commerce and Industry	Asclepion
ACIB - Centro Empresarial de Blumenau (Business Association of Blumenau)	Cutlite do Brasil
ABIMAQ (National Association of Machine Industries)	Cutlite do Brasil
INDAC (Instituto Nacional para desenvolvimento de acrilico - National Institution for Development of Acrylic)	Cutlite do Brasil
Laser Industry Association	Wenzhou – Wuhan
Laser Processing Committee of the Chinese Optical Society	Wenzhou
Optical Radiation Safety and Laser Equipment Technology of Standardization Administration of the People's Republic of China	Wenzhou
Japan Esthetic Management Association	With Us
Japan Esthetic Industrial Association	With Us
Beauty Equipment Safety Promotion Association	With Us
Economic World Club	With Us

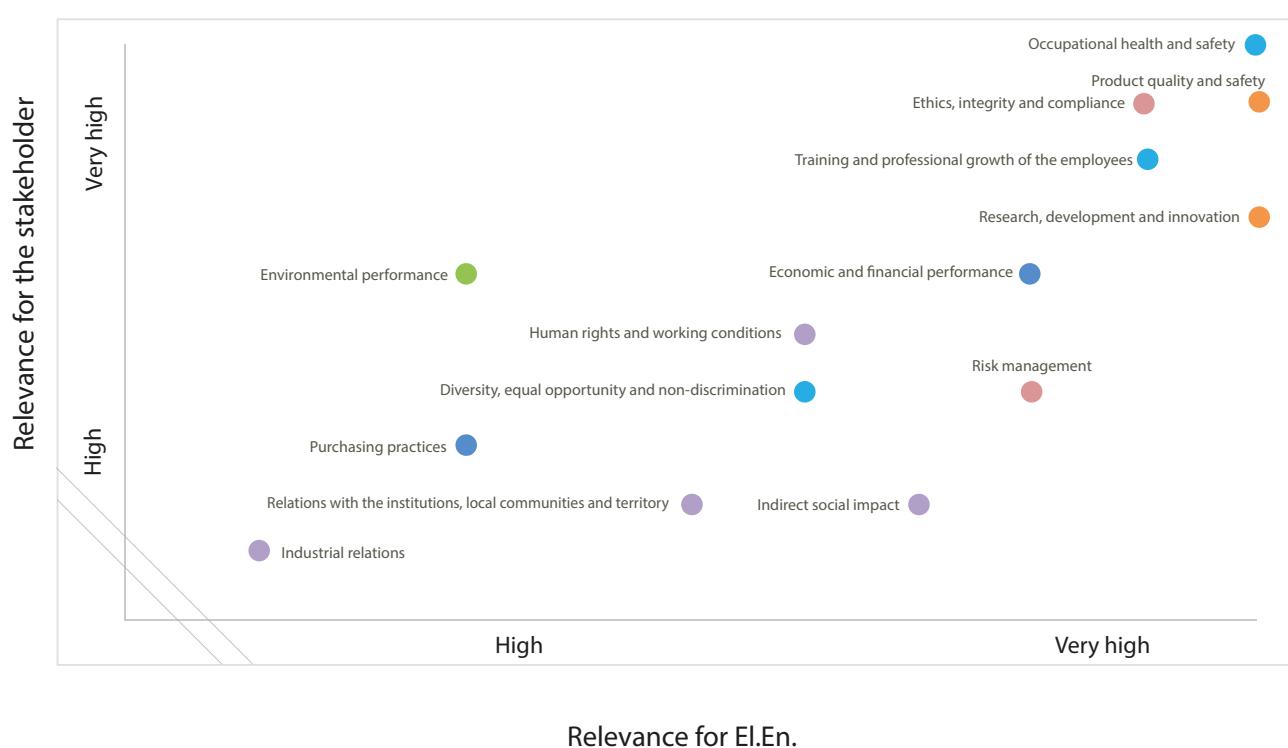
1.3 MATERIALITY MATRIX

The process of evaluating the relative issues was conducted the first time in 2017 by means of an "analysis of materiality" conducted by the top management, which made it possible to identify the most significant aspects in the economic, social and environmental areas for El.En Group and for their stakeholders: these aspects in fact, reflect the main areas of impact generated by the Group and its activities and represents the aspects that could potentially influence the evaluations of its stakeholders. During 2018 the materiality matrix was updated by carrying out the following activities:

- interviews with the top management who were asked to review and confirm the evaluations of the

priorities attributed to the issues in the preceding years;

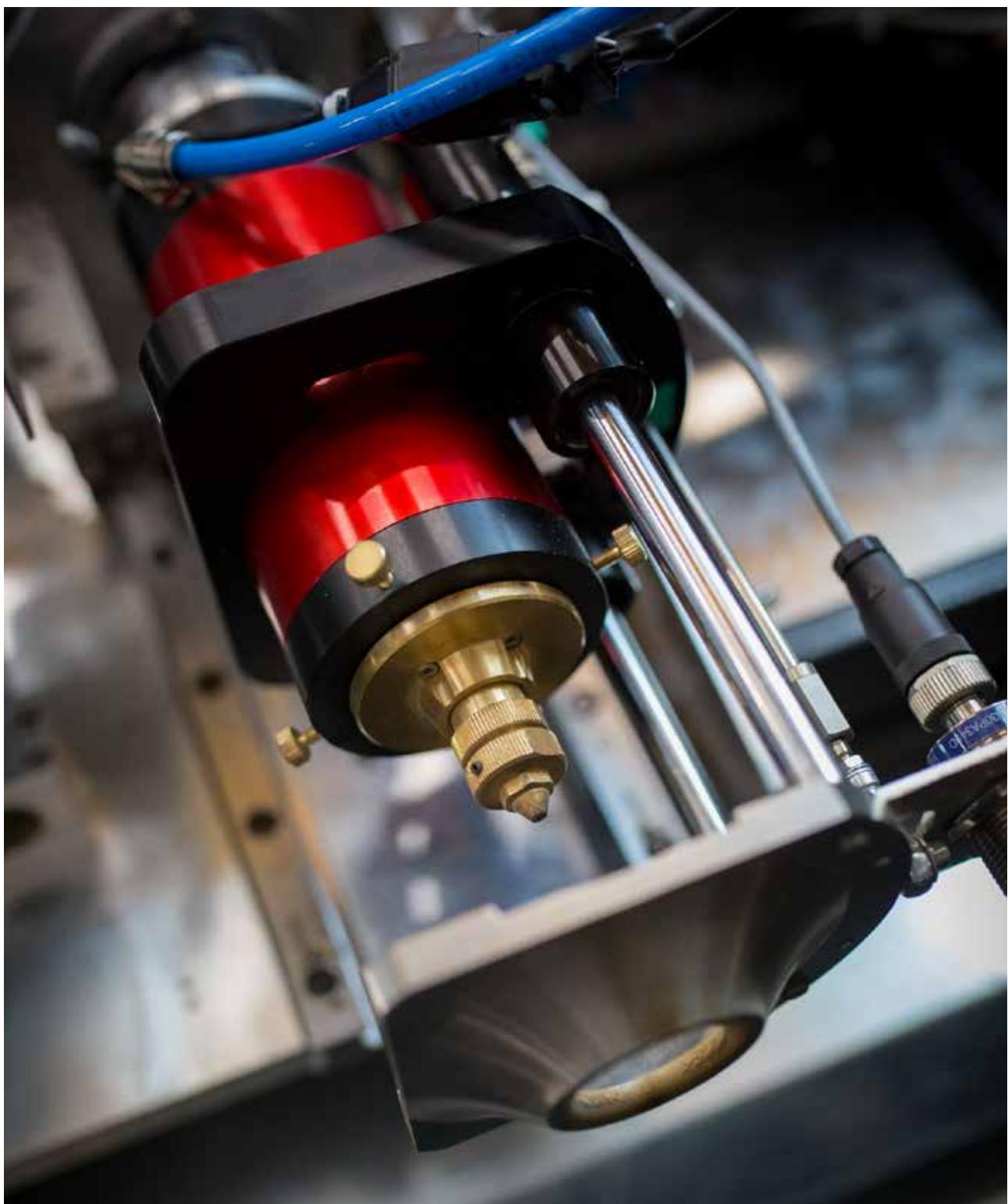
- Questionnaires were submitted to some categories of stakeholders who were asked to attribute a level of priority to the issues they felt were the most significant;
- Analysis of the results obtained from both processes combined with a qualitative evaluation for the purpose of considering the best practice for the sector and the evolution of the regulations which brought about the up-dating of the evaluation of each issue, as shown on the following chart:



MACRO AREAS:

- Environmental responsibility ● Economic responsibility ● Governance ● Social responsibility
- Human resources ● Product responsibility

³As internal stakeholders, we involved the employees of the Parent Company and some of the Italian subsidiaries; as external stakeholders, we contacted the main suppliers in terms of purchases of the Parent Company and one of the Italian subsidiaries.



14 material issues emerged from this analysis: in particular, in line with the increased interest and commitment of the organization for the aspects related to the supply chain, the issue related to "purchasing practices" which was not included last year, is now present. Moreover, the macro-areas related to the relevant issues have been revised. Greater importance

has been attributed to the aspects related to the products and services offered by the organization which were originally considered part of the macro-area of "Social responsibility" and are now classified in the category of "Product responsibility"; moreover, the two macro-areas of "Economic responsibility" and "Governance" have been separated.

1.4 THE SUSTAINABILITY PLAN

For the Group, the "Sustainability Plan" represents a strategic instrument that is indispensable for setting its sustainability goals, and the activities and the projects to implement in order to achieve them, since we are aware that this document is only the starting point for an itinerary towards sustainable growth.

After having defined the relevant issues by involving the stakeholders and completed the analysis of the issues, the next step for the Group was to set the objectives

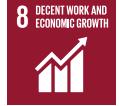
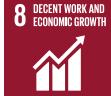
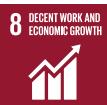
related to the different topics by communicating to all of the stakeholders the medium-to-long term goals. The Sustainability Plan was approved by the Board of



Directors of the Parent Company in November 2018.

In the definition of our Sustainability Plan we also took into consideration the **Sustainable Development Goals**

(**SDGs**), objectives promoted by the United Nations and published in the 2030 agenda - Sustainable Development; the Group identified **18 sustainability goals** that, with a continual effort, could contribute to achieve 9 of 17 SDGs.

Macro area	Material topic	Objectives	SDG's
 Governance	<ul style="list-style-type: none"> Ethics, integrity and compliance Risk management 	<ul style="list-style-type: none"> Implementation of a Corporate Governance of sustainability Dialog with stakeholders Promotion of a culture of sustainability in line with the values of the Group Fight against active and passive corruption 	 
 Economic responsibility	<ul style="list-style-type: none"> Economic and financial performance Purchasing practices 	<ul style="list-style-type: none"> Creation of sustainable value Promotion of sustainable culture and values in terms of purchasing practices Implementation of a verification process which considers environmental and social criteria to evaluate and select suppliers. 	 
 Responsibility towards human resources	<ul style="list-style-type: none"> Occupational health and safety Training and professional growth of the employees Diversity, equal opportunity and non-discrimination 	<ul style="list-style-type: none"> Guarantee health and safety in the workplace Welfare of the human resources Promotion of employee training and development programs. 	  
 Social responsibility	<ul style="list-style-type: none"> Relations with institutions, the community and the territory Indirect social impact Human rights and working conditions Industrial relations 	<ul style="list-style-type: none"> Increase of the positive social impacts through its products Support of non-profit organizations, foundations and scientific laboratories Conservation of the world's artistic and cultural heritage Strenghtening of the relations with local communities 	  
 Product responsibility	<ul style="list-style-type: none"> Product quality and safety Research, development and innovation 	<ul style="list-style-type: none"> Product quality and compliance with the regulations Innovation, research and development 	  
 Environmental responsibility	<ul style="list-style-type: none"> Environmental performance 	<ul style="list-style-type: none"> Promotion of energy efficiency policies Reduce the environmental impact 	 



Industrial and Medical
Laser Solutions

www.elengroup.com

OPERATION

Massima





The Group

A HISTORY OF
CONCRETE and
SHARED VALUES

2 THE GROUP

The El.En. Group is one of the most important entities in the field of lasers thanks to its diversification and innovation: technological excellence and manufacturing quality are our main characteristics. The companies belonging to the Group are active in the creation, distribution and sales of high performance technologically advanced products that are reliable and respect the environment.

MISSION OF THE EL.EN. GROUP

To develop products which, through the motivation and involvement of human resources promote a continual improvement in the systems and services we offer by supplying technologically advanced solutions in many different sectors and investing adequate resources in research and technological innovation, in the manufacturing processes and infrastructures sustaining them.

To build long-lasting relations by constantly improving the quality of work and the development of human resources, both in terms of knowledge and skills as well as personal welfare by consolidating our competitive position on the international markets and facing its challenges and aiming to acquire primary positions or to be a leader in its field, offering clients, a professional service of after-sales assistance as well as training and marketing support.

To create value by contributing to the success of our clients thanks to products that are fully able to satisfy the end-users' expressed and implicit requirements, by placing on the market technologies that improve the quality of life of people and by constantly verifying that the company products and processes are in conformity with the law and safety regulations, with constant attention to the safeguarding of the environment and to energy saving.



THE VALUES OF THE EL.EN. GROUP represent our cultural identity and our principles which are adhered to everyday by all the people who work with us; together with our mission they represent our point of reference for our daily activity.

Know-how: All of the companies which belong to our Group have contributed decisively to increasing our knowledge of laser technology; this background has been made available to the scientific community for the benefit of the cultural heritage of humanity.

Research and development: The researchers of the El.En. Group are constantly involved in national and international research projects and collaborate with research centers and university departments.

Innovation: In its research and development centers the Group works every day to find substantial innovations and to maximize the efficiency and effectiveness of those already in existence in order to guarantee a continuous improvement in their performance and contribute to the welfare of the community.

People: The history of our Group is made up of great women and men who, with their commitment and their ideas, in the medical sector have brought enormous benefits to the quality of life of the patients and the work of the doctors and, in the industrial sector, have contributed to the improvement of the quality and productivity of the work while reducing the environmental impact and the waste of materials.

Certifications: Our products and our quality control system are certified by the most important institutions at a global level; we receive periodically inspections for the renewal of the certificates that we possess and which are indispensable for exporting our products abroad.

Training: In all of our companies the training of the personnel as well as the training of the doctors and of our business partners is the only tool to increase or disseminate our knowledge and make it available to others.

Ethics: We are aware of our responsibility towards society and the environment in which we live and for this reason we have adopted an Ethics Code which represents our company culture and is founded on social and ethical responsibility in the management of all of our activities..

Community: We have always been committed to a policy in which our work generates a social impact and benefits the local community, both through the continuous effort dedicated to our work as well as the support of social, cultural and educational initiatives in the areas in which our companies operate.

Multiculturalism: One of the key factors for success is multiculturalism. Our companies are present in eight different countries on three continents and our business partners and our technologies are located all over the world.

Future: The continual research aimed at technological improvement, the simplicity of operation and the discovery of new medical applications, the reduction of wastefulness and of environmental impact obtained with industrial systems, the sensitivity directed to the conservation of our artistic heritage combined with the sustainability objectives we have set, direct us towards a future in which we will be committed to generate value to insure a sustainable future for the next generations.

2.1 OUR GLOBAL PRESENCE

The El.En. S.p.A. company has its headquarters in Italy, in Calenzano (Florence).

As of December 31st 2018 the structure of the Group⁴ was as follows:

ITALY

- 📍 El.En. S.p.A.
- 📍 ASA S.r.l.
- 📍 Cutlite Penta S.r.l.
- Deka M.E.L.A. S.r.l.
- Esthelogue S.r.l.
- Penta Laser Europe S.r.l.
- Pharmonia S.r.l.
- 📍 Lasit S.p.A.
- Merit Due S.r.l.
- 📍 Ot-las S.r.l.
- 📍 Quanta System S.p.A.



EUROPE

Germany

- 📍 Asclepion Laser Tech. GmbH

France

- Deka Sarl

8

COUNTRIES
IN THE
WORLD

10

MANUFACTURING
SITES

⁴The structure refers only to the companies that El.En. S.p.A. controls directly or indirectly through the majority of votes of the ordinary shareholders' assembly.

**6****RESEARCH AND
DEVELOPMENT
CENTERS**

Manufacturing sites

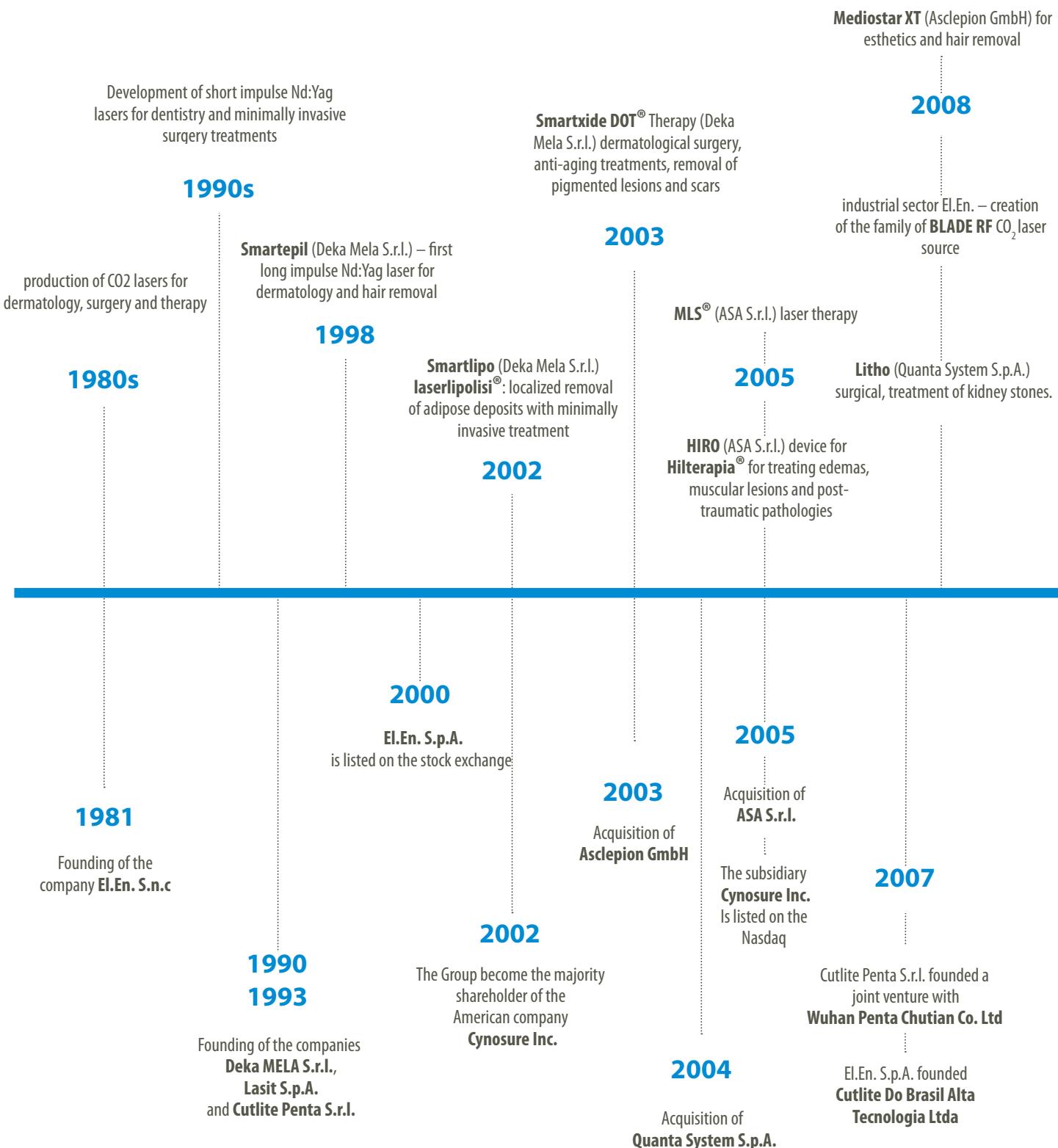


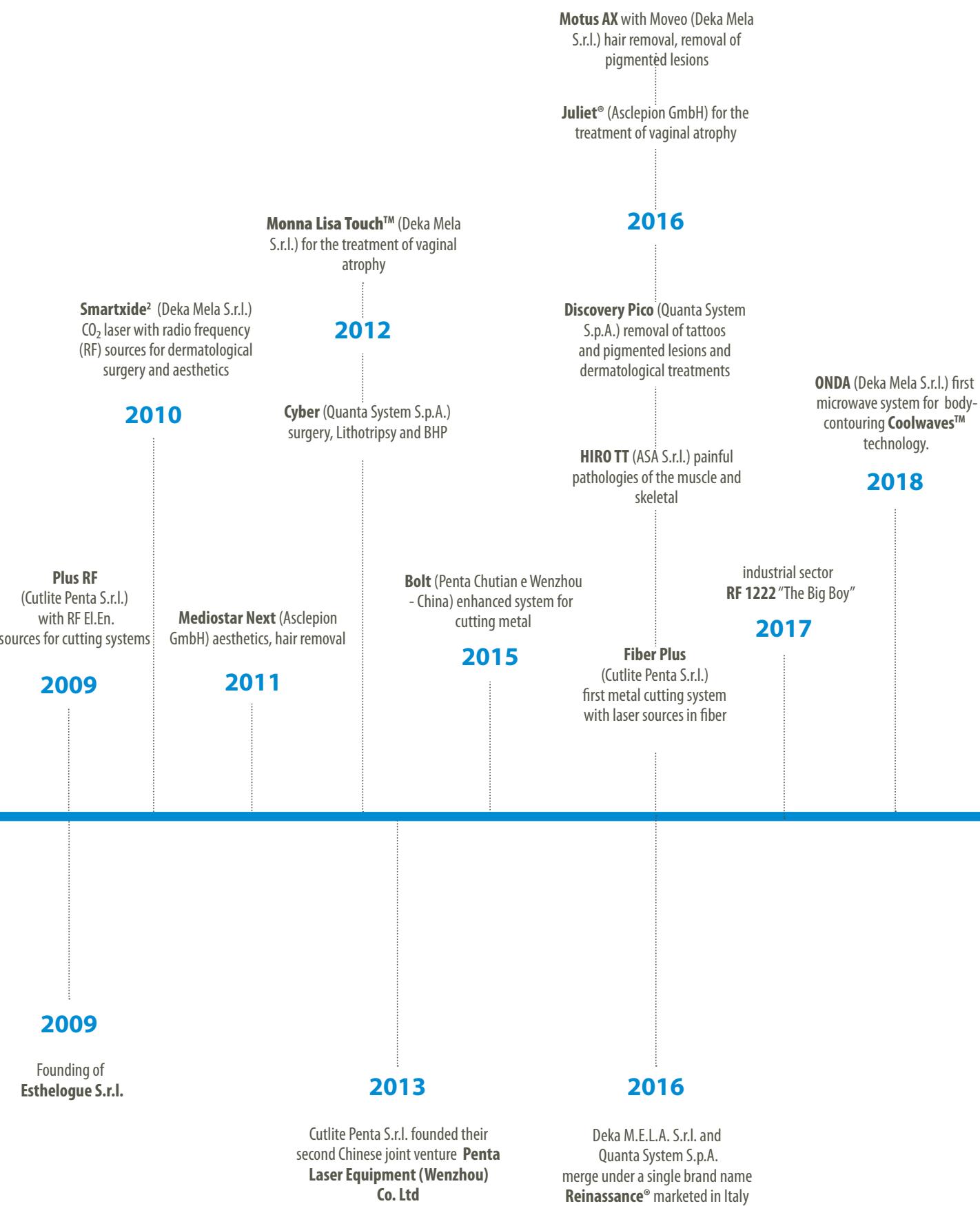
Business offices

19**SUBSIDIARY
COMPANIES**

2.2 OUR HISTORY

At present the Group can count on a widespread presence at a national and international level with 25 subsidiaries or associated companies which operate in various segments of our field. The development of El.En has contributed in the past and present to bringing the distinctive quality of "Made in Italy" to the rest of the world through its technologically advanced and highly innovative solutions and products.



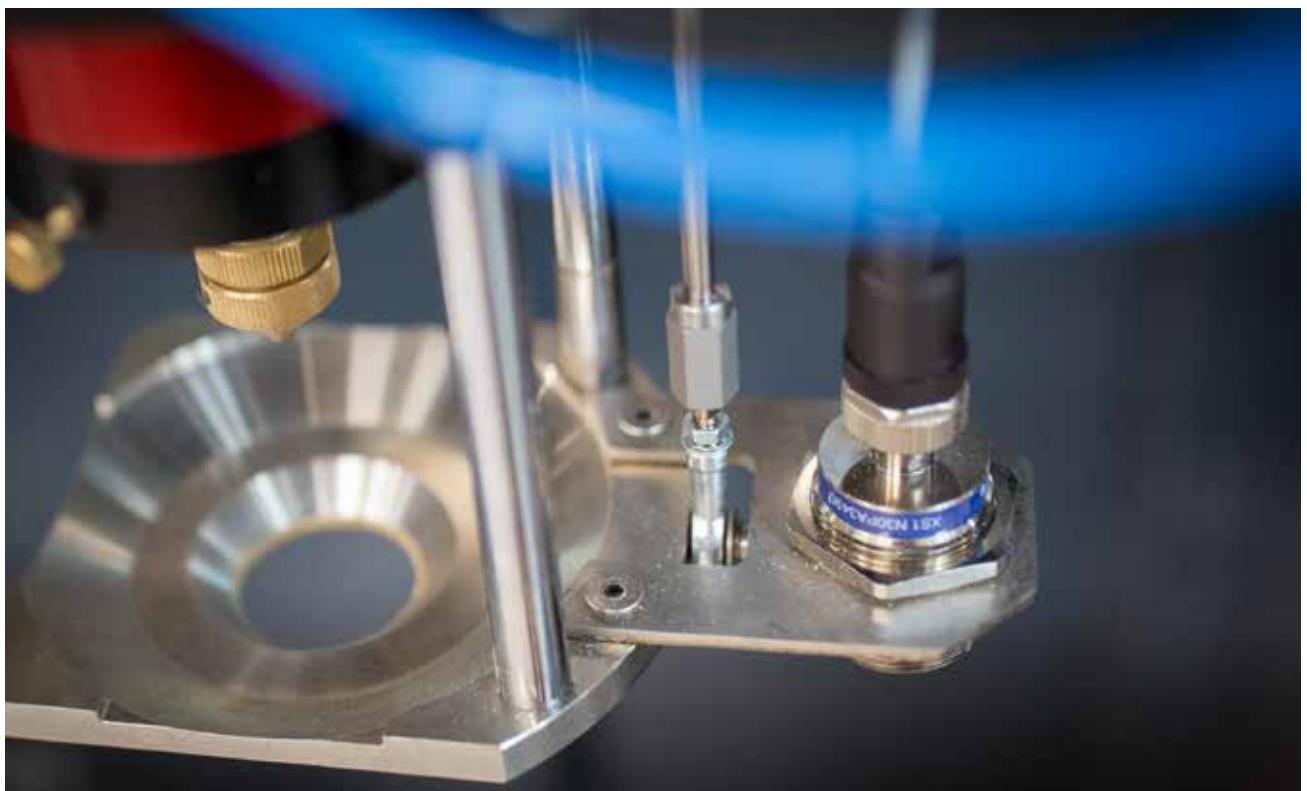
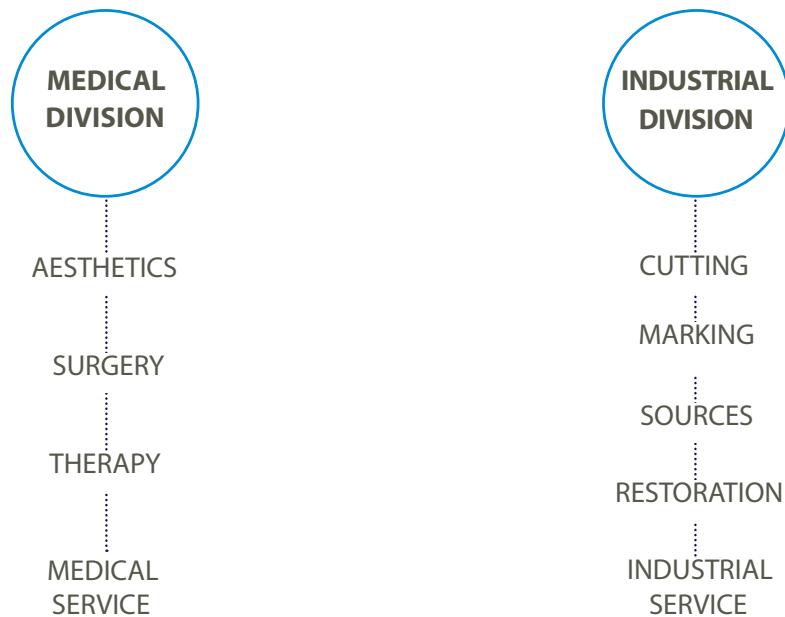


2.3 OUR MARKETS

El.En. S.p.A. directs a group of companies that operate in the field of the **manufacture, research and development, distribution and sale of laser systems**. The activity of all of the companies is coordinated with an aim to better serve the markets by taking advantage

of the dynamism and flexibility of the single business units without losing the benefit of a single coordinated management of the technical, managerial, marketing and financial resources.

Our business is divided into two main sectors:



The **medical sector** of laser systems for aesthetics and medicine:

The medical division of the El.En Group designs and produces lasers and light systems for all the applications in the medical field, mainly in the aesthetic sector,

therapy and surgery. The effectiveness and reliability of our systems have allowed our company to become one of the world leaders in this sector. In over thirty years of activity and research we have reached a level of excellence with these products.



The **industrial sector** of laser systems for industrial manufacturing:

The El.En. Group creates for the industrial sector laser systems for cutting and marking; these systems can be adapted for multiple uses and can be used on many different kinds of materials. They also produce laser sources with performance that can be incremented in terms of the speed and quality of the processes, reliability,

safety and electrical efficiency.

The Group also operates in the **sector of restoration of works of art**: for many years they have contributed to the conservation of the artistic and historical heritage all over the world by proposing state-of-the-art solutions that are minimally invasive, developed in cooperation with the most important research centers and tested in important restoration laboratories.



Along with the sale of systems, the company also offers **after-sales services** which are an indispensable support for the installation and maintenance of laser systems, for the management of spare parts, consumables and technical assistance.

Each of the two sectors is composed of various segments which differ one from another in the specific application of the laser system and, consequently, in the specific underlying technology as well as the type of clientele being served, particularly if one considers the global presence of the company and the necessity of adapting

to the particular methods that each country has in the uses of the technologies.

The two sectors, although they both make use of laser technology and share numerous strategic components and some activities at the level of production and research and development, serve markets that are profoundly different and their activities are organized so as to satisfy the radically different requirements of the various kinds of clientele that they are dealing with. To each market corresponds a specific dynamic in the demand and expectations for growth that are related to different key factors.



2.4 THE ECONOMIC VALUE GENERATED AND DISTRIBUTED TO OUR STAKEHOLDERS

The economic value that is distributed represents the wealth produced by El.En. which, in different forms, **is distributed to the different stakeholders**.

The data on the creation and distribution of the added value, through a reclassification of the income statement, provide the basic indications of the way in which the Group has created wealth for its stakeholders and highlight the economic effects produced by the entrepreneurial management on the principal categories of stakeholders.

In 2018 the net global added value distributed by the Group was 371,83 million Euros.

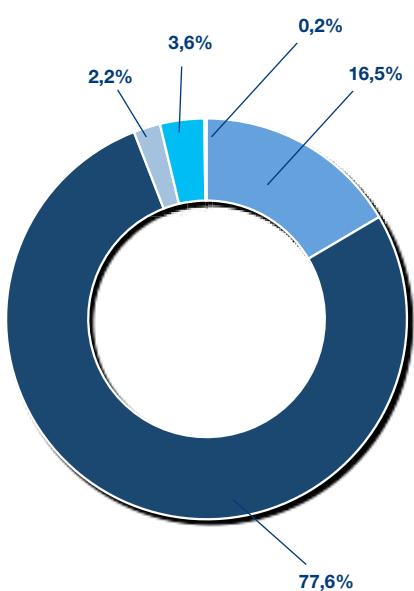
Most of this amount, 77,6%, is represented by the "remuneration of suppliers"; this amount consists mainly costs for services and raw materials. The second largest amount is represented by "remuneration of staff" (16,5%) consisting of salaries, severance packages and social security charges. The "remuneration of shareholders" consists of the profits belonging to third parties and the profits distributed, the "remuneration of the Public Administration" is composed of income taxes and at the end the "remuneration of the financial system".

Chart for determining the economic value generated and distributed		
Euros	2018	2017
Economic value generated by the Group	371.825.514	313.989.972
Revenues	346.020.071	306.461.017
Change in inventories	20.047.758	5.871.135
Other revenues and income	5.612.770	4.264.318
Financial charges /Income	1.456.294	(2.739.870)
Share of profit of associated companies	(1.305.679)	(430.284)
Other non-operating income (charges)	(5.700)	563.655
Economic value distributed by the Group	357.119.230	300.398.768
Remuneration of personnel	58.989.326	54.090.983
Staff cost	58.989.326	54.090.983
Remuneration of suppliers	277.072.835	226.380.489
Total purchase	207.387.048	166.694.443
Other direct services	26.815.540	22.618.067
Other operating services and charges	42.870.247	37.067.979
Remuneration of the Public administration	7.706.626	6.807.349
Income taxes	7.706.626	6.807.349
Remuneration of shareholders	12.763.579	12.494.816
Net profit of minority interest	5.044.590	4.775.827
Distribution of net Income	7.718.989*	7.718.989
Remuneration of financial system	586.864	625.132
Financial charges	586.864	625.132
Economic value retained by the Group	14.706.284	13.591.203
Net income retained to reserves	9.075.088	7.915.304
Depreciation, Amortization and other accrual	5.631.196	5.675.899

*The amount of distribution of profits for the year corresponds to the use of the profits for the year as dividends which the Board of Directors of El.En. Spa proposes to the Shareholders' Assembly.



Distribution of the economic value generated by the El.En. Group (2018)



- Remuneration of personnel 16,5%
- Remuneration of suppliers 77,6%
- Remuneration of Public administration 2,2%
- Remuneration of shareholders 3,6%
- Remuneration of the financial system 0,2%





EI. En. People Academy

DEKA
ESTHELOGUE
INDUSTRIAL DIVISION





Organizational
profile of the
Group

RESPONSIBLE
BUSINESS
MANAGEMENT

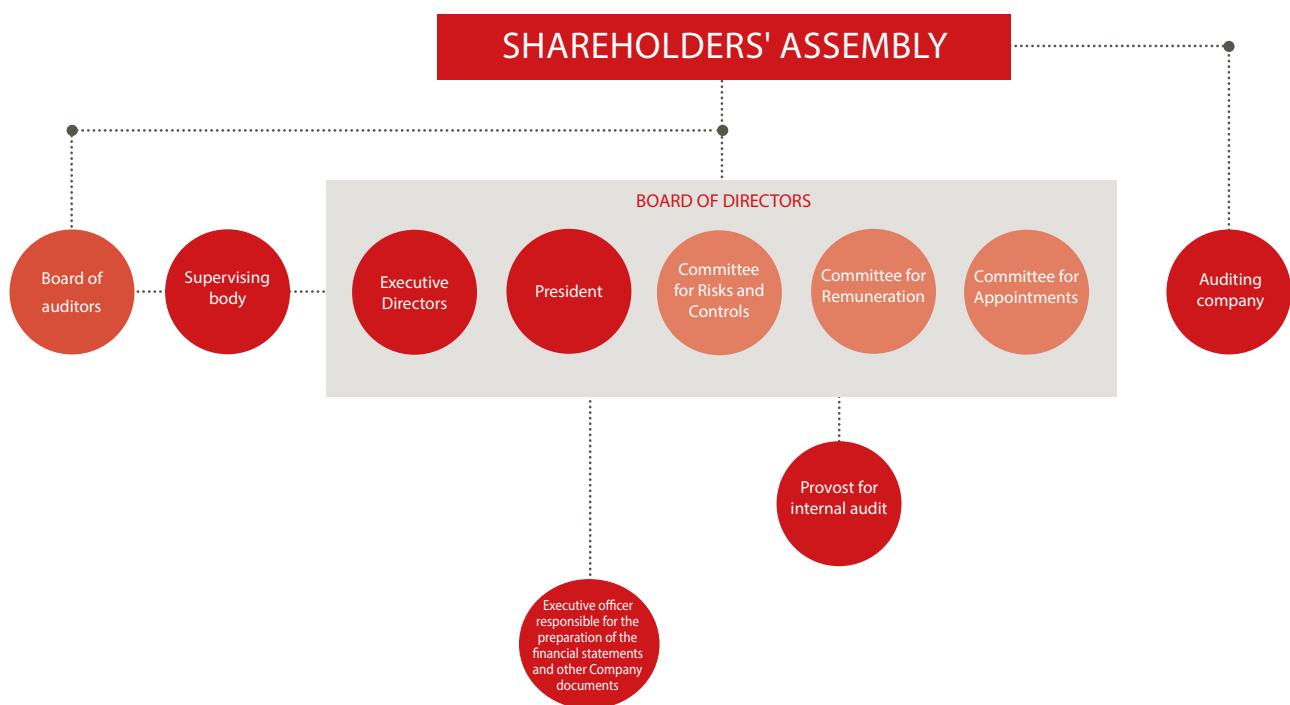
3 ORGANIZATIONAL PROFILE OF THE GROUP

El.En. has created a solid model of Corporate Governance which has a central role in the conduction of the activities of the Group. This model is in line with Corporate Governance Code issued by Borsa Italiana (Italian stock market) and contributes significantly to the creation of sustainable value over a medium-to-long term period.

3.1 THE CORPORATE GOVERNANCE MODEL

The Corporate governance model selected by El.En. S.p.A. is the traditional system based on a Board of Directors which has the task of strategic directing and supervising

and a Board of Auditors which has controlling functions; the system of Corporate Governance that has been chosen is composed of the following figures:



Shareholders' Assembly: the Assembly is the company body where the shareholders participate in the decisions of the Company on the issues that the law and the company statutes state are of their competence; the shareholders' assembly nominates the members of the Board of Directors and the Board of Auditors and approves the financials for the year.

Board of Directors⁵: The board is the main body of the system of Corporate Governance and it has the function of analysis, sharing and approval of the annual budgets and the strategic, industrial and financial planning of the Group and the relative monitoring.. The board is appointed by the Shareholders' assembly and has a role of strategic direction and evaluation of the adequacy of the control systems that have been implemented. The composition, the role and the functioning of the El.En. Board of Directors are in conformity with the law and with the Self-disciplining Code for quoted companies. The Board of Directors that is now in office is composed of six members, three of which are non-executive; the non-executive members , two of which are independent, have been organized, to have a role of consultation and proposal in support of the board

in three commissions: **the Committee for risks and controls, the Committee for remuneration and the Committee for appointments.**

The committees are composed of three non-executive members, two of which are independent. The work of each committee is coordinated by a president. The composition, tasks and powers attributed to the committees are disciplined by special regulations approved by the Board of Directors.

During 2018, with reference to sustainability issues and to the communication of information of a non-financial nature in compliance with D.Lgs. 254/2016, they attributed to the Committee for controls and risks the task of assisting the Board of Directors by informing them in the form of proposals and consulting about the evaluation and decisions related to sustainability issues connected with the activities of the company and its dynamics of interaction with all of the stakeholders, to the social responsibility of the company, to the examination of the possible scenarios for the creation of a strategic plan and the corporate governance of the companies of the Group.

COMPOSITION OF THE BOARD OF DIRECTORS OF EL.EN. SPA

as of December 31st 2018



Gabriele Clementi
President and Managing director Executive



Andrea Cangiolli
Managing director Executive



Barbara Bazzocchi
Managing director Executive



Fabia Romagnoli
Administrator Non executive

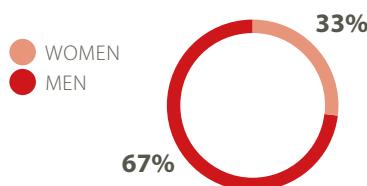


Alberto Pecci
Administrator Non executive

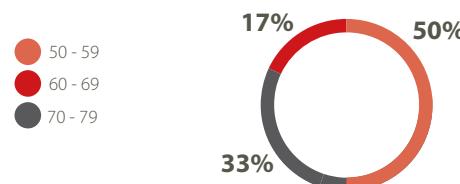


Michele Legnaioli
Administrator Non executive

Directors, divided by gender (%)



Directors, divided by age group (%)



⁵The members of the Board of Directors were appointed by the shareholders' assembly on April 27th, 2018 and will remain in office for the period 2018-2020.

El.En. S.p.A. is one of the few listed companies that has had since its founding a woman, Barbara Bazzocchi, on its board of directors, first as sole administrator and later as executive administrator.

The Board of Directors has, among its various responsibilities, that for internal controls and the management of risks, in relation to which it determines the guide lines and periodically verifies the adequacy and the effective functioning and making sure that the main risks related to the activities of the Group have been correctly identified, measured, monitored and managed.

Board of Auditors: the board is appointed by the shareholders' assembly and has the task of guaranteeing, in compliance with the law and the company statutes, the respect of the main principles of correct administration,

the adequacy of the type of organization of El.En. S.p.A. for the aspects that pertain to its area of competence, the internal controls system, the administrative and accounting system adopted by El.En. S.p.A., and their correct functioning. Moreover, the Board also acts in the role of Commission for internal controls and auditing in compliance with art. 19 D. Lgs. 39/2010. The Board of auditors that is now in office is composed of three standing auditors and two alternate auditors who possess the requirements for honesty, professionalism and independence.

BOARD OF AUDITORS

MEMBERS	POSITION	END OF TERM
 Vincenzo Pilla	President	Approval of financials for 2018
 Paolo Caselli	Standing auditor	Approval of financials for 2018
 Rita Pelagotti	Standing auditor	Approval of financials for 2018
 Daniela Moroni	Alternate auditor	Approval of financials for 2018
 Manfredi Bufalini	Alternate auditor	Approval of financials for 2018

Auditing company: the auditing company is an external entity which has the task of auditing the accounts and which is selected by the Shareholders' Assembly. The auditing company that is presently in office is Deloitte & Touche S.p.A..The other Italian

companies of the Group follow the traditional model and consequently are administrated by a Board of Directors or a sole Administrator and, where necessary, they have a controlling organ and are subject to auditing.



3.2 ETHICS, INTEGRITY AND COMPLIANCE

The El.En. Group is aware of its responsibility towards society and the environment in which it operates and believes that it is indispensable that ethical and transparent behavior be followed in every aspect of the management of company activities, both in relation to the respect of the law and the regulations as well as the considerations of the expectations of all of the stakeholders.

For this reason starting in 2008 the Parent Company started using its own Ethics Code as an instrument for reinforcing and disseminating a company culture founded on the importance of ethic and social responsibility in the conducting of business and company activities.

The Ethics Code defines the principles and values that must be followed in every moment of the manufacturing process and must be constantly observed in collegiate, collaborative and business relations: legality, impartiality, honesty, correctness, equity, and putting to best advantage collaborators and the integrity of people. The Code is applied to the Group and to all the subjects that conduct activity in its favor.

The companies of the Group have all accepted the Ethics Code and, where necessary it has been translated into the local language. They have accepted the commitment to disseminate it to their employees and collaborators using the proper channels of communication. The Code is always available in its up-dated version on the internet site www.elengroup.com, in the section titled "Investor Relations/ Governance/ Corporate documents".

The rules set forth in the Ethics Code are intended to protect the integrity of the Group and to assure their conformity to the laws and to the regulations in each country in which it operates. The Group is committed to establishing the opportune channels of communication through which they can received reports of violations or suspected violations of the Code, or requests for explanations. The violation of the principles defined in the Code constitutes a breach of contract derived from the failure to observe the contract for work and/or collaboration and is a source for compensation of damages.

In the contracts that have been underwritten by the Parent Company with consultants, distributors, agents and suppliers of critical components explicit reference is made to the Ethics Code of the Group and the other party must declare that they have received a copy and that they accept it.

Moreover, the Parent Company and the Italian subsidiaries, Deka M.E.L.A. S.r.l., Quanta System S.p.A.

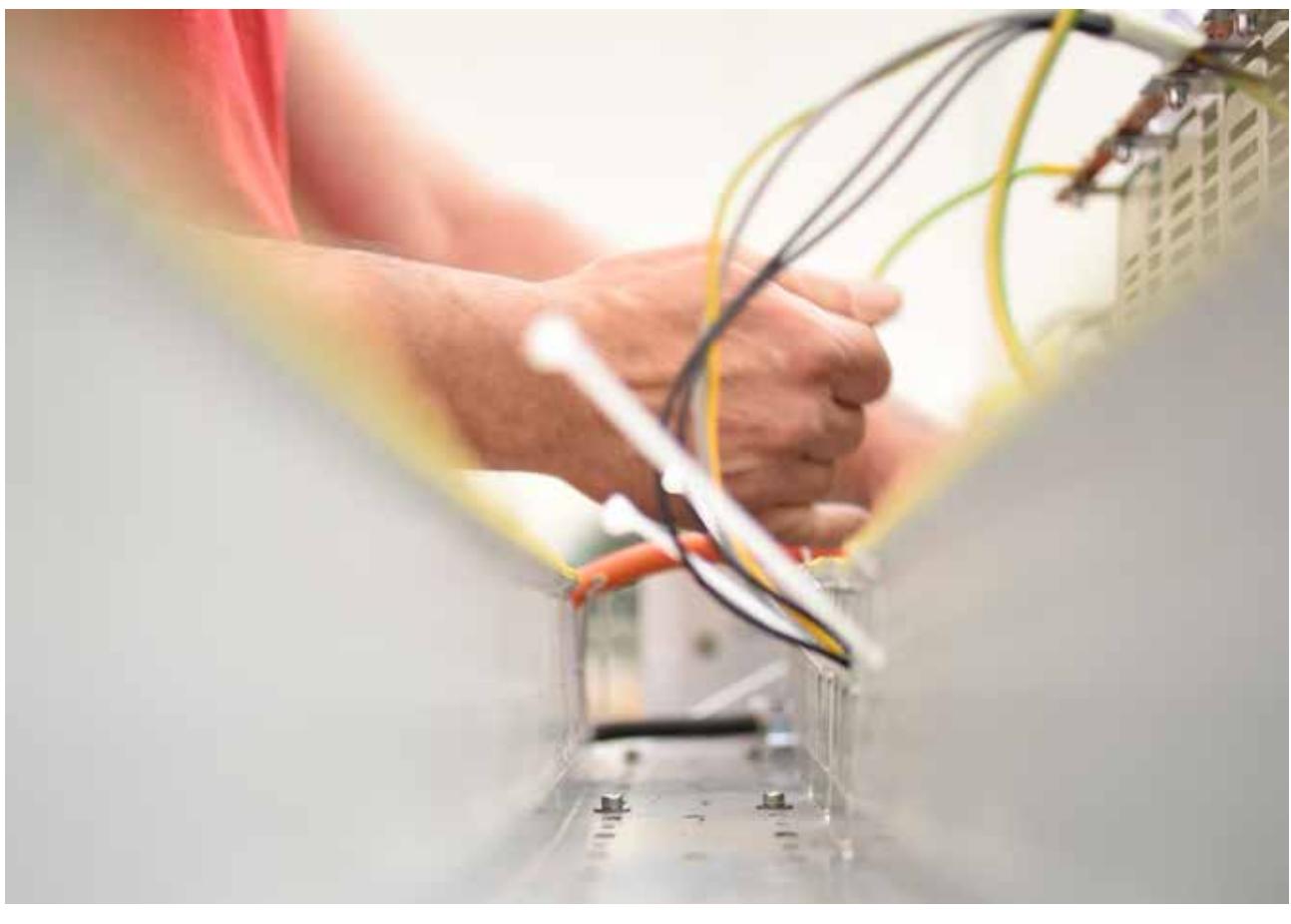
and ASA S.r.l. have adopted the **Organizational Model in compliance with D.lgs 231/2001 (from now on, "Organizational Model")**, which is intended to prevent employees and/or collaborators from committing crimes in the interest of the company. This model for the organization, management and control of the company activities is made up of a series of general principles of behavior in the areas which have been identified as sensitive, for the purposes of preventing the so-called assumption crimes and by a system equipped with control activities and procedures for the prevention of these crimes.

The areas that are protected because they have been identified as sensitive are crimes related to safety and health on the workplace (ASA S.r.l. identified only this area as being sensitive for the planning of a special section of its Organizational Model); crimes against the Public Administration, corporate crimes, receiving stolen goods, money laundering, use of money, goods or utilities of illegal origin; moreover, El.En. S.p.A. and Deka M.E.L.A. S.r.l. have identified as sensitive areas also those related to the following crimes: market abuse, transnational crimes, environmental crimes.

With particular reference to the risks related to ethical behavior, the El.En Group has directed their attention to the **prevention of risks related to corruption**.

In this context, the Parent Company El.En. S.p.A. and its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. have analyzed and considered relevant this risk and they have inserted it in their Organizational Model D.lgs. 231/2001.

These companies have conducted an analysis of the risks for the committing of cries against the public administration (including those involving corruption) from which, however, no particularly high level of risk emerged, in consideration of the existence of procedures designed to prevent it and the type of business conducted.. Nevertheless, they have identified the most sensitive areas and have inserted a special section dedicated to the prevention of crimes of this type in the Organizational Model.



The analysis therefore started with the mapping of the activities and the identification of the risk related to each of them by attributing a certain number of points. The parameters used for the point system were: the number of times it had happened in the past, the existence of company procedures, the impact of the penalties for this type of crime and the frequency of the event. We decided that the frequency of the event and the impact of the penalties made it opportune to dedicate a part of the Organizational Model to all the preventive activities related to this kind of crime, even if the occurrence in the past (no event of this type has taken place) and the existence of company procedures lowered the risk. The Ethics Code also contains precise directives related to correct behavior which are intended to avoid the occurrence of corruption. In 2018, no cases or reports of corruption were registered.

In order to guarantee the principles contained in the Ethics Code and the effective implementation of the systems for the flow of information and controls described in Model 231 the companies of the Group that initiated it make use of a **Supervising Body** which is appointed by

the Board of Directors; The main duty of the Supervising Body is that of monitoring and, when necessary, reporting to the Board of Directors any irregularity or violation, and to supervise the respect of the procedures set up by the Company, as part of the prevention plan of the so-called assumption crimes, identified after an in-depth analysis which includes corporate crimes and crimes related to health and safety in the workplace.

The El.En. Group believes that the knowledge of and adherence to the principles of the Model 231 Ethics Code must be promoted also through specific training programs for the people who work for the organization: starting this year, for some of the companies that are located in Calenzano, we have begun a specific training program based on Model 231 and conducted by the members of the Supervising Body for a total of 110 hours of training which involved 65 employees. For the Chinese subsidiaries instead, there is a specific training program regarding the Ethics Code of the Group for all the newly hired employees. Activities will continue to disseminate in greater detail information on these issue within the organization.

FOCUS: THE RESPECT OF HUMAN RIGHTS

The Group sustains and respects the rights of the individual in conformity with the Declaration of Human Rights of the United Nations and, consequently, requires the greatest respect for people and for the regulations that are applicable in relation to work; they do not tolerate any behavior that is discriminatory or threatens the safety of people. The Group considers impartial treatment to be a fundamental value in every relationship both within and outside of the company and believes that the individual, his/her ideologies and his/her rights are values which must be protected. The behavior of every employee and collaborator must be in conformity with the principles and regulations expressed in the Ethics Code and the legal and contractual rules that regulate labor relations regulations. By disseminating their own Ethics Code even to collaborators and suppliers the El.En. Group has established a safeguard aimed at guaranteeing the respect of human rights (prohibition of discrimination, prohibition of forced or child labor, free association) even in those areas that are held to be of the greatest potential risk in relation to these issues (for example, the supply chain).



The relations with national and international institutions must be conducted respecting the legislative and administrative regulations and in the spirit of the greatest collaboration.

For this purpose, as defined in the Ethics Code , we are committed to:

Establishing stable channels of communication, without any type of discrimination, with all the relative institutions at an international, national and local level;

Representing the interests and the positions of the companies of the Group in a way that is transparent, rigorous and consistent and avoiding collusive attitudes;

In order to guarantee the greatest clarity in relations,

contacts with the institutional representatives must take place exclusively through representatives who have explicit mandate from the persons who are authorized to do so by the companies of the Group.

Interaction with the Public Administrations, with EU institutions, with organisms and with international agencies must always be inspired by the principles of legality, loyalty, correctness and transparency.

With all of the authorities who conduct inspections, supervision, regulatory and guaranteeing activities, the Group maintains relations of complete collaboration and rapidly places at their disposal any information that is requested and acts in conformity with the provisions issued.

For further details concerning the Ethics Code of the Group and the Organizational Models, please refer to the Code itself and the Annual Financial Report issued on December 31st 2018 which is available on the company website: www.elengroup.com.



3.3 INTERNAL CONTROLS SYSTEM AND RISK MANAGEMENT

In a context of continuous evolution, where sustainability issues of the company activities, the fight against climate change, the protection of the environment and the adoption of suitable policies for development have become of fundamental importance, the efficient management of risks is a key factor which every company must now evaluate with greater attention. For this purpose, the El.En Group has defined a System of Internal Controls and Management of Risks which is composed of specific rules and procedures in order to be able to evaluate the present trends and the new challenges of the market and succeed in taking advantage of the opportunities that arise by a careful management of all the related risks.

For El.En. S.p.A. and the Group, whose objective is the sustainability of the company activities over a mid to long-term period and the creation of value in the respect of external stakeholders, the **system of internal controls and risk management** is understood to be a series of methods of analysis of the procedures, the functions and organizational structure and the relative activities conducted in order to identify the main risks for the company, the methods used for managing them and the organization of the system for safeguarding against them. The organization of an adequate system of controls is meant to implement an efficient management of the company, the safeguarding of the corporate assets, the efficient management of the company processes, the reliability of the information disseminated by the Company both of a financial and non-financial nature, as well as the respect of the laws, the regulations, the company statutes and internal procedures. For the purposes of building and developing an adequate system for the management of risk management, the Parent Company has defined their own system of internal controls and risk management, first of all, in relation to the process of disseminating financial information, based on the CoSO Framework model, consistent with international best practice. The main characteristics of the system of internal controls and risk management are represented, on one hand by the regulations and procedures and, on the other, by the bodies for governance and control. The regulations are mainly constituted by a series of general principles codified by the Ethics Code; and, in the second place, by a series of secondary procedures (like those in ex D. Lgs. 231/01, L. 262/05, L. 81/09, internal regulations concerning the treatment of confidential information, operations with related parties, internal dealing, etc. which make it possible to act within the reality of the company and to implement the above mentioned principles of a general nature. On the other hand, they conduct the control of the observance of the rules and procedures on the basis of the competencies and functions defined and assigned by the Board of Directors to the different bodies at

various levels. The organization of the System of Internal Controls and Risk Management is set up as follows:

- **The Board of Directors and the Board of Auditors**, as stated in the preceding paragraphs, have, respectfully, the task of evaluating the adequacy of the system of internal controls which is being used and conducting the function of the Committee for internal controls;
- **The Committee for Controls and Risks** which has the task of supporting the Board of Directors in its evaluations and decisions relative to System of internal controls and risk management and, as mentioned above, starting this year, also regarding sustainability issues.
- **Executive administrator responsible for the System of Internal Controls and Risk Management** has the task of instituting and maintaining an efficient system of internal controls and risk management;
- **Internal Auditor**, appointed by the Board of Directors, has the task of verifying both continually and in relation to single necessities, the operation and suitability of the System of Internal Controls and Risk Management;
- **Executive officer responsible for the preparation of the financial statements of the Company and other Company documents** is appointed by the Board of Directors and has, besides the responsibilities assigned to him jointly by the Executive Administrator in charge of the System of Internal Controls and Risk Management, the responsibility of evaluating and monitoring the level of adequacy and efficiency of the administrative and accounting internal controls system by conducting a preliminary investigation;
- **Supervising body** in compliance with Organizational Model ex D. Lgs. 231/2001 has the task of supervising the respect of the procedures set up by the Company, also in the area of the prevention of corporate crimes.

The System of Internal Controls guarantees the safeguarding against risks related to the pursuance of strategic and operative objectives, reporting and compliance, both in the Parent Company and the subsidiaries which have adopted this approach.

Below is a list of the main risks that have been identified that are inherent to sustainability issues:

- **Risks related to ethical behavior:** the risks that are related to a lack of integrity in the management or the employees of the Group, which might give rise to unethical behavior or acts that are not authorized, illegal or fraudulent, with particular reference to issues of active or passive corruption, corruption of private individuals and human rights issues. To reduce these risks for the Group we have adopted an Ethics Code to re-enforce the dissemination of a corporate culture that is founded on the importance of an ethical and social responsibility in the conducting of business and company activities; the Parent Company and some of the Italian subsidiaries have also adopted an Organizational Model in compliance with D.lgs 231/2001. Moreover, the Group is committed to adopting an anti-corruption policy.
- **Risks of reputation:** because of the nature of the sectors in which the Group operates, one of the major risks that they face at a corporate level is related to the quality and safety of our products and the chain of supply; any manufacturer's defects that might occur could compromise the reliability and safety of the final product. If we underestimate the attention of the clients and of the community in general, we could risk a loss of image and in our reputation, with a consequent drop in financial performance. The Group has always directed particular focus on the quality and safety of the processes and the products. The main manufacturing companies of the Group, in fact, adopted a system for quality control and have obtained an ISO 9001 certification, while all of the companies that produce medical devices have obtained the ISO 13485 certification and operate rigorously in conformity with the regulations, as is demonstrated by the numerous periodical, programmed and surprise inspections that they have passed every year. In order to guarantee maximum safety, moreover, as stated in the Ethics Code, the Group establishes long-lasting relationships with its suppliers that are based on principles of correctness and transparency and they monitored carefully the process for the selection of suppliers and the maintenance of their performance, by making specific visits to their offices in order to verify their capacity to satisfy and maintain the qualitative requirements needed. We are committed to the creation of a Code of Conduct for Suppliers to define and share the principles, good corporate and environmental practices and ethical behavior and promote a supply chain that is increasingly responsible and sustainable.
- **Risks related to personnel:** these risks are related to the fact that the Group does not implement processes for the purpose of attracting, selecting, motivating or exploiting human resources or that there are not adequate processes intended to guarantee the respect of diversity and equal opportunity. In relation to the quality management system (ISO 9001) used by the main manufacturing companies, the issues related to the management of the employees is protected; the Parent Company, moreover, has codified the procedures for the management of human resources and has profiled the company functions with the identification of the responsibilities and skills that are required. In all of the companies, the training activities are defined annually and, besides the obligatory training that must be conducted, they register the curriculum requirements of the company staff. The Group, moreover, has included in the Ethics Code their own commitment to respect and protect the dignity, diversity and equal rights of its employees and collaborators
- **Risks related to compliance with the environmental and health and safety regulations:** these risks are connected, on one hand, to the possibility of new regulations for the protection of the environment and the possibility of non-conformity with the environmental requirements stated in the regulations and, on the other hand, the fact that the Group does not implement processes that insure the safety and health of the workers and the possibility of non-conformity with respect to the laws in this field. In the Ethics Code, the Group has codified its commitment to the protection of the environment and the health and safety of the workers. The Italian companies belong to the Group have monitored the issues related to the environment and health and safety also in relation to Organizational Model D.lgs 231/2001. In all of the companies, the issue



of health and safety is managed and monitored through a series of processes which, although they are not centralized and coordinated at the Group level, guarantee that in all the subsidiaries there are procedures related to the protection of health and safety of the workers, at the time of their training.

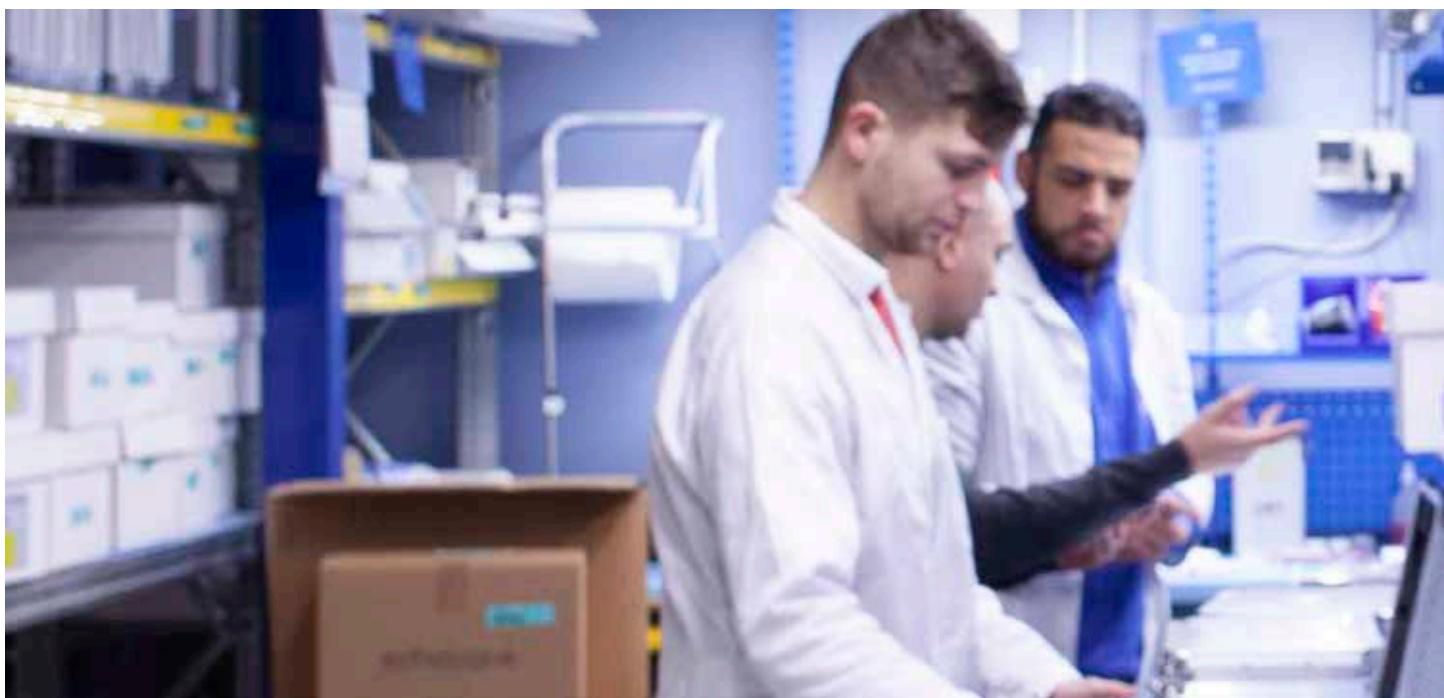
- **Risks related to the respect of human rights:** the risks are related to the respect of human rights which might undermine a correct and responsible management of the activities of the company. The risk is related in particular to the activities and to the suppliers of the Group who operate in countries (for example, those in Asia) where the legislation in this field is not so rigorous as it is in Italy. The protection of human rights is explicitly mentioned in the Ethics Code of the Group, respect of which is required from all the companies. The Group extends the application of its Ethics Code also to the suppliers and explicit reference is made to the Universal Declaration of Human Rights issued by the

United Nations. Moreover, the Group is committed to adopting an Ethics Code for Suppliers, a policy of human rights and to plan a specific training, in particular in those countries where the legislation is not as severe as it is in Italy.

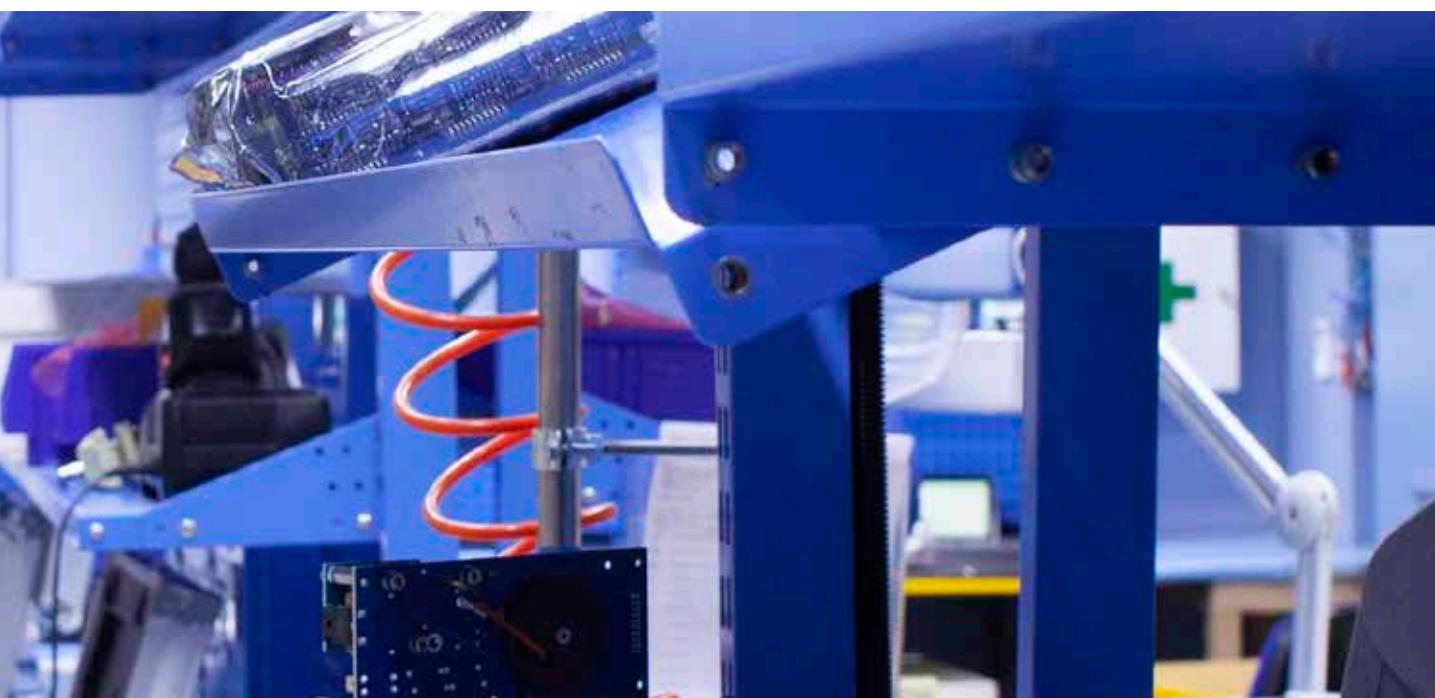
- **Environmental risks:** these risks are related to the possibility of causing an environmental impact which has negative repercussions on the local territory in which the Group operates, or else that inadequate measures have been taken to prevent or reduce this impact. El.En. has always respected environmental requirements in compliance with the present legislation in force and in the Ethics Code of the Group, it has repeated its commitment to protect the environment. The Italian companies that have adopted the Organizational Model in compliance with D. Lgs. 231/2001 have monitored these issues also within the Model. The Group is committed to adopting a policy to monitor and reduce the environmental impact of its activities.

I PRINCIPALI RISCHI INERENTI I TEMI DI SOSTENIBILITÀ

Risk Category	Description of risks	Management	Macro area
Risks related to ethical behavior	<ul style="list-style-type: none"> Lack of integrity on the part of the management or of the personnel Risk of corruption 	<ul style="list-style-type: none"> Chapter 1: Sustainability Chapter 3:Organizational Profile of the Group Ethics Code of the Group Organizational Model according to D.Lgs. 231/2001 for the companies that are using it Commitment to adopt a Group anti-corruption policy 	Governance
Risks related to respect of human rights	<ul style="list-style-type: none"> Lack of respect of human rights 	<ul style="list-style-type: none"> Chapter 3: Organizational Profile of the Group Ethics Code of the Group Commitment to adopt a specific training and a Group policy in relation to human rights 	Social responsibility
Reputation risks	<ul style="list-style-type: none"> Underestimating the interest of the community for issues related to quality and safety as well as sustainability Lack of product quality and safety Lack of quality in the supply chain 	<ul style="list-style-type: none"> Chapter 4:The Manufacturing Process Chapter 5: Our business Ethics Code of the Group Organizational Model D.Lgs. 231/2001 for the companies that have adopted it Commitment to adopt an Ethics Code for Suppliers Insertion in the checklist of suppliers the evaluation of some sustainability issues 	
			Product responsibility



Risk Category	Description of risks	Management	Macro area
Risks related to personnel	<ul style="list-style-type: none"> Inadequate development of human resources Lack of training Lack of respect for diversity and equal opportunities 	<ul style="list-style-type: none"> Chapter 6: the People Group Ethics Code Organizational model Modello D.Lgs. 231/2001 for the companies that have adopted it System for the management of quality for the companies with the ISO 9001 certificate 	Human resource responsibility
Risks related to compliance with environmental and health and safety laws	<ul style="list-style-type: none"> Lack of procedures to protect the health and safety of the workers Risk of non-compliance with the new environmental obligations and regulations or non-conformity to the environmental law 	<ul style="list-style-type: none"> Chapter 6: the People Chapter 7: Environmental responsibility Group Ethics Code Organizational model D.Lgs. 231/2001 for the companies that have adopted it Commitment to adopt a Group environmental policy 	Environmental responsibility
Environmental risks	<ul style="list-style-type: none"> Risk of causing environmental impact which has negative repercussions Risk of using inadequate measures to reduce the environmental impact 	<ul style="list-style-type: none"> Chapter 7: Environmental responsibility Group Ethics Code Organizational model D.Lgs. 231/2001 for the companies that have adopted it 	





The
manufacturing
process

FROM THE ORIGINAL
IDEA TO THE
FINISHED PRODUCT

4 THE MANUFACTURING PROCESS

4.1 RESEARCH AND DEVELOPMENT AS AN INSTRUMENT FOR INNOVATION

The critical factors in the success of the El.En. Group are the adequacy of the range of products which we offer and the capacity to innovate it continually in order to meet the requirements of the market and create new ones.



6
RESEARCH
CENTERS



92
PEOPLE INVOLVED
IN RESEARCH AND
DEVELOPMENT



MORE THAN
16 MILLIONS
EUROS INVESTED IN RESEARCH AND
DEVELOPMENT



117
ACTIVE PATENTS AND **15**
PENDING

The position of the Group for hi-tech products and the global competitive context in which it operates comports a continuous and significant effort in terms of research and development of new products and new technologies; our strong point is the capacity to be single minded, to innovate considering the requirements of the doctor and the patient in the medical sector rather than the client in the industrial sector, starting with every intuition which may arise from the close and constant observation of problems that have not yet been solved.

The skills that have been developed and the enthusiasm of our staff are the real difference. The El.En Group and the people who work there in fact, have a knowledge of physical, biomedical and technological phenomena that has matured in over thirty years of experience, which has brought them to have an extraordinary capacity to improve their own know-how, to innovate the production technologies, processes products and related services.

The Group organizes its activity of research and development according to mid- to long-term programs in order to prepare quickly and continuously products that are innovative in their performance and applications..

In our research activities conducted in our laboratories, as well as that made in collaboration with important research centers, hospitals and universities, both at a national and international level, we set no limits since we are driven by the desire and the passion for everything that is new or can become new. The kind of research that is conducted is of the applied type for most of the activities while it is theoretical for some specific subjects, usually related to activities regarding mid- to long-term innovative objectives.

The innovating capacity of the El.En. Group is demonstrated by the number of patents that the Group has obtained: in less than forty years of activity since its foundation 117 patents have been obtained and 15 are pending..

The chart below shows the expenses sustained by the Group during 2018 for research and development:

Thousands of Euros	Dec 31st 2018	Dec 31st 2017
Staff costs and general expenses	9.995	8.058
Equipment	197	169
Costs for testing and prototypes	5.404	3.944
Consultancy fees	522	712
Other services	99	54
Total costs R&D	16.218	12.936

The amount of the costs sustained corresponds to about 5% of the sales volume of the Group. The expenses sustained by El.En. S.p.A. are about 6% of its sales volume.

For the activity of research and development in the medical sector, the principal areas of development for the Group are the following:

- Clinical experimentation for the extension of the applications of "Mona Lisa Touch" laser treatments to reduce the effects of the atrophy of vaginal mucous, an extremely important application in uro-gynecology and urology;
- Research and clinical experimentation on the effects of laser applications to biological tissue including laboratory studies of biological samples and cell cultures; experimentation on the wave length of laser emissions for which the theoretical models include a particularly effectiveness in the treatment of some dermatological pathologies or in general in the human body.
- Research for new clinical applications using the laser in dermatology (cutaneous ulcers and diabetic feet). The healing of chronic ulcers, for example, is based on the unique characteristics offered by the laser beam during the cleaning phase of the wound and on the capacity for bio-stimulation operated by the laser light itself, which activates the cells and favors the regeneration of the skin cells.
- Development of new laser systems and improvement of those already developed, with emission of impulses lasting pico-seconds for dermatological applications;
- Completion of the development of a new system based on micro-waves as a highly efficient form of energy for the reduction of subcutaneous fat in various parts of the body using a non-invasive

treatment (the ONDA system, released for sale in May of 2018);

- Preliminary study, development and designing of multi-functional platforms for dermatological and aesthetic applications;
- Preliminary study, development and designing of systems which integrate and improve the existing laser technology for hair removal applications.

In the industrial sector the Group has conducted the following activities:

- Development of innovative processes for pre-cutting and micro-perforation of labels in a machine.
- Development of software and algorithms for advanced high-speed coding in the sector of digital converting.
- Increase in the maximum power of laser sources in the RF range maintaining a high-quality and modularity of the beam; development of innovative applications (for example, micro-perforation of panels and special applications in the field of digital converting) made possible by the technology;
- Research to improve the management and focalizing of the laser beam for high-powered sources in fiber;
- Continual improvement in the applicative processes of sheet metal cutting aimed at improving the efficiency, speed, and versatility for cutting larger thicknesses through the opportune management of the high powers available.
- Experimentation and multi-disciplinary research (electronics, optics, fluid-dynamics) for the optimization of the potential of the laser system for flat cutting of sheet metal;
- Improvement of the performance of the galvanometric components of the scanning systems.

BEST PRACTICE

The approach of El.En. S.p.A. in the medical sector

El.En. S.p.A. has recently increased the strategic function of research and development with an aim to maintaining the leadership in innovation for the company and the Group in the sector of medical lasers.

For a brief period we have activated a process to maximize the efficiency and effectiveness in the development of new products by reducing as much as possible the "time to market", without making compromises at the level of quality and reliability. We have concentrated our resources in areas of consolidated experience and focused on our core technologies.

Specific knowledge has also come from other technologies, like, for example, from body-contouring where for the first time, we have used microwave technology. For this application and for the aesthetics market in general, which is now showing significant growth, new products and new approaches are needed.

The mid- to long-term objective is to find substantial innovations which will allow El.En to increase its competitive advantage on the market with break-through products and consolidate the market quotas that have been acquired by opening new niches both in the aesthetics sector and the surgical sector.

There are three main directives of the technological innovation: first, the implementation of technological innovations in the field of photonics, like the diode sources, the laser sources in fiber and the ultrafast laser sources (pico-seconds and femto-seconds) in order to improve the interaction between radiation and tissue in a way that is both effective and safe.

In the second place, new specific systems for cooling the tissue in order to reduce to a minimum the collateral effects, including pain and inflammation after the treatment and make it possible, at the same time, to reduce the duration.

Thirdly, the implementation and adoption of the most sophisticated diagnostic systems which make it possible to determine in the most reliable way possible, when the end-point of the treatment has been reached and, in this way, guarantee the greatest effectiveness in conditions of maximum safety for the patient.



4.2 QUALITY AND SAFETY OF OUR PRODUCTS

The Group is aware that the complexity of its business requires high qualitative standards and for this reason the commitment that we have and we promote for the quality and safety of our products is essential in order to guarantee continued growth and success. We have always focused on the phases of design and development of our systems; in fact, our value is created through the study and application of methods that are increasingly selective, effective and safe.

Every day we are committed to supplying products of value to our clients in such a way as to create loyalty that is based on quality, reliability and safety and to guarantee these requirements for the product are recognized and appreciated and that every measure be adopted to make sure that they are in conformity with the law.

To this purpose, some companies of the Group have equipped themselves with an Integrated Management System Manual which is in compliance with TUSSL n. 81 of 2008, to describe the objectives and the policies of the Management System for Quality and the ways in which it should be applied. The manual defines the general criteria needed to satisfy the requirements for safety and performance of products during their entire life cycle, as well as the services supplied.

EI.En. S.p.A., Deka M.E.L.A. S.r.l., Quanta System S.p.A., ASA S.r.l. and Asclepion GmbH also use a Quality Policy which guarantees the conformity of the activities to the

regulations of the institutions in the country in which they operate.

Depending on the geographic area in which they are located and the type of business they run, the different companies of the Group comply with the standards and regulations shown below.

- ISO 9001;
- ISO 13485 relative to quality control systems for medical devices
- European directive MDD93/42/EEC (Medical Devices Directive);
- National laws of the countries that are members of EU and the non-European countries like the United States of America(21CFR820/803/806), Japan, China (CCC-Certification for electronic components and Enterprise standard “CNC laser cutting machine”) and Brazil.

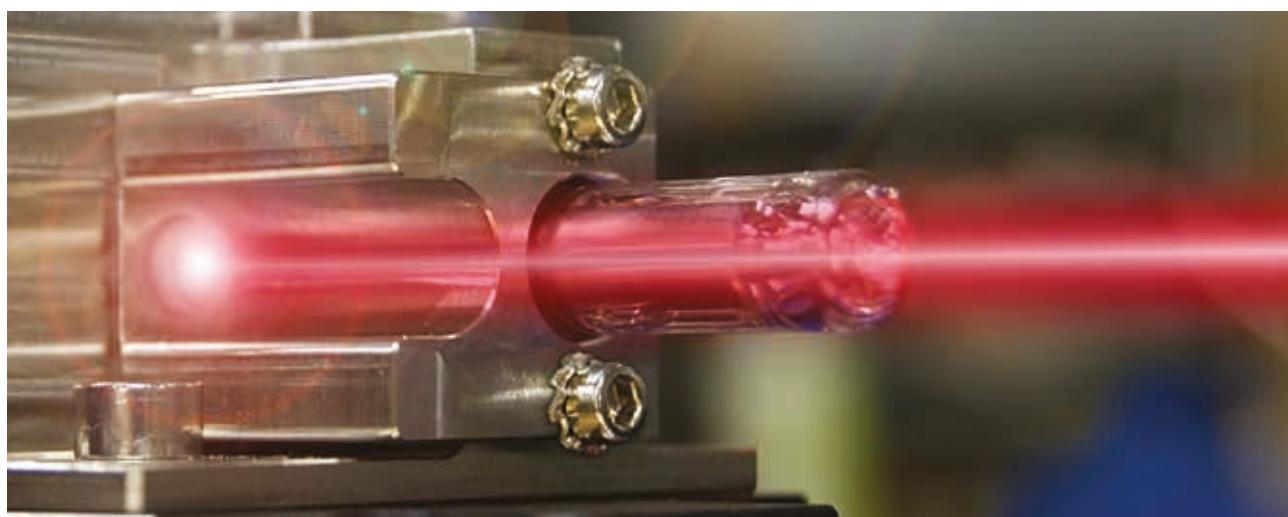


44

THE PERSONS
INVOLVED IN QUALITY
CONTROL

Our products and our quality systems are certified by the most important institutions at a world level that are responsible for supervising the safety and effectiveness, above all, of medical devices. Our companies periodically receive inspections for the renewal of the certificates they possess, and which are indispensable for exporting our products abroad.

Company	Certification
ASA S.r.l.	<ul style="list-style-type: none"> • ISO 9001:2015; • ISO 13485:2016; • Directive 93/42/EEC on medical devices;
El.En S.p.A. e Deka M.E.L.A. S.r.l.	<ul style="list-style-type: none"> • ISO 9001:2015; • ISO 13485:2016; • Directive 93/42/EEC on medical devices;
Penta Chutian Laser (Wuhan) Co. Ltd e Penta Laser Equipment Wenzhou Co. Ltd	<ul style="list-style-type: none"> • ISO 9001:2015; • CCC Certifications on electronic devices (Penta Laser Equipment Wenzhou Co.Ltd)
Quanta System S.p.A.	<ul style="list-style-type: none"> • ISO 9001:2015; • ISO 13485:2016; • Directive 93/42/EEC on medical devices;
Asclepion Laser Technologies GmbH	<ul style="list-style-type: none"> • ISO 9001:2015; • ISO 13485:2016; • Directive 93/42/EEC on medical devices;
Cutlite do Brasil	<ul style="list-style-type: none"> • ACIB - Centro Empresarial de Blumenau; • ABIMAQ (National Association of Machine Industries); • INDAC (Instituto Nacional para Desenvolvimento de Acrílico - National Institution for Development of Acrylic); • Conselho Regional de Engenharia e Agronomia de SC
Deka Japan Co. Ltd e With US Co. Ltd	<p>The companies comply with the regulations of the Japanese Ministry of health, labor and welfare. In order to import and sell machinery in Japan, companies must have a selling permit and the type of product imported must be approved in advance. The selling permit must be renewed every five years and the permit for marketing of the machine is renewed for from one to five years depending on the type of risk it represents.</p>



The Group is committed to achieving a continuous improvement in the quality of its products and services through the motivation and involvement of its staff; these objective is pursued through the optimization of the corporate processes, according to criteria of efficiency and univocal, homogeneous, effective and

efficient working methods. Moreover, we are tending more towards a Quality Policy that is oriented to a risk management system as an instrument for evaluation and decision making, with an aim to pursuing a continual improvement through opportune corrective and preventive measures.



4.3 THE SUPPLY CHAIN

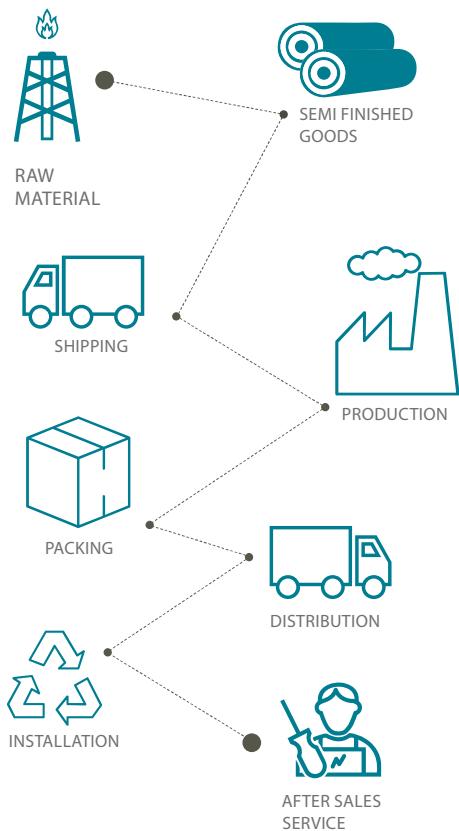
In the Group there are manufacturing companies that serve the medical and industrial sectors and marketing companies that serve the medical market. The medical companies distribute their products to qualified distributors, directly to the end-user (medical clinics, doctors, etc) and also through OEM partners, while the industrial companies operate on the market mainly by selling directly to the end-users.

The specifications of the components of our systems are established by our technical offices and, on the basis of our rigorous requirements, the components may be produced internally, manufactured according to our specifications by qualified suppliers or bought from catalogs. The simplest phases of assembly and work on the components may be conducted either in our factory

or it may be outsourced. Purchases of supplies are mainly related to components and accessories for manufacturing (technical accessories, critical components, industrial accessories, etc). The other categories of purchases may include office supplies, software, and computer supplies and packaging for shipments. As far as services are concerned, the companies of the Group use outside suppliers for computer assistance, technical maintenance, scientific laboratory services and certifying institutions, companies for the disposal of special waste, for publicity and marketing, financial services and shipping agents. We frequently also use services that are inherent to research and development by hiring highly qualified professionals. During 2018 at a consolidated level the amount of spent for purchases was 207,4 million Euros while the amount spent for outsourcing was 7,4 million Euros.

The El.En. Group believes that close collaboration with the supply chain is essential in order to maintain a high standard of quality in the finished product and, in general, in the entire production process. The final objective is that of establishing a long-lasting relationship that is characterized by transparency and cooperation. The suppliers must meet the minimum requirements for safety, quality and financial stability in order to minimize the risk of potential interruptions in the supply and unexpected costs. We continually conduct preventive analysis and evaluations in order to understand the market trends and monitor the evolution of the present suppliers and the potential ones, their technical updating and the regulations for the sector even in relation to the marketing of the products they sell to us.

The Group operates according to standards of fair competition and honesty, legality and correctness while respecting the legitimate interest of all of the stakeholders. The Ethics Code of the Group contains all of the principles and rules that all of those who are in contact with the Company are required to follow. In the contracts for the sale of critical components that are underwritten by El.En. S.p.A., the other party must declare that they have received a copy of the Ethics Code and that they accept it.



In relation to this, the suppliers are asked to meet certain requirements:

- Financial soundness;
- Experience in the sector;
- Reliability;
- Technical and planning resources and capacity;
- Manufacturing capacity;
- Use of systems for the control of the quality and safety of the products, consistent with the requests of the Group.

In the selection process and in their relations with the suppliers, the Group evaluates, consistent with the internal procedures and the company program, the economic benefits in reference to the objectives of solvency and long term profitability, as well as the presence on the market, the technical capacity and the reliability of the persons involved.

In particular, for the manufacturing companies of the Group the selection of the suppliers follows a precise procedure of qualification and approval to guarantee the quality of the product and the respect of the delivery times. According to this procedure, using a "Supplier Qualification Request Form" we evaluate the general level of the Quality Control System of the supplier, with an aim to constantly improve the aspects which influence the quality of the product or the service which we are buying; for purchases of merchandise we also make trial orders which allow us to conduct inspections directly on the product.

For products and services of a certain kind, like the services offered by testing laboratories, the qualifying procedure and approval is based mainly on the analysis of the certifications that the supplier possesses, because the authority of the certifications and of the institutions that have issued them are a guarantee of reliability. Occasionally we also conduct audits at the supplier's; at the end of the analysis, on the basis of the results of all the tests that have been run, the supplier will either be included or excluded if his quality level is found to be insufficient.

In the Sustainability Plan, the Group is committed to inserting, in the next few years, as part of the qualification procedure for the approval of suppliers, also an evaluation of some aspects related to issues of sustainability so that they can be used as parameters and contribute to the overall evaluation of the supplier.

Once the supplier has been judged to be suitable from a qualitative point of view, periodic inspections are programmed to make sure that the standards of quality required have been maintained: these evaluations take into consideration aspects such as flexibility of the supplier, i.e. his capacity to adapt to the requirements

of the organization, the speed of response to and the management of contingencies, the organizational structure and punctuality of deliveries as well as the evaluation of the merchandise delivered. Annual inspections are also conducted at some supplier's by specially trained internal auditors, both routinely or on account of an anomalous situation of non-conformity, like a decline in the quality of the product or services.





A black and white photograph of a sophisticated industrial laser machine. The image shows a dense assembly of optical components, including numerous mirrors, lenses, and beam splitter cubes, all mounted on a sturdy metal frame. The components are arranged in a complex, layered structure, reflecting light in various directions. The overall appearance is one of precision engineering and high technological complexity.

Our
business

THE LASER AS A
SUSTAINABLE
INSTRUMENT

5 OUR BUSINESS

5.1 USES AND BENEFITS OF LASERS IN THE MEDICAL SECTOR

The use of our medical and aesthetic lasers and the continued commitment we dedicate to research and development of new or improved applications generates a series of indirect social impacts which are transformed into benefits both for the patient and for the local community.

With our laser systems for the medical and aesthetic field we have placed at the disposal of the market instruments and solutions which improve the welfare of people and the quality of life of patients by reducing health issues of both a physical and aesthetic nature, and those of a psychological nature associated with them. The laser is, in fact, a device which, thanks to its inherent selectivity treats the pathologies by maximizing the effectiveness of the interaction and minimizing the collateral effects of the treatments.

If we consider, for example, the surgical sector, the equipment that has been conceived and developed by the Group for minimally invasive surgery has brought about an improvement in the quality of life for the patients in terms of a greater recovery of healthy tissue, less risk because of the reduction or elimination of local anesthetics and a reduction in post-operative recovery time, since the sutures are reduced. The types of operations which can be performed with lasers, in fact, do not require incisions or the use of scalpels, and the laser beam can be directed remotely using sub-millimetric optical fibers which offer greater facility of use to the medical personnel.

Our systems offer enormous advantages and improvements for the welfare of the patients also in the dermatological surgery sector where, if we consider, for example, skin surgery applied to mucous, the laser has revolutionized the traditional approach by vaporizing rather than cutting the tissues and in this way eliminating only the existing cutaneous lesion and saving the tissue surrounding the lesion, all of which takes place without bleeding due to the cauterizing effect of the laser. The laser treatments make it possible to avoid deep cuts in the skin and the advantage of this is represented by the fact that no scarring or loss of elasticity in the skin occurs; this is an important advantage, especially in the more delicate parts of the body. In the last few years, it has been demonstrated that laser treatments are the

most effective non-surgical and non-pharmacological solution to prevent and to treat vaginal atrophy and its consequences: lack of nourishment and hydration of the cells of the vaginal mucous in fact comport dryness, burning and discomfort and negatively influence the relations and the self-esteem of the patients, both when the symptoms are due to genital and urological issues typical of natural menopause or induced after oncological therapies as well as those due to post-partum ipoestrogenization.

The elimination of major imperfections like hirsutism, angiomas, acne, rosacea, psoriasis, large scars, etc.) using our laser devices has made it possible for many people, both on a family surrounding and in society, in childhood as well as adulthood, to find a harmonious balance of acceptance and dignity from other members of the community. Besides being pathologies that are often uncomfortable or painful, for many people living with a part of their body, especially a highly visible one, that is affected by apparent imperfections can also have important psychological repercussions. Some lesions create strong emotional reactions in the people that are affected and create difficulty for them in personal relations because they do not feel at ease with their own body or suffer from depression because they are not able to accept the imperfections and consider them an insurmountable problem. Thanks to laser technology, these pathologies or imperfections can be treated in a manner that is effective, painless, non-invasive and increasingly economical.

The improvements in the welfare of the patients are evident also for vascular anomalies like infantile or congenital angiomas: besides being highly visible, these imperfections can disturb the normal functioning of a person or cause discomfort; the laser represents a valid alternative to the pharmacological therapies with respect to which it also has the advantage of preserving the integrity of the tissues; in fact the laser treatment



selectively dries up the blood component which then slowly deflates until it has completely disappeared. Also in the case of skin discolorations, besides having an important preventive action, the use of the laser makes it possible to save the skin from the aggressiveness of the acids that are traditionally used and to solve one problem without creating another. In the case of superficial discolorations the laser strikes selectively without destroying the surrounding tissue while, with traditional techniques the discolouration was eliminated by controlled abrasion of the skin used along with acid substances. The situation is different for deep spots where the laser is the only technique available.

The quality of life is influenced also by the aesthetic image that people have of themselves even when no pathological imperfections are present. This fact is the reason that there are so many request for aesthetic and medical treatments from a population that increasingly wishes to improve their appearance; in today's society the aesthetic image plays an increasingly important role and if you are not able to come close to the common standards your dissatisfaction with yourself increases.

Over the years the Group has dedicated growing financial and managerial resources to the development of devices

to be used for aesthetic medicine, for skin rejuvenation of the face through anti-wrinkle treatments and removal of skin discolorations (age spots, etc) to improve the skin appearance or obtain facial firming, rather than the modeling of the body or hair removal.

In order to meet the different requirements of patients, the El.En. Group has created numerous types of lasers in order to treat effectively a wide variety of issues related to the rejuvenation of the skin with emissions characterized by wave length, duration of impulse and different levels of power. With laser treatments the most immediate benefit is the reduction of the recovery time for the patient respect to traditional aesthetic surgery; as far as the general mid-term effectiveness is concerned, the laser creates controlled micro-lesions which stimulate the organism to produce new tissue and, in this way, the intrinsic potential of the body, and triggering a natural and gradual rejuvenation. The impact of these treatments from a psychological point of view is very positive because people do not perceive the change immediately but day after day and they gradually get used to their new appearance.

In the sector of body contouring, 2018 was a very important year because the Onda system was launched

on the market. This is the first system in the world that uses special microwave emissions and acts on cellulitis, adipose tissue and loose skin, in various parts of the body and reduces the layer of sub-cutaneous fat with a non-invasive treatment that can be repeated even after a short period of time and which creates immediate, visible benefits that last over time. Besides this new technology, many years ago the Group introduced on the market systems for the localized removal of adipose deposits with laser-lipolysis, a minimally-invasive technology that makes it possible to treat specific areas of the body, even very delicate ones where traditional liposuction is normally not advised.

In the sector of hair removal by laser, the Group developed and designed a system since 1990s and then continually improved its performance; in fact, our lasers are able to treat even very fine hairs on every type of skin, even ones that are very dark and tan and the treatment is very fast in order to meet the requirements of a clientele that

has increasingly less time available and the operators who can maximize their performance thanks to the productivity of the device.

Tattoo removal is a segment in which the Group has recently launched innovative systems and is part of the area of the aesthetic image that one has of oneself: in today's society tattoos represent a language of aggregation, i.e., belonging to a group. They contain a message, a memory, but for many people they are part of a past that they wish to cancel: thanks to laser technology, the particles that contain the ink used for the tattoo are shattered and removed through the lymphatic system during the weeks following the treatment leaving the tissues unaltered. It should be noted that in the eastern hemisphere the technology that is used in the West to remove tattoos is considered an anti-aging treatment because it is effectively used to remove the pigmented lesions that characterize the skin of the elderly in oriental countries.



5.2 USES AND BENEFITS OF LASERS IN THE INDUSTRIAL SECTOR

The laser systems that we produce for the industrial sector can be adapted for multiple uses and can be applied to many different types of materials. The final result that is obtained makes lasers preferable to alternative solutions because they avoid the need for further processing and perform cutting, incisions and marking with extreme precision.

Processing executed by a laser is particularly desirable from a point of view of sustainability because of several factors which make it possible to reduce the amount of waste by instantly vaporizing the material on which they are working and by making clean cuts without producing chips or other processing waste. Our marking systems also make it possible to make perforations, grey tones and selective removal of the thickness of the material, thus reducing waste. The use of the laser does not complicate contact between the parts and therefore avoids the risk of deformation or accidental breaking as well as tool wear which, consequently would produce more waste material. Moreover, since the laser is managed digitally by software, the movements that are made are precise and the cuts are matched perfectly, thus reducing the scrap that is left using traditional cutting technologies.

The reconfiguration of the processes simply using a reprogramming of the software makes it possible to save on accessory equipment because new dies for each process are no longer required, nor are parts of material that sustain the dies or the cutting instrument. Laser processing, moreover, do not add any pollutants and the fumes produced during the processing do not contain chemical additives; for marking laser systems make it possible to avoid the use of inks and solvents on fabrics and leathers, with all of the problems inherent in the disposal of these substances. Our laser systems are also used for marking bar codes, serial numbers, logos on plastic materials even at microscopic scale, to cut objects in metacrylate and other acrylates, but also for the processing of some labels to improve the insertion of RFID devices which are activated by radio frequency and are able to read information, which are used, for example, in the field of high fashion to recognize a garment where the label is attached which in this way becomes a unique and "speaking" object: the use of a laser with respect to traditional technologies in this type of processing makes it possible to avoid the use of glues and to avoid the use of different dies for every different label. The savings on the dies is economical especially for the processing of small

lots, or for flexible production systems, as is increasingly requested by the changeability of the demand and the need to personalize the products.

Lasers are used successfully also for prevention of counterfeiting because they can mark paper in a way that is always original, univocal and easily up-dated: the personalization can be changed continually to create new holograms which make the paper three-dimensional and make reproduction even more difficult.

In the textile sector our lasers are widely used by companies manufacturing jeans, where the impact of our technology has been significant. In fact, lasers have completely replaced the traditional technologies that were used to age the denim material which were achieved by a kind of sanding using silicon powders (which are potentially also harmful for human health) or else using the "stone wash" technique with chemical additives or "sandpapering", which is very hard work for the person who has to do it because of the use of abrasive materials which also have a serious environmental impact since they are harmful and difficult to dispose of.

We are proud of the fact that we have contributed to the development and perfection of the advantages of these processes which are much more respectful of the environment and of social values because we are aware of the fact that the entire industry must become more sustainable. Through research and development we are committed to the continuous improvement of the performance of our systems by increasing their effectiveness and efficiency. We produce CO₂ lasers that allow a considerable saving of energy and, consequently reduce the environmental impact by up to 25% with respect to the sources now available on the market. Moreover, we have developed and patented regenerating cartridges which regenerate gas in cavities and therefore reduce the environmental impact in terms of waste.

5.3 USE OF LASER IN THE CONSERVATION OF THE WORLD'S ARTISTIC HERITAGE

The beauty of works of art is our legacy for future generations and it is our duty to preserve it for them. We are proud to be the first company in the world to produce laser created specifically for the restoration of works of art using the same technology used for medicine and surgery. Whether we are dealing with works of art or with medicine, the principle is the same: taking care of people, our works of art. *prenderci cura delle persone, i nostri capolavori.*

One of the flagship products made by the El.En. Group is represented by the small segment of restoration; over the years the sensitivity of the Group towards the conservation of works of art has continued to grow and has inspired research aimed at making the most advanced conservation technologies available for the restoration of artistic masterpieces all over the world. The Group has continued to experiment with new technologies that can offer conservation processes that are increasingly effective and respectful of the works of art.

In fact, lasers offer a solution which is effective, reliable and safe for the conservation of the world's cultural heritage and give new life to the masterpieces that have left an indelible mark on the history of humanity. Restoration with lasers respects the original surface and the texture of the art work because, by using a non-invasive procedure respecting the original structure of the work this method makes it possible to remove the patina that has formed over the centuries so that the public can admire the works of art restored to their original state.

Roman frescoes, Egyptian statues, pre-Columbian textiles and remains of Renaissance bronzes have been brought back to their original splendor and displayed to the public. Lasers, in fact, can be used for cleaning works of art and architectural elements in stone that have been degraded by encrustations, in the conservation procedures of metal artifacts of archeological and artistic interest like bronze and gilded surfaces, for cleaning silver objects, both antique and modern, and also for the cleaning of wooden artifacts.

Some of the most important restorations we have performed with our lasers are listed below:

- Cleaning of some of the marble facades of the Baptistery of San Giovanni in Florence;
- Cleaning of the Porta del Paradiso and the Porta Nord of the Baptistery of San Giovanni by Ghiberti;

- Cleaning of the frescoes in the Cappella Paolina, in the Vatican;
- Restoration of some of the frescoes in the Roman catacombs of Santa Domitilla in Rome;
- Contribution to the restoration of the Egyptian sarcophaguses in the Musées Royaux d'Art et d'Histoire di Bruxelles;
- Contribution to the restoration of "David and Attys" by Donatello, in the Bargello Museum in Florence;
- Contribution to the cleaning of the Statue of Neptune by Ammannati, in Piazza della Signoria in Florence and the Rape of the Sabine Women by Giambologna, in the Loggia dei Lanzi in Florence;
- Contribution to the cleaning of some of the frescoes in the Villa dei Misteri in Pompei, to bring them back to their original splendor;
- The Group's laser technology was used successfully also on the damaged portions of the Leaning Tower of Pisa and the Duomo di Santa Maria Assunta in Pisa;

During 2018:

- We continued the cleaning of the frescoes of the Domus Aurea in Roma which had begun last year;
- Restoration of the marble lion at Poggio Imperiale in Florence;
- Restoration of the Tupinambà ceremonial mantle;
- Cleaning of the stone on the Portale dell'Arcivescovato in Milan;
- Contribution to the restoration of the Ciborio of the Abbazia di San Miniato al Monte in Florence;
- Restoration of the Sala Ipostila del Castello Maniace in Syracuse;
- Restoration of the statue of Aphrodite at the National Archeological Museum in Florence.



5.4 OUR CONTRIBUTION TO THE COMMUNITY

"The Group wishes to confirm its position not only as a valid point of reference for its own shareholders and stakeholders, but also as a pillar of the community. At El.En. every day we are committed to making our work have a positive impact on the health of people. Our social strategy is that of making available our skills, knowledge and instruments with an aim to improving the access to treatment and health care for fragile and disadvantaged people all over the world. At the same time we are working to improve scientific knowledge. In other words, we are working for science and for healthier world.." (Ing. Salvadeo - General Director of El.En.)

One of the ways in which we fulfill our social responsibilities is by donations to specific non-profit organizations, institutions and cutting-edge scientific laboratories all over the world by assisting them in the use of new technologies that have been placed at the service of the health of patients as well as for the conservation and restoration of works of art. Over the years we have donated our systems to numerous hospitals like Careggi Hospital and the Meyer Pediatric Hospital in Florence, the Moshi Medical Center in Tanzania, the Pediatric Hospital of Bambin Gesù and the Gemelli Hospital in Rome and also hospitals in Latin America.

Donations of our lasers have also been made to the Vatican for the restoration of marble sculptures, busts, statues and fountains as well as paintings, and to some foreign museums like the Metropolitan in New York and

the Getty Museum in Los Angeles.

Last year, the El.En. Group donated a laser to the volunteer organization "Gli Angeli del Bello" in Florence for their work in the removal of urban graffiti and to contribute to the return of the beauty of the city by removing the ugliness caused by every day acts of vandalism. In 2018 we loaned, free of charge, a laser to the city of Varese to combat the effects of degradation caused by vandalism.

During this year so far we have donated a laser to the neuroscience sector of the Mondino Istituto Neurologico Nazionale IRCCS. The research activities of the Mondino Institute are focused on pathologies and issues related to neurology and neuro-psychiatry both in adults and children. These pathologies are quite common in the population and are one of the causes of the high cost of health care.



A PLAN FOR THE TRAINING OF UROLOGISTS IN AFRICA

In 2018 our subsidiary Quanta System S.p.A. donated a Tullio Cyber TM to the Saint Camille Hospital in Ouagadougou, in Burkina Faso. In partnership with the SIU Foundation which trains African urologists to operate using an endoscope which is fundamental for the treatment of benign hyperplasy of the prostate, thanks to our laser, they created the first clinic in the country that is able to perform minimally invasive urological operations with Holmium and Thulium lasers.

The SIU Foundation has been involved for several years in the prevention and treatment of urological pathologies and has often promoted non-profit initiatives aimed at improving the welfare of the population and the training of doctors, especially in poor countries like Burkina Faso; Quanta System had the pleasure of donating to the hospital in the main city of the country, first a Holmium laser that can be used to pulverize stones in the urinary tract and, this year a Thulium laser thus creating a center of excellence for the most modern minimally invasive treatment of kidney stones and benign hyperplasy of the prostate (BHP) thanks to a high level technology that even very few clinics in Europe possess.

The Group, moreover, is committed to sustaining cultural, social and educational initiatives in favor of the local community with the objective of strengthening the relations with the surrounding area in which it operates and with the people involved directly or indirectly in the activities of the Group. The basic idea is the promotion of a mutual, positive exchange between the Group and the local community, which is beneficial to both parties involved in the projects and activities they develop. In particular, the companies of the Group are committee, in different ways to:

- donations to and sponsoring of humanitarian organizations;
- participation in associations for occupational training in the sectors of pharmaceuticals, biotechnology, and medical devices (Fondazione VITA – Istituto Tecnico Superiore per le Nuove Tecnologie della Vita).

Moreover, the Parent Company El.En. S.p.A. is a member of the Association "Partners Palazzo Strozzi", and a member of "Assorestauro", the Italian association for architectural,

artistic and urban restoration and has sponsored the twelve editions of the International Conference of LACONA (Lasers in the Conservation of Artworks) and the six editions of the International Conference APLAR (Laser Applications in Restoration).

In particular the Group has been active in promoting the following activities:

- University internships, both curricular and extra-curricular;
- Alternate school-work projects that involve students from local schools and allow them to attend school inside of a working situation by combining theoretical aspects with practical ones; in begin to participate in the workplace already starting in secondary school in order for them to gain orientation in relation to future employment;
- Participation in career day events which are open-door initiatives for a reciprocal exchange between the companies and recent graduates looking for their first job.





The people

PASSION AND
TALENT TO GROW
TOGETHER

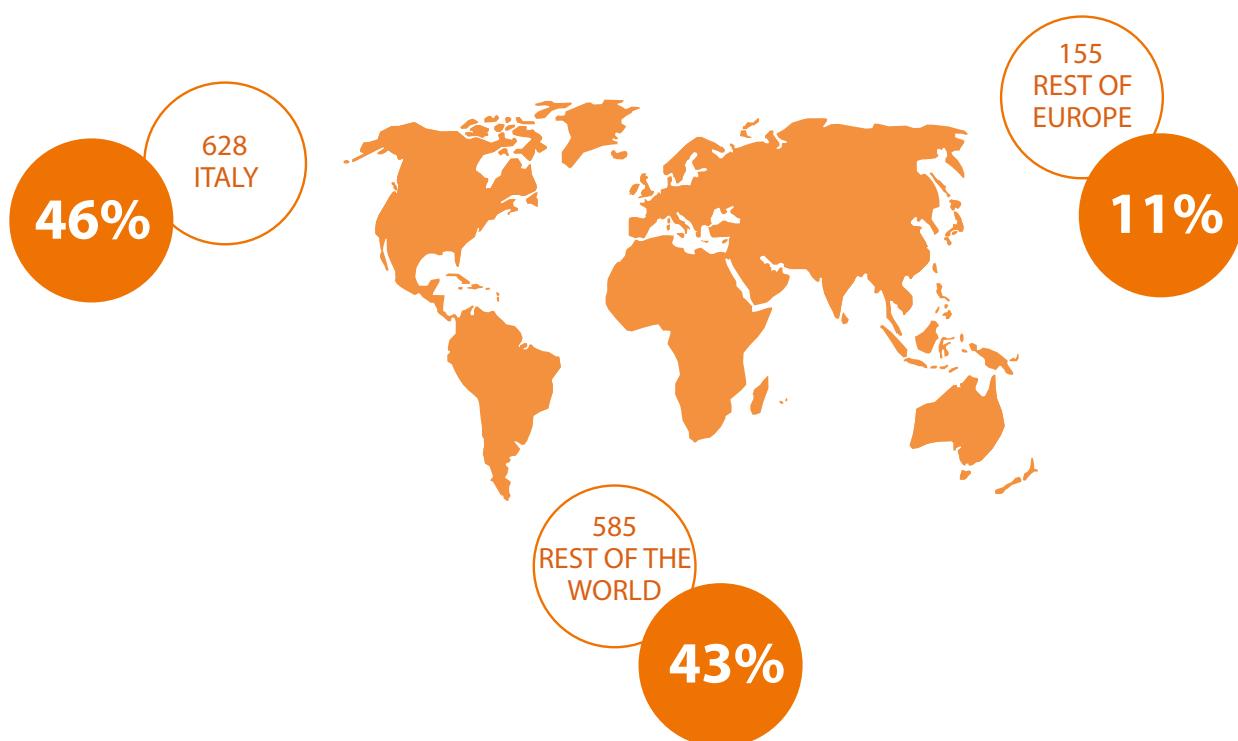
6 THE PEOPLE

El.En. firmly believes that human resources constitute the most important asset of the Company. The ability to innovate and to pursue excellence depends on the people and the collaborators involved in all of the activities and the result of the specialization, the competence and the passion that distinguish all the people who work for the Group.



For El.En. people come first because it is only through the growth of the individual that ideas and skills become a common factor and, though exchange and collaboration contribute to the collective growth of the Group and the creation of a shared value. In the Ethics Code of the Group, El.En. has codified their commitment to the respect and protection of the dignity, the health, safety and privacy of

its employees and collaborators. In particular, the Group aims at the protection of the physical and moral integrity of its workers by informing them of their rights and of the risks that they might face in the performance of their work, and guaranteeing working conditions that respect the dignity of the individual in conformity with the laws and the regulations that are now in force.



The concern for human resources is an issue of great relevance also in the field of quality management which most of the manufacturing companies of the Group have adopted in conformity to regulation ISO 9001. On the basis of this regulation, in fact, the certified companies have been supervising certain issues like the selection, training, and development of skilled personnel and the definition of the responsibilities for the various functions.

The Parent Company, in particular, has conducted an analysis for the codification of management procedures for human resources (hiring, remuneration, etc.) as well as the profiling of the corporate functions with the identification of the responsibilities and skills that are necessary. On the basis of this, we have planned ad hoc training courses to respond to the training needs of each one.

In the Group there are 1368 employees and together we form an international Group that is growing and that is called to operate in contexts that are very different on a global level; ours is, in fact a multicultural team: of 100 people in the El.En. Group, 46 work in Italy, 38 in China, 10 in Germany and the remaining 6 are distributed among Japan, Brazil and France.

The diversity of our people is evident in the statistics:

- The El.En. staff is, for the most part, young, in the range from 30 to 50 years old (63%), with 24% of the employees being under 30 years old, and 13% over 50.
- The work force is represented by 24% women, a percentage which reaches 31% if one considers just the white collar employees; the manufacturing nature of the activities of the Group, in fact, determines the prevalence of men in the category of laborers.

We are committed to creating a working environment that is constructive and dynamic and supports the heterogeneity of people and talents, is stimulating and offers opportunities for professional growth. The management of the human resources of the Group aims at the integration and respect of all the diversities, and rejects any form of discrimination based on nationality, sexual orientation, age, political or religious opinions. The

Group sustains and respects the rights of the individual in conformity with the Universal Declaration of Human Rights issued by the United Nations, and is committed to avoiding any form of discrimination. This commitment also applies to all aspects of work relations including hiring, training, job assignment, promotions, transfers and severance.

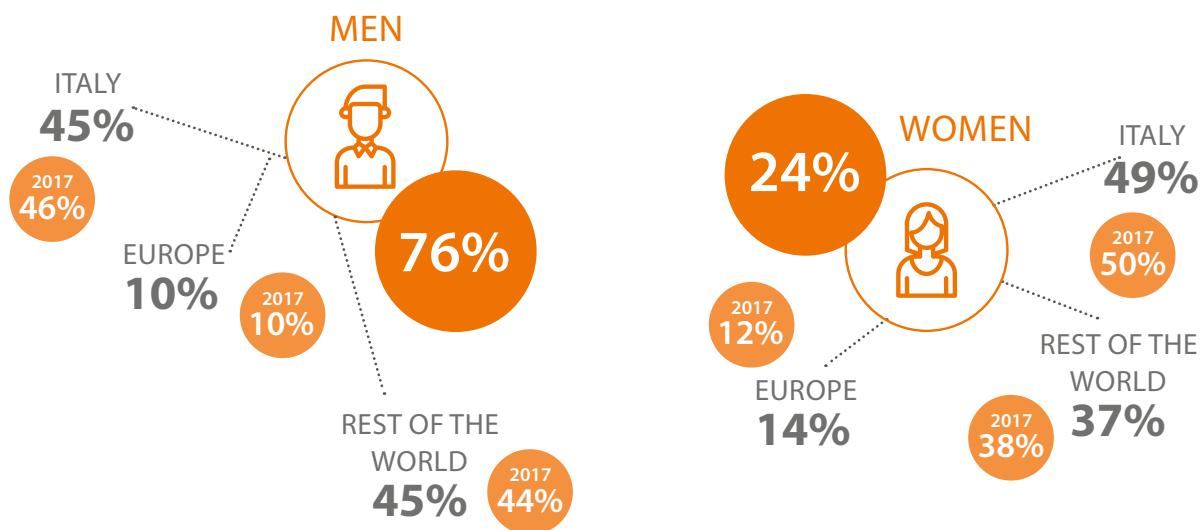
Equally important for the creation of an inclusive work environment are the initiatives promoted to facilitate the balance between family life and the workplace, starting with the possibility of working part-time.

The Group is committed to the need to create a dialog with its employees for the purposes of reconciling the requirements of the individual with those of the company. This commitment is demonstrated in the management of different categories of contracts: from national and/or sector contracts to collective/corporate contracts and even contracts stipulated individually.

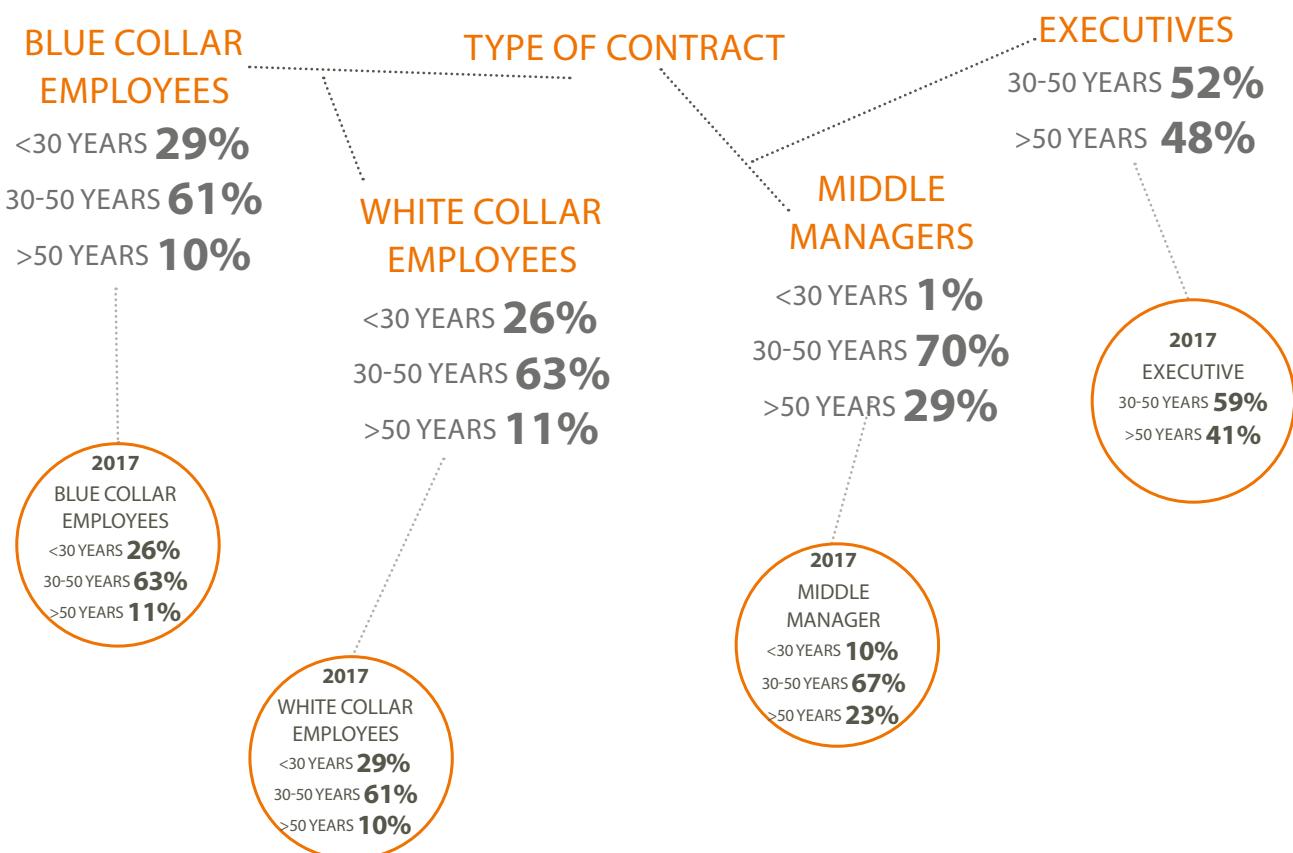
In particular, in Italy they apply a National Collective Work Contract (the personnel is 100% covered by collective contract), in Germany, the workers' committee signs a collective agreement on an annual basis (86% of the employees are covered by collective contracts; the rest are selling personnel who underwrite a different type of contract); in France the apply to all of the employees the Collective Convention IDCC n°1982; in Brazil it is annually conduct a collective negotiation, while in China and in Japan they follow the local legislation. Moreover, in Japan the management conducts a monthly meeting with its employees to discuss any relevant issues. At the Group level, it should be noted that 57% of the employees are covered by agreements stipulated on the basis of collective bargaining.

The period of advance notice to employees for reasons of organizational change in the Italian companies of the Group is regulated by the CCNL and can vary from a minimum of 7 to a maximum of 120 days on the basis of the CCNL that is applied, the professional category to which they belong and their seniority; for other companies of the Group, for example, those in China and Japan, the national law and usual practice requires advance notice of 30 days. For the German companies the advance notice may vary from one to three months.

Distribution of employees by region and by gender as of December 31st 2018



Distribution of employees by category and age as of December 31st 2018



6.1 TRAINING AND SKILLS DEVELOPMENT

Training has always been considered fundamental for the growth of the personnel and for the development of the basic skills required for the success of the company. We promote continuous training with refresher courses dedicated to specific issues, with an aim to improving the knowledge and specialization of every resource in the organization.

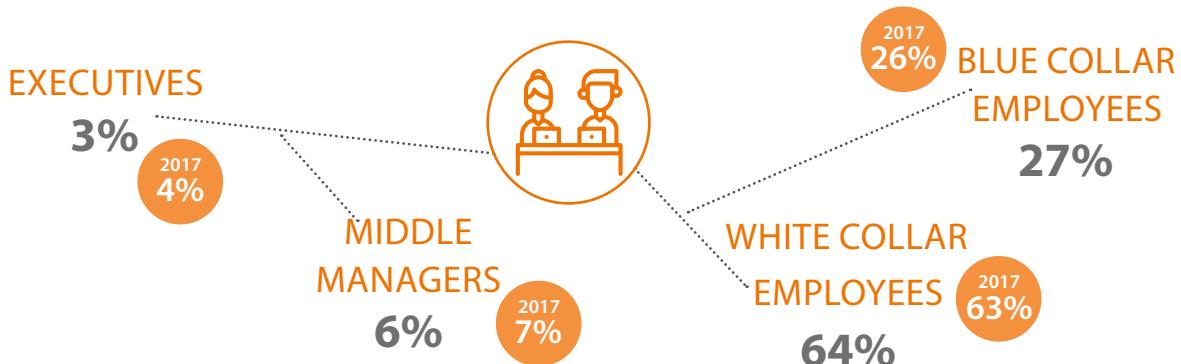
more than 16.300
TRAINING HOURS



ABOUT **12**
HOURS
FOR EACH EMPLOYEE

The training activity aims to stimulate and expand the professional skills of its employees and it is structured to ensure a differentiated offer aimed at involving all professional categories at all levels. In 2018 more than 16,300 hours of training were provided, with an average of approximately 12 hours for each collaborator.

Professional training provided to each employment category (2018)



The main types of training courses promoted by the Group in 2018 were the following:

- Training on health and safety issues, related to learning and up-dating of the regulations required by the law and/or the company in relation to health and safety in the workplace.
- Training related to specific issues of the quality control system in order to learn the operative procedures necessary in every phase of the production process;
- Technical and specialist training to increase the skills necessary to carry out the task that has been assigned;
- Linguistic training in order to increase the linguistic skills of the resources involved;
- Computer training in order to acquire the skills necessary to be competent in the use of computers (for example, knowledge of some types of software);
- Training for newly hired employees;
- On the job training usually conducted for a specific period in the company by other qualified employees.

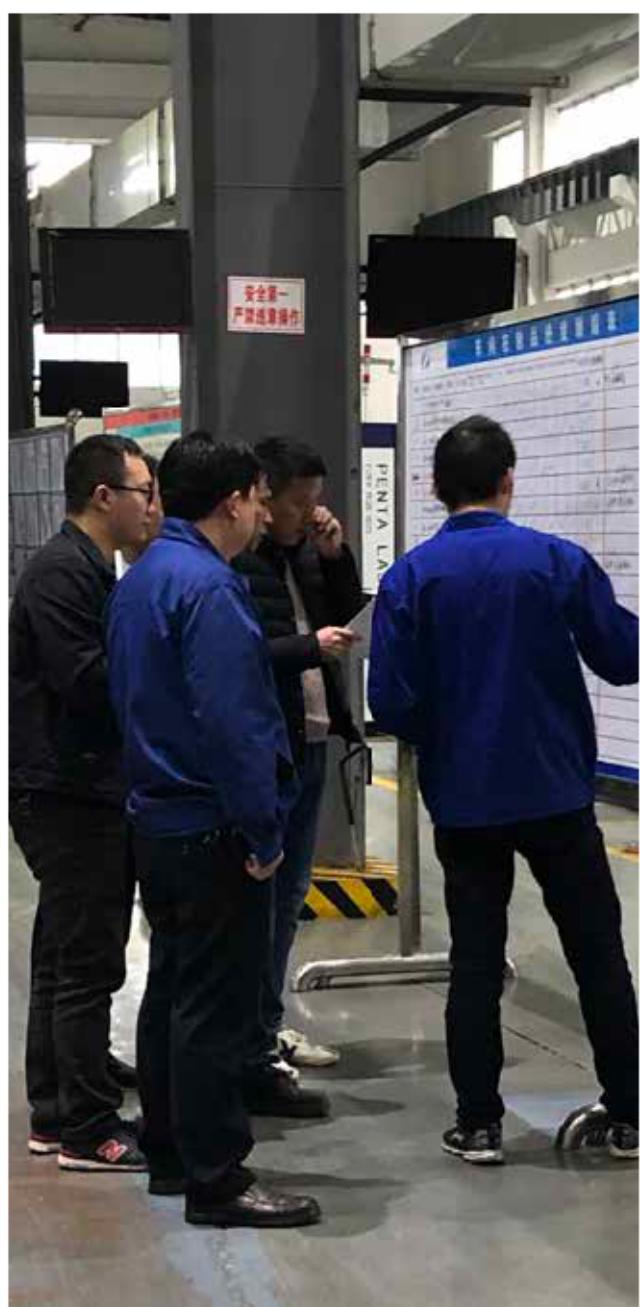
Although the training courses are not centrally coordinated they are defined annually by each company and besides the obligatory training that must be offered, they make a note of the specific issues which need to be dealt with and, in some of the companies, the employees may request to participate in specific training courses to enrich and personalize their curriculum.

For the purpose of promoting a greater sense of responsibility in their employees, this year the Parent Company and some of its subsidiaries organized courses related to information about the Organizational Model and administrative responsibility of legal persons as per ex D.Lgs. 231.

Despite the fact that at this time in the Group there is no specific training related to human rights issues, we are, in any case, committed to the dissemination and application of the Ethics Code containing principles of legality, loyalty, correctness, transparency and professionalism on which the behavior of every person belonging to the Group must adhere; in the main Italian companies of the Group, the Ethics Code is given to all

newly hired personnel as an obligatory document. In the Chinese subsidiaries during the training of the new employees they focus on the Ethics Code which has been translated into Chinese and approved by the Boards of the two companies.

In the Sustainability Plan we have set the objective of including, starting already next year, a specific training course related to human rights and their protection, particularly in those countries where the legislation in this sense is not so severe as it is in Italy; we are also planning training sessions related to issues of sustainability.



6.2 HEALTH AND SAFETY IN THE WORKPLACE

We are committed to guaranteeing a workplace that is healthy and safe in conformity with the laws and regulations regarding the safety of workers and of the environment. Our objective is that of disseminating and developing among people the awareness of the risks related to the work they are doing and to promote responsible behavior on the part of all the workers with programs that are intended to prevent damage to people.



more than

4.000

HOURS OF SPECIFIC TRAINING
ON HEALTH AND SAFETY ISSUES



**-14% OF
THE INJURY RATE
COMPARED TO 2017**

As stated in the Ethics Code, the El.En. Group is committed to the dissemination and consolidation of a culture of safety by promoting responsible behavior on the part of all of its collaborators. For this purpose the Group is committed to:

- Always acting in conformity with national and international standards;
- Managing dangers and risks related to every task and every activity; every variation in the organizational layout at every level, comports an up-date of the relative documentation;
- Supplying competence and awareness of the risks related to the environment and to the tasks through continuous information and training;
- Periodic revision of the procedures and the work safety instructions in order to modify and improve them;
- Adoption of good practices in the management of contracts and sub-contracts in order to reduce the risk of interference;
- Search for the best technology available for the protection of the individual and the collectivity.

In all of the manufacturing companies of the Group the issue of health and safety is monitored by processes which, although they are not centralized and coordinated at a Group level, guarantee in each subsidiary that there are procedures related to the protection of the health and safety of the workers and the implementation of actions for their correction or improvement.

In the Italian companies this issue is regulated by D.Lgl.

81/2008; also, the manufacturing companies monitor health and safety on the basis of the local laws. The Italian companies of the Group have also analyzed the issue of health and safety in relation to the Organizational level in compliance with D.lgs 231/2001. The principle that is followed is that the policy of safety should be raised to a corporate level like all the other values that characterize the strategy of the Company. Just as we make use of organizational systems for the management of economic resources, in the same manner, safety must represent an essential value which must be protected and implemented constantly, with the help of an organizational system which is able to identify the instruments, the responsibilities and the direct motivation and to express the commitment of the top management in relation to this subject.

From this, the commitment to the respect of the regulations related to health and safety in the Organizational Model are derived, with an aim to promote a significant reduction in workplace injuries; the recognition that the responsibility for the management of safety regards the entire company from the employer to the each individual worker, on the basis of his tasks and skills; the commitment to assign adequate human and financial resources towards the objective of reducing injuries and that of constantly improving working conditions, and the promise that workers will be adequately informed and trained in relation to the risk connected with the processes.

On the basis of the Organizational model the following measures are planned the identifying and

locating, among the various company functions, the responsibilities connected with the issues of health and safety, the mapping and self-evaluation of risks, the implementation of training programs.

For the companies located in the area of Calenzano, the central role of the HSE office in the management of safety has, over time, given us a more consistent and uniform vision of the company policies in relation to this issue.

In all of the manufacturing companies there is a plan for a procedure for identifying risks related to safety and health of the workers: in Italy this activity is codified in the Risk Evaluation Document (DVR); in the Chinese companies the risks related to the workplace are formalized and communicated to the workers by means of the "Worker's Manual"; also in the German and Brazilian subsidiaries, the analysis of the risks is formalized in specific documents which are periodically up-dated. The identification of the risks precedes the identification and implementation of the corrective and/or preventive actions. Most of the subsidiaries have adopted a procedure for reporting of risks by workers and they have elected safety representatives among the workers.

During this year the Italian companies of the Group held periodic meetings in conformity with art.35 of D.Lgs. 81/08, in which the employer, the company doctor, the

RSPP (Manager of Prevention and Protection Services) and the RSL (Workers' Safety Representative) attend and represent all of the workers. In line with a policy of the greatest transparency, in the periodic meeting of the Parent Company a member of the Supervising body is invited to participate as well as all of the persons who are members of the company safety staff.

During the meeting the following subjects are discussed:

- up-dating of any modifications to be made to the risk evaluation document;
- evaluation of the trend in the number of injuries, professional diseases and health supervision;
- selection criteria, technical characteristics, and effectiveness of the individual protective devices which have been added or modified;
- safety information and training programs for executives, middle managers and workers.

During each meeting a new, improved safety program is explained, in which they describe all of the objectives that the Prevention and Protection Services have set to achieve the next year.

The German and Brazilian companies also have specific commissions dealing with health and safety which meet periodically to evaluate the management of these issues.





For the Brazilian company, the health and safety representatives of the workers meet once a month to monitor the situation.

In all of the production companies there are representatives that are responsible for safety and health issues (for example, the employer, the RSPP and managers for the Italian companies, the general manager or department manager for the Chinese companies, the employer and the safety manager for the German companies).

In all of the production companies there are training and information programs regarding health and safety both at the start of employment and later, at regular intervals. The structure and type of training courses is defined by the individual companies but, in general, all of them have programs with training for generic risks as well as those with risks connected to specific types of work, first-aid courses and periodic up-dating courses.

In 2018 health and safety training courses at a Group level were conducted for a total of 4.045 hours.

Considering the type of production activity that

is conducted, all of the companies have set safety procedures and individual and collective protection devices for the risks that are connected to artificial optical radiation. In particular, all those involved in production have individual protections and, in a different manner, there are devices for individual or collective prevention like barriers, container boxes and turn-styles to delimit the production areas. The issue of safety is also monitored in the non-manufacturing companies by means of the collection and monitoring of data related to injuries.

At a Group level in 2018 they registered 29 injuries in the workplace, which is about the same amount as last year; in any case, considering the number of new employees that was registered the injury rate⁶ showed a drop and decreased from 13,2 to 11,4. The main types of injuries were lesions and contusions, mostly to the arms and legs. During this year so far no serious injuries or deaths have occurred. When an injury occurs the companies conduct an investigation to determine the cause and take new or improved preventive measures.

HSE DEPARTMENT EL.EN. S.P.A.

In 2018 the Prevention and Protection Services office (SPP) of the Parent Company changed its name to Health, Safety and Environment (HSE) Office in order to highlight its total commitment to health and safety issues in the workplace while increasingly referring to international control standards.

Also this year, the HSE office created special Working Instructions for the safety of the workers; these consist of a specific procedure designed as a support for some particular aspects of our work by completely integrating the documentation on Safety with that for Quality Control.

These instructions list the various operative tasks of all the workers as well as of those with specific qualifications and assignments related to safety (preposts). The Working Instructions have been shared on the corporate intranet site in a public folder created specifically for this purpose to which all employees have access. This folder contains the most significant excerpts from the Risk Evaluation Document, the subjects of the training courses that have been conducted in the company, the emergency plans and exits from the workrooms and other information useful for the workers like the Dlgs. 81/2008.

With an aim to greater control based continual improvement The HSE office issues monthly SAFETY REPORTS on which require inspections to evaluate the safety of the workplace and of the workers themselves following a policy of communication and involvement for the prompt reporting of risks that are present in the company.

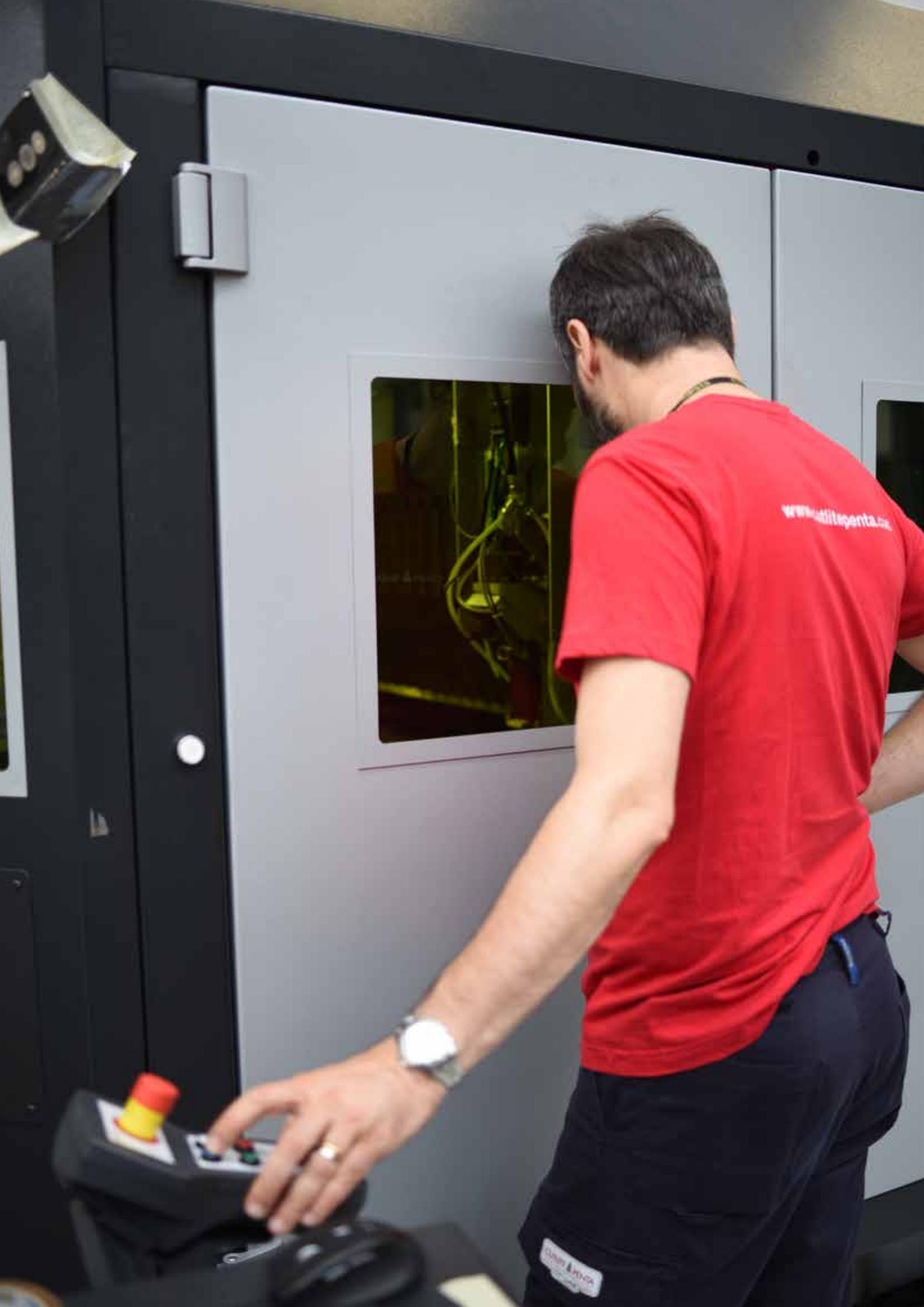
Improved communications have also made it possible to up-date the Risk Evaluation Document so that it easier to understand the specific risks and to listen to the specific requests of the workers, by offering, for example training courses in addition to those required by the Accordo Stato Regioni on December 21st 2011.

For the purpose of continual improvement in the level of safety, in the manufacturing zones we have decided to replace the CPD laser bulkheads (Collective Protection Device) with Artificial Optical Radiation (AOR) containment boxes which circumscribe this type of danger and expose only the specialized operators to this danger. This and other improvements demonstrate the effectiveness of the plans presented during the periodical meetings.

At the entrance to the production zone we have also created a safety corner, i.e., an information point for everyone who needs access to the production area, where there are illustrated panels that show, for the various areas, the risks they might encounter during their access and where they distribute the necessary protective devices. Along with the safety corner we have installed turn-styles for selective access (by use of badges) which make it possible only for authorized personnel and the authorized guests that they may be accompanying to enter.

The company has acquired two semi-automatic defibrillators and an increasing number of workers have been trained to use them, making the company a "cardio-protected" structure that, in case of necessity, is ready to use this precious instrument, so vital in the case of persons who are facing a critical situation.

⁶For 2018 we have decided that the reporting of the data related to injuries will be based on the new GRI standard GRI 403, published in the Global Reporting Initiative (GRI) in 2018 in replacement of the old version published in 2016. For comparison purposes, the data related to 2017 have been revised with respect to those published in the preceding Non-financial Declaration after the up-dating of Standard GRI 403. For the data that were published earlier, please consult the NFD for 2017 which is published on the site www.elengroup.com in the section called Investor relations/Sustainability/Reports. The injury rate was calculated as the ratio between the total number of injuries and the total number of working hours, using the multiplying factor of 1.000.000.



A man with dark hair and a beard, wearing a red t-shirt with the website address "www.kultepenta.cz" printed on the back, is operating a large industrial machine. He is standing in front of a light-colored control panel with a small window showing a bright yellow-green internal view. He is wearing a silver watch on his left wrist and a gold ring on his right hand. His right hand is on a black control unit with a yellow button and several smaller buttons. The machine has a black door with a handle and a circular vent or sensor on the left side.

KULTEPENTA

6.3 THE WELFARE OF THE PEOPLE

The welfare of our people is a key factor in the success of the Group. In fact, technical skills are not enough to guarantee a good result; it is necessary for the company to offer its employees an environment that can stimulate their potential and their ability.

To support, promote and implement the welfare of our people the El.En. Group considers welfare an innovative instrument with respect to the traditional types of remuneration and incentive and it is destined to become an integral part of a modern and efficient management of resources. Welfare programs are now planned by the Japanese subsidiary and two of the Chinese subsidiaries. The Italian companies of the Group, in compliance with the CCNL of the sector which is applied, issue a part of the remuneration in flexible benefits. In particular for the companies at the headquarters in Calenzano, by using a specific platform, every employee may choose the benefit or the service which he/she deems most suitable for their interests and needs, like, for example, the expenses for assistance at home, and health services, reimbursement for school expenses, supplementary pension provisions, training courses, recreation, goods in kind, and collective transportation services. Moreover, by means of a company agreement that was signed just

a few months ago, it will be possible starting next year to convert up to 50% of the amount owed to the employee as a performance bonus into welfare services e/o goods. With this agreement, the companies have also offered improved treatment with respect to the CCNL now in force by guaranteeing an extra day of paid leave on the occasion of the birth of a child with respect to that offered by the present regulations and moreover, the first three days of absence for an illness of not more than five days will be remunerated 100% even after the third reoccurrence. The subsidiary Quanta System S.p.A. in the second level agreement introduced the possibility for each employee to convert the entire performance bonus into welfare.

As determined by collective bargaining the Italian companies adhere to health care funds for all of their employees.

For the employees of the companies in Calenzano, the Group has always offered free cafeteria service.





Also, the subsidiary Quanta System S.p.A. has its own gym which is available to all of the workers.

The Group considers that communication with its people is fundamental for the purpose of sharing the goals that have been achieved and the company values; for

this reason the Parent Company El.En. S.p.A. has set up a mail everyone addressed to all of the employees and, at the entrance to the factory there is a mail box for communications, even anonymous one, to the management.

tekalaser.com

10

DEAL

Environmental responsibility

COMMITMENT AND RESPECT FOR OUR PLANET

7**ENVIRONMENTAL RESPONSIBILITY**

For the Group, the environment represents a primary asset which must be protected. To this purpose the activities that have been planned are aimed at finding a balance between the economic objectives and the requirements of the environment in order to respect and protect the rights of future generations in line with the principles of sustainable development. The Group is committed to the monitoring of the environmental impact generated by

its activities as well as the prevention of potential risks which may rise in this regard by implementing corrective measures which respect the present regulations and best practice on this issue.

As already mentioned, the Group is committed to the adoption of an Environmental Policy with an aim to controlling and reducing the environmental impact of its activities.

7.1 ENERGY CONSUMPTION**We create light, energy and waves. Lasers are the cleanest form of energy that one can imagine for the environment.**

The Group is committed to the reduction of its energy consumption by taking appropriate measures like the replacement of neon ceiling lights with LED lights and the promotion of behaviors and habits which favor the saving of energy and promote the development of an environmental conscience in people.

The energy consumption of the Group consists mainly in the use of natural gas, diesel and liquid propane gas as fuel for heating the offices and factories and automotive fuel, as well as the electricity bought directly from the network and used to heat and to cool the buildings and for the manufacturing processes.

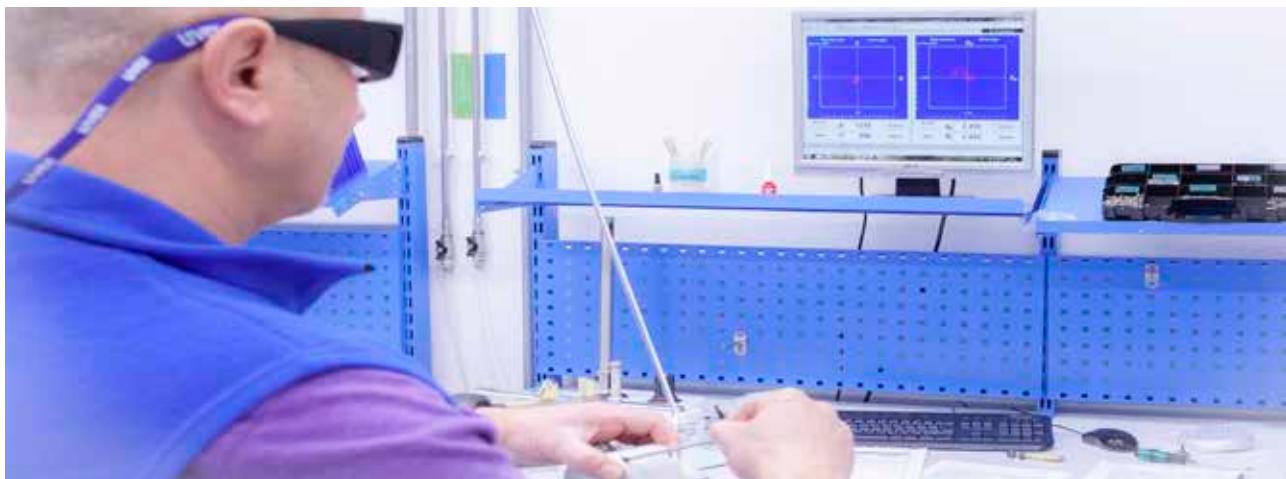
In particular, in 2018, the company consumed 310.832 m³ of natural gas and 5.750 liters of LPG. The total consumption of electricity amounted to 4.270.387 kWh; the amount of diesel fuel and gasoline used was 409.116

liters. We consumed 11.412 liters of bio-ethanol. The overall consumption of energy therefore was 41.413 GJ. In percentage terms most of the energy consumption can be attributed to the use of electricity (about 37%); 35% can be attributed to the use of company vehicles and 27% to the consumption of natural gas for heating the buildings. During 2018 moreover, the Group did not use sources of renewable energy certified by guarantee of origin.

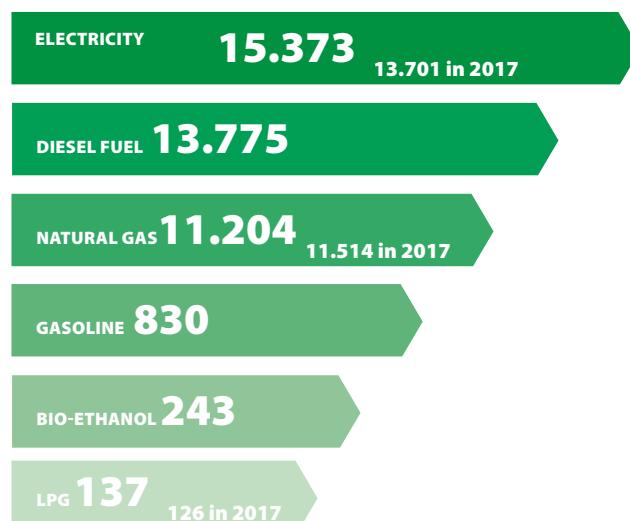
In 2018, in order to offer a better reporting of the energy consumption of the Group, we added the data related to the consumption of diesel fuel and gasoline for motor vehicles, which were not available last year⁷. The increase in the energy consumption is mainly due to this fact as well as to other factors like the increase in manufacturing activities and in the number of people employed by the Group.

Quanta System S.p.A. installed a cogeneration plant which, in 2018, produced an amount of electricity equal to 42% of the total consumed by the company.

⁷For the cars for general use we considered 70% of the overall consumption. The consumption of vehicle fuel for the cars belonging to the Italian companies located in Calenzano and a part of those related to Lasit S.p.A., were estimated, starting from the expense, by means of the average annual price of gasoline and diesel fuel listed on the website of the Ministry of Economic Development.



Energy consumption of the Group by source (GJ) 2018⁸



7.2 EMISSIONS

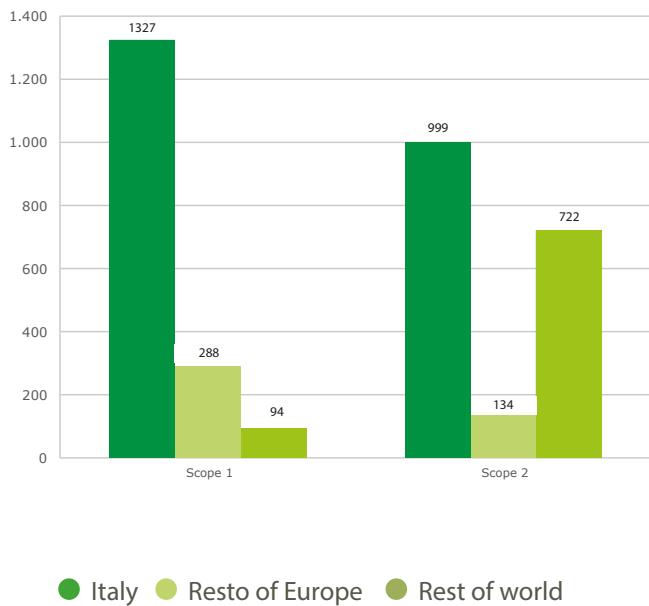
The direct and indirect CO₂ emissions associated with the main consumption of the Group can be divided into two categories:

- **Direct emissions (Scope 1):** emissions of greenhouse gases due to direct consumption of fuel by the Group (for example, natural gas and diesel fuel);
- **Indirect emissions (Scope 2):** emissions of greenhouse gases derived from the consumption of electrical energy purchased and used by the Group. In particular, for the calculation of CO₂ emissions, as

stated in the GRI Sustainability Reporting Standards, one must use the calculation of Scope 2 according to two distinct calculation methods: the "Location-based method" and the "Market-based method". The Location-based method is based on the factors of relative emissions related to the generation of regional, sub-national and national energy. The Market-based energy, on the other hand, is based on the CO₂ emissions produced by the energy supplier from whom the organization, by means of a contract, buys energy or on factors related to the specific market.

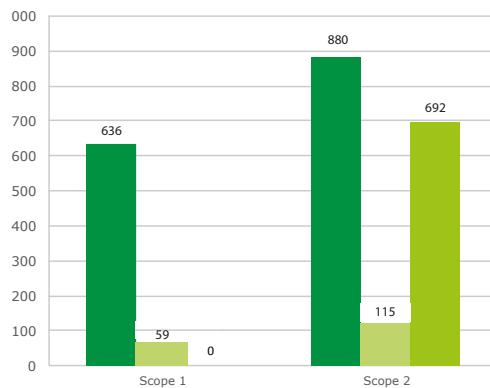
⁸The data related to energy consumption for the month of December 2018, unless otherwise indicated, were taken from the invoices issued by the suppliers of energy services. The data related to the energy consumption of the companies in Calenzano were in part estimated on the basis of the consumption for the month of December 2017. The consumption of fuel for the vehicles for the cars belonging to the Italian companies in Calenzano and part of those belonging to Lasit S.p.A., were estimated, starting with the expense through the average annual price of gasoline and diesel fuel (€/L) found on the website of the Ministry of Economic Development. For the calculation of the energy consumption in 2018 in GJ we used the conversion factors of the Department for Environmental Food & Rural Affairs (DEFRA), UK, 2018⁹.

**Emissions Scope 1 e Scope 2 (location-based)
by region (ton CO_{2eq}) 2018**



● Italy ● Resto of Europe ● Rest of world

**Emissions Scope 1 e Scope 2 (location-based)
by region (ton CO_{2eq}) 2017**



● Italy ● Resto of Europe ● Rest of world

To calculate the Scope 2 emissions we used different factors based on the method of calculation and the country. In particular:

- For the location-based method we used average emission factors that are related to the generation of national energy for the different countries in which we operate as shown in the publication titled Confronti Internazionali, Terna 2015 and 2016, respectively for 2017 and 2018;
- For the market-based method we have used average emission factors derived from the electricity production of the European market for Italy, France and Germany, which were published in the document Residual Mix

Results, Association of issuing bodies (AIB), 2016 and 2017, respectively for 2017 and 2018. For the other countries, we have used the same factors used for the location-based method.

For 2018, considering the calculation method location based for Scope 2, the total emissions were 3.564 tCO_{2eq}: most of them can be attributed to the consumption of electricity (52%), while 48% is due to other factors.

For the calculation of indirect emissions using the market-based method, CO_{2eq} emissions were in line with those shown above, i.e. for a total of 3.952 tons of direct and indirect emissions of CO_{2eq}.

It should be noted that for a better compliance with Standard GRI 305-1 for the calculation of Scope 1 emissions we used an up-dated source of the emission factors which reports the emissions in CO_{2eq}. The Scope 2 emissions on the other hand, are expressed in tons of CO₂, in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of green-house gas (CO_{2eq}), as can be seen from the technical literature to which they refer. It should be noted that, following this improvement process of the reporting system for Scope 1 emissions and, in particular, the up-dating, of the sources of the factors of emissions used for the calculation of the 2018 data, the data for 2017 have been revised with respect to those shown in the preceding NFD, using new emission factors. For the previously published data, please consult the NFD for 2017, which was published on the website www.elengroup.com. in the section called Investor Relations/Sustainability/Reports

7.3 WATER CONSUMPTION

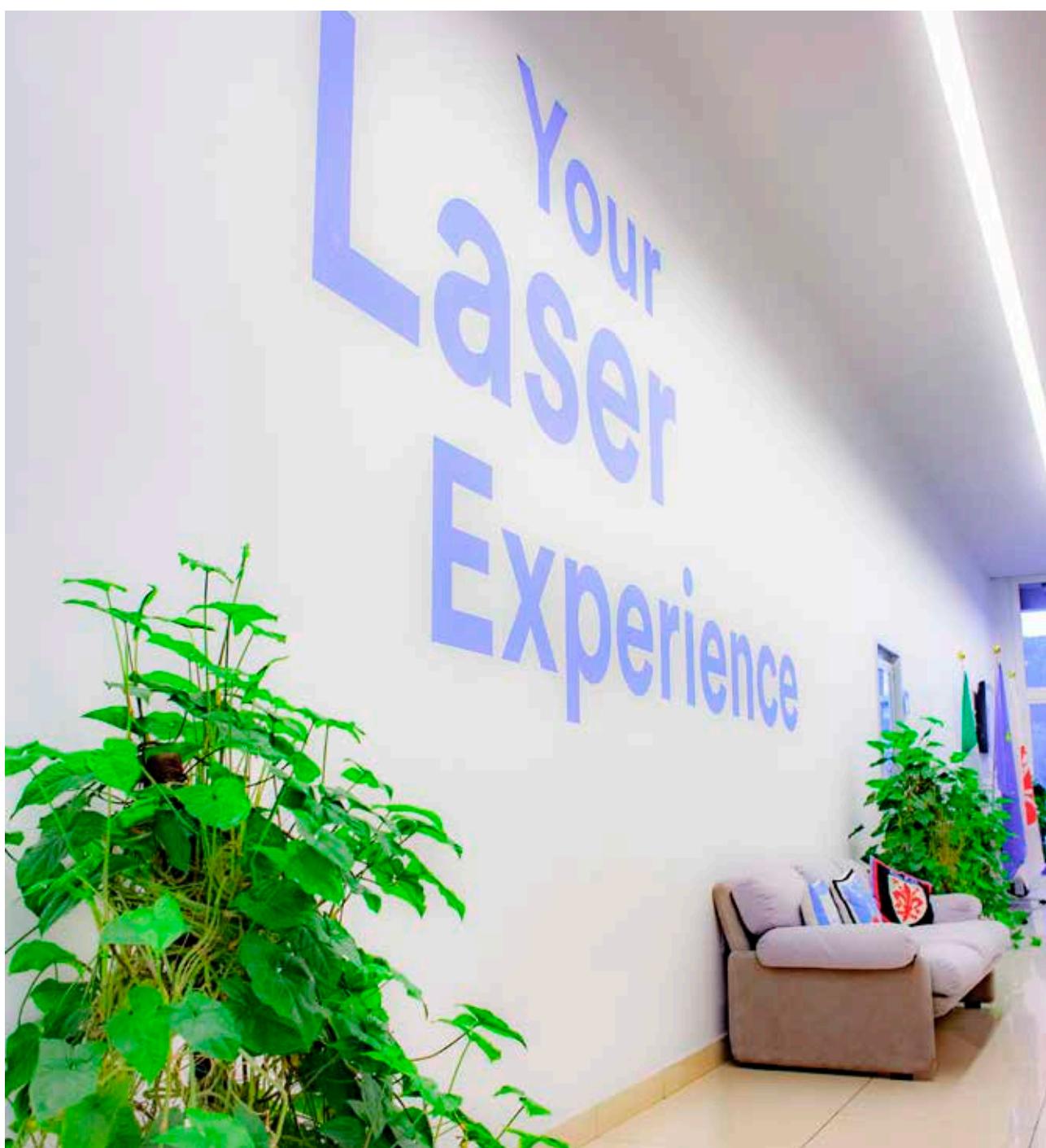
The efforts of the Group to respect and optimize the environmental resources are evident also in their efficient use of water, with the objective of keeping consumption to a minimum and reduce waste, in a moment in which water represents a precious resource that is at risk for future generations.

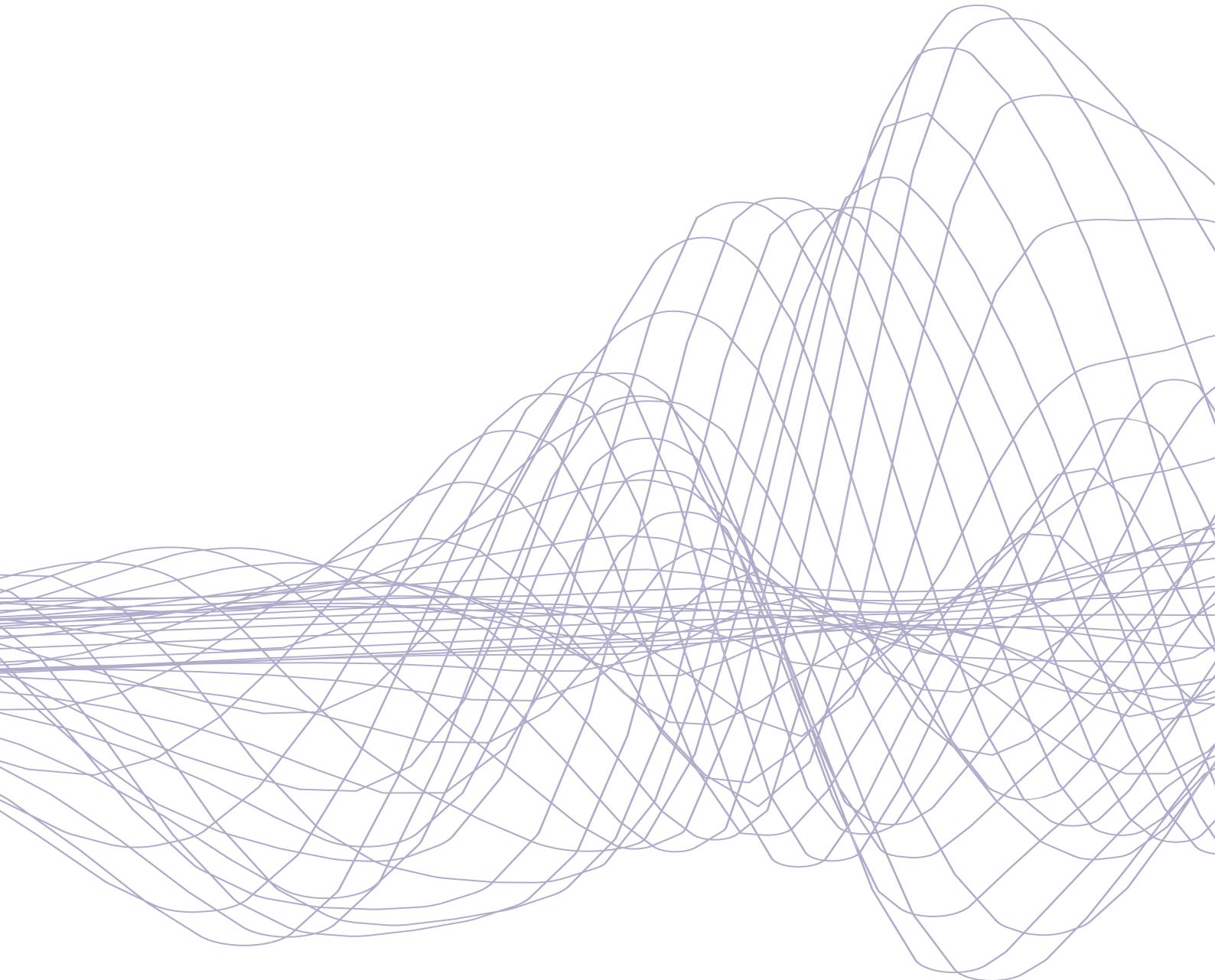
The Group is committed to promoting correct habits regarding the saving of water and they have given practical advice to their employees and implemented actions in this sense (for example, closing the tap

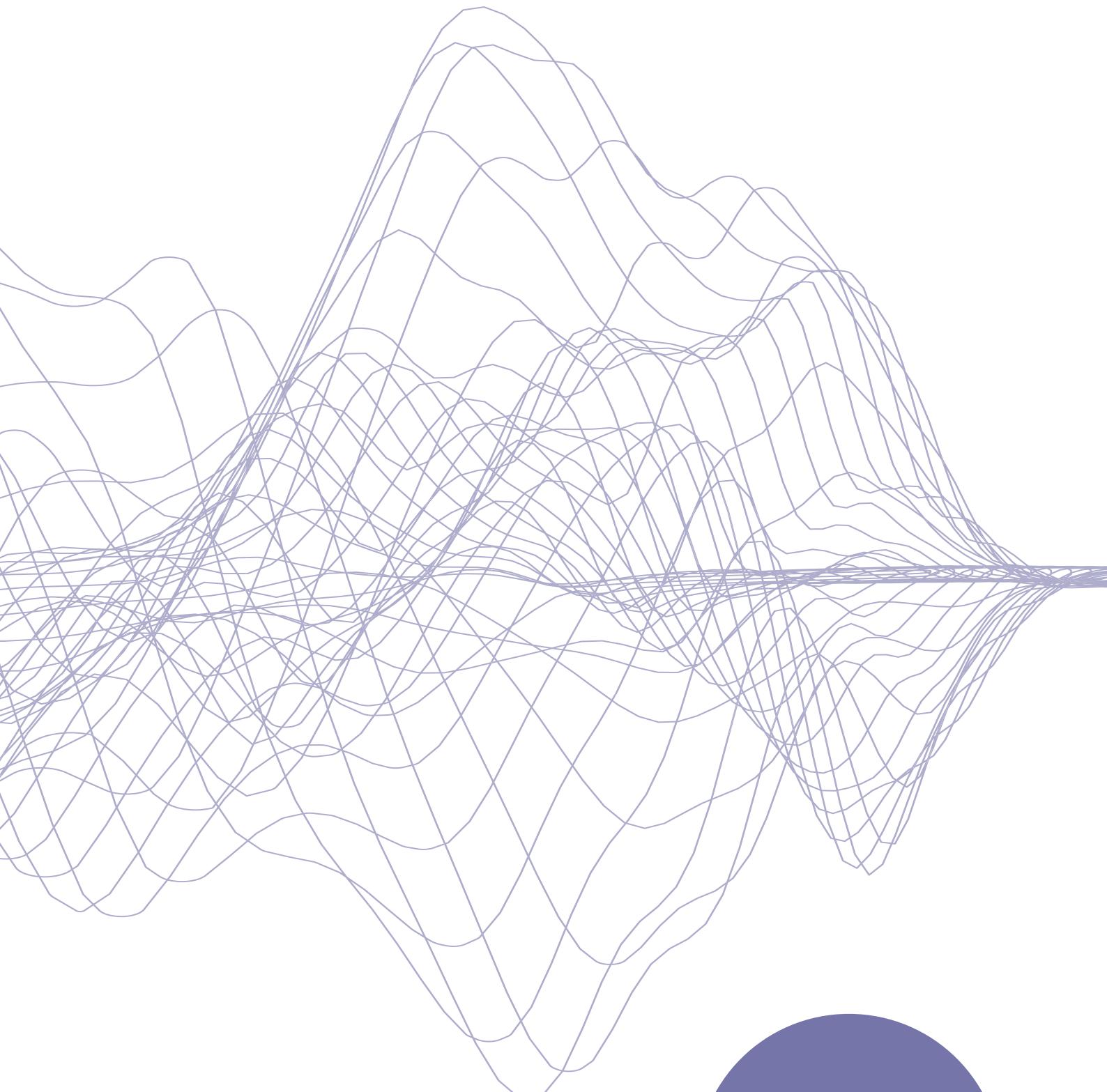
when the water is not being used so as to avoid the phenomenon of "running water", etc).

Water is mainly used for washing and other sanitation needs, for the company canteen and for production processes. In this latter case, water is usually used in closed circuits which means that it can be recycled and not dispersed into the environment.

In 2018, the amount of water used was 34.043 m³ and it came exclusively from the municipal aqueduct.







Performance
indicators

8 PERFORMANCE INDICATORS

Data related to human resources

Total number of employees by country, gender and type of contract						
	December 31 st 2018			December 31 st 2017		
	Men	Women	Total	Men	Women	Total
ITALY	470	158	628	428	144	572
Permanent contract	431	145	576	390	127	517
Fixed term contract	39	13	52	38	17	55
REST OF EUROPE	108	47	155	88	35	123
Permanent contract	107	45	152	87	34	121
Fixed term contract	1	2	3	1	1	2
REST OF THE WORLD⁹	464	121	585	405	112	517
Permanent contract	54	33	87	49	31	80
Fixed term contract	410	88	498	356	81	437
TOTAL FOR THE GROUP	1.042	326	1.368	921	291	1.212
Permanent contract	592	223	815	526	192	718
Fixed term contract	450	103	553	395	99	494
Total number of employees by country, full time/part time by gender						
	December 31 st 2018			December 31 st 2017		
	Men	Women	Total	Men	Women	Total
ITALY	470	158	628	428	144	572
Full time	462	136	598	421	123	544
Part time	8	22	30	7	21	28
REST OF EUROPE	108	47	155	88	35	123
Full time	106	38	144	87	30	117
Part time	2	9	11	1	5	6
REST OF THE WORLD	464	121	585	405	112	517
Full time	464	114	578	404	105	509
Part time	-	7	7	1	7	8
TOTAL FOR THE GROUP	1.042	326	1.368	921	291	1.212
Full time	1.032	288	1.320	912	258	1.170
Part time	10	38	48	9	33	42

⁹After a procedure conducted for the improvement of the reporting system, the data for 2017 related to the subdivision of the employees by type of contract have been revised with respect to the preceding NFD for the purpose of reclassifying some types of contracts included in the Chinese legislation. For the previously published data, please consult the Non-Financial Statement 2017 on the website www.elengroup.com in the section Investor Relations/Sustainability/Reports.

Total number of employees divided by employee category and gender						
	December 31 st 2018			December 31 st 2017		
	Men	Women	Total	Men	Women	Total
ITALY	470	158	628	428	144	572
Executives	32	-	32	30	-	30
Middle managers	32	7	39	29	7	36
White collar employees	212	148	360	204	134	338
Blue collar employees	194	3	197	165	3	168
REST OF EUROPE	108	47	155	88	35	123
Executives	-	-	-	-	-	-
Middle managers	12	3	15	12	2	14
White collar employees	96	44	140	76	33	109
Blue collar employees	-	-	-	-	-	-
REST OF THE WORLD	464	121	585	405	112	517
Executives	10	4	14	13	3	16
Middle managers	25	8	33	29	12	41
White collar employees	338	101	439	268	89	357
Blue collar employees	91	8	99	95	8	103
TOTAL FOR THE GROUP	1.042	326	1.368	921	291	1.212
Executives	42	4	46	43	3	46
Middle managers	69	18	87	70	21	91
White collar employees	646	293	939	548	256	804
Blue collar employees	285	11	296	260	11	271

Total number of employees divided by employee category and gender										
	December 31 st 2018					December 31 st 2017				
	M	M	W	W	Tot	M	M	W	W	Tot
Executives	42	91%	4	9%	46	43	93%	3	7%	46
Middle managers	69	79%	18	21%	87	70	77%	21	23%	91
White collar employees	646	69%	293	31%	939	548	68%	256	32%	804
Blue collar employees	285	96%	11	4%	296	260	96%	11	4%	271

Percentage of employees by employees category and age group							
	December 31 st 2018						
	<30	% <30	30-50	% 30-50	>50	% >50	Tot
Executives	-	0%	24	52%	22	48%	46
Middle managers	1	1%	61	70%	25	29%	87
White collar employees	246	26%	595	63%	98	10%	939
Blue collar employees	87	29%	179	60%	30	10%	296

Percentage of employees by employees category and age group							
	December 31 st 2017						
	<30	% <30	30-50	% 30-50	>50	% >50	Tot
Executives	-	0%	27	59%	19	41%	46
Middle managers	9	10%	61	67%	21	23%	91
White collar employees	235	29%	493	61%	76	9%	804
Blue collar employees	71	26%	171	63%	29	11%	271

Average hours of training per employees category and gender						
	December 31 st 2018					
	Men n. hours	Average per capita	Women n. hours	Average per capita	total hours	Average total per capita
TOTAL	11.648	11	4.676	14	16.324	12
Executives	496	12	12	3	508	11
Middle managers	664	10	221	12	885	10
White collar employees	6.158	10	4.354	15	10.512	11
Blue collar employees	4.330	15	90	8	4.420	15
Average hours of training per employees category and gender						
	December 31 st 2017					
	Men n. hours	Average per capita	Women n. hours	Average per capita	total hours	Average total per capita
TOTALE	15.499	17	5.187	18	20.686	17
Executives	851	20	12	4	863	19
Middle managers	933	13	519	25	1.451	16
White collar employees	8.501	16	4.602	18	13.103	16
Blue collar employees	5.215	20	55	5	5.270	19
Occupational health and safety data 2018 ¹⁰						
Injuries			2018		2017	
Total recordable work-related injuries			29		29	
Total high-consequence work-related injuries (excluding fatalities)			-		-	
Total number of fatalities as a result of work-related injuries			-		-	
Number of hours/ days			2018		2017	
Multiplier			1.000.000		1.000.000	
Hours worked			2.536.999		2.189.850	
Health and safety indicators			2018		2017	
Rate of work-related injuries			11,43		13,24	
Rate of high-consequence work-related injuries (excluding fatalities)			-		-	
Rate of fatalities as a result of work-related injuries			-		-	

¹⁰For 2018 it was decided to proceed with the reporting of the data related to injuries using the new Standard GRI 403, published by the Global Reporting Initiative (GRI) in 2018 which replaced the old version published in 2016 and used up until that time. For comparative purposes, the data related to 2017 have been revised with respect to those published earlier in the NFD after the up-dating of Standard GRI 403. The injury rate was calculated as the ratio between the total number of injuries and the total number of hours worked using a multiplying factor of 1.000.000. For the data published previously, please refer to the NFD 2017 published on the website www.elengroup.com in the section called Investor relations/Sustainability/Reports.

Environmental data

Energy consumption¹¹

Type of fuel	ITALY					
	December 31 st 2018			December 31 st 2017		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural gas	m ³	284.595	10.258	m ³	299.357	10.518
Diesel	l	277.388	9.956	l	-	-
Gasoline	l	3.091	101	l	-	-
LPG	l	5.750	137	l	5.350	126
Renewable fuel (bio-ethanol)	l	-	-	l	-	-
Electricity purchased	kWh	2.774.071	9.987	kWh	2.425.967	8.733
Electricity sold	kWh	(41.220)	(148)	kWh	(80.003)	(288)

Type of fuel	REST OF EUROPE					
	December 31 st 2018			December 31 st 2017		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural gas	m ³	26.237	946	m ³	28.374	997
Diesel	l	88.246	3.167	l	-	-
Gasoline	l	1.089	36	l	-	-
LPG	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	-	-	l	-	-
Electricity purchased	kWh	278.402	1.002	kWh	243.051	875
Electricity sold	kWh	-	-	kWh	-	-

¹¹The data related to the consumption of energy in the month of December 2018, unless otherwise indicated, have been taken from the invoices from the suppliers. The data for the energy consumption of the companies located at the headquarters in Calenzano were estimated in part on the basis of the consumption in December of 2017. The consumption of fuel for motor vehicles of the Italian companies in Calenzano and part of those related to Lasit S.p.A., were estimated starting with the expense using the average annual price of gasoline and diesel (€/L) shown on the site of the Ministry of Economic Development.

For the calculation of the energy consumption in 2018 in GJ, we have used the conversion factors of the Department for Environment, Food & Rural Affairs (DEFRA), UK, 2018.

REST OF THE WORLD					
Type of fuel	December 31 st 2018			December 31 st 2017	
	Consumption [UoM]	GJ	Consumption [UoM]	GJ	
Natural gas	m ³	-	-	m ³	-
Diesel	l	18.155	652	l	-
Gasoline	l	21.147	693	l	-
LPG	l	-	-	l	-
Renewable fuel (bio-ethanol)	l	11.412	243	l	-
Electricity purchased	l	1.217.914	4.384	l	1.136.855 4.093
Electricity sold	l	-	-		-

ENERGY CONSUMPTION OF THE GROUP					
Type of fuel	December 31 st 2018			December 31 st 2017	
	Consumption [UoM]	GJ	Consumption [UoM]	GJ	
Natural gas	m ³	310.832	11.204	m ³	327.731 11.514
Diesel	l	383.789	13.775	l	-
Gasoline	l	25.327	830	l	-
LPG	l	5.750	137	l	5.350 126
Renewable fuel (bio-ethanol)	l	11.412	243	l	-
Electricity purchased	kWh	4.270.387	15.373	kWh	3.805.873 13.701
Electricity sold	kWh	(41.220)	(148)	kWh	(80.003) (288)
Total	GJ	-	41.413	GJ	- 25.054

Emissions¹²**Scope 1 and Scope 2 emissions (*location-based method*)**

	December 31 st 2018			December 31 st 2017		
	EMISSIONS (ton CO _{2eq})					
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.327	999	2.325	636	880	1.515
Rest of Europe	288	134	422	59	115	174
Rest of the world	94	722	817	-	692	692
Total	1.709	1.855	3.564	695	1.686	2.381

Scope 1 e Scope 2 emissions (*market-based method*)

	December 31 st 2018			December 31 st 2017		
	EMISSIONS (ton CO _{2eq})					
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.327	1.322	2.649	636	1.105	1.741
Rest of Europe	288	199	487	59	168	227
Rest of the world	94	722	817	-	692	692
Total	1.709	2.243	3.952	695	1.964	2.659

For the calculation of the Scope 1 emissions 2017 and 2018 we have considered respectively the emission factors of DEFRA 2017 and 2018.

For the calculation of Scope 2 emissions we have used different factors based on the calculation methods of the different countries. In particular:

- For the location-based method we have used average emission factors related to the generation of national energy for the different countries in which we operate as reported in the publication Confronti Internazionali, Terni 2015 and 2016, respectively for 2017 and 2018;
- For the market-based method we used average emission factors derived from the production of electricity in the EU for Italy, France and Germany, published in the document Residual Mix Results, Association of issuing bodies (AIB), 2016 and 2017, respectively for 2017 and 2018. For the other countries we have used the same factors used for the location-based method."

¹² It should be noted that for a better compliance with Standard GRI 305-1 for the calculation of Scope 1 emissions we used an up-dated source of the emission factors which reports the emissions in CO_{2eq}. The Scope 2 emissions on the other hand, are expressed in tons of CO₂, in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of green-house gas (CO_{2eq}), as can be seen from the technical literature to which they refer. It should be noted that, following this improvement process of the reporting system for Scope 1 emissions and, in particular, the up-dating of the sources of the factors of emissions used for the calculation of the 2018 data, the data for 2017 have been restated with respect to those shown in the preceding NFD, using new emission factors. For the previously published data, please consult the NFD for 2017, which was published on the website www.elengroup.com in the section called Investor Relations/Sustainability/Reports

Water consumption¹³

Source of water	GROUP TOTAL	
	December 31 st 2018	December 31 st 2017
	Consumption [m ³]	Consumption [m ³]
Aqueduct	34.043	27.463
Rain water	-	60
Other	-	1
Total	34.043	27.524

¹³For the calculations of the water consumption we used estimates when exact data was not available. In particular, for Quanta System S.p.A., Elen S.p.A. and Otlas S.r.l. part of the consumption was calculated on the basis of daily consumption as stated by the water supplier.

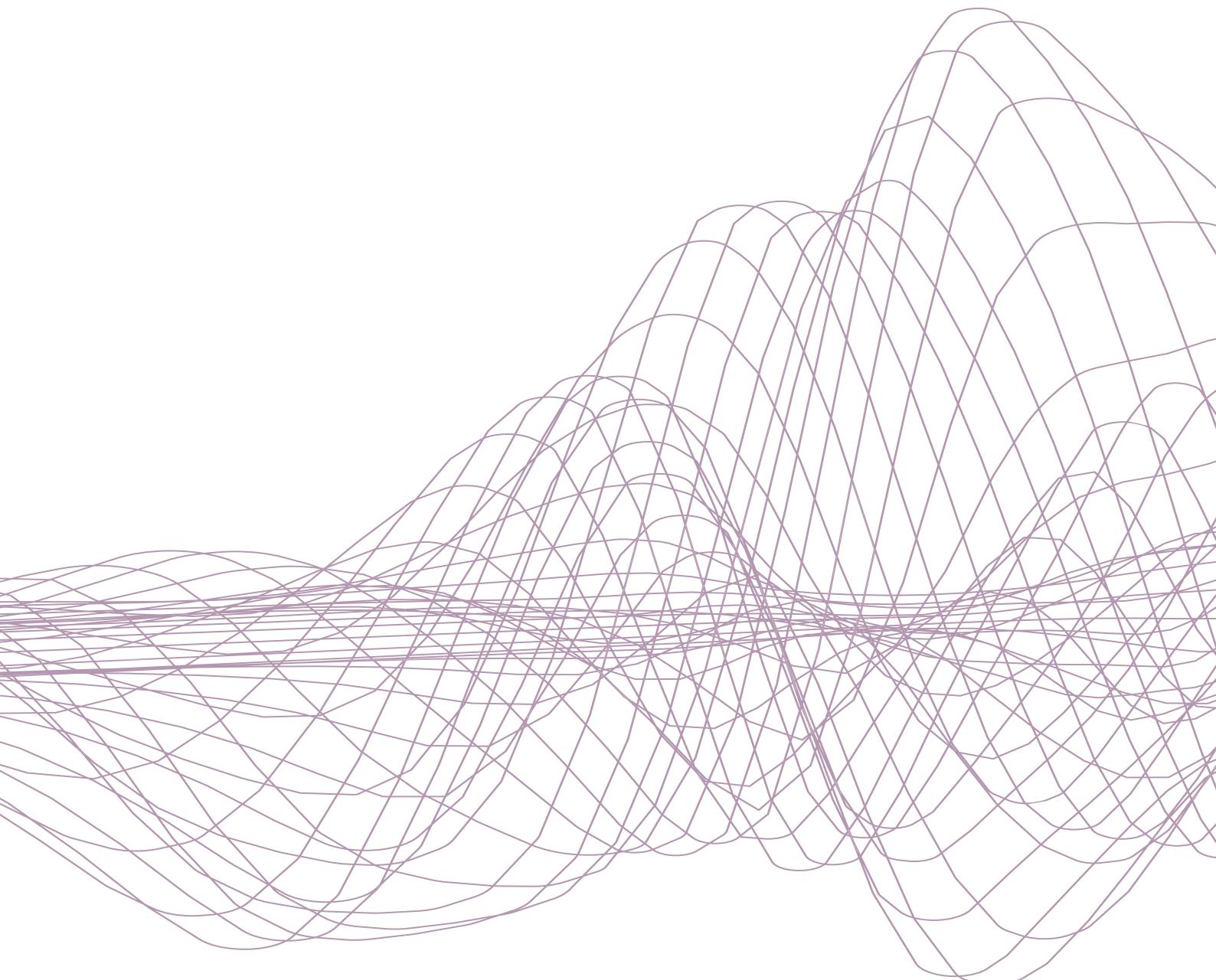
Chart illustrating the material topic and their limits

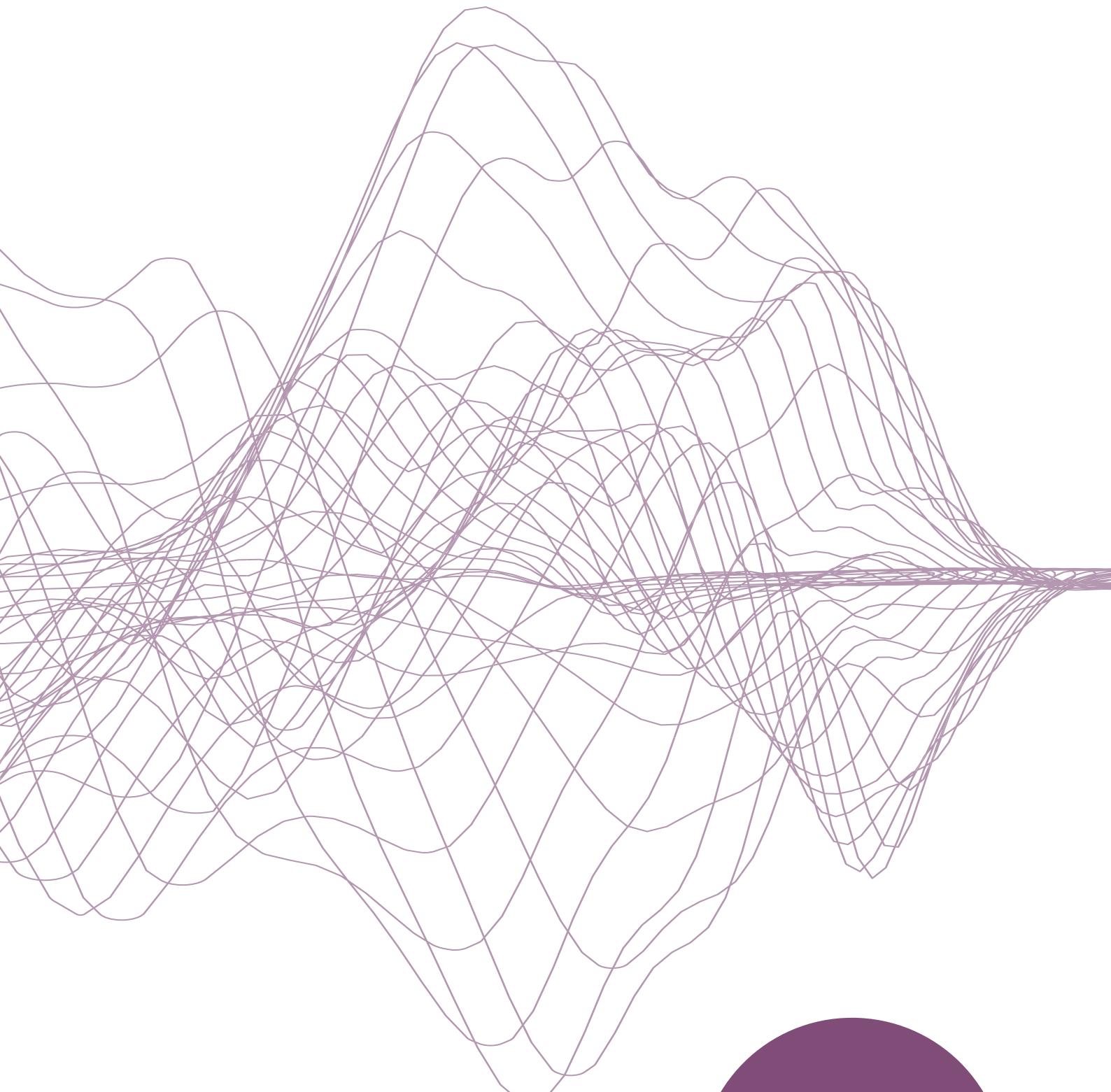
For each issue that has been identified we have given a brief of its relevance for the Group and its limits (where the impact occurs and the involvement of the Group).

Material topic	Description	Scope of impact	Type of impact
Research, development and innovation	Research and development activity aimed at a continual improvement of the quality and innovation of the product, while guaranteeing, when possible, the safeguarding of the Intellectual property.	Group; Universities and research centers	Caused and contributes to
Product quality and safety	Identification and reduction of potential risks for health and safety related to the products along the entire chain of value.	Group, Suppliers	Caused and directly linked through business relationship
Economic and financial performance	Achievement of brief and mid-to long term positive economic and financial objectives, consistent with the creation of value for the different categories of stakeholders.	Group	Caused
Training and professional growth of the employees	Offering of programs of development and training intended to increase the skills of the employees and consolidate their professionalism.	Employees of the Group	Caused
Occupation health and safety	Respect of the regulations and agreements underwritten and promotion of practices aimed at minimizing the risk for the health and safety of the employees.	Employees of the Group ¹⁴	Caused
Risk management	Implementation of a broad system intended to identify, evaluate and manage risks and uncertainties, including environmental and social risk and/or new types of risks that may emerge that are related to the activity of the Group.	Group	Caused
Ethics, integrity and compliance	Promotion of a good Corporate Governance and respect of the standards related to ethics, integrity and conformity with the law, regulations and Codes for self-disciplining in this category.	Group	Caused
Diversity, equal opportunity and non-discrimination	Creation of working practices and conditions that are adequate to insure equal opportunity, by removing every form of discrimination and moral or psychological violence based on gender, age, race, religion or sexual orientation.	Group	Caused

Issues	Description	Limits of impact	Role of El.En.
Human rights and working conditions	Respect, promotion and protection of human rights and working conditions in the conduction of their activities (for example, prohibition of forced or child labor, and respect of ethics and behavior codes)	Group; Suppliers	Caused and directly linked through business relationship
Indirect social impact	Indirect social impact related to the use of products of the Group, also through donations that benefit the collectivity	Group, Clients (B2B) and consumers (B2C)	Caused and contributes to
Environmental Performance	Commitment of the Group to the development of policies and procedures to reduce their environmental impact (for example, making electrical consumption more efficient, reducing water consumption and green-house emissions).	Group; Suppliers of electricity	Caused and directly linked through business relationship
Industrial relations	Respect of the liberty of association and expression by the workers, intended to guarantee them the right to be represented, also by belonging to a labor unions and/or associations representing the category	Group;	Caused
Relations with the institutions, local community and territory	Relations with public institutions, collaboration and contributions to the creation of research and development activities	Group; Institutions	Caused and contributes to
Purchasing practices	Responsible management of the procurement practices along al the chain of supply of the organization; activities for evaluating and screening of suppliers on the basis of social and environmental performance and promotion of responsible social behavior ad practices that stimulate the supplier to adopt sustainable practices	Group, Suppliers.	Caused and contributes to

¹⁴The company will conduct further analysis related to the significance of the other workers who are not employees for the purpose of evaluating the need to collect data at the employers of the external collaborators and the suppliers who operate at the headquarters of the Group and/or under the control of the Group, in order to conduct an evaluation of the quality and accuracy of the data over which it has no direct control.





GRI content
Index

9 GRI CONTENT INDEX

The chart below shows the information of the Group based on GRI Standards with reference to the materiality of El.En.. For all of the information supplied we have given the relative page number in this document.

Universal Standards		
GRI Standard	Page	Description
GRI 102: General Disclosures (2016)		
Organizational profile		
102-1	26	Name of the organization.
102-2	30-34	Activities, brands, products and services
102-3	28	Location of headquarters
102-4	28-29	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.
102-5	40; Report on Corporate Governance and ownership for 2018, Chart 1 - information on the company organization	Ownership and legal form
102-6	32-33;The main selling markets are Italy, Europe, United States, Japan and China	Markets served.
102-7	28-29; 35; 74; The capitalization as of December 31st, 2018 was 244.499 thousand Euros	Scale of the organization
102-8	76; 94-96	Total number of employees by employment contract (permanent and temporary), by gender
102-9	60-61	Supply chain
102-10	10	Significant changes to the organization's size, structure, ownership, or supply chain
102-11	48-49	Precautionary Principle or approach
102-12	22; 45; 58	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.
102-13	18	Membership of associations

Universal Standards		
GRI Standard	Page	Description
GRI 102: General Disclosures (2016)		
Strategy		
102-14	9	Statement from senior decision-maker.
Ethics and integrity		
102-16	26-27; 43	Values, principles, standards, and norms of behavior.
Governance		
102-18	40-42	Governance structure
Stakeholder Engagement		
102-40	15	List of the stakeholders groups engaged by the organization.
102-41	75	Percentage of total employees covered by collective bargaining agreements.
102-42	15;19	The basis for identifying and selecting stakeholders with whom to engage.
102-43	16-17; 19	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.
102-44	16-17; 20; 102-103	Key topics and concerns that have been raised through stakeholder engagement, including: how the organization has responded to those key topics and concerns, including through its reporting; the stakeholder groups that raised each of the key topics and concerns.
102-45	10; 28-29	Entities included in the consolidated financial statements.
102-46	10; 19	Defining report content and topic Boundaries.
102-47	19-20; 102-103	A list of the material topics identified in the process for defining report content.
102-48	10; 90; 95; 100	The effect of any restatements of information given in previous reports, and the reasons for such restatements.
102-49	20; 102-103	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.

Universal Standards			
GRI Standard	Page	Description	
GRI 102: General Disclosures (2016)			
102-50	10	Reporting period	
102-51	March 2018	If applicable, the date of the most recent previous report	
102-52	10	Reporting cycle	
102-53	sustainability@elen.it	Contact point for questions regarding the report	
102-54	10	Claims of reporting in accordance with the GRI Standards	
102-55	106-117	GRI Content Index	
102-56	118-120	External assurance	
GRI Standard	Page	Omissions	Description
Material aspects			
ECONOMIC			
Economic performance			
GRI 103: Management Approach (2016)			
103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	22; 32-36		The management approach and its components
103-3	35-36		Evaluation of the management approach
GRI 201: economic performance (2016)			
201-1	35-36		Direct economic value generated and distributed.
Anti-corruption			
GRI 103: Management Approach (2016)			
103-1	19-20; 102		Explanation of the material topic and its Boundary

103-2	11; 22; 43-44; 47-48		The management approach and its components
GRI Standard	Page	Omissions	Description
103-3	43-44		Evaluation of the <i>management</i> approach.

GRI 205: anti-corruption (2016)

205-3	During 2018 no cases of corruption were reported.		Confirmed incidents of corruption and actions taken.
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ENVIRONMENTAL**Energy****GRI 103: Management Approach (2016)**

103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11 ; 22; 89-90		The management approach and its components
103-3	88-90		Evaluation of the <i>management</i> approach.

GRI 302: energy (2016)

302-1	88-89; 98-99		Energy consumption within the organization.
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Water**GRI 103: Management Approach (2016)**

103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 91		The management approach and its components
103-3	91		Evaluation of the <i>management</i> approach.

GRI 303: water resources (2016)

303-1	91; 101		Water withdrawal, by source.
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GRI Standard	Page	Omissions	Description
Emissions			
GRI 103: Management Approach (2016)			
103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 89-90		The management approach and its components
103-3	89-90		Evaluation of the <i>management</i> approach.
GRI 305: emissions (2016)			
305-1	89-90; 100-101		Direct (Scope 1) GHG emissions
305-2	89-90; 100-101		Energy indirect (Scope 2) GHG emissions
Environmental compliance			
GRI 103: Management Approach (2016)			
103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	11; 47-49; 88		The management approach and its components
103-3	47-49; 88		Evaluation of the <i>management</i> approach.
GRI 307 environmental compliance (2016)			
307-1	In 2018 no cases of non-conformity with environmental laws and regulations took place.		Non-compliance with environmental laws and regulations
Environmental evaluation of suppliers			
GRI 103: Management Approach (2016)			
103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	11; 22; 60-61		The management approach and its components
103-3	60-61		Evaluation of the management approach.
GRI 308 Environmental evaluation of suppliers (2016)			
308-1	11; 61		New suppliers that were screened using environmental criteria

GRI Standard	Page	Omissions	Description
SOCIAL			
Labor/Management Relations			
GRI 103: Management Approach (2016)			
103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	74-75; 84-85		The management approach and its components
103-3	74-75; 84-85		Evaluation of the <i>management</i> approach.
GRI 402: Labor/Management Relations (2016)			
402-1	75		Minimum notice periods regarding operational changes
Occupational Health and safety			
GRI 103: Management Approach (2016)			
103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	22; 79-82		The management approach and its components
103-3	79-82		Evaluation of the <i>management</i> approach.
GRI 403-2: Occupational health and safety (2018)			
403-1	79-82		Occupational health and safety management system
403-2	79-82		Hazard identification, risk assessment, and incident investigation
403-3	79-82		Occupational health services
403-4	79-82		Worker participation, consultation, and communication on occupational health and safety
403-5	81		Worker training on occupational health and safety
403-6	84-85		Promotion of worker health

GRI Standard	Page	Omissions	Description
403-7	79-82		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

GRI 403: Occupational health and safety (2018)

403-9	81; 97		Work-related injuries
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Training and education**GRI 103: Management Approach (2016)**

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	77-78		The management approach and its components
103-3	77-78		Evaluation of the <i>management</i> approach

GRI 404: training and education (2016)

404-1	77; 97		Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category
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Diversity and equal opportunity**GRI 103: Management Approach (2016)**

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	43; 48; 74-75		The management approach and its components
103-3	43; 48; 74-75		Evaluation of the <i>management</i> approach.

GRI 405: diversity and equal opportunity (2016)

405-1	41; 74-76; 95-96		Diversity of governance bodies and employees
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GRI Standard	Page	Omissions	Description
Non Discrimination			

GRI 103: Management Approach (2016)

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	43; 48; 74-75		The management approach and its components
103-3	43; 48; 74-75		Evaluation of the <i>management</i> approach.

GRI 406: non discrimination (2016)

406-1	In 2018 no cases related to discriminatory practices occurred.		Incidents of discrimination and corrective actions taken
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Freedom of association and collective contracting**GRI 103: Management Approach (2016)**

103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 45; 49		The management approach and its components
103-3	49		Evaluation of the <i>management</i> approach.

GRI Standard	Page	Omissions	Description
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GRI 407: freedom of association and collective bargaining (2016)

407-1	49		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
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GRI Standard	Page	Omissions	Description
Child labor			
GRI 103: Management Approach (2016)			
103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 45; 49		The management approach and its components
103-3	49		Evaluation of the <i>management</i> approach.
GRI 408: Child labor (2016)			
408-1	49		Operations and suppliers at significant risk for incidents of child labor
Forced or compulsory labor			
GRI 103: Management Approach (2016)			
103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 45; 49		The management approach and its components
103-3	49		Evaluation of the <i>management</i> approach
GRI 409: Forced or compulsory labor (2016)			
409-1	49		Operations and suppliers at significant risk for incidents of forced or compulsory labor
Human rights assessment			
GRI 103: Management Approach (2016)			
103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	11; 22; 45; 49		The management approach and its components
103-3	49		Evaluation of the <i>management</i> approach.

GRI Standard	Page	Omissions	Description
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GRI 412: evaluation of the respect of human rights (2016)

412-2	11; 49; 77-78		Employee training on human rights policies or procedures
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Evaluation of suppliers on the basis of social issues**GRI 103: Management Approach (2016)**

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	11; 22; 60-61		The management approach and its components
103-3	60-61		Evaluation of the <i>management</i> approach.

GRI 414: evaluation of suppliers on the basis of social issues (2016)

414-1	11; 61		New suppliers that were screened using social criteria
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Customer health and safety**GRI 103: Management Approach (2016)**

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	22; 57-59		The management approach and its components
103-3	57-59		Evaluation of the <i>management</i> approach.

GRI 416: Customer health and safety (2016)

416-2	In 2018 no cases of non-conformity took place in relation to health and safety issues of the products.		Incidents of non-compliance concerning the health and safety impacts of products and services
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GRI Standard	Page	Omissions	Description
Social and economic compliance			

GRI 103: Management Approach (2016)

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	43; 47-48		The management approach and its components
103-3	43; 47-48		Evaluation of the <i>management</i> approach.

GRI 419: Social and economic compliance (2016)

419-1	In 2018 there were no cases of non-conformity with the laws and regulations related to social and economic issues.		Non-compliance with laws and regulations in the social and economic area
Research, development and innovation			

GRI 103: Management Approach (2016)

103-1	19-20; 102		Explanation of the material topic and its Boundary
103-2	22; 54-55; 64-71		The management approach and its components
103-3	54-56; 64-71		Evaluation of the <i>management</i> approach.

Risk management**GRI 103: Management Approach (2016)**

103-1	19-20; 102		Explanation of the material topic and its Boundary
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GRI Standard	Page	Omissions	Description
103-2	22; 47-51		The management approach and its components
103-3	47-51		Evaluation of the <i>management</i> approach.
Indirect social impact			

GRI 103: Management Approach (2016)

103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	22; 54-56; 64-71		The management approach and its components
103-3	54-56; 64-71		Evaluation of the <i>management</i> approach.

Relations with public institutions

GRI 103: Management Approach (2016)

103-1	19-20; 103		Explanation of the material topic and its Boundary
103-2	46		The management approach and its components
103-3	46		Evaluation of the <i>management</i> approach.



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of
El.En. S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of El.En. S.p.A. and its subsidiaries (hereinafter "Group" or "El.En. Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 14, 2019 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ancora Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

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Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the El.En. Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of El.En. S.p.A. and with the employees of Quanta System S.p.A., Lasit S.p.A., Penta-Chutian Laser (Wuhuan) Co. Ltd, Penta-Laser Equipment Wenzhou Co. Ltd, and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:



- a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies and sites, Calenzano headquarters and production site for El.En. S.p.A., Samarate headquarters and production site for Quanta System S.p.A. and Torre Annunziata headquarters and production site for Lasit S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the El.En. Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Neri Bandini
Partner

Florence, Italy
March 29, 2019

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



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