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Press release

The Board of Directors of El.En. releases the six months financial report as of June 30, 2024

Group net Income up 6% to over 27 million of Euro
2024 Guidance: the objective to exceed 2023 consolidated EBIT is confirmed

- **Consolidated Revenues: 312,9 million of Euro vs. 345,6 million of Euro in 1H 2023 (-9%)**
- **EBITDA: 41,4 million of Euro vs. 45,7 million of Euro in 1H 2023 (-9,3%)**
- **EBIT: 34,2 million of Euro compared to 38.9 million of Euro in the same period of 2023 (-12%)**
- **Group net result positive at 27,3 million of Euro vs. 25,8 million of Euro in 1H 2023 (+5,9%)**
- **Net Financial Position: positive at 68,7 million of Euro vs. 54,6 million of Euro as of December 31, 2023, and vs. 48,1 million of Euro as of March 31, 2024**

Florence, September 11, 2024 – The Board of Directors of El.En. S.p.A., a leader in the laser market listed in the STAR Segment of the Italian Stock Exchange, released today the six months financial report as of June 30, 2024.

The first half of 2024 closed with Group revenues amounting to 312,9 million, representing a decrease of approximately 9% compared to the corresponding period of 2023, while the Group's net result reached 27,3 million, marking an increase of about 6% compared to 2023.

The Group had specifically referred, in its annual guidance, to the initial decline in revenue, forecasting a recovery during the year both in terms of revenue and EBIT. In terms of revenue performance, the semi-annual results remain slightly below the required timeline to meet the annual guidance, while in terms of operating results, the second quarter recorded a better performance, aligning the semi-annual EBIT with the expected performance for the year.

The first half of 2024 faced less favorable market conditions than in the past, with ongoing tensions from the wars in Ukraine and the Middle East as well as the high-interest rates that have weakened demand in several significant markets. The industrial sector in Italy has been severely penalized, with a sharp and widespread decline in demand, not only by an uncertain general economic situation but also by the latency phase of investment incentivization policies for industrial equipment, a phase that was overcome with the publication of the guidelines for the 5.0 tax incentives. The Chinese market continues to suffer from a structural crisis, with producers, equipped and organized to benefit from its growth, having to increasingly turn to export to compensate for weak domestic demand. For aesthetic medical applications, demand from the American market, the most important in the world, is not maintaining the levels of previous years. Nonetheless, the Group confirms its position among the leaders in the urology and aesthetic medicine segments.

The Group continues to be recognized as a leader in the international markets in which it operates and, thanks to the effectiveness of its innovative processes, is able to continually improve its product range and offer customers attractive and cutting-edge solutions to seize the growth opportunities that emerging markets present.

The forecasts for recovering the shortfall recorded in the first quarter compared to the results of 2023 only partially materialized. The **medical sector** showed good performance in Q2, recording results in line with the same period in 2023 both in terms of revenue and profit, although the first six months were not favorable in Italy, while trends in European markets ware positive. Revenues in the rest of the world, slightly down, were affected by a weak start of the year in the American and Middle Eastern markets, especially compared to a very positive trend in the first half of 2023.

However, the difficulties in the **industrial sector**, especially in cutting, which caused the decline in revenue and profit results across the entire sector (approximately -20%), have not yet been overcome, and consequently, consolidated results. This is despite the strong performance of Lasit and its subsidiaries in the industrial sector, which registered a revenue (+10%) and an operating result (+22%) increase despite a very unfavorable general situation in the Italian machine tool market. Due to the weak performance of the metal cutting laser systems market in China and Italy, the overall weight of industrial sector sales on Group sales decreased from 42,6% in 2023 to 37,7% in 1H2024.

The first half of 2024 closed with a **consolidated revenues** of 312,9 million of Euro vs. 345,6 million of Euro in 1H 2023, with a decline of approximately 9%; **EBITDA** was 41,4 million of Euro with a decrease of 9,3% and an incidence on revenue of 13,2% compared to 45,2 million of Euro in the same period of 2023.

EBIT stood at 34,2 million of Euro, with a decrease of 12% compared to 38,9 million of Euro in the same period of 2023.

The Group **net income** was positive for 27,3 million of Euro, with a 5,9% increase compared to 25,8 million in 1H 2023.

Gabriele Clementi, President of El.En. S.p.A. said: "*In light of the general market conditions observed in the semester, we consider the results to be certainly satisfactory. The general conditions have not been favorable at the start of 2024, and demand in several significant markets for us was rather weak as noted in market analyses. The innovative processes that allow us to improve our product range and offer attractive and cutting-edge solutions to our customers remain central to the activities, strategic focus, and investments of the Group. The Group is confident that the medium-term performance of our outbound markets will continue to hold promise for positive developments, and thanks to our commitment to supporting substantial investments in research and development and innovation to improve our competitiveness over time, we expect to benefit from the growth opportunities that our markets indicate*."

The performance of system sales in the **medical sector** reported revenue of approximately **195,1 million of Euro**, showing a slight decline, fairly consistent across the various application segments: aesthetics, surgery, and therapy, compared to 198,5 million of Euro in the same period in 2023. Revenues from services. Spare parts and consumables, on the other hand, recorded a growth of 6%, limiting the overall decline in the medical sector to 1,7%, a commendable result given the market situation, which is decidedly less favorable compared to the previous year when very bright results were achieved in the first half of 2023.

Despite marking a decline of approximately 3% in semi-annual revenue, the **aesthetics** segment (110,4 million of Euro) registered excellent results in the second quarter, recovering ground compared to 2023 thanks to significant revenue growth across all anti-aging technologies: ablative CO_2 systems, such as the Tetra Pro by Deka, dedicated to facial rejuvenation with minimally invasive techniques like the highly successful *Coolpeel* in the US; ultra-short pulse applications, nano and picoseconds like the Discovery Pico by Quanta System for toning, which have been very successful in the Far East markets, non-ablative technologies like the Red Touch Pro by Deka, which is introducing a new paradigm in regenerative medicine treatments and facial firming and reshaping with microwave technologies such as Onda and Onda Pro by DEKA. The result in medica aesthetics was particularly appreciable considering the uncertain trend that market analyses have detected in the American territory.

While revenues from **surgical systems** showed a slight decline, a strong contribution to sales was provided by optic fibers used as consumables in urological surgery operations, recorded among **after-sales services**, and representing almost 40% of sales in the segment of goods and after-sales services.

In the **industrial applications** sector, which recorded revenues of **117,9 million of Euro** (vs. 147,1 million of Euro in 1H 2023) on a semi-annual basis, sales suffered due to weak performance in the main outbound markets, particularly China and Italy, where unfavorable general conditions were compounded by a latency phase in tax incentive policies for investments, with a cross-cutting effect on our outbound application markets: cutting, marking for identification and decoration. Following the end of incentive 4.0, there was an uncertainty phase from the announcement of incentive 5.0, which was not immediately followed by the release of actual implementation guidelines. However, there was an extraordinary acceleration in revenue from **after-sales services and goods** (+45%), a direct and delayed consequence of the significant increase in the number of systems installed in the last two years, with the share of service revenue on total sector revenue doubling during the period from 5% to around 10%.

The **laser sources** segment reported good sales performance (+4,5%) with revenue of 2,3 million of Euro compared to 2,2 million of Euro at June 30, 2023.

Revenues from the **art conservation** segment, which greatly enhances the Group by contributing its laser technologies to the restoration of masterpieces, slightly declined. The heritage conservation segment represents one of the most significant commitments for El.En. Group in socially relevant activities, with expertise and technologies available for the conservation of artistic goods, playing a role and value that goes beyond mere financial results.

After the cleaning works of the Cathedral of Notre Dame in Paris, following the 2019 fire, and the cleaning of rock tombs in the Tabuk area of Saudi Arabia, the Group's activities continued, with our technologies providing valuable assistance in significant restorations including those of Palazzo Tornabuoni in Florence, the National History Museum in London, the Cathedral of Vienna, Palazzo Orsini in Bomarzo, the Mouth of Truth in Vicenza, Palazzo Madama in Turin, the Fountain in Piazza della Rotonda and Trajan's Column in Rome, the Archaeological site of the city of Hegra – Alula in Saudi Arabia, and the Church of Saint-Nizier in Lyon. Below you can see a detail of a gargoyle after the cleaning intervention carried out with our active fiber laser Infinito 100W, used in London for cleaning the sculptures on the facade of the Natural History Museum, deteriorated by smog and bad weather.

At the **geographical level**, in the first six months of 2024, weakness in the market in **Italy** was highlighted with a revenue drop of 45,7% in the industrial sector and 8,6% in the medical sector. The industrial sector suffered the effects of the interruption of benefits from 4.0 and the prolonged latency of the new 5.0.
Positive performance in **Europe** was reported in both the medical sector (about 60 million of Euro vs. approximately 58 million of Euro in 2023) and the industrial sector (about 19 million of Euro vs. approximately 17 million of Euro in 2023). Revenue in the **rest of the world**, slightly down (-3%), was influenced by the still weak performance of the metal cutting laser systems market in China and a weak start of the year in the American and Middle Eastern markets.

Throughout the semester, the Group continued its sustainability-related activities, included among the performance indicators for management compensation. In the 5-year plan 2023-2027, the Group has identified specific and measurable sustainability activities and objectives on themes considered most sensitive, such as combating climate change, circular economy, promoting a responsible supply chain, valuing people, and contributing to the community, reaffirming its ongoing commitment to sustainable development and how environmental and social responsibility are increasingly integral to the Group's business model.

In greater detail:

Gross Margin of 1H 2024 was about 129 million of Euro, down approximately 2% from 13,5 million of Euro on June 30, 2023, with a recovery in sales margins from 38,0% to 41,2%.

EBITDA was 41,4 million of Euro, down 9,3% from 45.7 million of Euro in 1H 2023. The incidence on revenue remains unchanged at 13,2%.

EBIT showed a positive balance of about 34,2 million of Euro, down 12% from 38,9 million of Euro on June 30, 2023, with a margin on sales basically unchanged at 10,9%.

Income before taxes showed a positive balance of 38,5 million of Euro (37,8 million of Euro in 1H 2023). The exit of Private Equity funds from the capital of Penta Zhejiang made it impossible to complete the company's IPO on the Chinese market. Among the clauses of the contract under which the Group in 2019 acquired the shares of Penta Zhejiang (then Penta Wenzhou) held by the minority partner of the Joint Venture, the successful IPO listing by November 2024 was a condition for the payment of an "earn out" of 5 million of Euro to the liquidated partner. Based on IFRS9, management proceeded to the "Remeasurement" of the financial liability related to the aforementioned "earn out" clause: due to the impossibility of successfully concluding the IPO within the expected timeline, the clause is expected to expire, and the related income has been recognized in the income statement.

The **Group's net Income** was 27,3 million of Euro, up from 25,8 million of Euro in 1H 2023.

The **Group's net financial position** recorded an increase of approximately 14 million during the period, rising from 54,6 million of Euro on December 31, 2023, to 68,6 million of Euro on June 30, 2024. The increase was achieved entirely in the second quarter, which showed a balance increase of about 22,5 million of Euro. The income flow from operating activities, together with depreciation and allowances for the first half of 2024 exceeded 30 million of Euro, which were used for increasing working capital, for approximately 14,5 million of Euro, for dividend payments of about 17 million of Euro, and for capex of about 7,5 million of Euro. The disposal of investments in liquidity recorded in non-current assets contributed 16,3 million of Euro to the net financial position during the period, complemented by the positive effect of the "Remeasurement" of the financial debt due to the expected expiration of the "earn out" clause, which was obligating Ot-las to pay around 5 million of Euro to the previous partner of the Chinese JV in the event of the successful IPO of Penta Laser Zhejiang by the end of 2024. The fair value of liquidity investments still recorded in non-current assets is 7,5 million of Euro.

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The manager responsible for the preparation of corporate accounting documents, Dr. Enrico Romagnoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this press release corresponds to the documented results, the books, and the accounting records.

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Significant events occurred in the first half of 2024

As of December 31, 2023, the “Other non-current liabilities” also included a debt towards the former minority partner of Penta Laser Zhejiang Co., Ltd for 40 million Renminbi (approximately 5 million of Euro), due to the earn-out clause of the sales contract, which provided for payment if a successful IPO of Penta Laser Zhejiang Co., Ltd was completed within five years after the purchase date. Following the results recorded by Penta Laser Zhejiang, which were inadequate for presenting a successful IPO, and the withdrawal request by the Private Equity funds that had invested in Penta Laser’s capital, the positive conclusion of the IPO process within the end of 2024 became effectively impossible, and the management, applying IFRS9 principles, proceeded to remeasure the financial liability recognizing the related financial income in the income statement.

Potential developments in the laser cutting business unit

The project to realize an IPO on a regulated market in China, already suspended in 2023 due to inadequate financial results for a successful IPO and weakness in the Chinese market, is currently halted. The private equity funds that had invested in the capital of Penta Laser Zhejiang with the goal of guiding the company to the IPO exercised their withdrawal option, and the company repurchased their shares according to the contractually agreed terms.

Conflicts in Ukraine and the Middle East

The war being fought for two years in Ukraine is causing great uncertainty and criticality in international relations among all parties directly and indirectly involved in the conflict. The ongoing conflict in the Middle East, now more than nine months old, destabilizes international relations in the Middle Eastern area. The state of war in Ukraine and the strict commercial sanctions imposed on Russia have limited or precluded the continuation of existing trade relations in these areas. The Middle Eastern conflict is limiting sales in the two directly involved countries, Israel and Palestine, and is not aiding the regular development of business in the surrounding areas.

Significant events occurring after the end of the first half of 2024

As part of the reorganization of the laser cutting division's activities that the Group is undertaking after having first suspended and then interrupted the process that was to lead to the IPO of the division on the Chinese market, on August 29, 2024, Ot-las Srl repurchased 100% of the shares of Cutlite Penta Srl, held by Penta Laser Zhejiang. Penta Laser Zhejiang then proceeded to liquidate the stake of the Private Equity funds that had invested in its capital, according to the terms of the original capital increase agreement, paying the investors their invested capital and an interest of 6% per year, for a total amount of 151,8 million Renminbi, equivalent to approximately 19,3 million of Euro. To avoid any potential disputes from the investment fund CITIC, although it had previously waived its right to exercise the withdrawal option in the absence of an IPO, the Group's management deemed it prudent to proceed with its liquidation as well.

Current outlook

The results for the first half of 2024 showed a decline compared to the corresponding period of 2023, a decline already anticipated by the 2024 Guidance for the beginning of the financial year. Considering the performance of current revenues, in light of current market conditions, of the volume of orders backlog to date, and of the Group's competitive position in the medical and industrial sectors, we do not foresee in the second half of the year a full recovery in revenue that would allow surpassing revenues of 2023. Nevertheless, due to the different and more favorable composition of revenues, also supported by the work done on internationalization, the goal of exceeding in 2024 the consolidated EBIT of 2023 is confirmed.

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As required by Consob, the Half yearly as of June 30th, 2024 will be available for the public at our premises in Calenzano, at Borsa Italiana S.p.A., on our website www.elengroup.com, ("Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2024") from September 12, 2024 and on authorized storage website www.emarketstorage.com.

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CONFERENCE CALL

Thursday September 12, 2024 at 15.00 CET (14:00 GMT) (9:00 AM EST), El.En. S.p.A. will hold a Web conference call discussing the group's financial results. The following link can be used to join the call:

Zoom Link
https://polytemshir-it.zoom.us/j/86290877511?pwd=s6p8ZAlYM8yhvsV7aQoB2gTFkQ7dqb.1

ID Meeting: 862 9087 7511
Access Code: 804660

+39 0200667245
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Before the conference call, you can download the presentation slides from the Investor Relations page of the El.En. website:

http://www.elengroup.com/it/investor-relations/presentazioni .

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This press release may contain forecast elements on future events and financial results of the El.En. Group based on current expectations, estimates and projections regarding the sector in which the Group operates and on the current opinions of the management. By their nature, these elements have a component of risk and uncertainty as they depend on the occurrence of future events. It should be noted that the actual results could differ even significantly from those announced in relation to a multiplicity of factors beyond the control of the Group including: global economic conditions, impact of competition, political and regulatory developments in Italy and abroad.

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Annex:

1. El.En. Group Profit and Loss account as of June 30th, 2024
2. El.En. Group balance sheet as of June 30th, 2024
3. El.En. Group cash flow statement and Net Financial Position as of June 30th, 2024

(With reference to the Annex, it is specified that these are data for which the audit activity has not been completed)

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

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Negoziata su Euronext STAR Milan ("STAR")
Mkt cap.: 800 MLN €
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – El.En. Group Profit and Loss account as of June 30th, 2024

Income Statement	30/06/2024	Inc %	30/06/2023	Inc %	Var. %
Revenues	312.962	100,0%	345.625	100,0%	-9,45%
Change in inventory of finished goods and WIP	6.132	2,0%	15.940	4,6%	-61,53%
Other revenues and income	5.854	1,9%	3.625	1,0%	61,48%
Value of production	**324.948**	**103,8%**	**365.191**	**105,7%**	**-11,02%**
Purchase of raw materials	173.314	55,4%	211.655	61,2%	-18,12%
Change in inventory of raw material	(4.820)	-1,5%	(10.436)	-3,0%	-53,81%
Other direct services	27.649	8,8%	32.499	9,4%	-14,92%
Gross margin	**128.806**	**41,2%**	**131.473**	**38,0%**	**-2,03%**
Other operating services and charges	31.394	10,0%	30.622	8,9%	2,52%
Added value	**97.411**	**31,1%**	**100.851**	**29,2%**	**-3,41%**
Staff cost	56.020	17,9%	55.197	16,0%	1,49%
EBITDA	**41.391**	**13,2%**	**45.654**	**13,2%**	**-9,34%**
Depreciation, amortization and other accruals	7.211	2,3%	6.780	2,0%	6,36%
EBIT	**34.180**	**10,9%**	**38.874**	**11,2%**	**-12,08%**
Net financial income (charges)	(468)	-0,1%	(1.028)	-0,3%	-54,46%
Share of profit of associated companies	(186)	-0,1%	(5)	0,0%	4022,72%
Other net income and charges	4.971	1,6%	0	0,0%	
Income (loss) before taxes	**38.497**	**12,3%**	**37.842**	**10,9%**	**1,73%**
Income taxes	11.048	3,5%	10.991	3,2%	0,52%
Income (loss) for the financial period	**27.448**	**8,8%**	**26.851**	**7,8%**	**2,22%**
Net profit (loss) of minority interest	151	0,0%	1.075	0,3%	-85,97%
Net income (loss)	**27.297**	**8,7%**	**25.776**	**7,5%**	**5,90%**

Tab. 2 – El.En. Group balance sheet as of June 30th, 2024

Statement of financial position	30/06/2024	31/12/2023	Variation
Intangible assets	12.743	12.616	127
Tangible assets	114.630	112.218	2.412
Equity investments	2.571	2.926	-355
Deferred tax assets	15.188	14.347	840
Other non-current assets	7.782	24.092	-16.311
Total non current assets	**152.914**	**166.200**	**-13.286**
Inventories	220.870	210.297	10.573
Accounts receivable	180.906	173.383	7.523
Tax receivables	13.796	17.554	-3.758
Other receivables	19.993	16.420	3.574
Financial instruments	9.310	4.315	4.995
Cash and cash equivalents	148.590	131.041	17.549
Total current assets	**593.465**	**553.009**	**40.456**
Total Assets	**746.380**	**719.209**	**27.170**
Total shareholders' equity	**387.555**	**375.458**	**12.097**
Severance indemnity	4.554	4.758	-204
Deferred tax liabilities	3.297	3.524	-227
Reserve for risks and charges	11.032	13.252	-2.219
Financial debts and liabilities	25.888	28.979	-3.091
Other non current liabilities	2.129	7.633	-5.503
Total non current liabilities	**46.901**	**58.145**	**-11.244**
Financial liabilities	61.784	44.687	17.098
Accounts payable	166.984	153.231	13.754
Income tax payables	5.716	4.344	1.372
Other current payables	77.438	83.345	-5.907
Total current liabilities	**311.924**	**285.607**	**26.317**
Total Liabilities and Shareholders' equity	**746.380**	**719.209**	**27.170**

Tab. 3 – El.En. Group cash flow statement and Net Financial Position as of June 30th , 2024

	Net financial position	30/06/2024	31/12/2023
A	Cash and cash equivalents	148.590	131.041
B	Cash equivalents	-	-
C	Other current financial assets	9.857	4.844
D	**Liquidity (A + B + C)**	**158.447**	**135.885**
E	Current financial debt	(44.460)	(28.442)
F	Current portion of non-current financial debt	(17.324)	(16.245)
G	**Current financial indebtedness (E + F)**	**(61.784)**	**(44.687)**
H	**Net current financial position (D + G)**	**96.662**	**91.198**
I	Non-current financial debt	(15.187)	(18.654)
J	Debt instruments	(10.701)	(10.325)
K	Non-current trade and other payables	(2.129)	(7.633)
L	**Non-current financial indebtedness (I + J + K)**	**(28.017)**	**(36.612)**
M	**Net Financial Position (H + L)**	**68.645**	**54.586**

Cash flow statement	**30/06/24**	**30/06/23**
Cash flow generated by operating activity	22.568	(37.480)
Cash flow generated by investment activity	3.877	(12.473)
Cash flow generated by financing activity	(8.731)	(22.347)
Change in cumulative translation adjustment reserve on cash and cash equivalents	(165)	(2.574)
Increase/(decrease) in cash and cash equivalents	17.549	(74.874)
Cash and cash equivalents at the beginning of the financial period	131.041	162.814
Cash and cash equivalents at the end of the financial period	148.590	87.940

NOTE:

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

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

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

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

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

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts (displayed in compliance with the ESMA Orientations which, starting on May 5th 2021 modified the references contained in the preceding CONSOB communications, including the references present in Communication n. DEM/6064293 of July 28th 2006 related to the net financial position).