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Press release

The Bod of El.En. approves the financial report as of March 31st 2020

Covid-19 Impact
Quarterly Revenues at 73 million of euro

- **Consolidated revenues: 73 million of euro, down 13% on the 84 million of Q1 2019,**
- **EBITDA: 7,1 million of euro vs. 7,7 million in Q1 2019, (down 7,8%)**
- **EBIT: 4,5 million of euro vs. 5,7 million of euro of Q1 2019, (down 21,4%)**
- **Net Financial Position: positive for 27,5 million of euro, was 61,4 million as of December 31, 2019**

Florence, May 15th 2020 – The Board of Directors of El.En. S.p.A., leader on the laser market and listed on the STAR segment of the Italian Stock Exchange, approved today the financial report as of March 31, 2020.

During the first three months of 2020 the El.En. Group registered consolidated revenues for 73 million of euro. The 13% decrease on Q1 2019 is fully attributable to COVID. EBIT was 4,5 million of euro, down 21,4% on the 5,7 million of the first quarter for 2109, with a 6,2% EBIT margin on sales.

Gabriele Clementi, President of EL.EN. Spa said: "*The unexpected Covid-19 with the interruption of our operations first in China and then in the rest of the world has led to a social and economic environment of recession and uncertainty. The impact of the virus has been significant on the lives of all of us and on industrial activities in the sectors in which the Group is present, which experienced a significant contraction. After a period of forced closure of some of them, the plants are back in operation even if not all of them are fully operational. In this scenario it is complex to have visibility on the timing and speed of the recovery and on the future demand for our laser systems. We hope to receive positive signals with the complete reopening of the activities of our main customers and distributors globally. At the moment we operate with great attention, protecting first of all the health of our workers whom I want to thank for the dedication, tenacity, and also the patience shown in this critical situation. Confident in our structures organized to react with energy and efficacy, we are ready to take advantage of the next recovery, with the clear vision that the recovery could be slow and progressive".*

2020 began for the group with a perspective of development and growth in all the application sectors and geographical areas where it is active, in light of the excellent results achieved in 2019 and the organization and competitive positioning in the main markets. Up to the impact of Covid, the results were brilliant, in line with these expectations.

Due to the Group's global presence, the peculiarities of our markets and the organization of the various production plants, the spread of Covid 19, with the well-known preventive measures enforced by the various States to protect citizens' health, had very different consequences depending on the moment and the geographical area. The most restrictive measures have taken place in Wuhan, the epicenter of the pandemic, in China, where the Chinese government has imposed a very strict lockdown since January, subsequently extended more or less rigorously throughout the Chinese territory. The lockdown affected the Group's factories and its important production and organizational structure which, based in Wuhan, Wenzhou and Lin Yi, serves the Chinese market in the sheet metal laser cutting business. Our organization counts about 600 employees and generated about 22% of the Group's consolidated turnover in 2019 and more than half of the sales in the industrial sector. The inability to produce, due to the forced closure of the factories for over a month in Wenzhou and Lin Yi and for over two months in Wuhan, and the forced closure of the Group's customers, led to a reduction in sales. From the point of view of the impact on the results of Q1, 2020, the performance of the Chinese companies was the one that most affected the overall drop in turnover and profitability, as the first territory to be hit by the pandemic, strongly and for most of the quarter. However, China is also the area that first and more robustly is already returning to pre-Covid activity levels.

In the rest of the world, the months of January and February experienced record growth in both the medical and industrial sectors, with a very solid backlog and a prospect of further growth for the months to follow. The arrival of the pandemic, with the escalation of preventive and restrictive measures, first in Italy, and then in all the major western countries, also forced to adopt measures of the same content as the Chinese ones, had a significant impact on the activities of the group. To keep the production structures active, all safety and prevention measures were promptly adopted to protect the health of workers, also limiting where possible, the presence of workers in the company with the use of remote working.

In the medical sector, the plants continued to work at a good pace throughout the month of March with the exception of Quanta System which, located in the crucial area of the spread of the pandemic, in order to protect workers and their families, voluntarily suspended the production in the second half of March and then resumed it at a reduced rate, above all to serve the hospital surgical sector, which, least of all, in the world, was affected by the impact of Covid. The direct distribution activity on the Italian territory, and subsequently in France, was interrupted following the decrees that equally interrupted the activity of all Customers in the aesthetic medical sector. Production and sales to international distributors continued at full speed until the lockdown did not affect all the countries on which the Group operates, first of all the United States, and until the first requests for suspension and extension of deliveries terms of open orders. Consequently, the volume of sales to international distributors also experienced a significant drop, with a more marked effect in the aesthetic sector than in the surgical sector.

Asclepion, based in Jena, Germany, experienced a mild drop in demand, and production was never interrupted, also thanks to the adoption of all safety and prevention measures to protect workers' health. The Group's distribution companies in Japan operated in almost normal conditions in the first three months, they suffered some restrictions on operations only following the imposition of the lockdown in some regions, a lockdown without drastic measures such as those enforced in China or Italy, with most beauty centers open and operational.

In the industrial sector, which was experiencing a phase of rapid growth, the ban on production activities prevented the Group companies, in particular Cutlite Penta, from completing numerous sales within the quarter. Also in this sector there were no cancellations of orders, and once production was restarted, the evidence was that in some application segments, such as sheet metal cutting, the demand continues to be sustained, while in other segments the restarting of activities is picking up at slower pace.
CO_2 laser sources and systems, in some cases, in particular through OT-LAS, are being used in the cutting of personal protective equipment, including anti-Covid, i.e. masks, visors and plexiglas panels for physical separation between people.

To reduce costs and protect our financial balance, in Italy, in selected plants we started adopting the Italian State payroll integration programs ("cassa integrazione"), which is currently ongoing in all the Italian companies of the group.

Revenues in Q1 of 2020 showed an overall 13% decrease. The Medical sector recorded a 7,5% growth compared to the same period of 2019 with a result of 53,5 million euros compared to 49,8 million euros of Q1 2019. The Industrial sector showed a decrease in sales of about 43% with a result of 19,4 million of euros vs. 34,0 million of the first quarter of 2019.

Within the sector of **medical** and aesthetic systems which represents 73% of the consolidated revenues, despite the unfavorable conditions of the markets, "double-digit" growth was achieved in the beauty and service segments which grew by 12,4% and 11,7% respectively. In the beauty sector, we marked an the excellent performance on the Japanese market, among the least affected by the Covid effect in the first three months of the year. The physiotherapy sector was down, hit before others by the drop in demand, while the surgery segment remained substantially stable, thanks to the excellent performance of the urology segment which compensated for the decrease in other application segments.

In the **industrial** applications sector, revenues showed an overall 43% decrease, recording contractions between 30% and 50% in all the main segments, in proportion to the length of the downtime to which each activity was subjected. Larger in the cutting sector which suffered the closure in China and then in Italy, which recorded in the first quarter of 2020 a result equal to 12,8 million of euro (down 49,3%) compared to 25,3 million of euro of the same period in 2019. Laser marking segment recorded a 17,30% decrease compared to the first quarter of 2019 with a result of 3,4 million euros compared to the 4,2 million euros of Q1 2019.

Geographically, the effects of Covid actually blocked sales in China for over two months, being the main cause of the consolidated sales volume reduction outside Europe. Even sharper was the reduction in sales in Italy where, in the month of March, our sales markets were paralyzed both in the medical and the industrial sectors. The European area, on the other hand, recorded excellent growth, with the trend in line with pre-Covid forecasts, thanks also to our ability to deliver to distributors during the whole month of March, since the lockdown in Europe became effectively operational from the month of April, only.
In the first quarter of 2020, in **Europe** revenues were 18,7 million of euro, up 13,3% compared to the 16,5 million of euro in the first quarter of 2019. In **Italy** the result was equal to 11,5 million of euro (down 25,6%) vs. 15,5 million euros in the same period 2019 and in the **rest of the world** it was 42,7 million of euro (-17.64%) compared to 51,8 million euros in 2019.

Gross margin for the quarter was 31,5 million of euro, down 5,2% on the 33,2 million of euro as of March 31, 2019.

EBITDA was positive for 7,1 million of euro down 7,8% on the 7,7 million of euro as of March 31, 2019. EBITDA *Margin* in Q1 2020, equal to 9,7% improves on the 9,2% EBITDA *Margin* registered in Q1 2019.

EBIT of the first three months of 2020 was positive for of 4,5 million of Euro thousand euros with an Ebit margin on revenues of 6,2%, down compared to the result of 5,7 million of euro of Q1 2019.

Pre-tax income was 4,7 million of euro and was down 26,8% on the 6,4 million of euro as of March 31st, 2019.

The Group's **Net Financial Position** was positive for around 27,5 million of euro compared to around 61,4 million euros on the 31st of December of 2019. About 20 million were used to purchase an important minority stake in Penta Laser Wenzhou, which now controls all the Group's activities in China in the industrial sector, where in the past few years we performed a broad investment plan aimed at expanding the production and product development capacity, for a market where we

expect a growth in demand. The group has great confidence in the mid-term prospects of this business unit, in the belief that the difficulties induced by the pandemic will be overcome, even if not necessarily in a very short time.
Net working capital absorbed about 18,5 million of euro in the quarter, mainly due to the increase of inventories, in presence of a large backlog for which the necessary purchases had been made in order to timely manufacture and deliver.
Investments in fixed assets were around 3,3 million, down compared to the first quarter of 2019. Investments in the expansion of production structures are as planned lower than in previous years, since most of the new structures are completed or nearing completion.

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

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Subsequent events

On April 24, the Parent Company's Board of Directors resolved to suspend the dividend distribution proposal.

Current outlook

The evolution of the Covid-19 pandemic and its effects on daily life and business are still very uncertain, we do not have visibility on how and when we will return to normal and what the "new normal" will be.
The performance of the first six weeks of the second quarter of 2020 reveals, compared to the first, a marked slowdown of sales in the medical sector and a recovery in the industrial sector.
This situation does not allow us to release more precise estimates of the expected performance of the Group's financial results, forecasts which we therefore plan reserve to update as there will be greater stability in the conditions in which we operate worldwide.

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As required by Consob, the quarterly report as of March 31st, 2020 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 / 2020*") from May 15th , 2020 and on authorized storage website www.emarketstorage.com.

CONFERENCE CALL

On May 18th, 2020 at 15:00 CET (14:00 GMT) (9:00 EST), EL.EN. Spa will hold a conference call with the financial community, to discuss the financial results of the Group. You can dial the following numbers: from Italy +39 02 8058811, +44 121 2818003 from the UK, the USA +1 718 7058794. Before the conference call, you can download the presentation slides from the Investor Relations page of the El.En. website : http://www.elengroup.com/it/investor-relations/presentazioni

El.En., *an Italian company, is the parent of a high-.tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:*

- *Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;*
- *Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;*
- *Laser systems for scientific research*

EL.EN. has been listed on the Star (MTA) of Borsa Italiana. Its market capitalization amounts to Euro 360 million.

Cod. ISIN: IT0005188336
Code: ELN
Listed on MTA
Mkt cap.: 360 million of euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – El.En. Group Profit and Loss account on March 31st , 2020 (unaudited)

Income Statement	31/03/2020	Inc %	31/03/2019	Inc %	Var. %
Revenues	72.945	100,0%	83.865	100,0%	-13,02%
Change in inventory of finished goods and WIP	9.742	13,4%	4.172	5,0%	133,52%
Other revenues and income	914	1,3%	444	0,5%	105,81%
Value of production	**83.601**	**114,6%**	**88.481**	**105,5%**	**-5,52%**
Purchase of raw materials	51.173	70,2%	50.874	60,7%	0,59%
Change in inventory of raw material	(6.096)	-8,4%	(2.558)	-3,0%	138,36%
Other direct services	7.012	9,6%	6.935	8,3%	1,11%
Gross margin	**31.512**	**43,2%**	**33.229**	**39,6%**	**-5,17%**
Other operating services and charges	8.773	12,0%	9.867	11,8%	-11,09%
Added value	**22.738**	**31,2%**	**23.362**	**27,9%**	**-2,67%**
Staff cost	15.661	21,5%	15.682	18,7%	-0,13%
EBITDA	**7.077**	**9,7%**	**7.679**	**9,2%**	**-7,84%**
Depreciation, amortization and other accruals	2.579	3,5%	1.954	2,3%	32,00%
EBIT	**4.498**	**6,2%**	**5.726**	**6,8%**	**-21,43%**
Net financial income (charges)	317	0,4%	783	0,9%	-59,50%
Share of profit of associated companies	(106)	-0,1%	(74)	-0,1%	43,15%
Other non-operating income (charges)	0	0,0%	0	0,0%	
Income (loss) before taxes	**4.710**	**6,5%**	**6.435**	**7,7%**	**-26,81%**

NOTE:

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

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

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

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

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

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