

Press release

The Bod of El.En. approves the financial report as of September 30th 2018

Revenues: 243,4 million of euro (+11,5%)
EBITDA: 24,0 million of euro (-9,5%), 9,9% on revenues
EBIT: 20,0 million of euro (-9,7%), 8,2% on revenues
Pre-tax income: 19,9 million of euro (+4,2%)
+10% 2018 Sales guidance confirmed

Main consolidated financial data for the 9 months ending September 30th, 2018

- Consolidated revenues: 243,4 million of euro vs. 218,4 million of euro in 2017, (+11,5%)
- EBITDA: 24,0 million of euro (9,9% on revenues) vs. 26,5 million in 2017, (-9,5%)
- EBIT: 20,0 million of euro (8,2% on revenues) vs. 22,2 million of euro in 2017, (-9,7%)
- Pre-tax income: 19,9 million of euro (8,2% on revenues) vs. 19,1 million of euro in 2017 (+4,2%)
- Net Financial Position: positive for 54,8 million of euro, was 84,5 million as of December 31st, 2017

Main consolidated financial data for the third quarter:

- Consolidated revenues: 82,8 million of euro vs. 75,5 million of euro in Q3, 2017, (+9,6%)
- EBITDA: 8,7 million of euro (10,5% on revenues) vs. 11,1 million of euro in Q3 2017, (- 21,6%)
- EBIT: 7,3 million (8,8% on revenues) vs. 9,0 million of euro in Q3 2017, (-19,4%)
- Pre-tax income: 6,8 million of euro (8,2% on sales) 8,2 million of euro in Q3 2017, (-17,1%)

Florence, November 14, 2018 – 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 September 30th, 2018 which registered **record consolidated revenues** for 243,4 million of euro, up 11,5% on the 218,4 million of euro of the corresponding period of 2017 and an EBIT equal to 20,0 million of euro, down 9,7% from the 22,2 million of euro of 2017. In the quarter revenues were 82,8 million of euro, up 9,6% on the 75,5 million of euro of the same period of 2017.

The first nine months of the year showed an excellent revenues growth, while income from operations was affected by a delay compared to expectations, mainly due to a change in the mix of products sold and a weaker international macroeconomic situation than in the recent past. Both main sectors, medical and industrial, registered double-digit revenue growth rates. The medical sector recorded revenues of 138.8 million of euros in the nine months compared to 124 million euros in the same period of 2017 (approximately +12%) and on the same period industrial sector recorded revenues of 104,6 million of euros compared to 94.4 million euros in 2017 (+ 10.8%).

Together with the strong revenue growth, however, in the period under review decline in sales margins was reported, which, jointly with the increase in sales and marketing expenses needed to support sales activities, and of research and development expenses, needed to support future growth, led to a reduction in EBIT.

Revenue growth was achieved in all the geographical areas in which the Group is active. International markets continue to account for over 81% of the Group's consolidated turnover, highlighting its global positioning. In the nine months the fastest growth was recorded in Europe with an exceptional + 31.5% compared to the first 9 months of 2017. Both Italy and the Rest of the World recorded an increase of just over 7% compared to the first 9 months of the 2017.

The Group's pre-tax result showed a 4,2% increase compared to 2017. EBIT marked a -9,7%. EBIT margin on sales improved in the third quarter compared to the other quarters of the year and reached 8,2% on a year to date basis at the end of September.

Also in recent months several new products have been released to the market, as always at the distinctive sign of El.En.'s group the growth strategy. The launch of the new Mediostar, our semiconductor laser for hair removal developed by Asclepion and counting the largest number of installed units, a new model including the innovative set of Monolith™ handpieces, took place within the Esthelogue customers convention dedicated to the Italian professional beauty market. In these days ASA Laser, the company active in the physiotherapy market for the group, is presenting at the Medica fair in Düsseldorf the new MiS - MLS® High Peak Pulse system, equipped with an increasingly effective technology that enables the delivery to body tissues, in absolute safety, more intense and penetrating energy packages aimed to relieve pain.

Moreover, it's worth mentioning the success of the launch of the revolutionary Onda Coolwaves™ system for body shaping, which met sales expectations and collected several international awards such as the Aesthetic Award by Medical Insight Inc. editorial group, as the best new technology of 2018, the 6th Anti-Aging Beauty Trophy 2018-2019 in Montecarlo, as the best non-invasive technology for body treatments, the prestigious Perfect Body Equipment Award by one of Asia's leading beauty magazines, Sisters BeautyPro.

Quanta System's sales in urological surgery continued to register solid growth, increasing market shares in lithotripsy (destruction and pulverization of stones) benefiting in the quarter, of several sales to an important international player in the sector, to which Quanta supplies in OEM configuration a 100w Holmium:YAG system.

We finally highlight the closure of the issue ignited by the American FDA drawing attention to the appropriateness of certain gynecological treatments performed with laser and radio-frequency systems, unexpectedly involving our Monna Lisa Touch system in denigration by media actually targeting less qualified energy based systems and less professional commercial practices than those for which El.En. and its partner Cynosure, today a division of Hologic Inc., a world leader in the women's health segment, have a clear leadership. The media effects have led to a reduction in sales, in the quarter and, unfortunately, looking forward in the year, but the effectiveness and safety of the treatments practicable with our technologies are not questioned anymore.

Gabriele Clementi, El.En.'s President said: *"The group continues to pursue growth by focusing on the development of specific niche applications, within our two macro reference markets, and consistently investing in Research and Development as the base for innovation in products and applications."*

Gross Margin in the nine months was equal to 96.306 thousand euros, up 6% compared to the 90.899 thousand euros as of September 30th, 2017, mainly as effect of the increase in turnover. The Margin on sales decreased from 41,6% to 39,6% mainly driven by a less favorable sales mix in the medical sector.

EBITDA in the nine months was positive for 24.036 thousand euros, down from the 26.548 thousand euros, as of September 30th, 2017. The decrease in EBITDA, with its margin on sales down from 12,2% to 9,9%, is the effect of the decrease in sales margin and the increase in operating expenses, rising in preparation and support for the further growth, expected both in the medical and in the industrial sectors.

EBIT for the nine months showed a positive balance of about 20,0 million of euro compared to 22,2 million euro of 30 September 2017, with a 9.7% decrease. Margin on sales was 8,2%, down from 10,1% of the previous year.

Pre-tax income in the nine months was positive for 19,9 million of euro up on the 19,1 million of euro as of September 30th, 2017 and with an 8,2% margin on sales.

The Group's **net financial position** decreases by approximately 30 million euros over the nine months and is positive by approximately 54,8 million euros compared with 84,5 million euros as of December 31st, 2017.

During the period, dividends were paid by the Group for 8,4 million. Investments in fixed assets amounted to 16 million euros, out of which 6,6 million euros in the quarter, mostly part of a vast investment plan for around 28 million euros in the years 2018-2019 aimed to the expansion of production capacity. In the 9 months approximately 12,5 million euros were invested for the purchase, construction and set up of new production plants in Calenzano, Torre Annunziata, Samarate, Jena, Vicenza and Wenzhou.

The increase in working capital, in particular inventories, aimed at supporting the rapid growth of the Group, contributed significantly to the cash absorption registered in the period.

Outlook for the current year

Following the results registered in the first nine months of 2018, annual revenue growth in excess of over 10% is confirmed. Previously released EBIT growth guidance was 10% on 2017's result, it is now revised indicating in the achievement of 2017's EBIT the achievable target for the current year.

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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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As required by Consob, the Quarterly report as of September 30th, 2018 will be available for the public at our premises in Calenzano, at Borsa Italiana SpA, on our website www.elengroup.com from November 14, 2018 in section "Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2018" and on authorized storage website www.emarketstorage.com.

CONFERENCE CALL

On Thursday, November 15th, 2018 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, from UK +44 121 2818003, from 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 floatation is approximately 41% and its market capitalization amounts to Euro 326 million.

Cod. ISIN: IT0005188336
Code: ELN
Listed on MTA
Mkt cap.: 326 million of euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – Three months ended September 30th, 2018 (unaudited)

Income statement - quarterly	30/09/2018	Inc %	30/09/2017	Inc %	Var. %
Revenues	82.800	100,0%	75.535	100,0%	9,62%
Change in inventory of finished goods and WIP	5.086	6,1%	3.120	4,1%	62,99%
Other revenues and income	1.411	1,7%	888	1,2%	58,86%
Value of production	89.297	107,8%	79.544	105,3%	12,26%
Purchase of raw materials	53.530	64,6%	42.472	56,2%	26,04%
Change in inventory of raw material	(1.564)	-1,9%	427	0,6%	
Other direct services	5.726	6,9%	5.255	7,0%	8,97%
Gross margin	31.605	38,2%	31.390	41,6%	0,69%
Other operating services and charges	9.175	11,1%	7.910	10,5%	16,00%
Added value	22.430	27,1%	23.480	31,1%	-4,47%
Staff cost	13.743	16,6%	12.402	16,4%	10,82%
EBITDA	8.687	10,5%	11.078	14,7%	-21,59%
Depreciation, amortization and other accruals	1.411	1,7%	2.052	2,7%	-31,26%
EBIT	7.276	8,8%	9.026	11,9%	-19,39%
Net financial income (charges)	48	0,1%	(837)	-1,1%	
Share of profit of associated companies	(506)	-0,6%	38	0,1%	
Other non-operating income (charges)	0	0,0%	(0)	0,0%	
Income (loss) before taxes	6.818	8,2%	8.227	10,9%	-17,13%

Tab. 2 – Nine months ended September 30th, 2018 (unaudited)

Income Statement	30/09/2018	Inc %	30/09/2017	Inc %	Var. %
Revenues	243.437	100,0%	218.412	100,0%	11,46%
Change in inventory of finished goods and WIP	15.497	6,4%	8.329	3,8%	86,07%
Other revenues and income	2.950	1,2%	2.549	1,2%	15,72%
Value of production	261.884	107,6%	229.290	105,0%	14,22%
Purchase of raw materials	160.576	66,0%	122.238	56,0%	31,36%
Change in inventory of raw material	(13.238)	-5,4%	191	0,1%	
Other direct services	18.240	7,5%	15.963	7,3%	14,27%
Gross margin	96.306	39,6%	90.899	41,6%	5,95%
Other operating services and charges	30.418	12,5%	25.887	11,9%	17,50%
Added value	65.888	27,1%	65.012	29,8%	1,35%
Staff cost	41.852	17,2%	38.464	17,6%	8,81%
EBITDA	24.036	9,9%	26.548	12,2%	-9,46%
Depreciation, amortization and other accruals	4.029	1,7%	4.387	2,0%	-8,17%
EBIT	20.007	8,2%	22.160	10,1%	-9,72%
Net financial income (charges)	522	0,2%	(3.041)	-1,4%	
Share of profit of associated companies	(615)	-0,3%	(11)	0,0%	5481,63%
Other non-operating income (charges)	(6)	0,0%	0	0,0%	
Income (loss) before taxes	19.908	8,2%	19.108	8,7%	4,19%

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