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press release

The Bod of El.En. releases consolidated 2017 six months financial report

Record Consolidate Revenue at 142,9 million of euro (up 18,9%)

Margins in line with H1 2016

Strong Net Financial Position at over 67 million of euro

Revenue growth exceeding 10% confirmed for 2017

- **Consolidate Revenue: 142,9 million of euro vs 120,2 million of euro in H1 2016, up 18,9%**
- **EBITDA: 15,5 million of euro vs. 15,6 million of euro in H1 2016**
- **EBIT: 13,1 million of euro vs. 13,5 million of euro in the same period of 2016**
- **Net Financial Position: positive for 66,8 million of euro vs 82,8 million of euro as of December 31st, 2016**

Florence, September 5th 2017 – The Board of Directors of El.En. SpA, leader on the laser market and listed on the STAR Segment of the Italian Stock Exchange, released today the six months consolidated financial report as of June 30, 2017.

The El.En. Group continued along its strong growth path as in the recent years, reaching **record consolidated sales of 142.9 million euro (+18.9% compared to H1 2016)**. The industrial laser system business showed the strongest acceleration in sales, with growth exceeding 50% over the first half of 2016, thanks in first place to the performance of Chinese joint ventures - which doubled the sales compared to the first half of last year - but also to the excellent performance of the Italian based companies operating in industrial market. At this time when a technological breakthrough is accompanied by the gradual recovery of markets, the Group is currently enjoying the benefits of its strategic position on the Chinese market and of the reorganization of laser cutting operations on Italian and European markets.

EBITDA reached 15,5 million of euro, in line with the previous record year and improving 1Q 2017's performance. **EBIT** was 13,1 million of euro, 9,2% on revenues, slightly down from the 13,5 million of euro of the same period of 2016, due to the sales mix which includes a larger share of sales in the industrial market.

Gabriele Clementi, President di El.En. Spa said: *"We feel deeply pleased with the results achieved in this semester. Backed by good growth prospects in the markets where we operate, we are able to gain market share and jointly create new niches through innovation; the ability to create and propose innovative products that enable new applications, is in fact the main critical success factor in our markets and one of El.En.'s strongest competitive weapon since its foundation. The*

*positive trend in sales - **Gabriele Clementi** continued - highlights an overall favorable market situation and we are confident that we will take advantage of the growth opportunities both in the medical and industrial fields. In addition, I would like to emphasize that we are putting in place several organizational actions, creating new vital functions for the pursuit of growth, in order to fully grasp these opportunities."*

In the **industrial applications** segment the revenues growth rate was extremely high (up 51% vs H1 2016) due laser cutting business and the Chinese *joint venture*, but also to the excellent performance in the laser marking systems and laser sources where the systems bearing Lasit, Ot-Las and El.En. enjoyed an increasing success on a market in clear recovery.

Sales performance trend in **medical applications** sector was good, too: supported by a strong demand and a product range always tailored to customers' demands, all segments of the aesthetic sector have maintained a brilliant trend, led by hair removal, tattoo removal and skin rejuvenation, urological surgery and physiotherapy. The overall growth of the segment is the result of the brilliant aesthetic trend, up by more than 20%, and the decline in surgical applications and service, down respectively by 25% and 13%.

In terms of sales by **geographic area**, in the first half of 2017 rapid growth was achieved in all the relevant geographic areas, with a more significant growth in **Italy** (+ 25%), followed by other **European markets** (+ 13%) and the **rest of the world** (+ 19%). Italy accounts for about 20% of total sales, an important market in both the industrial and medical sectors, whose success goes far beyond the effects of the significant benefit deriving from the tax incentives provided under the name of "Industry 4.0".

In detail:

Gross Margin for 1H 2017 was 59,5 million of euro, up 11.7% versus 53.3 million as of 30 June 2016, thanks to the increase in turnover. Margin on sales decreased to 41.7% from 44.3% in the first half of 2016, mostly due to the change in the sales mix.

EBITDA was a 15.5 million of euro, substantially unchanged compared to the 15.6 million euro at the 1H 2016 euro. EBITDA's stability in the presence of an increase in revenue is essentially due to the reduction in sales margins: staff and structure costs, especially the first ones, showed an increase that was however maintained within the percentage of revenue growth.

Similar considerations apply to **EBIT**, which showed a positive balance of 13.1 million euro, down slightly (-2.9%) compared to the 13.5 million euro of 1H 2016.

Pre-tax profit had a positive balance of 10.9 million euro (36.0 million euro at 30 June 2016); we recall that in the previous year, income benefited of approximately 23 million euros gain on the sale of 998,628 shares of Cynosure Inc. (Nasdaq CYNO).

Net income of the Group for the first half of the year was 6 million euros versus 30.3 million euro in the first half of 2016. Tax rate was approximately 26%, well above the 13% of the same period of the previous fiscal year (the tax burden as of 30 June 2016 was relieved by the so-called "PEX" on the gain on the sale of Cynosure shares).

The Group's **Net financial position remained** positive for 66,8 million euro compared to 82,8 million euro as of December 31, 2016. The use of cash of the period was mainly determined by the increase in net working capital, increased as an effect of the rapid growth of the Group, particularly



in China. In addition, during the first half of the year, dividends were paid to third parties for a total of 8,4 million euro.

Outlook for the current year

The results for the first half of the year 2017 were in line with the guidance the Group disclosed to the market for the year. The favorable phase of our main markets, and in particular the rapidly developing industrial sector, leads the Group's revenue growth in the six months well over 10%, a threshold that we confirm to be able to exceed on an annual basis, too. For what concerns EBIT, the trend in the mix of products sold and the intensification of certain cost items, in the pursue of future growth, currently confirm the 2016 EBIT as the objective for the year 2017.

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.

As required by Consob, the Half yearly report as of June 30th, 2017 will be available for the public at our premises in Calenzano, at Borsa Italiana SpA, on our website www.elengroup.com from September 5th, 2017 in section "*Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2017*" and on authorized storage website www.emarketstorage.com.



CONFERENCE CALL

On Thursday, September 7th, 2017 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 480 million.

Cod. ISIN: IT0005188336

Sigla: ELN

Listed on MTA

Mkt cap.: 480 million of euro

Cod. Reuters: ELN.MI

Cod. Bloomberg: ELN IM

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Tab. 1 – E.I.En. Group Profit and Loss account as of June 30th, 2017

Income Statement	30/06/2017	Inc %	30/06/2016	Inc %	Var. %
Revenues	142.877	100,0%	120.176	100,0%	18,89%
Change in inventory of finished goods and WIP	5.208	3,6%	907	0,8%	474,27%
Other revenues and income	1.661	1,2%	1.869	1,6%	-11,12%
Value of production	149.746	104,8%	122.951	102,3%	21,79%
Purchase of raw materials	79.766	55,8%	62.332	51,9%	27,97%
Change in inventory of raw material	(237)	-0,2%	(2.463)	-2,0%	-90,39%
Other direct services	10.708	7,5%	9.818	8,2%	9,07%
Gross margin	59.509	41,7%	53.264	44,3%	11,72%
Other operating services and charges	17.977	12,6%	15.446	12,9%	16,38%
Added value	41.532	29,1%	37.818	31,5%	9,82%
Staff cost	26.062	18,2%	22.251	18,5%	17,13%
EBITDA	15.469	10,8%	15.567	13,0%	-0,63%
Depreciation, amortization and other accruals	2.335	1,6%	2.043	1,7%	14,30%
EBIT	13.134	9,2%	13.524	11,3%	-2,88%
Net financial income (charges)	(2.204)	-1,5%	(464)	-0,4%	374,81%
Share of profit of associated companies	(49)	0,0%	(100)	-0,1%	-50,84%
Other non-operating income (charges)	0	0,0%	23.019	19,2%	-100,00%
Income (loss) before taxes	10.881	7,6%	35.979	29,9%	-69,76%
Income taxes	2.824	2,0%	4.656	3,9%	-39,35%
Income (loss) for the financial period	8.057	5,6%	31.323	26,1%	-74,28%
Net profit (loss) of minority interest	2.047	1,4%	1.029	0,9%	98,86%
Net income (loss)	6.010	4,2%	30.293	25,2%	-80,16%

Tab. 2 – EI.En. Group balance sheet as of June 30th, 2017

Statement of financial position	30/06/2017	31/12/2016	Variation
Intangible assets	4.096	3.896	200
Tangible assets	38.186	39.616	-1.431
Equity investments	3.600	3.818	-218
Deferred tax assets	6.702	6.526	176
Other non current assets	11.979	10.881	1.097
Total non current assets	64.562	64.737	-175
Inventories	66.492	62.138	4.354
Accounts receivable	71.427	62.446	8.981
Tax receivables	6.341	5.213	1.128
Other receivables	8.657	8.564	93
Financial instruments	499	0	499
Cash and cash equivalents	81.932	97.589	-15.657
Total current assets	235.348	235.950	-602
Total Assets	299.910	300.687	-777
Share capital	2.509	2.509	0
Additional paid in capital	38.594	38.594	0
Treasury stock	0	0	0
Other reserves	98.095	64.137	33.958
Retained earnings / (accumulated deficit)	35.115	36.188	-1.072
Net income / (loss)	6.010	40.408	-34.398
Group shareholders' equity	180.323	181.835	-1.512
Minority interest	11.808	10.864	944
Total shareholders' equity	192.131	192.699	-568
Severance indemnity	3.951	3.861	91
Deferred tax liabilities	1.314	1.607	-293
Reserve for risks and charges	3.591	3.514	77
Financial debts and liabilities	6.561	4.342	2.218
Total non current liabilities	15.417	13.324	2.093
Financial liabilities	9.237	10.613	-1.376
Accounts payable	41.994	44.694	-2.700
Income tax payables	2.391	4.285	-1.894
Other current payables	38.741	35.072	3.669
Total current liabilities	92.363	94.664	-2.301
Total Liabilities and Shareholders' equity	299.910	300.687	-777

Tab. 3 – EI.En. Group cash flow statement as of June 30th, 2017

Cash Flow Statement	30/06/2017	30/06/2016
Cash flow generated by operating activity:		
Profit (loss) for the financial period	8.057	31.323
Amortizations and depreciations	1.911	1.609
Gain on investment AFS		-23.018
Share of profit of associated companies	49	100
Stock Option	431	
Change of employee severance indemnity	91	551
Change of provisions for risks and charges	77	460
Change of provisions for deferred income tax assets	-176	-458
Change of provisions for deferred income tax liabilities	-293	-206
Inventory	-4.354	-3.298
Accounts receivable	-8.981	-52
Tax receivables	-1.128	1.132
Other receivables	-414	-494
Accounts payable	-2.700	-1.501
Income Tax payables	-1.894	35
Other payables	3.669	4.715
	-13.712	-20.427
Cash flow generated by operating activity	-5.655	10.896
Cash flow generated by investment activity:		
(Increase) decrease in tangible assets	-352	-4.073
(Increase) decrease in intangible assets	-328	-222
(Increase) decrease in equity investments and non current assets	-929	40.018
Increase (decrease) in financial receivables	321	120
(Increase) decrease current investments	-499	-51
Cash flow generated by investment activity	-1.787	35.792
Cash flow from financing activity:		
Increase (decrease) in non current financial liabilities	2.218	-553
Increase (decrease) in current financial liabilities	-1.376	-4.666
Dividends paid	-8.479	-6.384
Cash flow from financing activity	-7.637	-11.603
Change in cumulative conversion adjustment reserve and other no monetary changes	-578	749
Increase (decrease) in cash and cash equivalents	-15.657	35.835
Cash and cash equivalents at the beginning of the financial period	97.589	46.990
Cash and cash equivalents at the end of the financial period	81.932	82.825

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