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Press release

The Bod of El.En. Spa released the financial report as of March 31, 2024

- **Consolidated revenues: 149,5 million of euro compared to 161,4 million of euro in Q1, 2023 (-7,3%)**
- **EBITDA: 19,2 million of euro vs. 20,9 million of euro in 2023 (-8,2%)**
- **EBIT: 14,3 million of euro compared to 17,0 million of euro in the same period of 2023, (-15,9%); *EBIT Margin* 9,6% vs. 10,6%**
- **Net Financial Position: cash positive for 46,1 million of euro compared to 54,6 million at 31 December 2023**

Florence, 15 May 2024 – The Board of Directors of El.En. SpA, leader on the laser market, listed on the Euronext STAR Milan ("STAR") market of the Italian Stock Exchange, released today the interim financial report as of 31 March 2024.

In the first three months of 2024 the El.En. Group recorded consolidated revenues of 149,5 million of euro, with a decrease of approximately 7% compared to the 161,4 million of euro of 31 March 2023 and income from operations (EBIT) of 14,3 million of euro compared to the 17,0 million of euros for the same period last year, with 9.6% margin on sales.

Gabriele Clementi, President of El.En. SpA said: " *Our Group, despite finding itself faced with less favorable market conditions in the last months than in the recent past, is confident that the medium-term trend of the outlet markets on which it operates remains promising and a outlines positive developments and that it will allow to accelerate recovery in the months to come, especially in combination with the investments in research, development and innovation allocated to keep our products at the cutting edge and always in line with customer needs, continuing with the technological and application innovation that has been and is at the basis of the development of our markets and our business, and which allowed us to maintain appreciable margins".*

The slowdown recorded in the quarter was in continuity with the market trend already outlined in 2023, which saw the progressive normalization of demand after the peak that occurred in 2022, and the subsequent stabilization of revenues and order bookings. With reference to the trend of the acquisition of new orders and the consistency of the backlog, the Group had foreseen a decline phase, outlining the possibility of a recovery in the subsequent quarters compared to the 2023 financial year, in a context of demand recovery.

The "*capital equipment*" market in which the Group operates was faced in this quarter with unfavorable macroeconomic conditions due to the rapid rise in interest rates which since last year made the purchase of systems more expensive for the Group's customers, which in the majority of cases must resort to financing or leasing. Confidence in the future prospects of the economy is an important element in investment decisions, and the events of recent quarters have not contributed to outlining a solidly stable outlook for international relations. The wars in Ukraine and the Middle East show no signs of moving towards a conclusion, keeping uncertain the effects of the outcome of the conflicts on international political and economic relations.

The slowdown in sales in the period was more marked in the industrial sector (approximately -10%) than in the medical sector (approximately -5%).

In the **industrial sector ,** the ***laser cutting sector*** , which in recent years recorded a long series of growth quarters, showed the most marked decline (14,7%) with revenues at 44,0 million of euro compared to 51,7 million of euro in Q1 2023. In Italy the general phenomenon of normalization of demand was joined by the end of the 4.0 tax benefits and the wait for the clarifications and applicability of the new 5.0 benefits, which are causing the postponement of several investment decisions. The lower demand as the effect of the reduced tax cuts had already been foreseen. The turnover of the Chinese activities remained substantially in line with 2023 levels, limiting losses thanks to the intervention to reduce structural costs and the improved margin of the growing share of sales outside China. The **marking sector** with a turnover of 6,4 million of euro compared to 6,7 million of euro in the same period of 2023 recorded a decline (4,9%) with a weak quarter in decoration applications - also for widespread difficulty in period in the fashion system - the growth of total identification and traceability systems managed by Lasit of Torre Annunziata continued, together with the internationalization process.

After-sales services revenues show a noteworthy acceleration (+24,3%) with sales for approximately 6 million of euro compared to 4,8 million of euro in 2023, which depends directly on the rapid increase in the installed base of systems sold in previous years. They are now becoming, due to ordinary technical assistance and thanks to the high number of new installations, a source of progressively increasing revenue for services.

The trend in the sale of medium power laser sources was very satisfying, growing by 12%, while revenues for systems dedicated to art conservation restoration decreased in the period.

As for the activities in art conservation, beyond their results in terms of revenues, we like to recall their great value and meaning for us in making our technologies available for the conservation of the world's artistic heritage and point out some significant works in progress of execution thanks to our technologies. The photos we attach highlight a detail of the Gothic church of Saint Nizier in Lyon (among other things, home to one of our companies), in which the effect of laser cleaning on part of the frieze undergoing restoration is evident.

In the **medical sector,** the positive phase of **surgical applications** continued (+4,1%) in the quarter with 20,0 million euros in revenues, due above all to urology systems which in this phase showed a demand less hindered by the market situation and general economic difficulties. **Aesthetics**, with a turnover of 48,4 million of euro (compared to 55,6 million of euro in the same period of 2023) marked a decline of approximately 13%, which is reduced to 10% if including service revenues pertaining to aesthetics itself. Hair removal systems are experiencing the most marked slowdown, particularly in the USA (with recovery expected in the following quarters), while in the other application segments, *body contouring, micro-ablative and non-ablative anti-aging* treatments, removal of pigmented lesions, tattoos and toning, the quarterly results overall aligned to the excellent results of the first quarter of 2023. In the aesthetic sector, a decline in revenues was also recorded in the quarter by some of the Group's competitors, as highlighted by their quarterly earnings releases. However, the turnover of **after-sales services and consumables** was once again growing, by 7.2%. Tied to the use of laser systems in urology, optical fibers contribute to the positive trend in revenues in the medical service which recorded sales for 19,1 million of euro vs. 17,8 million of euro in 1Q 2023.
The **therapy** segment, managed within the group by Asa of Vicenza, with revenues for 3,7 million of euro marked a slight decline in revenues in the quarter (-4,7%) compared to 3,9 million of euro in the same period of 2023.

It should also be noted that the EBIT and the gross margin for the period benefited from the booking among other proceeds of the reimbursements obtained in relation to the damage suffered from the Campi Bisenzio flood in November 2023, for an amount of approximately 1.9 million of euro equal to 1,3% of consolidated revenues. Even net of this non-repeatable income, the mix of products sold led to an improvement in sales margins. In fact, hair removal, the most consolidated application also bearing the lowest sales margins in aesthetics, decreased its relative weight compared to other applications, just as surgery, which in turn records better margins, increased its weight. In the industrial sector, the share of cutting, bearing a decidedly lower margin compared to the marking systems and laser sources which performed better in the period, decreased. At the same time the margin of sales in the laser cutting sector however improved due to the greater incidence of sales outside Italy and China.

During the quarter, the activities carried out in the field of sustainability by the Group continued and were also included among the performance metrics for management compensation. The draft of *the 2023-2027 five-year plan* was drawn up, identifying specific and measurable sustainability activities and objectives. In particular on the fight against climate change, circular economy, promotion of a responsible supply chain, valorisation of people and contribution to the community, confirming the commitment to sustainable development and how environmental and social responsibility are always more integral part of the Group's business model. From 1 January 2024 the El.En. Group. will report according to the dictates of the new European Directive CSRD 2022/2464 (Corporate Sustainability Reporting Directive) regarding corporate sustainability reporting and in accordance with the provisions of the EU Taxonomy Regulation 2020/852, for the alignment of the Group's activities considered eligible with respect to the six defined environmental objectives. The projects that will allow us to align with the new regulatory requirements by the end of the financial year have already been launched.

Capital expenditure in the period amounted to approximately 5 million euros, an increase of one million compared to the same period in 2023. There were no single investments of particular importance in the quarter. Out of the 4,5 million investments in tangible fixed assets, approximately 2,5 million were related to expansion or reorganization works at the manufacturing plants (Calenzano, Prato, Torre Annunziata, Wuhan and Samarate) and the same amount to equipment, vehicles and other assets. As for approximately 1,5 million of euro, the booking of new investments derived from the accounting of rental fees according to the IFRS16 standard, with an effect on the net financial position but not on the liquid position.

At a geographical level, growth was driven by the Rest of the World where sales reached approximately 86,9 million of euro compared to 82,4 million of euro in the same period of 2023 with a positive variation of 5,36% and a 58,1% weight on total sales. In Europe sales were equal to 38,8 million of euro compared to the 39,3 million of euro of the first quarter of 2023 with an approximately 26% share on total sales. In Italy revenue was down to 23,8 million of euro compared to 39,6 million of euro in 1Q 2023.

Gross margin for the first quarter stood at 62,4 million euros, up by approximately 2% compared to the 61.1 million of euro at 31 March 2023.
It was thanks to the marked increase in margins on sales, up from 37,9% in the first quarter of 2023 to 41,7% in the first quarter of 2024, that the Gross Margin increased in the period grew despite the lower turnover. The proceeds recorded in the financial statements for insurance and government reimbursements relating to the damage from the November 2023 flood in Campi Bisenzio contributed approximately 1,9 million, equal to 1.3 percentage points on turnover, to this result. Net of such proceeds, the margin for the period still improved by 2,5 percentage points compared to the first quarter of 2023, due to a more favorable composition of sales, in terms of products mix and of destination markets within individual sectors, and for the greater relative weight of the medical sector.

EBITDA was positive for 19,2 million of euro, decreasing by approximately 8,2% compared to approximately 21,0 million of euro at 31 March 2023. EBITDA *Margin* in the first quarter of 2024 was 12,9%, in line with the EBITDA *Margin* of 1Q 2023 equal to 13,0%.

EBIT for the quarter showed a positive balance of 14,3 million euros, slightly down compared to the 17,0 million of euro of 31 March 2023. Its 9,6% margin on revenues was in slight decrease compared to the previous year when the margin was 10,6%. The provision of 1,6 million of euro for credit risks set aside by the Japanese subsidiary Withus following the financial crisis of its most important customer had a significant impact on the quarterly EBIT.

Income before taxes showed a positive balance of approximately 14,4 million of euro and recorded a 13,3% decrease compared to the 16,6 million of euro of 31 March 2023.

The Group's **net financial position** remained widely positive for approximately 46,2 million of euro compared to approximately 54,6 million of euro at 31 December 2023, decreasing by approximately 8,4 million euros. The increase in net working capital absorbed approximately 9,3 million of euro, while approximately 10,3 million were absorbed by the change in other short terms assets and liabilities, including the increase in advances paid to suppliers, the decrease in advances received from customers and the increase in VAT credits to the Italian treasury due to the increase in exports.

It should also be noted that:

- the balance of bank and postal deposits of Chinese companies included approximately 7,5 million of euro of deposits backing the issuance of bank bills for payments to suppliers.
- for approximately 7 million euros, Penta Zhejiang's bank accounts are unavailable due to the block imposed by the court in the context of the ongoing case for the payment of an important supply by a Chinese customer.
- approximately 22 million of euro were invested in insurance-type financial instruments which due to their nature require to be recorded among non-current financial assets. Since they are medium-term liquidity investments, these amounts are not included in the net financial position. At the end of the period the total *fair value* of such investments was equal to 23,5 million euros.

The solid financial position allows the Group to define its growth strategies with great freedom.

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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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Potential developments of the "Laser Cutting" business unit

The project to file for an IPO on a regulated market in Mainland China was suspended due to the unsatisfactory financial results and the weakness of the Chinese market, pending the return of more favorable circumstances to allow a successful IPO.
The private equity funds that had invested in Penta Laser Zhejiang with the aim of accompanying the company to the IPO exercised the withdrawal option reserved for them during the capital increase phase. Negotiations are underway with the current financial partners and with others potentially able to replace them in supporting the company.

Conflicts in Ukraine and the Middle East

The Russian-Ukrainian war conflict and that in the Middle East are causing great uncertainty and criticality in international relations between all the parties directly and indirectly involved in the conflict. The state of war on the territory of Ukraine and the strict trade sanctions imposed on Russia and its allies continue to preclude trade relations in these areas. The Middle Eastern conflict is limiting sales in the two countries directly involved, Israel and Palestine, and is not helping the regular development of business in the surrounding areas.

Current outlook

The results for the first quarter of 2024 showed a decline compared to the first quarter of 2023, a decline to which the Group had made specific reference when releasing the annual *Guidance,* expecting it to be overcome in the following quarters with recovery in the year both in terms of revenues and of EBIT.

In the meantime, the general conditions of the markets and the economy have not improved and uncertainties, deriving from war conflicts and interest rates which are slow to decrease, remain. Consequently, the *Guidance* indicated for the 2024 financial year in terms of improvement in turnover and EBIT compared to 2023 is more difficult to achieve, and is hereby confirmed as the maximum objective, to be monitored and verified based on the performance of the subsequent quarters.

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As required by Consob, the Quarterly yearly report as of march 31st, 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 May 15, 2024 and on authorized storage website www.emarketstorage.com.

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CONFERENCE CALL

On May 16th, 2023, at 2*:30pm (CET) - 1.30pm (GMT) 8.30am (EST)*, El.En. S.p.A. will hold a conference call discussing the group's financial results. The following link can be used to participate:

https://polytemshir-it.zoom.us/j/82832857693?pwd=YjdXSi9DdHJDSzhzbExZaktCaXFndz09

ID meeting: 828 3285 7693
Access Code: 991586

Prior to the conference call, download of the presentation will be available on the Investor relation page of the El.En. website: http://www.elengroup.com/en/investor-relations-en/company-presentations.

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This press release may contain forward-looking elements regarding future events and results of the EL.EN Group. which are based on current expectations, estimates and projections about the sector in which the Group operates and on the current opinions of management. These elements by their nature 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 significantly from those announced in relation to a variety of factors outside the control of the Group including global economic conditions, impact of competition, political and regulatory developments in Italy and abroad.

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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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Mkt cap.: 1 B di euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 Group Reclassified Income Statement

Data not audited

Income Statement	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Revenues	149.516	100,0%	161.355	100,0%	-7,34%
Change in inventory of finished goods and WIP	3.996	2,7%	13.579	8,4%	-70,57%
Other revenues and income	3.582	2,4%	1.398	0,9%	156,16%
Value of production	**157.094**	**105,1%**	**176.333**	**109,3%**	**-10,91%**
Purchase of raw materials	82.411	55,1%	106.902	66,3%	-22,91%
Change in inventory of raw material	(904)	-0,6%	(7.287)	-4,5%	-87,60%
Other direct services	13.186	8,8%	15.595	9,7%	-15,45%
Gross margin	**62.400**	**41,7%**	**61.123**	**37,9%**	**2,09%**
Other operating services and charges	15.914	10,6%	14.066	8,7%	13,14%
Added value	**46.486**	**31,1%**	**47.056**	**29,2%**	**-1,21%**
Staff cost	27.269	18,2%	26.123	16,2%	4,39%
EBITDA	**19.217**	**12,9%**	**20.934**	**13,0%**	**-8,20%**
Depreciation, amortization and other accruals	4.901	3,3%	3.902	2,4%	25,60%
EBIT	**14.316**	**9,6%**	**17.032**	**10,6%**	**-15,95%**
Net financial income (charges)	187	0,1%	(459)	-0,3%	
Share of profit of associated companies	(78)	-0,1%	36	0,0%	
Other net income and charges	(29)	0,0%	0	0,0%	
Income (loss) before taxes	**14.396**	**9,6%**	**16.608**	**10,3%**	**-13,32%**

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).