

The BoD of El.En. Spa releases the 2018 draft financial statements

***El.En. marked once again brilliant results
Consolidated Revenues exceeded guidance reaching 346 million of euro
Net consolidated 16,8 million of euro
Further 10% growth forecast for 2019***

- Consolidated revenues at 346 million of euro up 12,9% on the 306,5 million of euro of 2017
- EBIT was 30 million of euro (down 1,5%), was 30,4 million of euro in 2017
- Net Consolidated Income was 16,8 million of euro (vs. 15,6 million of euro in 2017) up 7,4%
- Net Financial Position positive for 62,5 million of euro
- El.En. Spa Revenues were 62,1 million of euro up 14,94% on the 54,1 million of euro of 2017
- Dividend proposal: 0,40 Euro per share
- 2019: 10% revenue growth target

Florence, March 14th 2019 – 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, discussed and approved today the consolidated financial report as of December 31st, 2018, the 2018 consolidated non-financial statement, together with the El.En. Spa draft financial report as of the same date to be proposed for approval at the Shareholder's meeting.

2018 was another year of strong growth and consolidation of the group's competitive positions on a global scale. Turnover grew to over 346 million euros, thus confirming the solid performance of the last few years, thanks also to a fourth quarter which showed record sales of more than 102 million euros and an excellent EBIT at 9,7% of turnover. The operating profitability remained high and the brilliant financial results showed a **net result for the group** of over **16.8 million euros**, an **EBIT** of **30 million euros** (with an 8,7% margin on turnover) compared to the **30,4 million Euro** registered in 2017.

El.En. maintains in 2018 the positive trend of recent years thanks to the innovative peculiarities of its wide portfolio of products, gaining market shares and creating new application niches as an effect of innovation. Growth was double-digit for both the industrial and medical sectors. In the industrial sector, the Group has been able to benefit from the transformation of the sheet metal laser cutting market and the growth opportunities that technological innovation has offered to those with technical skills and operating structures able to master and manage change. In the medical sector, the demand for aesthetic and medical treatments is fed by a population that increasingly aspires to limit the effects of aging with technologies capable of minimizing intervention times and hospitalization, and constantly increasing. The demand for certain surgical operations to reduce the invasiveness on the patient and the related associated costs is surging as well. And the group aims to expand, bringing these needs into its laboratories and creating highly innovative products that can satisfy them.

Gabriele Clementi, President of El.En. S.p.A. said "2018 was another very positive year for revenue growth both in the industrial and the medical sector, in all the geographic markets where El.En. is active. We are continuing to achieve flattering results and we are very satisfied in communicating this data to the market, confirming once again our determination to pursue our growth strategies".

Analysis of the business trend

The macroeconomic scenario in which the Group operated was generally favorable in 2018, with tonic demand in the main international markets, with the exception of China. The tariffs war between the United States and China and the slowdown some vital area of the Chinese economy caused the deceleration of the Chinese economy in the manufacturing sector, creating a climate of uncertainty that has cooled demand even in the sectors of reference for the Group, with an effect of growth slowdown. Our Chinese activities were marginally affected by these circumstances, recording 10% growth in local currency and maintaining excellent profitability. The Italian economy also showed signs of slowing down at the end of the year.

In our markets the demand for Group products remained high and growth was registered in both sectors in which the Group operates. After two years in which industrial sector growth had clearly surpassed medical sector's one, in 2018 the activities of the medical sector grew faster, without significantly altering the relative weights of the sectors within the Group's turnover. The growth rates were respectively 13,4% for the medical sector and 12,2% for the industrial sector.

In the **medical sector**, which accounted for over 57% of the Group's turnover in 2018, the **surgical** sector stood out (up 22%), characterized in the first six months by the great sales recovery of Mona Lisa Touch in the world and especially in the USA, then slowed sharply due to the effects of the July letter by the FDA, and in the second half by the progression of sales of systems for urological applications, with the decisive contribution of some important customers with prestigious brands served under OEM terms by Quanta System. Growth in the **aesthetics** segment exceeded 10% and caused the segment to remain the most significant within the group. Among the numerous applications of laser systems in the aesthetic field, a significant contribution to turnover was attributable to the launch of **Onda Coolwaves**, a powerful controlled microwave system that, through the "Coolwaves" treats localized fat and performs body remodeling, with extraordinary results on cellulite evident from the first session.

The **industrial sector** marks again growth in all of its segments. The main segment laser **cutting**, in which after the extraordinary growth of 2017 the group managed to achieve another year of double-digit growth (+12%). Decisive in this regard was the trend in sales in China and the excellent performance of Cutlite Penta which maintained good revenues level its traditional applications sectors of plastic and die board cutting and strongly accelerated in the sheet metal cutting sector. The **marking** sector grew by 3% thanks to the sales of identification systems, while the growth in the segment of RF-powered CO₂ **laser sources** (up 45%) was much stronger in new niche applications in the textile and electromechanical sector.

In terms of **geography**, growth was achieved in all geographical areas where the Group is present, with 30% of the European area marking the most significant increase in both the medical and the industrial sectors. The development was also the result of the synergies created between the business units operating in the medical sector, in particular on the German market, and of the excellent results in the sale of laser systems for sheet metal and die board cutting laser systems by Cutlite Penta Srl.

The **Italian market** and **non-European countries** both showed growth close to 10%, and foreign markets continued to represent over 80% of turnover, confirming the global dimension of the Group's activity.

In preparation for the sales and production volume increase expected for the coming years, in 2018 an extensive investment plan was launched with the goal of expanding the production and logistics facilities of all the group's activities. It's an investment plan for around 30 million euros over 2018 and 2019, which already recorded the purchase of facilities in Samarate for Quanta System, in Torre Annunziata for Lasit and in Prato / Calenzano for El.En. and Cutlite Penta, and that in 2019 will see the completion of the construction of new factories in Vicenza for Asa, in Jena for Asclepion and in Wenzhou for Penta Laser, together with the completion of tooling and settlement in all the new structures.

Financial performance of the group

Gross Margin was 137,4 million of euro, up 8% on the 127,3 million of 2017, with a 39,7% margin on sales. The decrease in the margin on sales from 41,5% to 39,7% in 2018 was prevalingly due to a less favorable sales mix in the medical sector.

EBITDA reached 35,6 million of euro (10,3% on revenue), slightly decreasing by 1,40% on the 36,1 million of euro of 2017. The decrease was due to the lower margin on sales paired with an expense for operations growing in line with revenue.

EBIT was positive for 30 million of euro down 1,52% on the 30,4 million of euro of 2017.

Benefiting of a widely positive financial income, mainly due to the forex gains tied to the strengthening of the US dollar against the Euro, **pretax income** as of December 31st, was 29,5 million of euro, up 8,6% on the 27,2 million of 2017.

The Group closed the 2018 financials report with a **net income** of 16,8 million of euro up 7,4% on the 15,6 million of 2017. The margin on sales was roughly 5% in line with the previous period.

The **Net Financial Position** as of December 31st, 2018 was positive for 62,5 million of euro. The NFP of the Group decreased in 2018 by roughly 22 million, but increased in the last quarter from the September 30th balance of 54.8 million of euro. During the year the Group paid dividends for 8,4 million of euro and performed investments in fixed assets for over 26 million of euro.

Financial performance of the parent company El.En. spa

The Company registered in 2018 **revenues** for 62,1 million of euro, up 15% on the 54 million of euro of 2017.

EBITDA was positive for 1,9 million of euro, it was 283 thousands of euro in 2017, and EBIT margin on sales grew from 0,5% as of December 31st, 2017 to 3 % in 2018.

L'EBIT removed the 980 thousands of Euro loss of 2017 marking 483 thousands of euro profit in 2018, returning to generate profits from operations.

Pretax income was positive for 3,2 million of Euro, also reverting the 656 thousands of euro loss of the previous year.

The financial year closed with a **Net income** of 2,8 million of euro up on the 41 thousand euro of the past 2017.

Current outlook

Our management foresees that the strengthening of our operations infrastructure and the availability of new products, provided by the intense R&D effort, will allow rapid growth in 2019, too. We estimate that revenues growth can exceed 5% settling around 10%. We are also confident that the revenue growth will lead to an improvement in income from operations.

Other significant events subsequent to the closing of the financial year

On January 17th, 2019 the Shareholders' Meeting of El.En. Spa authorized the purchase of treasury shares under the conditions proposed by the Board of Directors, pursuant to, for the effects and within the limits established by the articles 2357 and 2357-ter of the Italian Civic Code. The purchase of treasury shares may be carried out for the following possible, concurrent or alternative, purposes: investment, stabilization of the share price in situations of poor liquidity, assignments or distributions to employees and / or collaborators and / or members of administrative or control bodies of the company or its subsidiaries, of exchanges or exchange of shareholdings within and during strategic transactions. The authorization was granted for the purchase, within 18 months from the date of the resolution, in one or more tranches of a maximum number of ordinary shares of the company, the only category currently issued, which in any case shall not exceed the fifth part of the Company's issued share capital. As of the date of the resolution, 20% of the subscribed and paid-up capital of El.En. was equal to 3.859.494 shares for a nominal value of € 501.734,22.

Other resolutions

The Shareholders' meeting shall appoint the new Board of Auditors as the current one's term is expiring.

– *Independence*

The Board of Directors also assessed, on the basis of the information received by the relevant directors, the persistence of the independence requirements. It also received the positive result of the annual self-evaluation of the Board of Statutory Auditors regarding the persistence of their independence requirements.

– *Consolidated non-financial statement*

Moreover the Board of Directors approved the 2018 consolidated non-financial statement.

– *Report on Compensation and Report on the Corporate Governance*

The Board of Directors approved the annual Report on Corporate Governance and Ownership Structure and the Report on Compensation the guidelines on the general compensation policy 2019-2020.

– *Modification of El.En's rules for the transactions between related parties*

Finally the Board of Directors approved some integrations to the *El.En.'s rules for the transactions between related parties* consisting of: the explanations of some references to the contents of the CONSOB Regulation no. 17221/2010 to make it easier to read and the understanding of the operative framework; the detailed provision of the so-called "equivalent specific internal controls" provided in the CONSOB Regulation no. 17221/2010; the modification of art. 6 on resolutions relating to operations where there is a correlation arising from an interest of someone of the directors or of the statutory auditors. Specifically the provision of the obligation of removal/abstention by meeting/resolution has been replaced with the power of independent directors to request the postponement of the meeting and the resolution in order to acquire more information about the transaction to be approved.

Dividend

The Board of Directors has resolved to call the annual Shareholder meeting for April 30th , 2019 (first call) and May 15th , 2019 (second call) and resolved to propose to distribute a dividend of 0,40 euro per share, in compliance with art. 2357-ter c.c., to be paid on May 29th, 2019, to be assigned on May 27th, 2019 (coupon no. 3) with record date May 28th, 2019.

* * * * *

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.

* * * * *

On 3rd October 2012 the board of directors resolved, by opting-out as allowed by artt. 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuers' Regulation CONSOB 11971/99, to make exceptions to make available to the public the provided informative documents in the event of significant mergers, spin-offs, share capital increase by means of the conferral of assets in kind, takeover and transfers.

* * * * *

The annual financial Report, including the yearly financial Report draft, the consolidated financial Report, the management Report and the statement as required by art. 154-bis, comma 5, TUF, the consolidated non-financial statement, the Auditors report and the Board of Statutory Auditors Report, the Board of Directors report on the agenda of the Shareholders meeting and also the report on remuneration ex art. 123-*ter* TUF will be available to the public at the company's premises, on the internet site www.elengroup.com, at Borsa Italiana and in the authorized storage device www.emarketstorage.com within the time deadlines required by the law. Within the term provided by law and regulation further documents and information about the shareholders' meeting shall be available on the website of the company.

The Regulation for transactions with related parties, as amended today, is available to the public on the Company's website under the section <https://elengroup.com/it/investor-relations/documenti-societari.html>.

CONFERENCE CALL

On Friday, March 15th, 2019 at 3:00 pm (CET) – 2:00 pm (GMT) - 9:00 am (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 1 212 818003, 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/en/investor-relations-en/company-presentations>

* * * * *

Attachments:

1. El.En. Group 2018 Profit and Loss account
2. El.En. Group Balance sheet as of December 31st, 2018
3. El.En. Group Net financial position as of December 31st, 2018 and 2018 cash flow statement
4. El.En. S.p.A. 2018 Profit and Loss account
5. El.En. S.p.A. Balance Sheet as of December 31st, 2018
6. El.En. S.p.A. Net financial position as of December 31st, 2018 and 2018 cash flow statement

(With reference to the attached financial statements, it should be noted that the audit has not yet been completed on December 31st, 2018).



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 340 million.

Cod. ISIN: IT0005188336

Code: ELN

Listed on MTA

Mkt cap.: 340 million of euro

Cod. Reuters: ELN.MI

Cod. Bloomberg: ELN IM

For further information:

El.En S.p.A.

Investor Relator

Enrico ROMAGNOLI - finance@elen.it

Tel. +39 055 8826807

Polytems HIR

Financial Communication, IR and Press Office

Bianca FERSINI MASTELLONI - b.fersini@polytemshir.it

Paolo SANTAGOSTINO - p.santagostino@polytemshir.it

Silvia MARONGIU - s.marongiu@polytemshir.it

Tel. +39 06-69923324

Tab. 1 – El.En. Group Profit and Loss account on December 31st, 2018

Income Statement	31/12/2018	Inc %	31/12/2017	Inc %	Var. %
Revenues	346.020	100,0%	306.461	100,0%	12,91%
Change in inventory of finished goods and WIP	11.878	3,4%	5.452	1,8%	117,86%
Other revenues and income	5.613	1,6%	4.264	1,4%	31,62%
Value of production	363.511	105,1%	316.178	103,2%	14,97%
Purchase of raw materials	207.387	59,9%	166.694	54,4%	24,41%
Change in inventory of raw material	(8.170)	-2,4%	(419)	-0,1%	1850,24%
Other direct services	26.816	7,7%	22.618	7,4%	18,56%
Gross margin	137.478	39,7%	127.284	41,5%	8,01%
Other operating services and charges	42.870	12,4%	37.068	12,1%	15,65%
Added value	94.608	27,3%	90.216	29,4%	4,87%
Staff cost	58.989	17,0%	54.091	17,7%	9,06%
EBITDA	35.618	10,3%	36.125	11,8%	-1,40%
Depreciation, amortization and other accruals	5.631	1,6%	5.676	1,9%	-0,79%
EBIT	29.987	8,7%	30.449	9,9%	-1,52%
Net financial income (charges)	869	0,3%	(3.365)	-1,1%	
Share of profit of associated companies	(1.306)	-0,4%	(430)	-0,1%	203,45%
Other non-operating income (charges)	(6)	0,0%	564	0,2%	
Income (loss) before taxes	29.545	8,5%	27.217	8,9%	8,55%
Income taxes	7.707	2,2%	6.807	2,2%	13,21%
Income (loss) for the financial period	21.839	6,3%	20.410	6,7%	7,00%
Net profit (loss) of minority interest	5.045	1,5%	4.776	1,6%	5,63%
Net income (loss)	16.794	4,9%	15.634	5,1%	7,42%

Tab. 2 – El.En. Group balance sheet on December 31st, 2018

Statement of financial position	31/12/2018	31/12/2017	Variation
Intangible assets	4.484	4.259	225
Tangible assets	61.020	39.178	21.842
Equity investments	2.459	3.587	-1.128
Deferred tax assets	6.334	6.269	64
Other non-current assets	12.582	12.371	211
Total non-current assets	86.879	65.664	21.215
Inventories	85.892	66.567	19.325
Accounts receivable	80.246	80.445	-199
Tax receivables	11.436	8.942	2.494
Other receivables	12.490	13.939	-1.449
Financial instruments	1.951	2.036	-85
Cash and cash equivalents	80.966	97.351	-16.385
Total current assets	272.982	269.281	3.700
Total Assets	359.861	334.945	24.915
Total shareholders' equity	219.236	204.296	14.940
Severance indemnity	4.378	4.217	162
Deferred tax liabilities	1.678	1.483	194
Reserve for risks and charges	3.955	3.797	158
Financial debts and liabilities	12.493	5.875	6.618
Total non-current liabilities	22.504	15.371	7.133
Financial liabilities	8.314	9.161	-847
Accounts payable	63.891	63.257	634
Income tax payables	2.486	1.654	832
Other current payables	43.430	41.205	2.225
Total current liabilities	118.121	115.278	2.843
Total Liabilities and Shareholders' equity	359.861	334.945	24.915

Tab. 3 – El.En. Group net financial position on December 31st, 2018 and cash flow statement 2018

Net financial position	31/12/2018	31/12/2017	Var.
Cash and bank	80.966	97.351	(16.385)
Financial instruments	1.951	2.036	(85)
Cash and cash equivalents	82.917	99.388	(16.471)
Current financial receivables	74	155	(80)
Bank short term loan	(6.720)	(8.230)	1.510
Part of financial long term liabilities due within 12 months	(1.318)	(932)	(386)
Financial short term liabilities	(8.038)	(9.161)	1.124
Net current financial position	74.954	90.381	(15.427)
Bank long term loan	(5.401)	(3.525)	(1.875)
Other long term financial liabilities - noncurrent part	(7.092)	(2.350)	(4.742)
Financial long term liabilities	(12.493)	(5.875)	(6.618)
Net financial position	62.461	84.506	(22.045)

Cash Flow Statement	31/12/18	31/12/17
Cash flow generated by operating activity	11.938	17.149
Cash flow generated by investment activity	(26.294)	(7.894)
Cash flow from financing activity	(2.663)	(9.356)
Change in cumulative translation adjustment reserve and other no monetary changes	634	(137)
Increase (decrease) in cash and cash equivalents	(16.385)	(238)
Cash and cash equivalents at the beginning of the financial period	97.351	97.589
Cash and cash equivalents at the end of the financial period	80.966	97.351

Tab. 4 – El.En. S.p.A. Profit and Loss account on December 31st , 2018

Income Statement	31/12/2018	Inc %	31/12/2017	Inc %	Var. %
Revenues	62.137	100,0%	54.061	100,0%	14,94%
Change in inventory of finished goods and WIP	2.594	4,2%	539	1,0%	380,87%
Other revenues and income	955	1,5%	814	1,5%	17,20%
Value of production	65.686	105,7%	55.415	102,5%	18,54%
Purchase of raw materials	36.737	59,1%	27.438	50,8%	33,89%
Change in inventory of raw material	(783)	-1,3%	1.179	2,2%	
Other direct services	5.032	8,1%	4.070	7,5%	23,66%
Gross margin	24.699	39,7%	22.727	42,0%	8,68%
Other operating services and charges	7.078	11,4%	6.925	12,8%	2,21%
Added value	17.621	28,4%	15.802	29,2%	11,51%
Staff cost	15.760	25,4%	15.519	28,7%	1,55%
EBITDA	1.862	3,0%	283	0,5%	557,68%
Depreciation, amortization and other accruals	1.379	2,2%	1.263	2,3%	9,13%
EBIT	483	0,8%	(980)	-1,8%	
Net financial income (charges)	3.567	5,7%	(140)	-0,3%	
Other non-operating income (charges)	(799)	-1,3%	464	0,9%	
Income (loss) before taxes	3.251	5,2%	(656)	-1,2%	
Income taxes	437	0,7%	(698)	-1,3%	
Net income (loss)	2.814	4,5%	41	0,1%	6739,16%

Tab. 5 – El.En. S.p.A. Balance Sheet on December 31st, 2018

Statement of financial position	31/12/2018	31/12/2017	Variation
Intangible assets	267	223	44
Tangible assets	15.852	13.239	2.613
Equity investments	17.668	17.179	489
Deferred tax assets	2.226	2.532	-306
Other non-current assets	12.260	12.059	201
Total non-current assets	48.274	45.232	3.042
Inventories	24.510	21.415	3.094
Accounts receivable	40.716	36.552	4.164
Tax receivables	4.140	4.010	131
Other receivables	7.613	6.500	1.113
Financial instruments	1.951	2.036	-85
Cash and cash equivalents	26.195	43.373	-17.179
Total current assets	105.125	113.886	-8.761
Total Assets	153.398	159.118	-5.720
Total shareholders' equity	134.966	138.988	-4.022
Severance indemnity	852	889	-37
Deferred tax liabilities	410	476	-66
Reserve for risks and charges	1.224	578	646
Financial debts and liabilities	488	488	0
Total non-current liabilities	2.975	2.431	544
Financial liabilities	281	0	281
Accounts payable	10.553	13.377	-2.824
Income tax payables	0	0	0
Other current payables	4.624	4.322	302
Total current liabilities	15.458	17.699	-2.241
Total Liabilities and Shareholders' equity	153.398	159.118	-5.720

Tab. 6 – El.En. S.p.A. net financial position on December 31st , 2018 and cash flow statement 2018

Net financial position	31/12/2018	31/12/2017	Var.
Cash and bank	26.195	43.373	(17.179)
Financial instruments	1.951	2.036	(85)
Cash and cash equivalents	28.146	45.410	(17.264)
Current financial receivables	63	130	(67)
Bank short term loan	(4)	0	(4)
Part of financial long term liabilities due within 12 months	0	0	0
Financial short term liabilities	(4)	0	(4)
Net current financial position	28.205	45.540	(17.336)
Bank long term loan	0	0	0
Other long term financial liabilities - noncurrent part	(488)	(488)	0
Financial long term liabilities	(488)	(488)	0
Net financial position	27.716	45.052	(17.336)

Cash Flow Statement	31/12/18	31/12/17
Cash flow generated by operating activity	(2.789)	(2.076)
Cash flow generated by investment activity	(6.952)	(4.045)
Cash flow from financing activity	(7.438)	(7.719)
Increase (decrease) in cash and cash equivalents	(17.179)	(13.840)
Cash and cash equivalents at the beginning of the financial period	43.373	57.213
Cash and cash equivalents at the end of the financial period	26.195	43.373

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