QUARTERLY FINANCIAL REPORT AS OF SEPTEMBER 30TH, 2019

El. En. Group

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock underwritten and paid: € 2.520.514,36(*)

Registry of Companies in Florence – C.F. 03137680488

(*) As of the date of approval of this document

This document has been translated into English for the convenience of readers who do not understand Italian.
The original Italian document should be considered the authoritative version.

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on September 30th 2019)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

Executive officer responsible for the preparation of the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

EL.EN. GROUP

QUARTERLY MANAGEMENT REPORT

AS OF SEPTEMBER 30th 2019

Quarterly report

Introduction

This quarterly report as of September 30th 2019 for the El.En. Group was drawn up in compliance with the Regulations of the Italian Stock Market for the companies that are quoted in the STAR segment (art. 2.2.3, sub-section 3) which requires the publication of a quarterly report within 45 days after the end of each quarter, as per Notice 7587 of April 21st 2016 issued by the Borsa Italiana. Consequently, as stated in the above mentioned Notice, in relation to the contents of the quarterly report for the quarter ending September 30th 2019, we have made reference to sub-section 5 of art. 154-ter of Legislative Decree February 24th 1998 no. 58. This document also contains the information previously inserted in the preceding quarterly reports

The task of examining the data and the information provided in this report has not been assigned to Independent auditors, because, as of this writing, it is not compulsory.

The results as of September 30th 2019 are shown in comparative form with those for the same quarter last year. All amounts are expressed in thousands of Euros unless otherwise indicated.

Alternative Non-GAAP measures

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 **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 **value added** is determined by adding to the EBITDA the "cost for personnel";
- 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 **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.

DESCRIPTION OF THE ACTIVITIES OF THE GROUP

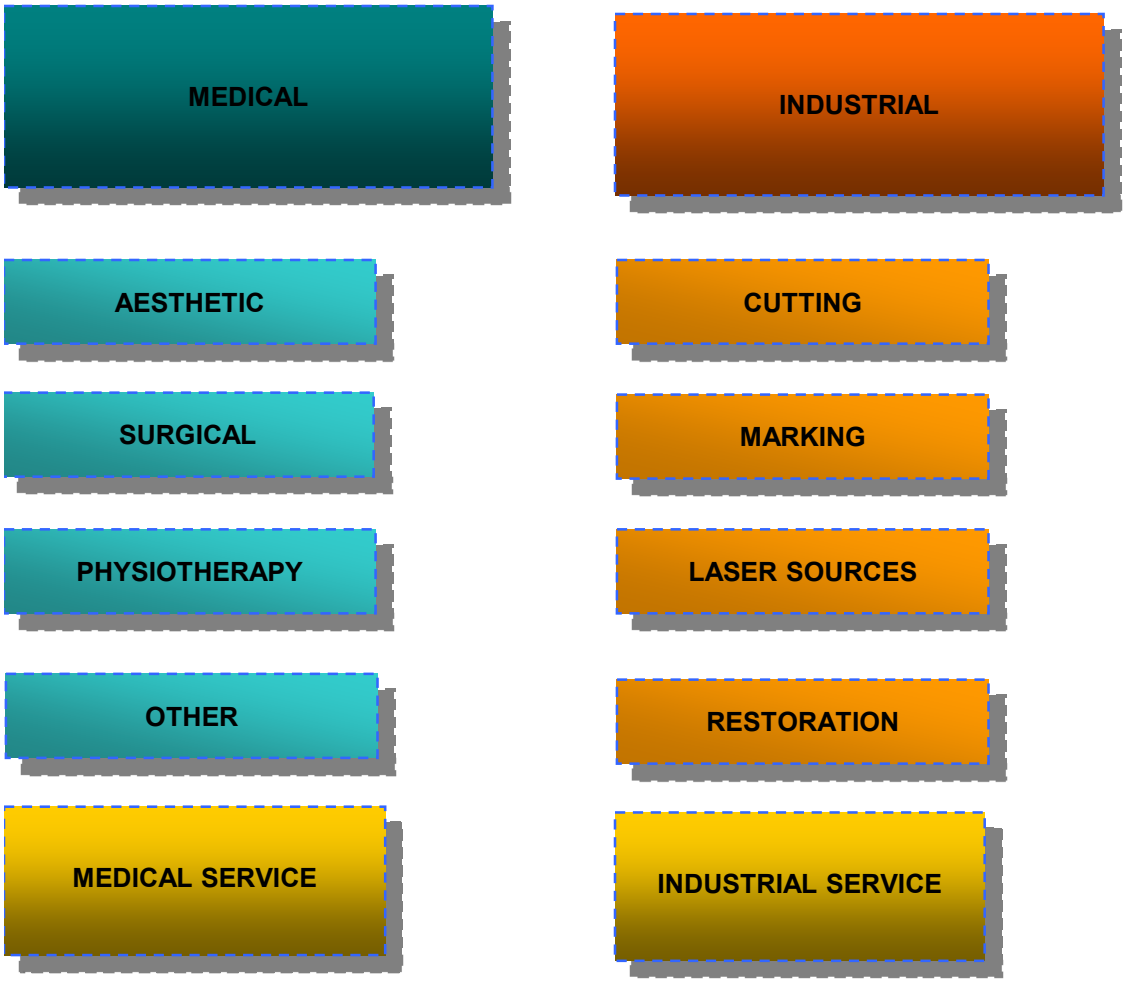
El.En was founded in 1981 and arose from the intuition of a university professor and one of his students. The Company developed over the years and became a multi-faceted, dynamic industrial group specialized in the manufacture, research and development, distribution and sale of laser systems.

The founders, Professor Leonardo Masotti and his wife, Barbara Bazzocchi, and Ing. Gabriele Clementi, have always conducted the company and even now, with the structures of the company under adequate direction, are still part of the top management.
The laser, an acronym for "**Light Amplification by Stimulated Emission of Radiation**" is a fascinating technology invented in 1960 and represents the fulcrum of the technology of the Group. This luminous emission with its unique characteristics (monochromaticity, consistency, brilliance) found and is still finding a growing number of applications which have given rise to its own specific industrial sectors and in others has radically changed the way in which they operate. Telecomunications, sensoristics, printers, lithographs, numerous processes in industrial manufacturing, numerous medical and aesthetic applications have been able to benefit from the innovations made available by the versatility, precision and reliability of laser systems. As Prof. Gérard Mourou - Nobel prize for physics in 2018 for the invention of chirped pulse amplification or CPA, which was later used to create ultra-short high intensity laser impulses (terawatt) - pointed out during his visit in January 2019 to the headquarters of Quanta System Spa in Samarate (VA), "the best is yet to come"! Scientific research and applied industrial research will continue to find innovative applications for laser technology from which we can all benefit directly or indirectly.

Among the many types of laser sources and applications that have been developed, the Group has always been specialized in systems for two particular sectors: laser systems for medicine and aesthetics which we call the Medical sector and laser systems for manufacturing which we call the Industrial sector. Each of these sectors is divided into various segments which vary from each other because of the specific application of the laser system and, consequently, for the specific underlying technologies and the type of user. For this reason, the activity of the Group which is generically defined as the manufacture of laser sources and systems, actually has a wide variety of products which are used by many different kinds of clients, also due to the global presence of the Group which forces it to adapt to the particular methods which every region in the world has in the adoption of our technologies.

Over time, the Group has acquired the structure which it now has through the creation of new companies and the acquisition of the control in others. The activities are conducted by this diverse group of companies which operate in the fields of manufacture, research, development distribution and sale of laser systems. Each company has been assigned a specific task which sometimes is based on its geographical location, sometimes on a specific market niche, and other times on a more extended and transversal area of activity including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company in such a way that the available resources can be put to the best use on the markets and take advantage of the dynamism and flexibility of each single business unit without losing the advantages of a coordinated management of some of the resources.

In our sectors of the market, the wide range of products, the capacity to segment some of the markets in order to maximize the overall quota held by the Group, together with the opportunity of involving managerial staff as minority shareholders are at the base of the company organization of the Group. The high number of different companies that compose the Group is based on the linear subdivision of the activities which we have identified also for purposes of reporting but, above all for strategic purposes, as shown below:



An integral part of the main company activity of selling laser systems, is that of the post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The division of the Group into numerous different companies also reflects the strategy for the distribution of the products and for the organization of the activities for research and development and marketing. El.En. is one of the most successful groups on our market, thanks to a series of acquisitions concluded over the years, in particular, in the medical sector (DEKA, Asclepion, Quanta System and Asa).
Following an approach that is unique and original for our sector, each company that has entered the Group has maintained its own special characteristics for the type and segment of the product, with brands and distribution networks that are independent from the other companies of the Group and represent a real business unit. Each one has been able to take advantage of the cross-fertilization which the individual research units has had on the others and has made their own elective technologies available to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.
While we recognize the importance that the multi-brand and multi-R&D has had on the growth of the Group, at the same time we realize the need to increase the coordination between the activities of the different business units of the medical sector and promote the joint activities like distribution in Italy which, under the new brand name of "Renaissance" will unite into a single organization the pre-existing networks of Deka and Quanta System.
An optimal integration of the medical business units is, in fact, one of the objectives of the General Director of El.En. Spa, who took on this role, a new one for the company, on January 1st of 2017.

Although they both use laser technologies and share numerous strategic components and some activities at the R&D and production level, the Medical and Industrial sectors are active on two completely different kinds of markets. Their internal operations are organized in such a way as to satisfy the radically different needs of the clients of the two different

sectors. Moreover, specific dynamics in the demand and expectations for growth that are connected to different key factors correspond to each of the two markets.

The outlook for mid-term growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging. There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs. For the industrial sector laser systems represent an increasingly indispensable tool for manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component of it which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

Growth in the industrial sector is expected thanks to the increase in productivity and in the quality of the products along with the great flexibility that laser operations bring to numerous manufacturing processes. Although they still refer to traditional manufacturing systems, both our cutting technologies, which transform the product, and our marking systems, which identify it or decorate it, respond to specific requirements of the manufacturing sector which are increasingly requested. Another factor which contributes to the demand are the technological innovations which make the products increasingly easy to use, productive and versatile and in this way increase the range of potential customers.

It should also be noted that, in the presence of the excellent outlook for the growth of our markets, the Group has succeeded in acquiring new portions of the market and create new applicative niches thanks to their innovations. The adequacy of the range of products offered, the capacity to continually renew it in order to meet the demands of the market or, even better, create new ones, are the critical factors for our success. The El.En. Group has had and still has, the ability to excel in these activities. The lengthy section in this document dedicated to Research and Development is a demonstration of the importance of these activities for the Group and the particular focus that is directed to dedicating the necessary resources that are needed to guarantee the prosperity of the Group in the years to come. The results registered on September 30th 2019 confirm the particular focus of the Group on Research and Development and highlights the increase in the resources dedicated to this vital activity.

Group financial highlights

During the first nine months of 2019 the El.En. Group registered a consolidated sales volume of 283 million Euros, showing a growth of 16,2% with respect to September 30th 2018 and an EBIT of 26,4 million Euros, showing an increase of 32,2% with respect to September 30th 2018.
Results for this quarter were also excellent, with a sales volume close to 95 million and an EBIT of over 10% of the sales volume; this is an outstanding result for the third quarter considering that the sales volume is usually less than the annual average because of the slowdown typical of the Summer months.
Thanks to the improvement in the financial income, the income before taxes in the first nine months reached 27,6 million, an increase of 38,7% over the first nine months of 2018.
We are particularly satisfied by these results which exceed both the forecasts formulated at the beginning of the year and the subsequent revised forecasts for a further increase, because they mark the return of the Group to an EBIT that is aligned with their best years. Considering the situation which is not completely favorable in many geographical areas, this confirms the excellent position of the Group on the markets and in the market niches which, nevertheless, maintain a trend of solid growth and their proactive capacity which allows them to continually release products that are innovative both for their technology and their applicative potential.
During this quarter the macro-economic indicators, the forecasts on the state of the world economy, and the outlook for the growth rates for the short and mid-term have not been encouraging. Even though the stock markets have been reaching all-time highs, in particular the American one which has a S&P 500 index of over 3000 points, the German economy has not grown as it did in the past and risks no longer being the driving force in the European economy, the Italian economy seems unable to find ideas to help it emerge from a situation which is substantially stagnant, and the Chinese economy continues to be overwhelmed by the uncertainties caused by the so-called war of duties and its present and future impact on Chinese manufacturing exports. The Institutions have not contributed to making the outlook more stable with the Brexit still pending and the decrease in the stability of the European governments including the Central one and the difficulty that China is having in finding a fair solution for the problem of Hong Kong.
We are only now beginning to reap the benefits of the operational reorganization that has taken place over the last two years and the re-enforcement of the logistic and manufacturing structures, and consequently the Group has been able to register brilliant results by taking advantage of the opportunities offered by their different markets. In fact, we are the real protagonists of the dynamics on our markets thanks to the activities of innovation which continually renew the range of products which offer our clients investment opportunities which have great potential for making profits. The only area this quarter in which the local conditions have had an impact on the results was in China, where, in the metal cutting sector, the Group has developed almost a fourth of its consolidated sales volume. In fact, due to the feared slowdown in the Chinese economy, the demand over the Summer was below expectations and this caused a decline in the sales volume and the EBIT both for the quarter and for the first nine months.
It should be remembered that what we offer on the market are capital goods which for our clients represent an investment which is often very significant with respect to the size and cash available to the company. In order to deal with such an important investment our client has to have complete confidence not only in the technical and economic worth of his investment (which we believe is guaranteed by our technologies), but also in the potential for development of their selling markets.
In the face of the feared slowdown of the Chinese economy and its manufacturing activities, we believe that the specific nature of our products, characterized by productivity, flexibility and increased economy of the systems placed on the market will make it possible to maintain a positive trend for which we have set up the operating structures necessary to guarantee the scheduled production volumes.

We should also mention that the Group has made some sales to leasing companies with the requirement of repurchasing and, consequently, in compliance with IFRS 15 which equates this type of sale with multi-year rentals even though the sale price has already been paid in full, revenue for the amount of about 1,5 million has been written off with a negative impact on the EBIT of 0,6 million Euros with respect to the traditional accounting of the revenue and cost of goods sold. The reduced revenue an margins for the quarter will be recuperated over the multi-year period of validity of the leasing contract.

Once again, the growth in the sales volume involved all of the sectors and all the main applicative segments in which the Group operates. In this phase the trend in the medical sector remains the best but also in the industrial sector the Group has been able to register a significant increase in sales volume in the main segment of sheet metal cutting and outstanding results in the area of marking for identification.
In the medical sector, the sales in the urology sector are still excellent and second in volume only to those in the historically most significant applicative sector for the Group, that of hair removal. In the production of holmium and thullium systems for the treatment of kidney stones and benign hypertrophy of the prostate, the Group has achieved a position of leadership at a world level, thanks in part to the collaboration with giants in this sector like Olympus and Cook Medical (with this latter we have recently formalized the extension of the collaboration) which distribute the Quanta System product all over the world with OEM contracts. The development of the number of installations in the urology

sector, moreover, has made it possible to achieve significant sales volumes for consumables, in particular optical fibers for single or multiple use; the sales of optical fibers are registered as part of the sales for service and in 2019 represented in the urology sector about 35% of the sales for systems.

The recovery of the sales volume and profitability on the Japanese aesthetic market has been very significant and the Group, thanks to their well established branches, maintains a solid competitive position.
The Onda system with *Coolwawes*™ has completely met fulfilled our expectations. This system was developed using the original and innovative microwave technology for the body contouring sector and has met with the approval of the clientele due to its triple action which is able to reduce the adipose masses, firm up the skin and treat the orange peel effect caused by cellulitis. Thanks to this effective triple action Onda has become one of the Group's best selling systems and after its first complete year on the market (sales were initiated in the Summer of 2018) is about to exceed ten million Euros in sales volume. We expect a further increase in the sales of Onda after we obtain the necessary clearance for sales in some of the countries with high potential, particularly the United States, and the regulatory team at Deka is working full time towards this objective.

The subject of authorization for sales of medical devices and instruments in the various countries all over the world in the last few years has become a decisive factor for the expansion on the international markets. The most complicated clearances to obtain are those for the USA (FDA), China (CFDA) and Japan (MOH). All of our companies operating in the medical sector have intensified their regulatory activity and have hired highly qualified personnel to re-enforce their competence and operating capacity to obtain these "clearances". The increased complexity involved in obtaining these clearances represents a very significant tendency in recent years and on one hand, creates an obstacle for the rapid marketing of the products on a worldwide level and, on the other, a barrier which excludes entry to companies that are not equipped with the structures necessary to deal with the bureaucracy involved for obtaining the approval which requires technical tests and clinical trials. Even the European regulations are following the tendency towards a requirement for more extensive clinical trials in order to obtain the CE medical mark for selling in Europe.

During this quarter we continued to work on the re-enforcement of our operating structures which have the purpose of equipping the Group with production facilities, laboratories for research and development, structures for marketing and training activities conducted for clients and selling partners. We have completed construction at Vicenza for Asa, at Jena for Asclepion, at Prato for Cutlite Penta and Ot-las and these companies are now working full time in the new factories. We are about to complete the construction of the new factory at Linyi, the third manufacturing center in China so that we can be positioned in the highly industrialized area of Shandong and benefit from the significant support given by the local administration. We are also in the final phase of construction of the new buildings in Wenzhou which will be dedicated to the manufacture of systems and light sub-assemblies, and which will include areas for research and development, for a show room and for receiving clients. We are continuing the work for equipping the manufacturing areas at Torre Annunziata for Lasit and at Calenzano for El.En., where we are remodeling the space made available by the move of the manufacturing activities of Cutlite Penta and Ot-las to Prato.

The chart below shows the results of the income statement related to the third quarter of 2019, shown in comparative form with the results for the same period last year.

Income statement – quarterly	**30/09/2019**	**Inc %**	**30/09/2018**	**Inc %**	**Var. %**
Revenues	94.498	100,0%	82.800	100,0%	14,13%
Change in inventory of finished goods and WIP	3.876	4,1%	5.086	6,1%	-23,80%
Other revenues and income	1.089	1,2%	1.411	1,7%	-22,84%
Value of production	**99.463**	**105,3%**	**89.297**	**107,8%**	**11,38%**
Purchase of raw materials	60.230	63,7%	53.530	64,6%	12,52%
Change in inventory of raw material	(5.898)	-6,2%	(1.564)	-1,9%	277,13%
Other direct services	8.370	8,9%	5.726	6,9%	46,16%
Gross margin	**36.761**	**38,9%**	**31.605**	**38,2%**	**16,31%**
Other operating services and charges	9.516	10,1%	9.175	11,1%	3,72%
Added value	**27.244**	**28,8%**	**22.430**	**27,1%**	**21,46%**
Staff cost	15.231	16,1%	13.743	16,6%	10,83%
EBITDA	**12.013**	**12,7%**	**8.687**	**10,5%**	**38,29%**
Depreciation, amortization and other accruals	2.280	2,4%	1.411	1,7%	61,64%
EBIT	**9.733**	**10,3%**	**7.276**	**8,8%**	**33,77%**
Net financial income (charges)	899	1,0%	48	0,1%	1768,33%
Share of profit of associated companies	95	0,1%	(506)	-0,6%	
Other non-operating income (charges)	0	0,0%	0	0,0%	
Income (loss) before taxes	**10.727**	**11,4%**	**6.818**	**8,2%**	**57,33%**

The chart below shows the results of the income statement for the first nine months of 2019 in comparative form with those for the first nine months of last year.

Income Statement	**30/09/2019**	**Inc %**	**30/09/2018**	**Inc %**	**Var. %**
Revenues	282.948	100,0%	243.437	100,0%	16,23%
Change in inventory of finished goods and WIP	8.861	3,1%	15.497	6,4%	-42,82%
Other revenues and income	2.208	0,8%	2.950	1,2%	-25,14%
Value of production	**294.017**	**103,9%**	**261.884**	**107,6%**	**12,27%**
Purchase of raw materials	168.828	59,7%	160.576	66,0%	5,14%
Change in inventory of raw material	(10.620)	-3,8%	(13.238)	-5,4%	-19,77%
Other direct services	24.664	8,7%	18.240	7,5%	35,22%
Gross margin	**111.145**	**39,3%**	**96.306**	**39,6%**	**15,41%**
Other operating services and charges	31.032	11,0%	30.418	12,5%	2,02%
Added value	**80.113**	**28,3%**	**65.888**	**27,1%**	**21,59%**
Staff cost	47.497	16,8%	41.852	17,2%	13,49%
EBITDA	**32.616**	**11,5%**	**24.036**	**9,9%**	**35,70%**
Depreciation, amortization and other accruals	6.171	2,2%	4.029	1,7%	53,16%
EBIT	**26.445**	**9,3%**	**20.007**	**8,2%**	**32,18%**
Net financial income (charges)	1.166	0,4%	522	0,2%	123,18%
Share of profit of associated companies	9	0,0%	(615)	-0,3%	
Other non-operating income (charges)	0	0,0%	(6)	0,0%	
Income (loss) before taxes	**27.621**	**9,8%**	**19.908**	**8,2%**	**38,74%**

The chart below shows the net financial position of the Group

Net financial position	**30/09/2019**	**31/12/2018**
Cash and bank	82.133	80.966
Financial instruments	2.105	1.951
Cash and cash equivalents	**84.238**	**82.917**
Current financial receivables	**216**	**74**
Bank short term loan	(8.887)	(6.720)
Part of financial long term liabilities due within 12 months	(3.296)	(1.318)
Financial short term liabilities	**(12.182)**	**(8.038)**
Net current financial position	**72.272**	**74.954**
Bank long term loan	(11.859)	(5.401)
Other long term financial liabilities - non current part	(9.594)	(7.092)
Financial long term liabilities	**(21.453)**	**(12.493)**
Net financial position	**50.819**	**62.461**

Operational performance

The chart below shows the subdivision of the sales volume for the first nine months of 2019 according to the sectors of activity of the Group, compared with the same subdivision for the same period last year:

	30/09/2019	Inc %	30/09/2018	Inc %	Var. %
Medical	170.761	60,35%	138.837	57,03%	22,99%
Industrial	112.187	39,65%	104.600	42,97%	7,25%
Total revenue	**282.948**	**100,00%**	**243.437**	**100,00%**	**16,23%**

The overall growth for this period was over 16% with the medical sector reaching almost 23% and now exceeding the growth of the industrial sector.

The chart below shows the geographical distribution of the sales volume.

	30/09/2019	Inc %	30/09/2018	Inc %	Var. %
Italy	46.683	16,50%	43.281	17,78%	7,86%
Europe	53.752	19,00%	47.385	19,46%	13,44%
ROW	182.513	64,50%	152.771	62,76%	19,47%
Total revenue	**282.948**	**100,00%**	**243.437**	**100,00%**	**16,23%**

Growth was shown in all areas in which we operate but the greatest amount was in the non-European countries; this fact, in particular for Italy, reflects a less favorable phase in the economic cycle.

For the medical and aesthetic sector, which represent more than 60% of the sales of the Group, the results in the various segments are shown on the chart below:

	30/09/2019	Inc %	30/09/2018	Inc %	Var. %
Aesthetic	93.105	54,52%	76.719	55,26%	21,36%
Surgical	34.613	20,27%	29.637	21,35%	16,79%
Physiotherapy	7.776	4,55%	7.783	5,61%	-0,09%
Others	665	0,39%	502	0,36%	32,36%
Total medical systems	**136.158**	**79,74%**	**114.641**	**82,57%**	**18,77%**
Medical service	34.603	20,26%	24.196	17,43%	43,01%
Total medical revenue	**170.761**	**100,00%**	**138.837**	**100,00%**	**22,99%**

The best results were in the sector of after-sales service, goods and consumables, where the sales volume increased by about 43%. All the types of revenue that are part of this category contributed to this excellent result: creams and accessories in the aesthetic sector, full risk contracts for technical assistance, regular service for previous installations, but, above all, upgrading of the IPL systems and mono- and multi-use optical fibers for urological applications. It should be noted that the significant volume of sales for upgrading which was also registered in recent years, represents a type of revenue which cannot be repeated for these same amounts in the next year; the sales volume for optical fibers for urology, on the other hand, can be maintained and even increased since, theoretically, it is based not only on the number of installations, but also on the actual amount of use of the device and our ability to maintain the sales level in opposition to our competitors.

The urology sector continues to show the most significant development of sales volume for this period. In fact, if we extrapolate it from the surgery and service segments, in which we have registered the overall sales volume of the urology sector for systems and accessories, we find an overall volume of 33 million Euros for the last nine months, which represents a growth of 50% with respect to the same period in 2018. These volumes mean that the Group and, in particular, Quanta System which creates most of the volume, are one of the most significant competitors on the global market and the leader, in particular, in the segment of laser systems for lithotripsy. A major contribution to the sales volume for this period is represented by the sales of systems to our OEM partners which are companies of international

standing which sell our systems under their own brand name and also equip them with our optical fibers for surgical applications. Good results were also obtained and are expected in the future also in the other surgery segments like the endovascular applications and those for ORL for CO_2 lasers. For these latter, we are now conducting a process of reorganization of the methods of distribution which, by intensifying the focus applied by the structures of the Group dedicated to marketing we intend to increase the sales volume.

The sales volume for the therapy sector remains stable; our company, business unit and brand name for this sector, Asa of Vicenza has been growing steadily and gradually for many years. In the third quarter of 2019 the move of the manufacturing activities of Asa to their new location was completed and they are now fully operative.

The growth rate in the aesthetic sector was over 20%. All of the main application sectors contributed to this increase in sales volume. The driving segments were the applications for hair removal and tattoo removal (the technology of this latter is used in the Far East for anti-aging applications). We have already mentioned in the introduction the Deka's Onda system *Coolwaves*™ for body contouring and for the treatment of the orange-peel effect caused by cellulitis; along with these we also offer other systems for the treatment of the figure, in particular, B-star, which is distributed in Italy by Esthelogue in the professional aesthetics sector. Overall the segment of "body treatments" has become one of the most significant and is second only to hair removal and equal to that of tattoo removal.

The growth on the Japanese market was particularly significant and is related to a phase of up-dating of the previous installations of hair removal systems and to the contribution of sales to certain selected clients, typically major chains of aesthetic centers, small aesthetic devices suitable for home use and distributed by taking advantage of the network that has been created over the years in Japan.

In the other sectors we should mention the good results also registered by the dental sector.

In the sector of industrial applications, the chart below shows the break-down of the sales volume according to the market segments in which the Group operates.

	30/09/2019	Inc %	30/09/2018	Inc %	Var. %
Cutting	85.416	76,14%	82.488	78,86%	3,55%
Marking	13.407	11,95%	12.006	11,48%	11,67%
Laser sources	3.248	2,90%	3.348	3,20%	-2,98%
Conservation	288	0,26%	258	0,25%	11,67%
Total industrial systems	**102.359**	**91,24%**	**98.100**	**93,79%**	**4,34%**
Industrial service	9.828	8,76%	6.500	6,21%	51,20%
Total industrial revenue	**112.187**	**100,00%**	**104.600**	**100,00%**	**7,25%**

As previously described, the industrial sector in 2019 has had to deal with conditions that were less favorable than those in recent years; nevertheless, the growth in this sector on an annual basis was 4,3% for systems and 7,25% overall, including service which should a leap forward of over 50%.

In the cutting sector growth was 3,5%, which is not so bad as an overall amount and considering the general trends in the manufacturing sector, but still far below the growth rates that have been registered recently. In the Chinese market which is our most important one, after a rapid start at the beginning of the year, the demand underwent a gradual decline in particular during the Summer months during which the volume of orders received and, consequently, of the sales volume, decreased with respect to 2018. In recent months there have been signs of recovery which leave hope for the end of the year. It should be recalled that production for the Chinese market now takes place in the factories at Wuhan and Wenzhou (this latter now being enlarged) and, starting in early next year, also at the new factory at Linyi. On the Italian and other European markets on which the sales activities of Cutlite Penta are mainly concentrated, there was a reduced demand at the beginning of the year and a gradual improvement of the market situation or, better perhaps, of our position on the market, with a growth trend. In both cases the best trend forecast for the end of the year correspond to the forecast for the mid-term growth of the market, on the basis of which the Group has equipped itself in the last two years with operative structures that will be able to cope with the expected increase in the production volumes.

The marking sector once again showed excellent results especially in the identification market where Lasit of Torre Annunziata (NA) operates. At this time Lasit is already able to take advantage in part of the new factory purchased in

2018 which is adjacent to the one which they now occupy and which is now being equipped in order to house the production activities of the company.

Results in the segment of laser sources are essential stable but with a slight drop which slows down the growth with respect to that shown at the beginning of the year.

In relation to the 50% increase in the revenue for service activities, the revenue received for technical assistance and after-sales spare parts and the sales of consumables for RF sources which increased considerably due to the large number of systems installed, were mainly responsible for this exceptional growth. The activity of retrofitting and upgrading of the CO_2 systems which is conducted in China was also very significant; this activity consist of the installation of new laser sources in mid-power fiber on systems belonging to clients that do not wish to sustain the investment in a new system.

Sales in the restoration sector also increased. Among the numerous treasures of our artistic heritage, we wish to mention that the restoration center at the Opificio delle Pietre Dure has just completed the restoration of the South Door of the Baptistery of Florence, an early 14^{th} century masterpiece in bronze by Andrea Pisano, which, thanks also to the contribution of our lasers can now once again be admired in all of its golden splendor. We are honored to have contributed with our technologies to the conservation of the artistic and cultural masterpieces on which our city is founded and for which it is famous and beloved all over the world.

The following are comments on the Income Statement:

The gross margin was 111.145 thousand Euros, an increase of 15,4% with respect to the 96.306 thousand Euros registered on September 30th 2018, thanks to the increase in the sales volume.

The gross margin on sales volume decreased from 39,6% on September 30th 2018 to 39,3% on September 30th 2019. The variation is due to a slight decrease in the margins in both the medical and industrial sectors and a decrease in the grants for research received this year.

Application of the rigid rules of accounting standard IFRS 15 determined a write off of about 1,5 million Euros from the revenue, with a negative impact on the EBIT of 0,6 million Euros. This negative impact with respect to the sales volume was 0,5% for the sales volume itself and 0,2% for the EBIT. The activity that was mainly involved by this write off was the sales of medical and aesthetic systems in Italy where the instrument of operative leasing is very popular among the clients of Esthelogue and Renaissance.

The costs for operating services and charges were 31.032 thousand Euros showing an increase of 2% with respect to the 30.418 thousand Euros shown on September 30th 2018. The incidence on the sales volume decreased from 12,5% to 11,0% in the first nine months of 2019, also because of the approx. 1,1 million in operating costs, equal to 0,4% of the sales volume, which, in 2019 were reclassified among the depreciations in compliance with accounting standard IFRS 16.

Staff costs amounted to 47.497 thousand Euros, showing an increase of 13,5% with respect to the 41.852 thousand Euros registered for the same period last year with an incidence on the sales volume which decreased slightly from 17,2% to 16,8% on September 30th 2019.

As of September 30th 2019 the number of employees in the Group was 1.510, an increase over the 1.368 registered on December 31st 2018. Most of the new employees were hired by the Chinese subsidiary Penta Laser Technology (Shandong) Co. Ltd, with headquarters in Linyi, which was founded in April of 2019 and is owned 100% by Penta Laser Technology (Wenzhou) Co. Ltd.

A large portion of the personnel expenses is directed towards research and development costs, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. On account of the stock options/stock based compensation for employees and collaborators, the income statement includes among the staff costs the figurative cost calculated for the stock option plans: for the first nine months, the overall costs were 428 thousand Euros with respect to the 519 thousand Euros for the same period last year.

Consequently, the EBITDA amounted to 32.616 thousand Euros, a significant increase of 35,7% with respect to the 24.036 thousand Euros registered on September 30th 2018.

The costs for amortizations, depreciations and accruals showed an increase, and rose from 4.029 thousand Euros on September 30th 2018 to 6.171 thousand Euros on September 30th 2019, with an incidence on the sales volume which rose from 1,7% to 2,2%.
The increase is due to both the greater accruals for the risk and charges fund as well as the higher depreciations for the effect of the significant investments in fixed assets which had already started last year and for the adoption of accounting standard IFRS 16 described above, which caused an increase in the depreciations for about 1,1 million Euros, equal to 0,4% of the sales volume, with the consequent decrease in operating costs, in particular the costs for leasing and rentals.

The EBIT therefore amounted to 26.445 thousand Euros, an increase with respect to the 20.007 thousand Euros registered on September 30th 2018,with a considerable improvement in the incidence on the sales volume which rose to 9,8% from the 8,2% for the same period last year. For the third quarter the incidence on the sales volume was 10,3%.

The financial income amounted to 1.166 thousand Euros with respect to the income of 522 thousand Euros registered for the same period last year. The trend of the exchange rates on September 30th 2019 determined a significant gain mostly related to the strengthening of the US dollar. The interest due increased because of the application of IFRS 16 for 73 thousand Euros which represent the interests owed on the figurative financial debt which the standard extrapolates from the goods used in rentals or leasing.

The income before taxes amounted to 27.621 thousand Euros, an increase of about 39% with respect to the 19.908 thousand Euros shown on September 30th 2018.

Financial position and investments

Comments on the net financial position

The net financial position of the Group decreased by 11,6 million with respect to the end of 2018. As far as the amouts on the chart are concerned, it should be noted that starting on January 1st 2019, because of the application of IFRS 16, the financial debts also include the amounts of residual debt related to operating rentals and leases which are now entered into accounts following the procedure which was previously used in compliance with IAS 17. The impact of this application amounted to about 4,8 million Euros, of which 1,7 million Euros were entered among the current debts and 3,1 million Euros among the non-current debts, bringing the amount of the net financial position on September 30th to 50,8 million Euros instead of the 55,6 which would have been registered if the accounting standards had been the same.

The use of cash during this period, notwithstanding the excellent profitability, was caused by the distribution of dividends to third parties by El.En. Spa, Deka M.E.L.A. and Asa for a total of 8,7 million Euros, by the investments in technical assets for the amount of 15,7 million for the this period and by the increase in net working capital.

In 2019 we continued to enlarge manufacturing capacity by building new factories. The investments in new factories in the last nine months amounted to about 10,8 million, and reached a total of 33 million since the beginning of 2018 and in 2019 involved the Chinese companies in Wenzhou and in Linyi; this latter was an opportunity that arose in the last few months and consequently was an addition to the original program that was scheduled and communicated. We have completed the factories in Jena (inaugurated in September) for Asclepion, in Vicenza for Asa (inaugurated on October 4th) and in Prato where Cutlite Penta and Ot-Las moved starting from June. Work has continued on the new Lasit factory in Torre Annunziata and in El.En.factory in Calenzano, for the remodeling of the area which was left unoccupied after the move of Cutlite Penta and Ot-Las and which will allow the reorganization of certain activities in both the medical and industrial sectors.

The results obtained in this early part of 2019 confirm that the Group is able to achieve a significant growth rate and demonstrate that the vast investment program that has been followed in the last two years is an indispensable instrument for sustaining the development of the Group and an excellent investment for the acceleration of internal growth.

The amounts owed to associated companies for a total of 130 thousand Euros have been excluded from the net financial position.

It should also be recalled that 11,5 million Euros in cash has been invested in financial instruments of an insurance type which, because of their particular characteristics, must be entered among the non-current financial assets; even though they represent a use of cash this amount is not part of the net financial position. At the end of this period the fair value of the investment was 12,4 million Euros.

Gross investments made this quarter

The chart below show the gross investments made during this period.

	30/09/2019	30/09/2018
Intangible assets	812	290
Tangible assets	15.715	16.027
Financial fixed assets		
Total	16.528	16.317

3 mesi	30/09/2019	30/09/2018
Intangible assets	602	72
Tangible assets	4.664	6.581
Financial fixed assets		
Total	5.266	6.653

Research and Development activities

During the first nine months of 2019 we continued our intense activity of Research and Development for the purpose of creating new applications for lasers and for other light sources, both in the medical sector and the industrial sector (which includes applications for the restoration of works of art) and to place on the market products that are innovative because of the performance of the devices and/or the technologies that are used.
In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid- to long-term schedules.
In our laboratories we conduct research to identify and understand real problems in some sectors of medicine and we try to find solutions based in the experience and know-how that we have developed on the interaction between the electromagnetic waves, mainly laser light, with biological materials in the laboratories that have been built for this purpose at the headquarters of El.En. For applications in industry and for the conservation of works of art we also syudy the interaction of the light on inert materials.
As far as laser lights are concerned, we develop the sources on one hand by making a selection of its spectral content, the methods for generating it and the optimal level of power and, on the other hand, we program its management over time in relation to the laws governing its disbursement and in space as far as the shape and movement of the light beam is concerned.

The research which is aimed at obtaining mid-long-term results is generally oriented towards subjects that are highly innovative and consequently represent major entrepreneurial risks; in any case, they are typical of our international dimension and inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centers throughout the world, some of which we collaborate with.
Applied research which is dedicated to achieving results according to a short-term schedule is concentrated on subjects for which all the preliminary feasibility studies have been completed and which satisfy the requirements for safety and effectiveness. For these subjects a choice has already been made regarding the main functional characteristics and performance specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study and some in the phase of field verification. This mechanism concerns the sector of laser light applications to medicine but also to industry and to the conservation of our cultural and artistic heritage.
The research which is conducted is mainly applied and is basic for some specific subjects generally related to highly innovative objectives and long and mid-term activities. Both the applied research and the development of the prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University and Research (MUR) and the European Union, as well as directly with Regional structures in Tuscany or the Research Institutions in Italy and other countries.

The El.En. Group is currently one of the few companies in the world that produces such a vast range of laser sources, in terms of the different type of active agent (liquid, solid, semiconductor and gas mixture) with different wave lengths, various power versions and, in some cases, using various manufacturing technologies. Consequently, research and development activity has been directed to many different systems and subsystems and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiary companies have been involved is given below.

Systems and applications for lasers in medicine

The Parent Company **El.En.**, in collaboration with **DEKA** and, more recently, with **Quanta System**, have been active conducting research on biological samples and cell cultures in the laboratory and clinical experiments for applications in the medical field of devices and sub-systems based on the use of electro-magnetic energy. There are numerous applications in the fields of general surgery, otolaryngology, aesthetic medicine, gynecology, dermatology and skin ulcers.
An application that is extremely important and has already obtained considerable commercial success, is related to urogynecology with the Mona Lisa Touch treatment to reduce the effects of the atrophy of the vaginal mucous. The atrophy of the vaginal mucous is a widespread and debilitating condition with interaction with other pathologies and afflicts a high percentage of women in menopause or younger women affected by tumors for which, in order to avoid a re-occurrence, they have used therapies which affect the hormonal balance and cause a kind of premature menopause.
We can confirm that this is an extremely important innovation in the field of medicine which will always remain part of the procedure for the specific therapy. Consequently, it is our precise obligation to maintain the research activity at the

top of the world developments for this new therapeutic sector in order to guide and augment the scientific and technological developments and maintain and re-enforce our position of pre-eminence.

Clinical studies are still being conducted in prestigious centers, in USA and in Italy, mainly at the San Raffaele hospital in Milan, the Gynecological Laser Surgery unit in Florence, and the Biomedical Campus in Rome have confirmed that the laser treatment is effective, safe, and without negative collateral effects; further research is in progress to broaden our knowledge about the activating mechanisms in order to develop new applications of laser biostimulation or, it is now generally referred to photobiomodulation.

Moreover, we are now receiving confirmation of the exceptional results obtained with the treatment of diabetic feet at several different centers where they have installed CO_2 lasers of the SMARTXIDE Quadro family, C80 model.
In this sector we have introduced the possibility of using laser light for the debridement, that is, the removal of the necrotic tissue which prevents the healing of the ulcers with the important characteristic of destroying the bacteria present and attacking the biofilm which otherwise is very difficult to remove. The treatment of chronic ulcers using lasers is based on the characteristics which we have designed, which are essential in the cleaning phase of the sores in order to reduce the presence of bacteria in the ulcer and greatly reduce the pain suffered by the patient, but also for the bio-stimulation capacity which is activated by the laser light, and which we consider our "cultural heritage" since it is the result of the lengthy research and numerous experiments which we have conducted over the years.

We have continued the successful introduction on the market of the line of equipment for hair removal called Motus, with the most recent model AY which, after the CE Medicale, obtained clearance by the FDA for sale in the USA. The Motus equipment is based on an original concept which lets the operator use the handpiece in movement with the density of the energy which causes no pain. This method has obtained great success thanks to the accumulation of the damage to the hair follicle which is caused by the repeated passages of the handpiece emitting energy.

We have concluded the development of the Luxea platform and we have recently received FDA clearance; we are continuing to collect clinical data which confirms this method. This is a high performance device which permits a wide range of applications in aesthetic medicine; it contains the main laser sources for the various applications. The level of integration and management have been particularly appreciated by the first experimenters and the first clients that purchased it. We have also obtained CE certification and that for some non-European countries.

For the regeneration of biological tissues we had originally coined the acronym HILT, High Intensity Laser Therapy, which characterized the specific line of our laser products which was assigned to our subsidiary ASA for global distribution.
We have recently concluded the development of the new Hiro TT system, the first example of a new approach for the dynamic management of the temperature of the skin and multi-level control of the interface which makes use of advanced graphics, with state-of-the-art LCD capacitors. Sales of the system continue in 2019 with considerable success. We have deposited the request for a European patent.

In 2019 we concluded the FOMEMI research project (FOMEMI = sensors and instruments using phototonic technology for minimally invasive medicine) which was co-financed by the Tuscan Region with European funds as part of the BANDI RSI- POR FESR 2014-2020. In this research El.En. was project leader and worked with highly qualified partners composed of companies like B.B. S.p.A., Fabrica Machinale S.r.l., and research teams from the region including ENDOCAS of the University of Pisa and the Scuola Superiore Sant'Anna.
As part of this project we studied and developed laser technologies and devices for several different clinical applications like debridement and therapy for cutaneous ulcers and diabetic feet, removal of mammary and cerebral neoformations and the treatment of benign hypertrophy of the prostate.
We have developed a high-resolution vision system with multi-spectral illumination, which may even be three-dimensional; with this instrument we may gather data during the evolution of the wound after the treatments, on the size of the area with the lesion and the segmentation, even in inter-active form with the operator in order to define the regions occupied by the various components that are present and are typical of this pathology and document the evolution over time during the various therapeutic sessions.
Moreover, we are now conducting research on a new static illuminator for laser bio-stimulation in collaboration with another technological partner in the FOMEMI project research group. For this project we are also collaborating with a different partner for feasibility studies for a special ergonomic bed to be used during treatment of patients affected by skin ulcers in order to reduce fatigue in both the doctor and the patient during the therapeutic session.

We have continued gathering objective data for the clinical evaluation of the results in order to increase the amount of specific scientific literature related to our innovative system for body shaping, Onda Coolwaves. The Onda technology permits the reduction of the layer of sub-cutaneous fat in various parts of the body and, starting even in the first session, a significant reduction of the orange-peel effect on the skin which is caused by cellulitis the equipment is based on the use of a form of electro-magnetic microwave energy which is able to reduce the adipocites. The device is equipped with

innovative applicators which make it intrinsically safe by preventing the emission of energy when they are not in contact with the skin.
The method used for the emission of the energy, for which we have received recognition of PTC patentability, makes it so that most of the energy is absorbed by the sub-cutaneous fat according to the design; in this way an additional protective element is obtained because the muscle layers beneath the fat are not subjected to heat that is produced. We have obtained EU certification and are now conducting the procedure necessary for obtaining FDA clearance.

We have continued the study of a new instrument system for acquiring position and motion data used to guide the operator in the maneuvering of the applicators in order to guarantee the greatest uniformity of treatment in the area involved.
We have concluded work on the development of systems with wave guide coupling for CO_2 lasers for surgical applications and we have obtained the EU certification for surgical applications with single-use guiding. We are now conducting the procedures necessary to obtain the EU certification for resterilizable guides and for these we have already obtained FDA clearance. started procedures necessary for obtaining EU certification and FDA clearance. The experimental activity is intended to determine the best launching conditions for the laser beam in the hollow wave guide in order to minimize dispersion during transmission.
We have completed the development of a new model, including the experimentation on RF supplied prototypes, for exciting a sealed CO_2 source for medical applications (surgical and dermatological), which has been redesigned for the purpose of allowing the integration directly on the laser source with an aim to reducing the size and the cost of the complete system, while respecting the electro-magnetic compatibility requirements.
We have completed the development of the "RED TOUCH" laser equipment for dermatology and we are about to complete the application for an international patent for the device and for the method in the USA.
In collaboration with Quanta System SpA we have completed the development of a real time system for monitoring the skin temperature during the pre-cooling process preceding laser treatments of the skin which will be used for safely managing energy-based treatments.

In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of urologic medicine, results of which are used mainly for the development of DEKA products as well as for the other companies of the Group.
We have applied for new patents at the Italian and some foreign patent offices.

At DEKA they have completed research on the use of lasers for stimulating nano-particles, in collaboration with various partners including Colorobbia (Bitossi Group) which is active in the development and manufacture of nano-particles; this activity is part of the INSIDE project ("*svIluppo di targeting diagNostici e teranoStici basati su nanosIstemi e/o linfociti ingegnerizzati per l'indiviDuazione precoce e il trattamento del mElanoma e della sclerosi multipla*"), co-financed with funds from European community managed by Regione Toscana – POR FESR 2014-2020, Bando 1: Strategic Research and Development Projects. As part of this project they have completed the development of a system of induction heating with radio frequency with nano-particles of iron oxide for medical applications and they are now conducting laboratory experiments on animals; the generator is equipped with a electro-magnetic radiation system with a butterfly structure which made it possible to achieve a good level of efficiency.

Moreover, they have continued the development of a system for using a laser to excite nano-particles of gold for use in the diagnosis and therapy of skin tumors (melanomas). As part of this project they have designed and built a laser light system of illumination with our Q-switch source which we developed. The laser illumination system consists of a double bundle of fibers to be integrated into an ultra-sound probe. The system has the purpose of acquiring images from ultrasonic waves emitted by nano-particles of gold after exciting the plasmonic resonance using laser impulses of very brief duration on an appropriate wave length.

In collaboration with Elesta we are now in the final phase of development of a device for the treatment of tissue with cancerous lesions inside organs with the emission of energy with a diffusive structure fed by optical fiber laser light inserted through the skin by means of an innovative tip for which an international patent has been requested.

At **Quanta System** they are conducting intense research on the development of laser instruments intended for aesthetic medicine and medical therapies in urology. As part of this project they have developed a prototype for a new single-use morcellator for use in urology and which can be released on the market as soon as the necessary authorizations have been obtained. Now that we have obtained the EU Medical brand and FDA clearance, the 100W holmium laser for BPH applications and for enucleation of the prostate will complete our range of holmium lasers for applications in urology which already includes the 30W model for lithotripsy and the 60W model for lithotripsy and enucleation.

In the field of lithotripsy, for the holmium laser they have developed the technique based on the so-called "Vapor Tunnel" effect which offers considerable advantages for the stabilization and effectiveness of the shattering of the stones in the upper excretion tubes.

They have continued experiments on innovative applications in the field of gastroenterology. The evaluation of the effects of the Thulium Laser on the gastric mucous which was undertaken in 2015 gave positive results which made it possible to move on to the study phase on animal models before the clinical experiments.
At **Asclepion** they have continued an updating strategy of all the systems: a new philosophy of user interface, new electronics and new design.
They have developed an automatic recognition system for blood vessels for vascular treatments using a camera, and started experimentation.
They have completed the development of the new model of the Mediostar laser system for hair removal which has substantial technical and aesthetic innovations. Presentation of the new model took place in Rome during the Convention which hosted hundreds of Esthelogue clients and selected international Asclepion clients.

Laser systems and applications for industry

At **El.En.** they have continued experimentation with a sealed 300W CO_2 source based on a new concept.
They have continued the verification experiments on space filters for the shaping of the beam for high-powered sources in the production range. They have continued with the designing of a new z-dynamic with higher dynamic and thermal performance and they have implemented the XY2-100 interface on our scansion heads so that they can be piloted even by third persons and they have worked on the software to increase the elaboration performance of on-the-fly processing variable data.

They have continued experimentation on the first examples of the Blade RF1222 source.
They have continued the development of the emission characteristics of the Blade RF888 source for use in the marking of textiles. They have optimized the FIRMW systems for dynamic scanning performance in order to increase precision.
Two new models of laser sources have been added to the catalogue: Blade RF899 as a derivation of the Blade RF888 with a mirror beam path, and Blade RF333 SH derived from Blade RF333 with a shutter with safety functions.

At **Cutlite Penta** they have continued experimentation on a new line of machines that were made in 2018 and, continued the development of cutting heads for laser fibers, introduced methods of control, and continued their close collaboration with Penta Chutian Wuhan and Penta Laser Wenzhou.
In the field of machinery for metal cutting, the new optical, mechanical fluido-dynamic and sensoristic developments of our EVO2 cutting heads made it possible to introduce levels of laser power over 10kw into the range of products.
The constant and considerable efforts directed to the development of software made it possible to fully exploit the potential derived from the high-powers used with significant increases in the performance in terms of productivity and quality and the creation of innovative machinery for bevel cutting 2D and 3D which will be used to create a new line of application for cutting with fiber lasers.
For the range of CO_2 machinery dedicated to cutting plastic materials, they have developed both machines which integrate into the same process flat cutting and the galvanometric scansion technology as well as combined hybrid machines equipped with a double CO_2 and fiber source, both of which are avant-guard solutions which offer the client an extreme flexibility of operation.
They have also continued the development and amplification of a range of machines for making American dies, a field in which Cutlite Penta has always been a world leader.

At **Ot-las** they have developed innovative solutions for making micro-pierced sound-proofing panels in large sizes and completed development of the scansion systems on the arms of anthropomorphic robots making OEM assemblies which were used for cutting refrigerator cells.
They also integrated on their machines the new source, El.En's CO_2 RF1222 by developing special scansion optical. Moreover, they have continued their research and optimization of processes in the field of leather, textiles and shoes with the consequent improvements in performance and production flexibility.

The chart below shows the costs of Research and Development for this period:

Thousands of Euros	**30/09/2019**	**30/09/2018**
Staff costs and general expenses	8.317	6.445
Equipment	220	138
Costs for testing and prototypes	1.890	3.398
Consultancy fees	418	344
Other services	155	74
Total	**10.999**	**10.400**

Following the usual company policy, the expense shown in the chart have mostly been entered in the operating costs.
The amount of expenses sustained which greatly increased, corresponds to 4% of the consolidated sales volume of the Group. The expenses are mostly sustained by El.En. S.p.A., and amount to about 6% of its sales volume.

Trend of El.En. stock

The graph below shows the performance of the stock:

Other information

It should be recalled that on October 3rd 2012 the Board of Directors of El.En. S.p.A. voted to adhere to the possibility of *opt-out* in compliance with art. 70, sub-sections 8 and 71, sub-section 1-bis of the Consob Regulations 11971/99, exercising their right to waive the requirement to publish the information documents concerning any significant extraordinary operations related to mergers, divisions, increases in capital in kind, acquisitions and sales.

Significant events which occurred this quarter

On September 14th 2019 the first window of opportunity opened for picking up the stock options assigned by the Board of Directors of El.En. Spa with a resolution on September 13th 2016 for the implementation of the stock option plan 2016-2025 which is limited to administrators, collaborators and employees of the company and its subsidiaries which was approved by the shareholders' meeting on May 12th 2016 and described in the information document in compliance with art. 84-bis, sub-section 1 and Schema 7 of attachment 3A of the Consob regulations (*Regolamento Emittenti Consob* n. 11971/1999) which remains at the disposition of the public, until the plan expires, at the company headquarters in Calenzano, at the Borsa Italiana S.p.A., on the internet site of the company *www.elengroup.com* in the section titled "*Investor Relations / Governance / Documenti Societari / Piano di Stock Option 2016-2025*" and at the authorized storage site *www.emarketstorage.com.*

In the months of September and October 2019 we inaugurated the new factories of the subsidiaries Asclepion Laser Technologies at Jena in Germany and Asa in Vicenza; the factory in Jena will be used for the manufacture of laser

systems for medical, aesthetic and surgical applications and the one in Vicenza for the manufacture of laser system for physical therapy and rehabilitation.

Susequent events

Following the acquisition by some of the beneficiaries of the 2016-2025 stock option plan mentioned above, the Company issued up until the date of approval of this document, 91.100 ordinary shares for a total nominal amount of 11.843,00 Euros and cashed in 1,15 million as a capital increase with additional paid.

Current outlook

The results registered so far for 2019 exceed the annual forecasts for both sales volume and EBIT which were formulated at the beginning of the year as well as those in the subsequent up-dates which raised the amounts that had been forecast, and registered an increase of 16% in the sales volume and 32% in the EBIT which reached an incidence on the sales volume of 9,3%.
On the basis of these results we may even be able to reach a consolidated sales volume of 400 million Euros with an EBIT which could come closet to 10% on the sales volume at the end of 2019.

For the Board of Directors

The managing director
Ing. Andrea Cangioli

Attachment "A": List of consolidated companies as of September 30th 2019

Subsidiary companies

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
Parent company					
El.En. S.p.A.	Calenzano (ITA)				
Subsidiary companies					
Ot-Las S.r.l.	Calenzano (ITA)	96,65%		96,65%	96,65%
Cutlite Penta S.r.l	Calenzano (ITA)		100,00%	100,00%	96,65%
Deka Mela S.r.l.	Calenzano (ITA)	85,00%		85,00%	85,00%
Esthelogue S.r.l.	Calenzano (ITA)	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lione (FRA)	100,00%		100,00%	100,00%
Lasit S.p.A.	Torre Annunziata (ITA)	70,00%		70,00%	70,00%
Quanta System S.p.A.	Milano (ITA)	100,00%		100,00%	100,00%
Asclepion GmbH	Jena (GER)	50,00%	50,00%	100,00%	100,00%
ASA S.r.l.	Arcugnano (ITA)		60,00%	60,00%	51,00%
BRCT Inc.	New York (USA)	100,00%		100,00%	100,00%
With Us Co., Ltd	Tokyo (JAP)		78,85%	78,85%	78,85%
Deka Japan Co., Ltd	Tokyo (JAP)	55,00%		55,00%	55,00%
Penta-Chutian Laser (Wuhan) Co., Ltd	Wuhan (CHINA)		55,00%	55,00%	53,16%
Penta-Laser Equipment Wenzhou Co., Ltd	Wenzhou (CHINA)		53,53%	53,53%	51,74%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	98,27%		98,27%	98,27%
Pharmonia S.r.l.	Calenzano (ITA)	100,00%		100,00%	100,00%
Deka Medical Inc.	San Francisco (USA)		100,00%	100,00%	100,00%
Penta Laser Europe S.r.l.	Calenzano (ITA)		100,00%	100,00%	51,74%
Merit Due S.r.l.	Calenzano (ITA)		100,00%	100,00%	96,65%
Galli Giovanni & C. S.r.l.	Cassano Magnago (ITA)		70,00%	70,00%	70,00%
Penta Laser Technology (Shandong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	51,74%

Associated companies

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
Immobiliare Del.Co. S.r.l.	Solbiate Olona (ITA)	30,00%		30,00%	30,00%
Actis S.r.l.	Calenzano (ITA)	12,00%		12,00%	12,00%
Elesta S.r.l.	Calenzano (ITA)	50,00%		50,00%	50,00%
Chutian (Tiajin) Laser Technologies Co.,Ltd	Tianjin (CHINA)		41,00%	41,00%	21,79%
Quanta Aesthetic Lasers Usa, LLC	Englewood (USA)		19,50%	19,50%	19,50%
Accure Inc	Delaware (USA)		39,44%	39,44%	39,44%

Attachment "B": DECLARATION IN COMPLIANCE WITH ART. 154BIS, SUB-SECTION 2, D.LGS. N.58 / 1998

The undersigned Dr. Enrico Romagnoli, as the executive officer responsible for the preparation of the financial statements of El.En. S.p.A. declares, in compliance with sub-section 2 of art. 154-bis of Legislative Decree n. 58 of February 24th 1998, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

Calenzano, November 14th 2019

Executive officer responsible for the preparation of the financial statements
Dott. Enrico Romagnoli