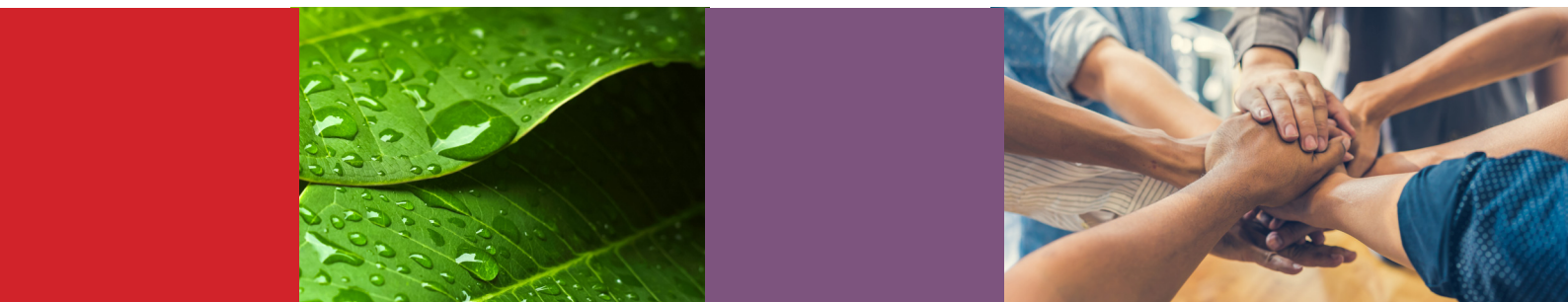
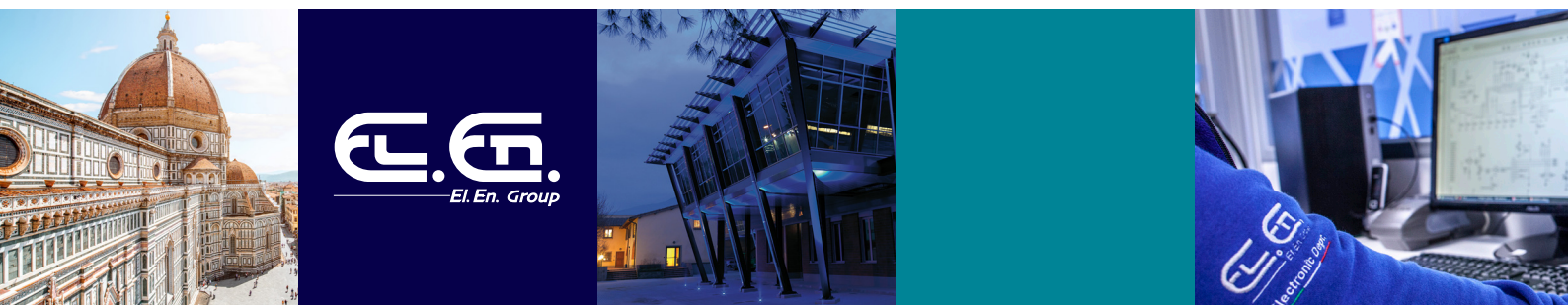


QUARTERLY FINANCIAL REPORT AS OF SEPTEMBER 30TH, 2020



EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.547.749,36*

Registry of Companies in Florence – C.F. 03137680488

*On the date of the 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 2020)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangoli

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 2020

Quarterly report

Introduction

This quarterly report as of September 30th 2020 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 2020, 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 2020 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.

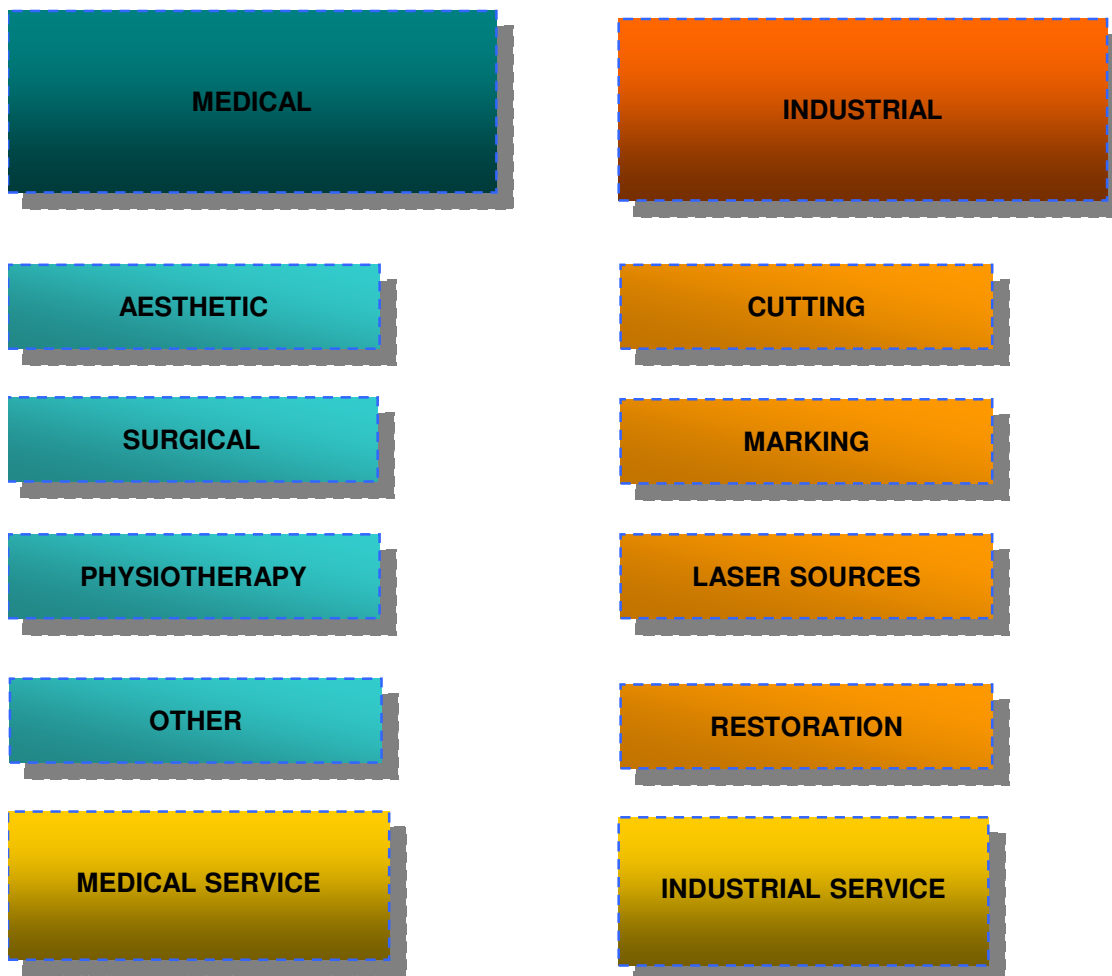
The founders, Leonardo Masotti and his wife, Barbara Bazzocchi, and Ing. Gabriele Clementi, have always conducted the company and are still part of the top management.

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. Telecommunications, 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.

In 2020 the integration of the networks of the Group is continuing: the laser systems for aesthetic applications produced by Asclepion are available for sale in Italy through the Renaissance network, thus re-enforcing their leadership in this geographical area while, analogously, the distribution network of Asclepion in Germany offers the Deka systems.

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.

Group financial highlights

In the third quarter of 2020 the Group registered excellent results in overall terms which are extraordinary if one considers the period in which they were achieved: the sale volume for the quarter showed an increase of 11,8% over the amount shown for the corresponding quarter in 2019 and the EBIT reached 8,8 million Euros which amounts to 8,4 % of the sales volume. In the first nine months of 2020, the consolidated sales volume reached 268 million Euros which reduced to 5,2% the decrease with respect to 2019; this decrease was entirely due to the effects of the Covid pandemic on our manufacturing activities and on our markets.

During the third quarter of 2020 our daily life and the activities of the Group returned to conditions that were almost normal and without any forced interruptions.

From the earliest phases of the spread of the pandemic all of the companies of the Group immediately adopted all of the safety measures necessary to protect their employees and collaborators, by making sure that in offices the correct distances between people were respected in conformity with the regulations and, above all, creating conditions that guaranteed the tranquility of the workers. For this reason we adopted smart working even though the lack of direct interaction represents a severe limitation on the effectiveness and the creativity of many of the vital functions, particularly research and development and marketing. All of the safety measures are still being applied according to procedures which were agreed upon with the employees and are periodically up-dated.

The economic and financial results again demonstrate the solidity and the vitality of the group and the resilience of our organization when facing such a critical period which is so different from the normal conduction of activities. When commenting on these results we cannot hide our satisfaction and our gratitude for having witnessed in these months all of the functions of the companies of the Group carry out their tasks with renewed determination, completing on time all of the scheduled activities and taking on new and difficult commitments which allowed us to attract the attention of new clients.

After the first quarter when our Chinese activities were penalized by the lockdown more than any of our competitors and, in particular, those located in Wuhan, in the second quarter our Italian and European companies suffered under the restrictions imposed in the western world and their deleterious effects on our markets. In the third quarter we saw a gradual recovery and a return to a significant volume of business and a growing number of orders, although this was not uniform and varied widely depending on the geographical area and the market segment.

From a point of view of the volume of business, the recovery in the industrial sector was very significant, especially in the segment of laser cutting of sheet metal. Our Chinese companies and Cutlite Penta of Prato operate in this sector. Their results in terms of sales volume registered an exceptional 38% growth with respect to the third quarter of 2019. In this segment, demand remains high and is driven by the innovation of the product which have made cutting systems increasingly attractive, thanks to the increase in productivity which allows a very effective use even for applications which were unthinkable in the past like the cutting a very thick sheets of metal which, up to now were executed prevalently by plasma systems. Our manufacturing companies are acquiring new portions of the market thanks to the excellent cost-performance ratio of the systems that they offer, despite the fact that the high post lockdown demand in China is characterized by considerable competition on the market with the consequent reduction of margins on the sales.

It should be noted that in China the conditions in which working and other everyday activities are conducted are now and have been for several weeks, almost normal. There have been no forced closures, there are no limitations on domestic travel, and people are not required to wear surgical masks. There is still a rigid quarantine imposed on travelers returning from other countries in order to maintain the level of contagion which has been practically zero for several months.

Another country that is very important for us in which the negative impact of Covid has been and continues to be minimal is Japan, where the lockdowns have been effected on a strictly local and short-term basis. Our business in the medical and aesthetic sectors has benefited from this and thanks to the direct communication network in 2020 showed a double digit increase.

During this year in which the trend has been so strongly influenced by the spread of the COVID 19 pandemic, in the Summer quarter the danger of contagion decreased and made the impact of the pandemic less invasive and restrictive on everyday life. We benefitted from the gradual consolidation of the client's trust and along with it, the acquisition of numerous orders, first of all in the industrial sector, but also in the medical sector which at the end of the quarter returned to an acceptable level which was consistent with the expectations and the plans for growth made before they were thwarted by the COVID pandemic. Growth this quarter in the medical sector was 1,4%.

At the beginning of the third quarter, Autumn brought a return of the spread of the pandemic and the lockdown measures which involve Italy and the other main European countries. The turnaround in the elections in the United State may bring about a different and more rigorous handling of the COVID pandemic. From this new negative evolution of the situation we expect to receive an immediate impact on the sales in the segments and in the geographical areas directly involved in the restrictive measures like the aesthetic centers which were forced to close in Germany and in the red zones in Italy, the

medical activity with outpatients which will be impacted by the lack of mobility, and the sales and promotion of surgical devices which will be obstructed by the focus of the hospital structures on the COVID issues. At this time we have not received any news of significant alterations in the demand from the rest of the markets which, however, are certainly not encouraged by the situation of great uncertainty in which we have returned.

The chart below shows the results of the income statement related to the third quarter of 2020, shown in comparative form with the results for the same period last year.

Income statement - quarterly	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Revenues	105.646	100,0%	94.498	100,0%	11,80%
Change in inventory of finished goods and WIP	8.649	8,2%	3.876	4,1%	123,16%
Other revenues and income	1.506	1,4%	1.089	1,2%	38,30%
Value of production	115.802	109,6%	99.463	105,3%	16,43%
Purchase of raw materials	70.379	66,6%	60.230	63,7%	16,85%
Change in inventory of raw material	1.929	1,8%	(5.898)	-6,2%	
Other direct services	8.963	8,5%	8.370	8,9%	7,09%
Gross margin	34.530	32,7%	36.761	38,9%	-6,07%
Other operating services and charges	7.920	7,5%	9.516	10,1%	-16,77%
Added value	26.610	25,2%	27.244	28,8%	-2,33%
Staff cost	15.325	14,5%	15.231	16,1%	0,61%
EBITDA	11.285	10,7%	12.013	12,7%	-6,06%
Depreciation, amortization and other accruals	2.438	2,3%	2.280	2,4%	6,92%
EBIT	8.847	8,4%	9.733	10,3%	-9,10%
Net financial income (charges)	(761)	-0,7%	899	1,0%	
Share of profit of associated companies	(153)	-0,1%	95	0,1%	
Other non-operating income (charges)	0	0,0%	0	0,0%	
Income (loss) before taxes	7.932	7,5%	10.727	11,4%	-26,05%

The chart below shows the results of the income statement for the first nine months of 2020 in comparative form with those for the first nine months of last year.

Income Statement	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Revenues	268.168	100,0%	282.948	100,0%	-5,22%
Change in inventory of finished goods and WIP	20.066	7,5%	8.861	3,1%	126,45%
Other revenues and income	3.477	1,3%	2.208	0,8%	57,44%
Value of production	291.710	108,8%	294.017	103,9%	-0,78%
Purchase of raw materials	177.703	66,3%	168.828	59,7%	5,26%
Change in inventory of raw material	(2.650)	-1,0%	(10.620)	-3,8%	-75,05%
Other direct services	22.250	8,3%	24.664	8,7%	-9,79%
Gross margin	94.407	35,2%	111.145	39,3%	-15,06%
Other operating services and charges	23.978	8,9%	31.032	11,0%	-22,73%
Added value	70.429	26,3%	80.113	28,3%	-12,09%
Staff cost	44.659	16,7%	47.497	16,8%	-5,97%
EBITDA	25.770	9,6%	32.616	11,5%	-20,99%
Depreciation, amortization and other accruals	7.635	2,8%	6.171	2,2%	23,72%
EBIT	18.135	6,8%	26.445	9,3%	-31,42%
Net financial income (charges)	(981)	-0,4%	1.166	0,4%	
Share of profit of associated companies	(279)	-0,1%	9	0,0%	
Other non-operating income (charges)	0	0,0%	0	0,0%	
Income (loss) before taxes	16.875	6,3%	27.621	9,8%	-38,91%

The chart below shows the net financial position of the Group

Net financial position	30/09/2020	31/12/2019
Cash and bank	102.832	97.031
Financial instruments	0	2.127
Cash and cash equivalents	102.832	99.158
Current financial receivables	14	84
Bank short term loan	(15.979)	(11.794)
Part of financial long term liabilities due within 12 months	(3.043)	(4.913)
Financial short term liabilities	(19.022)	(16.706)
Net current financial position	83.825	82.535
Bank long term loan	(26.125)	(11.802)
Other long term financial liabilities - non current part	(7.895)	(9.314)
Financial long term liabilities	(34.019)	(21.116)
Net financial position	49.805	61.419

Operational performance

The chart below shows the subdivision of the sales volume for the first nine months of 2020 according to the sectors of activity of the Group, compared with the same subdivision for the same period last year. The results are profoundly influenced by the effects of Covid which, in the first six months of the year caused a significant reduction in the volume of business.

	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Medical	159.742	59,57%	170.761	60,35%	-6,45%
Industrial	108.425	40,43%	112.187	39,65%	-3,35%
Total revenue	268.168	100,00%	282.948	100,00%	-5,22%

There was an overall reduction in sales volume of 5,22% with the medical sector showing a decrease of 6,4% and the industrial sector dropping by 3,3%. The result registered a significant recovery during this quarter and improved with respect to the first six months of the year which showed a decrease in the volume of business of 13,8% .

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

	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Italy	45.266	16,88%	46.683	16,50%	-3,03%
Europe	47.840	17,84%	53.752	19,00%	-11,00%
ROW	175.062	65,28%	182.513	64,50%	-4,08%
Total revenue	268.168	100,00%	282.948	100,00%	-5,22%

This chart shows how the effects of Covid affected our markets on a global level. In relative terms the Italian market reacted better than the others thanks mainly to the growth in the segment of sheet metal cutting and the firm resistance of the medical sector. The non-European markets were affected by the general drop in demand in the medical sector and the long interruption of activities in China in the early months of the year. The excellent results obtained in Japan and the steady sales volume in the United States were not enough to prevent an overall decrease. The European markets showed the weakest results.

For the medical and aesthetic systems sectors, which represent 60% of the sales of the Group, the results in the various segments are shown on the chart below.

	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Aesthetic	92.866	58,14%	93.105	54,52%	-0,26%
Surgical	28.352	17,75%	34.613	20,27%	-18,09%
Physiotherapy	5.344	3,35%	7.776	4,55%	-31,27%
Others	374	0,23%	665	0,39%	-43,76%
Total medical systems	126.937	79,46%	136.158	79,74%	-6,77%
Medical service	32.805	20,54%	34.603	20,26%	-5,19%
Total medical revenue	159.742	100,00%	170.761	100,00%	-6,45%

After nine months the volume of business continues to suffer from the effects of Covid and shows a drop of about 6%, which is slightly more accentuated in the sales of systems than in the after-sales service and sales of consumables which registered, among other things, a steady level in the revenue from optical fibers for urological surgery.

Under the circumstances the stability of sales in the aesthetic sector is extraordinary and remains steady with respect to 2019. There were two main factors that determined this result: the placement on the market of new hair removal systems, highly innovative treatments for the body and the skin which met with great success considering the situation, the capacity of our Japanese branch to take advantage of the efficiency of their distribution network by selling upgrades for the pre-existing systems and, through the same channels, conveying significant volumes of locally produced devices.

In the months immediately following the lockdown there was a high demand for aesthetic treatments; we believe that with limited options available for recreation, vacations and self-gratification, the decision to take better care of one's body and skin continued to a priority in the expenditures of those who maintained a good disposable income.

On the contrary the sales for surgery and to an even greater extent for physical therapy were affected by the polarization of all the activities and attention of the medical structures on the issues related to Covid; this fact made all the other disciplines become of secondary importance and made it extremely difficult to communicate with the medical structures for the marketing phase. We will be able to contend with the normal market dynamics only after the easing of the pressure of the Covid emergency on the hospitals.

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

	30/09/2020	Inc %	30/09/2019	Inc %	Var. %
Cutting	87.429	80,64%	85.416	76,14%	2,36%
Marking	11.233	10,36%	13.407	11,95%	-16,21%
Laser sources	1.478	1,36%	3.248	2,90%	-54,51%
Conservation	327	0,30%	288	0,26%	13,37%
Total industrial systems	100.467	92,66%	102.359	91,24%	-1,85%
Industrial service	7.958	7,34%	9.828	8,76%	-19,02%
Total industrial revenue	108.425	100,00%	112.187	100,00%	-3,35%

The sales in the industrial sector in the first nine months of the year showed a drop of 3,3% with respect to 2019, and recovering spectacularly in the third quarter, with a growth of +28,85% with respect to the third quarter of 2019, the delay accumulated due to the impact of Covid in China and in Italy.

The trends differed substantially depending on the applicative sector. In the cutting sector which, in the last few years has become the most important one for the Group, registered a significant recovery in sales volume showing a result for the first nine months of 2020 which, despite everything, was greater than that for 2019 (+2,4%), and even pulverized it (+43%) during this quarter. The other three main segments, marking, laser sources and after-sales service however, continue to suffer from the effects of the pandemic and after nine months show a double digit decrease without showing a significant improvement during this quarter.

The segment of restoration continues to perform well and is the flagship sector for the company; it is a source of great satisfaction for us to participate in the recovery of great works of art that are part of our legacy. Recently, in the Florentine Basilica of S. Miniato al Monte, thanks to our lasers and the ability of the restorers in removing the overpainting, the original gold leaf was discovered on the maiolica sculptures of Luca della Robbia representing the Holy Spirit with the Four Cardinal Virtues.



The photographs show the Della Robbia sculptures in maiolica representing the Holy Spirit with the Four Cardinal Virtues and the restoration using Ei.En lasers.

The following are comments on the Income Statement:

The gross margin was 94.407 thousand Euros, a decrease of 15,1% with respect to the 111.145 thousand Euros shown on September 30th 2019, due to the drop in the sales volume and the margins. The incidence of the margins on the sales volume in fact declined from 39,3% on September 30th 2019 to 35,2% on September 30th 2020. The decrease is in part due to the trimming of the margins that the crisis induced in both the medical and industrial sectors, and was greater in the industrial sector where the return to high volumes of production was accompanied by greater competitive pressure, and in part, in the medical sector, due to the significant volume of sales of aesthetic devices accessory to the distribution of laser systems produced by the Group, on which we earn a sales margin which is below the average for this sector.

The application of the IFRS 15 accounting standard rules did not determine any significant effects during this quarter.

The other operating services and charges were 23.978 thousand Euros and registered a decrease with respect to the 31.032 thousand Euros for September 30th 2019. Their incidence on the sales volume decreased from 11% to 8,9% during the first nine months of 2020. The savings were due mainly to the cancellation of all international travels and commercial fairs and symposiums as well as the reduction in the expenses related to logistics of the travel and moving between factories as a consequence of the decrease in the volume of business. Most of these savings were imposed by the circumstances on highly productive expenses which remain fundamental for the marketing policies and sale of our products, but which, on the basis of what we have learned from this experience, could be revised by having the activities of virtual contact with the market and the clientele take on a structural role also in the future. During the lockdown period virtual contact was the only option available and it still is in many countries considering the travel restrictions.

The cost for personnel was 44.659 thousand Euros, a decrease with respect to the 47.497 thousand Euros shown on September 30th 2019, while the incidence on the sales volume was substantially unchanged, decreasing from 16,8% for the first nine months of 2019 to 16,7% on September 30th 2020. The reduction in the cost of personnel was obtained thanks to the use of the *Cassa Integrazione Guadagni* (CIG)¹ and similar instruments which were also used in various degrees by all the companies in Italy as well as the French company Deka and the German one, Asclepion. During this period, moreover, the variable components of the salaries and overtime also decreased; also, many employees made use of accumulated vacation days in order to avoid the reduction in salary that the CIG comports. The amounts owed by the

¹ The CIG is a kind of unemployment insurance in which the government pays most of the salary to a worker who has been laid off.

CIG were always paid in advance to the employees of the companies of the Group. In China, a government measure slightly reduced the social security contributions for the period.

Covid did not have any negative effects on the overall number of employees in the Group which, on September 30th 2020 was 1.615, an increase over the 1.498 on December 31st 2019. New hiring was done mainly by the Chinese companies which are now working at full speed in all of the factories with production volumes that are greater than those at the end of 2019.

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: on September 30th 2020, the overall costs were 149 thousand Euros with respect to the 428 thousand Euros for the same period last year.

Consequently, the EBITDA amounted to 25.770 thousand Euros, a decrease of 21% with respect to the 32.616 thousand Euros September 30th 2019. EBITDA decreased also in its incidence on the sales volume which amounted to 9,6% as opposed to the 11,5% shown on September 30th 2019.

The costs for amortizations, depreciations and accruals showed an increase, and rose from 6.171 thousand Euros on September 30th 2019 to 7.635 thousand Euros on September 30th 2020, with an incidence on the sales volume which increased from 2,2% to 2,8%. The depreciations increased due to the significant investments made in 2019 and again in 2020. Moreover, the accruals were greater than usual in order to represent in the most plausible way, the possible deterioration of some of the credits on account of the crisis caused by the pandemic, and in compliance with the ESMA recommendations in this regard.

The EBIT therefore amounted to 18.135 thousand Euros, a decrease with respect to the 26.445 thousand Euros on September 30th 2019, with an incidence on the sales volume dropping to 6,8% from 9,3% for the same period last year. As shown in the guidance supplied by the Group, the third quarter registered a recovery in profitability, with an incidence of the EBIT of 8,4%, which is far greater than the 5,7% shown for the first semester.

The financial charges amounted to 981 thousand Euros with respect to the financial income of 1.166 thousand Euros registered for the same period last year. Besides the increased expense for interest, the result is based on the unfavorable exchange rate, in particular with the US dollar which was weak in comparison to the Euro and the consequent exchange losses during this period.

The income before taxes amounted to 16.875 thousand Euros, a decrease with respect to the 27.621 thousand Euros on September 30th 2019.

Financial position and investments

Comments on the net financial position

The net financial position in the past nine months suffered a decrease of about 11,6 million from the 61,4 million registered on December 31st 2019 to the 49,8 million on September 30th 2020, with an excellent cash generation in the third quarter which registered an improvement in the net financial position of about 22 million Euros.

During this period, 20 million in cash was used for the acquisition of an important minority share of Penta Laser Wenzhou, which has become the parent company of all of our activities in China in the industrial sector, which is part of a vast investment plan aimed at expanding the manufacturing capacity and product development to improve the service to the local market for which we expect a growth in demand. The final payment for the purchase of the quota was made at the beginning of the Chinese New Year which was also the start of a very troubled period for China and the rest of the world, devastated by the Covid 19.

Our belief in the mid-term outlook for this business unit remains unchanged, in the conviction that, as confirmed by the return to positive results, the difficulties caused by the pandemic will be overcome, although not necessarily within a brief period of time.

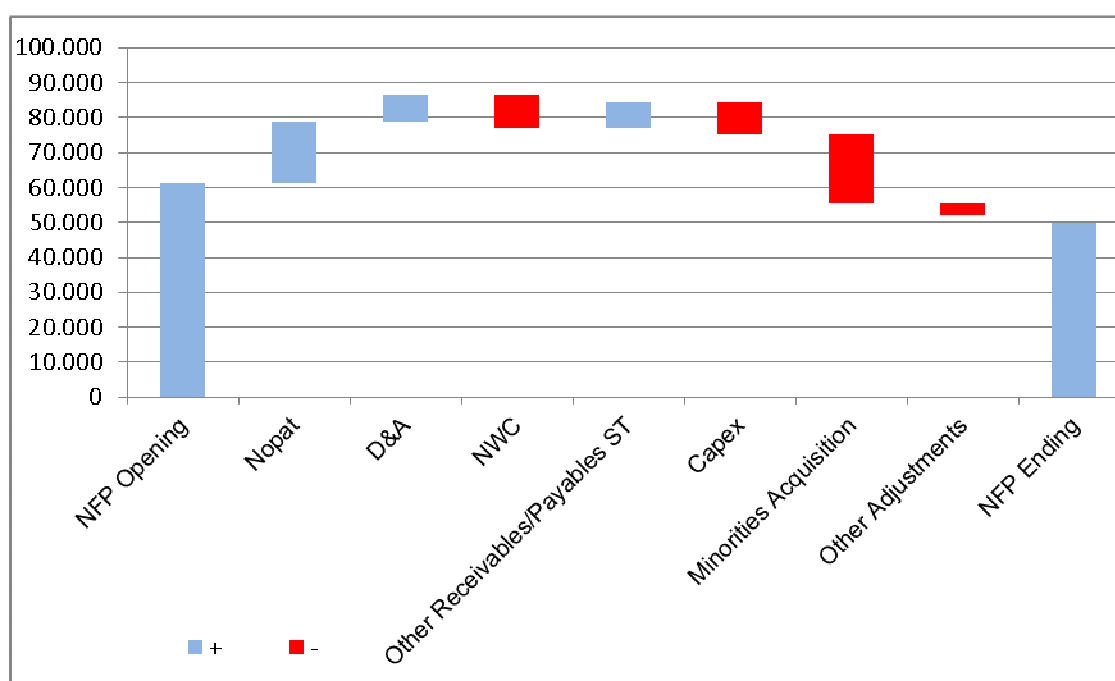
The increase in net working capital absorbed cash for an amount of almost 9,6 million, mainly due to the consequences of the sudden and unexpected reduction in the volume of sales and production which occurred in the months from March to June and comported an anomalous increase in inventory. At the end of the third quarter, the phenomenon returned to the normal fluctuations in working capital.

The amount of investments in fixed assets was about 9,6 million, a decrease with respect to the corresponding period in 2019. The investments in the enlargement of the manufacturing facilities in fact are less than in preceding years since most of the new structures have been completed or are about to be completed. In this quarter we sustained costs mainly at Jena, Lin Yi, Wenzhou, Calenzano and Torre Annunziata. In the factory of El.En. at Calenzano we installed a plant to increase the speed of production of prototype electronic boards and small series, and we completed the equipping of a new production line of mid-powered sealed laser sources for applications in the manufacturing sector.

The payment of a dividend to the shareholders of El.En. as initially approved by the Board of Directors for the amount of 0,40 Euros per share, was later suspended by a resolution of the assembly when they became aware of the persistent fall in demand caused by the Covid.

It should be recalled, moreover, that 11,5 million Euros was invested by the Parent Company El.En in preceding years in financial instruments of an insurance type which, because of their nature, must be entered among the non-current financial assets and last year by the subsidiary Quanta System for 2,5 million Euros in similar financial instruments; although these investments represent a use of cash, the amounts are not part of the net financial position. At the end of this period the total fair value of these investments amounted to 15 million Euros.

The graph below shows the components in the variations of the net financial position as of September 30th 2020:



Gross investments made this quarter

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

	30/09/2020	30/09/2019
Intangible assets	265	812
Tangible assets	9.381	15.715
Financial fixed assets		
Total	9.646	16.528

3 mesi	30/09/2020	30/09/2019
Intangible assets	62	602
Tangible assets	4.495	4.664
Financial fixed assets		
Total	4.557	5.266

Research and Development activities

During the first nine months of 2020, despite the difficulties caused by the Covid pandemic we continued our intense activity of Research and Development according to the strategy, which is even more valid in times of crisis, of constant innovation 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. Moreover, the companies of the Group offer a vast range of products, consequently it is necessary to conduct an intense activity of research and development based on both short and middle/long term schedules.

In our laboratories we conduct research in order to identify and understand real problems in some sectors of medicine and, on the basis of the experience and know-how that we have acquired, we look for solutions concerning the interaction of the electro-magnetic waves, mainly of the laser light, with biological materials, by conducting experiments and preliminary tests in the laboratories that have been specifically created for this purpose at El.En. For industrial applications and for the conservation of works of art we also study the interaction between the electro-magnetic waves and inert materials; moreover, for laser systems dedicated to both new and consolidated applications, we have continued to develop the technology to improve the performance, efficiency and sustainability.

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 highly innovative subjects which represent major entrepreneurial risks, which are, however 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.

The 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. 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.

The research which is conducted is mainly applied and is basic for some specific subjects generally related to long and mid-term activities. Both the applied research and the development of the pre-prototypes and 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.

We also conduct an intense activity directed toward obtaining patents to protect our intellectual property; this procedure has become increasingly difficult over the years because of the protectionist policies of the most technologically advanced countries.

Systems and applications for lasers in medicine

The Parent Company **El.En.**, in collaboration with **DEKA** and, more recently, with **Quanta System** and **Elesta**, have been active conducting research on biological samples and cell cultures in the laboratory and clinical experiments for applications in the surgical 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, urology and vulnology.

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 are convinced that this is an extremely important innovation for medicine which will always remain among the basic requirements for the specific therapy. It is our precise intention to remain at the top of the global development of this new therapeutic sector and we will direct and re-enforce the scientific and technological developments in order to maintain and strengthen our position as leaders in the field.

Clinical studies conducted by prestigious research centers in the United States and in Italy have repeatedly confirmed that this laser treatment is effective, safe and without any negative collateral effects. We are now conducting further research aimed at improving our knowledge of the action mechanisms to develop new applications of laser biostimulation or, as is now being affirmed, photobiomodulation. The results of research conducted in recent years which have been presented at numerous scientific symposiums at a national and international level; they have been confirmed by specific reviewers and published in international scientific journals and represent a public and indisputable scientific validity of the results and an increase market the credibility of the devices used.

The evaluation of the treatments and the indications which may be derived from them for an improvement of the conditions for the use of the equipment are based mainly on histological and histochemical light microscopy methodologies, including interferential and confocal laser, and on electronic transmission microscopy, which is able to discriminate ultrastructural modifications with a resolution of up to 0,2 nanometers. Along with this method, they use others like molecular cytology, immunohisto-chemical and computerized morphometry; this latter is used to quantitatively evaluate the differences induced by the treatments on the structure of the tissue and the cells.

The modifications that can be identified after the treatments represent a mirror of the functional adaptations that are a consequence of the effects of stimulation; for this reason we can demonstrate, for example, a new synthesis of the collagen, an increase in the amorphous matrix of the connective tissue and an increase in the number of blood capillaries (neo-angiogenesis), which define a greater flow of nutrients to the connective tissue and an increased spread towards the epithelium for a better support and improved state of health. Besides the nutrients, different growth and stimulation factors for the turnover of the molecular regulatory components essential for a new functional equilibrium of the tissues and the organs.

Moreover, this research must also insure complete safety in the use of the devices and also identify, if present, adverse reactions in the tissues like cell death (necrosis), a massive mobilization of the immune system, or the uncontrolled activation of cell growth, and suggest suitable modifications to the setup of the equipment. In particular, for vaginal atrophy (vulvo-vaginal syndrome) they have conducted an analysis of numerous bioptic samples of atrophied vaginal mucous after treatment with the Mona Lisa Touch, and four years after the first treatment, with morphometric computerized evaluations of the regenerative phenomenon of the single tissues and of the mucous.

For urinary tract infections (UTI) we conducted preliminary tests to evaluate the feasibility of use and the effectiveness of CO₂ lasers on the basis of studies on the specific embryonic development of the bladder trigone, where there are active bacterial colonies that can be eliminated by lasers.

For a new laser that emits ultra-short pulses in red and tissues (epidermis and dermis) studies on the characterization and the dosage were conducted by the Photo Bio Lab of El.En. We completed the development of the laser equipment for dermatology called "RED TOUCH" and we presented the request for an international patent (PCT) for the device and the method (in the USA). Very recently we received the authorization of patentability and we are now extending it to the countries belonging to the international convention and to the most important countries which have not adhered to the convention.

We are now able to confirm the exceptional results obtained in the treatment of chronic wounds and lesions at several different centers where they have used CO₂ laser equipment with special technical performance, which is increasingly specialized with respect to those used for the Mona Lisa Touch treatments.

We continued the study of new equipment and accessories in the sector of aesthetic medicine including, applications for body shaping and hair removal and placed new systems on the market during this period.

We have developed equipment for the stimulation by means of electro-magnetic fields, of specific muscle masses of the body with the prospect of applications in the field of rehabilitation. We have developed and presented a request for an international patent for the equipment and for the applicators.

For the Luxea platform, we have continued to gather clinical data to confirm the method used in this device whose performance permits a wide range of utilization for various applications in aesthetic medicine: in this equipment we have integrated the main laser sources for many different applications. The level of integration and management met with the approval of the testers and the first clients that purchased it. We have obtained the EU certification and that of other non-European countries.

With the high resolution vision system with multispectral illumination of images including three-dimensional ones which was developed with the project called “Sensors and instruments with Photonic Technology for Minimally invasive medicine “FOMEMI”, despite the difficulties in communicating with the hospitals caused by the Covid pandemic, we continued research from which we intend to gather data for the treatment of chronic pathologies of diabetic feet during the evolution of the lesion after the treatments, on the measurement of the area of the lesion and the segmentation, including in interactive form with the operator, in order to define the regions occupied by the various components present and typical of the pathology and to document the evolution over time during the various therapeutic treatments. This research is conducted along with that aimed at identifying the biological parameters which document and help us complete the interpretational model of the mechanisms which contribute to the healing of the ulcers with assisted laser treatments.

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. 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.

In the PHOTOBIO LAB at El.En. which was created to contribute to the research conducted at the various companies belonging to the Group, we have continued research on laser applications in urology.

We have presented new requests in order to obtain the patents from the competent Italian and international offices on various subjects for which our research has given positive results.

At **Quanta System** they have continued work on the development of laser instruments designed for the market of aesthetic medicine and the sector of medical therapies in urology, also using new technologies for the manufacture of sources with emission the performance of the systems already available on the market. They have also continued experiments on innovative applications on the field of gastroenterology (GI), based on the particular characteristics of the laser emissions of the Opera Evo system.

At **Asclepion** they are in the final phases in the development as part of a strategy for updating all of the systems in their catalog which includes a new philosophy of user interface, new electronics and new design. They have developed an automatic recognition system of the blood vessels for vascular treatments using a camera and they are now running technical and clinical trials on it.

At **Elesta** they are in the final phases of developing methods and essential accessories for minimally invasive surgery using lasers in the field of urology and endocrinology. They have completed experimental trials on innovative systems for forming the laser beam emitted by optical fibers and they have presented new requests for an International patent.

The associated company **Accure Acne Inc.** has obtained the EC brand for its Accure Laser™ system for the treatment of moderate acne vulgaris. Accure Laser is the first laser platform in the world developed to selectively strike the sebaceous glands which produce the sebum and are the key to an effective and long-lasting treatment for acne. The release on the market in Europe of the first devices is scheduled for the end of the year.

Asa has continued their work on the clinical experimentation and the validation of the therapeutic efficacy of its equipment for physical therapy using its own research structure, ASA campus which characterizes the high scientific content of the body of clinical reference documents for the Asa instruments.

All of the companies of the Group in these last few months have been subjected to a complex and difficult work involving the adaptation of the technical clinical documentation which sustains the quality certification of the medical laser systems (EU brand). In fact, with the modifications contained in the new “MDR” regulations, the documents and experimental evidence necessary to prove the safety and effectiveness of the medical devices which were already very extensive have become even more stringent.

Laser systems and applications for industry

At **El.En.** they have continued experimentation with the range of mid-powered sealed CO₂ sources and the applicative experiments on the first examples of the Blade RF1222 series of sources which, with 1200 watts is, as of now, the most

powerful in the range. They continued the development of the sources aimed at increasing the average power of emission up to 1,5 kW, a threshold which makes it possible to use RF sources in some specific fields of application which otherwise would be excluded.

We have proceeded with the development of the emission characteristics of the Blade RF888 source for marking textiles. We have improved the FIRMW systems for the dynamic performance of scansion in order to increase its precision.

At **Cutlite Penta** they have continued experimentation on a new line of machines and continued the development of cutting heads for laser fibers by improving the performance and the capacity to manage very high powers, 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 15kw into the range of products. For 2020 they have planned the first system which includes a 30kW fiber source. They have also developed and released on the market systems for pipe cutting.

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.

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.

On the machines of **Ot-las** they have continued the experiments on the use of a new CO₂ RF1222 laser source by El.En. and on the new scanning optics which have been specifically developed for it. 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:

<i>Thousands of Euros</i>	30/09/2020	30/09/2019
Staff costs and general expenses	7.861	8.317
Equipment	265	220
Costs for testing and prototypes	2.699	1.890
Consultancy fees	546	418
Other services	64	155
Total	11.435	10.999

Following the usual company policy, the expense shown in the chart have mostly been entered in the operating costs because it is not possible to make a reasonable estimate of the return on the investment.

The amount of expenses sustained corresponds to about 4% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 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 4th Cutlite Penta Srl stipulated a preliminary contract for the purchase of a building adjacent to the one they now own in Prato and where they conduct their activities. The building is about 3600 square meters. It will be purchased in 2021 for an amount of about 4.6 million Euros. The increased area is required in order to sustain the rapid growth the company has achieved despite the Covid pandemic, and they are pleased that they were able to acquire an adjacent building with all of the logistic advantages that this solution offers with respect to any other.

Subsequent events

Starting in the month of November, lockdowns were imposed in Germany, France and Italy, with a direct impact on the activities of aesthetic centers and medical centers and an indirect impact on all economic activities on account of the limitations in mobility.

Current outlook

The trend in the third quarter confirmed the forecast for an improvement in the second half of the year and registered a rapid acceleration in the sales volume and acquisition of orders. The results for the first nine months and the trend in the month of October exceeded the guidance that was supplied during the approval of the half-yearly results, which predicted that the decrease in the consolidated sales volume for 2020 would be under 10% with respect to that for 2019 and that the EBIT would improve in the second half. However, considering the recent explosion of contagion and the restrictive measures imposed in Italy and the rest of Europe which have caused a new slow-down in sales in some segments and markets, the outlook for this final part of the year is very uncertain. We can only hope that any further restrictions will not alter the overall conditions of the demand and consequently we confirm the guidance that was approved.

For the Board of Directors

Managing director
Ing. Andrea Cangioli

Attachment “A”: List of consolidated companies as of September 30th2020
Subsidiary companies

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
<u>Parent company</u>					
El.En. S.p.A.	Calenzano (ITA)				
<u>Subsidiary companies</u>					
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)		100,00%	100,00%	80,33%
Penta-Laser Equipment Wenzhou Co., Ltd	Wenzhou (CHINA)		83,11%	83,11%	80,33%
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%
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 (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	80,33%

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.p.A.	Calenzano (ITA)	50,00%		50,00%	50,00%
Chutian (Tiajin) Laser Technologies Co.,Ltd	Tianjin (CHINA)		41,00%	41,00%	32,93%
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 13th 2020

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