

Quarterly Financial Report as of March 31st, 2022



EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17
Capital stock: Underwritten and paid : € 2.593.841,51 (*)
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 March 31st 2022)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangoli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

Board of statutory auditors

CHAIRMAN

Carlo Carrera

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

EY S.p.A.

ELEN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS OF MARCH 31st 2022

Quarterly report

Introduction

This quarterly report as of March 31st 2022 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 Report for the quarter ending March 31st 2022, 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 March 31st 2022 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 **value of production** is determined by the sum of revenue, the change in inventory of finished goods and WIP and the other revenue and income;
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the “Costs for operating services and charges”;
- the **value added** is determined by adding to the EBITDA the “cost for personnel”;
- the **earnings before income taxes, devaluations, depreciations and amortizations** or “EBITDA”, also represents an indicator of operating performance and is determined by adding to the EBIT the amount of “Depreciations, Amortizations, accruals and devaluations”;
- the **earnings before interest and income taxes**, or “EBIT”, represents the difference between revenue and other operating income and production costs, operating service and charges, depreciations, amortizations, accruals and devaluations;
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators to evaluate its capacity to meet their financial obligations, the Group uses:

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts (displayed in compliance with the ESMA Orientations which, starting on May 5th 2021 modified the references contained in the preceding CONSOB communications, including the references present in Communication n. DEM/6064293 of July 28th 2006 related to the net financial position).

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 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, sensors, 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:

MEDICAL SECTOR
Aesthetic
Surgical
Phisiotherapy
Medical Service

INDUSTRIAL SECTOR
Cutting
Marking
Laser sources
Restoration
Industrial Service

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 Group networks continued: the Asclepion laser systems for aesthetic applications will be available for sale in Italy through the Renaissance network which further reinforced its leadership in the territory, while, at the same time, the distribution network of Asclepion in Germany offered 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 application 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 first quarter of 2022 the favorable business trend continued, with sales volume and revenue still increasing rapidly, as forecast by the Group at the beginning of the year.

The consolidated sales volume for the quarter exceeded 144 million Euros with an increase of 24,1% with respect to the first quarter of 2021 and set a new record for the first quarter which usually is the weakest season. The EBIT benefitted from the high sales volume and amounted to about 17 million Euros and was 11,8% of the sales volume, and exceeded by 32% the result for the first quarter of 2021.

Demand remains high and is solid on most of our markets; it continues to increase our portfolio of orders which, despite the increase in volumes and the speed of production in our factories, remains at a record level. We are benefitting from a high demand for our products: our markets continue to show an excellent trend and sales are facilitated by the very attractive characteristics being offered; they are the result of the massive work that has been conducted in the technical development of the products and the marketing position.

While we wish to express our great satisfaction with the results that have been obtained, it should also be remembered the extremely complex conditions in which we have been operating.

We have been severely hampered by a series of problems which are typical of the present situation: the prices of components and raw materials have increased continually and inexorably, as a result of the pervasive inflation. The availability of certain electronic and optical components, as well as that of generic raw materials, is now exceedingly reduced and often thwarts even the long-term planning made in order to guarantee the punctual delivery of the goods.

At this time, the impossibility of rapidly expanding our purchases represents the main obstacle for a continued and rapid development in the volume of production which would be made possible by the increase in demand. The war, which, for now, has annulled all sales to Russia and Ukraine, has had an indirect influence on inflation. For now the war and inflation have not affected the determination of the clientele to invest in our products, but the uncertainties which they create on the markets represent a significant risk factor because if they start being felt by potential clients they would procrastinate any decisions to invest. Also, there is the return of the lockdown in China: two years after the first closure in Wuhan, the spotty closing of cities and neighborhoods has represented a physical obstacle in China both for sales and promotional activities as well as for delivery and installation of the systems, which we are often forced to postpone in the areas where there is a lockdown. Moreover, the return of issues related to the pandemic risks becoming a physical and psychological obstacle for the general revival of the Chinese economy which we were counting on for 2022, even in light of the isolation which China has chosen as the best instrument for protecting itself against the Covid.

As far as the results in the various sectors are concerned, in the medical sector there was an amazing boom in sales volume for both Quanta System and El.En., along with excellent results in revenue. Asclepion did well but was more penalized by the lack of raw materials, a problem which also involved Esthelogue which continues its growth trend but for which the supplies for the hair removal systems from Germany were completely missing. Japan, on the other hand, is going through a negative phase both for the continuation of the pandemic and the weakening in the sales cycle of small devices for home use which had been typical of the last two years. Asa instead showed excellent results and started to grow again and earn significant amounts.

The medical sector showed a growth of almost 30%, thanks to the positive contribution of all segments. Of particular interest in terms of percentage growth, was the strong recovery of surgical systems which had registered a drop in sales, and also that of optical fibers for urological surgery. Growth in the main segment, the aesthetic sector was also very solid and showed a positive trend in all the applicative segments with particularly satisfying results in the areas of hair removal and on the American market.

In the industrial sector, the cutting business was forced to deal with the problems created by Covid in China, where the results were comparatively good with respect to the “after Covid” start of 2021 which had been very positive but, in any case registered a sales volume which was lower than expected.

In Italy, on the other hand, Cutlite Penta registered another leap forward in its sales volume and re-organized its production logistics in order to further increase its volumes; it also pursued a very aggressive marketing strategy with a reduction in the margins also due to sales with marketing and technical requirements which decreased its profitability. The outlook for Cutlite Penta remains good for the rest of the year, as it does also for the rest of the industrial sector, in particular, Lasit and Otlas in the marking sector for which a gradual improvement is expected.

From a financial point of view, the current volumes and, above all, those expected, have comported a significant increase in the working capital, especially for the production of components and sub-assemblies used for production and acquired in large amounts for the purpose of increasing the stability of the production processes. The inventory cycle has become longer because the parts must be acquired far in advance, at considerable expense and paid immediately. For this reason the trend of the net financial position has been reduced to 30 million. We also made some fixed investments since they are always important for consolidating our logistic and production structures, however they were not as great as those made at the beginning of 2021.

Moreover, there was also a favorable trend in the currency exchange with a very strong dollar which contributed to the margins in the medical sector, in which the sales in U.S: currency represented a large and increasing part.

During the year we continued the activities we had started in relation to the sustainability of the Group which are shown among the performance indicators for the salaries of the directors. The multi-year Sustainability Plan of the Group includes, besides the monitoring of the current projects and the achievement of some of the objectives, new areas and projects for improvement; The Group is pursuing these objectives by creating initiatives and equipping itself with operative instruments that are intended to improve the monitoring and the actions outlined in the Plan for the various aspects of the ESG issues, the policies on diversity in the ESG requirements that are related to the supply chain and the circularity processes.

In relation to new investments, the Group continues to focus on internal development of its activities by equipping them with all of the operative structures needed to take advantage, or continue to take advantage, of the opportunities that our markets are offering. The ideas for investments within the complex structures of the Group are numerous and continue to be more promising than external diversification conducted through acquisitions. The increases in sales volume and profits that the Group presents in this quarterly report are, once again, obtained exclusively through internal growth, facilitated, in fact, by investments made systematically by the Group to re-enforce all of the operating structures.

The most significant investment this year was the increase in working capital with an aim to using it to decrease the risks related to the instability and slowness of our supply chain: the purchases of the components necessary for production have been made in advance so that we have enough supplies to keep our production running smoothly and extended in the period of scheduling in order to make the sales more stable over time. The significant increase in the final inventory in fact is derived from this deliberate decision and also from the fact that, on account of the difficulties in obtaining supplies, sometimes due to the lack of minor components, the volume of production was less than that which had been scheduled to deal with a number of purchases which was quite significant, due to the reasons described above. Also, to improve the speed of the service requested, we have assisted our suppliers by improving the average time in which they are paid.

The Group has demonstrated that they have the organizational and technical means to satisfy the needs of the clientele and to innovate by further stimulating the demand to their advantage. We have faith in the capacity and potential of our organization and our staff so that in the future we can benefit from the developments expected in the demand on our markets.

The chart below shows the results of the Income Statement related to the first quarter of 2022, displayed in comparative form with the same results for last year.

Income Statement	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Revenues	144.384	100,0%	116.367	100,0%	24,08%
Change in inventory of finished goods and WIP	6.770	4,7%	6.133	5,3%	10,37%
Other revenues and income	1.035	0,7%	709	0,6%	46,09%
Value of production	152.189	105,4%	123.209	105,9%	23,52%
Purchase of raw materials	99.559	69,0%	75.891	65,2%	31,19%
Change in inventory of raw material	(14.877)	-10,3%	(6.001)	-5,2%	147,89%
Other direct services	12.493	8,7%	9.677	8,3%	29,10%
Gross margin	55.013	38,1%	43.642	37,5%	26,06%
Other operating services and charges	11.841	8,2%	8.818	7,6%	34,29%
Added value	43.172	29,9%	34.824	29,9%	23,97%
Staff cost	23.097	16,0%	19.263	16,6%	19,90%
EBITDA	20.075	13,9%	15.561	13,4%	29,01%
Depreciation, amortization and other accruals	2.996	2,1%	2.627	2,3%	14,07%
EBIT	17.079	11,8%	12.935	11,1%	32,04%
Net financial income (charges)	473	0,3%	1.228	1,1%	-61,48%
Share of profit of associated companies	(7)	0,0%	(64)	-0,1%	-88,50%
Income (loss) before taxes	17.545	12,2%	14.099	12,1%	24,44%

The chart below shows the breakdown of the net financial position of the Group.

Net financial position	31/03/2022	31/12/2021
Cash and bank	151.498	181.363
Financial instruments	1.028	1.091
Cash and cash equivalents	152.526	182.454
Current financial receivables	0	1
Bank short term loan	(21.531)	(20.388)
Part of financial long term liabilities due within 12 months	(3.499)	(3.134)
Financial short term liabilities	(25.030)	(23.522)
Net current financial position	127.497	158.932
Bank long term loan	(25.572)	(27.204)
Other long term financial liabilities - non current part	(9.559)	(9.778)
Other non current liabilities	(6.566)	(6.184)
Financial long term liabilities	(41.697)	(43.166)
Net financial position	85.800	115.766

Operational performance

The chart below shows the subdivision of the sales volume for the first three months of 2022 according to the sector of activity of the Group, compared with the same subdivision for the same period last year.

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Medical	87.179	60,38%	67.234	57,78%	29,67%
Industrial	57.205	39,62%	49.133	42,22%	16,43%
Total revenue	144.384	100,00%	116.367	100,00%	24,08%

The overall growth reached 24% and was particularly strong in the medical sector.

The chart below shows the sales volume divided by geographical area:

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Italy	27.493	19,04%	22.776	19,57%	20,71%
Europe	33.164	22,97%	23.632	20,31%	40,33%
ROW	83.728	57,99%	69.959	60,12%	19,68%
Total revenue	144.384	100,00%	116.367	100,00%	24,08%

The charts below show the subdivision of the sales volume by geographical area on the basis of the sector of activity. The growth rates were spectacular in every area and segment. In particular, the sales in the medical sector in Europe, + 49% thanks to, among other things, the good trend in the sales of systems for aesthetics, and, in the rest of the world, +26% determined mainly by the sales in the United States, and those in the industrial sector in Italy where the +28% is derived mainly from the rapid growth of Cutlite Penta and its metal cutting systems.

Medical sector

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Italy	9.198	10,55%	8.507	12,65%	8,13%
Europe	26.635	30,55%	17.903	26,63%	48,78%
ROW	51.346	58,90%	40.824	60,72%	25,77%
Total revenue	87.179	100,00%	67.234	100,00%	29,67%

Industrial sector

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Italy	18.294	31,98%	14.269	29,04%	28,21%
Europe	6.528	11,41%	5.729	11,66%	13,95%
ROW	32.382	56,61%	29.135	59,30%	11,15%
Total revenue	57.205	100,00%	49.133	100,00%	16,43%

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

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Aesthetic	51.003	58,50%	43.393	64,54%	17,54%
Surgical	14.480	16,61%	10.413	15,49%	39,06%
Physiotherapy	3.689	4,23%	2.969	4,42%	24,22%
Others	288	0,33%	157	0,23%	83,78%
Total medical systems	69.459	79,67%	56.931	84,68%	22,00%
Medical service	17.720	20,33%	10.303	15,32%	72,00%
Total medical revenue	87.179	100,00%	67.234	100,00%	29,67%

The demand was very high in all segments.

Despite the fact that it showed a lower growth rate in its sector, we believe that the results achieved in the aesthetic area was very satisfying thanks to the mix of products it was selling. During this quarter, in fact, the small items for home use which we had distributed in great quantity in Japan diminished considerably to the advantage of a massive increase in the sales volumes with more sophisticated technology, like high-powered alexandrite lasers for hair removal, for which the Group is now becoming the world leader.

The growth rates shown in the other segments, surgery, therapy and service, reflect the excellent sales volumes in overall value and showed an extraordinary growth with respect to the first quarter of 2021. In fact, in early 2021 the surgery and therapy sectors were still recovering from the Covid pandemic. As far as the service sector is concerned, the leap forward in the sales volume is mainly derived from the optical fibers used for surgical applications in urology, the production of which had almost come to a halt at the beginning of 2021 due to some technical issues in the production which were overcome in the following months.

For 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.

	31/03/2022	Inc %	31/03/2021	Inc %	Var. %
Cutting	47.373	82,81%	39.269	79,92%	20,64%
Marking	4.401	7,69%	5.075	10,33%	-13,28%
Laser sources	1.198	2,09%	1.107	2,25%	8,23%
Conservation	103	0,18%	24	0,05%	328,75%
Total industrial systems	53.075	92,78%	45.475	92,55%	16,71%
Industrial service	4.130	7,22%	3.658	7,45%	12,90%
Total industrial revenue	57.205	100,00%	49.133	100,00%	16,43%

The growth in the sales volume was over 16% and confirms the positive trend which has been typical of recent years.

The main sector, that of cutting, showed brilliant results in Italy and the rest of Europe, whereas in China the results were barely satisfying and much worse than expected. The performance of our Chinese companies was negatively affected by the limitations imposed by the new wave of lockdowns imposed in China. Unlike what occurred two years ago, our factories were not forced to close (as had happened in Wenzhou and in Wuhan) but both the activities of selling as well as delivery and installation slowed down because our clients were made to close in several areas in China. Our product continues to be well positioned for further growth, as is demonstrated by the sensational sales registered in Italy by Cutlite Penta which showed a growth of +40% for this quarter.

The reduction in the sales volume in the marking segment is not a reason for concern because it can be attributed to the difficulties in production (the absences caused by Covid had a negative impact on the production capacity at the start of the year) and not to a fall in demand. The good results obtained in the laser source sector and that of service, which grew 12,9%, is also encouraging.

We continue to dedicate particular attention to the conservation of our cultural and artistic heritage (Restoration) with results that are far superior than just economic. This sector represents a significant commitment on the part of the Group to socially significant activities and the Group makes available their expertise and their technologies for the conservation of works of art. These works of art are often world-famous masterpieces and El.En., founded in a city which has one of the most extraordinary artistic legacies in the world, considers this mission indispensable also in relation to the needs of the community.

Currently, our lasers are being used, among other things, for the conservation work on the external vestments of the Sainte-Chapelle, a Gothic masterpiece of the 13th century located on the Ile de la Cité in Paris.



The following are comments on the Income Statement.

The gross margin was 55.013 thousand Euros, an increase of 26,1% with respect to the 43.642 thousand Euros shown on March 31st 2021. The increase was greater than the sales volume thanks to the margins on the sales which increased slightly from 37,5% to 38,1%, which was the result of the improvement of the sales margins especially in the industrial sector.

The costs for operating services and charges were 11.841 thousand Euros, an increase with respect to the 8.818 thousand Euros shown on March 31st 2021, with an incidence of the sales volume which increased from 7,6 to 8,2%. Among the items that increased we should note the resumption of international travel and participation in trade fairs and symposiums, in particular in the medical sector, which, before the pandemic represented a significant expense, and the cost for electricity and heating.

Cost for personnel amounted to 23.097 thousand Euros and showed an increase with respect to the 19.263 thousand Euros shown on March 31st 2021, with an incidence on the sales volume which was substantially unchanged (16,6% in 2021, 16,0% in 2022).

On March 31st 2022 there were 2.030 employees in the Group, an increase with respect to the 1.902 on December 31st 2021. Most of the new hiring was done by the Chinese companies.

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.

As a consequence of the amounts mentioned above, thanks to the increase in sales volume and the improved management of the overhead costs, the EBITDA amounted to 20.075 thousand Euros, an increase of 29% over the 15.561 thousand Euros on March 31st 2021. The incidence on the sales volume remained substantially unchanged (13,4% in 2021, 13,9% in 2022).

The costs for amortizations, depreciations and accruals showed a slight increase and rose from 2.627 thousand Euros on March 31st 2021 to 2.996 thousand Euros on March 31st 2022, but the incidence on the sales volume remained unchanged at 2%.

The EBIT therefore amounted to 17.079 thousand Euros, an increase with respect to the 12.935 thousand Euros shown for the first quarter of 2021, with an incidence on the sales volume which increased from 11,1% to 11,8%. This, again, represents a record result for the first quarter.

The financial income amounted to 473 thousand Euros with respect to 1.228 thousand Euros registered for the same period last year, and showed a positive result mainly due to the differences in the exchange rate which was, in any case, less than that for the first quarter of 2021.

The income before taxes amounted to 17.545 thousand Euros, greater than the 14.099 thousand Euros registered on March 31st 2021 and showing an increase of 24,4%.

Financial position and investments

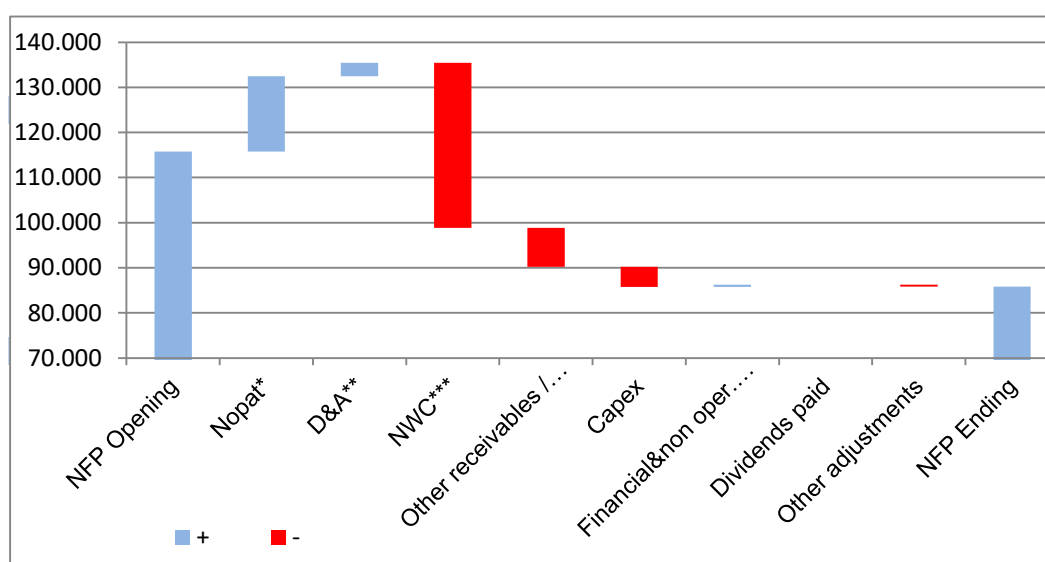
Comments on the net financial position

The net financial position during this period registered a decrease of about 30 million, from 115,8 million on December 31st 2021 to 85,8 million on March 31st 2022.

The extension of the net working capital which, as previously mentioned, is necessary to guarantee the stability of the production processes which are in rapid expansion, absorbed about 36 million Euros, 22 million of which were used to increase the inventory, and about 13 million for decreasing the amount owed to suppliers. Moreover, the investments in fixed assets amounted to over 4 million. As mentioned, there represent investments made for the purpose of increasing the volume of production.

The current revenue, despite the fact that it is very good, in this quarter was unable to cover all of these uses and the net financial position showed a sharp drop, although it remains a very significant amount.

The graph below shows the components in the changes in the net financial position.



* Nopat = Ebit - Income tax

** D&A = Depreciation, Accruals and Devaluation

*** NWC = Net Working Capital

It should be noted that the amount of bank accounts of the Chinese companies includes 6 million Euros in deposits that are locked in until the expiration date of some payments to suppliers with the issuance of bank bills.

It should also be recalled that 11,5 million Euros in cash was invested by the Parent Company, El.En. in previous years in financial instruments of an insurance type which for their particular nature must be registered with the non-current financial assets. A similar type of investment was made last years by the subsidiary Quanta System for the amount of 2.5 million Euros and, during the third quarter of 2021 by the subsidiary Deka Mela for 3 million Euros. Since these represent a midterm investment of cash, these amounts are not part of the net financial position. At the end of the period the total fair value of the investments was 18,4 million Euros.

Gross investments made this quarter

The chart below shows the gross investments made this quarter.

	31/03/2022	31/03/2021
Intangible assets	24	409
Tangible assets	4.653	7.482
Financial fixed assets	10	
Total	4.687	7.891

In the first quarter of 2021 the investment in a new production building for Cutlite Penta in Prato determined a particularly high amounts entered under the heading of tangible assets; consequently, as expected the amounts shown for 2022 are much lower. We continue to need to increase our production capacity with the relative costs in fixed assets. As far as the equipping of the new factories and the re-organization of the existing ones is concerned, the costs amounted to 3,3 million Euro during this quarter.

Research and Development activities

During the first quarter of 2022, despite the presence of some limitations caused by the Covid pandemic emergency, we continued conducting intense research and development activities according to the strategy which involves pursuing continual innovation intended to open new applications for laser and other energy sources both in the medical and industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative because of the performance of the devices and/or the technologies that are used.

The El.En. Group is at this time one of the few companies in the world that develops, produces and markets the widest range of technologies available including solid state lasers, semi-conductor lasers, active fiber lasers, dye lasers, CO₂ lasers as well as frequency conversion systems like OPO and Raman, which are able to supply solutions from infrared to ultraviolet with various levels of power and duration of emission in order to satisfy a vast range of applications. Moreover, besides laser technology, El.En. is active in other technologies related to other types of electro-magnetic energy, in particular radio-frequency, microwaves and high intensity electro-magnetic fields. Consequently, research and development activity is directed to many different systems, sub-systems and accessories.

At the end of last year, we inaugurated new photonic laboratories for use of the medical division of El.En. SpA dedicated to the development of laser sources, which added a new operative unit of 300 mq to the existing space. This comported the need to increase the staff by hiring a new researcher with a Ph.D in photonics and collaboration, starting this year, with a female researcher with a grant in collaboration with the Physics Department of the University of Florence.

We conduct an intense activity in order to obtain patents and protect the intellectual property of our inventions; this process becomes increasingly difficult over the years because of the policies of protectionism promoted by the most technologically advanced nations.

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 aesthetic medicine and surgery

Dermatology

In the sector of dermatological applications, we continued our research activity related to a new product, Red Touch, based on a laser source with red emission which represents a unique and innovative solution for the photo-rejuvenation of the skin, based on the direct interaction of the radiation with the collagen present in the tissue, which after studies conducted at the El.En. PhotoBioLab of El.En. great effectiveness in stimulating the neo-collagenogenesis of the elastic fibers which greatly improve the appearance of the skin.

Also in the field of dermatology, we have continued in the research and development for improving the performance of the “Viridis” maniple of the “Luxea” platform, which will make it possible to reach the highest standards available on the market for vascular applications based on pulsating light; this standard is currently mainly requested by the American market to guarantee the maximum competitiveness of the DEKA platform on this market starting in the second semester of 2022.

In relation to the accessories for the “Luxea” platform, we have just completed the pre-series of the new accessory called “Flash”, with emissions in green at 532nm, for vascular applications. The first production units have been supplied to research centers specialized in activities for the external validation and direct comparison with comparable products now on the market.

We are currently developing a new product for dermatology, “HELIX” which combines the ablative effect of the traditional CO₂ laser with a non-ablative effect made using a source with emissions at 1570 nm.

In the sector of hair removal, we have continued our research and development activity aimed at optimizing the clinical aspects of the new high-end products “Again” and “Elite IQ”. In particular, we have been studying the temporal structure of the impulses for the purpose of improving the effectiveness of the treatment and reduce the discomfort, also in association with specific processes for cooling the skin during treatment. Besides the improvement of the clinical aspects, we are conducting activities to improve the high-end products for hair removal aimed at making the treatment faster and reduce the downtime related to the heating and calibration, with the objective of pursuing the excellence of El.En. products even in the most minute details.

We have started production of the new device “*Motus AZ*”, destined for the American market, which received FDA clearance last year. This new product is characterized by a complete range of treatments conducted using a series of maniples which cool upon contact: *Moveo HR*, for hair removal; *Moveo PL* for the treatment of pigmented lesions; *Moveo VL* for the treatment of vascular lesions; *Moveo SR* dedicated to the skin rejuvenation treatments.

The new applicators have been completely redesigned in order to improve their performance and usability. We are now involved in the deposit of a new and important application for a patent to protect the intellectual property generated by this activity.

Last year DEKA started to market their “*SmartPico*” product, a laser system dedicated mainly to the removal of tattoos and the treatment of benign pigmented lesions which operates on a picosecond regime. We are also conducting intense research and development aimed at increasing the power of the specifications of this product and, in particular, the conversion in frequency in order to offer an adequate solution to the spectral region in red.

In the field of “body shaping” we have continued the research and development of our innovative system called “*Onda Coolwaves*”, which is aimed at the release in the next few months of a new small-sized maniple specific for treatments on the face. We are also conducting important research and development activity intended to further improve the performance, with the development of state-of-the-art microwave generators which will become available in the second half of 2022.

Also in the family of the “*Onda*” products, it should be mentioned that last year we obtained FDA clearance for a new product, “*TIAC II*”, destined for the American market: the treatment is used for eliminating the blemishes caused by cellulitis.

We are continuing the research and development activities related to systems for muscular stimulation and for the reduction of localized adipose deposits based on electrical (“*PhysiQ*”) and magnetic (“*Schwarzy*”) excitation. These recent devices for stimulation of specific muscular masses in the body using electromagnetic fields have prospects for applications also in the sector of rehabilitation and confirmed interesting sales results during the first quarter of 2022. We are also conducting further activities aimed at improving the performances of the devices and the quality of the treatments thanks to the development of new, specific applicators.

In the segment of “body shaping” in the last quarter of 2021 we obtained FDA clearance for a new product intended for the American market, “*LIPO AI*”, which is a redesign of the “*SmartLipo*”, which was sold in the past with great success and has now been renovated in both the laser part and in the method of controlling the clinical procedure, thanks to the implementation of innovative algorithms of Artificial Intelligence which not only offer considerable advantages but also improve the simplicity of use and guarantee the maximum level of safety and effectiveness of the procedure.

For the applications in gynecology, attention should be called to the new family of products in the “*GLIDE*” series: “*Monalisa Glide*” and “*Monalisa duo glide*”. The new family represents the evolution of the iconic *Monalisa Touch*, of which it retains the exceptional characteristics of the CO₂ technology of El.En., improved in the overall format of the control of the system in a new design, which offers, among other things, improved ergonomics, thanks to a new graphic interface and a new large-sized adjustable display.

This new Family, besides the overall renewal of its design, proposes a new system, “*Monalisa duo glide*”, which combines the ablative treatment characteristic of the CO₂ lasers with a non-ablative heat treatment which is performed thanks to the 1540nm wave length which is emitted by an additional laser source available in the system.

The new “*Monalisa Glide*” family of products also offers a renewed series of maniples with a miniaturized scanning system (micro-scan), which improve the simplicity of use and the ergonomics of the treatments.

Moreover, we are currently developing a revolutionary new accessory that is able to automate the “*Monalisa Touch*” treatment and will be released by the end of 2022. This accessory will make it possible to apply the traditional specific treatment for vaginal laxity and for stress incontinence in a way that is faster and safer with results that do not depend on the experience of the operator.

Also in the gynecology field we have continued research and development on the systems for the treatment of incontinence caused by stress with the “*Dr Arnold*” medical system for the stimulation of the pelvic floor using high intensity magnetic impulses. This product has been quite successful on the market.

In the SVATT project El.En. is involved as a research partner in the ATS (Temporary Purpose Association) working on the development and fine tuning of a new technology which can be used in hospitals, for the creation of products to be employed in the field of immunotherapy and immunotherapy re-enforced by nanoparticles in the treatment of the pathology of melanomas. The activity of El.En. for the year 2022 has been directed to the study and amplification of research initiated in the preceding years and pursuing the development of a prototype RF generator with relative

applicator, devices specifically designed for use of the nano particles for therapeutic purposes. We have conducted studies, analyses and simulations inherent to the design of the applicator and the definition of the performance and the requirements of the generator; the research activities have also involved the creation and laboratory testing of preliminary prototypes.

For surgical applications we have continued the research and development related to CO2 laser technology. We have created new accessories and systems, including “*Multipulse Pro Duo*” which is marketed by the subsidiary Asclepion, and is a system which makes it possible to conduct a vast range of surgical operations thanks to the double function of the arm and fiber. In the third quarter of 2021 we obtained the medical certification for **multi-use sterile wave guides** (reprocessable) produced by Quanta System S.p.A.

In **Quanta System S.p.A.** during the first quarter of 2022, they continued the research and development activities on new products both in the surgical division and in the dermatological- medical aesthetic division and successfully launched some new systems.

In the surgical sector last year they released on the market some laser systems based on a new technology, *Thulium Fiber* laser - *Fiber Dust*, which completed the range of products produced by the company for the treatment of stones in the urinary tract and benign hyperplasy of the prostate. At the same time they created custom versions of the same product for some important OEM clients. Currently the company is working on the re-enforcement of this range of products in order to complete the line of technical specifications which is increasingly driven to satisfy the growing demand for innovative technologies that is registered for this sector. In this segment they have continued the development of new sources based on non-linear optics and on the use of Tullium lasers for the treatment of stones in the urinary tract. In this way, Quanta confirms their leadership role in the El.En Group in research and technological innovation in the market for lasers for urological applications.

Last year, for the dermatological sector, they also launched a system called “*Chrome Lase Station*”, which is a new laser system for the removal of tattoos and for the treatment of cutaneous lesions and dermatology in general, based on the use of a new laser resonator capable of emitting a more uniform quality of beam, entirely developed by Quanta System.

Moreover, they completed the development of two new laser platforms with energy levels that are 30% higher than the current ones, for all of the main dermatological applications. These platforms will be used to create new products for which the release on the market is planned starting at the end of this year.

Quanta System continues their collaboration with the Photo-medicine Center of Massachusetts General Hospital which brought about the development of a new application in the field of dermatology: the cure of acne in its active state. This project gave rise to the certification and completion of a laser system which was innovative in the type of source used, with emission at a wavelength that had never before been available on the market: Accure Laser is the first laser platform in the world that was developed to selectively strike the sebaceous glands, the source of sebum and the key for an effective and long-lasting treatment of acne.

The clinical development also involves, under the responsibility of the associated company **Accure Acne Inc.** other research centers in America and will be intensified in 2022. Having obtained the EC brand for the Accure Laser™ system, for the treatment of patients with moderate acne vulgaris, the associated company is now conducting clinical studies aimed at obtaining FDA clearance for sales in the USA.

Accure Laser™ is the result of a great project of research and development conducted by Accure Acne Inc. in collaboration with El.En. and Quanta System and represents a product of significant innovative value in the field of products for dermatology. It is, in fact, the first system in the world that combines sophisticated automatic control elements that guarantee effectiveness and safety which are automatically adapted to the specific treatment area of the individual patient. Among the automatic elements of Artificial Intelligence (AI) there is an “auto-trigger” system which automatically triggers the emission of the laser only when the target cooling temperature has been reached, the “ADD” system for the Automatic Determination of the Dose” and the “DEM” system which automatically controls the interruption of the emission made by the direct reading of the reaching of the End Point. The product is protected by a massive dossier of patents which contains more than 14 different patents.

At **Elesta** they are working on the development of guides for the fibers used in urological applications. They continued with the fine tuning of the new hardware platform for the ESI (Echolaser Smart Interface) device for the treatment of malignant pathologies mainly in endocrinology and urology. Important work was also dedicated to the qualification and possibility of integration of an American system for the fusion of NMR images with ultrasound images in realtime to increase the support in operations on focal lesions of the prostate. They worked on the extension of a pair of patents in China and the USA. The research and development was also engaged in the support of the intense regulatory activity for the United States.

ASA has continued their clinical experimentation and validation work on therapeutic effectiveness of their equipment for physical therapy in compliance with the requirements from MDR. Thanks to the technological innovation brought by the Laser MLS model M8, in some European countries, a number of hospitals and clinics have successfully added laser

therapy to the rehabilitation of patients who have had very serious cases of Covid-19 and has helped patients rapidly recover their mobility.

At **Asclepion** they are now completing the development activities that are part of a strategy of updating of all the systems in the catalog which includes 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 they are now conducting technical and clinical experimentation. They have continued in the research and development of a new surgical system for urological applications featuring a morcellator integrated into the system.

All of the companies of the Group working in the medical sector in recent months have had to deal with the complex and onerous task of adapting the technical and clinical documentation required in order to obtain the quality certification for laser systems used in medicine (EU brand). In fact, as part of the series of modifications in the regulations imposed by the new “MDR” directive the documentary requirements and the experimental evidence necessary to prove the safety and effectiveness of medical devices which is already very extensive are now even more stringent.

Laser systems and applications in industry

At **El.En.** we have launched a campaign of product re-engineering in light of the increasingly demanding applications for which its products are intended. We have continued to work on the improvement of the range of mid-powered sealed CO₂ sources also with applicative experiments on the first examples of the series of Blade RF1222 sources which, with 1.200 Watt is now the most powerful in the range. We continued to improve the source for the purpose of increasing the average power up to 1,5 kW, a threshold which would make it possible to use RF in some specific applicative fields which otherwise would be precluded, like that for dies developed by Cutlite Penta. At pilot sites we have already installed the first examples working in the field. These sectors require performance in terms of the intervals for ordinary maintenance, directing the development efforts to materials and monitoring systems for the exiting window of the cavity as well as a greater autonomy of the refill cartridge of the laser gas mix. For this family the activity is changing focus from the performance in terms of power, quality and reliability to a more mature phase of the product with focus on the maximum productive efficiency.

In relation to the CO₂ sources with sealed technology we conducted development activity to stabilize the optics of the cavity in conditions of use with sources subjected to high acceleration and we reached significant results in the extension of the autonomy of the sources called “Never Ending Power”.

In order to deal with the current emergency of a high market demand opposed by a scarcity of components, we have used the resources of the R&D team to find technical solutions that will help the production department minimize the difficulties of this particular historical moment.

We have made modifications to the beam shaping of model RF188, which was created for the Chinese market on the basis of the feedback we received from them.

In the sector of systems for galvanometric assemblies, we have begun a program for the renewal of the control electronics and related software and have concluded the initial phase for creating the equipment for the control and testing of the galvanometric assemblies and the relative testing procedure. These components are being increasingly installed also in the medical systems manufactured by the Group with requests for greater performances and production efficiency.

The controlling software was the subject of an important development project aimed at stabilizing the performance and implementing the control algorithms that were capable of guaranteeing them at every level of operation.

The first prototype was made of a new device for the dynamic focalization, in order to satisfy the increased needs for the powers being used and the mechanical performance required.

An important activity was conducted at the dynamic FEM study of deflective mirrors with large optical opening built of materials that were innovative with respect to the usual ones. The results of this activity were first used for the adaptation, using inverse filters, of the controlling software in order to compensate for the dynamic behavior of the mirrors.

In reference to the above mentioned scarcity of components, we are working to satisfy the dynamic needs of a top player client in the world of high-speed paper converting, and we are trying to reach the extreme performance requested for this sector using our galvanometric assemblies. In normal conditions, in fact, this level of performance could be reached only with American galvanometric assemblies which represent the state-of-the-art, but by taking advantage of the forced patience of the client due to the unavailability of the latter, our R&D team is working to reach these frontier levels of performance also using our internally manufactured components which, for now, represent a product that is still immature respect to that of the leader in the sector.

The system dedicated to restoration, Infinito Laser 100W, has been profoundly renovated both in its hardware and software related to the control unit and interface with the operator and we are now completing the phase of fine tuning and debugging by using it at Beta-tester clients. The activity for the development of the portable 300 W system for applications of conservative recovery, has been extended in its use also to the field of removing paint and industrial

cleaning. This product, although still in the prototype phase was presented in the trade fair for the sector held in Paris and received positive feedback.

Cutlita Penta has continued in the development of new lines of machinery and accessories for laser cutting: they have continued with the evolution of the cutting heads for lasers in fiber and improved the performance and the capacity to manage extremely high powers, introduced innovative control methods and continued their close collaboration with Penta Laser Wuhan and Penta Laser Wenzhou. In the field of sheet metal cutting, the new optical, mechanical, fluid-dynamic and sensoristic developments of the EVO2 cutting heads have made it possible to introduce a new range of laser powers that are far greater than 15kW, and reach 40kW. The machines equipped with 30 kW and 40 kW sources represent a new reality of great commercial appeal and are in a continual state of evolution thanks to the improvements in the cutting processes which are increasingly advanced. This activity requires a continual effort aimed at reaching performance limits that are always more advanced. Further activity was directed to the development of innovative systems for cutting pipes and machines for combined cutting flat/pipe, a segment which shows a great potential for growth.

The development of the software and the definition of the cutting parameters, even with the support gas, has allowed the complete exploitation of the potential derived from the high powers being used, with significant increases in the performance in terms of productivity and quality and the creation of innovative bevel cutting machines in two or three dimensions which create a new line of applications for cutting with fiber lasers and distinctive element for competition on the market.

Moreover, they have continued with the development and amplification of the range of machines for making American dies, an area in which Cutlita Penta is increasingly re-enforcing its position as world leader by presenting a new line based on laser El.En. laser RF1222 and initiating a strong marketing campaign for the machines which install the new RF1555, with a power of 1.5kW, which will be installed at selected clients with the function of beta-tester for the purpose of verifying in the field the work completed for the implementation of this source.

On the **Ot-las** machines they have continued the experimentation in the use of a new El.En. source, CO₂ RF1222 and new scanning optics specially developed to manage the average high and peak powers along with the growing requests for dynamic performance. For the purpose of improving the performance of the systems produced through automation, they have designed new specific interlocking systems; among these, for example, there is the use of positioning devices for the cutting of insoles for shoes, systems for moving large sheets of natural stone and others.

Moreover, they have continued the constant research and optimization of processing leather, textiles and shoes and consequently have been able to increase the performance and operating flexibility.

They have also continued the activity intended to identify and apply personalized solutions to be used in the complete production processes which require surface treatments of various materials, besides the solutions to be added to production lines with the use of universal robot systems.

At **Lasit** they have worked on the fine tuning of the three-axis marking systems for mass production of high quality components for use on bicycles, on automobiles and machine tools, besides personalized solutions with flat field optics, for high-fashion accessories.

The chart below shows the expenses for Research and Development which show a marked increase with respect to those for the same period in 2021:

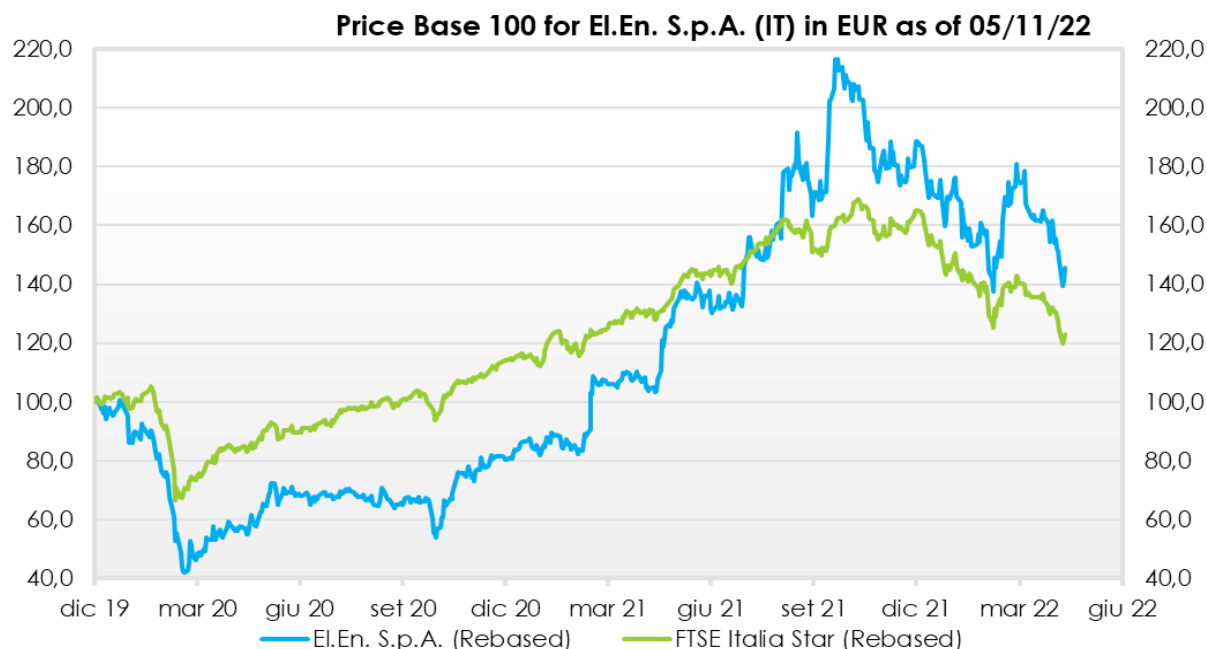
<i>Thousands of Euros</i>	31/03/2022	31/03/2021
Staff costs and general expenses	3.119	2.834
Equipment	92	82
Costs for testing and prototypes	1.374	899
Consultancy fees	111	142
Other services	76	36
Total	4.772	3.993

Following the usual company policy, the expenses 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 3% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 3,5% 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 during this quarter

In the month of February, the shareholders of the associated company, Elesta Spa voted to increase the capital for the purpose of sustaining the activities of the company, in particular the clinical experimentation aimed at consolidating the methods which characterize the product. On this occasion the other partners and El.En. deemed it opportune to facilitate the involvement of the managers of the company by reserving for them a quota of the capital and the relative investment, consequently bringing the equity of El.En. in the company to about 31% of the capital.

Potential developments in the “Laser Cutting” business unit

Penta Laser Wenzhou, which for the occasion has been renamed Penta Laser Zhejiang (respectively the city and the region where the company is located) is now the Parent Company of the Chinese and Italian companies involved in the business of laser cutting of metals. The transformation of the company into a corporation which was obtained in February completes the re-organization process of the structure of the business unit and is a necessary condition for a future IPO of the business unit which, once this final step has been taken, now constitutes one of the strategic options which can be implemented in order to pursue our ambitious objectives for growth in this sector.

War in Ukraine

The invasion of Ukraine by the Russian military forces and the war that followed created great uncertainty and a critical situation in international relations among all of the nations involved directly and indirectly in the conflict. The state of war in the Ukrainian territory and the rigid sanctions imposed on Russia would seem to preclude, at least for now, any commerce with these areas. In the past, the Group has maintained profitable trade relations with Ukraine and Russia, in particular in the sector of aesthetic and medical applications: the services which could be offered by our equipment correspond perfectly to the luxury products and high-end range for which there is a significant demand on these markets. The sales in the areas that are directly involved in the conflict represented less than 2% of the consolidated sales volume. The Group counts on making up for the drop in sales which certainly will be registered in these areas with an improvement in the trends in the rest of the world.

The administrators, moreover, intend to carefully monitor the situation in consideration of the potential negative impact on the general economic context. Some of the risks which may be connected with this situation are:

- Amounts owed by clients who are residents in these countries
- Trade relations with clients and/or strategic suppliers who are residents of these countries
- Oscillations in the prices of raw materials and Energy commodities
- Possible repercussions, even indirect ones, on the global economic and financial system.

Subsequent events

On April 29th the shareholders' meeting of the Parent Company, during an ordinary meeting, approved the financial statement for 2021 and also voted as follows:

- to destine all of the net income for 2021 to an extraordinary reserve;
- to distribute to the shares in circulation on the date coupon no. 1 comes due on May 23rd 2022 – in compliance with art. 2357-ter, second subsection of the Civil Code, a dividend amounting to 0,20 (zero point twenty) Euros gross for each share in circulation;
- for the distribution of the dividend, to use the net income that had not been distributed in the years before December 31st 2017 and which had been accrued in a voluntary reserve called “extraordinary reserve” for an overall amount, on the date of the above mentioned resolution, bearing in mind the 20.000 shares of treasury stock held by the company, of 15.958.101,60 Euros; it is understood that this amount, when necessary, could be increased by further sums which were necessary for the distribution of the dividend for the shares in circulation on the date the coupon comes due coming from the exercising of the stock options related to the stock option plan for 2016-2025 for the period which occurs between the date of the resolution and the record date (May 24th 2022).

The shareholders' meeting also:

- approved the report on Remuneration and the salaries paid, in conformity with ex art. 123-ter T.U.F. sub-section 3-bis and art. 123-ter T.U.F. sub-section 6.
- appointed the Board of Statutory Auditors for the three-year period 2022-2024 and, consequently, until the approval of the financial statement on December 31st 2024, and appointed Carlo Carrera as president and, as statutory auditors, Rita Pelagotti and Paolo Caselli and alternate auditor Gino Manfredi and Alessandra Pederzoli. The statutory auditors, Paolo Caselli and Rita Pelagotti and the alternate auditor, Gino Manfredi were extracted from the list of candidates presented by the shareholder, Andrea Cangiolini (list n. 1); the president, Carlo Carrera and the alternate auditor, Alessandra Pederzoli were extracted from the list presented by a group of financial management companies and other institutional investors (list n. 2).

The candidates who were elected declared that they possessed all of the requirements for independence in compliance with article 148, TUF and the other requirements in conformity with the law and the company by-laws.

The statutory members of the Board of Statutory auditors declared that as of December 31st 2021 they held the following equities:

- Carlo Carrera: no equities
- Paolo Caselli: no equities
- Rita Pelagotti: no equities
-

- voted to determine, for the entire duration of the assignment, an annual remuneration for the statutory members of the Board of Auditors, amounting to 31.500,00 Euros for the president and 21.000,00 Euros for each of the statutory auditors.

The shareholders' assembly in an extraordinary meeting also voted to add to the Company by-laws:

- The modification of art. 19, with the insertion of the references to the Corporate Governance Code which replaces the old Self-disciplining Code.

- The modification of art. 20-B, with the resolution containing the possibility for the auditors to participate in the board meetings by connecting with remote means, as has already been proposed for the members of the Board of Directors.
- The modification of art. 25, relative to the Board of Statutory auditors, including the possibility of meeting by means of suitable tele-communications on condition that all of the participants can be identified and that they are allowed, in real time, to follow the discussion and intervene in the discussion of subjects that are being dealt with, as well as receiving, examining and transmitting documents.

Current outlook

The results for the first quarter are aligned with those predicted in the annual guidance. As far as the sales are concerned, the quarterly results are far greater than the 10% minimum increase predicted by the guidance. While we are aware of the potential of the Group but also of the difficulties and uncertainties caused by war, inflation, lockdown and the supply chain crisis which affect our activities, we confirm for 2022 the indications of a growth of over 10% and an improvement in the EBIT.

For the Board of Directors

Managing Director
Ing. Andrea Cangioli

Attachment “A”: List of the consolidated companies as of March 31st 2022
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)	98,89%		98,89%	98,89%
Cutlite Penta S.r.l	Calenzano (ITA)		100,00%	100,00%	82,83%
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%	82,83%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		83,76%	83,76%	82,83%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	98,27%		98,27%	98,27%
Pharmonia S.r.l.	Calenzano (ITA)	100,00%		100,00%	100,00%
Merit Due S.r.l.	Calenzano (ITA)		100,00%	100,00%	98,89%
Galli Giovanni & C. S.r.l.	Cassano Magnago (ITA)		70,00%	70,00%	70,00%
Lasit Laser Polska	Tychy (POL)		65,00%	65,00%	45,50%
Penta Laser Technology (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	82,83%

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)	30,84%		30,84%	30,84%
Accure INC	Delaware (USA)		39,44%	39,44%	39,44%

Attachment “B”: DECLARATION IN COMPLIANCE WITH ART. 154BIS, COMMA 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, May 13th 2022

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