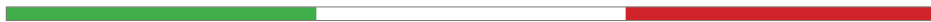




Quarterly Financial Report
as of March 31st, 2023



EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17
Capital stock: Underwritten and paid: € 2.597.311,99(*)
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 March 31st 2023)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

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 2023

Quarterly report

Introduction

This quarterly report as of March 31st 2023 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 Euronext STAR Milan segment (article 2.2.3, subsection 3) which requires the publication of the 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 March 31st 2023, 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 2023 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

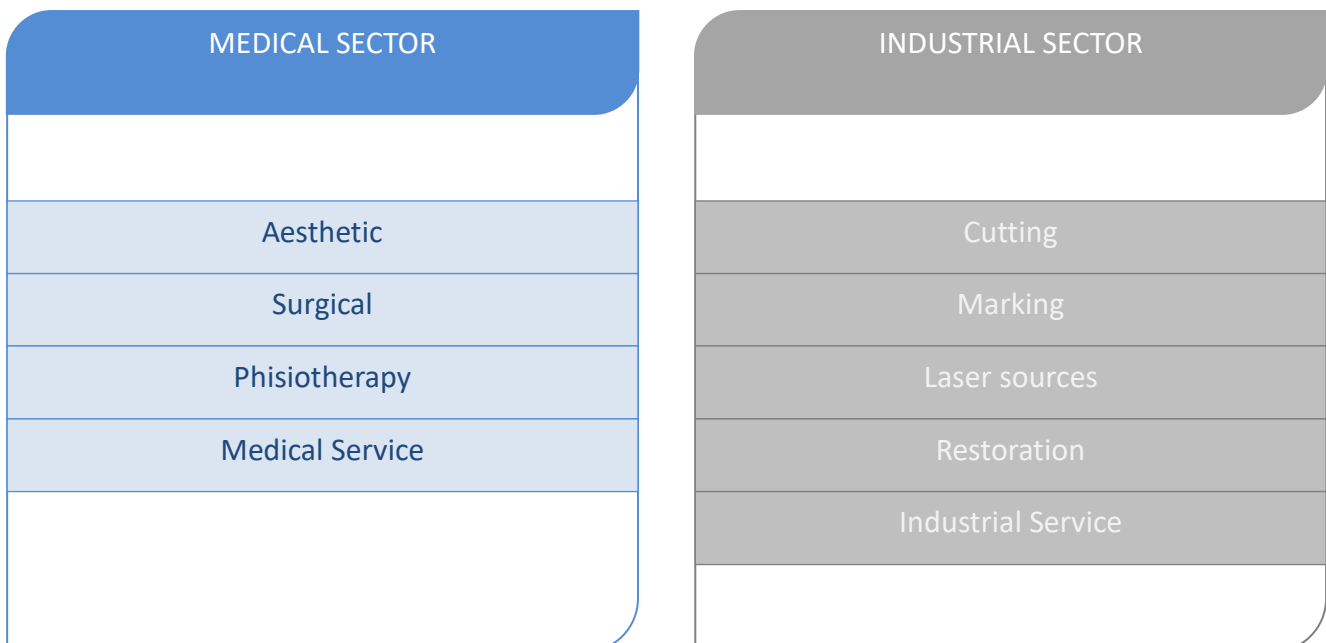
El.En was founded in 1981 and arose from the intuition of a university professor and one of his students. The Company developed over the years and became a multi-faceted, dynamic industrial group specialized in the manufacture, research and development, distribution and sale of laser systems.

The 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 Group networks continued: the Asclepion laser systems for aesthetic applications are available for sale in Italy through the Renaissance network which further reinforces its leadership in the territory while, at the same time, 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 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 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

The Group closed the first quarter of 2023 with a consolidated sales volume of 161 million, an increase of 11,7% with respect to the first quarter of 2022 and a consolidated EBIT of 17 million.

The results for this quarter correspond to the trend indicated in the annual *guidance* for 2023, which forecast a further growth in sales volume and set, as the objective, for the EBIT, a confirmation of the record result achieved in 2022.

If, overall, the results confirm the forecasts, the single sectors have shown results that do not correspond perfectly with the general tendency expected for 2023 which included a recovery of the Chinese market in the industrial sector and a decrease in growth in the medical sector.

In fact, in the first quarter of 2023, the activity in the medical sector increased and showed a double-digit growth in the sales volume and in the profitability which remained at the same level as last year. In the industrial sector, the trend continued at two different paces, with the European and Western markets showing a very rapid growth while the Chinese market came to a halt both in the sales volume and the negative result for EBIT.

The quarterly results reveal the trend shown on the various markets in the first months of the year but because of the brevity of the period being analyzed, they also reflect the acquisition of orders for the preceding months. Specifically, 2022 ended with a portfolio of orders that was particularly abundant in the medical sector and for laser cutting applications in Italy and the rest of Europe, but decidedly scarce in China, where, in the fourth quarter of 2022 results were the worst ever registered by the company because the activities were still obstructed by the crisis caused by the lockdown policies which were terminated by the local authorities only at the end of December.

As a result of the revival of the economy of the country, in China the signs of recovery in the laser cutting sector are now evident in terms of the acquisition of orders even though, in consideration of the period of festivities related to the Chinese New Year, the recovery started to become significant only in the second half of February. We will be able to see the effects on the sales volume and the profitability only starting in the next quarter, by comparing them with the expected and hoped for improvement on an annual basis. In this quarter the sales volume of the Chinese activities registered a decrease of -30% and was not sufficient to cover the costs of the production facilities.

In the industrial sector, in 2023, on the Italian market, we expect diminished benefits for the clientele due to the so-called 4.0 tax relief. Our forecast has borne in mind the decrease in demand caused by the drop in incentives, which we intend to overcome by expanding the volume of exports. For this reason, numerous initiatives have been undertaken by Cutlite Penta and Lasit, our main companies active in the industrial sector, to increase our presence on the international markets. They have intensified their participation in trade fairs in Europe and in the USA, management resources dedicated to the development of business in the most promising areas have been applied, and we have created branches both as subsidiaries and associated companies, to act on the markets with the highest potential. The results for the first quarter in this sense have been satisfactory in terms of sales volume and promising for the outlook for development on the international markets.

As far as the medical sector is concerned, the sales volume and acquisition of orders in this quarter confirm the good state of health of this market in all of its main applicative segments, aesthetics, surgery and therapy. The general conditions of the economy appear to be less favorable than in the recent past because of the pressure of inflation and, above all, growing interest rates which have conditioned our potential clients. A client who has decided to make an investment now, with respect to 12 months ago, has to deal with higher purchase prices and financing costs that are more than double. An investment in our equipment, which is innovative and capable of generating a revenue for our clients even in less than perfect economic conditions, still remains attractive, but it is clear that, especially in this transitional phase from an economy with zero interest rates and zero inflation, to a condition that is more “normal”, the impact of the different terms of purchase represents a psychological and economic obstacle that is difficult to overcome.

The general trend of the economy in any case remains positive, despite the presence of several factors which disturb the regular development, first of all, the increase in the interest rates and inflation. In terms of future outlook, some economists and statistic institutes have forecast that some of the markets will fall into a recession, especially the American market. Some negative signs have emerged, including some particularly alarming ones like the bankruptcy of some banks, as well as some less evident ones like the significant increase in the interest rates on financing contracts and the increased difficulty in obtaining credit, with respect to the ideal conditions encountered in recent years. In some countries there are also currency restrictions so that our clients have greater difficulty than in the past in obtaining the international currency necessary for paying our supplies. In synthesis, the signs of uncertainty in the future of the economy are increasingly pervasive, but, as of now, they have not had any impact on the outlook for development of the Group.

The research and development activities represent the cornerstone of the innovative capacity of the Group. The Group conducts basic and applied research aimed at the design and production of new products and new applicative methods. At the base of this innovation there is the technical capacity in all of the disciplines necessary to create a complex system like a laser system, but also the accurate and systematic analysis of the interaction between the laser ray and the human body or the material which has to be processed. The El.En. Group is characterized by a profound stratification of expertise which allows it to maintain a high level of productivity in its research activities, in terms of the number of new systems released on the market every year.

The Group has numerous products which, in the past few months, have been conceived, developed and designed and are now ready to be released on the market. Among these, there is the start of a multicenter clinical study to be conducted in the United States in collaboration with our main commercial partners to obtain FDA clearance for Red Touch, a laser system developed by Deka which emits in red (675 nm) and has already encountered considerable success on the European and Oriental markets thanks to its effective, non-invasive action of neo-collagenesis which makes it ideal for skin rejuvenation and the treatment of skin discolorations.

As far as our specific markets are concerned, we continue to be confident in their development both in the short and mid-term. Our Group remains proactive in its contribution to the innovative and applicative technology which has always been at the base of the development of our markets and of our activity and we are certain of our capacity to continue our progress in this direction.

During this quarter we have continued our activities in terms of sustainability which, among other things, is included in the performance indicators for the remuneration of the management. The five-year plan for 2023-2027 which will identify the specific and measurable sustainability activities and objectives has been drawn up and is now awaiting approval. In particular, in the fight against climate change, for a circular economy, the promotion of a responsible supply chain. The respect of the individual and the contributions to the community confirm our commitment for a sustainable development and the fact that environmental and social responsibility are increasingly part of the business model of the Group.

The chart below shows the results of the Income Statement for the first quarter of 2023, shown in comparative form with the same results for last year.

Income Statement	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Revenues	161.355	100,0%	144.384	100,0%	11,75%
Change in inventory of finished goods and WIP	13.579	8,4%	6.770	4,7%	100,60%
Other revenues and income	1.398	0,9%	1.035	0,7%	35,08%
Value of production	176.333	109,3%	152.189	105,4%	15,86%
Purchase of raw materials	106.902	66,3%	99.559	69,0%	7,38%
Change in inventory of raw material	(7.287)	-4,5%	(14.877)	-10,3%	-51,02%
Other direct services	15.595	9,7%	12.493	8,7%	24,83%
Gross margin	61.123	37,9%	55.013	38,1%	11,10%
Other operating services and charges	14.066	8,7%	11.841	8,2%	18,79%
Added value	47.056	29,2%	43.172	29,9%	9,00%
Staff cost	26.123	16,2%	23.097	16,0%	13,10%
EBITDA	20.934	13,0%	20.075	13,9%	4,28%
Depreciation, amortization and other accruals	3.902	2,4%	2.996	2,1%	30,23%
EBIT	17.032	10,6%	17.079	11,8%	-0,28%
Net financial income (charges)	(459)	-0,3%	473	0,3%	
Share of profit of associated companies	36	0,0%	(7)	0,0%	
Income (loss) before taxes	16.608	10,3%	17.545	12,2%	-5,34%

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

	Net financial position	31/03/2023	31/12/2022
A	Cash and cash equivalents	117.645	162.814
B	Cash equivalents	-	-
C	Other current financial assets	4.305	2.351
D	Liquidity (A + B + C)	121.949	165.165
E	Current financial debt	(20.404)	(27.868)
F	Current portion of non-current financial debt	(3.697)	(4.005)
G	Current financial indebtedness (E + F)	(24.101)	(31.873)
H	Net current financial position (D + G)	97.848	133.292
I	Non-current financial debt	(24.377)	(27.632)
J	Debt instruments	(9.802)	(10.230)
K	Non-current trade and other payables	(6.967)	(6.884)
L	Non-current financial indebtedness (I + J + K)	(41.146)	(44.747)
M	Net Financial Position (H + L)	56.702	88.546

Operational performance

The chart below shows the subdivision of the sales volume for the first three months of 2023 according to the sectors of activity of the Group, compared with the same subdivision for the same period last year.

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Medical	96.812	60,00%	87.179	60,38%	11,05%
Industrial	64.543	40,00%	57.205	39,62%	12,83%
Total revenue	161.355	100,00%	144.384	100,00%	11,75%

The growth in the sales volume was over 10% in both sectors, but particularly in the industrial sector which came close to 13% in growth.

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

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Italy	39.632	24,56%	27.493	19,04%	44,16%
Europe	39.279	24,34%	33.164	22,97%	18,44%
ROW	82.444	51,09%	83.728	57,99%	-1,53%
Total revenue	161.355	100,00%	144.384	100,00%	11,75%

Medical sector

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Italy	9.317	9,62%	9.198	10,55%	1,30%
Europe	28.917	29,87%	26.635	30,55%	8,57%
ROW	58.578	60,51%	51.346	58,90%	14,09%
Total revenue	96.812	100,00%	87.179	100,00%	11,05%

The trend in sales in the medical sector was good in all geographical areas: the best results were obtained in the sales on the non-European markets.

Industrial sector

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Italy	30.315	46,97%	18.294	31,98%	65,70%
Europe	10.362	16,05%	6.528	11,41%	58,72%
ROW	23.866	36,98%	32.382	56,61%	-26,30%
Total revenue	64.543	100,00%	57.205	100,00%	12,83%

This chart for the industrial sector effectively summarizes the trend for the quarter and shows the rapidly growing sales volume in Italy and the rest of Europe, and the setback on the Chinese market which caused the non-European sales to drop 26%.

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

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Aesthetic	55.638	57,47%	51.003	58,50%	9,09%
Surgical	19.236	19,87%	14.480	16,61%	32,84%
Physiotherapy	3.923	4,05%	3.689	4,23%	6,37%
Others	196	0,20%	288	0,33%	-31,82%
Total medical systems	78.993	81,59%	69.459	79,67%	13,73%
Medical service	17.819	18,41%	17.720	20,33%	0,56%
Total medical revenue	96.812	100,00%	87.179	100,00%	11,05%

The growth in the medical sector remains strong overall, a double-digit figure, and is very satisfactory in all the applicative segments.

As forecast for the entire year of 2023, the growth in the surgical sector was the strongest. The growth in the aesthetic applications remains strong, close to 10%, and also in the therapy sector.

The sales volume for after-sales service and consumables during this quarter was lower than the average for the sector. The quarter with which it was compared in fact, was a record quarter for this segment, which was driven by sales of exceptional volumes of optical fibers for surgical applications. The volume of revenue for the quarter is considered satisfactory and we are confident that we will continue to grow in this segment.

As far as the details are concerned for the most important applicative segments, among the systems for aesthetic applications which registered particular growth, the most significant were those with CO₂ and Erbium for rejuvenation of the skin with ablative treatments (the Punto systems by Deka, Dermablate by Asclepion and Tetra also by Deka, for the North American market), and the systems with nano- and pico-second emissions of laser impulses for the removal of tattoos but, above all, antiaging and toning treatments for oriental skin (Discovery Pico and Chrome systems by Quanta System, Studio by Deka, Picostar and Rubystar by Asclepion). For surgical applications, the systems for urology represent the most significant amount of sales volume (about 80% of the segment) and show a rapid growth in this quarter thanks mainly to the Fiber Dust systems by Quanta. Sales registered for the CO₂ systems for otolaryngology grew even faster.

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

	31/03/2023	Inc %	31/03/2022	Inc %	Var. %
Cutting	51.668	80,05%	47.373	82,81%	9,07%
Marking	6.697	10,38%	4.401	7,69%	52,15%
Laser sources	1.175	1,82%	1.198	2,09%	-1,90%
Conservation	189	0,29%	103	0,18%	83,33%
Total industrial systems	59.729	92,54%	53.075	92,78%	12,54%
Industrial service	4.814	7,46%	4.130	7,22%	16,55%
Total industrial revenue	64.543	100,00%	57.205	100,00%	12,83%

Growth in the sales volume in the industrial sector was close to 13% and was the result of mixed trends in the single segments.

The laser cutting segment represented about 80% of the sector, an amount obtained thanks to the constant and rapid growth registered in recent years and which is expected to continue in 2023. The quarterly growth consequently represents a disappointing result: as mentioned, the 9% represents the average between the excellent results of Cutlite Penta, which was able to reach a growth of 70%, and the results of the Chinese companies which showed a drop of 31,8% in the sales volume. In the future, Cutlite Penta will not be able to maintain this growth rate with respect to 2022, but we will have to hope for a rapid recovery of the Chinese market.

The developments in the sale of lasers for marking was also very interesting and amounted to a growth of over 52% thanks to the excellent results of Lasit in the segment of marking for identification with solid state sources, as well as those of Ot-las for decorations and special processing with CO₂ lasers. Lasit is very committed to the internationalization of its sales structure and has set up branches for direct sales in Poland, Spain and, just in these last few weeks, in Germany. The creation of these branches comports an additional expense which can be absorbed by the significant increase in sales volume which is expected from the activities managed by Lasit.

The sales volume for industrial sources is essentially stable, while the after-sales services and sales of consumables showed a growth of over 15%.

The following comments are related to the Income Statement.

The gross margin was 61.123 thousand Euros, an increase of 11% with respect to the 55.013 thousand Euros shown on March 31st 2022. The incidence on the sales volume showed a slight drop and decreased from 38,1% in the first quarter of 2022 to 37,9% in the first quarter of 2023.

The sales margins showed a slight improvement in the medical sector: the mix of products sold was more favorable, the increase in the prices had the effect of mitigating the increase in the cost of materials, the exchange rate with the US dollar is still decreasing with respect to the end of 2022 but it is still better than the first quarter of 2022, with an effect on the margins in the medical sector which was about half a percentage point. The margins on sales in the industrial sector on the other hand showed a decrease, mainly due to the difficulties on the Chinese market. The crisis in the Chinese economy which characterized the second half of 2022 gradually made the market more competitive. A comparison between the margins at the beginning of 2023 with those for a year ago show a decrease which represents the difficulties of the moment which our Chinese structures have had to deal with during this quarter.

The costs for operating services and charges were 14.066 thousand Euros, an increase with respect to the 11.841 thousand Euros on March 31st 2022 with an incidence on the sales volume which increased from 8,2 to 8,7%. The increase in the incidence on the sales volume was due mainly to marketing expenses, in particular those related to the participation in trade fairs and symposiums which involved our Company both in the medical and the industrial sector.

The costs for personnel amounted to 26.123 thousand Euros, an increase with respect to the 23.097 thousand Euros shown on March 31st 2022, with an incidence on the sales volume which was substantially unchanged (16,0% in 2022, 16,2% in 2023).

As of March 31st 2023, the number of employees in the Group was 2.249, an increase with respect to the 2.105 registered on December 31st 2022. Most of the new employees, 91 people, were employees of the newly acquired KBF of Shenzhen, the other new employees were hired mostly by Asclepion in Germany and Quanta System in Samarate.

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.

The EBITDA amounted to 20.934 thousand Euros, an increase of 4,3% with respect to the 20.075 thousand Euros shown on March 31st 2022. The incidence on the sales volume decreased (13,9% in 2022, 13% in 2023).

The costs for amortizations, depreciations and accruals showed an increase and rose from 2.996 thousand Euros on March 31st 2022 to 3.902 thousand Euros on March 31st 2023, but their incidence on the sales volume remains substantially unchanged at around 2%.

The EBIT therefore amounted to 17.032 thousand Euros, a slight drop with respect to the 17.079 thousand Euros registered in the first quarter of 2022, with an incidence on the sales volume which decreased from 11,8% to 10,6%.

The financial charges amounted to 459 thousand Euros with respect to the financial income of 473 thousand Euros shown during the same period last year and was mainly caused by the losses on currency exchange due to the sudden weakness shown during this period by the US dollar.

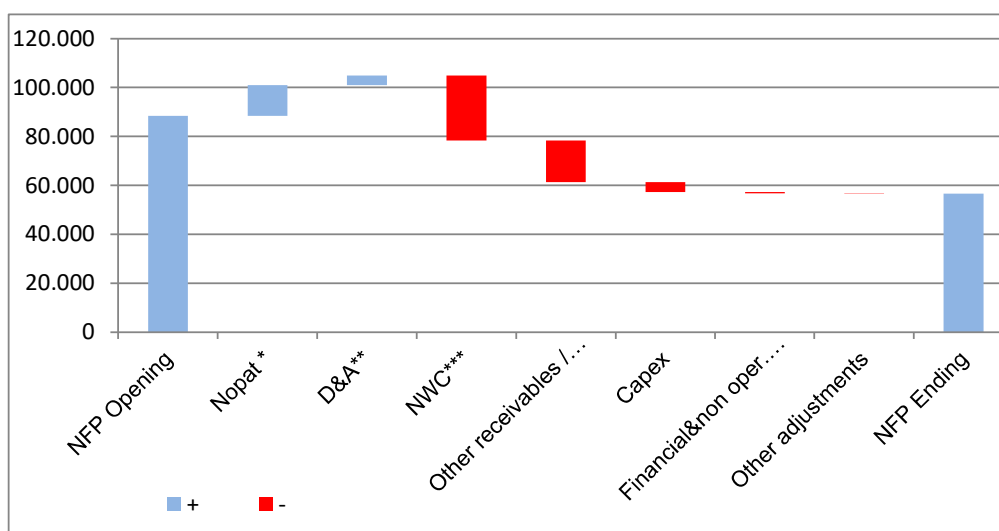
The income before taxes amounted to 16.608 thousand Euros, less than the 17.545 thousand Euros shown on March 31st 2022.

Financial position and investments

Comments on the net financial position

The net financial position during this period registered a decrease of about 32 million and fell from the 88,5 million on December 31st 2022 to the 56,7 million registered on March 31st 2023.

The graph below represents the main factors which determined the cash flow in the first quarter of 2023. The increase in net working capital absorbed about 26,5 million, while about 17 million was absorbed by the variation in the amounts of credits and debts, in which there was an increase in the down payments paid to suppliers and a decrease in the down payments received from clients. Despite the significant contribution of the flows of the current profitability, the overall effect of the cash flows comported a reduction in the net financial position from 88,5 million at the end of 2022 to 56,7 million on March 31st 2023.



* Nopat = Ebit - Income tax

** D&A = Depreciation, Accruals and Devaluation

*** NWC = Net Working Capital

It should also be noted that the amount of bank and postal deposits includes about 7,5 million Euros for the Chinese companies containing deposits which will become available upon the expiration of some payments to suppliers with the issuing of some bank bills.

It should also be recalled that about 22 million Euros in cash has been invested in financial instruments of an insurance type which, because of their nature must be entered among the non-current financial assets. This type of cash investment is held by: El.En. Spa for 11,5 million, Quanta System for 2,5 million Euros, and Deka Mela for 8,0 million Euros; as these investments represent a mid-term use of cash, they are not part of the net financial position. At the end of this period the total fair value of the investments was 23,5 million Euros.

Gross investments made this quarter

The chart below shows the gross investments made this quarter.

	31/03/2023	31/03/2022
Intangible assets	171	24
Tangible assets	3.868	4.653
Financial fixed assets	9	10
Total	4.048	4.687

The investments made this quarter amounted to about 4 million Euros, a decrease with respect to last year, when the most important projects for the expansion of the production buildings of the different companies were completed. This activity will continue in 2023 for the purpose of increasing the production capacity that is necessary to sustain the growth that is both current and expected, but the overall investments will probably be less than those in 2022. In the first quarter about a third of the total investments involved the completion of the new factory at Wuhan for the laser cutting sector in China, while expansion and remodeling work was also conducted at Samarte for Quanta System and at Calenzano for El.En.

Research and Development activities

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 laser 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 radiofrequency, microwaves and high intensity electro-magnetic fields. Consequently, research and development activity is directed to many different systems, sub-systems and accessories.

During the first quarter of 2023, 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 first quarter of 2023 was characterized by an intense activity aimed at obtaining the authorization from the authorities for the European Community brand according to the European Regulation 2017/745 (MDR) for devices having an exclusively medical claim. Consequently, in the month of April, it was possible to issue the Declaration of EU Conformity (MDR) for a vast range of products. Moreover, we also started the preliminary activity for devices having aesthetic claims among those listed in Enclosure XVI MDR, for the purpose of obtaining the EU certification for the EC mark according to European Regulation 2022/2346 (Common Specification).

In the United States, we continued several clinical studies aimed at obtaining the FDA certification for some important products both for body contouring and in dermatology. In particular, we recently started clinical studies of the Red Touch product, which are aimed at obtaining FDA clearance for selling it on the important American market.

We also continued the activities aimed at obtaining patents for the purpose of protecting the intellectual property for the inventions which we intend to implement advantageously on the new products that are now being developed. We are also waiting for patents to be granted both in the dermatological sector as well as for body contouring.

For further details on the Research and Development activities of the El.En. Group for laser systems and applications in aesthetic medicine and surgery, for industry and restoration please consult the section dedicated to Research and Development Activities in the Annual Financial Report as of December 31st 2022.

The chart below shows the expenses sustained during this quarter for Research and Development activities, which show an increase with respect to the corresponding period in 2022:

<i>Thousands of Euros</i>	31/03/2023	31/03/2022
Staff costs and general expenses	3.699	3.119
Equipment	107	92
Costs for testing and prototypes	1.149	1.374
Consultancy fees	84	111
Other services	13	76
Total	5.052	4.772

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% of its sales volume.

Trend of El.En. stock

The trend of the stock is shown on the graph below:



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

On March 15th 2023 the Board of Directors, following a proposal by the Remuneration Committee, voted in relation to the creation of a stock option plan for the period 2026-2031 (“*Stock Option Plan 2026-2031*”) in compliance with the mandate conferred to them by the Shareholders’ meeting on December 15th 2022. They identified the beneficiaries of the plan, the number of options assigned, the dates when the options could be picked up, and the price for underwriting them. Board also proceeded to exercise, partially and for the exclusive use of the Plan, the faculty conferred by article 2443, sub-section II, Civil Code, by the same assembly, to increase through the payment, divisible and with the exclusion of the option rights in compliance with art. 2441, sub-section V, c.c., the capital stock up to 49.955,00 Euros by means of the issuing of 1.414.000 ordinary shares which can be underwritten by administrators, collaborators and employees of the El.En. Spa company and the companies that it controls, who are the recipients of the options in the above-mentioned plan. The options can be exercised in conformity with the terms and conditions stated in the regulations of the Plan which was definitively approved on that date, by the beneficiaries in two equal tranches: the first starting on April 1st 2026 and ending on December 31st 2031, and the second starting on April 1st 2027 and ending on December 31st 2031.

The Plan will end on December 31st 2031, the options which have not been exercised by that time will expire definitively, and the capital will be considered as definitively increased for the actual amount underwritten and released on that date.

The Plan includes among the beneficiaries of the option rights, the president of the Board of Directors, Gabriele Clementi, the two executive board members, Andrea Cangioli and Barbara Bazzocchi, the general director of El.En. s.p.a. Paolo Salvadeo, the managers of El.En. s.p.a. who are administrators of the subsidiary companies, the other managers of El.En Spa who have significant roles, administrators of the subsidiary companies who are considered of strategic importance for the development of the Group, some other subjects belonging to the category of employees, management, and collaborators for whom the professional and personal characteristics and loyalty are recognized as having an important role also in consideration of the future.

The Plan is defined as being of particular significance in compliance with art. 114-bis, sub-section 3 T.U.F. and 84-bis, sub-section 2, of the Consob regulations, because some of the beneficiaries are subjects that have been identified in this document. For the exact names and quantities assigned, please consult the chart contained in the information sheet drawn up in conformity with art. 84-bis of the *Regolamento Emittenti Consob* 11971/1999, deposited according to the terms contained in art. 84-bis sub-section 5 of the above-mentioned *Regolamento Emittenti*.

The price, including the share premium which must be paid by those wishing to exercise their options according to the Stock Option Plan 2026-2031 was set by the Board of Directors at 13,91 Euros. The calculation of the price was conducted by the Board of Directors on the basis of the arithmetical average of the official prices registered by the shares on the market for the six months prior to the resolution. The criteria for determining the price for the emission of the shares for the Stock Option Plan was approved, in compliance with articles 2441, VI sub-section c.c., and 158, II sub-section, T.U.F., issued by the auditing company, EY S.p.a.. This opinion was already published before the Shareholders' Assembly and, according to law, was attached to the notary's statement, deposited with the Register of Companies in Florence and can be consulted at the headquarters of the Company, on the site www.elengroup.com in the section titled Investor Relations/Governance/Documenti Assembleari/2022 as well as on the authorized storage site www.emarketstorage.com.

The Board also decided to modify article 6 of the Company statutes related to the Capital Stock in order to be consistent with the above-mentioned resolutions.

Potential developments of the Laser Cutting business unit

In 2022 the Group began the preparatory activities necessary for the presentation of a request for an IPO on the regulated market in China which was part of their ambitious objectives for growth in this sector.

The results, which were far below expectations, of the activities on the Chinese market in recent quarters comported a slowdown in these preparatory measures and we are now working for a more stable situation to be able to complete a successful operation. Besides the extremely complex formalities required in order to be quoted on the stock market in China required for a company with a wide international base and Italian control, what now separates us from the possible IPO is, in the first place, the realization of our development plan.

War in Ukraine

The war which has now been fought in Ukraine for over a year has caused great uncertainty and critical issues in international relations between all the countries directly and indirectly involved in the conflict. The state of war in Ukraine and the rigid trade sanctions imposed on Russia have limited or excluded all trade relations with these areas. In the past, the Group has maintained profitable trade relations with Ukraine and with Russia, in particular in the sector of medical and aesthetic applications.

Subsequent events

On April 27th, during an ordinary meeting, the Shareholders' meeting of the Parent Company approved the financial statement for 2023 which showed a net income of 31.472.330,00 Euros and also resolved as follows:

- to distribute to the shares in circulation on the date that the no. 2 coupon came due, on May 29th 2023, in compliance with art. 2357-ter, second sub-section of the Civil Code, a dividend of 0,22 Euros gross, for each share in circulation for an overall amount of 17.573.197,84 Euros on the date of the resolution, with the tacit understanding that this amount might be increased by new sums which might be necessary for the distribution of the dividend for the shares in circulation on the date they become due because of the exercising of the stock options for the 2016-2025 Plan during the period between the date of the resolution and the record date of May 30th 2023;
- to allocate the residual amount which, on the date of the resolution, was 13.899.132,16 Euros, in an extraordinary reserve, with the tacit understanding that this amount could be decreased by any new amounts which were necessary for the distribution of the dividend for the shares in circulation on the date of the exercising of the stock options of the Stock Option Plan 2016-2025 in the period between the date of the resolution and the record date of May 30th 2023;
- to pay this dividend on May 31st 2023.

Moreover, the Assembly, in an ordinary meeting, approved:

- the report on the remuneration and the salaries paid, in conformity with art. 123-ter T.U.F. sub-section 3-bis and art. 123-ter T.U.F. sub-section 6;
- to authorize the Board of Directors:

* to acquire, in one or more tranches, in compliance with EU Regulation 596/2014 and the delegated regulation, of art. 132 D. Lgs. February 24th 1998, n. 58, with the concurrent and/or alternative methods in compliance with art. 144-bis,

sub-section 1, letters a), b) *d-ter*) and art. 144-*bis*, sub-section 1-*bis* of the Consob Regulations 11971/1999, within 18 months of the date of the resolution, treasury stock representing a number of ordinary shares which, in any case, considering the shares which will be kept in the portfolio, must not be more than one-fifth of the Share Capital, respecting the laws and regulations, at a unit price which is at the minimum less than the closing price that the shares registered on the stock market the day before the completion of each single operation diminished by 10% and, at the most, not more than 10% greater than the official price of the trades registered on the day before the acquisition.

* to place back in circulation, sell or transfer the shares within ten years after the date of acquisition in one or more tranches, at a price or equivalent value which is not less than 95% of the average of the official prices of the trading registered in the five days prior to the sale, all of which must occur with the methods, terms, and conditions which the Board of Directors decides to set at the time of the sale or transfer and respecting all of the current regulations; conferring the task to the Board of Directors and on its behalf, the president and the board members separately, and with the faculty of delegating to third parties to implement this resolution with all of the relative powers and faculties, in the respect of EU regulation UE 596/2017 and of art. 132 D. Lgs. 58/98 with methods that are adequate in any case to assure the equality of the shareholders, in compliance with the regulations set by the Consob.

Moreover, in an extraordinary meeting the Assembly resolved to introduce and discipline the new figure of Honorary President, and for this purpose, modified art. 20 of the Company by-laws.

Current outlook

The results for the first quarter are aligned with those for the annual *guidance* shown in March of 2023. In the current macro-economic context which is still characterized by difficulties and uncertainties in the activities of the Company, caused by the war, inflation and the increase in interest rates, the Group, which is fully aware of their own potential, confirms for the financial year 2023, the *guidance* which indicates an EBIT similar to that in 2022, with a consolidated sales volume which will continue to grow in both the medical and industrial sectors.

For the Board of Directors

Managing Director,
Ing. Andrea Cangioli

Attachment “A”: List of the consolidated companies as of March 31st 2023
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%	69,64%
Deka Mela S.r.l.	Calenzano (ITA)	85,00%		85,00%	85,00%
Esthologue 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-Laser (Wuhan) Co., Ltd	Wuhan (CHINA)		100,00%	100,00%	69,64%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		70,42%	70,42%	69,64%
Cutlite do Brasil Ltda	Blumenau (BRASIL)		98,27%	98,27%	68,43%
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 (POLAND)		65,00%	65,00%	45,50%
Lasit Laser Iberica, S.L.	Saragoza (SPAIN)		65,00%	65,00%	45,50%
Penta Laser Technology (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	69,64%
Shenzhen KBF Laser Tech Co., Ltd	Shenzhen (CHINA)		60,00%	60,00%	41,78%

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)		15,03%	15,03%	15,03%

Attachment “B”: DECLARATION IN COMPLIANCE WITH ART. 154BIS, COMMA 2, D.LGS. N.58 / 1998

The undersigned, Dott. Enrico Romagnoli, as executive responsible for the preparation of the financial statements of El.En. S.p.A. declares, in compliance with the second sub-section 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 15th 2023

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