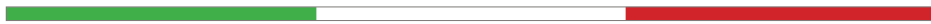




Quarterly Financial Report as of September 30th, 2023



EL.EN. S.P.A.

El.En. S.p.A.
Headquarters in Calenzano (Florence) – Via Baldanzese n. 17
Capital stock: underwritten and paid € 2.598.871,99 ^(*)
Company registered with the Registro delle Imprese di Firenze n. 03137680488

^(*) At 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.
The financial statements constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

CORPORATE BOARDS OF THE PARENT COMPANY

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

EL.EN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS OF SEPTEMBER 30th 2023

Quarterly report

Introduction

This quarterly report as of September 30th 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 September 30th 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 September 30th 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

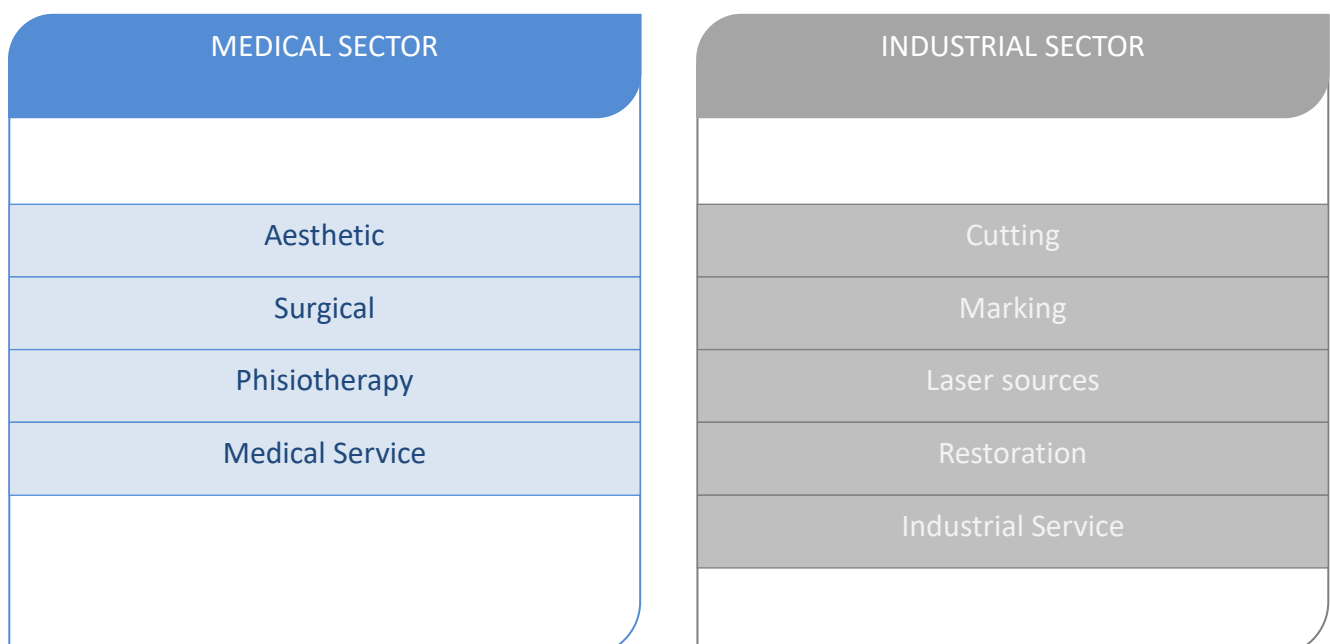
El.En was founded in 1981 and arose from the intuition of a university professor and one of his students. The Company developed over the years and became a multi-faceted, dynamic industrial group specialized in the manufacture, research and development, distribution and sale of laser systems.

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.

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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 first nine months of 2023 close with a consolidated sales volume for the Group amounting to about 493 million Euros, an increase of 1,8% with respect to the same period for 2022, with an EBIT of 51,8 million Euros amounting to 10,5% of the sales volume, showing a drop with respect to 57,9 million Euros of 2022. In the third quarter 2023 the sales volume was 147,4 million Euros, showing a drop of 6,3% with respect to the third quarter of 2022, with an EBIT of 12,9 million Euros, which also represented a decrease with respect to the third quarter of 2022.

With respect to the Guidance for 2023, the results are aligned with the forecast for a growth in sales volume and show a slight delay with respect to the objective of limiting the reduction in the EBIT for 2023 with respect to the record result for the preceding year.

The results for the third quarter confirm the positive aspects and the difficulties which emerged in the first six months of the year. As occurred in the first half, excellent results were achieved in numerous sectors and business segments, while operating difficulties and economic losses continued in the laser cutting sector in China whose disappointing performance is entirely due the delay in achieving the revenue objectives. In the third quarter general economic dynamics did not contribute to the improvement in the specific dynamics of our market, in which a phase of normalization has continued after the euphoria following the end of the pandemic. The acquisition of new orders remains good but the number of sales for this period which were made on the basis of long-term plans decreased and the demand has returned on the average to a visibility of 60 to 90 days, as occurred during the positive period preceding the pandemic.

In the medical sector the sales volume for the last nine months showed a growth of 6,4%, a very significant figure considering the change in the general economic conditions the exceptional results in recent years with which they are compared. Despite the slow-down which occurred in the third quarter, after nine months the medical sector is again showing growth in the EBIT. The EBIT increased slightly less than the increase in revenue, driven by an increase in the sales margins but, at the same time, reduced by the greater operating costs, in particular the marketing expenses for travel, trade fairs and symposiums which have by now returned to their pre-Covid levels.

In the cutting sector Cutlite Penta obtained excellent results in the last nine months, despite the slow-down in the third quarter and was able to expand their sales volume both in Italy and abroad and to improve their level of profitability with respect to the first months of 2022. The effects of the failure to confirm the benefits of the so-called Industria 4.0 began to be felt on the Italian market and caused a slow-down in the third quarter which was only partially offset by the increase in sales on the international markets.

The results for the Chinese activities which were expected to show a recovery this year after a 2022 which was severely penalized by the lockdown, continue to be very disappointing and our companies are forced to face unfavourable market conditions. The expected recovery of the Chinese economy is not taking place and an environment that is complicated for economic growth persists, as is evident from the crisis of the giants in the real estate sector and the monetary and currency stimulants that the central government is applying in an attempt to boost the economy.

The market for laser cutting systems remains extremely competitive as shown by the reduction in average prices and the difficulty for Penta Laser to assert the differentiating elements which had allowed it to be so successful in preceding years. We are now conducting a realignment of our products with the most stringent requirements of the market and for this period we will have to register an operating loss, net of which the result in the cutting sector as well as the consolidated, would be decidedly better than that for last year.

The general economic picture in the areas in which we operate in the western world is not very different from that envisaged when we formulated the forecasts for the trends for the year, that is, very uncertain and tending towards a downward phase, with a decrease in what has been an explosive demand, even if the presence of a positive trend. On the other hand, the present situation in China remains much worse than expected. The political actions of the government reveal the difficulties in dealing with the issues created by the isolation caused by the lockdowns and the territorial ambitions which have made China a business partner with whom in practice it is more difficult to work with on a short-term basis.

The problems that loom over the economic activities in this phase, the war in Ukraine, the crisis in the Gaza strip, the increasing isolation of China in international relations, the inflation and very restrictive monetary policy, all create a state of uncertainty which affect our companies on account of the lack of confidence in the short-term prospects of the economy on the part of the economic operators in general.

The research and development activity remains the fulcrum of the innovative capacity of the Group. The Group conducts basic and applied research aimed at the creation and realization of new products and new applicative methodologies. The basis for innovation consists in the technical capacity in all the disciplines necessary to realize a complex system like a laser system, as well as the accurate and systematic analysis of the integration between the laser beams and the human body or the material which is to be elaborated. The El.En. Group is characterized by a profound stratification of skills

which allows them to maintain an extremely high level of productivity in their research activities in terms of the number of new systems released for sale every year. The section of this report dedicated to this activity illustrates the state of progress of the pipeline of projects and the technological innovations underlying them.

Speaking of new products, the quarter began with the launch of the PRO series by Deka with three *flagship devices* Again, Red Touch and Onda, presented in the PRO version which had been completely revised in its technical specifications and ergonomics on the occasion of the World Congress of Dermatology in Singapore in early July (for details, see the [press release](#) of July 3rd 2023).

The pipeline with new products planned for launching in 2024 is even more extensive. It should be considered, in fact, that in 2023, even with the new products mentioned above, and others equally significant which are not mentioned in this report, the year has been less prolific than average because of the extraordinary projects that our department of research, engineering and development have been involved in, in 2022. The preparation of the systems for the new MDR, the European regulations for medical device, absorbed engineering personnel, and clinical and technical documentation, and the need to compensate for the lack of numerous components continually required the presence of engineers and complex modifications in fill the large volume of orders without excessive delays.

The medium-term indications on the growth of our markets remain positive and we continue to have confidence in their development. It is helpful to recall that the essential factor for the development of our markets is technological innovation the presence on the market of innovative solutions which increasingly satisfy the needs of our customers and stimulate new clients, by opening new scenarios. Through the activities of innovation and development with the release on the market of new products for new applications or for the improvement of applications already on the market, we ourselves are the architects of the development of our markets.

During the year, we continued the activities conducted as part of the sustainability program of the Group, which, among other things, is included among the performance indicators for the salaries of the management. The new Five-Year Plan 2023-2027 identifies the sustainability activities and objectives that are specific and measurable on sensitive issues like climate change, circular economy, the promotion of a responsible supply chain, individual awareness and the contribution to the community. We wish to confirm the continued involvement of the Group for a sustainable development in which environmental and social responsibility are an integral part of the business model.

Starting in January of 2024 the El.En. Group will be called on to report in accordance with the requirements of the new European Directives CSRD n. 2022/2464 (Corporate Sustainability Reporting Directive) in relation to the company's information report on sustainability and according to EU Taxonomy Regulation 2020/852. We have already started the projects which, by the end of 2024, will make it possible to fill any gaps that exist to fulfil the requirements of the CSRD and the admissible activities of the Group with respect to the six environmental objectives of the Taxonomy Regulation.

In the third quarter of 2023 there was a significant return of the Group to the generation of cash, with an improvement of 22 million Euros in the net financial position which, at the end of the period, showed a net amount of about 32 million Euros. This represents a trend which was aligned with the expectations for an improvement of this important financial indicator for the second half of 2023. It should also be recalled that among the non-current financial assets, there are mid-term investments of cash for a total of 23,6 million Euros.

The chart below shows the results of the income statement for the third quarter of 2023, shown in comparative form with those for last year.

Income statement - quarterly	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Revenues	147.386	100,0%	157.374	100,0%	-6,35%
Change in inventory of finished goods and WIP	12.555	8,5%	9.303	5,9%	34,96%
Other revenues and income	1.107	0,8%	1.585	1,0%	-30,14%
Value of production	161.048	109,3%	168.261	106,9%	-4,29%
Purchase of raw materials	94.119	63,9%	103.061	65,5%	-8,68%
Change in inventory of raw material	(2.197)	-1,5%	(6.038)	-3,8%	-63,61%
Other direct services	13.388	9,1%	13.597	8,6%	-1,54%
Gross margin	55.738	37,8%	57.641	36,6%	-3,30%
Other operating services and charges	13.772	9,3%	13.864	8,8%	-0,67%
Added value	41.967	28,5%	43.776	27,8%	-4,13%
Staff cost	25.741	17,5%	23.439	14,9%	9,82%
EBITDA	16.226	11,0%	20.337	12,9%	-20,22%
Depreciation, amortization and other accruals	3.322	2,3%	3.804	2,4%	-12,66%
EBIT	12.903	8,8%	16.533	10,5%	-21,95%
Net financial income (charges)	162	0,1%	(261)	-0,2%	
Share of profit of associated companies	(38)	0,0%	(4)	0,0%	754,92%
Income (loss) before taxes	13.028	8,8%	16.267	10,3%	-19,91%

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

Income Statement	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Revenues	493.011	100,0%	484.348	100,0%	1,79%
Change in inventory of finished goods and WIP	28.495	5,8%	19.036	3,9%	49,69%
Other revenues and income	4.732	1,0%	4.566	0,9%	3,63%
Value of production	526.239	106,7%	507.951	104,9%	3,60%
Purchase of raw materials	305.774	62,0%	321.381	66,4%	-4,86%
Change in inventory of raw material	(12.633)	-2,6%	(35.487)	-7,3%	-64,40%
Other direct services	45.887	9,3%	42.561	8,8%	7,81%
Gross margin	187.211	38,0%	179.496	37,1%	4,30%
Other operating services and charges	44.393	9,0%	41.511	8,6%	6,94%
Added value	142.818	29,0%	137.985	28,5%	3,50%
Staff cost	80.938	16,4%	70.421	14,5%	14,93%
EBITDA	61.880	12,6%	67.564	13,9%	-8,41%
Depreciation, amortization and other accruals	10.102	2,0%	9.640	2,0%	4,79%
EBIT	51.778	10,5%	57.924	12,0%	-10,61%
Net financial income (charges)	(866)	-0,2%	(7)	0,0%	13075,78%
Share of profit of associated companies	(42)	0,0%	3	0,0%	
Income (loss) before taxes	50.870	10,3%	57.920	12,0%	-12,17%

The chart below shows the details of the net financial position of the Group

Net financial position	30/09/2023	31/12/2022 Riesposto (*)
A Cash and cash equivalents	108.777	162.814
B Cash equivalents	-	-
C Other current financial assets	4.501	2.351
D Liquidity (A + B + C)	113.278	165.165
E Current financial debt	(27.743)	(41.050)
F Current portion of non-current financial debt	(16.181)	(4.005)
G Current financial indebtedness (E + F)	(43.923)	(45.056)
H Net current financial position (D + G)	69.355	120.110
I Non-current financial debt	(19.571)	(27.632)
J Debt instruments	(10.379)	(10.230)
K Non-current trade and other payables	(7.315)	(6.884)
L Non-current financial indebtedness (I + J + K)	(37.266)	(44.747)
M Net Financial Position (H + L)	32.089	75.363

(*)

Restatement of the amounts of the prior year in accordance with IAS 8 paragraphs 41-42

During the compilation of the consolidated half-yearly statement on June 30th 2023, the Group revised the resolution taken on December 31st 2022 related to the representation, according to the international accounting standards, of the increase in capital of Penta Laser Zhejiang which was underwritten in December of 2022 by four Chinese private equity funds. When revising the schedule of the project for a possible IPO of the laser cutting sector on the Chinese stock market, we re-examined the possible effects of the contractual clauses related to the agreements for the entry of the capital of the four private equity funds; these clauses are common in operations of this type and had already been examined when the financials were drawn up on December 31st 2022 with legal and financial consultants and Independent auditors.

Considering the presence of clauses which stipulate the possibility of withdrawal if events occur which are not under the complete control of the management of the Group because they depend on external factors, the Group has decided that it would be more appropriate to implement an accounting approach that has been modified with respect to that used in the consolidated financial report on issued on December 31st 2022, and consequently the amounts which were registered at that time among the shareholders' equity of the Group have been reclassified among the financial debts. The original approach was based on the prevalence of the practice used by the Chinese companies to enter into accounts the increases in capital in preparation for the IPO and the effect of the re-purchasing options usually included in similar circumstances; this practice was approved and requested by CSRC, the authority which controls the Chinese stock market.

Moreover, in compliance with paragraphs 41 and 42 of IAS 8, the accounting entry related to the above-mentioned increases in capital have been adapted through a restatement of the amounts of the shareholders' equity and the net financial position on December 31st 2022. The effects of this restatement substantially show a reduction in the shareholders' equity and in the net financial position of 13,2 million Euros.

Operational performance

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

	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Medical	287.954	58,41%	270.529	55,85%	6,44%
Industrial	205.057	41,59%	213.820	44,15%	-4,10%
Total revenue	493.011	100,00%	484.348	100,00%	1,79%

The good results in the medical sector, which registered a growth of 6,4%, allowed the Group to register an overall growth for these nine months, despite the drop in the sales volume of the industrial sector.

The trend in currency exchange had a negative influence on the sales volume for the period for the amount of about 9 million Euros, mostly caused by the conversion into Euros of the financial statements of the Chinese activities.

The chart below shows the geographical distribution of the sales volume for this quarter:

	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Italy	106.396	21,58%	96.447	19,91%	10,32%
Europe	110.363	22,39%	103.570	21,38%	6,56%
ROW	276.252	56,03%	284.331	58,70%	-2,84%
Total revenue	493.011	100,00%	484.348	100,00%	1,79%

Medical sector

	30/9/2023	Inc %	30/9/2022	Inc %	Var. %
Italy	24.584	8,54%	25.093	9,28%	-2,03%
Europe	85.075	29,54%	79.901	29,54%	6,48%
ROW	178.296	61,92%	165.534	61,19%	7,71%
Total revenue	287.954	100,00%	270.529	100,00%	6,44%

Industrial sector

	30/9/2023	Inc %	30/9/2022	Inc %	Var. %
Italy	81.812	39,90%	71.353	33,37%	14,66%
Europe	25.289	12,33%	23.669	11,07%	6,84%
ROW	97.957	47,77%	118.797	55,56%	-17,54%
Total revenue	205.057	100,00%	213.820	100,00%	-4,10%

The trend in sales in the geographical macro-area for the two sectors shows the best results on the foreign markets, while in the industrial sector, the excellent results of sales in Italy and in the rest of Europe contrasts with the decrease in the rest of the world which was caused by the reduction in sales in the cutting sector of the Chinese companies (-23%). Moreover, the sales volume of the Chinese companies was also penalized by the effect of the exchange rate of 6,6% due to the weakness of the Chinese Rinninbi with respect to the Euro.

For the medical and aesthetic systems sector, which in these nine months represented 58% of the sales of the Group, the results for sales in the various segments are shown on the chart below.

	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Aesthetic	165.613	57,51%	167.051	61,75%	-0,86%
Surgical	55.930	19,42%	43.810	16,19%	27,67%
Physiotherapy	11.900	4,13%	11.616	4,29%	2,44%
Others	2.340	0,81%	910	0,34%	157,04%
Total medical systems	235.782	81,88%	223.387	82,57%	5,55%
Medical service	52.172	18,12%	47.142	17,43%	10,67%
Total medical revenue	287.954	100,00%	270.529	100,00%	6,44%

The medical sector shows growth in all of the segments, with the exception of the main one, that of systems for aesthetic applications which shows a slight decrease.

The excellent trend in the sales of systems for surgical applications continues and registers a growth of almost 30% which is in line with the forecasts and the gradual recovery after the decrease, which was more severe than in other segments, during the Covid pandemic. The therapy segment also continues to show growth. The growth in the residual sector of “Others” is significant both in percentage and absolute value and reflects the success achieved on some markets of our systems for dentistry due to the effect of an innovative new version of the applicative techniques.

The sales volume for after-sales service and consumables during these nine months registered a growth that was greater than the sales volume for systems, thanks to the increase in the number of systems installed which naturally involves an increase in technical assistance in the number of consumables, especially in the field of urology where every operation requires an optical fiber. The sales of optical fibers for surgery represents a significant percentage of the sales volume for medical service.

The aesthetic segment substantially maintained the level of the preceding year, with results which varied according to the type of system and the application. The weakness registered by some of the important accounts caused a reduction in the sales volume in the hair-removal segment, while sales of anti-aging applications continued to show rapid growth, both for the CO₂ or erbium ablative technologies, sometimes combined in hybrid systems equipped with non-ablative laser sources, as well as those for toning practiced with lasers with picosecond technology, especially in the Far East. In the sector of surgical applications, the urological systems represent the most significant percentage of the sales volume and also that which is growing fastest. This year in particular, the sales of Quanta’s Fiber Dust systems for the treatment of kidney stones has been a source of satisfaction. The positive phase of the sales of CO₂ systems for dentistry and gynaecology also continues, and in percentage terms is above the average for the segment.

The chart below shows the details of the sales volume for the sector of industrial applications according to the segments in which the Group operates.

	30/09/2023	Inc %	30/09/2022	Inc %	Var. %
Cutting	166.240	81,07%	180.549	84,44%	-7,93%
Marking	20.321	9,91%	17.229	8,06%	17,95%
Laser sources	3.110	1,52%	2.839	1,33%	9,56%
Conservation	398	0,19%	367	0,17%	8,46%
Total industrial systems	190.069	92,69%	200.983	94,00%	-5,43%
Industrial service	14.988	7,31%	12.837	6,00%	16,76%
Total industrial revenue	205.057	100,00%	213.820	100,00%	-4,10%

The sales volume in the industrial sector showed a decrease of about 4%.

After years of gradual, rapid growth which brought it to represent 81% of the sales in the industrial sector, the cutting sector in these nine months registered a decrease in revenue with respect to the preceding year. This drop was due to the negative trend of the Group’s companies in China. The sales volume of the Chinese companies showed a decline in sales

volume of about 23,5% (which among other things was penalized by a drop in the exchange rate of 6,6% due to the weakness of the Chinese Renminbi with respect to the Euro). The growth in the sales of Cutlite Penta, which remained remarkable for the first nine months (+14,4%) despite the decrease registered in the third quarter (-5,8%), was not enough to maintain the growth in the sales volume of this segment. The Chinese market continues to be problematic, both due to the general economic conditions of the country and the specific trend. We hope that the measures that have been taken will improve the situation in the next few quarters. The expected drop in demand on the Italian market, the main one for Cutlite, was felt in this quarter, however, they continued their activities aimed at amplifying their distribution network abroad.

The excellent trend in the sales of laser marking systems which showed a growth of almost 20% in the last nine months thanks to the good trend of Ot-las but, above all, of Lasit in identification marking with solid state sources. While Lasit has continued to invest in the modernization of their production facility in Torre Annunziata, they have also begun to reap the benefits of their expansion campaign with the founding of subsidiaries for direct sales in Poland, Spain, Germany, and, in recent months, also in Great Britain.

The sales of industrial sources were also very good and registered a growth of almost 10% for the last nine months. The sales volume for after-sales services also showed a two-digit growth, a result of the increase in the number of systems installed in recent years.

The revenue from the restoration sector was also very satisfactory; this sector is a flagship for the Group which, in this field, places its technological excellence at the disposal of the institutions for the conservation of the artistic heritage of the world. In recent months we have contributed to the restoration of world-famous works at an international level, like the restoration of the Cathedral of Notre Dame in Paris and the cleaning of the rock tombs in the Tabuk area of Saudi Arabia.

Last week in Milan they presented multi-year restoration work on the Scurolo of San Carlo, the little octagonal crypt under the Milan Cathedral which contains the remains of San Carlo Borromeo. Thanks in part to the contribution of our technologies, patinas and oxidations were removed from the lavish silver decorations, and the decorated surfaces of the Scurolo were restored to their ancient splendour.



The following comments are related to the Income Statement.

The gross margin amounted to 187.211 thousand Euros, an increase of 4,3% with respect to the 179.496 thousand Euros registered on September 30th 2022. The increase is greater than that for the sales volume thanks to the recovery of the sales margins, from 37,1% to 38%.

In the past nine months, the sales margins have improved in the medical sector, above all due to the effect of a better mix of products sold, but also thanks to the increase in prices which made it possible to offset the increase in costs for raw materials. On the other hand, in the industrial sector they showed a decrease, mainly due to the difficulties registered on the Chinese market which has become increasingly competitive due to the unfavorable situation in the local economy.

The operating services and charges amounted to 44.393 thousand Euros, an increase with respect to the 41.511 thousand Euros shown on September 30th 2022, with an incidence on the sales volume which rose from 8,6% to 9%. The increase in the incidence on the sales volume was mainly due to marketing expenses, in particular those related to the intense participation in trade fairs and symposiums which involved our companies in both the medical and in the industrial sectors. These costs were also increased by the figurative costs for the stock option plan for the administrators which, as of September 30th 2023, amounted to about 281 thousand Euros and were not present in 2022.

The costs for personnel amounted to 80.938 thousand Euros, which represents an increase with respect to the 70.421 thousand Euros on September 30th 2022, with an incidence on the sales volume which increased from 14,5% in 2022 to 16,4% in 2023.

Included in the cost for personnel are the figurative costs entered into accounts for the assigning of stock options to employees which showed a significant increase and rose from 848 thousand Euros in the first nine months of 2022 to 2.542 thousand Euros in 2023 and amounts to about 0,5% of the sales volume.

On September 30th 2023 there were 2.137 employees in the Group with respect to the 2.105 on December 31st 2022. Most of the increase was due to the hiring by the newly acquired KBF of Shenzhen, which were not included in the total for December. The other new employees were hired by Asclepion in Germany and Quanta System in Samarate. The number of employees in the other Chinese companies decreased.

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 61.880 thousand Euros, a decrease of 8,4% with respect to the 67.564 thousand Euros on September 30th 2022. The incidence on the sales volume decreased from 13,9% in 2022, to 12,6% in 2023.

The costs for amortizations, depreciations and accruals showed an increase, and rose from 9.640 thousand Euros on September 30th 2022 to 10.102 thousand Euros on September 30th 2023 and the incidence on the sales volume remains unchanged at 2%.

The EBIT therefore amounted to 51.778 thousand Euros, a decrease with respect to the 57.924 thousand Euros shown on September 30th 2022, with an incidence on the sales volume which fell from 12,0% to 10,5%. The impact of the non-monetary costs derived from the assigning of the stock options to collaborators and employees amounted to 2.823 thousand Euros in the first nine months of 2023 as opposed to the 848 thousand Euros in the first nine months of 2022.

The financial charge amounted to 866 thousand Euros with respect to the 7 thousand Euros registered for the same period last year due to the losses on the currency exchange rate caused by the weakness shown by the US dollar and the interest set aside on the virtual liabilities introduced by Penta Laser Zhejiang on December 31st 2022.

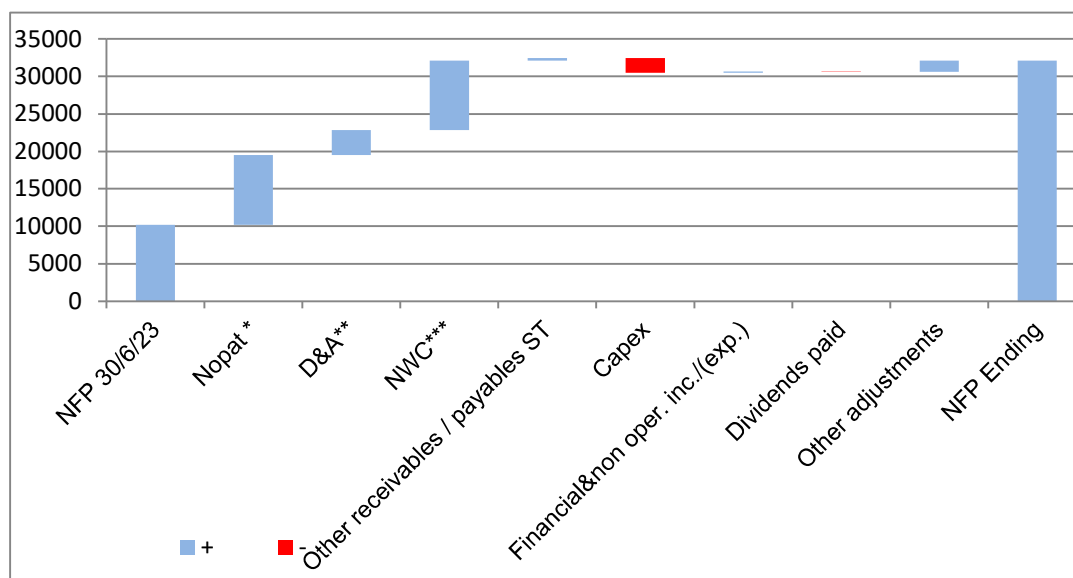
The income before taxes amounted to 50.870 thousand Euros, a decrease with respect to the 57.920 thousand Euros shown on September 30th 2022.

Financial position and investments

Comments on the net financial position

During the third quarter of 2023 the Group started once again to generate cash from its operating activities and in this period registered an improvement in their net financial position for an amount of more than twenty million Euros. This improvement was mainly due to the flow of revenue from the operating activities, but also to the reduction in the net working capital and a reduced volume of investments, which was less than that registered in the recent past. This trend is in line with the indications which have recently been supplied concerning the generation of cash and the evolution of the working capital used for operating activities, which, in the second quarter of 2023, included a reversal in the trend with respect to that of the first six months of the year.

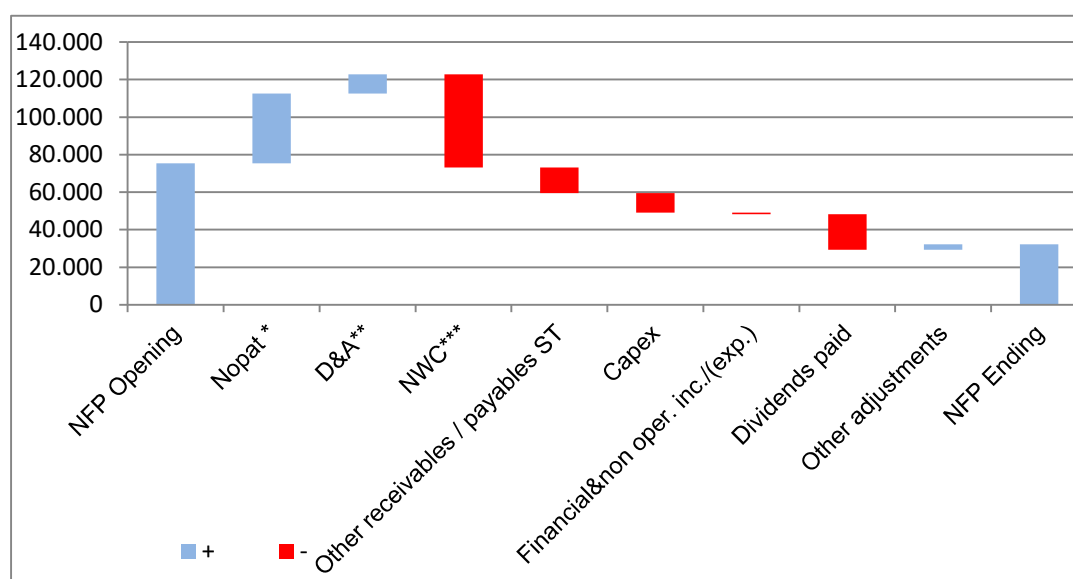
The charts below show the components of the changes in the net financial position in the third quarter and in the first nine months of 2023:



* Nopat =Ebit-Income tax

**D&A= Depreciation, Accruals and Devaluation

***NWC= Net Working Capital



* 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 7,3 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 22 million Euros in cash has been invested in financial instruments of an insurance type which, due to their characteristics, must be entered into accounts among the non-current financial assets. This type of cash investment is currently held by El.En. Spa for an amount of 11,5 million, by Quanta System for 2,5 million Euros and by Deka Mela for 8 million Euros. Since these are mid-term cash investments, these amounts are not part of the net financial position. At the end of this period the total fair value of these investments amounted to 23,6 million Euros.

Gross investments made this quarter.

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

	30/09/2023	30/09/2022
Intangible assets	336	435
Tangible assets	9.949	15.633
Financial fixed assets	805	232
Total	11.090	16.299

3 months	30/09/2023	30/09/2022
Intangible assets	55	75
Tangible assets	2.500	6.311
Financial fixed assets		21
Total	2.555	6.407

In line with the expectations for 2023, the overall volume of investments of the Group decreased during this quarter and during the year with respect to last year. The investments that had characterized the years from 2018 to 2022, with an aim to rapidly increasing the production capacity do not need to be repeated at present. As far as the factories are concerned, the investments that we are making and will continue to make in the following quarters are aimed at optimizing the spaces and restructuring some of the areas. The investments in equipment to be used for production, and in research and development and marketing remain of an ordinary nature.

We should also mention the investment of about 800 thousand Euros by Penta Zhejiang in the initial equity quota of 35% in the capital of Zhejiang Monochr Ltd, a company that is similar to a consortium created under the aegis of the region with other local companies to promote the joint research efforts for technological development in the sector of laser applications in industry. This investment is entered into accounts with the financial assets and represents an investment in research and development, since the region of Zhejiang will sustain the activities of Monochr with significant funds, and since we will act as the technical leaders we can participate actively in the definition of the work program and the work and benefit from the results. This investment represents the determination of the Group to dedicate itself to the fundamental activities for the development of our business.

Comments on Research and Development

The El.En. Group is one of the few companies in the world which develops, produces and markets products which are based on the widest range of technologies available, including: solid state lasers, semi-conductor lasers, active fiber lasers, coloring lasers, CO₂ lasers, as well as systems for frequency conversion like OPO and Raman, which are able to supply solutions from infra-red to ultra-violet, with various levels of power and duration of emission in order to satisfy a vast range of applications. Besides the laser technology, El.En. is active in other technologies that are related to other types of electromagnetic energy, including, in particular, radio frequency, microwave and high intensity magnetic fields. Consequently, research and development is concentrated on many different types of systems, sub-systems and accessories.

During the third quarter of 2023 we conducted an intense research and development activity according to our strategy of continual innovation aimed at creating new applications for lasers or other sources of energy, both in the medical and industrial sectors (which includes the applications for the conservation of our cultural heritage) and release new products on the market that are innovative in the applications, the performance of the devices and the technologies used.

In the medical sector, the third quarter was characterized by the start of production of a series of new products of the PRO line which had been announced at the World Congress of Dermatology (WCD, Singapore, 3-8 July 2023). We should also mention that FDA clearance was obtained for the new PhysiQ 360° body contouring destined for the American market.

During the third quarter we conducted an intense activity for the protection of our intellectual property related to new and innovative developments in the field of lasers aimed at the creation of extremely compact and efficient handpieces both in the sectors of hair removal and of body contouring.

During the third quarter we also continued the process required for obtaining the authorization from the notified institution for the EC brand according to European Regulation 2017/745 (MDR) for devices with exclusively medical claims. We also began the preliminary activities for devices with aesthetic claims that are included among those in the Enclosure XVI MDR, in order to obtain the EU certificate for the EC mark according to European Regulation 2022/2346 (Common Specification).

For further details on the research and development activities of the El.En Group for laser applications and systems, for aesthetic medicine and surgery, for industry and for restoration, see the specific section dedicated to Research and Development activities in the Half-yearly Financial Report.

The chart below shows the expenses for research and development during this quarter:

<i>Thousands of Euros</i>	30/09/2023	30/09/2022
Staff costs and general expenses	12.102	10.108
Equipment	240	319
Costs for testing and prototypes	1.993	4.109
Consultancy fees	358	332
Other services	42	517
Total	14.735	15.384

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.

It should be noted that the stable trend in the research expenses is derived from an increase of about 11% in the expenses for research related prevalently to the medical sector and a reduction of about the same amount registered this quarter by the Chinese companies, also in relation to the prospect of an increased activity through the equity in Zhejiang Monochr.

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 4% of its sales volume.

Trend of the El.En. stock

The trend of the El.En. stock is shown on the chart 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 that occurred during this quarter.

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 are maturing in 2023 in China are below expectations and, despite the excellent results registered in Italy and on the Western markets, the business unit at this time registers results that are not enough to present a successful IPO with reference to the annual results. The project for quotation on the stock market consequently remains suspended while we wait for China to take the measures necessary for new expectations of growth and profitability that are able to sustain the project. The weak results for the third quarter of 2023 have reduced the possibility of restarting soon the process required for being quoted on the market and increase the probability that the private equity funds which had invested in Penta Zhejiang with the prospect of an IPO may decide for the option of withdrawal that is provided in the case that the objective has not been achieved.

The war in Ukraine

The war which is being fought in Ukraine now for more than a year maintains conditions of great uncertainty and are critical in international relations between the parties directly involved and those indirectly involved in the conflict. The state of war on Ukrainian territory and the rigid trading sanctions imposed on Russia have limited or prevented the

continuation of trade relations in these areas. Previously, the Group had profitable relations with both countries, especially in the sector of aesthetic and medical applications.

Conflict between Palestine and Israel

The war in the Gaza strip does not have a direct impact on the Group except for the slowdown or suspension of sales to Palestine and Israel which, in any case, do not represent a significant percentage in the sales of the Group.

Subsequent events

Floods in Campi Bisenzio (Florence)

The floods which occurred in the territory of the provinces of Florence and Prato on the night of November 3rd caused significant damage in the factory of our subsidiary Ot-las in Campi Bisenzio. The water reached a level of 70 cm and damaged the inventory in the warehouse, the products still being manufactured and all of the office and production equipment. The factory was immediately cleaned thanks to the efforts of the employees which we wish to thank at this time, and is essentially back in operation. An important supplier of Cutlite Penta, also located in Campi Bisenzio, had, in their factory, goods belonging to Cutlite Penta that were there on consignment. The extent of the damage is certainly significant although at this time it is difficult to calculate considering the time that will be necessary to verify the functioning of the flooded components, and for the same reason it is difficult to determine the amount of the insurance reimbursements and government assistance that might be granted to us.

Besides damaging our companies, the flood also caused major damage to the homes and personal property of many of our employees who are residents in the area of Campi Bisenzio.

Current outlook

At the closure of the third quarter, we are able to confirm the return to normal of the results of the Group, with the medical sector able to maintain a growth in their sales volume and EBIT and the industrial sector showing a slight decrease due to the results in China.

The present macro-economic context is impacted by the increase in the interest rates, inflation, international unrest made worse by the wars. The Group confirms its good competitive position and the concrete capacity and possibility of taking advantage of the opportunities that its markets continue to offer the coming years. For the closing of the year the objective is to maintain a slight increase in sales volume with respect to the preceding year and limit the decrease in the EBIT with respect to 2022 to that registered for the first nine months.

For the Board of Directors

Managing Director
Ing. Andrea Cangioli

Appendix “A”: List of consolidated companies as of September 30th 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%	74,94%
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%	74,94%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		75,79%	75,79%	74,94%
Cutlite do Brasil Ltda	Blumenau (BRASIL)		98,27%	98,27%	73,65%
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%
Lasit Laser Iberica, S.L.	Saragoza (SPAIN)		65,00%	65,00%	45,50%
Lasit Laser Deutschland GmbH	Immendingen (GER)		70,00%	70,00%	49,00%
Penta Laser Technology (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	74,94%
Shenzhen KBF Laser Tech Co., Ltd	Shenzhen (CHINA)		60,00%	60,00%	44,96%
HL S.r.l.	Calenzano (ITA)		100,00%	100,00%	74,94%

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%
ZheJiang Monochr Laser Intelligent Equipment Co., ltd.	Wenzhou (CHINA)		35,00%	35,00%	26,23%

Appendix “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, November 14th 2023

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