



# Quarterly Financial Report as of March 31<sup>st</sup>, 2024



## **EL.EN. S.p.A.**

Headquarters in Calenzano (FI) – Via Baldanzese 17  
Share Capital underwritten and deposited 2.602.215,59 Euro (\*)  
Registered with the Florence Business Register no. 03137680488

(\*) As of the approval date 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 quarterly management report of 31 March 2024)

## **Board of Directors**

CHAIRMAN AND MANAGING DIRECTOR

Gabriele Clementi

MANAGING DIRECTOR

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Roberta Pecci

Giovanna D'Esposito

## **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 Auditor**

EY S.p.A.

**EL.EN. GROUP**

**QUARTERLY MANAGEMENT  
REPORT**

**AS AT 31 MARCH 2024**

## Quarterly management report

### Introduction

This intermediate management report as of 31 March 2024 of El.En. group was drafted in compliance with the Regulations of the Italian Stock Exchange for companies listed in the Euronext STAR Milan segment (article 2.2.3 paragraph 3) which mandates the publication of the intermediate management report within 45 days from the end of each quarter of the financial year, taking into account notice 7587 of 21 April 2016 of the Italian Stock Exchange. Therefore, as set forth by the above-mentioned notice, with regard to the content of this intermediate management report as at 31 March 2024, reference was made to the provisions of the previous paragraph 5 of art. 154 ter of Italian Legislative Decree 24 February 1998, no. 58. This document also contains the information already included by the issuer in the previous quarterly reports.

The quarterly data and information were not examined by the Independent Auditors, because, to date, such an appointment was not given (because not mandatory).

The results as at 31 March 2024 are set out in comparison with those of the corresponding period of the previous financial year. All of the amounts are expressed in thousands of Euro, unless indicated otherwise.

### Alternative non-GAAP measures

El.En. Group uses certain alternative non-GAAP measures that are not identified as accounting measures within the IFRS, to allow for a better assessment of the performance of the Group. Therefore, the determination criteria applied by the group might not be consistent with that adopted by other groups and the balance obtained might not be comparable with that determined by the latter.

These alternative non-GAAP measures, determined in compliance with that established by the Guidelines on alternative performance measures issued by ESMA/2015/1415 and adopted by CONSOB with notice no. 92543 of 3 December 2015, only refer to the performance of the accounting period this document refers to and to the periods compared.

The Group uses the following alternative non-GAAP measures to assess the economic performance:

- **value of production:** determined by the sum of revenues, the variation in finished goods, semi-finished goods, work in progress and capitalisation and other revenues and income;
- **gross margin:** which is an indicator of the margins of sales determined by adding the entry “Other operating services and charges” to the Added Value;
- **added value:** determined by adding the entry “Staff costs” to the EBITDA;
- the **earnings before income taxes, devaluations, depreciations and amortizations** or “EBITDA”, it is an operational performance indicator and is determined by adding the entry “Depreciation, amortization and other accruals” to the EBIT;
- the **earnings before interest and income taxes**, or “EBIT”, represents the difference between revenues and other revenues and income, production costs, other operating costs and depreciation, amortization and other accruals;
- the impact that the various entries of the income statement had on revenues.

The Group uses the following alternative non-GAAP measures to assess its ability to meet financial obligations:

- the **net financial position** understood as: cash and cash equivalents + securities included in current assets + current financial receivables - current financial debts and liabilities - non-current financial liabilities - other non-current payables (prepared in line with the ESMA Guidelines which, as of 5 May 2021, amended the references contained in previous CONSOB communications, including the references in Communication no. DEM/6064293 of 28-7-2006 on net financial position).

## Description of the group's business

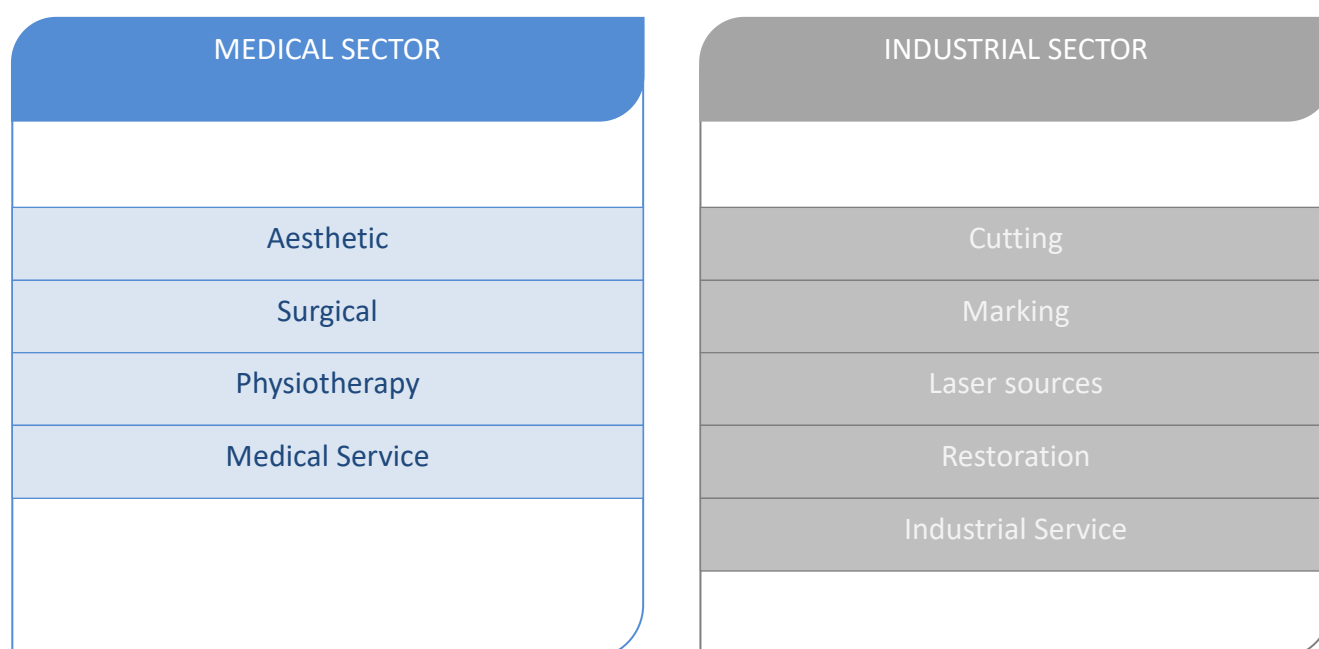
Founded in 1981 on an idea by a University professor and one of his students, El.En. has developed over the years into a structured and dynamic industrial group specialised in the production, research and development, distribution and sales of laser systems.

The laser, acronym of “**Light Amplification by Stimulated Emission of Radiation**”, a fascinating technology invented in 1960, is the technological core of the group. This light emission with such particular characteristics (monochromaticity, coherence, brightness) has an ever growing number of applications which have given rise to actual industrial sectors and have radically changed the way other sectors operate. Telecommunications, sensors, printers, lithography, a variety of processes in industrial manufacturing, as well as medical and aesthetic applications have benefited from the innovations made possible by the versatility, precision and reliability of laser systems. And again, as Prof. Gérard Mourou – awarded the Nobel prize in physics 2018 for the invention of the *chirped pulse amplification*, or CPA, later used to create ultrashort, very high-intensity laser pulses (terawatt) – reminded us in January 2019 during his visit to the headquarters of our Quanta System Spa in Samarate (VA), that “*The best is yet to come!*”. Scientific research and applied industrial research will still find innovative applications for laser technology, which we will take advantage of both directly and indirectly.

Among the variety of types of laser sources and applications developed to date, the group is specialised in producing systems for two sectors: laser systems for medicine and beauty, which we call the Medical sector, and laser systems for manufacturing processes, which we call Industrial sector. Each of the two sectors includes a variety of differentiated segments for the specific application of the laser system, and therefore for the specific underlying technologies and for the type of user. As a result, the group's business, generically defined as production of laser sources and systems, includes a considerable variety of products catering for many types of customers, also by virtue of the global presence of the group that leads it to adapt to the peculiarities of every region of the world in using our technologies.

Over time, the group has taken on the current structure by setting up new companies and taking over others. The activities are conducted by this structured group of companies that operates in the production, research and development, distribution and sales of laser systems. Each is entrusted with a specific business, sometimes targeting a single geographical market, sometimes a particular market sector, sometimes more extensive activities across technologies, applications and geographical markets. The activity of all of the companies is coordinated by the parent company as the available resources make it possible to better serve the target markets, taking advantage of the dynamism and flexibility of the individual business units without losing the advantages of coordinated management of certain resources.

Within our sectors, the comprehensive offer and the ability to segment certain markets in order to maximise the total share held by the group, together with the opportunity of involving managerial skills in their capacity as minority shareholders, underlies the corporate structure of the group. The number of member companies must always be related to the linear division of the business, which we identify, for reporting but above all for strategic purposes, as follows:



The sale of systems is associated to the after-sales service, essential support to installation, maintenance and correct use of our laser systems and significant source of revenue for spare parts, consumables and technical assistance services.

The structure of the group into numerous companies also reflects the strategy of product distribution and of organisation of research and development and marketing activities. El.En. is one of the most successful aggregators on our market, thanks to a series of acquisitions made over the years, in particular in the medical sector (DEKA, Asclepion, Quanta System and Asa). Following a distinctive and original approach for our sector, each company that joined the group retained its own specific character by product type and segment, with independent trademarks and distribution networks from other companies of the group, thus forming an actual *business unit*. Furthermore, each company has been able to take advantage of the *cross fertilisation* offered by each research hub, making their elective technologies available also to the other companies in the group. This strategy, though a bit complex to manage, allowed the group to grow, making it one of the most important concerns on the market as a whole. While being aware of the significance that the multi-brand and multi-R&D approach had for the growth of the group, we also feel the need to make the activities of the *business units* of the medical sector ever more closely coordinated, with an ever stronger emphasis on joint activities such as Italian distribution, which collects the pre-existing Deka and Quanta System networks into a single organisation under the new “Renaissance” brand. In 2020, the integration between group networks continued: Asclepion laser systems for aesthetic applications are distributed in Italy through the Renaissance network, further strengthening its leadership in the territory, while the Asclepion distribution network in Germany added the Deka systems to its portfolio to mirror this expansion.

Besides, the best integration of medical *business units* is one of the goals of the General Manager of El.En. Spa, who took on the new role for the company, as of the first of January 2017.

Although laser technology is a common factor, as several strategical components and some R&D and production activities are shared, the two Medical and Industrial sectors target very different markets. The activities that they perform are organised so as to meet the profoundly different customer requirements of the two sectors. Furthermore, each market features specific dynamics of the demand and growth expectation linked to different key factors.

The medium-term growth forecasts are positive for both sectors. The demand for aesthetic and medical treatments by a population that is ageing on average and seeking to limit the effects of ageing ever more is in constant growth in the medical sector. The demand is also growing for technologies that can minimise operating and hospitalisation time frames in some surgical procedures or that can enhance their effectiveness, reducing their impact on the patient (minimal invasiveness) and overall costs. For the industrial sector, laser systems are an ever more essential tool for manufacturing, making flexible and innovative technologies available for companies competing on international markets and who want to raise their quality standards and increase productivity. Therefore, while part of the traditional manufacturing market, laser systems make up a high-tech component which, thanks to constant innovation of the laser product and of the processes which lasers allow to develop, features extremely interesting growth prospects.

Growth in the industrial sector is attained through increased productivity and product quality, together with great flexibility, which laser processes bring to many production processes. While targeting the traditional manufacturing system, our cutting technologies, which transform the product, as well as marking technologies, which identify and decorate it, meet specific needs which are ever more in demand in manufacturing production. Innovative technologies contribute to increasing the demand making the available products ever more easy to use, productive and versatile, widening the pool of potential customers.

Finally, considering the excellent growth outlook of the target markets on the medium and long-term, the group is able to acquire market shares and to create new application niches thanks to innovation. The breadth of the range of products offered, the ability to continuously innovate it to adapt it to market requirements and still better to create new ones, are our critical factors for success. El.En. Group was and still is able to excel in this business. The section dedicated to research and development documents and bears witness to its importance in the group’s activities and to the great attention paid in allocating appropriate resources needed to guarantee the prosperity of the group in years to come.

## Group financial highlights

The group ended the first quarter of 2024 with consolidated turnover of 149,5 million, down about 7% compared to the first quarter of 2023, and a consolidated EBIT of 14,3 million, also down from 17,0 million of the first quarter of 2023.

The slowdown in the quarter is in keeping with the market trend already outlined in 2023, which saw the gradual normalisation of demand after the peak in 2022 and the subsequent stabilisation of turnover and order intake. Referring precisely to the trend in new order intake and the size of the order book, we shared our forecasts that considered this downturn, in a framework that sees order intake becoming more robust again, outlining the possibility of a recovery in the coming quarters compared to 2023.

The 'capital equipment' market of which we are a part in all our application areas is facing unfavourable general conditions at this stage. The rapid rise in interest rates, firstly, and the repeated time-shifting of decisions that must lead to their reduction, secondly, make it more expensive for our customers to purchase our systems. In most cases, customers have to resort to financing, to leasing, in order to equip themselves with our systems, and the high interest rates and the prospect of their future reduction are a disincentive to purchase. Confidence in the future prospects of the economy is an important element in investment decisions, and the events of recent quarters are not contributing to a solidly stable outlook on international relations. Neither the war in Ukraine nor the war in the Middle East are hinting at a conclusion, keeping tensions high between the blocs directly and indirectly involved and the effects of the outcome of the conflicts on international political and economic relations uncertain.

Given the multiplicity of geographic and application markets that the group operates in, the general consideration made in the preceding paragraphs must then be dropped into the circumstances and dynamics of the individual markets, which for reasons related both to specific market conditions and to the evolution of our competitive position, may show results quite different from the general and overall trend.

As far as macro-sectors are concerned, the slowdown in sales was more pronounced in the industrial sector (-10% approx.) than in the medical sector (-5% approx.).

In the industrial sector, it is the cutting sector, which has been able to record a long series of growing quarters in recent years, that shows the most marked decline. The Italian market is experiencing the greatest difficulties at this stage. In addition to the general phenomenon described above of normalisation of demand, there is a circumstance specific to our market, namely the end of the period facilitated by the so-called 4.0 subsidies and the wait for the characteristics of the new 5.0. The lack of the necessary clarifications on the applicability of 5.0 is causing many investment decisions to be postponed. The lower demand as a result of the reduced incentives had been expected, the additional uncertainty due to the vagueness of the new incentives is further slowing down the order intake process, perhaps more than the removal of the incentives would do. The business volume of the Chinese operations remained broadly in line with 2023 levels, limiting losses due to reduced structural costs and the improved margin of the growing share of sales outside China. While the decoration marking sector recorded a sluggish quarter, also due to the widespread difficulties in the fashion system period, the rapid and fruitful growth of the activities managed by Lasit of Torre Annunziata, which continues its process of rapid growth and internationalisation, proceeds.

In the medical sector, growth in sales of systems for surgical applications continues, with demand at this stage less hampered by general difficulties. These affect sales more strongly in the beauty sector, where the decline in the group's consolidated revenues parallels that of some of our competitors. For El.En., it is the hair removal applications, the main ones in terms of turnover, that have recorded the weakest trend over the past year, only partially offset by the better performance of the other applications.

It should also be noted that the result and gross margin for the period benefited from the recognition in income of insurance and government refunds obtained in connection with the damage caused by the Campi Bisenzio flood of November 2023, in the amount of about 1,9 million Euro, equal to 1,3% of consolidated turnover. Even net of this non-repeatable income, the mix of products sold resulted in an improvement in sales margins. In fact, hair removal, the most established application with the lowest margin sales in aesthetics, has decreased its relative weight compared to the other applications, just as surgery has increased it, which in turn has better margins. And in the industrial sector, the incidence of cutting has decreased, which has a much lower margin than the marking systems and laser sources that performed better in the period. Finally, the margin of sales in the cutting sector improved due to the higher incidence of foreign sales.

Although facing less favourable market conditions in recent months than in the recent past, the group is confident that the medium-term trend in our target markets will remain promising and a harbinger of positive developments, especially in



combination with the substantial investments in research and development and innovation that we continue to allocate to keep our products at the cutting edge and always adhering to customer needs.

During the quarter, the Group continued its sustainability activities, which are included in the performance indicators for management compensation. The Group's ongoing commitment to sustainable development in which environmental and social responsibility are increasingly an integral part of the business model is confirmed: the new five-year Plan 2023-2027 identifies specific and measurable sustainability activities and goals, on sensitive topics such as combating climate change, the circular economy, promoting a responsible supply chain, valuing people and contributing to the community. From 1 January 2024, El.En. Group will report in accordance with the dictates of the new European CSRD Directive 2022/2464 (Corporate Sustainability Reporting Directive) and in accordance with the EU Taxonomy Regulation 2020/852, for the alignment of the Group's activities considered eligible against the six defined environmental objectives. Projects have already been initiated that will enable alignment with the new regulatory requirements by the end of the financial year.

The following are the results of the Income Statement relating to the first quarter of the financial year 2024, compared with the same results of the previous financial year.

Income Statement	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Revenues	149.516	100,0%	161.355	100,0%	-7,34%
Change in inventory of finished goods and WIP	3.996	2,7%	13.579	8,4%	-70,57%
Other revenues and income	3.582	2,4%	1.398	0,9%	156,16%
<b>Value of production</b>	<b>157.094</b>	<b>105,1%</b>	<b>176.333</b>	<b>109,3%</b>	<b>-10,91%</b>
Purchase of raw materials	82.411	55,1%	106.902	66,3%	-22,91%
Change in inventory of raw material	(904)	-0,6%	(7.287)	-4,5%	-87,60%
Other direct services	13.186	8,8%	15.595	9,7%	-15,45%
<b>Gross margin</b>	<b>62.400</b>	<b>41,7%</b>	<b>61.123</b>	<b>37,9%</b>	<b>2,09%</b>
Other operating services and charges	15.914	10,6%	14.066	8,7%	13,14%
<b>Added value</b>	<b>46.486</b>	<b>31,1%</b>	<b>47.056</b>	<b>29,2%</b>	<b>-1,21%</b>
Staff cost	27.269	18,2%	26.123	16,2%	4,39%
<b>EBITDA</b>	<b>19.217</b>	<b>12,9%</b>	<b>20.934</b>	<b>13,0%</b>	<b>-8,20%</b>
Depreciation, amortization and other accruals	4.901	3,3%	3.902	2,4%	25,60%
<b>EBIT</b>	<b>14.316</b>	<b>9,6%</b>	<b>17.032</b>	<b>10,6%</b>	<b>-15,95%</b>
Net financial income (charges)	187	0,1%	(459)	-0,3%	
Share of profit of associated companies	(78)	-0,1%	36	0,0%	
Other net income and charges	(29)	0,0%	0	0,0%	
<b>Income (loss) before taxes</b>	<b>14.396</b>	<b>9,6%</b>	<b>16.608</b>	<b>10,3%</b>	<b>-13,32%</b>

The following table details the net financial position of the group:

Net financial position	31/03/2024	31/12/2023
A Cash and cash equivalents	131.556	131.041
B Cash equivalents	-	-
C Other current financial assets	4.699	4.844
<b>D Liquidity (A + B + C)</b>	<b>136.255</b>	<b>135.885</b>
E Current financial debt	(36.775)	(28.442)
F Current portion of non-current financial debt	(16.860)	(16.245)
<b>G Current financial indebtedness (E + F)</b>	<b>(53.635)</b>	<b>(44.687)</b>
<b>H Net current financial position (D + G)</b>	<b>82.620</b>	<b>91.198</b>
I Non-current financial debt	(18.101)	(18.654)
J Debt instruments	(10.984)	(10.325)
K Non-current trade and other payables	(7.387)	(7.633)
<b>L Non-current financial indebtedness (I + J + K)</b>	<b>(36.472)</b>	<b>(36.612)</b>
<b>M Net Financial Position (H + L)</b>	<b>46.148</b>	<b>54.586</b>

## Comment on management performance

The following table breaks down the turnover in the first three months of 2024 in the work sectors of the group, compared with the similar division for the same period in the previous financial year:

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Medical	91.704	61,33%	96.812	60,00%	-5,28%
Industrial	57.812	38,67%	64.543	40,00%	-10,43%
<b>Total revenue</b>	<b>149.516</b>	<b>100,00%</b>	<b>161.355</b>	<b>100,00%</b>	<b>-7,34%</b>

Turnover decreased by about 7,3%, most markedly in the industrial sector.

From the perspective of the geographical distribution of turnover, the performance of the period is illustrated in the following tables:

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Italy	23.816	15,93%	39.632	24,56%	-39,91%
Europe	38.840	25,98%	39.279	24,34%	-1,12%
ROW	86.860	58,09%	82.444	51,09%	5,36%
<b>Total revenue</b>	<b>149.516</b>	<b>100,00%</b>	<b>161.355</b>	<b>100,00%</b>	<b>-7,34%</b>

### Medical sector

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Italy	7.331	7,99%	9.317	9,62%	-21,32%
Europe	29.044	31,67%	28.917	29,87%	0,44%
ROW	55.330	60,33%	58.578	60,51%	-5,54%
<b>Total revenue</b>	<b>91.704</b>	<b>100,00%</b>	<b>96.812</b>	<b>100,00%</b>	<b>-5,28%</b>

Sales performance in the medical sector declined by around 5%, mainly due to a more pronounced drop in the Italian market.

### Industrial sector

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Italy	16.484	28,51%	30.315	46,97%	-45,62%
Europe	9.797	16,95%	10.362	16,05%	-5,45%
ROW	31.530	54,54%	23.866	36,98%	32,11%
<b>Total revenue</b>	<b>57.812</b>	<b>100,00%</b>	<b>64.543</b>	<b>100,00%</b>	<b>-10,43%</b>

Sales in the industrial sector were mainly affected by the weakness of the Italian market, and to a lesser extent the European market, while recovering in the rest of the world thanks to the stable trend in the Chinese market, the excellent performance of the Brazilian subsidiary and the rapid acceleration of the US market.

Within the medical and aesthetic systems sector, which represents over 60% of the group's turnover, the sales performance of the various segments is illustrated in the following table:

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Aesthetic	48.370	52,75%	55.638	57,47%	-13,06%
Surgical	20.020	21,83%	19.236	19,87%	4,08%
Physiotherapy	3.739	4,08%	3.923	4,05%	-4,70%
Others	471	0,51%	196	0,20%	139,99%
<b>Total medical systems</b>	<b>72.600</b>	<b>79,17%</b>	<b>78.993</b>	<b>81,59%</b>	<b>-8,09%</b>
Medical service	19.104	20,83%	17.819	18,41%	7,21%
<b>Total medical revenue</b>	<b>91.704</b>	<b>100,00%</b>	<b>96.812</b>	<b>100,00%</b>	<b>-5,28%</b>

The performance of the medical sector reflects a less favourable market environment than in the past, particularly in the aesthetics sector, as also evidenced by the quarterly results released by some of our competitors. On the other hand, turnover for surgical applications and after-sales services and consumables is still growing.

Aesthetics decreased by about 13%. If one considers the total revenues related to aesthetics, adding the service revenues related to the systems for aesthetics in the field, the drop in turnover is reduced to about 10%. It is hair removal systems that show the most marked slowdown, particularly in Italy and the United States, while in the other application segments, *body contouring*, ablative and non-ablative *anti-ageing* treatments, pigmented lesion and tattoo removal, the quarterly results are on the whole similar to those of the first quarter of 2023.

Sales of systems for surgical applications are still growing, thanks mainly to systems for urology. Sales of consumables related to the use of laser systems in urology, fibre optics, also increased, contributing to the positive trend (about +7%) in after-sales revenue.

The therapy segment, which is led in the group by Asa from Vicenza, also showed a slight drop in revenues in the quarter.

The participation in international trade fairs and congresses was very significant in the period, during which new products were launched, that the expectations of sales development in the coming months are based on. At the IMCAS (International Master Course on Aging Science) in Paris held at the end of January, Deka presented other new systems in the PRO range: Motus Pro, an intermediate range system for hair removal, Tetra Pro which introduces some very successful features in the United States on the CO<sub>2</sub> system for ablative anti ageing, Toro the new compact system for tattoo removal and anti ageing treatments with nanosecond technology, and Smartxide Pro which improves the ergonomics and usability of the entry-level system for dermatological and aesthetic CO<sub>2</sub> treatments. Also in Paris at the EAU (European Association of Urology Congress), Quanta System presented the Cyber Ho Magneto system that makes the high power of Holmium systems available for lithotripsy applications. Finally, at Cosmoprof in Bologna, Esthelogue presented the Red Edition version of the Mediostar produced for the Italian market by the German company Asclepion, a system with innovative solutions that further raise the product's standards of effectiveness, ergonomics and ease of use.

For the sector of industrial applications, the following table details the turnover according to the market segments the group works in.

	31/03/2024	Inc %	31/03/2023	Inc %	Var. %
Cutting	44.045	76,19%	51.668	80,05%	-14,75%
Marking	6.369	11,02%	6,697	10,38%	-4,90%
Laser sources	1.316	2,28%	1.175	1,82%	12,01%
Conservation	99	0,17%	189	0,29%	-47,68%
<b>Total industrial systems</b>	<b>51.828</b>	<b>89,65%</b>	<b>59.729</b>	<b>92,54%</b>	<b>-13,23%</b>
Industrial service	5.983	10,35%	4.814	7,46%	24,30%
<b>Total industrial revenue</b>	<b>57.812</b>	<b>100,00%</b>	<b>64.543</b>	<b>100,00%</b>	<b>-10,43%</b>

The decline in sales in marking systems is driven by a slowdown in decoration applications, while growth continues in identification systems produced by Lasit, which posted double-digit growth in the quarter.

The causes of the reflexive trend in the Italian market have been described above and reside not only in the less favourable general economic situation, but also in the impact of tax relief policies: these were certain and attractive until a year ago, they are less attractive in the present, but above all uncertain and indeterminate.

Noteworthy is the very rapid acceleration in after-sales services. This is directly dependent on the rapid increase in the installed base in previous years. With a time lag corresponding to the warranty period, the large number of systems installed in previous years now becomes a source of revenue for regular technical assistance. Although the group has always made the cost-effectiveness for the customer of the maintenance service one of the strong points of its offer, and has not changed this approach, the number of new installations is leading to a progressive increase in revenue for service.

Source sales performed well, revenues for restoration systems declined during the period.

As for the activities of the restoration sector, apart from their results in terms of turnover, we would like to recall their great value and significance for us in making our technologies available for the conservation of the world's artistic heritage, and to point out some significant works in progress thanks to our technologies. The attached photo shows a detail of the Gothic church of Saint Nizier in Lyon (also home to one of our companies), where the effect of laser cleaning on part of the restored frieze is evident.



Let us now move on to comment the entries of the Income Statement.

The gross margin was 62.400 thousand Euro, up 2% from 61.123 thousand Euro at 31 March 2023. It is thanks to the marked increase in the margin from 37,9% in the first quarter of 2023 to 41,7% in the first quarter of 2024, that the gross margin for the period grew despite the lower turnover. We would like to point out that the income recorded in the financial statements for insurance and government reimbursements related to the damage caused by the November 2023 flood in Campi Bisenzio contributed to this improvement by about 1,9 million Euro, or 1,3 percentage points of turnover. Net of this income, however, the margin for the period improved by 2,5 percentage points compared to the first quarter of 2023, due to a more favourable composition of sales, both in terms of product types and target markets within individual segments, and the greater relative weight of the medical sector.

Other operating services and charges amounted to 15.914 thousand Euro, up from 14.066 thousand Euro as at 31 March 2023, with the percentage of turnover increasing from 8,7% to 10,6%. The increase basically stems from the higher business expenses incurred during the period, with companies in both sectors pushing hard on the internationalisation of their sales. The number of international trade fair and conference events that the group participated in, in the first months of the year was significant and above average.

In the comparison between periods, it is worth mentioning the presence in 2024 of notional costs for *stock option* plans for directors and collaborators in the amount of about 128 thousand Euro costs that were not present in the first quarter of 2023.

Personnel expenses of 27.269 thousand Euro were up 4,4% compared to 26.123 thousand Euro as at 31 March 2023, with the incidence on turnover increasing (16,2% in 2023, 18,2% in 2024) due to the lower volume of business in the period. As for 1,4 percentage points, the increase in personnel expenses was due to the increase in notional costs for employee *stock option* plans, which amounted to 856 thousand Euro in the period, compared to 453 thousand Euro in the first quarter of 2023.

The group has 2.110 employees as of 31 March 2024, up from 2.082 of 31 December 2023. The increase mainly affected the parent company and some Italian subsidiaries.

A considerable amount of staff expenses is absorbed by research and development, for which the Group also receives funds and reimbursements of expenses in view of specific contracts signed with the appropriate bodies.

EBITDA amounted to 19.217 thousand Euro, down 8,2% from 20.934 thousand Euro as of 31 March 2023. The incidence of turnover decreases slightly (13% in 2023, 12,9% in 2024).

Costs for amortizations, depreciations and accruals increased slightly, going from 3.902 thousand Euro on 31 March 2023 to 4.901 thousand Euro on 31 March 2024, but their effect on the turnover decreases from 2,4% to 3,3%. The increase in this cost item was determined by the increase in provisions for credit risks, both in general and especially the specific provision of 1,6 million Euro resulting from the sudden financial crisis of a key customer, a chain of hair removal centres, of the Japanese subsidiary Withus. The warranty reserve is partly released, mainly due to the changed and less unfavourable warranty conditions applied to sales of laser cutting systems in China.

As a result, the EBIT amounted to 14.316 thousand Euro, down from 17.032 thousand Euro in the first quarter of 2023, with the ratio to sales decreasing from 10,6% to 9,6%.

Financial income amounted to 187 thousand Euro compared to the financial charges for 459 thousand Euro in the same period last year, an improvement essentially due to the more favourable effect of currency exchange rates during the period.

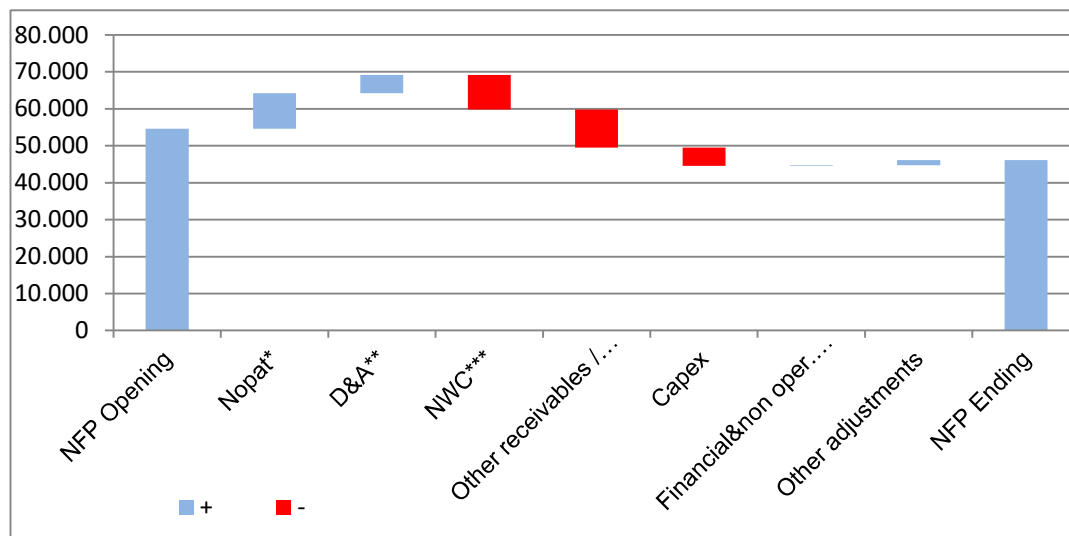
The income before taxes amounted to 14.396 thousand Euro, lower than the 16.608 thousand Euro of 31 March 2023.

## Financial position and investments

### Comment on the evolution of the net financial position

The net financial position recorded a decrease of approximately 8,4 million during the period, from 54,6 million of 31 December 2023 to 46,2 million of 31 March 2024.

The graph below represents the main determinants of cash flows in this first quarter of 2023. The increase in net working capital absorbs about 9,3 million, while about 10,3 million is absorbed by the variation in other debit and credit items, including the increase in down payments paid to suppliers, the decrease in down payments received from customers, and the increase in VAT receivables from the Italian Treasury due to the increase in exports.



\* Nopat = Ebit - Income tax

\*\* D&A = Depreciation, Accruals and Devaluation

\*\*\* NWC = Net Working Capital

It should be noted that the balance of bank and postal accounts of the Chinese companies includes approximately 7,6 million Euro of fixed term deposits until the expiration date of some payments to suppliers against the issue of bank notes.

It should also be noted that approximately 7 million Euro of Penta Zhejiang's bank accounts are unavailable due to the blockade imposed by the court in the ongoing lawsuit for the payment of an important supply to a Chinese customer.

Lastly, we also point out that as for about 22 million Euro, the liquidity was invested in insurance-type financial instruments which by their nature need to be entered under non-current financial assets. This type of liquidity investment is held by El.En. Spa for 11,5 million Euro, Quanta System for 2,5 million Euro and Deka Mela for 8 million Euro. Being medium-term liquidity investments, these amounts do not form part of the net financial position. At the end of the period, the total *fair value* of investments is equal to 23,8 million Euro.

### Gross investments performed in the quarter

The gross investments performed in the period of reference are illustrated below.

	31/03/2024	31/03/2023
Intangible assets	557	171
Tangible assets	4.510	3.868
Financial fixed assets		9
Total	5.068	4.048

Capital expenditure in the period totalled around 5 million Euro, up by 1 million Euro compared to the previous year. No individual investments of particular significance were reported during the quarter. Of the 4,5 million invested in tangible fixed assets, approximately 2,5 million related to expansion or reorganisation works at the factories (Calenzano, Prato, Torre Annunziata, Wuhan and Samarate) and the same amount for equipment, motor vehicles and other assets. Approximately 1,5 million Euro related to the registration of new investments for rents accounted for in accordance with IFRS16, affecting the net financial position but not the cash position.



## Comment on research and development activities

El.En. Group is currently among the few in the world who develop, manufacture and market products based on the widest spectrum of available laser technologies, including: solid-state laser, semi conductor laser, active fibre laser, dye laser, CO<sub>2</sub> laser, in addition to various frequency conversion systems, including OPO and Raman, capable of providing solutions from infrared to ultraviolet with different levels of power and emission duration, to fulfil a wide range of applications. In addition to laser technology, El.En. is active in other technologies, always in the field of electromagnetic energy forms, including, in particular, radiofrequency, microwaves, and high-intensity electromagnetic fields. Therefore, Research and Development is addressed to numerous and different systems, subsystems and accessories.

Intense Research and Development activity was also carried out during the first quarter of 2024 according to the strategy of pursuing continual innovation, aimed at opening new laser applications or of other energy sources, both in the medical and industrial sector (also including applications for the preservation of cultural heritage) and to place innovative products on the market from the point of view of applications, performance of the devices and technologies used.

In the medical sector, the first quarter of 2024 was marked by the production ramp-up and market launch of a whole new product range announced at the IMCAS 2024 World Congress of dermatology and aesthetic and plastic surgery. These are the new platforms of the PRO, Motus PRO, Tetra PRO, SmartXide PRO and TORO line, which complete the PRO range, partially released at the World Congress in Singapore (July 2023) with the Again PRO, RedTouch PRO and Onda PRO systems.

The PRO series represents a total innovation in the high range Energy Based Devices sector, and suggests many recognisable new elements, both in terms of a renewed aesthetic design of the equipment and graphic interfaces, which are absolutely innovative and user friendly, and in terms of increased performance, which confirm a continuous and constant focus on the needs of doctors and the benefits of operators and patients.

The launch on the US market of the new PhysiQ 360° body contouring product, which adopts an extremely innovative laser technology never before used in body shaping treatments, introducing a specific claim concerning the treatment of fat.

For more in-depth information on El.En. Group's research and development activities for laser systems and applications for aesthetic medicine and surgery, for industry and for restoration, refer to the extensive Research and Development section in the Annual Report as at 31 December 2023.

<i>Thousands of Euro</i>	31/03/2024	31/03/2023
Staff costs and general expenses	4.168	3.699
Equipment	95	107
Costs for testing and prototypes	870	1.149
Consultancy fees	87	84
Other services	15	13
<b>Total</b>	<b>5.235</b>	<b>5.052</b>

As per consolidated company practice, the expenses listed in the table have for the most part been recorded under operating costs in the absence of a reasonable return of investment estimate.

The amount of the expenses incurred corresponds to approximately 3,5% of the consolidated turnover of the group. The expenses incurred by El.En. S.p.A. are equal to approximately 4,5% of its turnover.

## Performance of ElEn. shares.

The share performance is shown in the chart below:



## Other information

Please note that on 3 October 2012 the El.En. S.p.A. Board of Directors decided to join to the opt-out scheme envisaged respectively by articles 70, paragraph 8 and 71, paragraph 1-*bis* Consob Issuers' Regulation 11971/99, availing of the right to derogate from the obligations to publish the required information documents in the event of significant extraordinary transactions involving mergers, demergers, capital increases through contributions in kind, acquisitions and divestments.

## Significant events occurred during the quarter

No noteworthy events occurred during the first quarter of 2024.

## Potential developments of the business unit "Laser Cut"

The plan to carry out an IPO on a regulated market in China was put on hold due to the inadequate financial results and the weakness of the Chinese market, pending the re-emergence of favourable circumstances to enable a successful IPO. The private equity funds that had invested in Penta Laser Zhejiang with the aim of accompanying the company to the market exercised the withdrawal option reserved for them during the capital increase stage. Negotiations are ongoing with the current financial shareholders and others potentially able to replace them in the capital, in order to prevent the repayment of the capital from the company's resources alone from restricting its development potential.

## Conflicts in Ukraine and the Middle East

The war that has been waged for two years in Ukraine has caused great uncertainty and criticality in international relations between all parties directly and indirectly involved in the conflict. The conflict in the Middle East, which has been ongoing for more than six months now, is also destabilising international relations in the Middle East region. The state of war on Ukrainian territory and the strict trade sanctions imposed on Russia have limited or precluded the

continuation of existing trade relations in these areas. The group has historically had fruitful business relations with Ukraine and Russia, particularly in the field of aesthetic medical applications. The Middle East conflict is limiting sales in the two countries directly involved, Israel and Palestine, and is not helping the smooth development of business in the surrounding areas.

## Subsequent events

On 29 April, the Ordinary Shareholders' Meeting of the parent company approved the financial statements for the year 2023, which showed a net profit of 28.122.000,00 Euro, and also resolved:

- to distribute to the shares outstanding on the ex-dividend of coupon no. 3 on 20 May 2024 - in compliance with that set forth by art. 2357-ter, second paragraph, of the Italian Civil Code, a dividend, equal to 0,20 Euro gross per outstanding share for a total amount as of the date of the resolution of 16.006.440.40 Euro, it being understood that said amount could be increased by any new amounts required for the distribution of the dividend to the shares outstanding as of the ex-dividend date resulting from the exercise of the 2016-2025 stock option plan in the period between the date of the resolution and the *record date* of 21 May 2024;
- to allocate the residual amount equal, as of the date of the resolution, to 12.115.559,60 Euro to the extraordinary reserve, it being understood that this amount could be decreased by any new amounts required for the distribution of the dividend from the shares outstanding as of the ex-dividend date resulting from the exercise of the 2016-2025 *stock option* plan in the period between the date of the resolution and the record date of 21 May 2024;
- to pay the above dividend from 22 May 2024.

The Ordinary Shareholders' Meeting also:

- approved the Remuneration Report and the compensation paid, in accordance with Art. 123-ter Consolidated Law on Finance paragraph 3-bis and Art. 123-ter of the TUF paragraph 6.

- appointed the Board of Directors for the three-year period 2024-2026 and thus until the approval of the financial statements as at 31 December 2026, appointing Gabriele Clementi as Chairman and electing as other directors, Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Roberta Pecci, Michele Legnaioli, Giovanna D'Esposito.

Pursuant to Article 19 of the Articles of Association, the directors Clementi, Cangioli, Alberto Pecci, Romagnoli, Roberta Pecci and Legnaioli were drawn from the list of candidates presented by the shareholder Andrea Cangioli (list no. 1); the director D'Esposito was drawn from the list presented by a grouping of asset management companies and other institutional investors (list no. 2).

The composition of the board of directors respects the gender balance pursuant to Article 147-ter, paragraph 1-ter of Italian Legislative Decree 58/1998.

The election of the directors Romagnoli, D'Esposito and Legnaioli provides the board with 3 independent directors in accordance with the provisions of Article 19 of the Articles of Association in compliance with Article 147-ter, paragraph 4, of Italian Legislative Decree 58/98 and Article 2 of the Corporate Governance Code of Borsa Italiana. At the time of accepting the appointment they declared that they meet these requirements and undertook to maintain them throughout their term of office and to resign should they fail to do so.

- redetermined the remuneration of the administrative body by approving the total emolument of the Board of Directors, pursuant to Article 2389 of the Italian Civil Code and pursuant to Article 21 of the Articles of Association.

- appointed Elisa Raoli as minority alternate auditor to supplement the Board of Statutory Auditors following a proposal submitted by a group of asset management companies and other institutional investors.

- resolved, subject to revocation for the unused portion of the authorisation already granted by the same shareholders' meeting on 27 April 2023, to authorise the purchase and disposal of treasury shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, Article 132 of Italian Legislative Decree No. 58 and Article 144-bis of the Consob regulation.

Treasury stock will be purchased for the following possible, competing or alternative purposes: for allocations or distributions to employees and/or collaborators and/or members of the administration or control bodies of the company or its subsidiaries, for exchanges or exchanges of equity investments in the context of and on the occasion of transactions of a strategic nature.

The authorisation was granted for the period of 18 months from the date of the resolution, for the purchase, in one or more *instalments*, of a maximum number of ordinary shares of the company, the only category of financial instruments currently issued by the company, which in any case does not exceed one-tenth of the share capital. Purchases of treasury stock will be made in compliance with the criterion of equal treatment of shareholders in accordance with Article 132 T.U.F. and Article 144-bis Issuers' Regulation. Shareholders are authorised to purchase at a price that is at the minimum no lower than the closing price of the share recorded in the stock exchange session on the day preceding the completion of each individual transaction, minus 10%, and at the maximum no higher than 10% of the official trading price recorded on the day preceding the purchase.

The Board was given authorisation to sell or dispose of, within 10 years of the resolution, the purchased shares at a price, or countervalue in the case of corporate transactions, of no less than 95% of the average of the official trading prices recorded in the five days preceding the sale or disposition.

Lastly, the Extraordinary Shareholders' Meeting resolved to introduce into the Articles of Association the amendment of Article 14 (Intervention in Shareholders' Meetings), providing that the notice of each Shareholders' Meeting may specify that intervention and the exercise of voting rights may take place exclusively through the representative designated by the Company, thus seizing the opportunities offered by the reform underway in the Italian legislative system to support the competitiveness of capital and aimed at simplifying access to and regulation of capital markets.

On the same day, the Board of Directors of the parent company appointed the Chairman Gabriele Clementi and Director Andrea Cangioli as Managing Directors, assigning them, separately and with free signature, all the powers of ordinary and extraordinary administration for the performance of any activity falling within the corporate purpose, with the exception of the powers subject to prohibition of delegation pursuant to the law and the Articles of Association.

## **Current outlook**

The results for the first quarter of 2024 show a downturn compared to the first quarter of 2023, a downturn that the Group had specifically referred to in the Annual Guidance and then expected to be overcome in the following quarters with the recovery in the year in terms of both turnover and EBIT.

In the meantime, general market and economic conditions have not improved, and uncertainties stemming from war conflicts and interest rates that are slow to fall, remain. As a result, the Guidance indicated for the financial year 2024 in terms of improvement in turnover and EBIT compared to 2023 is more difficult to achieve, and is confirmed as a maximum target, to be monitored and verified on the basis of the performance in the following quarters.

For the Board of Directors

Managing Director  
Mr Andrea Cangioli

## Annex “A”: List of consolidated companies on 31 March 2024

### Subsidiaries

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
<b><u>Parent company</u></b>					
El.En. S.p.A.	Calenzano (ITA)				
<b><u>Subsidiary companies</u></b>					
Ot-Las S.r.l.	Calenzano (ITA)	98,89%		98,89%	98,89%
Cutlite Penta S.r.l.	Calenzano (ITA)		100,00%	100,00%	75,15%
Deka Mela S.r.l.	Calenzano (ITA)	85,00%		85,00%	85,00%
Esthelogue S.r.l.	Calenzano (ITA)	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lyon (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.	Milan (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%	75,15%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		76,00%	76,00%	75,15%
Cutlite do Brasil Ltda	Blumenau (BRAZIL)		98,27%	98,27%	73,85%
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.	Zaragoza (Spain)		65,00%	65,00%	45,50%
Lasit Laser Deutschland GmbH	Immendingen (GER)		70,00%	70,00%	49,00%
Lasit Laser Uk Ltd	Solihull (GB)		70,00%	70,00%	49,00%
Penta Laser Technology (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	75,15%
Shenzhen KBF Laser Tech Co., Ltd	Shenzhen (CHINA)		60,00%	60,00%	45,09%
HL S.r.l.	Calenzano (ITA)		100,00%	100,00%	75,15%

### 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)	24,86%		24,86%	24,86%
Accure Inc.	Delaware (USA)		9,48%	9,48%	9,48%
ZheJiang Monochr Laser Intelligent Equipment Co., ltd.	Wenzhou (CHINA)		35,00%	35,00%	26,30%

**Annex "B": DECLARATION PURSUANT TO ART. 154BIS, PARAGRAPH 2, IT. LEGISLATIVE DECREE No.58 / 1998**

The undersigned Mr. Enrico Romagnoli, as the executive officer responsible for the preparation of the financial statements of El.En. S.p.A. declares, pursuant to paragraph 2 of art. 154-bis of It. Legislative Decree no. 58 of 24 February 1998, that the accounting information contained in this document matches the documentary evidence, books and accounting records.

Calenzano, May 15, 2024

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