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Oggetto : The Board of Directors of El.En. releases the
interim financial report as of September 30,
2024

Testo del comunicato

Vedi allegato



3.1 REGEM

Press release

The Board of Directors of El.En. releases the interim financial report as of September 30, 2024

Continued cash generation for the Group:

+5 million of euro in the 3rd quarter, +19 million of euro in the 9 months

Consolidate Revenues for the 9 months: 466,2 million of euro

EBITDA: 61,9 million of euro, 13,3% on revenues

EBIT: 50,8 million of euro, 10,9% on revenues

Profit before taxes: 53,8 million of euro

Unchanged Guidance

Main consolidated data as of September 30, 2024

- Consolidated revenues: 466,2 million of euro vs. 493 million of euro del 2023 (-5,4%)
- EBITDA: 62 million of euro (+0,2 %) vs. 61,9 million of euro in 2023
- EBIT: 50,9 million of euro (-1,7%) vs. 51,8 million of euro in 2023
- Profit before taxes: 53,8 million of euro (+5,8%) vs. 50,9 million of euro in 2023
- Net Financial Position: positive for 73,9 million of euro vs. 68,6 million of euro on 30.6.2024

Main consolidated data of the third quarter

- Consolidated revenues: 153,3 million of euro vs. 147,4 million of euro in Q3 2023, (+4%)
- EBITDA: 20,6 million of euro (13,4% on revenues) vs. 16,2 million of euro in Q3 2023, (+27%)
- EBIT: 16,7 million of euro (10,9% on revenues) vs. 12,9 million of euro in Q3 2023, (+29,4%)
- Profit before taxes: 15,3 million of euro (10% on revenues) vs. 13,0 million of euro of Q3 2023, (+17,5%)

Florence, 14th of November 2024 – The Board of Directors of El.En. S.p.A., a leader in the laser market and listed on the Euronext STAR Milan (“STAR”) of the Italian Stock Exchange, today approved the financial results for the period ending September 30, 2024. The report indicates **consolidated revenues of 466,2 million of euro**, representing a decrease of approximately 5,4% compared to 493 million for the same period in 2023. Additionally, **EBIT** was **50,9 million of euro**, reflecting a decline of around 1,7% from **51,8 million of euro** in the first nine months of 2023.

Revenues in the third quarter amounted to **153,3 million of euro**, representing a 4% increase compared to **147,4 million of euro** in the corresponding quarter of 2023. **The operating profit for the quarter** was **16,7 million of euro**, with a 10,9% margin on revenue, compared to **12,9 million of euro** registered for the same period in 2023, showing an increase of approximately 29,4%.

Gabriele Clementi, President of EL.EN. Spa said: *"In and economic environment characterized by uncertainty, we are very pleased with the overall quarterly results, and even more so with the strongly positive performance of certain business areas, which have allowed us to offset in the consolidated results the weaker performance of other activities. Regarding the guidance provided by the group for the year 2024, the results for the quarter are currently in line with the expected growth in operating profit for 2024, which, assuming a consistent consolidation perimeter, will exceed that of 2023"*.



The performance in the third quarter confirmed positive aspects as well as some challenges that emerged in the first six months of the year. Similar to the first half of the year, excellent results were achieved in several sectors and business segments; however, the laser cutting activity in China continued to face operational difficulties and financial losses.

The performance of the medical sector has been particularly encouraging, showing a 2,1% increase in sales over the first nine months compared to 2023 (and a 10,6% increase in the quarter). In the quarter, revenue growth was positive across all major segments in which the group operates: Aesthetics, Surgery, Therapy, and After-sales. The group's ongoing commitment and investments in personnel, operational facilities, and equipment dedicated to the development of new products represent a significant financial effort that allows us to continuously offer our commercial networks an unparalleled range of innovative systems in the market. Additionally, we have demonstrated the ability to maintain excellent results, particularly in the American market, which has generally shown evident signs of weakness this year. However, product innovation and partnerships with significant distribution networks have enabled the group to maintain strong positions in the first nine months, unlike many of our major competitors.

In the industrial sector, a decline in revenue was recorded, but not in profitability. The Chinese market has been experiencing a rather complex phase, with contracting demand and price pressures leading to lower results for the subsidiaries of the group. While the expansion of international revenue (+54% over nine months) and the reduction of structural costs have not been sufficient to offset the impact of lost revenue in China—where activities saw a revenue decline exceeding 20% over the nine months and significant operating losses, although less than in 2023. The Italian market continued to exhibit weakness due to an unfavorable economic cycle, which has been exacerbated for machine tool manufacturers by the issues surrounding the so-called Industry 4.0 and 5.0 incentives. In response to declining revenues in Italy for both Cutlite Penta in cutting and Lasit in marking, a promising recovery in order acquisition in the cutting sector has emerged in recent months, driven by recent clarifications from the government regarding the application of Industry 5.0 incentives, which alleviated the uncertainties that were holding back investments. Notably, international markets have shown strong performance, with Cutlite Penta experiencing substantial growth (+50% over nine months), primarily driven by the North American market, and Lasit also seeing rapid development (+49% over nine months), aided by contributions from its European subsidiaries. The sales margins that the group manages to achieve are notably better in international markets compared to the more competitive Italian market. From a margin and operating results perspective, the effect of declining sales has been almost fully offset by higher average margins.

The innovative processes that enable the group to enhance its product range and provide customers with attractive and cutting-edge solutions remain central to the group's activities, strategic priorities, and investments. Medium-term forecasts regarding the growth of target markets remain positive, and the group continues to rely on their development. It considers it essential to sustain significant investments in research, development, and innovation to improve its competitiveness over time and capitalize on the growth opportunities that these markets present.

Throughout the year, the group continued its sustainability-oriented activities, which are also included among the performance indicators for management compensation. The new five-year plan for 2023-2027 outlines specific and measurable sustainability activities and objectives, addressing sensitive issues such as climate change mitigation, the circular economy, the promotion of a responsible supply chain, the enhancement of individual contributions, and community support. The group reaffirms its ongoing commitment to sustainable development, where environmental and social responsibility are increasingly integral to its business model. In the quarter, a significant philanthropic donation was



made, specifically the donation of a DEKA laser to a hospital in Thailand for the treatment of wounds inflicted on civilians victims of attacks and explosions in the separatist provinces in southern Thailand.

In the **medical sector**, revenue was **294 million of euro** compared to **287,9 million of euro** for the same period in 2023, representing a 2,1% increase.

Sales in the medical sector showed an increase, particularly driven by **post-sale revenues**, which reached **59 million of euro**, reflecting a **13,1%** change. Revenue from systems remained in line with the previous year, with aesthetics generating **165,7 million of euro** vs. **165,6** million in 2023 and surgery generating **56,4 million of euro** compared to 55.9 million of euro in the same period of 2023. The only significant decline in revenue was reported in the dental segment, which constitutes the majority of the residual "Other" sector, due to the reorganization and transition phase of the group's main American customer in this area. However, a recovery in revenues for this segment is expected in the upcoming quarters.

In the aesthetics sector, recovery continued in the third quarter compared to 2023. Within aesthetic applications, there was a moderate slowdown in sales of hair removal systems, while revenue growth continued across all anti-aging technologies. This includes micro-ablative CO2 systems (such as Tetra Pro and Helix for the United States), which focus on minimally invasive facial rejuvenation, and the highly successful Coolpeel in the USA; ultra-short pulse applications, nano, and Pico seconds like the Discovery Pico by Quanta System for toning, which has performed well in the Far Eastern markets; and non-ablative treatments like the Red Touch Pro by Deka, which is introducing a new paradigm in regenerative medicine. Onda PRO has also seen great success, particularly in Asia, for facial lifting. Sales of surgical systems remained stable at 2023 levels, with the main urology segment continuing to experience growth. Revenue for services includes the services and goods purchased by customers after the sale of the system. The contribution from optical fibers used as consumables in urological surgeries remains solid, accounting for approximately 40% of sales in this segment. Additionally, the therapy segment, managed by Asa in Vicenza, while recovering, still showed a slight decline in revenue compared to the corresponding period in 2023.

In the **industrial applications** sector, revenue recorded a decline of approximately 16% in the first nine months of 2024, primarily due to unfavorable market conditions in the cutting sector in key markets, namely China and Italy. **Revenue** amounted to around **172,2 million of euro** compared to **205 million of euro** in 2023. The **laser cutting** segment generated **revenue of 130,5 million of euro** versus **166,2 million of euro** in the first nine months of 2023. The revenue and order acquisition trends in Italy, as reported by UCIMU statistics, were very weak in the first half of the year but showed encouraging signs of recovery in subsequent months. The revenue growth from services remains strong, directly reflecting the significant increase in the number of systems installed in the past two fiscal years. Additionally, due to the decrease in revenue from systems, the contribution of service revenue to the total sector increased during the period, rising from 7,3% to over 10%. Sales of laser sources remained stable, while there was a significant recovery in the quarter for revenue from systems dedicated to art conservation, which exceeded the record results of 2023 in the nine-month period. The laser marking segment exhibited business volume in line with the same period of the previous year.

For the Art conservation segment, the preservation of artistic heritage represents one of the group's most significant commitments to socially impactful activities, where expertise and technologies are dedicated to the conservation of artistic artifacts. These often include masterpieces of global significance and renown, and El.En., having developed in a city with an extraordinary artistic heritage, considers this mission essential, also in relation to the needs of its territory.

The group's technologies enable conservation practices that respect the historical authenticity of each work, enhancing its original beauty and ensuring that these works are accessible for future generations.



For instance, El.En. lasers played a central role in the restoration of the Bardi Chapel frescoes by Giotto in the Basilica of Santa Croce in Florence, exemplifying the exceptional application of advanced technologies in the field of cultural heritage conservation. Laser cleaning is allowing for the discovery of figures lost over time, even due to human intervention, and for the removal of layers of dirt, dust, and residues without damaging the underlying pigment or compromising the integrity of delicate substrates, such as the 14th-century frescoes. Furthermore, lasers enable precision that is unattainable with traditional methods, thus preserving the original hues of the great Master's works.



Within consolidated revenues, in terms of **geography** the most significant growth was observed in Europe, with an **8,5%** increase and revenues up to **119,7 million of euro** compared to **110,4 million of euro** in the same period of 2023. The Rest of the World showed revenues for **275 million of euro**, remaining in line with the same period in 2023 (**276,3 million of euro**).

The Italian market continued to be weak, experiencing a decline of 32,8%, particularly in the industrial sector, which saw a 42,3% drop in sales. However, there was a slight recovery in Italy's medical sector, which showed a minimal decrease compared to the previous year. The industrial sector was impacted by the discontinuation of tax benefits from Industry 4.0 and the prolonged latency of the new Industry 5.0 incentive, which has been announced for some time but was only defined in detail last summer. In the **medical sector**, performance in European markets remained positive, while sales volumes in the Rest of the World, which are recovering, aligned with those of the previous year. In the **industrial sector**, there was evident strong performance in international markets, with robust growth in Europe, while the Rest of the World saw a slight decline, primarily due to a significant reduction in China and rapid development across all other markets, particularly in the USA.

Gross Margin for the nine-month period stood at **190,3 million of euro**, reflecting an increase of approximately **1,6%** compared to **187,2 million of euro** as of September 30, 2023. This marked a significant recovery in profitability, with the margin on sales increasing from 38% in 2023 to 40,1% in 2024.

It is noted that the improvement in sales margins is supported by approximately 1,9 million, corresponding to 0,4 percentage points of the revenue for the nine-month period, from insurance and government reimbursements related to the damage caused by the flood in November 2023 in Campi Bisenzio. Excluding these reimbursements, the margin for the period still improved by 2,4 percentage points compared to the early months of 2023, due to a more favorable composition of target markets in the industrial sector and to the increasing relative weight of the medical sector.

EBITDA in the nine months was positive for **62 million of euro**, aligned with the **61,9 million of euro** of September 30. EBITDA margin increased from 12,6% in 2023 to 13,3% in 2024.



EBIT at the end of the first nine months of 2024 showed a positive balance of **50,9 million of euro**, compared to **51,8 million of euro** as of September 30, 2023, with a margin on revenue increasing from 10,5% for the previous year to 10,9% for the current period. For the third quarter, the margin on revenue remained at 10,9%.

Profit before taxes for the nine-month period was approximately **53,8 million of euro**, compared to **50,9 million di euro** as of September 30, 2023, representing an 11,5% incidence on revenues, compared to 10,3% for the same period in 2023, indicating a 5,8% increase. This result also benefited from the positive effect of the remeasurement of financial debt due to the anticipated expiration of the earn-out clause that obligated Ot-las to pay approximately 5 million of euro to the previous partner of the Chinese joint venture in the event of a successful IPO for Penta Laser Zhejiang by the end of 2024.

As of September 30, 2024, the Group's **Net financial position** was standing at approximately **73,8 million of euro**. In the third quarter, the NFP increased by approximately **5,2 million of euro** compared to **68,6 million of euro** as of June 30, 2024, and by around **19 million of euro** since December 31, 2023. The net cash flow from operating activities, along with depreciation and provisions, exceeded 44 million of euro. This occurred against disbursements for increase in working capital of about 19 million, dividend payments of approximately 17 million, and capex totaling approximately 11,3 million of euro. The liquidation of investments in cash recorded under non-current assets contributed 16,3 million of euro to the NFP balance during the period. Additionally, there was a positive effect of 5 million of euro from the remeasurement discussed earlier. Lastly, at the end of the third quarter, the withdrawal agreed upon with the Chinese Private Equity funds that had invested in the capital of Penta Laser Zhejiang resulted in a reclassification of items within the net financial position, with 13,7 million of euro in cash being used to settle an equivalent amount of financial debts, and a decrease in the NFP of approximately 5,7 million of euro for the portion of capital and interest paid to the funds that had not been recognized as financial liabilities as it's reimbursement wasn't legally enforceable by the funds themselves, but which was nonetheless paid for reasons of prudence within the transactions signed for the withdrawal.

During the third quarter of 2023, the group continued to generate cash from its operating activities, registering an improvement in the net financial position of approximately 5 million in Q3 2023.

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The manager responsible for the preparation of corporate accounting documents, Dr. Enrico Romagnoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this press release corresponds to the documented results, the books, and the accounting records.

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Significant events in the quarter

As part of the reorganization of the laser cutting activities that the group is undertaking after previously suspending and then terminating the process aimed at an IPO for the division on the Chinese market, on August 29, 2024, Ot-las Srl repurchased 100% of the shares of Cutlite Penta Srl held by Penta Laser Zhejiang. Subsequently, Penta Laser Zhejiang proceeded to liquidate the holdings of the private equity funds that had invested in its capital, according to the terms outlined in the original capital increase agreement. This involved reimbursing investors the invested capital plus an annual interest of 6%, for a total amount of 151,8 million RMB, equivalent to approximately 19,4 million of euro, thus facilitating the exit of the private equity funds and officially terminating the IPO process.



To prevent any potential disputes from the CITIC investment fund, despite its prior waiver of the right to withdraw in the event of a failed IPO, the group's management deemed it appropriate to proceed with its liquidation as well, for a total value of approximately 5,7 million of euro in capital and interest.

Subsequent events

On November 8, 2024, El.En. S.p.A. announced that it has entered into a framework agreement with Yangtze Optical Fibre and Cable Joint Stock Limited Company (a limited liability company established in the People's Republic of China, hereinafter "YOFC") for the potential sale of a majority stake in the companies within El.En.'s Laser Cutting business unit, with a total expected consideration of 55,3 million.

The negotiations concern the sale of the Italian company Cutlite Penta S.r.l., its Brazilian subsidiary Cutlite do Brasil Ltda (hereinafter "Cutlite"), and the group of Chinese companies controlled by Penta Laser Zhejiang Ltd., Co., which has production facilities in the cities of Wuhan, Wenzhou, Lin Yi, and Shenzhen.

Should negotiations be successful, the subsidiary Ot-las S.r.l. will sell to YOFC, either directly or to its subsidiaries, a total of 28.698.288 shares, representing 59,2% of the capital of Penta Laser Zhejiang Ltd., Co., for a cash consideration of 298.700.000 RMB (approximately 38,8 million of euro at current exchange rates) and a stake in Cutlite Penta S.r.l. amounting to a nominal 334.956 euro, representing 67% of the capital, for approximately 16,5 million of euro in cash.

Simultaneously with the purchase, YOFC will subscribe to a capital increase in Cutlite Penta S.r.l. of nominal 51.256 euro, contributing a total subscription price of approximately 2,5 million euro to the company's capital, thus increasing its ownership to 70,1% of the company.

Following the completion of these transactions, the El.En. group will continue to hold a stake in the laser cutting division of approximately 19,3% in Penta Laser Zhejiang Ltd., Co. and about 30% in Cutlite Penta S.r.l.

The El.En. group, from its 30% stake in Cutlite Penta S.r.l., will allocate approximately 10% of the capital to a three-year incentive plan for key executives of Cutlite Penta S.r.l., pending the transformation of the company into a joint-stock company. These individuals will be granted the option to subscribe to shares of Cutlite Penta S.r.l. and to sell the subscribed shares to YOFC under specific terms and conditions based on Cutlite's financial performance during the period 2025-2027.

Current outlook

The financial results for Q3 2024 reflected the guidance indicated by management, showing a significant recovery in profitability, bringing the EBIT for the first nine months of 2024 very close to that of the corresponding period in 2023. Assuming for the rest of the year a consistent consolidation perimeter, including the financial results from the cutting sector, the existing guidance remains confirmed: an increase in operating profit for 2024 compared to 2023, while the decline in the cutting sector will prevent consolidated revenue from aligning with the record results of 2023. Pending the sale of the majority of the companies in the cutting sector, the presentation of consolidated results will involve the reclassification of costs and revenues from this sector for the entire fiscal year, excluding them from the operating result. Given the drastically altered consolidation perimeter, instead of updating the guidance for 2024 in line with the new representation of results, it is anticipated that a pro forma representation will be provided to allow for the assessment of the achievement of the confirmed guidance indicators.



As required by Consob, the Quarterly report as of September 30th, 2024 will be available for the public at our premises in Calenzano, at Borsa Italiana S.p.A., on our website www.elengroup.com, ("Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2024") from November 14, 2024 and on authorized storage website www.emarketstorage.com.

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CONFERENCE CALL

On November 15th, 2024, at 15.00 CET (14:00 GMT) (9:00 AM EST), El.En. S.p.A. will hold a Web conference call discussing the group's financial results. The following link can be used to join the call:

Zoom Link

<https://polytemshir-it.zoom.us/j/84818872565?pwd=0ck9HIYq0Ma4luTtbhqYkbB8w4IkkD.1>

ID meeting: 848 1887 2565

Access code: 397165

+3902124128823 - 84818872565#*397165# Italia

+390694806488 - 84818872565#*397165# Italia

Find your local number: <https://polytemshir-it.zoom.us/u/kxKodMmeE>

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Before the conference call, you can download the presentation slides from the Investor Relations page of the El.En. website:

<http://www.elengroup.com/it/investor-relations/presentazioni>

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This press release may contain forecast elements on future events and financial results of the El.En. Group based on current expectations, estimates and projections regarding the sector in which the Group operates and on the current opinions of the management. By their nature, these elements have a component of risk and uncertainty as they depend on the occurrence of future events. It should be noted that the actual results could differ even significantly from those announced in relation to a multiplicity of factors beyond the control of the Group including: global economic conditions, impact of competition, political and regulatory developments in Italy and abroad.

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El.En., an Italian company, is the parent of a high-tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En. Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:

- *Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;*
- *Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;*
- *Laser systems for scientific research*

Cod. ISIN: IT0005453250

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Mkt cap.: 900 MLN €

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**Tab. 1 – Three months ending September 30, 2024 (unaudited)**

Income statement - quarterly	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Revenues	153.263	100,0%	147.386	100,0%	3,99%
Change in inventory of finished goods and WIP	544	0,4%	12.555	8,5%	-95,66%
Other revenues and income	1.439	0,9%	1.107	0,8%	30,00%
Value of production	155.246	101,3%	161.048	109,3%	-3,60%
Purchase of raw materials	73.215	47,8%	94.119	63,9%	-22,21%
Change in inventory of raw material	7.092	4,6%	(2.197)	-1,5%	
Other direct services	13.463	8,8%	13.388	9,1%	0,56%
Gross margin	61.476	40,1%	55.738	37,8%	10,29%
Other operating services and charges	13.773	9,0%	13.772	9,3%	0,01%
Added value	47.703	31,1%	41.967	28,5%	13,67%
Staff cost	27.103	17,7%	25.741	17,5%	5,29%
EBITDA	20.601	13,4%	16.226	11,0%	26,96%
Depreciation, amortization and other accruals	3.900	2,5%	3.322	2,3%	17,39%
EBIT	16.700	10,9%	12.903	8,8%	29,43%
Net financial income (charges)	(1.153)	-0,8%	162	0,1%	
Share of profit of associated companies	(234)	-0,2%	(38)	0,0%	522,82%
Other net income and charges	0	0,0%	0	0,0%	
Income (loss) before taxes	15.313	10,0%	13.028	8,8%	17,54%

**Tab. 2 – Nine months ending September 30, 2023 (unaudited)**

Income Statement	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Revenues	466.225	100,0%	493.011	100,0%	-5,43%
Change in inventory of finished goods and WIP	6.677	1,4%	28.495	5,8%	-76,57%
Other revenues and income	7.293	1,6%	4.732	1,0%	54,11%
Value of production	480.194	103,0%	526.239	106,7%	-8,75%
Purchase of raw materials	246.529	52,9%	305.774	62,0%	-19,38%
Change in inventory of raw material	2.272	0,5%	(12.633)	-2,6%	
Other direct services	41.112	8,8%	45.887	9,3%	-10,41%
Gross margin	190.282	40,8%	187.211	38,0%	1,64%
Other operating services and charges	45.167	9,7%	44.393	9,0%	1,74%
Added value	145.115	31,1%	142.818	29,0%	1,61%
Staff cost	83.123	17,8%	80.938	16,4%	2,70%
EBITDA	61.992	13,3%	61.880	12,6%	0,18%
Depreciation, amortization and other accruals	11.111	2,4%	10.102	2,0%	9,99%
EBIT	50.881	10,9%	51.778	10,5%	-1,73%
Net financial income (charges)	(1.621)	-0,3%	(866)	-0,2%	87,22%
Share of profit of associated companies	(420)	-0,1%	(42)	0,0%	898,94%
Other net income and charges	4.971	1,1%	0	0,0%	
Income (loss) before taxes	53.810	11,5%	50.870	10,3%	5,78%

**NOTE:**

The El.En. Group uses some alternative performance indicators that are not identified as IFRS accounting measures, in order to better assess the Group's performance. Therefore, criteria of determination applied by the group may not be homogeneous with that adopted by other groups and the value obtained may not be comparable.

These alternative performance indicators, determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA / 2015/1415 and adopted by CONSOB with communication no. 92543 of December 3, 2015, refer only to the performance of the accounting period covered by this release and the periods to be compared.

The Group uses the following alternative performance indicators to evaluate the financial performance:

- **Gross margin from operations**, also known as "EBITDA", it's also an indicator of operating performance and it's calculated by adding the EBIT the entries under "Depreciation, amortization and other accruals";
- **Added Value**, determined by adding to EBITDA the item "For staff costs";
- **Gross Margin**, an indicator of sales margins calculated by adding to the Added Value the line " Other operating service and charges ";
- The impact of the various income lines on revenue.

The Group uses as alternative performance indicators to evaluate their ability to cope with financial obligations:

- **Net Financial Position** as: cash and banks + securities held as current assets + current financial assets – long term financial liabilities - current financial liabilities – other long term payables

Fine Comunicato n.0481-74-2024

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