



Quarterly Financial Report as of September 30th, 2024



EL.EN. S.P.A.

Headquarters in Calenzano (FI) – Via Baldanzese no. 17
Share capital underwritten and deposited EUR 2.602.479,75^(*)
Registered with the Florence Business Register no. 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 Quarterly Management Report as at 30 September 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 financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent Auditor

EY S.p.A.

EL.EN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS AT 30 SEPTEMBER 2024

Quarterly management report

Introduction

This intermediate management report as at 30 September 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 30 September 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 30 September 2024 are set out in comparison with those of the corresponding period of the previous financial year. All 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 those adopted by other groups and the result obtained might not be comparable with that determined by the latter.

These alternative non-GAAP measures, determined in compliance with what is established by the Guidelines on alternative non-GAAP 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 revenue, the variation in finished goods, semi-finished goods, work in progress and capitalisation and other 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 revenue and other income, production costs, other operating costs and depreciation, amortization and other accruals;
- the impact that the various entries of the income statement had on revenue.

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

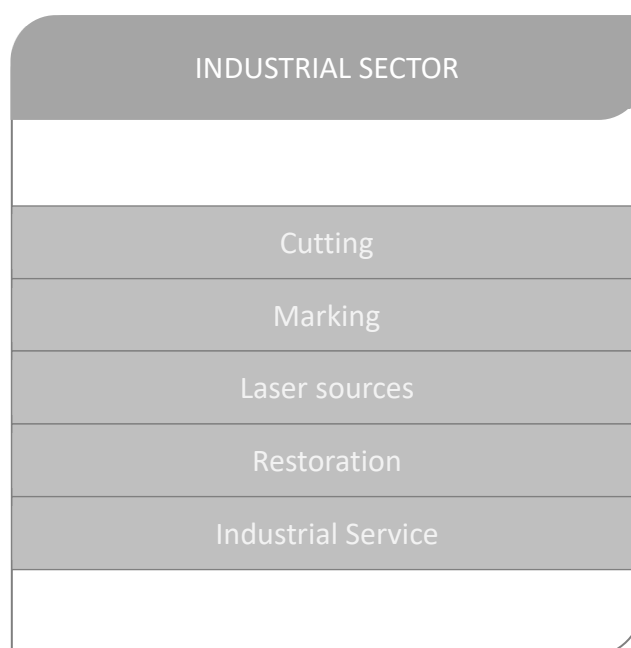
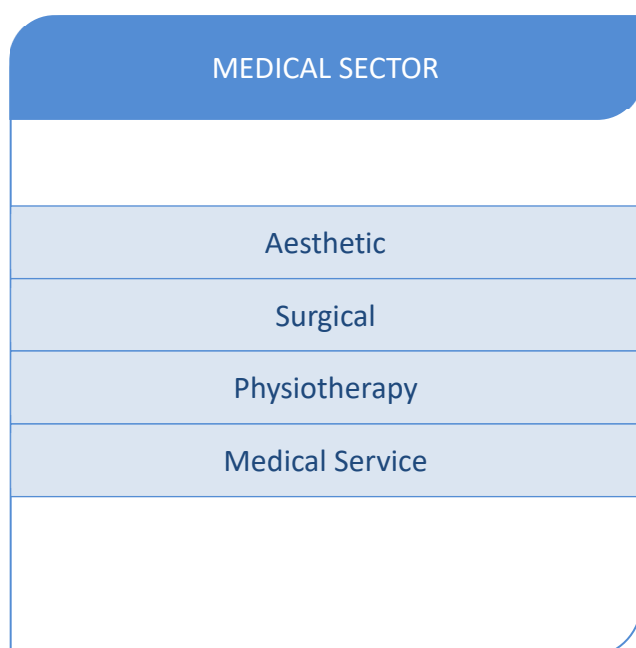
Founded in 1981 on an idea by a University professor and one of his students, El.En. has developed over the years into a structured and dynamic industrial group specialised in the production, research and development, distribution and sales of laser systems.

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 (mono-chromaticity, 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, lithographs, 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 in 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), “*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 aesthetic, 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 revenues 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. In fact, the best integration of medical *business units* is one of the goals of the General Director 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 ends the third quarter of 2024 with quarterly revenue up by around 4% compared to the third quarter of 2023, and with quarterly EBIT (EUR 16,7 million, +29%) and income (loss) before taxes (EUR 15,3 million, +18%) up sharply compared to the previous year.

The quarterly results are the result of and in line with the recovery and improvement expected in the second half of 2024. In the first nine months of the financial year 2024, revenue reached 466 million Euro (-5% compared to the first nine months of 2023) and EBIT 50,9 million Euro (-1,7% compared to 2023), the latter being in line with the forecast to catch up and surpass the EBIT gap compared to 2023 by the end of 2024. On the other hand, income/loss before taxes for the first 9 months was EUR 53,8 million and, thanks to some extraordinary items, already exceeded the corresponding result for 2023, which was 50,9 million Euro (+5,8%).

On 8 November 2024, the group announced that it had signed a preliminary agreement with YOFC. For details on this highly significant transaction for the group, for the companies involved and for the direction of their future development, we refer you to the press release of 8 November 2024 and the information provided in this report under the heading “Subsequent events”.

There is no question that we are very pleased with the quarterly results as a whole, even more so with the strongly positive performance of some business areas, which made it possible to overcome the still sluggish performance of some activities in the consolidated results.

The performance of the medical sector was particularly encouraging, leading the sector to post an increase in sales in the nine months compared to 2023 (+2,1% in the nine months, +10,6% in the quarter). During the quarter, the trend was positive and growing for all the main segments into which we divide our segment revenue: Aesthetic, Surgery, Therapy and After Sales. The ongoing commitment and investment in terms of staff, operational structures and equipment for the development of new products certainly constitutes a major financial effort, but it enables us to continuously offer our sales structures a range of systems of unparalleled breadth and innovation in the market.

Going on to evaluate the results of the medical sector in relation to the results reported by our competitors during the period, we note our ability to maintain excellent results particularly in the American market, which showed clear signs of weakness during the year, but on which product innovation enabled us to brilliantly maintain our positions in the first nine months.

In the industrial sector, where there was an overall decline in revenue but not in EBIT, the commentary on the trend is more structured. The Chinese market has been going through a very difficult phase for some time, with a contraction in demand and pressure on prices, which has caused our subsidiaries to record declining and still disappointing results even taking into account the not very ambitious expectations. The expansion phase of foreign revenue (+54% over the 9 months) and the reduction in overheads were not sufficient to offset the effects of the loss of revenue in China, with the business registering a reduction in revenue over the 9 months of more than 20% and significant operating losses, albeit lower than those in 2023. The Italian market continued to be weak, due to an unfavourable economic cycle aggravated for machine tool manufacturers by the Industry 4.0 and 5.0 subsidy affair. In contrast to declining revenue in Italy for both Cutlite Penta in cutting and Lasit in marking, there has been a promising recovery in order intake in the cutting sector in Italy in recent months, also the effect of ministerial clarifications on the application of the Industry 5.0 subsidy, which finally facilitate investment regardless of whether or not the customer can make use of it. Conversely, the performance in international markets was very good, with Cutlite Penta growing very fast (+50% over the 9 months), thanks mainly to the North American market, and Lasit growing equally fast (+49% over the 9 months), thanks also to the contribution of its European subsidiaries. The sales margins we achieve are significantly better in international markets than the performance in the more competitive Italian market, so that, from the point of view of sales margins and operating results, the effect of lower sales was almost completely offset by the higher average margin.

The innovative processes that enable us to improve the range of our products and to offer our customers attractive and always cutting-edge solutions are still at the centre of the group’s activities, strategic focus, and investments. The group trusts that the medium-term results of our target markets will herald positive developments, and believes that making consistent investments in research & development and innovation is of the utmost importance when it comes to improving its competitiveness over time and benefitting from the growth opportunities that our markets offer a glimpse of.

El.En. Group is committed to sustainable development in which environmental and social responsibility are increasingly an integral part of its business model: in the five-year Plan 2023-2027, the Group has identified specific and measurable sustainability activities and goals, on topics deemed more sensitive, such as combating climate change, circular economy, promoting a responsible supply chain, empowering people, and contributing to the community. During the first nine months of the year, therefore, the Group kept implementing its sustainability activities, which, for that matter, are included in the performance indicators for Management remuneration.

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. The projects launched in the previous years that will enable alignment with the new regulatory requirements by the end of the financial year continued.

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

Income statement - quarterly	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Revenue	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%

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

Income Statement	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Revenue	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%

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

	Net financial position	30/09/2024	31/12/2023
A	Cash and cash equivalents	137.418	131.041
B	Cash equivalents	-	-
C	Other current financial assets	10.564	4.844
D	Liquidity (A + B + C)	147.983	135.885
E	Current financial debt	(40.975)	(28.442)
F	Current portion of non-current financial debt	(3.792)	(16.245)
G	Current financial indebtedness (E + F)	(44.766)	(44.687)
H	Net current financial position (D + G)	103.216	91.198
I	Non-current financial debt	(16.490)	(18.654)
J	Debt instruments	(10.437)	(10.325)
K	Non-current trade and other payables	(2.417)	(7.633)
L	Non-current financial indebtedness (I + J + K)	(29.344)	(36.612)
M	Net Financial Position (H + L)	73.872	54.586

Comment on management performance

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

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Medical	294.013	63,06%	287.954	58,41%	2,10%
Industrial	172.212	36,94%	205.057	41,59%	-16,02%
Total revenue	466.225	100,00%	493.011	100,00%	-5,43%

Revenue decreased by about 5,4%, due to the performance of the industrial sector. The overall weight of sales in the medical sector on the group's sales increased from 58,4% to 63,1%.

From the perspective of the geographical distribution of revenue, the results of the period are illustrated in the following table:

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Italy	71.461	15,33%	106.396	21,58%	-32,84%
Europe	119.710	25,68%	110.363	22,39%	8,47%
ROW	275.054	59,00%	276.252	56,03%	-0,43%
Total revenue	466.225	100,00%	493.011	100,00%	-5,43%

Medical sector

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Italy	24.290	8,26%	24.584	8,54%	-1,19%
Europe	90.443	30,76%	85.075	29,54%	6,31%
ROW	179.279	60,98%	178.296	61,92%	0,55%
Total revenue	294.013	100,00%	287.954	100,00%	2,10%

Industrial sector

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Italy	47.170	27,39%	81.812	39,90%	-42,34%
Europe	29.267	16,99%	25.289	12,33%	15,73%
ROW	95.774	55,61%	97.957	47,77%	-2,23%
Total revenue	172.212	100,00%	205.057	100,00%	-16,02%

The weakness of the Italian market (-32,8%) persists, especially in the industrial sector with sales down by 42,3%, while revenue are recovering in the medical sector, which shows a very slight decrease compared to the previous year. The industrial sector suffered the effects of the interruption of industry 4.0 benefits and of the prolonged delay of the new industry 5.0, which was announced quite a while ago but whose operating details were only specified in the summer. In the medical sector, the performance in the European markets remained positive, while the sales volume in ROW was in line with the previous year. In the industrial sector, the excellent sales performance in international markets is evident, with strong growth in Europe and a slight decline in ROW, the result of marked losses in China and very rapid development in all other markets, the USA in particular.

Within the medical and aesthetic systems sector, which represents 63% of the Group's revenue over the nine months, the sales performance of the various segments is illustrated in the following table:

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Aesthetic	165.740	56,37%	165.613	57,51%	0,08%
Surgical	56.415	19,19%	55.930	19,42%	0,87%
Physiotherapy	11.703	3,98%	11.900	4,13%	-1,65%
Others	1.153	0,39%	2.340	0,81%	-50,75%
Total medical systems	235.011	79,93%	235.782	81,88%	-0,33%
Medical service	59.002	20,07%	52.172	18,12%	13,09%
Total medical revenue	294.013	100,00%	287.954	100,00%	2,10%

Sales of systems in the medical sector returned to an upward trend, thanks in particular to after-sales revenue, while revenue for systems were substantially in line with those of the previous financial year (slightly exceeding them for the two main sector, aesthetic and surgery), and showed a decline in the dental segment, which accounts for most of the residual "Others" sector, due to the reorganisation of the main US customer, which is, however, expected to recover strongly in the coming quarters.

These results are absolutely positive in light of the sales performance of our main competitors: in the group of listed companies releasing their results, revenue are mostly down by double digits, with only one company able to improve its turnover for the first nine months of 2024.

In the aesthetic sector, the recovery from 2023 continued and was completed in the third quarter. In the area of aesthetic applications, the slowdown in sales of hair removal systems was moderate and the significant growth in revenue in all *antiaging* technologies continued. These technologies include CO₂ ablative systems, such as Tetra Pro, dedicated to the rejuvenation of the face with minimally invasive techniques like *Coolpeel*, which is very successful in the USA; applications using ultra-short, nano and pico pulses, such as Discovery Pico of Quanta System for toning, doing extremely well in Far Eastern markets; and non-ablative application, such as Dekas's Red Touch Pro, which is introducing a new paradigm in regenerative medicine treatments.

Sales of surgical systems remained stable at 2023 volumes, including the core urology segment that continues to show growth.

In revenue for services we report on the services and goods sold following the system's sale. The contribution to this income item of fibre optics used as a consumable in urology operations, which represent nearly 40% of sales in this segment, remains solid.

The therapy segment, which is led in the group by Asa from Vicenza, also showed a slight decline in revenue.

For the sector of industrial applications, the following table details the revenue according to the market segments the Group operates in.

	30/09/2024	Inc %	30/09/2023	Inc %	Var. %
Cutting	130.468	75,76%	166.240	81,07%	-21,52%
Marking	20.053	11,64%	20.321	9,91%	-1,32%
Laser sources	3.082	1,79%	3.110	1,52%	-0,89%
Conservation	438	0,25%	398	0,19%	10,16%
Total industrial systems	154.041	89,45%	190.069	92,69%	-18,96%
Industrial service	18.170	10,55%	14.988	7,31%	21,23%
Total industrial revenue	172.212	100,00%	205.057	100,00%	-16,02%

The decline in sales in the industrial sector is driven by the weakness of its main target markets, such as the Italian and Chinese ones.

In Italy, an unfavourable general situation is made worse by the time lag of tax relief policies for investments, with a transversal effect on our application target markets, cutting, marking for identification, and marking for decoration. The

foreseen end of the 4.0 incentive was followed by a phase that proved to be even more uncertain than could have been predicted; in fact, the announcement by the government of the establishment of the 5.0 incentive, which was not followed by its effective implementation, led potential customers to wait its availability, creating a decrease in demand higher than that caused by the simple cessation of the incentives. The trend in revenue and order intake, as also reported by UCIMU statistics, was very weak in the first half of the year, but showed encouraging signs of recovery in the third quarter.

The increase in revenue for services, the direct and delayed consequence of the large increase in the number of systems installed in the last two financial years, continues. Also thanks to the decrease of revenue for systems, the impact of service revenue on the sector's total increased in the period, from 7% to approximately 10%.

The trend in laser source sales was stable, with a strong recovery in the quarter in revenue for restoration systems, whose revenue in the nine months exceeded the record result of 2023.

The Group's technologies make possible a conservation that respects the historical authenticity of each work, enhancing its original beauty and ensuring that it is also usable for future generations.

El.En. lasers have, for example, played a central role in the restoration of Giotto's Bardi Chapel in the church of Santa Croce in Florence, an outstanding example of the application of advanced technologies in the field of cultural heritage conservation. Laser cleaning is making it possible to uncover figures that have been lost over time, even due to human intervention, and to remove layers of dirt, dust and residues without damaging the underlying pigment or compromising the integrity of the substrates, which is essential for delicate works, such as 14th-century frescoes. Moreover, lasers allow a precision that is impossible with traditional methods, thus respecting the great master's original colours.



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

The **gross margin** was 190.282 thousand Euro, down by 1,6% compared to 187.211 thousand Euro as at 30 September 2023, despite a marked increase of the margin from 38% in 2023 to 40,8% of 2024.

We would like to point out that the income recorded in the income statement for other income due to Insurance refunds related to the damage caused by the November 2023 flood in Campi Bisenzio contributed to this improvement of the sales margin by about 1,9 million Euro, or 0,4 percentage points of revenue for the nine months. Net of this income, however, the margin for the period improved by 2,4 percentage points compared to the first months of 2023, due to a more favourable composition of target markets in the industrial sector and the greater relative weight of the medical sector.

Other operating services and charges amounted to 45.167 thousand Euro, up from 44.393 thousand Euro as at 30 September 2023, with the percentage of revenue increasing from 9,0% to 9,7%. In effect, the increase is the result of the higher sales expenditure incurred in the period, with the companies of both sectors committed to expanding their presence on the international markets.

Also contributing to the increase in these costs are the notional costs for *stock option* plans for administrators which amounted to approximately 387 thousand Euro as at 30 September 2024 against 281 thousand in the first nine months of 2023.

Staff costs of 83.123 thousand Euro were up 2,7% compared to 80.938 thousand Euro as at 30 September 2023, with the incidence on revenue increasing (16,4% in 2023, 17,8% in 2024) due to the lower volume of business in the period. The notional costs for *stock option* plans in favour of employees amount to 2.145 thousand Euro in the period against 2.542 thousand Euro in the first nine months of 2023.

The group has 2.110 **employees** as at 30 September 2024, up on 31 December 2023 when their number stood at 2.082. The increase particularly affected the Italian companies, intent on expanding their capacities in view of expected business developments.

A considerable amount of staff costs 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 61.992 thousand Euro, substantially unchanged from 61.880 thousand Euro as at 30 September 2023. The ratio to revenue increases (12,6% in 2023, 13,3% in 2024).

The costs for **amortizations, depreciations and accruals** increased, going from 10.102 thousand Euro as at 30 September 2023 to 11.111 thousand Euro as at 30 September 2024, and their effect on revenue rose from 2,0% to 2,4%. The increase in this cost item was the result of the increase in provisions for credit risks, especially for the specific provision/accrual of approximately 2 million made necessary by the sudden financial crisis of a key customer, a chain of hair removal centres, of the Japanese subsidiary Withus. The less favourable warranty conditions granted on the sales of laser cutting systems in China made it possible to release, in part, the warranty reserve, while the reserve for risks decreased following the settlement of certain disputes by Asclepion.

As a result, **EBIT** amounted to 50.881 thousand Euro, down from 51.778 thousand Euro as at 30 September 2023, with the ratio to revenue increasing from 10,5% to 10,9%.

Financial charges amounted to 1.621 thousand Euro compared to the cost of 866 thousand Euro recorded in the same period last year. Financial charges are due to the servicing of financial liabilities of group companies, particularly those engaged in the laser cutting industrial sector, and the slightly negative result of exchange rate differences for the period.

The exit of the Private Equity funds from the capital of Penta Zhejiang resulted in the impossibility to complete the IPO of the company on the Chinese market. The clauses of the contract with which, in 2019, the group had bought back the quotes of Penta Zhejiang (Penta Wenzhou at the time) held by the Joint Venture's minority partner, listing by November of 2024 included the condition for payment of an "*earn out*" of 5 million Euro to the liquidated partner. The management, based on the IFRS9 standard, therefore went ahead with the "*Remeasurement*" of the financial liability with recognition of the related income.

Income before taxes amounted to 53.810 thousand Euro, higher than the 50.870 thousand Euro as at 30 September 2023.

Financial position and investments

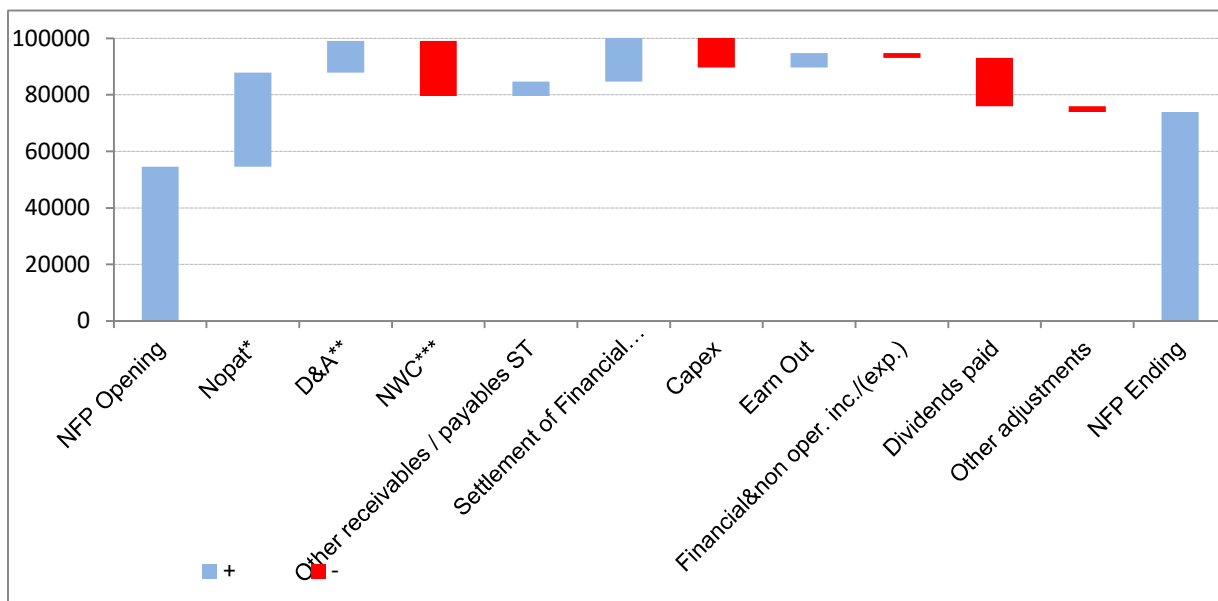
Comment on the evolution of the net financial position

The net financial position showed a positive trend in the quarter with an increase of about 5 million, and in the nine-month period of about 19 million, rising from 54,6 million as at 31 December 2023 to 73,9 million as at 30 September 2024.

The following graph represents the main components determining cash flows in these first nine months of 2024. The income stream from net operations together with amortisation, depreciation and accruals exceeds 44 million Euro due to investments in the increase of the working capital, for approximately 19 million, the payment of dividends for approximately 17 million, and fixed investments for approximately 11,4 million. The liquidation of liquidity investments recorded in non-current assets contributed 16,3 million to the NFP result for the period. This was supplemented by the positive effect of the “Remeasurement” of the financial payable for the foreseen forfeiture of the “earn out” clause which obliged Otlas to pay approximately 5 million Euro to the previous partner of the Chinese JV in the case of IPO of Penta Laser Zhejiang by the end of 2024.

Lastly, at the end of the third quarter, the withdrawal granted to 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 liquidity going to settle a corresponding amount of financial liabilities, and a decrease in the NFP of about 5,7 million for the portion of principal (and interest) paid by the funds that had not been recognised under financial liabilities because it was legally not due from the funds themselves, but which was nevertheless paid for reasons of expediency as part of the transactions signed for the withdrawal.

The fair value of investments in liquidity still included in non-current assets amounts to 7,6 million Euro.



* 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 11,7 million Euro of fixed term deposits until the expiration date of some payments to suppliers against the issue of bank notes.

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 by a Chinese customer.

Gross investments performed in the quarter

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

	30/09/2024	30/09/2023
Intangible assets	967	336
Tangible assets	10.483	9.949
Financial fixed assets	1	805
Total	11.452	11.090

3 months	30/09/2024	30/09/2023
Intangible assets	285	55
Tangible assets	2.960	2.500
Financial fixed assets	1	
Total	3.246	2.555

Capital expenditure in the period totalled around 11,4 million Euro, a slight increase from the corresponding period of the previous financial year. Of the investments in tangible fixed assets, approximately 4,5 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. Furthermore, approximately 3,1 million Euro related to the registration of new investments for real estate rents and motor vehicle rental 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 lasers, semi conductor lasers, active fibre lasers, colouring lasers, CO₂ lasers, 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 third 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 third quarter of 2024 was marked by the market launch of the 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 production and marketing of the new product **PhysiQ 360°**, dedicated to the treatment of fat and intended for the US market, continued in the third quarter of 2024. The new system adopts an extremely innovative laser technology never before used in the field of body shaping treatments, introducing a specific fat treatment claim that was not foreseen for the precursor PhysiQ, which was equipped with an LED and not a laser radiation source.

Work also continued on the development of a new platform dedicated to facial treatment and intended for the US market. The new platform combines IPL (Intense Pulsed Light) technology, with two handpieces dedicated to the treatment of vascular lesions and photo-rejuvenation, respectively, and EMS/RF technology, with one handpiece with interchangeable heads, for treatments aimed at muscle electrostimulation and skin firming and toning. The new **PRISMA** platform obtained FDA clearance for both the IPL and EMS/RF modules during the first six months of 2024. We are currently in the process of manufacturing a production pre-series; the release of the product on the market is foreseen for the last quarter of 2024.

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 Financial Report as at 30 June 2024.

The following table lists the expenses attributable to Research and Development in the period:

<i>Thousands of Euros</i>	30/09/2024	30/09/2023
Staff costs and general expenses	13.272	12.102
Equipment	1.933	240
Costs for testing and prototypes	2.238	1.993
Consultancy fees	462	358
Other services	48	42
Total	17.952	14.735

As shown in the table, expenditure directly attributable to research and development was higher in the nine-month period compared to the first nine months of 2023.

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 estimate of investment return times.

The amount of the expenses incurred corresponds to approximately 4% of the consolidated revenue of the group. The expenses incurred by El.En. S.p.A. are also equal to approximately 4% of its revenue.

Performance of El.En. 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 itself 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 that occurred during the quarter

As part of the reorganisation of the group's laser cutting business after first suspending and then discontinuing the process that was to lead to the IPO of the division on the Chinese market, Ot-las Srl bought back 100% of the shares of Cutlite Penta Srl held by Penta Laser Zhejiang on 29 August 2024.

Penta Laser Zhejiang then proceeded to liquidate the equity investments of the private equity funds that had invested in Penta Laser Zhejiang's capital in accordance with the terms of the original capital increase agreement, i.e. by paying the investors the invested capital and 6% interest per annum, for a total amount of RMB 151,8 million or approximately 19,4 million Euro, finalising the exit of the private equity funds and bringing about the termination of the IPO process. In order to avoid the emergence of any disputes by the CITIC investment fund, although the latter had previously waived its right of withdrawal exercisable in the event of a failed IPO, the Group's management also deemed it appropriate to proceed with its liquidation for a total countervalue of approximately 5,7 million Euro in capital and interest.

Conflicts in Ukraine and the Middle East

The war that has been waged for two years in Ukraine is causing 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 nine months now, is also destabilising international relations in the Middle East. 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 8 November 2024 El.En. S.p.A. announced that it has signed a framework agreement with the Yangtze Optical Fibre and Cable Joint Stock Limited Company (a joint stock company with limited liability incorporated in the People's Republic of China, hereinafter referred to as "YOFC") for the negotiation of the possible sale to the Chinese company of the majority equity investments of the companies included in the Laser Cutting business unit of El.En. Group for an expected total of 55,3 million Euro.

The subject of the negotiation concerns the sale of the Italian company Cutlite Penta S.r.l. of its Brazilian subsidiary Cutlite do Brasil Ltda (hereinafter "Cutlite") and of the group of Chinese subsidiaries of Penta Laser Zhejiang Ltd., Co. with production facilities in Wuhan, Wenzhou, Lin Yi and Shenzhen (hereinafter "PLZ").

If the negotiations are successful, the subsidiary Ot-las S.r.l. will sell to YOFC directly, or to its subsidiaries, a total of 28.698.288 shares, equal to 59,1837% of the capital, of Penta Laser Zhejiang Ltd, Co. for a consideration of RMB 298.700.000 in cash (equivalent to approximately 38,8 million Euro at today's exchange rate) and an equity investment in Cutlite Penta S.r.l. of a nominal value of 334.956 Euro, representing 67% of the capital, for a consideration of approximately 16,5 million Euro in cash. At the same time as the purchase, YOFC will subscribe a capital increase in Cutlite Penta S.r.l. for a nominal value of 51.256 Euro, paying into the company's coffers a total subscription price of approximately 2,5 million Euro, thus arriving at a 70,0604% share in the company.

Following the completion of the divestment transactions, El.En. Group will continue to hold an equity investment in the laser cutting division of approximately 19,3% in Penta Laser Zhejiang Ltd., Co. and approximately 30% in Cutlite Penta s.r.l.

El.En. Group will use its 30% equity investment in Cutlite Penta S.r.l. to allocate approximately 10% of the capital to service a three-year incentive plan for key executives of Cutlite Penta S.r.l., subject to the latter's transformation into a joint-stock company. These parties will be granted the option to subscribe for shares in Cutlite Penta S.r.l. and to transfer the subscribed shares to YOFC under certain terms and conditions based on the financial performance of Cutlite over the period 2025-2027.

Current outlook

The 3Q 2024 results reflect the guidance provided by management, with a marked recovery in profitability thanks to which EBIT for the first nine months of 2024 is very close to that of the corresponding period in 2023. Considering the same scope of consolidation, i.e. including the results of the cutting sector, the existing guidance is confirmed: EBIT in 2024 will increase over 2023, while the decline in the cutting sector will not allow consolidated sales in 2024 to match the record result of 2023. Pending the sale of the majority of the companies in the cutting sector, the presentation of the consolidated results will result in the reclassification of the costs and revenue of the cutting sector for the entire year, excluding them from EBIT. In connection with the thus radically altered scope of consolidation, instead of updating the guidance for 2024 in accordance with the new representation of the results, it is planned to provide a provisional representation that will make it possible to assess whether the instructions of the confirmed guidance have been achieved.

For the Board of Directors

The Managing Director
Andrea Cangioli, engineer

Annex “A”: List of consolidated companies as at 30 September 2024

Subsidiaries

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%	98,89%
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	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%	77,59%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		78,46%	78,46%	77,59%
Cutlite do Brasil Ltda	Blumenau (BRAZIL)		98,27%	98,27%	97,17%
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%	77,59%
Shenzhen KBF Laser Tech Co., Ltd	Shenzhen (CHINA)		60,00%	60,00%	46,55%
HL S.r.l.	Calenzano (ITA)		100,00%	100,00%	98,89%

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)		32,70%	32,70%	25,37%

Appendix “B”: DECLARATION IN COMPLIANCE WITH ART. 154BIS, PARAGRAPH 2, IT. LEGISLATIVE DECREE No.58 / 1998

The undersigned Mr. Enrico Romagnoli, in his position as 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, 14 November 2024

The Executive Officer
Mr. Enrico Romagnoli