

Press release

The Board of Directors of El.En. approves the quarterly financial report as of September 30th , 2017

Revenue: 218,4 million of euro (up 21,6%)

EBITDA: 26,5 million of euro (up 15,6%) 12,2% on revenue

EBIT: 22,2 million of euro (up 12,1%) 10,1% on revenue

Raised 2017 guidance: Revenue at 300 million, EBIT over 10% on revenue

Main consolidated financial results as of September 30th, 2017

- Consolidated Revenue: 218,4 million of euro vs. 180,0 million of euro in 2016, up 21,6%
- EBITDA: 26,5 million of euro (12,2% on Revenue) vs. 22,9 million in 2016, up 15,6%
- EBIT: 22,2 million of euro (10,1% del Revenue) vs. 19,8 million of euro of 2016, up 12,1%
- Income before taxation: 19,1 million of euro (8,8% on revenue) vs. 42,0 million of euro of the first nine months of 2016, down 54,5% (23 million gain on asset sale in 2016)
- Net financial Position: positive for 75,7 million of euro, up on the 66,7 as of June 30th, 2017 down from the 82,8 million as of December 31st, 2016

Main consolidated financial results for the third quarter of 2017

- Consolidated revenue: 75,5 million of euro (59,4 million of euro in Q3, 2016), up 27,2%
- EBITDA: 11,1 million of euro (14,7% on revenue) vs. 7,4 million of euro of Q3 2016, with a 49,8% increase
- EBIT: 9,0 million (11,9% on revenue) vs. 6,2 million of euro of Q3 2016, up 44,5%
- Income before taxation: 8,2 million of euro (10,9% on revenue), was 6,0 million of euro in Q3 2016, up 36%

Florence, November 14th, 2017 – The Board of Directors of El.En. S.p.A., leader on the laser market and listed on the Star segment of the Italian Stock Exchange, approved today the financial report as of September 30th, 2017 which registered outstanding results with **record Consolidated Revenue** of 218,40 million of euro up 21,6% on the 180,0 million of euro of the same period of 2016 and a 22,2 million of euro EBIT, up 12,1% on the 19,8 million of euro of 2016. Quarterly revenue were 75,5 million of euro, with an extraordinary 27,2% growth on the 59,4 million of euro revenue of the corresponding of 2016.

The first nine months of the year were characterized by a surge in business volume growth in the industrial sector. China's Wenzhou and Wuhan subsidiaries, Cutlite Penta and Lasit dragged the sector's revenue up 54,6% in the quarter and 52,4% year over year, increasing the overall weight of the industrial sector on revenue from 34% of 2016 to 43% in 2017. Good progress was also recorded in the medical sector, particularly in the aesthetic and urology segments. The Group has been able to effectively manage the growth of its business volume by keeping the fixed cost

structure under control, thus allowing industrial companies to achieve a major leverage effect that significantly improved their earnings.

Sales margins continued to record a slight decline on an annual basis, mainly due to the change in sales mix. In fact the industrial sector increased its share within the Group's revenue, largely due to the growth in the Chinese market, where the average margin on sales, despite its improvement, remains lower than in the medical sector.

Despite the 12% improvement in EBIT, in comparison with 2016 pre-tax income decreased, affected by the balance of financial management and extraordinary management, which in the same period of 2016 included the one-time gain of 23 million euro on the sale of a batch of Cynosure shares.

Gabriele Clementi, President of El.En. Spa said: *"We are pleased and proud of the results achieved in the first nine months of the year, that confirm the soundness of the Group's strategies. We continue to pursue growth focusing on the development of specific applications within our two reference macro-markets, investing continuously in research and development of product and application innovations. Acknowledging the financial results for first nine months largely beat expectations, we now consider 300 million of revenue a reachable target for 2017, with an EBIT above 10% on revenue"*

Both the medical and industrial sectors contributed to the growth of the Group: in the medical sector, sales in the nine months of 2017 amounted to 124,0 million of Euro, up 5,42% on the 117,6 million euro in the same period of 2016; in the meantime in the industrial sector turnover was 94,4 million euro compared to 61,9 million euro 2016 (up 52,42%). Sales growth involved all the geographical areas in which the Group is active with a uniform increase above 20% for all three areas including the brisk 23% growth registered in Italy. Foreign markets continued to account for more than 81% of the Group's consolidated revenue, confirming its excellent global positioning and high degree of internationalization.

Gross Margin for the nine months was 90,9 million of euro up 15,6% on the 78,6 million of euro as of September 30th 2016, as an effect of the revenue growth.

EBITDA if the first nine months was positive for 26,5 million of euro up 15,6% on the 23 million of euro as of September 30th 2016, with a slight decrease in the impact on revenue which was down from 12,8% of 2016 to 12,2% of 2017 due to the mentioned decrease in sales margin. In the third quarter EBITDA reached 14,7% on revenue as an effect of the high sales volume and the enhancement of the operating leverage.

EBIT at the end of the first nine months of 2017 highlighted a positive balance of 22,2 million of euro up 12,1% on the 19,8 million of euro as of September 30th, 2016. EBIT margin on sales was 10,1% up on the previous quarters of 2017.

Pre-tax income for the nine months was positive for 19,1 million of euro down from the 42,0 million of euro of the same period of 2016 which benefited of the 23 million of euro gain on the sale of Cynosure shares.

The **Net Financial Position** of the Group was positive at 75,8 million of euro down from the 82,8 million as of December 31st, 2016. Cash was mainly used in the period to support the working capital needed to support the rapid growth of the Group, and for the 8,5 million of dividends paid May.



Outlook for the current year

Under the current favorable conditions of our main markets, reaching the 300 million euro turnover threshold for 2017, unthinkable at the beginning of the year, represents today an actually achievable goal. With sales in the range of 300 million, EBIT would also widely exceed the guidance, staying above 10% on revenue.

The *manager in charge of preparing the corporate accounting records*, Enrico Romagnoli, declares, pursuant to paragraph 2, article 154-bis of the Consolidated Finance Law, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

As required by Consob, the Quarterly Report as of September 30th, 2017 will be available for the public at our premises in Calenzano, at Borsa Italiana SpA, on our website (www.elengroup.com in section "*Investor Relations / Documenti Finanziari / Relazioni e Bilanci / 2017*") and on authorized storage website www.emarketstorage.com from November 14th, 2017

CONFERENCE CALL

On Wednesday, November 15th, 2017 at 15:00 CET (14:00 GMT) (9:00 EST), EL.EN. Spa will hold a conference call with the financial community, to discuss the financial results of the Group. You can dial the following numbers: from Italy +39 02 8058811, from UK +44 121 2818003, from USA +1 718 7058794.

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>

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

EL.EN has been listed on the Star (MTA) of Borsa Italiana. Its market floatation is approximately 41% and its market capitalization amounts to Euro 400 million.

Cod. ISIN: IT0005188336
Sigla: ELN
Listed on MTA
Mkt cap.: 400 million of euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – Three months ended September 30th, 2017 (unaudited)

Income statement - quarterly	30/09/2017	Inc %	30/09/2016	Inc %	Var. %
Revenues	75.535	100,0%	59.389	100,0%	27,19%
Change in inventory of finished goods and WIP	3.120	4,1%	252	0,4%	1139,02%
Other revenues and income	888	1,2%	615	1,0%	44,43%
Value of production	79.544	105,3%	60.256	101,5%	32,01%
Purchase of raw materials	42.472	56,2%	33.643	56,6%	26,24%
Change in inventory of raw material	427	0,6%	(3.321)	-5,6%	
Other direct services	5.255	7,0%	4.576	7,7%	14,84%
Gross margin	31.390	41,6%	25.358	42,7%	23,79%
Other operating services and charges	7.910	10,5%	7.429	12,5%	6,47%
Added value	23.480	31,1%	17.929	30,2%	30,96%
Staff cost	12.402	16,4%	10.534	17,7%	17,73%
EBITDA	11.078	14,7%	7.395	12,5%	49,80%
Depreciation, amortization and other accruals	2.052	2,7%	1.150	1,9%	78,50%
EBIT	9.026	11,9%	6.246	10,5%	44,52%
Net financial income (charges)	(837)	-1,1%	(211)	-0,4%	297,06%
Share of profit of associated companies	38	0,1%	13	0,0%	190,48%
Other non-operating income (charges)	(0)	0,0%	(0)	0,0%	
Income (loss) before taxes	8.227	10,9%	6.048	10,2%	36,03%

Tab. 2 – Nine months ended September 30th, 2017 (unaudited)

Income Statement	30/09/2017	Inc %	30/09/2016	Inc %	Var. %
Revenues	218.412	100,0%	179.565	100,0%	21,63%
Change in inventory of finished goods and WIP	8.329	3,8%	1.159	0,6%	618,74%
Other revenues and income	2.549	1,2%	2.484	1,4%	2,64%
Value of production	229.290	105,0%	183.207	102,0%	25,15%
Purchase of raw materials	122.238	56,0%	95.975	53,4%	27,36%
Change in inventory of raw material	191	0,1%	(5.784)	-3,2%	
Other direct services	15.963	7,3%	14.394	8,0%	10,90%
Gross margin	90.899	41,6%	78.623	43,8%	15,61%
Other operating services and charges	25.887	11,9%	22.875	12,7%	13,17%
Added value	65.012	29,8%	55.747	31,0%	16,62%
Staff cost	38.464	17,6%	32.785	18,3%	17,32%
EBITDA	26.548	12,2%	22.962	12,8%	15,61%
Depreciation, amortization and other accruals	4.387	2,0%	3.193	1,8%	37,42%
EBIT	22.160	10,1%	19.769	11,0%	12,09%
Net financial income (charges)	(3.041)	-1,4%	(675)	-0,4%	350,54%
Share of profit of associated companies	(11)	0,0%	(87)	0,0%	-87,28%
Other non-operating income (charges)	0	0,0%	23.019	12,8%	
Income (loss) before taxes	19.108	8,7%	42.027	23,4%	-54,53%

NOTE:

The EI.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