

Quarterly Financial Report as of September 30th, 2022



EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17
Capital stock: Underwritten and paid: € 2.594.007,91(*)
Registry of Companies in Florence– C.F. 03137680488

(*) On 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.

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financial statement on September 30th 2022)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

Alberto Pecci

Daniela Toccafondi

Board of statutory auditors

CHAIRMAN

Carlo Carrera

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

Executive officer responsible for the preparation of the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

EY S.p.A.

EL.EN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS OF SEPTEMBER 30th 2022

Quarterly report

Introduction

This quarterly report as of September 30th 2022 for the El.En. Group was drawn up in compliance with the Regulations of the Italian Stock Market for the companies that are quoted in the Euronext STAR Milan segment (article 2.2.3, subsection 3) which requires the publication of the quarterly report within 45 days after the end of each quarter, as per Notice 7587 of April 21st 2016 issued by the Borsa Italiana. Consequently, as stated in the above-mentioned Notice, in relation to the contents of the quarterly report for the quarter ending September 30th 2022, we have made reference to sub-section 5 of art. 154-ter of Legislative Decree February 24th 1998 no. 58. This document also contains the information previously inserted in the preceding quarterly reports.

The task of examining the data and the information provided in this report has not been assigned to independent auditors, because, as of this writing, it is not compulsory.

The results as of September 30th 2022, are shown in comparative form with those for the same quarter last year. All amounts are expressed in thousands of Euros unless otherwise indicated.

Alternative Non-GAAP measures

The El.En. Group uses some alternative performance measures which are not identified as accounting measures that are part of the IFRS in order to offer a better evaluation of the performance of the Group. Consequently, the criteria applied by the Group may not be homogeneous with that used by other companies and the results obtained may not be comparable with the results shown by these latter.

These alternative performance measures, determined in conformity with the guidelines for alternative measures issued by ESMA/2015/1415 and adopted by the CONSOB with notice nr. 92543 on December 3rd 2015, refer only to the economic performance of the period being considered and those with which it is being compared.

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

- the **value of production** is determined by the sum of revenue, the change in inventory of finished goods and WIP and the other revenue and income;
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the “Costs for operating services and charges”;
- the **value added** is determined by adding to the EBITDA the “cost for personnel”;
- the **earnings before income taxes, devaluations, depreciations and amortizations** or “EBITDA”, also represents an indicator of operating performance and is determined by adding to the EBIT the amount of “Depreciations, Amortizations, accruals and devaluations”;
- the **earnings before interest and income taxes**, or “EBIT”, represents the difference between revenue and other operating income and production costs, operating service and charges, depreciations, amortizations, accruals and devaluations;
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators to evaluate its capacity to meet their financial obligations, the Group uses:

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts (displayed in compliance with the ESMA Orientations which, starting on May 5th 2021 modified the references contained in the preceding CONSOB communications, including the references present in Communication n. DEM/6064293 of July 28th 2006 related to the net financial position).

Description of the activities of the group

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

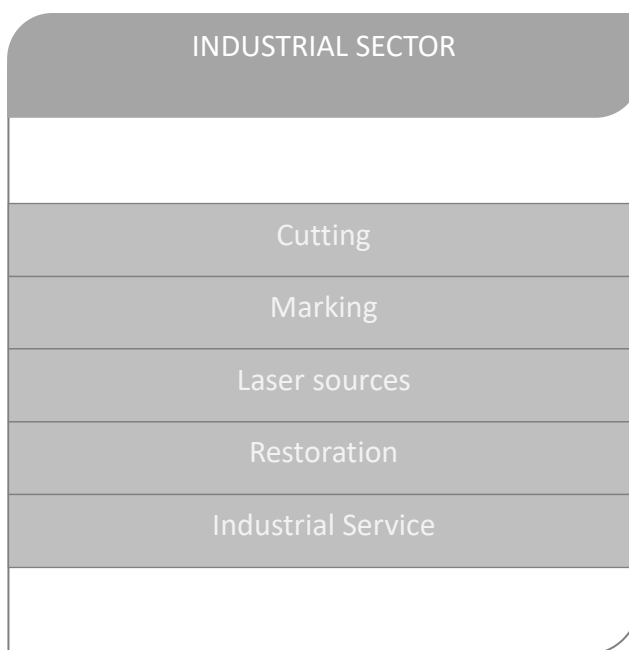
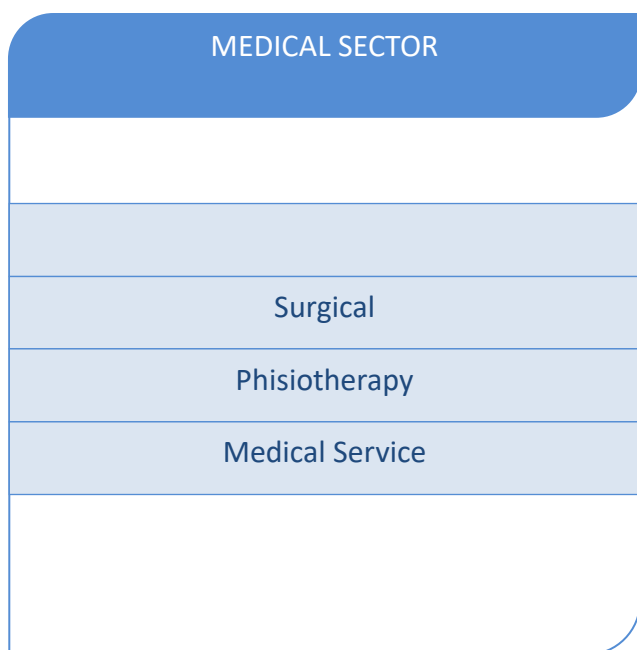
The founders, Leonardo Masotti and his wife, Barbara Bazzocchi, and Ing. Gabriele Clementi, always conducted the company and were part of the top management. In April of 2021 Prof. Leonardo Masotti died and with his death we also lost his great capacity and humanity, leaving a great void, but the legacy of his teaching and his intuition remain as a priceless and unchangeable inheritance for the Company.

The laser, an acronym for “**Light Amplification by Stimulated Emission of Radiation**” is a fascinating technology invented in 1960 and represents the fulcrum of the technology of the Group. This luminous emission with its unique characteristics (monochromaticity, consistency, brilliance) found and is still finding a growing number of applications which have given rise to its own specific industrial sectors and in others has radically changed the way in which they operate. Telecommunications, sensoristics, printers, lithographs, numerous processes in industrial manufacturing, numerous medical and aesthetic applications have been able to benefit from the innovations made available by the versatility, precision and reliability of laser systems. As Prof. Gérard Mourou - Nobel prize for physics in 2018 for the invention of chirped pulse amplification or CPA, which was later used to create ultra-short, high intensity laser impulses (terawatt) - pointed out during his visit in January 2019 to the headquarters of Quanta System Spa in Samarate (VA), “the best is yet to come”! Scientific research and applied industrial research will continue to find innovative applications for laser technology from which we can all benefit directly or indirectly.

Among the many types of laser sources and applications that have been developed, the Group has always been specialized in systems for two particular sectors: laser systems for medicine and aesthetics which we call the Medical sector and laser systems for manufacturing which we call the Industrial sector. Each of these sectors is divided into various segments which vary from each other because of the specific application of the laser system and, consequently, for the specific underlying technologies and the type of user. For this reason, the activity of the Group which is generically defined as the manufacture of laser sources and systems, actually has a wide variety of products which are used by many different kinds of clients, also due to the global presence of the Group which forces it to adapt to the particular methods which every region in the world has in the adoption of our technologies.

Over time, the Group has acquired the structure which it now has through the creation of new companies and the acquisition of the control in others. The activities are conducted by this diverse group of companies which operate in the fields of manufacture, research, development distribution and sale of laser systems. Each company has been assigned a specific task which sometimes is based on its geographical location, sometimes on a specific market niche, and other times on a more extended and transversal area of activity including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company in such a way that the available resources can be put to the best use on the markets and take advantage of the dynamism and flexibility of each single business unit without losing the advantages of a coordinated management of some of the resources.

In our sectors of the market, the wide range of products, the capacity to segment some of the markets in order to maximize the overall quota held by the Group, together with the opportunity of involving managerial staff as minority shareholders are at the base of the company organization of the Group. The high number of different companies that compose the Group is based on the linear subdivision of the activities which we have identified also for purposes of reporting but, above all for strategic purposes, as shown below:



An integral part of the main company activity of selling laser systems, is that of the post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The division of the Group into numerous different companies also reflects the strategy for the distribution of the products and for the organization of the activities for research and development and marketing. El.En. is one of the most successful groups on our market, thanks to a series of acquisitions concluded over the years, in particular, in the medical sector (DEKA, Asclepion, Quanta System and Asa).

Following an approach that is unique and original for our sector, each company that has entered the Group has maintained its own special characteristics for the type and segment of the product, with brands and distribution networks that are independent from the other companies of the Group and represent a real business unit.

Each one has been able to take advantage of the cross-fertilization which the individual research units has had on the others and has made their own elective technologies available to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

While we recognize the importance that the multi-brand and multi-R&D has had on the growth of the Group, at the same time we realize the need to increase the coordination between the activities of the different business units of the medical sector and promote the joint activities like distribution in Italy which, under the new brand name of “Renaissance” unites into a single organization the pre-existing networks of Deka and Quanta System.

In 2020 the integration of the networks of the Group continued: the laser systems for aesthetic applications produced by Asclepion are available for sale in Italy through the Renaissance network, thus re-enforcing their leadership in this geographical area while, analogously, the distribution network of Asclepion in Germany offers the Deka systems.

An optimal integration of the medical business units is, in fact, one of the objectives of the General Director of El.En. Spa, who took on this role, a new one for the company, on January 1st of 2017.

Although they both use laser technologies and share numerous strategic components and some activities at the R&D and production level, the Medical and Industrial sectors are active on two completely different kinds of markets. Their internal operations are organized in such a way as to satisfy the radically different needs of the clients of the two different sectors. Moreover, specific dynamics in the demand and expectations for growth that are connected to different key factors correspond to each of the two markets.

The outlook for mid-term growth is positive for both markets. In the medical sector, there is a constant increase in the demand for aesthetic and medical treatments by a population which, on the average, tends to age and wishes to limit as much as possible the effects of aging.

There is also an increased demand for technologies that are able to minimize the duration of surgical operations and of post-operative recovery or to increase their effectiveness by reducing the impact on the patient (minimally invasive surgery) and the overall costs.

For the industrial sector laser systems represent an increasingly indispensable tool for manufacturing since they offer flexible, innovative technologies to companies that are competing on the international market and wish to raise their

qualitative standards and increase productivity. Although they continue to be used on the traditional market of manufacturing, laser systems represent a high-tech component of it which, thanks to the continued innovation of the laser product and processes that lasers allow, presents excellent prospects for growth.

Growth in the industrial sector is expected thanks to the increase in productivity and in the quality of the products along with the great flexibility that laser operations bring to numerous manufacturing processes. Although they still refer to traditional manufacturing systems, both our cutting technologies, which transform the product, and our marking systems, which identify it or decorate it, respond to specific requirements of the manufacturing sector which are increasingly requested. Another factor which contributes to the demand are the technological innovations which make the products increasingly easy to use, productive and versatile and in this way increase the range of potential customers.

It should also be noted that, in the presence of the excellent outlook for the growth of our markets, the Group has succeeded in acquiring new portions of the market and create new applicative niches thanks to their innovations. The adequacy of the range of products offered, the capacity to continually renew it in order to meet the demands of the market or, even better, create new ones, are the critical factors for our success. The El.En. Group has had and still has, the ability to excel in these activities. The lengthy section in this document dedicated to Research and Development is a demonstration of the importance of these activities for the Group and the particular focus that is directed to dedicating the necessary resources that are needed to guarantee the prosperity of the Group in the years to come.

Group financial highlights

During the third quarter of 2022 the Group continued to work at a rapid pace and registered production and sales volumes that showed significant growth with respect to the same period for 2021. The sales volume for the third quarter showed an increase of 19,8% which brings the growth rate for the first nine months up to 19,5%. The significant growth of the sales volume made it possible to maintain a high level of profit despite all of the difficulties encountered, in particular inflation and the high cost of energy. The EBIT for the 9 months period amounted to 57,9 million Euros, equal to 12,0% of the sales volume, and the profitability for the third quarter was 10,5%, which was less than the average annual amount mainly due to the lack of the contribution of the Chinese companies.

Demand remained solid in the medical sector, in all of the applicative segments and in the industrial sector. The number of orders received by each of our operating units remains high despite the increase in the sales volume and the production capacity. The only area which continues to show weakness is China: the recovery of the local economy which we had counted on for a strong growth of the laser cutting section in 2022, was stunted by the continuation of the Covid restrictions, the Chinese isolation, and the impending crisis of the real estate market. In the business unit of laser cutting, the Chinese part is the only one that in this quarter is showing results that are below expectations and not satisfactory. The fact that this is a distinctly Chinese problem is demonstrated by the excellent results shown in the laser cutting sector by Cutlite Penta in Italy and the rest of Europe and Cutlite do Brasil in Brazil.

The production capacity has been adapted to the expanding trend in demand and the major investments in infrastructure that have been made in the past few years have made it possible to reach the record levels of production and sales volume which we are presenting here. Investments of this type are still in progress in several of the production centers, for Quanta System in Samarate, in Calenzano for El.En, at Torre Annunziata for Lasit and also at Wuhan for laser cutting. At this latter the new factory was made with the prospect of a positive development of the market, consolidating the production capacity in the only area which, at this time, benefits from an excess of capacity with respect to demand. The difficulties along the supply chain and the shortages of materials have continued to hinder our manufacturing processes, in particular the production lines of Asclepion, at Jena in Germania, for the Mediostar systems. Consequently, despite a record number of orders, the impossibility of obtaining some components comported for Asclepion this quarter, a sales volume that was significantly lower than expectations and potential, and also, as a result, involved Esthelogue which distributes Mediostar on the Italian market of professional aesthetics, and which was unable to deliver most of the systems which had been ordered.

Inflation is causing a general increase in the purchase cost of all of the components needed for the manufacture of our products. In some cases, the increase in production volumes has allowed us to take advantage of some discounts but this has not been enough to avoid the increase in the average costs for our products. In order to avoid a decrease in the margins, starting in the second half of 2022, the companies of the Group began to increase the sales prices. This represents a very unusual step for the Group which in the past very rarely increased the prices of their products but, thanks to their continual research and development were able to defend their sales margins by rapidly issuing innovative new products on the market.

As far as the costs of energy are concerned, the Group has been impacted by the extreme increases, especially in Italy, which has greatly affected the overhead which, in this phase, has been offset by the extraordinary increase in sales volume. Energy does not represent a significant factor in the cost of the products because our companies are not energy intensive.

During this year we have made use of cash resources in order to significantly expand the working capital. The volumes of production, both current and planned, are rapidly increasing and in order to give stability to the manufacturing processes which are hindered by the shortage of components, the inventory cycle has been increased. The materials are ordered and purchased far in advance, payment to suppliers is faster and sometimes even in advance for the purpose of guaranteeing priority in the deliveries. Overall, despite the excellent cash flow due to the operating revenue, the changes in the amounts of working capital, the significant investments and the payment of dividends in these 9 months comported a decrease in the Net Financial Position of about 84 million. The Net Financial Position remains over 32 million Euros and to this amount one should add the investments of cash which have been entered among the financial assets which, on September 30th 2022 amounted to 21 million.

During this year we have continued the initiatives related to sustainability by the Group which, among other things are included in the performance indicators for the retribution of the management. The multi-year Sustain. ability Plan of the Group includes, not only the monitoring of the projects now in progress and the achievement of the goals, other areas and projects for improvement. The Group pursues these objectives by implementing initiatives and equipping themselves with the best instruments suited for monitoring and the activities included in the Plan dealing with the various issues of the ESG, including the Diversity Policy and the ESG requirements for the supply chain and the circularity of the processes.

The Group is demonstrating that they have the organizational and technical means necessary to satisfy the needs of the clientele and also to innovate, in this way stimulating the demand to its advantage. We are confident that the capacity and

potential of our organization and of our staff, even in the future, will benefit from the developments in the demand that we expect on our markets.

The situation on our markets remains positive, while the general economic conditions would appear to be less positive than in the past. The direct effects of the war and inflation have already had an impact on our economic activities and the measures taken on the interest rates by the central banks for the purpose of limiting inflation may have the effect of a general slowing of the economy. The development plans which had been outlined for our Chinese activities which, at first were based on the attractiveness and quality of our products, also counted on the good trend of the Chinese economy, something that, in the last eighteen months, has not occurred. We are hoping for an improvement in 2023 after the closure of the Party Congress and there are encouraging signs in the last few days related to the cancellation of the mobility restrictions which have had such a negative impact on the economic activities.

The chart below shows the results of the income statement for the third quarter of 2022, shown in comparative form with those for last year.

Income statement - quarterly	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Revenues	157.374	100,0%	131.388	100,0%	19,78%
Change in inventory of finished goods and WIP	9.303	5,9%	9.888	7,5%	-5,92%
Other revenues and income	1.585	1,0%	1.683	1,3%	-5,82%
Value of production	168.261	106,9%	142.959	108,8%	17,70%
Purchase of raw materials	103.061	65,5%	86.398	65,8%	19,29%
Change in inventory of raw material	(6.038)	-3,8%	(3.716)	-2,8%	62,49%
Other direct services	13.597	8,6%	9.989	7,6%	36,12%
Gross margin	57.641	36,6%	50.287	38,3%	14,62%
Other operating services and charges	13.864	8,8%	13.221	10,1%	4,87%
Added value	43.776	27,8%	37.066	28,2%	18,10%
Staff cost	23.439	14,9%	20.541	15,6%	14,11%
EBITDA	20.337	12,9%	16.525	12,6%	23,07%
Depreciation, amortization and other accruals	3.804	2,4%	2.805	2,1%	35,60%
EBIT	16.533	10,5%	13.720	10,4%	20,50%
Net financial income (charges)	(261)	-0,2%	68	0,1%	
Share of profit of associated companies	(4)	0,0%	(60)	0,0%	-92,70%
Income (loss) before taxes	16.267	10,3%	13.727	10,4%	18,50%

The chart below shows the results of the Income Statement for the first nine months of 2022, in comparative form with the same results for last year.

Income Statement	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Revenues	484.348	100,0%	405.300	100,0%	19,50%
Change in inventory of finished goods and WIP	19.036	3,9%	22.633	5,6%	-15,89%
Other revenues and income	4.566	0,9%	3.845	0,9%	18,75%
Value of production	507.951	104,9%	431.778	106,5%	17,64%
Purchase of raw materials	321.381	66,4%	271.289	66,9%	18,46%
Change in inventory of raw material	(35.487)	-7,3%	(20.650)	-5,1%	71,85%
Other direct services	42.561	8,8%	30.937	7,6%	37,57%
Gross margin	179.496	37,1%	150.203	37,1%	19,50%
Other operating services and charges	41.511	8,6%	33.984	8,4%	22,15%
Added value	137.985	28,5%	116.219	28,7%	18,73%
Staff cost	70.421	14,5%	60.556	14,9%	16,29%
EBITDA	67.564	13,9%	55.663	13,7%	21,38%
Depreciation, amortization and other accruals	9.640	2,0%	11.086	2,7%	-13,04%
EBIT	57.924	12,0%	44.577	11,0%	29,94%
Net financial income (charges)	(7)	0,0%	1.156	0,3%	
Share of profit of associated companies	3	0,0%	(171)	0,0%	
Income (loss) before taxes	57.920	12,0%	45.562	11,2%	27,12%

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

Net financial position	30/09/2022	31/12/2021
A Cash and cash equivalents	111.839	181.363
B Cash equivalents	-	-
C Other current financial assets	937	1.092
D Liquidity (A + B + C)	112.776	182.455
E Current financial debt	(31.122)	(20.388)
F Current portion of non-current financial debt	(4.050)	(3.134)
G Current financial indebtedness (E + F)	(35.171)	(23.522)
H Net current financial position (D + G)	77.605	158.932
I Non-current financial debt	(28.952)	(27.204)
J Debt instruments	(9.768)	(9.778)
K Non-current trade and other payables	(6.878)	(6.184)
L Non-current financial indebtedness (I + J + K)	(45.598)	(43.166)
M Net Financial Position (H + L)	32.007	115.766

Operational performance

The chart below shows the subdivision of the sales volume for the first nine months of 2022 according to the sectors of activity of the Group, compared with the same subdivision for the same period last year.

	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Medical	270.529	55,85%	220.476	54,40%	22,70%
Industrial	213.820	44,15%	184.824	45,60%	15,69%
Total revenue	484.348	100,00%	405.300	100,00%	19,50%

Growth has been very rapid in both sectors and is over 19%; it has been particularly strong in the medical sector.

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

	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Italy	96.447	19,91%	71.416	17,62%	35,05%
Europe	103.570	21,38%	81.367	20,08%	27,29%
ROW	284.331	58,70%	252.516	62,30%	12,60%
Total revenue	484.348	100,00%	405.300	100,00%	19,50%

Medical sector

	30/9/2022	Inc %	30/9/2021	Inc %	Var. %
Italy	25.093	9,28%	22.996	10,43%	9,12%
Europe	79.901	29,54%	64.045	29,05%	24,76%
ROW	165.534	61,19%	133.435	60,52%	24,06%
Total revenue	270.529	100,00%	220.476	100,00%	22,70%

Industrial sector

	30/9/2022	Inc %	30/9/2021	Inc %	Var. %
Italy	71.353	33,37%	48.420	26,20%	47,36%
Europe	23.669	11,07%	17.322	9,37%	36,64%
ROW	118.797	55,56%	119.081	64,43%	-0,24%
Total revenue	213.820	100,00%	184.824	100,00%	15,69%

The reduced growth in the non-European countries is mainly due to the negative trend in China in the laser cutting sector which, because of the uncertain economic conditions on that market, was not able to achieve the goals that had been set. The charts with the results for this sector in fact, show that sales in the non-European countries show a slight decrease, while in the medical sector they register a strong increase. The situation in Italy on the other hand is the reverse, with the extraordinary success of Cutlite Penta which, in the industrial sector, registered a growth of over 60%, while, even in the medical sector, without the production problems related to the supply chain in Italy the growth would have easily reached a double-digit figure.

For the medical and aesthetic systems sector, which in these nine months represented 56% of the sales of the Group, the results for sales in the various segments are shown on the chart below.

	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Aesthetic	167.051	61,75%	140.451	63,70%	18,94%
Surgical	43.810	16,19%	32.406	14,70%	35,19%
Physiotherapy	11.616	4,29%	9.621	4,36%	20,74%
Others	910	0,34%	554	0,25%	64,25%
Total medical systems	223.387	82,57%	183.031	83,02%	22,05%
Medical service	47.142	17,43%	37.445	16,98%	25,90%
Total medical revenue	270.529	100,00%	220.476	100,00%	22,70%

Growth remained significant in all of the applicative segments represented. The average growth was over 22%.

Aesthetics was the strongest sector and came close to 19% growth. This sector represents 62% of the overall sales volume, a percentage that has decreased slightly due to the increase in the rapid growth of segments which are recovering after having been negatively affected during the most acute phases of the pandemic. The most significant growth was in the surgery sector which exceeded even the record growth level set in 2019, a level which was also exceeded by the physical therapy sector in 2022. In the sector of applications for aesthetics, the sales trend was excellent in all of the applicative segments, hair removal, removal of tattoos and pigmented lesions, body treatments and rejuvenation. In the field of high-powered Alexandrite lasers for hair removal the Group is acquiring a position of world leadership.

Sales for after-sales services were in excess of 17% of the sales volume for the sector, showing a strong increase thanks mainly to the sales of optical fibers for surgical applications in urology. The manufacture of which had suffered a sharp decline at the beginning of 2021 due to some technical problems in the production which were immediately overcome in the following months.

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

	30/09/2022	Inc %	30/09/2021	Inc %	Var. %
Cutting	180.549	84,44%	156.008	84,41%	15,73%
Marking	17.229	8,06%	14.913	8,07%	15,53%
Laser sources	2.839	1,33%	2.870	1,55%	-1,09%
Conservation	367	0,17%	182	0,10%	101,65%
Total industrial systems	200.983	94,00%	173.974	94,13%	15,52%
Industrial service	12.837	6,00%	10.849	5,87%	18,32%
Total industrial revenue	213.820	100,00%	184.824	100,00%	15,69%

The growth of the sales volume was 16%, a very good result considering the negative conditions of the Chinese market which is the main market for this sector.

In fact, the laser cutting sector registered brilliant results in Italy and the rest of Europe, while, in China the results were below expectations. The performance of our Chinese companies was negatively affected by the limitations derived from the new wave of lockdowns imposed in China, and the consequent uncertainties this caused in the Chinese economy. In any case, our product continues to be in an excellent position for further growth, as is demonstrated by the excellent trend in sales registered on the other markets with Cutlite Penta registering an exceptional +62% in its sales volume for the first nine months of 2022.

In this quarter the marking sector accelerated its growth and registered the expected increase in business volume, thanks to investments both in the operative infrastructure of production and research, as well as in the operative units for sales like the new Polish branch. Sales volume in the sector of laser sources remained stable.

In the sector of conservation of our artistic heritage (restoration), the El.En. group attributes a role and a value that goes far beyond just the financial results. The conservation of our artistic heritage represents one of the most significant commitments of the Group in relation to their community activity and our expertise and technologies have been made available for the conservation of artistic objects which are often masterpieces of worldwide importance and fame. El.En. was developed in a city which is known all over the world for its exceptional artistic legacy and considers this mission among the most essential also in relation to the needs of its territory.

In this field, we may mention our contribution to the facade of Palazzo Leoni-Calchi, better known as the Casa degli Omeni, a highly original architectural jewel in the center of Milan which was designed in the 16th century by the sculptor and decorator, Leone Leoni, and features numerous “capricious inventions” as Vasari called them in his book “Le Vite”.



The following comments are related to the Income Statement.

The gross margin was 179.496 thousand Euros, an increase of about 19,5% with respect to the 150.203 thousand Euros registered on September 30th 2021. The incidence of the margin on the sales volumes for these nine months remained at the exact same level as 2021, 37,1%, and in the third quarter showed a slight decrease with respect to the first semester.

The operating services and charges were 41.511 thousand Euros, an increase with respect to the 33.984 thousand Euros on September 30th 2021 with an incidence on the sales volume which increased from 8,4% to 8,6%. The increase in the incidence on the sales volume is mainly due to the marketing expenses which were caused by the return to international travel and participation in trade fairs and symposiums which, particularly in the medical sector, before the pandemic represented a significant expense. Despite the high cost of energy, thanks to the increase in the sales volume, the incidence of the general overhead on the revenue was slightly reduced.

Staff costs amounted to 70.421 thousand Euros and showed an increase with respect to the 60.556 thousand Euros on September 30th 2021, with an improvement in the incidence on the sales volume which decreased from 14,9% in 2021 to 14,5% in 2022.

As of September 30th 2022 there were 2.183 employee in the Group, an increase with respect to the 1.902 on December 31st 2021. Most of the new hiring was done by the Chinese companies which accounted for more than half, and the rest by the other companies of the Group which are growing rapidly.

A large portion of the personnel expenses is directed towards research and development costs, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose.

The EBITDA amounted to 67.564 thousand Euros, an increase of 21,4% with respect to the 55.663 thousand Euros on September 30th 2021 thanks to the increase in the sales volume and the improvement in the absorption of the overhead costs. The incidence on the sales volume improved slightly (13,7% in 2021, 13,9% in 2022).

The costs for amortizations, depreciations and accruals showed a significant decrease, and dropped from 11.086 thousand Euros on September 30th 2021 to 9.640 thousand Euros on September 30th 2022 and their incidence on the sales volume declined from 2,7 to 2%.

The EBIT therefore amounted to 57.924 thousand Euros, an increase with respect to the 44.577 thousand Euros on September 30th 2021, with an incidence on the sales volume which increased from 11% to 12%.

The financial income/charge was almost nil respect to the income of 1.156 thousand Euros registered for the same period last year. This amount is affected by the costs of hedging the US dollar, opened starting in early 2022, on the values of around 1,1 dollar per Euro, which has been more than exceeded by the US currency in recent months.

The income before taxes amounted to 57.920 thousand Euros, showing a sharp growth with respect to the 45.562 thousand Euros on September 30th 2021.

Financial position and investments

Comments on the net financial position

The net financial position registered for the period showed a decrease of about 84 million, from the 115,8 million registered on December 31st 2021 to the 32 million on September 30th 2022.

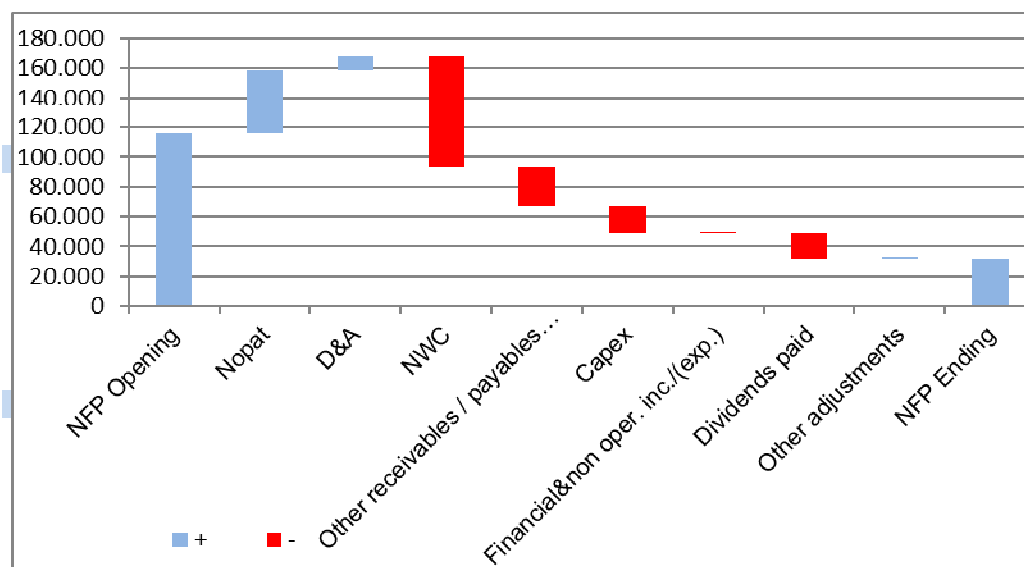
The explanation for this drastic change requires a careful analysis of the use of cash registered in the past nine months, which is summarized in the chart below. The variation in net working capital amounted to 74 million Euros and is derived, first of all, from the need to purchase supplies of materials that would be sufficient for the volumes of production which have been planned and which are rapidly increasing, in this way preventing or at least, reducing, the impact of the crisis on the supply chains. Moreover, in order to deal with the delivery times which are increasingly long and uncertain, the amounts of inventory have been considerably increased and, with an aim to obtaining better service from the suppliers, the times for payment have been reduced. The variations in the other amounts of current debts and credits, for the amount of 16 million Euros, reflects the decrease in down payments received from clients (especially in China where the orders received and the sales volumes were weak) and the increase in down payments paid to suppliers which became necessary in order to assure quick delivery. Moreover, about 4 million was derived from the temporary trend in the tax debts and credits, with payments made for direct and indirect taxes which went to constitute credits that were greater than the amounts of the debt created by the taxes due for the period.

The intense investment activity also had a significant impact on the use of cash during this period. The investments in new buildings and in equipping them, and improvements made on the older buildings of the Group absorbed about 11 million Euros in these 9 months, of which about 3,5 was used for the second building of Quanta System in Samarate, and 3,2 million Euros for the Chinese activities in the laser cutting sector. The other investments in equipment and motor vehicles amounted to 5 million Euros in 9 months. During the year 17,2 million Euros in dividends were paid, 16 million of which by El.En. Spa, at the rate of 20 Euro cents per share.

The current profitability, despite being very good, has not so far in 2022 been able to cover all the uses of cash and the net financial position showed a decrease while, in any case, remaining very substantial.

This phase clearly demonstrates the strategic tendency of the Group to promote and facilitate the rapid growth by making use of the cash on hand even for the working capital, an investment which is in part temporary and necessary in this phase in order to overcome the obstacles created by the widespread unreliability in the supplying of components in the face of a major increase in production volumes and sales.

The chart below shows the components of the changes in the net financial position in the first nine months of 2022:



* Nopat = Ebit - Income tax

** D&A = Depreciation, Accruals and Devaluation

*** NWC = Net Working Capital

It should also be noted that the amount of bank and postal deposits includes about 10 million Euros for the Chinese companies containing deposits which will become available upon the expiration of some payments to suppliers with the issuing of some bank bills.

It should also be recalled that 20 million Euros in cash has been invested in financial instruments of an insurance type which, due to their characteristics, must be entered into accounts among the non-current financial assets. This type of cash investment is currently held by El.En. Spa for an amount of 11,5 million, by Quanta System for 2,5 million Euros and by Deka Mela for 6 million Euros, of which, 3 million during the second quarter of this year. Since these are mid-term cash investments, these amounts are not part of the net financial position. At the end of this period the total fair value of these investments amounted to 21,4 million Euros.

Gross investments made this quarter.

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

	30/09/2022	30/09/2021
Intangible assets	435	968
Tangible assets	15.633	14.517
Financial fixed assets	30	4
Total	16.098	15.489

3 mesi	30/09/2022	30/09/2021
Intangible assets	75	189
Tangible assets	6.311	4.147
Financial fixed assets	21	4
Total	6.407	4.340

During the third quarter we have accelerated the work for the furnishing and equipping of the buildings acquired in preceding years by Lasit at Torre Annunziata and by Quanta System at Samarate, and the construction work on the new factory at Wuhan in China.

Comments on Research and Development

As of September 30th 2022, despite all of the difficulties which continue to be caused by the Covid pandemic emergency, we continued conducting research and development activities according to the strategy of pursuing continual innovation intended to open new applications for laser and other energy sources both in the medical and industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative because of the performance of the devices and/or the technologies that are used.

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

At the end of last year, we inaugurated some new photonics laboratories to be used by the medical division of El.En. S.p.A. dedicated to the development of laser sources, which added an additional 300 sq.mt of working space to the pre-existing laboratory and comported an increase in staff with the hiring of a new researcher (Ph.D in photonics) and the collaboration, starting this year, of a research fellow with a grant for collaboration with the Physics Department of the University of Florence.

We conduct an intense activity in order to obtain patents and protect the intellectual property of our inventions; this process becomes increasingly difficult over the years because of the policies of protectionism promoted by the most technologically advanced nations.

Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiary companies have been involved is given below.

Systems and applications for lasers in aesthetic medicine and surgery

In the sector of dermatological applications, we have continued research on the new product “*Red Touch*”, based on a laser source with emissions in red, which represents a unique and innovative solution for photo-rejuvenation of the skin which is based on the direct interaction of the radiation with the collagen present in the tissue; during the studies conducted at the El.En. PhotoBio this solution was found to be very effective in the stimulation of the neo-collagenogenesis of elastic fibers which were able to greatly improve the appearance of the skin.

Also, in the field of dermatology, we have continued the activity of research and development to improve the performance of the “*Viridis*” handpiece of the “*Luxea*” platform which will make it possible to reach the highest standards now available on the market for vascular applications based on pulsating light.

We have completed the development of a new product for dermatology called “*Helix*”, which combines the ablative effect of the traditional CO₂ laser with a non-ablative effect created using a source with emissions at 1570 nm. The product is intended for the US market and the submission for the FDA certification of the product was completed at the end of July while the relative clearance is expected for the end of 2022.

In the sector of hair removal, they have continued research and development activity aimed at improving the products of the high-end range “*Again*” and “*Elite IQ*”. In particular they are studying the temporal structure of the impulses produced in order to improve the effectiveness of the treatments and reduce the discomfort as much as possible, in particular for the treatment of vascular lesions with the devices of the “*Again*” family. We have also continued with the improvement of the high-end devices for hair removal aimed at making the treatments faster and reducing as much as possible the downtime required for heating and calibration, with the objective of affirming the excellence of the El.En. products even in the minimum details.

We have initiated production and sale of the new product, “*Motus AZ*”, destined for the American market. The new product is characterized by a complete range of treatments conducted by a series of handpieces with cooling upon contact: *Moveo HR*, for hair removal; *Moveo PL* for the treatment of pigmented lesions, *Moveo VL* for the treatment of vascular lesions; *Moveo SR* for skin rejuvenation treatments. This product has been highly successful and demonstrates the correct direction of the development conducted. The request for an international patent has been deposited in order to protect the significant intellectual property generated by this activity.

Last year Deka started marketing their new product, “*SmartPico*”, a laser system intended mainly for removing tattoos and treating benign pigmented lesions which operates in a regime of picoseconds. They are now conducting an intense research and development activity aimed at increasing the specifications of the product, in particular the conversion in frequency in order to offer an adequate solution in the spectral region of red. During 2022 they completed the study of the handpiece which was able to make the conversion into frequency at a wavelength of 694nm with a significant improvement in the performance and reliability of the product. They are now conducting further research in order to make conversions in frequency in other spectral regions.

In relation to the sector of body shaping, they have continued the research and development activity on our innovative system, “*Onda Coolwaves*”, which is aimed at the release, which will take place in the next few months, of a new, small-sized handpiece which is specific for treatments of the face. They are now conducting an important research and

development study aimed at further improving its performance, with the development of the latest microwave generators, which may be available by the end of 2022.

For another product belonging to the “Onda” family, it should be mentioned that the new product “TIAC II” for the American market, last year received FDA clearance so that they can now begin to market this device for the treatment of blemishes caused by cellulitis.

They have continued research and development activities for muscular stimulation and for the reduction of localized adipose tissue based on electrical (“*PhysiQ*”) and magnetic (“*Schwarzy*”) excitation. These latter devices for stimulating specific muscular masses of the body have prospects for use also in the sector of rehabilitation and confirmed interesting sales results also in 2022. They are now conducting studies aimed at improving the performance of the devices and the quality of the treatments thanks to the development of specific new applicators.

Also in the segment of *Body Shaping* they have started to manufacture a new product “*LIPO AI*”, for the American market; it is a re-design of the “*SmartLipo*”, product which was sold in the past with great success and has now been updated both in the laser part and in the part controlling the clinical procedure which has been improved through the implementation of innovative algorithms of Artificial Intelligence which offer significant advantages and improve the ease of use, guaranteeing the maximum levels of safety and effectiveness for this procedure.

For the applications in gynecology, we can mention the release of the new family of products called “*GLIDE*”: “*Monalisa Glide*” and “*Monalisa duo glide*”. This new family represents an evolution of the iconic *Monalisa Touch*, of which it maintains the exceptional characteristics for the CO₂ technology of El.En. while improving the design of the control system which offers, among other things, improved ergonomics thanks to a new graphic interface and a new large-sized adjustable display. The new “*Monalisa duo glide*” moreover combines the ablative characteristic of the CO₂ laser with the non-ablative heat treatment performed thanks to the wavelength of 1540 nm, emitted by an additional laser source available in the system.

We are now concluding the development of a revolutionary new accessory called “*Monalisa Butterfly*” which will be able to automate the “*Monalisa Touch*” treatment and will be released by the end of 2022. “*Monalisa Butterfly*” will make it possible to conduct the “*Monalisa*” treatment automatically by means of a system of motorized activation both of the linear advancement as well as the rotation movement which was traditionally done manually by the operator. With the addition of the automation, the treatment will be faster and safer because the results will not depend on the experience of the operator.

Also, in the field of Gynecology, we have continued research and development on the treatment of incontinence caused by stress. The “*Dr Arnold*” medical system for the stimulation of the pelvic floor using high intensity magnetic impulses has been very successful on the market.

In the SVATT project El.En. is involved as a research partner in a group called ATS (Temporary Purpose Association). As part of the project, research and development activities will be conducted aimed at the creation of a new technology which is robust and moveable to the hospital structures, for the creation of products to be used in the field of immunotherapy and immunotherapy re-enforced by nanoparticles in the treatment of melanoma pathologies. The activity of El.En. for the year 2022 was focused on the study and amplification of the research initiated in 2020 and the startup of the prototype RF generator with the relative applicator, devices that were specifically designed for the use of nanoparticles for therapeutic purposes. They conducted studies, analyses and simulations inherent to the design of the applicator and the definition of the performance and requirements of the generator; the research activities also involved the production of preliminary demonstrators and laboratory tests.

For surgical applications we continued the research and development activity related to CO₂ laser technology. Created new accessories and systems, including “*Multipulse Pro Duo*” which is marketed by the subsidiary Asclepion, and makes it possible to perform a vast range of surgical operations thanks to the double function of the arm and fiber.

In Quanta System S.p.A. in the first nine months of 2022 they continued with the development of new products both in the surgical division and in the dermatological and aesthetic/medical sector and successfully launched some new systems. In the surgical sector, the company released on to the market laser systems based on a new technology, *Thulium Fiber* laser - *Fiber Dust*, which completed the range produced by the company for the treatment of stones in the urinary tract and benign hyperplasia of the prostate. At the same time, they created custom versions of the same product for some important OEM clients. Currently the company is engaged in the power development of this range of products in order to complete the range of technical specifications that are increasingly driven to satisfy the growing demand for innovative technologies that is registered for this sector.

In this segment, they are also continuing with the development of new sources based on non-linear optics, and on the use of Thulium lasers for the treatment of stones on the urinary tract. Quanta has been confirmed as the leading company in the El.En. Group in the research and technological innovation on the field of lasers for applications in urology.

At Quanta they have intensified the production and marketing of the system called “*Chrome Lase Station*”, a new laser system for the removal of tattoos and for the treatment of skin and dermatological lesions in general, based on the use of a new laser resonator capable of emitting more uniform kinds of beams, entirely developed by Quanta System.

For all of the main dermatological applications they have completed the development of two new laser platforms with energy levels that are 30% higher than the current ones. These platforms will be used to create new products for which marketing will be started before the end of the year.

Quanta System continued their collaboration with the Center for Photo-Medicine at the Massachusetts General Hospital which brought about the development of a new application in the field of dermatology: the treatment of acne in the active state. This project brought about the EC certification and completion of a laser system which was innovative for the type of source, with emissions at a wavelength which previously had not been available on the market: Accure Laser is the first laser platform in the world that was developed to selectively strike the sebaceous glands, the source of the production of sebum and the key to an effective and long-lasting treatment of acne.

The clinical development also involves, under the responsibility of the associated company, **Accure Acne Inc.** some research centers in America and was intensified in 2022. The company has obtained the EC brand for the Accure Laser™ system for the treatment of patients with moderate acne vulgaris and the associated company is conducting clinical studies aimed at obtaining the FDA clearance for sales in the USA.

Accure Laser™ is the result of a great research and development project conducted by Accure Acne Inc. in collaboration with El.En. and Quanta System and represents a product of great innovative value in the field of products for dermatology. In fact, it is the first laser system in the world which combines sophisticated automatic control elements for the purpose of guaranteeing the effectiveness and safety of the treatment, which is automatically adapted to the specific area to be treated on each patient. Among the automatic elements of artificial intelligence (AI) we should mention the “auto trigger system” which automatically triggers the emission of the laser only when the target cooling temperature has been reached, the “ADD” system or automatic determination of the dose, and the “DEM” system which automatically controls the interruption of the emissions by direct measurement of the end point. This product is protected by a massive patent portfolio which contains more than 14 different patents.

At **Elesta** they have been working on the development of guides for the fibers used in urologic applications. They continued the fine tuning of the new hardware platform for the ESI (Echolaser Smart Interface) and of the programming of the schedule for the treatment of malign pathologies mainly in endocrinology and urology. They are also working on the presentation of a project on the evolution of the automatic interpretive capacity of the focal lesions of the prostate by means of artificial intelligence (AI) at the Ministry of Industry and Economic Development (MISE) in collaboration with a software house and an important university medical research center. They have also worked on depositing additional patents to protect intellectual property (IP) in the urological field. The Research and Development team was also involved in the support of the intense regulatory activity for China and the reimbursement procedure in the USA (CPI code).

ASA continued its work in clinical experimentation and the validation of the therapeutic effectiveness of its physical therapy equipment according to the requirements from MDR. The technological innovation brought to the MLS laser model M8 made it so that in some European countries a significant number of hospitals and clinics successfully inserted laser therapy into the rehabilitation of patients who had had serious cases of Covid-19 and helped them rapidly recover an adequate mobility

At **Asclepion** they continued development activities following a strategy for the updating of all the systems in the catalogue which includes a new philosophy of interface with the user, new electronics and new design. They developed the automatic recognition of blood vessels for vascular treatments using a camera and they are currently conducting technical and clinical experiments. They have continued to develop a surgical system for urologic applications featuring a morcellator integrated in the system.

All of the companies in the Group engaged in the medical sector are subject in this period to a complex and onerous task of adapting the technical and clinical documentation supporting the quality certifications of the medical laser systems (EC brand). In fact, as part of the modifications of the regulations with the new directive “MDR”, the requirements for documents and experimental trials that are necessary to prove the safety and effectiveness of the medical devices which were already quite severe, have become even more stringent.

Laser applications and systems for industry and restoration

At **El.En.** they continued in their vast campaign to re-engineer the products in the light of the increasingly demanding applications that these will be used for. We have begun to work on sealed sources with greater power for applications for a-vehicles in competition with the conventional systems.

They also continued in the perfecting of the range of mid-powered CO₂ sealed sources, in particular of the 1,5kW, a threshold which allows their use in some specific applicative fields which are otherwise excluded, like that for dies developed in collaboration with Cutlite Penta.

We have continued our important work in the development of sealed sources for applications in the stripping sector, also for e-vehicles, which require greater power and reduced cost to affirm the presence of our integrator partner as opposed to mechanical solutions. Since the component shortage emergency is not yet over, we have continued to use the resources of the Research and Development team for the purpose of devising technical solutions in order to make it possible to continue production by minimizing the difficulties of this particular historic moment and the impact that similar situations might have in the future.

In the sector of galvanometric scanning systems, we have continued the process of optimizing the engineering of the products for the purpose improving the production processes and the dynamic performance over time.

We are now working on the designing of new scanning units which will be modular on the basis of the requirements for marking with flat field lenses or with dynamic focalizing systems.

In the field of restoration, the Research and Development team is following the first 300W models for more extensive conservative recovery operations which may be used also for paint stripping and industrial cleaning.

At **Cutlite Penta** in the sector of machines for cutting metal, the new optical, mechanical, fluid-dynamic and sensoristic developments for EVO2 cutting heads has allowed the introduction to the range of laser powers up to 40kW. The machines equipped with 40kW power which have turned out to be very attractive on the market, represent a product that is continually evolving thanks to the perfecting of increasingly futuristic cutting processes. In terms of the cutting capacity of great thicknesses of carbon steel and stainless steel they have obtained exceptional results. They have continued to create innovative systems for cutting pipes and combined machines for cutting both pipes and flat surfaces. The development of software and the definition of the parameters of cutting, also with the relative support gas, have made it possible to fully exploit the potential derived from the high powers used, with significant increases in performance in terms of productivity and quality and the creation of innovative machines for two and three dimensional bevel cutting, which are then used to create a new application line for cutting with fiber lasers, and represent a unique feature which distinguishes them on the market.

The company has also continued the development and amplification of their range of machines for making American dies, a field in which Cutlite Penta is continually re-enforcing their position as world leader by presenting a new line based on El.En. RF1555 lasers which is gradually acquiring market quotas with respect to the sources produced by their competition.

At **Ot-las** on their machines they continued with the experimentation of the use of new CO₂ RF1222 sources made by El.En. and the new, specially developed scanning optics capable of managing the average and peak high power along with the growing demand for dynamic performance. For the purpose of improving the performance of the systems produced using automation, they designed specific new interlocking systems.

In the field of shoe manufacturing, for the applications related to the shaping of the insoles, they have extended the functions of the software which make the use of the systems increasingly suited to the requirements of the market. For the same purpose, the positioning systems have been improved in the hardware.

For the cutting of large blocks of marble and natural stone, they have continued the study and development of machining of large sizes (2x3 meters) with high powered lasers (1200w).

They also continued in their constant research and improvement of the processing of leather, textiles and shoes with the consequent increase in performance and operative flexibility.

They continued in their activity aimed at identifying and carrying out personalized solutions to be added to the complete productive processes which require surface treatments in various materials, besides that to be inserted into production lines with the use of universal robotic systems.

The development at **Lasit** involved the fine tuning of the confining systems of the laser radiation zone in terms of increased integration and ergonomics for the opening and closing devices.

They also worked on the simplification, reduction in size and uniformity of the electrical panels for the purpose of improving the engineering of the systems and make them more adaptable and compact.

Now in progress they have a project for the development of vision systems that are able to access directly the working field by means of the focalizing optics in order to reduce to a minimum the parallax errors, the encumbrance and the vulnerability of the movie cameras.

The chart below shows the expenses for Research and Development for this year:

Thousands of Euros	30/09/2022	30/09/2021
Staff costs and general expenses	10.108	8.546
Equipment	319	261
Costs for testing and prototypes	4.109	5.142
Consultancy fees	332	341
Other services	517	111
Total	15.384	14.401

Following the usual company policy, the expenses shown in the chart have mostly been entered in the operating costs because it is not possible to make a reasonable estimate of the return on the investment.

The amount of expenses sustained corresponds to about 3% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A amounted to 3% of its sales volume.

Trend of the El.En. stock

The trend of the El.En. stock is shown on the chart below:



Other information

It should be recalled that on October 3rd 2012 the Board of Directors of El.En. S.p.A. voted to adhere to the possibility of *opt-out* in compliance with art. 70, sub-sections 8 and 71, sub-section 1-bis of the Consob Regulations 11971/99, exercising their right to waive the requirement to publish the information documents concerning any significant extraordinary operations related to mergers, divisions, increases in capital in kind, acquisitions and sales.

Significant events which occurred this quarter

In the month of September, the equity of the subsidiary Cutlite do Brasil LTDA (amounting to 98,27%) of the capital was sold to Cutlite Penta Srl and became part of the laser cutting business. This transfer makes official the, by now, total involvement of the Brazilian subsidiary in the business of laser cutting of sheet metal.

Subsequent events

On October 18th 2022, El.En. S.p.a announced that its subsidiary Penta Laser Zhejiang had concluded an increase in capital reserved in two Chinese private equity funds, CITIC Securities Investment Co. Ltd Co. Wenzhou Jin Quan XIn Yuan Investment LLP, which are two of the most important funds operating in the private equity sector in China.

Penta Laser Zhejiang is the head of the business unit in which the Group organized its activities in the laser cutting sector. With the underwriting of the increase in the dedicated capital, the two Chinese private equity funds have acquired an overall quota of about 5,58% after paying 71 million Renminbi (at the current exchange rate equal to 10,1 million Euros), which corresponds to an implicit evaluation of the company for an amount of 1,2 billion Renminbi (about 170 million Euros), with a P/E of about 12 times the profits normalized during the financial year 2021.

As a result of the increase in capital, the controlling stake held by the El.En. Group in Penta Laser Zhejiang through Ot-las S.r.l. amounts to 75,93% (as opposed to the preceding 80,43%).

The operation should be seen as part of the ambitious objectives for growth in the sector of industrial laser cutting. The expansion of the shareholder-base to include high-standing local entities with financial backgrounds is one of the preparatory actions for a possible IPO of the business unit on a regulated Chinese market.

The increase in the capital of Penta Laser Zhejiang, does not modify the Guidance issued by the El.En. Group for the current year.

On October 27th the Board of Directors of El.En. S.p.a., following the proposal of the Remuneration Commission, approved the guidelines and essential terms of the new incentive plan, the “Stock Option Plan for 2026-2031”, for the administrators, collaborators and employees of the Company and the subsidiaries, to be submitted for the approval of the Shareholders’ meeting which will convene on December 15th 2022 in a single call (the “Meeting”).

The Board then voted to submit for the approval of the Meeting the granting of a proxy to the Board of Directors to increase the share capital for a period of five years from the date of the resolution, even more than once, for a maximum amount of 65.000 Euros, to be charged entirely to share capital, by issuing a maximum of 2.000.000 new ordinary El.En. shares without setting a nominal value.

This decision was made by the Board on the basis of the objectives for growth of the Group and the particular phase of uncertainty in the scenario of the world economy, knowing the importance of equipping themselves with a valid incentive long-term incentive instrument for the personnel of the Group (administrators, employees and collaborators) which has strategic value. In fact, although 143.565 are still exercisable until December 31st 2025, the expiration date of the preceding plan, the options for administrators, employees and collaborators of the Company and its subsidiaries are all sold out.

During the same meeting, following a proposal by the Remuneration Commission, the Board of Directors resolved to integrate the remuneration policy, in continuation of the policies that have been applied since the Company was founded, introducing a new stock option plan reserved for the members of the Board of Directors, collaborators and employees of the Company and its subsidiaries.

The reasons for this change are based on the evaluations made by the competent company commissions, concerning the opportunity, in relation to the Company’s ambitious objectives for growth and sustainability, to incentivize, in this particular historical phase, the personnel that are considered of strategic importance for achieving these goals, by creating a long-term plan. Specifically, since all of the options available on Stock Option Plan 2016-2025 have been sold out, the Board believes it would be opportune to create a new set of options which can be used to incentivize or attract personnel that play, or will play, a role which has strategic importance for pursuing long-term objectives.

Consequently, without prejudice to the principles and the objectives set as a foundation to the Remuneration Policy, the Board intends to submit for the approval of the shareholders’ assembly, in compliance with sub-section 3-bis of art. 123-ter of the TUF, the proposals for the integration and modification of the above-mentioned Remuneration Policy, which is intended to (i) include a stock option plan among the variable remuneration components of the executive administrators,

the general director and managers with strategic responsibilities in the Company and (ii) consequently, redefine the composition and size of the relative remuneration package.

In particular, the Board felt that it was necessary to intervene on the current remuneration policy since it will expire next year, so that they will immediately have available another incentive instrument that exerts an immediate stimulating effect by means of a quick assignment of the options to the beneficiaries and incentivize them with objectives and mid-term monetary rewards which will become effective starting on January 1st 2026.

It should be noted that, in the case that some of the beneficiaries are administrators of the Company, they may exercise the options assigned to them and matured, only if they have reached the objectives assigned annually in relation to the variable component of their remuneration. As far as the general director and the other strategic directors of the Company are concerned, according to the Plan, they may exercise the options assigned to them and matured only if they have reached the objectives assigned to them annually by the Board of Directors for this purpose.

In light of the above, the Board will submit the Plan to the Shareholders' meeting which will convene on December 15th 2022 in a single call. The Assembly will be called, as a preliminary step, to approve, in compliance with art. 123-ter, sub-sections 3-bis and 3-ter of the Legislative Decree of February 24th 1998, n. 58 ("TUF"), a new policy related to remuneration which will be adopted for the financial year 2022/2023 for administrators, auditors and managers with strategic responsibilities at El.En. which includes the participation in the Plan among the variable components of the remuneration of the administrators and managers of the Company with strategic responsibilities.

Current outlook

The current conditions of the demand, the number of orders and the production capacity allow us to look forward with confidence to a positive closure of the financial year, in line with the excellent results registered up to now for 2022. The Company confirms that which was stated in the Guidance previously issued, with an annual consolidated sales volume expected to be over 660 million Euros with an incidence of the EBIT on the sales volume aligned with that registered for the first nine months of the year.

For the Board of Directors

Managing Director
Ing. Andrea Cangioli

Appendix “A”: List of the consolidated companies as of September 30th 2022

Subsidiary companies

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
<u>Parent company</u>					
El.En. S.p.A.	Calenzano (ITA)				
<u>Subsidiary companies</u>					
Ot-Las S.r.l.	Calenzano (ITA)	98,89%		98,89%	98,89%
Cutlite Penta S.r.l.	Calenzano (ITA)		100,00%	100,00%	79,53%
Deka Mela S.r.l.	Calenzano (ITA)	85,00%		85,00%	85,00%
Esthelogue S.r.l.	Calenzano (ITA)	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lione (FRA)	100,00%		100,00%	100,00%
Lasit S.p.A.	Torre Annunziata (ITA)	70,00%		70,00%	70,00%
Quanta System S.p.A.	Milano (ITA)	100,00%		100,00%	100,00%
Asclepion GmbH	Jena (GER)	50,00%	50,00%	100,00%	100,00%
ASA S.r.l.	Arcugnano (ITA)		60,00%	60,00%	51,00%
BRCT Inc.	New York (USA)	100,00%		100,00%	100,00%
With Us Co., Ltd	Tokyo (JAP)		78,85%	78,85%	78,85%
Deka Japan Co., Ltd	Tokyo (JAP)	55,00%		55,00%	55,00%
Penta-Chutian Laser (Wuhan) Co., Ltd	Wuhan (CHINA)		100,00%	100,00%	79,53%
Penta Laser Zhejiang Co., Ltd	Wenzhou (CHINA)		80,43%	80,43%	79,53%
Cutlite do Brasil Ltda	Blumenau (BRASIL)		98,27%	98,27%	78,16%
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%
Penta Laser Technology (Shangdong) Co., Ltd.	Linyi (CHINA)		100,00%	100,00%	79,53%

Associated Companies

Company name	Headquarters	Percentage held			Consolidated percentage
		Direct	Indirect	Total	
Immobiliare Del.Co. S.r.l.	Solbiate Olona (ITA)	30,00%		30,00%	30,00%
Actis S.r.l.	Calenzano (ITA)	12,00%		12,00%	12,00%
Elesta S.p.A.	Calenzano (ITA)	30,84%		30,84%	30,84%
Accure Inc.	Delaware (USA)		39,44%	39,44%	39,44%

Appendix “B”: DECLARATION IN COMPLIANCE WITH ART. 154-BIS, SUB-SECTION D.LGS. N.58 / 1998

The undersigned Dr. Enrico Romagnoli, as the executive officer responsible for the preparation of the financial statements of El.En. S.p.A. declares, in compliance with sub-section 2 of art. 154-bis of Legislative Decree n. 58 of February 24th 1998, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

Calenzano, November 14th 2022

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