ELECTRONIC ENGINEERING

AVVI 03

Press release

El.En. Spa: The Bod releases the quarterly financial report as of September 30, 2013

Revenues unchanged in the quarter and slightly decreasing in the nine months
Improvement in pre tax income
The net financial position remains solid

Main consolidated financial results as of September 30, 2013

- **Consolidated Revenue: 107 million of Euro (108,3 million in the first nine months of 2012)**
- **EBITDA: 8,2 million of Euro (7,7% on sales), 9,3 million in nine months of 2012**
- **EBIT: 4,8 million (4,5% on sales), 5,6 million in the first nine months of 2012**
- **Pre tax income: 6,0 million of Euro (5,6% on sales), 4,6 million in the nine months of 2012**
- **Net financial position: positive for13,5 million of Euro from the 17,8 million as of December 31st, 2012**

Main consolidated financial results for the third quarter

- **Consolidated Revenue: 33,2 million of Euro (33,5 million in Q3 2012)**
- **EBITDA: 2,3 million of Euro (6,8% on sales), 3,0 million in Q3 2012**
- **EBIT: 1,1 million of Euro (3,3% on sales), 1,7 million in Q3 2012**
- **Pre tax income: 2,6 million of Euro (7,9% on sales), 1,0 million in Q3 2012**

Florence, November 14, 2013 – 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, released today the quarterly financial report as of September 30, 2013 which registered **consolidated revenue** for 107 million of Euro in slight decrease on the 108,3 million as of the end of the third quarter of 2012. In the Quarter revenue were 33,2 million of Euro substantially unchanged on the 33,5 million of Euro of the corresponding 2012 quarter.

As of September 30th, 2013 the group registered **a pre tax income** of 6,0 million of Euro strongly improving the 4,6 million of Euro as of September 30, 2012, benefiting from a revaluation of the investment in Cynosure. Operating income, otherwise improving according to the plans, was affected by certain unexpected costs and related provisions that surfaced in the process of closing some direct distribution activities in the United States.

Certain product lines, both in the medical field and in the industrial field, have achieved considerable success on the market in the period, contributing to the strengthening of our competitive position. In other areas, the volume of business for the group has slowed down, particularly as a result of the foreign currency exchange that has actually reduced by 30% of the turnover of the Japanese subsidiaries (in Japanese Yen revenues rose), and the decision not to pursue anymore, in certain cases, the distribution model through subsidiaries.

From the first quarter of 2013 the financial results of Cynosure (NASDAQ CYNO) are not fully consolidated anymore in the Group financial statements, due to the dilution of the position of El.En. downstream of the capital increase in November 2012 and the closing of the Palomar acquisition last June.

Gross Margin for the nine months was to 51,8 million of Euro, substantially unchanged compared from the Euro 51,9 million as of September 30, 2012 despite a slight decline in sales, due to a better return on sales (48,4% compared to 47,9%). This in spite of a significant decline in grants received for research activity, recorded in Other Revenues and Income line.

EBITDA for the first nine months was positive for 8,2 million of euros, down from 9,3 million at September 30, 2012 with a sales margin of 7,7% compared with 8,6% as of 30th of September 2012. Affects in an important way on the result of the 6,4% increase in personnel costs, due to the strengthening of the operating structures that are growing or anticipating growth, materially affected Ebitda. The result for the quarter was positive for 2,3 million Euro compared to 3,0 million for the same period in 2012

Subsequently **EBIT** at the end of nine months showed a decrease, it reached 4,8 million of Euro compared to 5,6 million Euro of 30 September 2012, also affected by certain unexpected costs and related risk provisions. The impact on sales was 4,5% compared with 5,1% as of 30 September 2012. During the quarter, the result was positive for 1,1 million of Euro million compared to the 1,7 million of the third quarter of 2012.

The **Share of profit of associated companies** includes the portion of the result of Cynosure Inc., which contributes decisively (0,6 million of Euros) to the negative balance of the line. Cynosure Inc, reported convincing operating results, but also substantial costs and charges related to the Palomar acquisition of the Palomar Inc. that led to a loss for the period.

Income before tax marked a significant improvement with a profit of 6,0 million of Euro compared to 4,6 million Euro as of September 30, 2012 thanks to the contribution of the revaluation of the investment in Cynosure. The acknowledgment of the looser connection between the two companies implied a different accounting treatment of the investment, with the passage from equity method (IAS 28) to fair value for assets available for sales (IAS 39) and with the inscription in Other income of an unrealized gross income of 2,5 million. During the quarter, income before tax was positive for 2,6 million of Euro compared to 1,0 million in 2012.

La **net financial position** of the Group stays positive at 13,5 million of Euro, down from the 17,8 million of Euro as of 31 December, 2012.

Current outlook

At the end of the third quarter results showed a delay on the roadmap for the achievement of sales and EBIT targets for the year 2013, which were: revenue growth of 5% (10% in the presence of an improved general economic situation) and improvement in operating income. By the end of the year, also due to some restructuring of activities that resulted in a reduction in sales and additional operating costs, revenue will remain stable compared to 2012, while we expect to be able to improve the operating profit of the previous year.

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 , 2013, will be available for the public at our premises in Calenzano, at Borsa Italiana SpA and in our website www.elengroup.com from November 14th , 2013.

***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 47% and its market capitalization amounts to €84 million.

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Listed on MTA
Mkt capt.:84 mln/Euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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Tab. 1 – Three months ended September 30th , 2013 (unaudited)

Income Statement - 3 months	**30/09/13**	**Inc.%**	**30/09/12**	**Inc.%**	**Var.%**
Revenues	33.210	100,0%	33.496	100,0%	-0,9%
Change in inventory of finished goods and WIP	2.725	8,2%	(1.569)	-4,7%	
Other revenues and income	508	1,5%	974	2,9%	-47,9%
Value of production	**36.443**	**109,7%**	**32.901**	**98,2%**	**10,8%**
Purchase of raw materials	18.211	54,8%	14.691	43,9%	24,0%
Change in inventory of raw material	23	0,1%	(531)	-1,6%	
Other direct services	2.735	8,2%	2.109	6,3%	29,7%
Gross margin	**15.474**	**46,6%**	**16.632**	**49,7%**	**-7,0%**
Other operating services and charges	5.274	15,9%	5.994	17,9%	-12,0%
Added value	**10.200**	**30,7%**	**10.638**	**31,8%**	**-4,1%**
For staff costs	7.935	23,9%	7.638	22,8%	3,9%
EBITDA	**2.265**	**6,8%**	**3.001**	**9,0%**	**-24,5%**
Depreciation, amortization and other accruals	1.162	3,5%	1.259	3,8%	-7,7%
EBIT	**1.102**	**3,3%**	**1.742**	**5,2%**	**-36,7%**
Net financial income (charges)	(979)	-2,9%	(656)	-2,0%	49,2%
Share of profit of associated companies	(37)	-0,1%	(33)	-0,1%	12,5%
Other Income (expense) net	2.523	7,6%	-	0,0%	
Income (loss) before taxes	**2.609**	**7,9%**	**1.052**	**3,1%**	**147,9%**

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Tab. 2 – Nine months ended September 30, 2013 (unaudited)

Income Statement	30/09/13	Inc.%	30/09/12	Inc.%	Var.%
Revenues	107.048	100,0%	108.310	100,0%	-1,2%
Change in inventory of finished goods and WIP	4.150	3,9%	(554)	-0,5%	
Other revenues and income	1.575	1,5%	2.407	2,2%	-34,6%
Value of production	**112.773**	**105,3%**	**110.162**	**101,7%**	**2,4%**
Purchase of raw materials	55.233	51,6%	51.481	47,5%	7,3%
Change in inventory of raw material	(2.852)	-2,7%	(1.005)	-0,9%	183,7%
Other direct services	8.575	8,0%	7.810	7,2%	9,8%
Gross margin	**51.817**	**48,4%**	**51.876**	**47,9%**	**-0,1%**
Other operating services and charges	18.033	16,8%	18.526	17,1%	-2,7%
Added value	**33.784**	**31,6%**	**33.350**	**30,8%**	**1,3%**
For staff costs	25.579	23,9%	24.043	22,2%	6,4%
EBITDA	**8.204**	**7,7%**	**9.307**	**8,6%**	**-11,8%**
Depreciation, amortization and other accruals	3.369	3,1%	3.736	3,4%	-9,8%
EBIT	**4.835**	**4,5%**	**5.571**	**5,1%**	**-13,2%**
Net financial income (charges)	(909)	-0,8%	(651)	-0,6%	39,5%
Share of profit of associated companies	(682)	-0,6%	(303)	-0,3%	124,9%
Other net income (expense)	2.752	2,6%	(1)	0,0%	
Income (loss) before taxes	**5.996**	**5,6%**	**4.615**	**4,3%**	**29,9%**

NOTE:

In accordance with the recommendation CESR/05-178b on alternative performance indicators, the Group uses, in addition to the financial information required by IFRS, some information derived from the latter, although not required by IFRS (non - GAAP measures). These are presented in order to allow a better assessment of the performance and the management of the group and should not be considered as alternatives to those required by IFRS.

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

- **Income from operations,** also known as "EBIT" it's an indicator of operating performance and is determined by adding to the profit / loss for the period: income taxes, other income and expenses, the share of profits/losses of associates, financial income/loss;
- **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:

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

The alternative performance measures are used by the Issuer to monitor and evaluate the performance of the group and are not defined as accounting measures either within Italian GAAP or the IAS / IFRS. Therefore, the criteria used by the Group may not be consistent with those adopted by other operators and / or groups and therefore may not be comparable.