

Quarterly Financial Report as of March 31st 2012

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Approved: €2.591.871,36
 Underwritten and paid : €2.508.671,36

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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.

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Paolo Caselli

Gino Manfriani

Executive officer in charge of preparing the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

EL.EN. GROUP
QUARTERLY REPORT
AS OF MARCH 31st 2012

Quarterly report

Introduction

This interim report on operations for the quarter ending March 31st 2012 for the El.En. Group was drawn up in compliance with to Art. 154-ter of Legislative Decree 58/1998 and later modifications as well as the regulations for issuing companies issued by Consob. This document contains the information usually included by the company in the preceding quarterly reports.

The information sheet shown below has been drawn up in compliance with IAS/IFRS international accounting principles which have been obligatory since 2005 for the preparation of the consolidated financial statements of companies quoted on the regulated stock markets.

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

The quarterly results as of March 31st 2012 are shown in comparative form with those for the same quarter last year. All amounts are expressed in thousands of Euros unless otherwise indicated.

Performance indicators

In this quarterly report we have shown some performance indicators for the purpose of facilitating the evaluation of the economic and financial performance. The Group uses the following performance indicators:

- the EBITDA or earnings before interest, income taxes, depreciations and amortizations, which represents an indicator of operating performance which is determined by adding to the earnings before interest and income taxes (EBIT), the heading of “Amortizations, accruals and devaluations”;
- the EBIT or earnings before interests and income taxes;
- the incidence that the various entries in the statement of income accounts have on the sales volume.

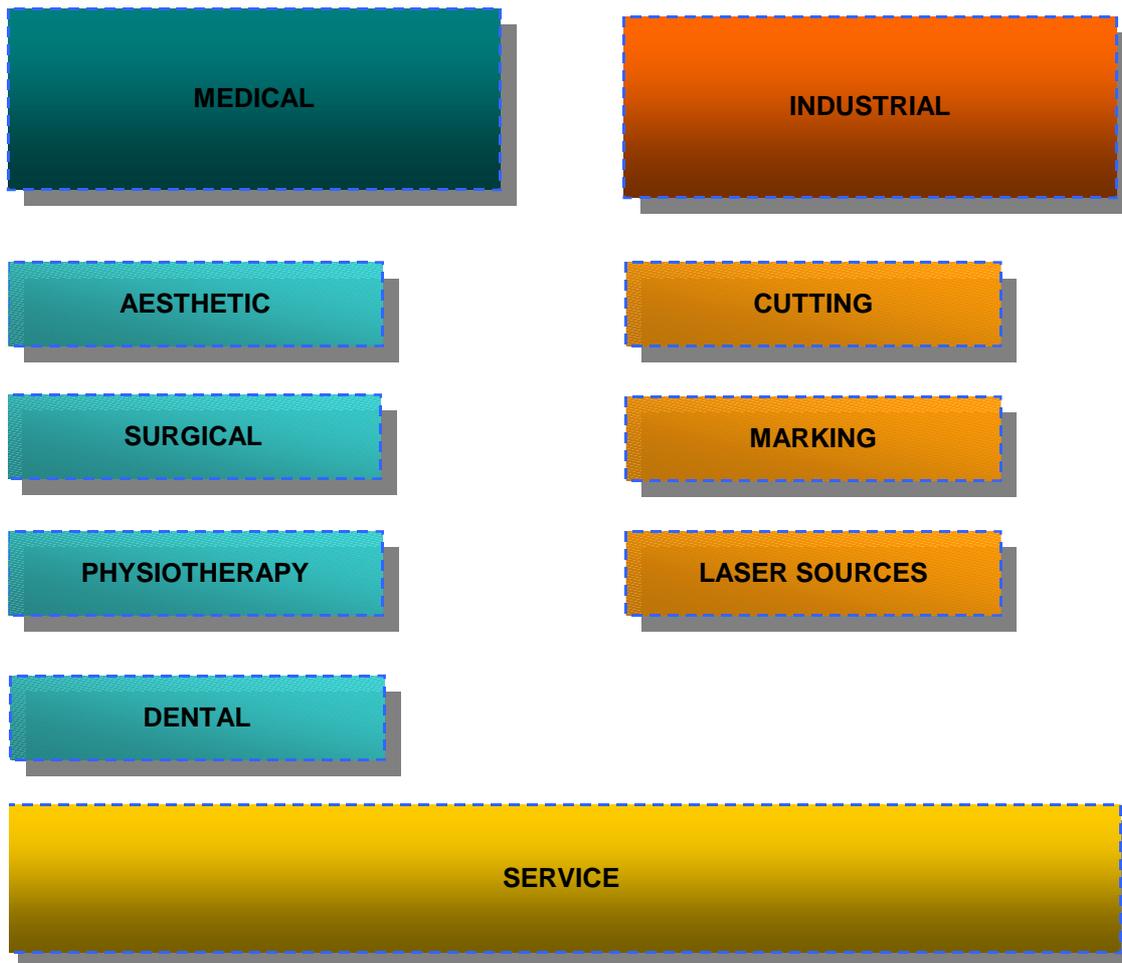
These indicators are illustrated in the Statement of Income charts and commented further on.

Description of the activities of the Group

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group.

Apart from the sub-division of the roles of the various companies, the Group conducts its activities in two major sectors: that of laser systems for medicine and aesthetics, and that of laser systems for manufacturing uses. In each of these two sectors the activities can be subdivided into different segments which are heterogeneous in the application required from the system and consequently for the underlying technology and the kinds of users. Within the activity sector of the Group, which is generally defined as the manufacture of laser sources and systems, the range of clients varies considerably, especially if one considers the global presence of the Group and therefore, the necessity of dealing with the special requirements which every region in the world has in the application of our technologies.

This vast variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximize the quota held by the Group and the benefits derived from the involvement of management personnel as minority shareholders, is the essence of the complex structure of the Group; however, this complexity is based on the linear subdivision of the activities which can be singled out, not just to simplify reporting, but, above all, for strategic purposes, as follows:



Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of income from the sales of spare parts, consumer items and technical assistance.

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure, Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also 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 is now a leader in the market.

Significant events which occurred during this quarter

On January 30th 2012 the subsidiary Cynosure, Inc. (NASDAQ: CYNO) announced that the U.S. Food and Drug Administration (FDA) had authorized the commercial distribution of the Cellulaze™ system in the United States. Thanks to the result of four years of clinical research, Cellulaze is in a class by itself as the only procedure clinically proved to reduce cellulitis in a single treatment. Cellulaze in fact completes the family of Smartlipo™ systems for body shaping.

After the authorization for sale in the USA of this innovative system created by the Cynosure and El.En research teams in collaboration, we expect a significant increase in sales and a consolidation of the leadership position of the Group in the field of minimally invasive laser lipolysis applications for which Cellulaze represents a device specifically designed for the treatment of cellulitis. The first concrete results in terms of sales were already shown in the first quarter of 2012 and constitute one of the factors in the increase in sales volume.

The President and CEO of Cynosure has stated that "Cellulaze is the first and only minimally invasive system created for the treatment of women who are fighting cellulitis with diet and exercise or have tried the dozens of creams and lotions available on the market. Unlike these products, Cellulaze is the only medical device that treats the physiological structure of cellulitis directly and given clinically proven results. It is estimated that about 85% of women over twenty years of age have some form of cellulitis, which are little sacks of fat deposited under the surface of the skin, around the hips, thighs and gluteus and which produce an "orange peel" look. According to market estimates, the treatment of cellulitis represents a multi-million dollar business."

On January 31st 2012 The Parent Company sold the equity they held in Alfa Laser Srl (19%) to a third party for an amount of 1.000 Euros.

On March 30th 2012 the Japanese subsidiary With US Co. acquired shares equal to 35% of the capital stock of the company from a minority shareholder. As a result of this operation, the amount of the equity of the Group in this company was increased from the 51,25% previously held to 78,85%. The shares were purchased at the nominal value of 35.000.000 Japanese Yen, for the corresponding value of the amount of the shareholders' equity of the company with reference to March 31st 2012, which was about 107 million Yen. The greater value obtained in this way, which amounted to about 680 thousand Euros, does not represent revenue and increases the consolidated shareholders' equity and, percentagewise, that of the Group.

Economic and financial results of the Group

The Group started the financial year 2012 showing a significant improvement, with an increase in the sales volume which was well over 30% more than that for the same period last year. The growth in the sales volume involved all three main sectors in which the Group operates: medical systems, industrial systems and after-sales service, all of which showed double digit increases. This result which was achieved in an overall negative economic climate, is particularly satisfying also because the excellent trend in sales is reflected in a significant recovery in profitability, with consolidated EBIT and pre-tax profit which are again positive in the first quarter, the time of year which is usually the slowest in terms of sales.

The volume of business also benefitted from the effects of M&A operations concluded by the Group in 2011, and by the significant growth rate in the pre-existing activities thanks to the success of some initiatives with the launching of new products, which were promoted by the companies of the Group. The increase in the sales volume of systems, which was over 35%, is due to the improved conditions of the American market, the acquisitions made by Cynosure and the growth in the industrial sector in China and Brazil.

Since the final months of 2011 the American market has shown more prosperous conditions than the European one, with a significant growth rate and a return of confidence in the future. This improvement occurred at the same time that Cynosure was making investments by buying the businesses of Elémé, Conbio and Pinpointe, and consequently intensified their results. It should be mentioned that the addition of these new products was superbly orchestrated both from a technical point of view for the production and the completion of the development of the products, but above all in the commercial launching of the product through the efficient distribution network of Cynosure. In fact, to the effect of the increase which the acquisitions would have comported in any case, the excellent management of the commercial cooperation added an extra stimulus which further augmented the sales of the product lines which had been acquired.

The other distribution companies in the USA, Deka Laser Technologies in the dental sector and Deka medical in the aesthetic sector, also benefitted from the American market conditions and broke even in the first quarter; this represents an important step in the process of stabilization of these companies which felt the impact of the economic crisis just as they were starting up.

Starting in the month of February, the Cellulaze system, which was the result of years of collaboration between El.En. and Cynosure for the development of applications of the Smartlipo system, was being sold on the American market thanks to the release of the necessary FDA authorization. The impact on sales was immediate and significant.

The release of an interesting new system for hair removal by laser, the Mediostar Next, allowed Asclepion to achieve results in the first quarter which matched those of its best years, and also contributed to the stabilization of the activities in the professional aesthetics sector in Italy.

The factory in Wuhan, China, which produces laser systems for industrial applications worked at full capacity and registered another increase in sales volume with respect to 2011; the factory in Blumenau, Brazil also showed a good trend even considering that this is usually the slowest season in Brazil.

We have already mentioned the improved conditions on the American market; unfortunately the same cannot be said for the European market, particular the Italian one. The rigid monetary and fiscal policies introduced in mid-2011 generated an overall atmosphere of uncertainty and reluctance to make investments; the scarce availability of credit caused by the efforts of the banks to avoid over extending themselves, is now common place and represents an obvious obstacle and a limitation for the development of any economic activity. We suffer the consequences which are apparent in the general drop of demand in Europe, in particular in the medical sector, and in any case, in the great difficulties that are encountered in attempting to conclude financing operations which are an essential accessory condition for the sale of durable goods like those produced by the Group.

Even in this generally unfavorable climate, the Group has demonstrated that its ability to offer highly innovative products, to more effectively create new client demands, and to satisfy consolidated requirements, make it possible to register phases of growth and to generate revenue. For this reason the investments in research and development remain at the center of attention of the Group which dedicates an increasing amount of resources to this activity and which, even now has ready a series of new products waiting in the pipeline to be launched on the market.

The Group has faith in the potential of, and invests in, their main selling markets. The market for laser applications in aesthetics responds to the increasingly felt social need, which is sustained demographically by the aging of the population, to maintain a pleasing and attractive appearance with the passing of the years. By investing in surgical applications and ultimately also in mid- to long-term projects for the use of robots in surgery, the Group is diversifying its activities in the medical sector, and adding, along with the dental sector and that for physical therapy, another important direction for development which has growth factors that are totally different from those of the aesthetic medical sector. Moreover, in the industrial sector, by combining the strong innovative capacity of the laser sources with the manufacturing and distributing capacity of the laser system in areas with a high growth rate, the Group believes that

they can increase their presence on a traditional market like that of manufacturing, while still pursuing research of innovative technologies to improve the qualitative standard and the efficiency of production.

The chart below shows the results of the Statement of Income for the first quarter of 2012 shown in comparison form with those for 2011.

Statement of income	31/03/12	Inc. %	31/03/11	Inc. %	Var. %
Revenues	60.235	100,0%	45.338	100,0%	32,9%
Change in inventory of finished goods and WIP	1.440	2,4%	4.753	10,5%	-69,7%
Other revenues and income	426	0,7%	923	2,0%	-53,9%
Value of production	62.101	103,1%	51.014	112,5%	21,7%
Purchase of raw materials	25.917	43,0%	24.291	53,6%	6,7%
Change in inventory of raw material	(55)	-0,1%	(2.463)	-5,4%	-97,8%
Other direct services	5.310	8,8%	4.547	10,0%	16,8%
Gross margin	30.928	51,3%	24.640	54,3%	25,5%
Other operating services and charges	11.811	19,6%	10.525	23,2%	12,2%
Added value	19.117	31,7%	14.115	31,1%	35,4%
For staff costs	14.739	24,5%	11.985	26,4%	23,0%
EBITDA	4.378	7,3%	2.130	4,7%	105,5%
Depreciation, amortization and other accruals	2.565	4,3%	2.600	5,7%	-1,3%
EBIT	1.813	3,0%	(470)	-1,0%	
Net financial income (charges)	(336)	-0,6%	(580)	-1,3%	-42,1%
Share of profit of associated companies	(109)	-0,2%	(256)	-0,6%	-57,4%
Other net income (expense)	(1)	-0,0%	(2)	-0,0%	-33,5%
Income (loss) before taxes	1.367	2,3%	(1.308)	-2,9%	

The chart below shows the break-down of the net financial position of the Group.

Net financial position	31/03/2012	31/12/2011
Cash and bank	49.792	48.365
Financial instruments	22.555	24.332
Cash and cash equivalents	72.347	72.697
Short term financial receivables	20	20
Bank short term loan	(7.853)	(11.265)
Part of financial long term liabilities due within 12 months	(2.262)	(1.732)
Financial short term liabilities	(10.115)	(12.997)
Net current financial position	62.252	59.720
Bank long term loan	(5.723)	(4.548)
Bonds	(390)	(425)
Other long term financial liabilities	(1.680)	(1.711)
Financial long term liabilities	(7.793)	(6.684)
Net financial position	54.458	53.035

The chart below shows the Statement of Income for the first quarter of 2012 and the net financial position of the Group excluding the subsidiary Cynosure from the area of consolidation.

Statement of income	31/03/12	Inc.%	31/03/11	Inc.%	Var.%
Revenues	35.388	100,0%	30.885	100,0%	14,6%
Change in inventory of finished goods and WIP	365	1,0%	3.988	12,9%	-90,8%
Other revenues and income	315	0,9%	854	2,8%	-63,2%
Value of production	36.068	101,9%	35.727	115,7%	1,0%
Purchase of raw materials	17.197	48,6%	18.319	59,3%	-6,1%
Change in inventory of raw material	(556)	-1,6%	(1.696)	-5,5%	-67,2%
Other direct services	2.755	7,8%	2.876	9,3%	-4,2%
Gross margin	16.673	47,1%	16.228	52,5%	2,7%
Other operating services and charges	6.060	17,1%	6.172	20,0%	-1,8%
Added value	10.613	30,0%	10.057	32,6%	5,5%
For staff costs	8.205	23,2%	7.655	24,8%	7,2%
EBITDA	2.407	6,8%	2.401	7,8%	0,3%
Depreciation, amortization and other accruals	1.172	3,3%	1.392	4,5%	-15,8%
EBIT	1.235	3,5%	1.009	3,3%	22,5%
Net financial income (charges)	(487)	-1,4%	(759)	-2,5%	-35,9%
Share of profit of associated companies	(109)	-0,3%	(256)	-0,8%	-57,4%
Other Income (expense) net	(1)	0,0%	0	0,0%	
Income (loss) before taxes	638	1,8%	(6)	0,0%	

Net financial position	31/03/2012	31/12/2011
Cash and bank	19.353	20.778
Financial instruments	1	81
Cash and cash equivalents	19.354	20.859
Short term financial receivables	20	20
Bank short term loan	(7.817)	(11.230)
Part of financial long term liabilities due within 12 months	(2.070)	(1.582)
Financial short term liabilities	(9.887)	(12.813)
Net current financial position	9.486	8.066
Bank long term loan	(5.637)	(4.469)
Bonds	(390)	(425)
Other long term financial liabilities	(1.306)	(1.409)
Financial long term liabilities	(7.333)	(6.302)
Net financial position	2.153	1.764

Operational performance

The table below shows the subdivision of the sales volume according to sectors of activity of the Group for the first quarter of 2012 in comparison with the same subdivision for the same period last year.

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Industrial systems and lasers	9.579	15,90%	7.058	15,57%	35,72%
Medical and aesthetic lasers	39.490	65,56%	28.453	62,76%	38,79%
Service	11.165	18,54%	9.827	21,67%	13,62%
Total	60.235	100,00%	45.338	100,00%	32,86%

All three of the main sectors showed a significant increase in sales volume which improved about 33% with respect to the first quarter of last year. The industrial sector continued the rapid growth it had registered last year and showed an even greater improvement of about 36%. The strategic investments which created the manufacturing and distributing capacity especially in a fast developing nation like China are now showing results which are aligned with the ambitious growth plans that the Group is following in this sector.

Significant growth was also registered in the sales of medical systems with an increase of about 39% with respect to March 31st 2011, obtained mainly through the acquisition by Cynosure Inc. of the assets of Hoya ConBio and Elémé and the exclusive distribution rights of the Pinpointe system for the treatment of onychomycosis by Cynosure as well as the clearance from the FDA authorizing the commercial distribution of Cellulaze™ in the United States. The other companies of the Group active in the medical sector also showed a positive trend in their sales volumes, in particular Quanta System, which is involved in the aesthetic sector as well as the surgical sector, and the activities on the Japanese market which is one of the most important for the Group.

Revenue from technical assistance and spare parts was also good with a growth of over 13%, which reflects the progressive increase in the number of systems installed but also in the volume of business conducted by our clientele which purchases consumables, spare parts and maintenance services.

The results for this period, divided by geographical area, are shown on the chart below.

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Italy	6.364	10,57%	5.470	12,06%	16,35%
Europe	12.157	20,18%	12.924	28,51%	-5,94%
Rest of the world	41.714	69,25%	26.944	59,43%	54,82%
Total	60.235	100,00%	45.338	100,00%	32,86%

Sales volumes in Italy showed a slight increase while the other ones in Europe are in a phase of recession, with a decrease of about 6% with respect to March 31st 2011. Sales volume in the rest of the world showed a significant increase thanks to the favorable conditions of the American market, the above mentioned acquisitions made by Cynosure and the growth of the industrial sector in China and Brazil.

For the medical sector, which represents almost 66% of the sales of the Group, the chart below shows the results for the various segments.

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Surgical CO2	2.221	5,62%	2.489	8,75%	-10,78%
Physiotherapy	3.119	7,90%	1.543	5,42%	102,08%
Aesthetic	28.798	72,92%	18.291	64,28%	57,45%
Dental	741	1,88%	1.054	3,70%	-29,72%
Other medical lasers	3.841	9,73%	3.589	12,61%	7,04%
Accessories	771	1,95%	1.488	5,23%	-48,16%
Total	39.490	100,00%	28.453	100,00%	38,79%

The main segment, aesthetics was responsible for the overall growth of the sector which showed a decrease in sales volume in all the other segments except physical therapy which continues to register good results thanks to the important work conducted by ASA of Vicenza which has successfully placed the laser products of the Group in this highly specialized sector, and thanks to the inclusion in the sector of the sales of the Pinpointe system for the treatment of onicomicosis.

The systems which represent the backbone of the sales of the Group in the medical-aesthetic sector are as follows: for the hair removal segment, which is the most significant segment in this sector, Elite from Cynosure, the Light system from Quanta, Mediostar from Asclepion, and the Synchro systems from Deka, all of which are also suitable for vascular therapy; in the segment of systems for the removal of tattoos and pigmented lesions, Medlite and Revlite, the ConBio systems, joined the range which already included the systems of Quanta System, Asclepion, Deka and Cynosure which are the market leaders and have made the Group the undisputed leader in this segment; for minimally invasive treatment of the body (“body shaping”) the Group has been the leader for several years with its range of Smartlipo products and has further re-enforced their position with Cellulaze, which is the Smartlipo device that is used specifically for the treatment of cellulitis.

The residual sector “Others” which showed an increase of 7%, includes coloring and excimer systems for dermatology, non-CO₂ systems for surgical applications: among these we should mention the systems for endovascular treatments and above all, DPSS (“Diode pumped solid state”) Tullium systems, Nd:YAG systems with 532nm for the removal of benign hyperplasia of the prostate, and the Olmium systems for lithotripsy, for which Quanta System in particular has reached a high degree of sophistication and prestige.

The other segments registered a drop in the sales volume which was also significant in the dental sector, which is indicative of the phases of difficulty that the slowing of the economy has caused for the markets and the companies of the Group.

For the sector of industrial applications, the chart below shows the breakdown of the sales volume according to the market segments in which the Group operates

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Cutting	6.889	71,92%	5.200	73,68%	32,48%
Marking	2.351	24,54%	1.618	22,93%	45,27%
Laser sources	232	2,42%	167	2,36%	39,20%
Welding, other industrial systems	107	1,12%	73	1,03%	46,85%
Total	9.579	100,00%	7.058	100,00%	35,72%

These excellent results were driven by the main segment, that of cutting applications, in which Cutlite Penta operates in Italy, Cutlite do Brasil in Brazil, and Wuhan Penta Chutian in China; this latter grew 25% during this quarter. The marking segment registered results that were even better, mainly due to the excellent work of Lasit, which is now reaping the benefits of the re-organization of the company and establishing a firm position in the sector of industrial

marking. With the preponderance of the sales volume for laser systems, the sales of laser sources to third parties became of secondary importance, notwithstanding the fact that this segment has traditionally been the strong point of the Group and the quantity of units manufactured for internal use continues to grow and represents the technological core which has always been at the heart of the manufacturing of systems produced by the parent company El.En. The restoration segment also showed growth.

The tables below show the composition of the sales volume of the sub-consolidated which excludes Cynosure; the break-down chart for the industrial sector, in which Cynosure does not operate, is not shown.

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Industrial systems and lasers	9.579	27,07%	7.058	22,85%	35,72%
Medical and aesthetic lasers	19.165	54,16%	17.760	57,50%	7,91%
Service	6.644	18,77%	6.067	19,64%	9,50%
Total	35.388	100,00%	30.885	100,00%	14,58%

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Italy	6.272	17,72%	5.426	17,57%	15,59%
Europe	7.345	20,76%	7.870	25,48%	-6,67%
Rest of the world	21.771	61,52%	17.588	56,95%	23,78%
Total	35.388	100,00%	30.885	100,00%	14,58%

	31/03/2012	Inc%	31/03/2011	Inc%	Var%
Surgical CO2	2.059	10,74%	1.955	11,01%	5,31%
Physiotherapy	1.687	8,80%	1.543	8,69%	9,33%
Aesthetic	11.557	60,30%	9.439	53,15%	22,44%
Dental	741	3,87%	1.054	5,94%	-29,72%
Other medical lasers	2.377	12,40%	2.440	13,74%	-2,59%
Accessories	745	3,89%	1.328	7,48%	-43,95%
Total	19.165	100,00%	17.760	100,00%	7,91%

Even without the contribution of Cynosure and its acquisitions the medical sector shows a significant growth of about 8%, while the service sector showed an increase of almost 10% .

In the medical sector, the significant growth of the aesthetic segment (+22%) determined an overall increase in the sector, especially the good results of the lasers for hair removal and removal of tattoos and vascular lesions, a technology in which the products of Quanta System excel. The CO₂ systems also showed a positive trend thanks to the Smartxide² system which is one of the top of the line products, and the more strictly surgical applications, joins Smartxide DOT, which represented the main product in this segment. The physical therapy conducted by Asa of Vicenza, is still doing well and has grown at a rate that is over the average for this sector.

It should be noted that also in the first quarter of 2012 some sales financed by the clientele with operative leasing in conformity with the IAS/IFRS standards have been considered as revenue from multi-year rentals even though the group has already cashed in the sales price. In any case, the effect on this period was minimum.

The gross margin was 30.928 thousand Euros, an increase of 25,5% with respect to the 24.640 thousand Euros for the same period last year; the incidence on the sales volume decreased from 54,3% on March 31st 2011 to 51,3% for this quarter as a result of a different mix of products and distribution channels.

The costs for operating services and charges were 11.811 thousand Euros, an increase of 12,2% with respect to March 31st 2011 but with a drop in the incidence on the sales volume which decreased to 19,6% from 23,2% for the same period last year thanks to the strict control of operating costs which has been instituted to limit expenditures in an unfavorable economic phase.

Costs for personnel also rose, to an amount of 14.739 thousand Euros, an increase of 23% with respect to the 11.985 thousand Euros for the same period last year and it also shows a greater productivity because the incidence on the sales volume dropped from 26,4% on March 31st 2011 to 24,5% on March 31st 2012. The costs for personnel also include the figurative costs for the stock options assigned to employees, mainly referred to the stock options issued by the subsidiary Cynosure Inc. On March 31st 2011 these costs were 313 thousand Euros, while they increased to 620 thousand Euros on March 31st 2012.

On March 31st 2012 there were 1.136 employees in the Group, three less than the 1.139 present on December 31st 2011 but an increase with respect to the 999 present on March 31st 2011.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. The grants entered into accounts as of March 31st 2012 were 51 thousand Euros, whereas for the same period last year they amounted to 587 thousand Euros.

On account of the trends in the accounts described above, the EBITDA was 4.378 thousand Euros, a significant increase with respect to the result of 2.130 thousand Euros for March 31st 2011.

The costs for amortizations, depreciations and accruals were 2.565 thousand Euros, a slight decrease with respect to March 31st 2011 when they were 2.600 thousand Euros, and they also decreased in their incidence on the sales volume.

The EBIT was 1.813 thousand Euros, a significant improvement with respect to the loss of 470 thousand Euros registered on March 31st 2011: the incidence on the sales volume is 3%, which is still far from the potential of the Group but still represents an important step in the right direction to bring the Group to a higher revenue level.

Net financial charges amounted to 336 thousand Euros with respect to 580 thousand Euros for the same period last year; the loss for the associated companies was 109 thousand Euros, mainly due to Elesta Srl and the Spanish company GLL.

The items entered in the category of other net income and charges both on March 31st 2011 and March 31st 2012, represent operations and evaluations of limited importance

The pre-tax profit therefore was registered for the amount of 1.367 thousand Euros, which is also a considerable improvement over the loss of 1.308 thousand Euros registered on March 31st 2011.

For the sub-consolidated drawn up excluding Cynosure, the increase in the sales volume was a smaller amount (+14,6%) but the decreased incidence on the overheads made it possible to register an EBIT of 3,5% of the sales volume with respect to the 3,0% shown for the consolidated.

The gross margin with respect to the result for March 31st 2011 increased by 2,7% notwithstanding a drop in revenue from sales of almost 5%, of which 2% are due to the decrease in grants for research and development and 3% are derived from a less favorable mix of sales (for the greater increase of the revenue in the industrial sector which, particularly during this quarter, registers margins that are lower than the medical sector).

The other cost entries show a substantial stability in their incidence on the sales volume; the EBITDA was about 2,4 million Euros (with an incidence of 6,8% on the sales volume) while the EBIT was about 1,2 million Euros; this latter showed a significant increase with respect to last year in particular due to the fact that it was no longer necessary to set aside reserves for credit risks.

The associated companies that showed losses involve only the sub-consolidated without Cynosure, for which a loss of 109 thousand was registered as already noted for the overall consolidated, which in this case was equal to 0,3% of the sales volume.

The pre-tax profit for the sub-consolidated without Cynosure on March 31st 2012 was 638 thousand Euros, thus reversing the negative situation which for the same period last year registered a loss of about 6 thousand Euros.

Financial position and Investments

Comments on the net financial position

The net financial position of the Group showed a slight increase of about one million with respect to the 53 million Euros registered on December 31st 2011. Of this amount most is held by the parent company and by the subsidiary Cynosure Inc..

The increase in the net financial position is derived from the EBITDA which was greater than the increase in the net working capital and the expenses for fixed investments.

For the net financial position referring to the sub-consolidated without Cynosure, this showed an increase of 0,4 million Euros, since the expenses for investments and the increase in net working capital absorbed most of the EBITDA generated during this quarter.

Gross investments made during this quarter

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

<i>Progressive</i>	31/03/12	31/03/11
Intangible assets	37	1.114
Tangible assets	1.798	1.939
Equity investments	0	2.672
<i>Total</i>	1.835	5.724

It should be noted that the intangible assets during the first quarter of 2011 referred mainly to the acquisition by Cynosure from Elémé Medical of licenses and patents related to the SmoothShapes® XV technology, while the equity investments referred entirely to the subsidiary Cynosure, which during this period had made net investments in mid to long-term securities for about 3,8 million dollars.

The investments sustaining the commercial distribution, in particular by Cynosure, through the assignment of demo laser systems to the agents working in their commercial network, continue to be very substantial.

Comments on Research and Development activities

During the first quarter of 2012 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market. The Group increased the investments in R&D during this period in order to face the economic crisis which required even more attractive items for the market through the presentation of new equipment and applications.

In general, for highly technological products in particular, the global market requires that the competition be met by continually placing on the market completely new products and innovative versions of old products which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid- to long-term schedules.

The innovative results consist essentially in the creation of new laser applications and the development of suitable equipment for the new applications. In other words, we conduct research in order to understand unresolved or new problems in the fields of medicine and industry and we look for solutions on the basis of our experience and culture in laser systems related, on the one hand, to its generation and level of power and, on the other, its management over time and in the shape of the ray.

The research which is aimed at obtaining mid- to long-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centres throughout the world, some of which we collaborate with.

Research which is dedicated to achieving results according to a short-term schedule, above all for products developed for new laser applications, is concentrated on subjects for which all the preliminary feasibility studies have been completed. For these subjects a choice has already been made regarding the main functional characteristics and specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study and some of them also during field trials.

The research which is conducted is mainly applied and is basic for some specific subjects. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University and Research (MUR) and the European Union, as well as directly with Tuscan Regional structures or Research Institutions in Italy and abroad.

The Group is the only one in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid, with semiconductor, gas) each one with various power versions in some cases, and using various manufacturing technologies. Consequently, research and development activity has been directed to many different instruments and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiaries have been involved is given below.

Systems and applications for lasers in medicine

At the parent company El.En., we have developed a new family Smartxide2, CO₂ laser products for uses in surgery and aesthetic medicine. The systems are equipped with a laser source fed by radio frequency with an average power of up to 80w and interface management from personal computer installed on the device. These are multi-disciplinary systems which can be used in general surgery, otorhinolaryngology, dermatology, gynecology, odontostomatology, laparoscopic surgery, and aesthetic surgery. In this sector we have continued pre-existing research programs and started new ones for new clinical applications. To this aim further technological innovations are now in progress, contained in scansion systems featuring optical and electronic management systems which make it possible to perform surgical operations on various parts of the body with extreme precision. On some versions of these instruments it is possible to install a second semi-conductor laser source with a wave-length which can be selected by the client when ordering. For the semi-conductor laser sources we are now conducting research with medical specialists for the development of uses in other sectors. At numerous centers in Italy and abroad there is an intense activity involving the gathering of clinical results related to the innovative application possibilities which will be provided by the equipment belonging to this particular family of instruments.

Activities related to the MILORDS projects are now in progress. We have received approval from the Region of Tuscany for the co-financing with funds from the European Union of the MILORDS Project related to the development of new robot laser systems for surgical operations in the fields of ophthalmology, urology cutaneous ulcers, and the treatment of benign hypertrophy of the prostate and, eventually, the percutaneous ablation of masses inside the human body.

The project is headed by El-En and has as partners outstanding specific research centers in Tuscany and companies associated with multi-national corporations that are active in the field of robotics. Projects of this type pertain to the line of research being conducted for the development of minimally invasive surgery systems which have a substantial impact both on the quality of life of the patient and the reduction in the costs of health care.

Development work is now being concluded for a new (Alex+ Nd:YAG+IPL) platform: this is a matrix device capable of sustaining various terminals emitting luminous radiations, integrated for: management and interface with the doctor, supply of electrical current and conditioning fluids, ergonomic mechanical support, management of the various integrated systems. Activity aimed at gathering data from trials conducted in clinics in Italy and abroad is about to be concluded.

We have continued the development of instruments and clinical experiments for innovative laser equipment belonging to the HILT family of equipment (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment) for uses in physical therapy, dermatology (cutaneous ulcers), with experiments also conducted in the USA in various research centers using animal (horse) models, and we are about to conclude our collaboration for the programming of new experimental research on treatments for maladies of the articulation of the knee in patients with the Istituti Rizzoli of Bologna which have been our partners now for several years; with some German clinics specialized in orthopedics the procedures required for obtaining authorization from the Ethical Commissions are now in progress.

Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs as part of the activity conducted by the associated company Elesta created by El.En. and Esaote.

Collaborative projects have been initiated with the university clinics of Florence and Pisa and with the Department of Engineering and Telecommunications of the University of Florence; we are now conducting research aimed at the creation of interaction laser tissue models for programming ablation operations. We are continuing research aimed at identifying methods for the characterization of tissue, treated for ablative purposes with a radio-frequency ultra-sound signal for augmenting the verification phase of the effects of the treatment being applied.

We have completed the research for the identification of procedures for the creation of applicators with cold points and those with inflatable balloons with spreading liquid. These activities were conducted as part of the TRAP project with funds received from the European Union issued by the Department of Economic Development of the Region of Tuscany.

We have started the project for the industrial development of laser equipment and devices for the treatment of cutaneous ulcers (TROPHOS project). This project like the above mentioned TRAP, are conducted with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany.

At the same time, active clinical experimentations have continued in Italy and in qualified European and American centers in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology and aesthetics.

We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis; we are also working to obtain the protection of our brand names and applications in the most important countries.

At El.En. we have continued to conduct research for new medical applications in the recently created PHOTOBIO LAB for the study of the interaction between light and biological tissue.

We have continued our activities for conducting autonomous research with the use of molecular biology methods.

We have activated a laboratory for *in vitro* testing for pre-prototype equipment and for the education of medical operators.

We completed the creation of laser devices for surgical operations in the vascular sector.

The collaboration of El.En.'s Research and Development department for medical laser devices continued with Cynosure for the development of new laser equipment for the treatment of adipose layers.

At Cynosure they concluded the final phases of activity in the clinical experimentation of the treatment of cellulitis for a new device with innovative characteristics in terms of power levels and their control with retro-activated systems using information from temperature sensors and several different wave lengths. They continued clinical studies for the development of a method, using a new alexandrite laser with pico-second impulses, for removal of dark spots on the skin and tattoos on a wide range of shades of pigment.

Quanta System continued the development of two types of lasers, one with OLMIO and the other with Tullium infra-red, for the therapy for the treatment of benign prostate hypertrophy and of a fiber laser with augmented performance

with respect to the state of the art, with contributions derived from financing for a European Union project. They also continued active research on a new laser device with multiple wave lengths with Q-switch technology.

DEKA M.E.L.A. carried on an intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynecological and otorhinolaryngological. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for Italian and foreign academic and professional medical centers.

Asclepion received an important grant from the region in which it operates, Turgia, for the development and experimentation of lasers for surgery; the activity of research and development of equipment for applications in urology and the related clinical trials are now in progress.

Laser systems and applications for industry

We have conducted studies for the utilization of turbines with bearings for magnetic levitation for CO₂ power lasers for the purpose of reducing the pollution from the gas mix of the active ingredient and assure a reliable functioning for intense rotation activity. We are also conducting studies for the optimization of the wave length emitted by CO₂ power lasers for applications in the field of industrial cutting and welding of plastic materials.

We are now conducting verifications tests and experiments scansion and focalizing heads for fiber lasers, for remote welding of metallic materials for automotive use and the manufacture of furniture. As part of this project we are also developing a new dynamic system of high speed response focalization.

Experimental activities were concluded for cutting applications on metallic materials we have developed a capacitive sensor for controlling the position of the focal zone of the laser ray with respect to the material.

As part of the strategy for the development of restoration methods in Tuscany, a project (TEMART) is now being concluded and El.En. was responsible for the development of the laser equipment used for certain special types of work involving the cleaning of the materials used to create works of art of various types. An important result was obtained , among others, for the generation of programmable short term laser impulses.

We have scheduled the work phases and conducted feasibility studies on new diagnostic systems for paper in antique books using lasers; this system has recently been patented.

We are now developing laser systems for the focalization and scansion of the ray to be used for cutting and sealing plastic materials in equipment for packaging foods and chemicals for various uses.

We have developed new testing methods for mirrors for marking devices of different dimensions on the basis of the high speed scansion in machines performing laser decoration on large surfaces.

For the metal cutting sector, Cutlite Penta is active in the development of new systems and in the innovation of technical solutions for systems that are already being manufactured.

They completed verification trials on structural and functional innovations developed on sealed CO₂ sources manufactured by El.En. They continued work on the development of an electronic system for remote diagnosis and remote assistance of industrial machines. They have developed new compact cutting systems with higher performance and limited costs. They are developing systems to eliminate most of the optical routes of the CO₂ laser ray with solutions that include the direct assembly of the new sources with Radiofrequency pumping on the mobile portal of the machine. They are now about to complete the development of the software for the execution using raster scansion for marking metal and other kinds of surfaces on the cutting machine.

They have initiated feasibility studies for new laser applications in the production cycle of glass objects.

Quanta System has completed a research program on the use of laser based working technologies on components for exploiting solar energy; financing for the project has been approved by the special commissions of the European Union.

At Ot-las they have concentrated their development and engineering activity on the integration of the technical components supplied by the parent company El.En. S.p.A. into systems for laser marking which identify and satisfy the new manufacturing requirements, in particular those with added high power and creative content.

They continued the activity for the of systems directed to the OEM market and for the integration on production lines or cells for work on high speed 2D marking lines for 3D cutting of components and thermo-perforated plastics.

The following chart shows the expenses for Research and Development for this quarter.

<i>thousands of euros</i>	31/03/2012	31/03/2011
Costs for staff and general expenses	3.577	2.961
Equipment	79	42
Costs for testing and prototypes	442	336
Consultancy fees	140	175
Other services	153	113
Intangible assets	0	0
Total	4.391	3.627

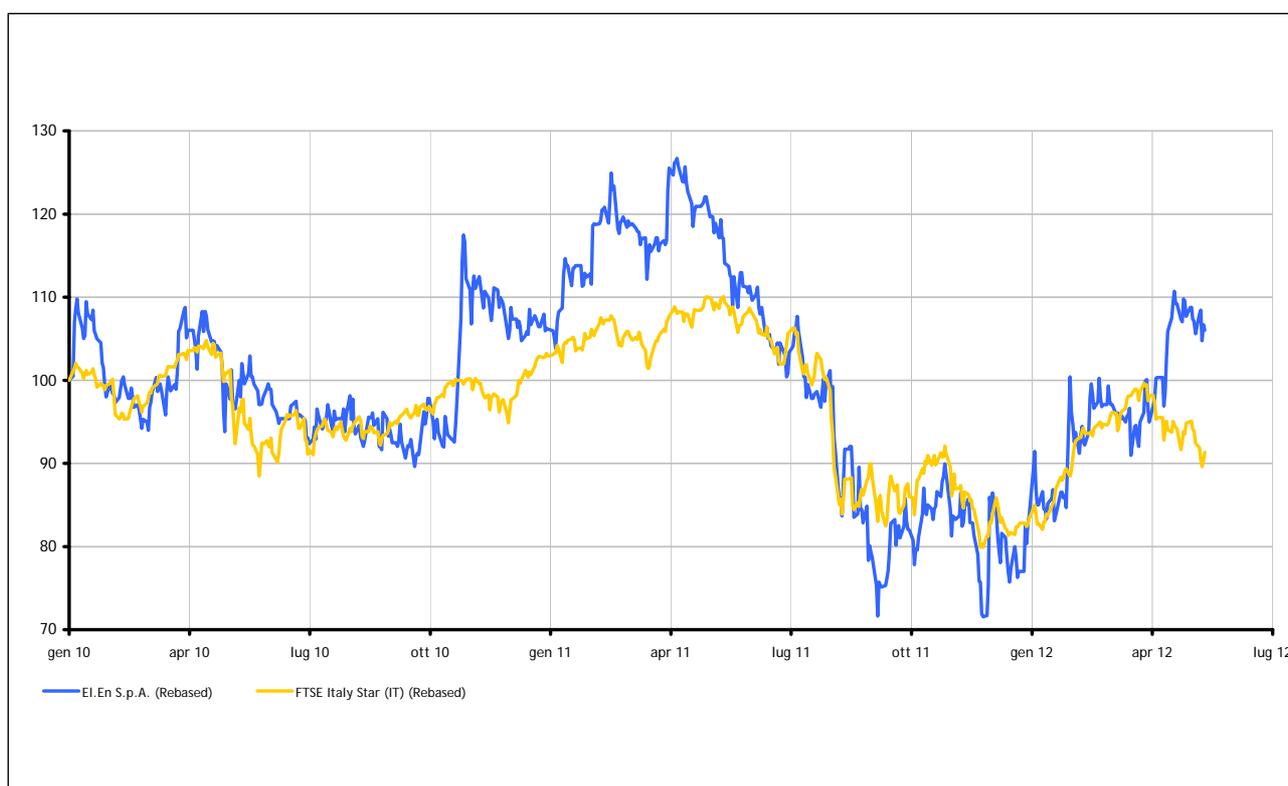
As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 3,2 million dollars.

As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs.

The amount of expenses sustained was equal to 7% of the consolidated sales volume of the group. The portion related to Cynosure was, as mentioned above, 3,2 million dollars and represents 10% of its sales volume; the remaining part of the expenses is sustained mainly by El.En. SpA. and is equal to 9% of its sales volume.

Trend of El.En. stock

The trend of the stock is shown on the chart below.



In relation to the value of our stock on the market, it should be noted that the results obtained by Cynosure determined a significant rise in the price of the stock which increased from 10 US dollars in September 2011 to 21,48 US dollars at the

closure on May 14th 2012; the corresponding increase in the market value of the Cynosure stock held by El.En. Spa was consequently approx. 33 million US dollars equivalent to about 25 million Euros; the quotation of the El.En. stock did not benefit correspondingly.

Other significant events which took place during this quarter

No other significant events took place during this quarter.

Other events which took place after the end of the quarter

On May 7th 2012 the ordinary assembly of Elesta S.r.l., in which the parent company El.En. S.p.A. holds a 50% equity, voted to pay off the losses registered in the financial reports on December 31st 2011 and in the statement of financial position on March 31st 2012 drawn up in compliance with art. 2482-bis c.c., for an amount of 643.602 Euros, by reducing the capital stock to zero, using the fund which had been created for this purpose during the preceding year for an amount of 128.472 Euros and an additional payment. They also voted to reconstitute the capital stock to the original amount of 110 thousand Euros: this increase was entirely underwritten by the partners.

The shareholders meeting of the parent company El.En. S.p.A., met on this day, May 15th 2012, and approved the financial statement for the year 2011; they also voted to deposit the net income, for an amount of 1.264.103,00 Euros in an extraordinary reserve. The shareholders' meeting also proceeded with the election of the Board of Directors, whose mandate had expired, and confirmed the appointment of the members of the board. They also confirmed the appointment of a new Independent auditors since the mandate of the old one had expired and, in an extraordinary meeting, voted to modify art. 13 and articles 19, 20 and 25 of the company by-laws: the first of these articles is related to the heading of the publication notifying the meeting of the shareholders' meeting; the others in order to comply with Law 120 of July 12th 2011 and the new self-disciplining code of the Italian stock market (Borsa Italiana S.p.A.).

Current outlook

For the overall consolidated the results for this quarter were excellent in terms of growth of the sales volume and they showed a significant return to profits starting in the first quarter. We had expected this trend and confirm that the outlook for the rest of the year remains good, thanks also to the receptivity of the American market on which the consolidated results greatly depend.

As far as the results of the sub-consolidated without Cynosure are concerned, the results are aligned with our expectations and the indications supplied for the year in progress which predicted an increase in sales volume of 5%, with the possibility of exceeding 10% if sustained by a generally favorable trend and an increase in the EBIT, which exceeded a revenue of 5% of the sales volume in the presence of a general economic trend which was more favorable. The results which have been obtained so far, even in the presence of a general economic situation which is still uncertain, make it possible to confirm these forecasts.

For the Board of Directors

Managing Director
Ing. Andrea Cangioli

Annex “A”: List of the consolidated companies as of March 31st 2012

Subsidiary companies

Company name:	Headquarters	Currency	Percentage held:			Consolidated Percentage
			Direct	Indirect	Total	
Parent company:						
El.En. SpA	Calenzano (ITA)	EURO				
Subsidiary companies:						
Deka M.E.L.A. Srl	Calenzano (ITA)	EURO	75,00%		75,00%	75,00%
Cutlite Penta Srl	Calenzano (ITA)	EURO	90,67%		90,67%	90,67%
Esthelogue Srl	Calenzano (ITA)	EURO	50,00%	50,00%	100,00%	90,00%
Deka Technologies Laser Srl	Lyons (FRA)	EURO	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH	Munchen (GER)	EURO	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	Carlsbad (USA)	USD	11,78%	80,71%	92,49%	92,49%
Ot-las Srl	Calenzano (ITA)	EURO	90,00%		90,00%	90,00%
Lasit SpA	Vico Equense (ITA)	EURO	52,67%	17,33%	70,00%	68,27%
BRCT Inc.	Branford (USA)	USD	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	EURO	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	Jena (GER)	EURO	50,00%	50,00%	100,00%	80,00%
Arex Srl	Solbiate Olona (ITA)	EURO		51,22%	51,22%	30,73%
AQL Srl	Vimercate (ITA)	EURO		100,00%	100,00%	67,58%
ASA Srl	Arcugnano (ITA)	EURO		60,00%	60,00%	45,00%
Cynosure Inc.	Westford (USA)	USD	23,34%		23,34%	23,34%
Cynosure GmbH	Langen (GER)	EURO		100,00%	100,00%	23,34%
Cynosure Srl	Courbevoie (FRA)	EURO		100,00%	100,00%	23,34%
Cynosure KK	Tokyo (JAP)	YEN		100,00%	100,00%	23,34%
Cynosure UK	Cookham (UK)	GBP		100,00%	100,00%	23,34%
Suzhou Cynosure Medical Devices Co.	Suzhou (CHINA)	YUAN		100,00%	100,00%	23,34%
Cynosure Spain	Madrid (SPAIN)	EURO		100,00%	100,00%	23,34%
Cynosure Mexico	S. Jeronimo Aculco (MEX)	MEX		100,00%	100,00%	23,34%
Cynosure Korea	Seul (S. KOREA)	KRW		100,00%	100,00%	23,34%
With Us Co Ltd	Tokyo (JAP)	YEN		78,85%	78,85%	78,85%
Deka Japan Co. Ltd	Tokyo (JAP)	YEN	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	Wuhan (CHINA)	YUAN		55,00%	55,00%	49,87%
Lasit Usa Inc.	Branford (USA)	USD		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	REAL	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	Branford (USA)	USD		100,00%	100,00%	100,00%
Pharmonia Srl	Calenzano (ITA)	EURO		100,00%	100,00%	80,00%
Deka Medical Inc	San Francisco (USA)	USD		100,00%	100,00%	100,00%
Quanta France Srl	Paris (FRA)	EURO		60,00%	60,00%	36,00%

Associated companies

Company name:	Headquarters	Percentage held:			Consolidated percentage
		Direct	Indirect	Total	
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	12,00%		12,00%	12,00%
SBI S.A.	Herzele (BE)	50,00%		50,00%	50,00%
Elesta Srl	Calenzano (ITA)	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL (1)	Donostia (SPAIN)		30,00%	30,00%	18,00%
Quanta System Asia Pacific Co.LTD (2)	Bangkok (Thailand)		49,00%	49,00%	29,40%

Annex “B”: DECLARATION IN CONFORMITY WITH ART. 154BIS, SUB-SECTION 2, D.LGS. N.58 / 1998

The manager in charge of preparing the corporate accounting records, Enrico Romagnoli, declares, pursuant to paragraph 2, article 154-bis of Legislative Decree 58 of February 24th 1998, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

Calenzano, May 15th 2012

Executive in charge of the financial reports
Enrico Romagnoli