

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : €2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

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 financials on September 30th 2013)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Michele Legnaioli

Stefano Modi

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

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

Deloitte & Touche S.p.A.

EL.EN. GROUP

**QUARTERLY MANAGAMENT
REPORT**

AS OF SEPTEMBER 30th 2013

Quarterly report

Introduction

This quarterly report for as of September 30th 2013 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 listed companies issued by Consob. This document contains the information usually included by the company in the preceding quarterly reports.

The information 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 Independent auditors, because, as of this writing, it is not compulsory.

The quarterly results as of September 30th 2013 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

In compliance with the CESR/05-178b recommendations regarding alternative performance indicators, the Group presents, as part of the Director's report, in addition to the financial measures required by the IFRS, some of the measures derived from these latter but not required by the IFRS (non – GAAP measures). These measures are defined here for the purpose of facilitating a better evaluation of the performance of the Group and should not be considered alternatives to those required by the IFRS.

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

- The **earnings before interests and income taxes** or EBIT represents an indicator of operating performance and is determined by adding to the Net Income (Loss) for the period: the income tax, the other net income and charges, the quota of the associated companies, the results of the financial items;
- the **"EBITDA"**, also represents an indicator of operating performance and is determined by adding to the EBIT, the amount of "Amortizations, depreciations and accruals";
- the **added value** is determined by adding to the EBITDA the "staff cost";
- the **gross margin** represents the indicator of the sales margin determined by adding to the Added Value the "Costs for operating services and charges".
- 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 is: cash available + securities entered as current assets + current financial receivables – debts and non-current financial liabilities - current financial debts.

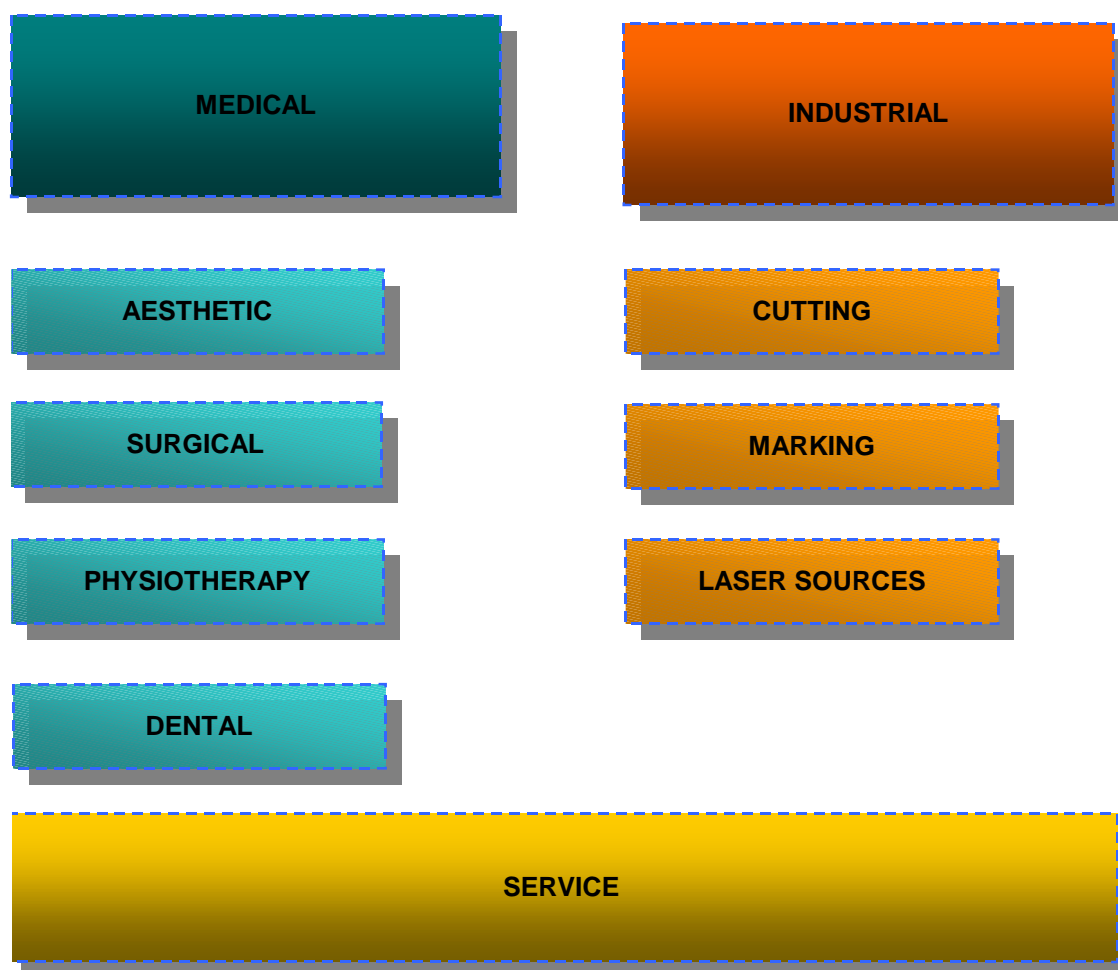
The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not be the same as that adopted by other operators and/or groups and for this reason may not be comparable.

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 for reporting purposes, 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 revenue from the sales of spare parts, consumables and technical assistance.

We believe that the tendency of the two main macro-markets to develop will continue to be positive in the next few years thanks mainly to an increasing demand for medical and aesthetic treatments by an aging population that wants to appear younger, as well as the continuing need of manufacturers to have equipment with innovative and flexible technologies like laser instruments which are extremely receptive to innovation and optimization of industrial processes and products.

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 which left the Group at the end of 2012 and 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 has become one of the most important companies in the field.

Group financial highlights

At the end of the third quarter of 2013 the Group registered income before taxes for an amount of 5.996 thousand Euros, an increase over the amount of 4.615 thousand Euros registered on September 2012.

The financial position of the Group remains solid at about 13,5 million Euros.

The significant improvement in the income before taxes, as we shall see later on, benefits from an extraordinary amount entered in relation to a re-evaluation of the equity in Cynosure. The trend in operating activities remained substantially stable: some business sectors showed brilliant results in the growth of their sales volume and earnings and counterbalanced others that, for various reasons showed a reduction in sales volume with insufficient earnings or even losses. At the end of the third quarter of 2013 the results for the two main indicators which we traditionally use to measure the performance of the Group, that is the consolidated sales volume and the EBIT, are slightly below that of last year and below our expectations.

While operating with multiple types of merchandise and markets in different geographical area, we must deal with both the general and specific market conditions of our business that are very different from each other. Often our particular market and technological position make it so that even in unfavorable general economic conditions we can obtain positive results while, on the contrary the position of our competitors places us at a disadvantage and prevents us from achieving in success even on markets that are enjoying favorable conditions. During 2013, for example, the measures adopted in order to relaunch the sector of laser cutting and marking systems in Italy and in Europe, and the sector of professional aesthetics in Italy brought about good results despite the climate of depression and mistrust that are prevalent in these areas. The trend in currency exchange on the other hand, with the sudden devaluation of the Japanese Yen and the gradual weakening of the US dollar, drastically reduced our earnings in a country like Japan where we have a strong competitive position and, on the international markets, worsened our trading position in relation to our main competitors, most of which are American or have cost structures in US dollars.

The strategy of the Group has always been to acquire a competitive edge by technological innovation that has been acquired through a systematic activity of research for the development of new products or else technical innovations or new applications applied to pre-existing products. When there are innovative technologies or new applications, the general difficulties of the market are overcome by the uniqueness of the offer, while in a more advanced phase of the life cycle of the products even a high-tech business like ours is subjected to the ordinary dynamics and pressures of the markets.

In general terms this financial year is not showing growth in the sales volume. This is due in part to the results which are still below expectations in China in the industrial sector, where, among other things they are creating the structures necessary to proceed with the expansion program undertaken in recent years; in part due to the effects of the exchange rate which reduced the sales volume and the earnings on the important Japanese market and in part due to certain decisions in particular, the loss of position through branches in certain markets. These circumstances in general have outweighed the growth of the surgical sector or the positive results obtained by other sectors, as mentioned above. The EBIT which otherwise would have increased as planned, instead, was affected by some unforeseen costs and the relative accruals that were made necessary on account of them in the closing phase of some of the direct distribution activities in the United States.

Since 2013 the results of Cynosure (NASDAQ CYNO) have no longer been wholly consolidated in the financial statement of the El.En. Group since El.En. no longer detains a majority share after the increase in the capital that was underwritten by Cynosure in November of 2012 and the acquisition of Palomar last June. This operation which created in the state of Massachusetts one of the most important groups on the market of laser systems for medical and aesthetic applications, comported a reduction in the equity held by El.En. on account of the issue by Cynosure of shares for half of the purchase price of 300 million US dollars.

Note: in order to make the results for 2013 comparable with those for last year, the 2012 results are also shown excluding Cynosure from the scope of consolidation, as is explained in detail below.

The chart below shows the income statement for the third quarter of 2013 shown in comparative form with those for the same period in 2012.

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%

The chart below shows the income statement for the first nine months of 2013 shown in comparative form with those for the same period last year:

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%

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

Net financial position	30/09/2013	30/06/2013	31/12/2012
Cash and bank	36.603	40.723	40.475
Financial instruments	300	200	1
Cash and cash equivalents	36.903	40.923	40.476
Short term financial receivables	1.420	1.286	20
Bank short term loan	(13.773)	(11.299)	(9.321)
Part of financial long term liabilities due within 12 months	(2.466)	(2.618)	(3.100)
Financial short term liabilities	(16.240)	(13.917)	(12.421)
Net current financial position	22.084	28.292	28.075
Bank long term loan	(5.794)	(6.104)	(7.187)
Other long term financial liabilities	(2.781)	(2.901)	(3.093)
Financial long term liabilities	(8.575)	(9.004)	(10.281)
Net financial position	13.508	19.288	17.794

Operational performance

The chart below shows the breakdown of the sales volume in the various sectors of activity of the Group for the first nine months of 2013 compared with a similar breakdown for last year.

	30/09/2013	Inc%	30/09/2012	Inc%	Var%
Industrial systems and lasers	27.286	25,49%	26.562	24,52%	2,72%
Medical and aesthetic lasers	61.153	57,13%	61.409	56,70%	-0,42%
Service	18.609	17,38%	20.338	18,78%	-8,50%
Total	107.048	100,00%	108.310	100,00%	-1,17%

The sales volume showed a slight drop on the consolidated level, with a small amount of growth in the industrial sector which was due to the recovery in Italy and the rest of Europe and a stable sales volume in the most important sector, the medical one. In the after-sales service sector, from which we normally expect a certain amount of growth due to the increase in the number of installations and, therefore, of the services offered, the decrease is mainly due to the effects of the exchange rate on the important Japanese market.

The chart below shows the trend for the sales volume divided according to the geographic area:

	30/09/2013	Inc%	30/09/2012	Inc%	Var%
Italy	20.627	19,27%	18.341	16,93%	12,46%
Europe	22.609	21,12%	22.743	21,00%	-0,59%
Rest of the world	63.812	59,61%	67.226	62,07%	-5,08%
Total	107.048	100,00%	108.310	100,00%	-1,17%

As a result of the marketing policy of expansion in the sector of professional aesthetics, in laser systems for cutting and in marking systems for large and small surfaces, the sales volume in Italy showed excellent results, that for Europe remained essentially unchanged, and in the most important geographical area, the Rest of the World instead it declined probably due to the fact that it was penalized by the phase of transition in our manufacturing and distribution operations (China, Brazil, and the United States) and by the devaluation of the local currency (Japan).

The chart below shows the sales volume in the medical/aesthetic sector, which represents about 57% of the sales of the Group, broken down according to segments.

	30/09/2013	Inc%	30/09/2012	Inc%	Var%
Surgical CO2	6.663	10,90%	5.990	9,75%	11,24%
Physiotherapy	4.834	7,90%	4.140	6,74%	16,75%
Aesthetic	37.193	60,82%	38.471	62,65%	-3,32%
Dental	845	1,38%	2.270	3,70%	-62,79%
Other medical lasers	8.966	14,66%	7.988	13,01%	12,24%
Accessories	2.652	4,34%	2.550	4,15%	4,02%
Total	61.153	100,00%	61.409	100,00%	-0,42%

The overall trend is stable. It should be recalled that the Group operates in the medical sector with four main distributing structures, one focused on physical therapy (ASA), and the others (Deka, Quanta, Asclepion) mainly dedicated to the aesthetics sector but also able to offer some products in the surgical and dental segments. Each of these companies is active on the market with a range of products that is both attractive and varied. The research centers in Florence, Solbiate Olona and Jena develop independently the specific systems for their distribution network by implementing the distinctive features that characterize them.

The main sector, aesthetics, showed a slight decline which in any case was less than the loss in sales which can be attributed to the Japanese market and the devaluation of the Yen. This would imply that the positions of the Group on the other markets are actually all tending to increase thanks to the continual innovation of the range of products, a factor that is indispensable in order to maintain or increase our position in a highly competitive market.

There was a significant drop in the dental sector on account of the discontinuation of direct distribution in the United States; in any case, due to the high costs of managing this branch, these sales did not make a positive contribution to the earnings of the Group.

The category of “Others”, along with the “Surgical CO₂” sector and “Accessories” showed a growth that is derived mainly from lasers used for surgical applications: Quanta System and Asclepion offer solid state systems for treating benign hyperplasia of the prostate and lithotripsy (represented in the “Others” sector) and, in particular, Quanta System has achieved an excellent position on the market; Deka offers CO₂ systems for ORL (otolaryngology) and gynecology; in this latter field, the “*Mona Lisa Touch*” application for the treatment of vaginal atrophy and the health of older women is gradually establishing itself as one of the best-selling systems produced by the Group.

The physical therapy section continues to grow thanks to the excellent performance of Asa of Vicenza which, with the gradual innovation of the product and an astute strategy of marketing and clinical experimentation, has continued to grow ever since it became part of the Group.

For the industrial applications sector, the chart below shows the break-down of the sales volume by the market segment in which the Group operates

	30/09/2013	Inc%	30/09/2012	Inc%	Var%
Cutting	18.927	69,37%	18.664	70,26%	1,41%
Marking	7.454	27,32%	6.765	25,47%	10,18%
Laser sources	546	2,00%	877	3,30%	-37,66%
Welding, other industrial systems	359	1,31%	257	0,97%	39,55%
Total	27.286	100,00%	26.562	100,00%	2,72%

The marking segment was the area that showed the most significant increase and determined the overall growth of the sector in the third quarter. Clients showed interest in both the applications for large surfaces offered by Cutlite Penta which took over the market after the merger with Ot-las in December of 2012, as well as those offered by Lasit for small surfaces, special systems that are able to offer great flexibility in meeting the requirements of identification and small decorations to a vast range of clients operating in the field of industrial manufacture.

The cutting sector also showed a small amount of growth despite the poor results in China, our most important market in this sector and location of our joint venture in manufacturing which, in fact, is now being enlarged.

The sector of sales of laser sources to third parties is part of a strategy that in this period has promoted our position as manufacturers of systems, has represented a secondary market with respect to the laser sources that are manufactured for installation on systems made by companies belonging to the Group and has a very limited sales volume which, in any case, in this period showed a decrease.

The sector of conservation and restoration, compared with its competitors in this sector, showed particularly satisfactory results. Thanks to our laser systems masterpieces of all eras can be restored to their original splendor. Among our most important “patients” were the Cathedral of Cologne, a masterpiece of Gothic architecture, and the Villa dei Misteri in Pompeii.

For the first nine months of 2013 the consolidated gross margin was 51.817 thousand Euros, substantially unchanged with respect to the 51.876 thousand Euros registered on September 30th 2012, despite the slight drop in sales volume, thanks to improved profits on sales. This has been achieved despite the significant drop in the amounts of the research grants (entered under the category of “Other revenue”).

It should be noted that, again in the first nine months of 2013, although the Group cashed in the sale price, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the period.

Costs for operating services and charges were 18.033 thousand Euros, and are substantially unchanged with respect to September 30th 2012 when they were 18.526, while a slight decrease in the incidence on the sales volume was registered.

Cost for personnel was 25.579 thousand Euros, an increase of 6,4% with respect to the 24.043 thousand Euros for the same period last year. The incidence on the sales volume also rose from 22,2% on September 30th 2012 to 23,9% on September 30th 2013, on account of the increase in the amount of personnel in the companies that are growing or in those that are expected to grow, and also for events of a singular nature related to the management of the staff. The increase in this important cost aggregate had a significant impact on the drop in earnings registered for this period.

Among the costs for personnel there was also the figurative cost for the stock options assigned to employees on September 30th 2013; these costs were 3 thousand Euros as opposed to 113 thousand Euros on September 30th 2012.

On September 30th 2013 there were 832 employees in the Group, a slight increase with respect to the 812 registered on December 31st 2012 and the 774 registered on September 30th 2012.

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 grants registered into accounts on September 30th 2013 were 832 thousand Euros, a decrease with respect to the 1.523 thousand Euros registered for the same period in 2012.

Due to the situation described above, the EBITDA was 8.204 thousand Euros, a decrease with respect to September 30th 2012 when it was 9.307 thousand Euros.

The costs for amortization, depreciations and accruals were 3.369 thousand Euros, a decrease with respect to September 30th 2012 when they were 3.736 thousand Euros; along with these costs their incidence on the sales volume also decreased from 3,4% to 3,1%. The overall amount in this category in any case remains high as a consequence of the accrual made on the risks related both to some receivables which the financial crisis contributes to and exasperates as well as for accruals for expenses that are expected for the transformation of some of the companies.

The EBIT was 4.835 thousand Euros, a decrease with respect to the 5.571 thousand Euros on September 30th 2012. The incidence on the sales volume was 4,5%.

The financial charges were 909 thousand Euros which was caused by the differences in the currency Exchange rates; a similar loss was registered for 651 thousand Euros last year.

Results of the associated companies included those of Cynosure Inc., which contributed significantly (about 594 thousand Euros) to the negative amount. It should be recalled that Cynosure Inc, showed good results for this quarter but at the same time it registered enormous expenses for accessory costs related to the acquisition of Palomar Inc. which determined a loss for the period.

In relation to the other net income and charges, it should be noted that in the months following the conclusion of the acquisition of Palomar Inc. and the removal of an El.En. S.p.A. member from the board of directors of Cynosure Inc., El.En. began to become aware that they were losing all of their influence in the governance of the American company and that there was an increasing difficulty in influencing the decisions of the board. In consideration of this fact, the Board of Directors of El.En S.p.A. decided that the connection was no longer valid. This change also comported a difference in the entry into accounts of the equity which was changed from the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39). This new criteria comported the entry of an unearned capital gains among the other net charges and income for an amount of 2,5 million Euros before taxes.

The amount of other net charges and income is also positively influenced by the sale by Quanta System of the residual quota of GLI, and the subtraction of the amount that had previously been entered into accounts to cover the losses of the company for about 229 thousand Euros.

Thanks to the re-evaluation of the equity in Cynosure as mentioned above, the income before taxes is 5.996 thousand Euros and is an improvement on the result of 4.615 thousand Euros shown on September 30th 2012.

Financial position and Investments

Comments on the net financial position

The net financial position of the Group decreased by about 4 million Euros with respect to December 31st 2012 and is now about 13,5 million Euros.

Attention should be called to the fact that during this period some minority shareholders paid out 1 million Euros for an increase in capital intended for the enlargement of the manufacturing structures in the industrial sector in China.

Among the financial operations that are not directly connected with the current manufacturing activity, we should note the acquisition in Whenzou this quarter of a lot for the construction of a new factory, for which they spent about 1 million Euros.

During this period, moreover, dividends have been paid by the various companies of the Group to third parties for an amount of about 3,8 million Euros.

Gross investments made this quarter

The charts below show the gross investments made during this quarter.

Thousands of Euros

<i>Progressive</i>	30/09/13	30/09/12
Intangible assets	203	135
Tangible assets	2.770	1.742
Equity investments	157	258
<i>Total</i>	3.130	2.135

<i>3 Months</i>	30/09/13	30/09/12
Intangible assets	51	80
Tangible assets	1.908	457
Equity investments	18	0
<i>Total</i>	1.977	537

The increase in the tangible assets is due mainly to the investment made by the Chinese subsidiary Penta Laser Equipment (Wenzhou) Co, Ltd., which, during the third quarter concluded a deal for the purchase of a lot for the construction of a new factory for an amount of about 1 million Euros.

On September 23rd 2013 the Parent Company El.En. S.p.A. made the down payment for the purchase of an industrial building adjacent to their current Headquarters for an amount of 200 thousand Euros; the sale will be concluded by April 30th 2014 for a total amount of 600 thousand Euros.

No other significant investments have been made; the other assets shown on the chart represent ordinary investments for the management of operating activity.

Comments on Research and Development

During the first nine months of 2013 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. This activity was intensified by the economic crisis which required even more attractive items for the market through the presentation of new products and applications. Effective innovations, in fact, can convince both our medical and industrial clients to overcome their fears about investing, since they can look forward to attracting clients with the improvements and novelties that we offer.

In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance 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 on the interaction between laser light and biological and inert materials. As far as the source of the laser energy is concerned, we operate, on one hand, on the selection of the spectral content, the methods for generating it, and the level of power and, on the other hand, we engineer the ways in which it can be managed over time on the basis of the laws of emission and, in space, as far as the shape and the motion of the beam are concerned.

The research which is aimed at obtaining mid-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 centers throughout the world, some of which we collaborate with. Research which is dedicated to achieving results according to a short-term schedule 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 in the phase of field verification.

The research which is conducted is mainly applied and is basic for some specific subjects generally related to long and mid-term activities. 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 Regional structures in Tuscany or the Research Institutions in Italy and other countries.

The El.En.Group is currently the corporation 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 systems and subsystems 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 subsidiary companies have been involved is given below.

Systems and applications for lasers in medicine

The parent company, El.En. has developed a new family of equipment and sub-systems for the SMARTXIDE² family products for surgical uses 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, otolaryngology, dermatology, gynecology, odontostomatology, neurology, laparoscopic surgery, aesthetic surgery, and, in the same field, research for new clinical applications in gynecology, paradontology and endodontics, in neurology and ophthalmology has been continued or initiated. For this purpose we are now working on further technological innovations contained in scanning systems characterized by optical systems and newly developed electronic controls, which make it possible to perform surgical operations on various parts of the anatomy with extreme precision. For some of the versions of this type of instruments we have developed a way to install a second semiconductor laser source in which the wave length can be selected by the client when ordering. For the semiconductor sources we are now conducting research with medical specialists for the development of uses in other fields. Intense research is also being conducted at various centers in Italy and other countries in order to collect clinical results relating to the innovative possibilities offered by the equipment of this type.

An application that is extremely important is used in gynecology and, in particular, for a new treatment to reduce the effects of the atrophy of vaginal mucous. There are already several centers in Italy and other countries that perform this treatment which is called the "Mona Lisa Touch". This particular pathology is common and quite disabling with interactions with other pathologies that often causes urinary incontinence; it afflicts a high percentage of women in menopause and younger women with tumors.

The research activities that are part of the MILORDS project were continued. This project was approved by the Region of Tuscany and co-financed by the European Union; the MILORDS project involves the development of new robot-controlled laser systems for surgical applications in ophthalmology, cutaneous ulcers, treatment of benign hypertrophy of the prostate, and, eventually, the percutaneous ablation of masses inside the human body. The project, in which El.En. is the leader, has as its partners the leading research centers in Tuscany in this sector and companies that are connected to multinationals in the field of robotics. The research of this type is part of the trend involving development of systems for minimally invasive surgery which has a major impact both on the quality of life of the patient and on the reduction of expenses for the health care agencies.

We have developed a new applicator for endovaginal laser treatment for which an international patent has been requested; this device has the advantage of being easier to use than the earlier El.En. device which is also awaiting approval of an international patent.

In the important and highly innovative field of the development of laser devices and procedures for regenerative medicine, we have continued to develop new laser equipment and to conduct clinical experimentation in the veterinary field in the United States and in Europe, in particular in relation to valuable horses involved in competitive sports, with innovative laser equipment for therapies that are part of regenerative medicine belonging to the HILT family (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment) which we introduced and which have recently been successfully used in physical therapy for the treatment of trauma and chronic infections.

We are now concluding the development of high performance hair removal systems obtained by increasing the power so that the doctor can cover a greater surface with every position of the handpiece.

We have actively continued the engineering and development activities related to the results of the TRAP project financed by the European Union through the Department of Economic Development of the Region of Tuscany.

We have conducted research and technological development activities on new cooled percutaneous applicators with circulation of liquids and diffusion terminals. 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.

We have continued research and experimentation in collaboration with the university clinics of Pisa and Florence and with the Department of Engineering and Telecommunications of the University of Florence; we have continued research for to determine methods to characterize tissue, treated with lasers for purposes of ablation, with radio frequency ultrasound signals to improve the verification phase of the effects of the treatment that has been received. We have conducted operations for the industrial development and certification of the therapeutic effectiveness of the laser equipment and devices for the treatment of cutaneous ulcers that were developed as part of the TROPHOS project. This project was 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 foreign centers in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odontostomatology 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; at the same we have been taking the necessary measures for the protection in the most important countries of our brand names and applications. We have conducted studies on the feasibility of new dye laser applications in dermatology. The dye laser system also underwent new technological developments.

In the PHOTOBIO LAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of ophthalmology and neurology. We are now conducting experiments with laser devices for surgical operations in the fields of orthopedics and the spinal column.

Quanta System continued their activity for the development of two new laser types, a Holmium and a Thulium infrared, for the treatment of benign hypertrophy of the prostate; they also conducted research on new multiple wave-length laser applications with Q-switch technology for the treatment of skin blemishes and for the removal of tattoos.

In part with financing derived from a project of the European Union, Asclepion Laser Technologies continued their clinical experimentation and development of a fiber laser for use in the field of urology.

DEKA M.E.L.A. in collaboration with El.En. 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, otolaryngology and odontostomatology. 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.

Laser systems and applications for industry

At El.En., in collaboration with the subsidiary Cutlite Penta they are conducting research to optimize the emission wave length of the CO₂ power lasers for applications in the field of cutting and welding plastic products.

We also continued tests and experiments on scansion heads and focalizing for fiber lasers for remote control welding plants for metal materials in the automotive field and the mass production of furniture parts. As part of this research, we have begun to develop a new dynamic system for high-speed response focalizing.

We have also been working on the development of systems for focalizing and beam scanning to be used for the cutting and welding of plastic materials in the sector of equipment for making packaging of food and for chemicals for various uses. We have conducted tests and experiments on algorithms and sensors for new high-speed marking methods with variable jobs in real time, according to the codes that are present on the material that needs to be processed in reels of paper and other materials. We have applied for a patent for this process.

Further development activities and tuning processes have been carried out for cutting MDF (Medium Density Fiberboard) rigid wooden modular packaging, an expanding sector as far as high quality fruits and vegetables packaging is concerned. These products are increasingly imported from other latitudes since they have to balance the seasonal shortage, so packaging must be safer in order to reduce costs and preserve the quality of the products. For this purpose El.En. is cooperating with Obeikan Group, leader for volume and advanced technology in MDF packaging sector. The work of development was focussed on the optimization of the process parameters whose efficiency needs to be brought to the highest level in order to achieve the economic competitiveness required in the transition between the laser excitation and high tension discharge to the new RF laser sources with the beam being carried by optics housed on Cartesian high dynamic handling systems. To further optimize the performance of these new sources, we are also starting a collaboration on the development of the galvanometer scan technology for sources in order to exploit the even higher dynamics of these systems of deflection of the laser beam, with respect to the Cartesians systems: we need to develop aspects and limits of this technology which manages cutting through a remote process without the aid of proximity devices for focussing and supplying process gas.

At El.En., in collaboration with SITEC of the Politecnico of Milan, we have conducted research on remote control welding of sheet metal with superficial treatments and applications with optical retroaction systems. We are now conducting feasibility studies for the manufacturing process of subsets for the oil drilling industry.

In the metal cutting sector, Cutlite Penta has been involved in the development of new systems and innovation of technical solutions for systems that are already being manufactured. They have completed tests on the structural and functional innovations developed for sealed CO₂ sources produced by El.En. and they have started new research on sources belonging to this group with higher power and greater level of compaction.

They have developed new compact cutting systems with higher performance and lower 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 completed the development of the software for the execution using raster scansion for marking metal and other kinds of surfaces on the cutting machine in order to obtain a selective effect of light diffusion for functional and decorative purposes.

They have begun feasibility studies for new laser applications in the manufacturing cycle of glass objects, both for cutting and superficial treatments. 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.

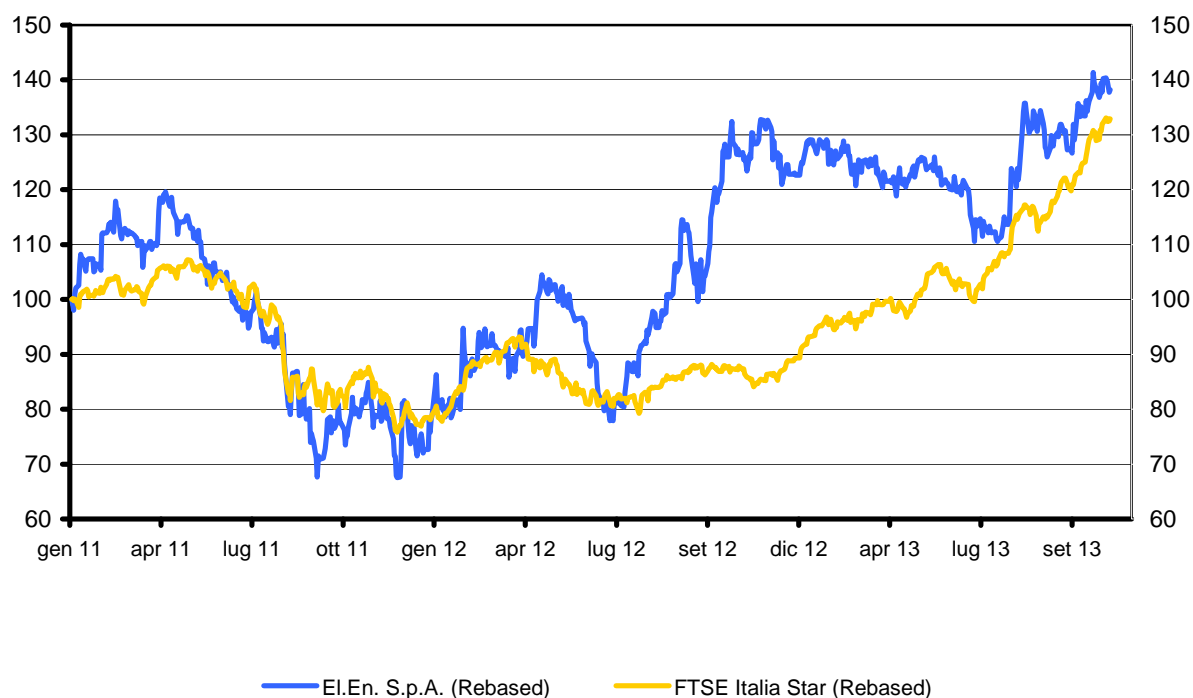
The following chart shows the costs for Research and Development for this period.

<i>thousands of euros</i>	30/06/2013	30/06/2012
Costs for staff and general expenses	4.452	4.310
Equipment	30	31
Costs for testing and prototypes	771	888
Consultancy fees	373	272
Other services	79	60
Total	5.705	5.561

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 corresponds to 5,3% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 9% of its sales volume.

Trend of El.En. stock

The graph below shows the performance of the stock:



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 during the quarter

On August 1st 2013 the subsidiary Cutlite Penta S.r.l. acquired an equity of 19% of the share capital of the Cesa S.r.l. company for the amount of 19 thousand Euros.

During this quarter, El.En. began to become aware that they were losing all of their influence in the governance of the American associated company Cynosure both after their acquisition of Palomar but above all after the removal of El.En.'s representative from the Board of Directors of Cynosure. In consideration of this fact, the Board of Directors of El.En S.p.A. decided that the connection was no longer valid. This change also comported a difference in the entry into accounts of the equity which was changed from the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39) and the entry of an unearned capital gains in the other net charges and income for an amount of 2.5 million Euros before taxes.

Subsequent events

No significant events took place after the closing of the third quarter 2013.

Current outlook

At the end of the third quarter there is a delay in the schedule that we had for achieving certain objectives in the sales volume and EBIT that we had set for 2013, which were: a growth in sales volume of 5% (or 10% if the general economic situation improved) and an improvement in the EBIT. For the end of the year, in part due to some restructuring operations which comported a reduction in the sales volume and additional operating expenses, the sales volume will remain stable with respect to 2012 while we believe that we can improve on last year's EBIT.

For the Board of Directors

Managing Director
Ing. Andrea Cangioli

Attachment “A”: List of consolidated companies as of September 30th 2013

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	85,00%		85,00%	85,00%
Cutlite Penta Srl	Calenzano (ITA)	EURO	96,65%		96,65%	96,65%
Esthelogue Srl	Calenzano (ITA)	EURO	50,00%	50,00%	100,00%	100,00%
Deka 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%
Lasit SpA	Vico Equense (ITA)	EURO	70,00%		70,00%	70,00%
BRCT Inc.	New York (USA)	USD	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	EURO	100,00%		100,00%	100,00%
Asclepion Laser Technologies GmbH	Jena (GER)	EURO	50,00%	50,00%	100,00%	100,00%
Arex Srl	Solbiate Olona (ITA)	EURO		51,22%	51,22%	51,22%
AQL Srl	Vimercate (ITA)	EURO		100,00%	100,00%	72,50%
ASA Srl	Arcugnano (ITA)	EURO		60,00%	60,00%	51,00%
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%
Penta Chutian Laser (Wuhan) Co Ltd	Wuhan (CHINA)	YUAN		55,00%	55,00%	53,16%
Penta Laser Equipment (Wenzhou) Co Ltd	Wenzhou (CHINA)	YUAN		55,00%	55,00%	53,16%
Lasit Usa Inc.	Branford (USA)	USD		100,00%	100,00%	70,00%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	REAL	68,56%		68,56%	68,56%
Lasercut Technologies Inc.	Branford (USA)	USD		100,00%	100,00%	100,00%
Pharmonia Srl	Calenzano (ITA)	EURO		100,00%	100,00%	100,00%
Deka Medical Inc	San Francisco (USA)	USD		100,00%	100,00%	100,00%
Quanta France Sarl	Paris (FRA)	EURO		60,00%	60,00%	60,00%

Associated companies

Company name:	Headquarters	Currency	Percentage held:			Consolidated percentage
			Direct	Indirect	Total	
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	EURO	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	EURO	12,00%		12,00%	12,00%
SBI S.A.	Herzele (B)	EURO	50,00%		50,00%	50,00%
Elesta Srl	Calenzano (ITA)	EURO	50,00%		50,00%	50,00%
Quanta System Asia Pacific Co.LTD	Bangkok (Thailand)	BAHT		49,00%	49,00%	49,00%
Chutian (Tianjin) Lasertechnology Co. LTD	Tianjin (China)	YUAN		49,00%	49,00%	26,05%

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

The undersigned Dott. 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 2013

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