

# Quarterly Financial Report as of March 31<sup>st</sup> 2013

# **EL.EN. S.p.A.**

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Share Capital:   Approved: €2.591.871,36  
                          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**

(on the date of the approval of the quarterly report as of March 31<sup>st</sup> 2013)

## **Board of Directors**

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangoli

BOARD MEMBERS

Paolo Blasi

Michele Legnaioli

Stefano Modi

Alberto Pecci

## **Board of statutory auditors**

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Gino Manfriani

## **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 REPORT**  
**AS OF MARCH 31<sup>st</sup> 2013**

# Quarterly report

## Introduction

This quarterly report as of March 31<sup>st</sup> 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 March 31<sup>st</sup> 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 on alternative performance indicators, besides the main financial measures required by IFRS, the Group is presenting some measures derived from these latter although they are not strictly required by the IFRS (non – GAAP measures). These measures are presented for the purpose of allowing for a better evaluation of the performance of the Group and should not be considered as alternatives to those required by the IFRS.

The Group uses the following alternative performance indicators 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.

In order to evaluate its capacity to meet its financial obligations the Group uses as alternative performance indicators :

- the **net financial position** which means: cash and cash equivalents + securities entered among current assets + current financial receivables – non-current debts and financial liabilities – current financial debts.

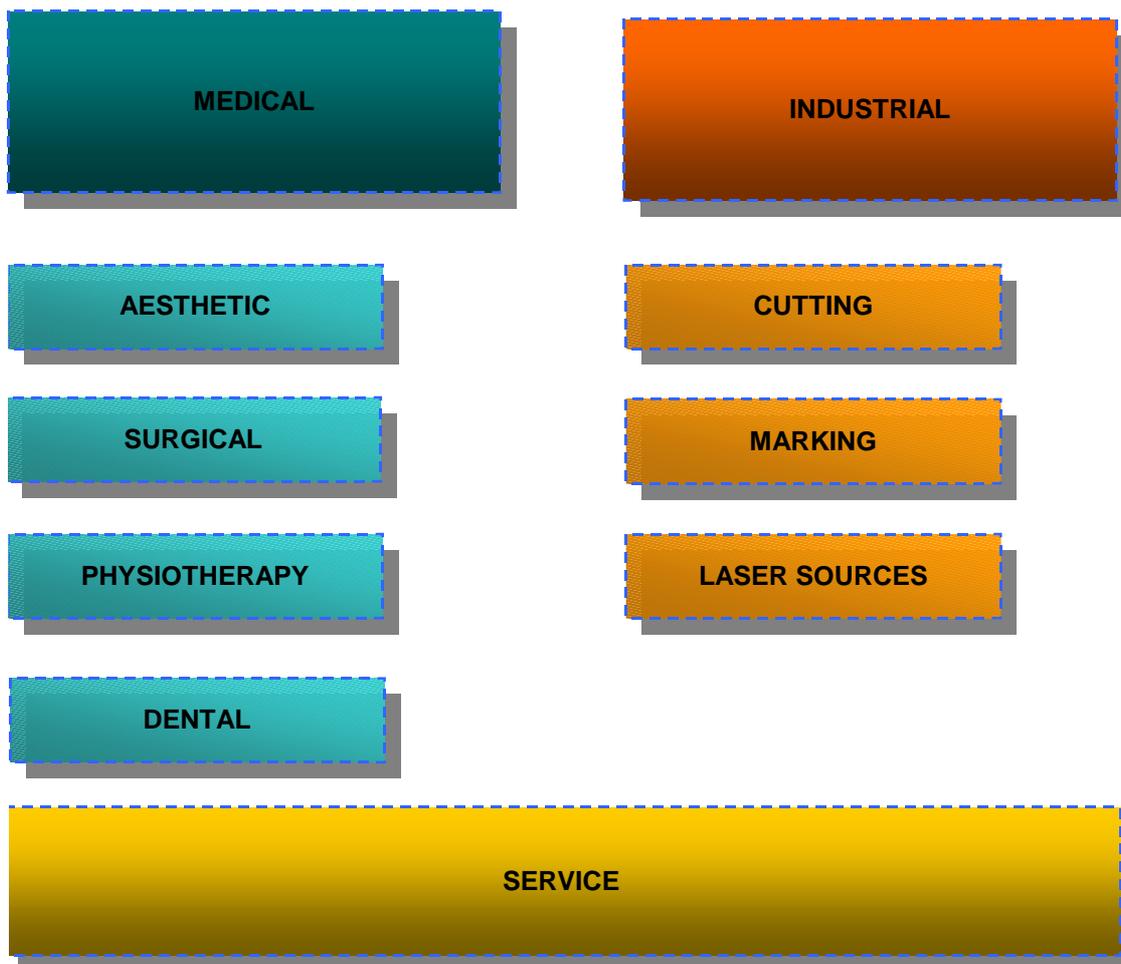
The alternative performance indicators are measures used by El.En SpA to monitor and evaluate the performance of the Group and are not defined as accounting measures either among the Italian Accounting Standards or in the IAS/IFRS. Therefore, the determining criteria applied by the Group may not be the 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.

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:



Along with their main activity of selling systems, the Group offers after-sales service which is not only the indispensable support for the installation and maintenance of our laser systems but also a source of revenue from the spare parts, consumables, 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, which left the area of consolidation at the end of 2012, 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 centers 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

For the first quarter of 2013 the Group registered a pre-tax profit for an amount of 1.695 thousand Euros, showing an increase with respect to the 638 thousand Euros shown for March 31<sup>st</sup> 2012, notwithstanding the decrease in sales volume and EBIT.

The financial position of the Group remains solid and showed an increase of about one million during this quarter so that it is now close to 19 million Euros.

While these results can be considered satisfactory, let us analyze the general conditions of the market and of our businesses and the reasons that produced results that were below those of last year and beneath expectations on the basis of the two criteria which we usually use to measure the performance of the Group: the consolidated sales volume and the EBIT.

The markets in which we operate do not all have the same general economic conditions. Our local markets, the Italian and European ones, continue to be affected by a weak demand and scarce availability of credit. This phenomenon is particularly acute in Italy and the idea that the government which they were finally able to form may contribute concretely to stabilize the anxiety and uncertainty which are typical of the market is, at this time, more of a hope than a reasonable prospect. The American market, on the other hand, is going through a phase of recovery and renewed trust which has been manifested in the record prices on the stock market and a revived demand on the domestic market. The benefits of this recovery are evident in the results of our competitors based in America, who have the advantage also for exports because of the exchange rate which has not improved from the very disadvantageous rate for European exporters, of 1,3 dollars a Euro; during this quarter we have been able to reap the benefits of this favorable situation in America only in part, due to the phase of transformation that our subsidiaries are undergoing in order to be able to emerge on the American market. The Japanese market is also going through a positive phase, in this case due to the effects of a deliberate choice to expand that was implemented by the government and by the central bank that are reviving the domestic demand in Japan by breaking the cycle of stagnation interest rates-deflation which has characterized Japan in recent years. The cost of this policy was a sudden devaluation of the Yen, the effects of which are evident in the drop in sales volume in Euros as well as the margins in Yen since our Japanese subsidiaries are basically distributors of equipment manufactured in Europe and therefore with costs in Yen that are greatly increased with respect to the costs in Euros.

In general laser systems dedicated to manufacturing for the industrial sector showed a decline in the growth that had characterized the sector in these last few years. This was mainly due to the failed recovery of the sales volume in China, our most significant market and the slow start of the year in Brazil where the results of the company re-organization are expected to be felt later this year. Despite the difficulties in the economic situation, the Italian and European markets showed a recovery, although in this area our main priority, even more than the growth in sales volume, was the re-organization of the activities, in particular those of Cutlite Penta and Ot-las which merged into a single company in December of 2012. Although it has failed to grow in the last few quarters, the Chinese market remains pivotal in the development strategy for the sector, and as part of the plan for the re-enforcement of the position of the Group in China we are founding a new company in Wenzhou which will join the one already existing in Wuhan.

For the first quarter, for the past ten years the results of Cynosure (NASDAQ CYNO) have not been wholly consolidated in the statement of the El.En Group in which Cynosure continues to play an important role in terms of association because of the significant equity of 13% held by El.En. Spa. The quarterly results of Cynosure are positive, however the company is now in an important moment of transition after the closing of the purchase of their competitor Palomar (NASDAQ PMTI) which is planned for June 24<sup>th</sup> of this year. This operation will create, in the state of Massachusetts, one of the most significant groups on the market for laser systems for medical and aesthetic applications, and will comport a reduction in the percentage of El.En's ownership because Cynosure will issue shares with which they will pay half of the purchase price of 300 million US dollars.

Note: in order to make a uniform comparison possible with 2013, the results for 2012 are shown excluding Cynosure from the scope of consolidation.

The chart below shows the results of the Income statement for the first quarter of 2013 shown in comparison form with those for 2012.

<b>Income Statement</b>	<b>31/03/13</b>	<b>Inc.%</b>	<b>31/03/12</b>	<b>Inc.%</b>	<b>Var. %</b>
Revenues	33.523	100,0%	35.388	100,0%	-5,3%
Change in inventory of finished goods and WIP	2.185	6,5%	365	1,0%	497,9%
Other revenues and income	331	1,0%	315	0,9%	5,1%
<b>Value of production</b>	<b>36.038</b>	<b>107,5%</b>	<b>36.068</b>	<b>101,9%</b>	<b>-0,1%</b>
Purchase of raw materials	17.468	52,1%	17.197	48,6%	1,6%
Change in inventory of raw material	(883)	-2,6%	(556)	-1,6%	58,9%
Other direct services	2.699	8,1%	2.755	7,8%	-2,0%
<b>Gross margin</b>	<b>16.754</b>	<b>50,0%</b>	<b>16.673</b>	<b>47,1%</b>	<b>0,5%</b>
Other operating services and charges	6.089	18,2%	6.060	17,1%	0,5%
<b>Added value</b>	<b>10.665</b>	<b>31,8%</b>	<b>10.613</b>	<b>30,0%</b>	<b>0,5%</b>
For staff costs	8.569	25,6%	8.205	23,2%	4,4%
<b>EBITDA</b>	<b>2.096</b>	<b>6,3%</b>	<b>2.407</b>	<b>6,8%</b>	<b>-12,9%</b>
Depreciation, amortization and other accruals	1.137	3,4%	1.172	3,3%	-3,0%
<b>EBIT</b>	<b>959</b>	<b>2,9%</b>	<b>1.235</b>	<b>3,5%</b>	<b>-22,4%</b>
Net financial income (charges)	480	1,4%	(487)	-1,4%	
Share of profit of associated companies	27	0,1%	(109)	-0,3%	
Other net income (expense)	229	0,7%	(1)	0,0%	
<b>Income (loss) before taxes</b>	<b>1.695</b>	<b>5,1%</b>	<b>638</b>	<b>1,8%</b>	<b>165,6%</b>

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

<b>Net financial position</b>	<b>31/03/2013</b>	<b>31/12/2012</b>
Cash and bank	41.455	40.475
Financial instruments	1	1
<b>Cash and cash equivalents</b>	<b>41.456</b>	<b>40.476</b>
<b>Short term financial receivables</b>	<b>2.792</b>	<b>20</b>
Bank short term loan	(12.758)	(9.321)
Part of financial long term liabilities due within 12 months	(2.616)	(3.100)
<b>Financial short term liabilities</b>	<b>(15.374)</b>	<b>(12.421)</b>
<b>Net current financial position</b>	<b>28.873</b>	<b>28.075</b>
Bank long term loan	(6.888)	(7.187)
Other long term financial liabilities	(2.991)	(3.093)
<b>Financial long term liabilities</b>	<b>(9.879)</b>	<b>(10.281)</b>
<b>Net financial position</b>	<b>18.995</b>	<b>17.794</b>

## 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 2013 in comparison with the same subdivision for the same period last year.

	31/03/2013	Inc%	31/03/2012	Inc%	Var%
Industrial systems and lasers	8.087	24,12%	9.579	27,07%	-15,58%
Medical and aesthetic lasers	19.229	57,36%	19.165	54,16%	0,33%
Service	6.207	18,52%	6.644	18,77%	-6,57%
<b>Total</b>	<b>33.523</b>	<b>100,00%</b>	<b>35.388</b>	<b>100,00%</b>	<b>-5,27%</b>

The growth rate came to a halt this quarter, mainly due to the drop in sales volume in the industrial sector. The sales volume for medical systems remain stable while the overall sales for services decreased. In this sector, from which we generally expect a gradual growth due to the increase in the number of installations and, consequently, of the relative services offered, the drop is due mainly to the effects of the exchange rate on the important Japanese market and to the reduction in sales volume caused by the weakness of the Japanese currency. After many years of gradual growth, the medical center in downtown Milan also showed a drop in sales volume.

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

	31/03/2013	Inc%	31/03/2012	Inc%	Var%
Italy	6.662	19,87%	6.272	17,72%	6,21%
Europe	8.218	24,52%	7.345	20,76%	11,88%
Rest of the world	18.642	55,61%	21.771	61,52%	-14,37%
<b>Totale fatturato</b>	<b>33.523</b>	<b>100,00%</b>	<b>35.388</b>	<b>100,00%</b>	<b>-5,27%</b>

Sales volume in Italy and in Europe showed a slight increase but they represent less than half of the consolidated sales volume; the most significant portion, the countries outside of Europe, showed a decrease which is due to the phase of transition that our production and distribution activities are undergoing (China, Brazil and the USA) and to the sudden drop in the value of the local currency in Japan.

For the medical sector, which represents almost 57% of the sales of the Group, the chart below shows the results for the various segments.

	31/03/2013	Inc%	31/03/2012	Inc%	Var%
Surgical CO2	2.217	11,53%	2.059	10,74%	7,66%
Physiotherapy	1.805	9,38%	1.687	8,80%	6,94%
Aesthetic	11.295	58,74%	11.557	60,30%	-2,26%
Dental	215	1,12%	741	3,87%	-71,03%
Other medical lasers	2.864	14,90%	2.377	12,40%	20,53%
Accessories	833	4,33%	745	3,89%	11,89%
<b>Totale fatturato</b>	<b>19.229</b>	<b>100,00%</b>	<b>19.165</b>	<b>100,00%</b>	<b>0,33%</b>

The overall trend is stable. It should be recalled that the Group operates in the medical sector with four main distribution structures, one focused on the physical therapy sector (ASA), while the others (Deka, Quanta, Asclepion)

are chiefly concentrated in the aesthetic sector but also able to offer products even in some of the surgical and dental segments. Each of these companies is able to offer a range of attractive and differentiated products; the respective research centers are in Florence, Solbiate Olona and Jena and work autonomously to develop the systems intended for distribution in their networks by implementing the specific features which characterize them.

Starting with the sectors which have gone down, the dental sector suffered a setback due to the change made in the first quarter in the United States where we switched from a direct distribution through the branches to a distribution with an organization by third parties: this period of transition comported a slowdown in sales volume which can be recovered during the rest of the year using the new system of collaboration.

There was a slight decrease in the sales volume in the main segment of aesthetics but the sales volume can be improved, particularly in the United States during the rest of the year; in its value in Euros it was negatively influenced by the drop of the Japanese Yen. The market position remains very solid in this sector with a range of products that is characterized by continuous innovation, an indispensable tool for maintaining or increasing one's position in this highly competitive market.

In the sector defined as "Other", along with the CO<sub>2</sub> sector and that for accessories, there was an increase which was due in particular to the surgical applications of the laser, both the solid state systems for treatment of benign hyperplasia of the prostate and lithotripsy (represented in the "Others" sector), and the systems for ORL (otorhinolaryngoiatry) and gynecology; in this latter, the "Mona Lisa Touch" application for the treatment of vaginal atrophy and the well-being of mature women, is gradually becoming a best-seller for the Group.

The segment of physical therapy, managed by Asa of Vicenza, thanks to the continual innovation of their products and a careful strategy for marketing and clinical experimentation has continued to gradually grow since it became part 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.

	31/03/2013	Inc%	31/03/2012	Inc%	Var%
Cutting	4.859	60,08%	6.889	71,92%	-29,47%
Marking	2.826	34,94%	2.351	24,54%	20,19%
Laser sources	186	2,30%	232	2,42%	-19,82%
Welding, other industrial systems	216	2,67%	107	1,12%	101,54%
<b>Total</b>	<b>8.087</b>	<b>100,00%</b>	<b>9.579</b>	<b>100,00%</b>	<b>-15,58%</b>

The decrease is mainly due to the segment of laser systems for flat cutting for which the Chinese market, as mentioned, has not shown any growth. On the other markets, thanks to the increased operating efficiency that was a result of the merger of the two companies in Florence, Cutlite Penta and Ot-las Srl, a recovery was registered for marking systems, a sector in which Lasit of Torre Annunziata continues to register increased results and good earnings.

The sector of sales of laser sources to third parties which is part of a strategy which has favored our position as manufacturers of systems, represents a secondary market with respect to the volume of sources produced for installations on the systems made by the companies of the Group.

Sales in the sector of conservation and restoration in which, thanks to our laser systems masterpieces of art from every era are restored to their original splendor, remain significant.

For the first three months of 2013 the consolidated gross margin was 16.754 thousand Euros, a slight increase with respect to the 16.673 thousand Euros for the first quarter of 2012 notwithstanding the drop in sales volume. This was due to the improved profitability on the sales volumes and to this factor contributed the relatively greater quantity of sales in the medical sector which has a higher average gross margin and also, in the industrial sector, the decreased importance in the Chinese production which favors high volumes with lower average profits. Moreover, in the medical sector the sales margins have increased slightly.

It should be noted that also in the first quarter of 2013 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 costs for operating services and charges were 6.089 thousand Euros which is substantially the same with respect to March 31<sup>st</sup> 2012, while showing an increase in the incidence on the sales volume because of the decrease in the latter. The expenses are being carefully monitored and have increased for those activities for which a positive development is expected during the year in progress.

The costs for personnel was 8.569 thousand Euros which is an increase of 4,4% with respect to the 8.205 thousand Euros for the same period last year, on account of the increase in the number of staff members for the structures in which a rise in sales volume is expected, and also for non-repeating events related to the management of the personnel. The costs for personnel also include the figurative costs for the stock options assigned to employees. On March 31<sup>st</sup> 2013 these costs were 3 thousand Euros, as opposed to 44 thousand Euros on March 31<sup>st</sup> 2012.

On March 31<sup>st</sup> 2013 there were 824 employees in the Group, a slight increase with respect to the 812 on December 31<sup>st</sup> 2012.

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 31<sup>st</sup> 2013 amounted to 43 thousand Euros, whereas for the same period last year they amounted to 51 thousand Euros.

On account of the trends in the entries described above, the EBITDA amounted to 2.096 thousand Euros, a decrease with respect to March 31<sup>st</sup> 2012 when it registered 2.407 thousand Euros.

The costs for amortizations, depreciations and accruals were 1.137 thousand Euros, a slight decrease with respect to March 31<sup>st</sup> 2012 when they were 1.172 thousand Euros, while they increased slightly in their incidence on the sales volume from 3,3% to 3,4%.

The EBIT was 959 thousand Euros, a decrease with respect to the 1.235 thousand Euros registered on March 31<sup>st</sup> 2012. The incidence on the sales volume is 2,9%, which should improve during the rest of the year.

The financial income amounted to 480 thousand Euros which were derived from the positive effects of the differences in the exchange rates and is also almost exactly equal to the 487 thousand Euros lost last year for the negative effects in the differences in the exchange rates. The results of the associated companies includes the quota of the results of Cynosure Inc, which contributes significantly to the positive result which had earlier been negative because of the losses sustained by other associated companies.

The amount of other net income and charges is positive due to the sale by Quanta System of the residual quota of GLL, and the reversal of the amounts which had earlier been entered in order to cover the company's losses.

Thanks to the positive trend of the amounts in the Income statement "under" the EBIT, the results before taxes shows a profit of 1.695 thousand Euros which is a significant improvement over the result of 638 thousand Euros registered for March 31<sup>st</sup> 2012.

## **Financial position and Investments**

### **Comments on the net financial position**

The net financial position of the Group which has increased since December 31<sup>st</sup> 2012, is equal to about 19 million Euros.

It should be mentioned that payments were made by minority partners for an amount of about 1 million Euros in order to increase the capital which was needed to re-enforce the operating structures in the industrial sector in China.

### Gross investments made during this quarter

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

<i>Progressive</i>	31/03/13	31/03/12
Intangible assets	55	9
Tangible assets	383	440
Equity investments	1	0
<i>Total</i>	438	449

No significant investments were made during this quarter; the investments shown in the chart represent ordinary investments for the operating activity.

## **Comments on Research and Development activities**

During 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/new 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 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 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 and the Research Institutions or in Italy and other countries.

The El.En.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 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 of the SMARTXIDE<sup>2</sup> 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, otorhinolaryngology, dermatology, gynecology, odontostomatolgy, neurology, laparoscopic surgery, aesthetic surgery, and, in the same field, research for new clinical applications in 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.

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 continued to work on the development of instruments and on the clinical experimentation in the veterinary field, in particular in relation to valuable horses involved in competitive sports, with innovative laser equipment belonging to the HILT family (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment) not only for the traditional uses in physical therapy with experimentation activities also in various research centers in the USA. We are now in the phase of selecting cases and performing treatments besides conducting clinical tests and verification tests using diagnostic instruments on the subjects being treated.

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. Moreover, we are continuing research aimed at identifying methods for characterizing tissue treated with radio-frequency ultrasonic signals in order to improve the verification phase of the effects of the treatment received. We have completed the activities aimed at identifying the procedures for making cooled point applicators with forced circulation of the liquid and we are continuing experimental trials on these devices in the laboratory, *in vitro*, and the programming of experiments on animals. These activities are in the engineering phase following the research conducted as part of the TRAP project with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany.

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, like the above mentioned TRAP, is 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: 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.

At El.En. we have conducted research for new medical applications in the recently created PHOTOBIO LAB for the study of the interaction between light and biological tissue. We are now conducting experiments with laser devices for surgical operations in the fields of orthopedics: the spinal column.

Quanta System continued their activity for the development of two new laser types, a Holmium and a Tullium infrared, for the treatment of benign hypertrophy of the prostate and for a fiber laser with increased performance with respect to the state of the art; which was in part financed by funds from a European Union project. They are also actively conducting research on new laser equipment with multiple wave lengths with Q-switch technology. We are conducting feasibility studies on new applications of dye lasers which are the subject of technical innovations and new components. 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, otorhinolaryngological and odontostomatological. 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 CO<sub>2</sub> 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.

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.

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 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 heat-formed plastics.

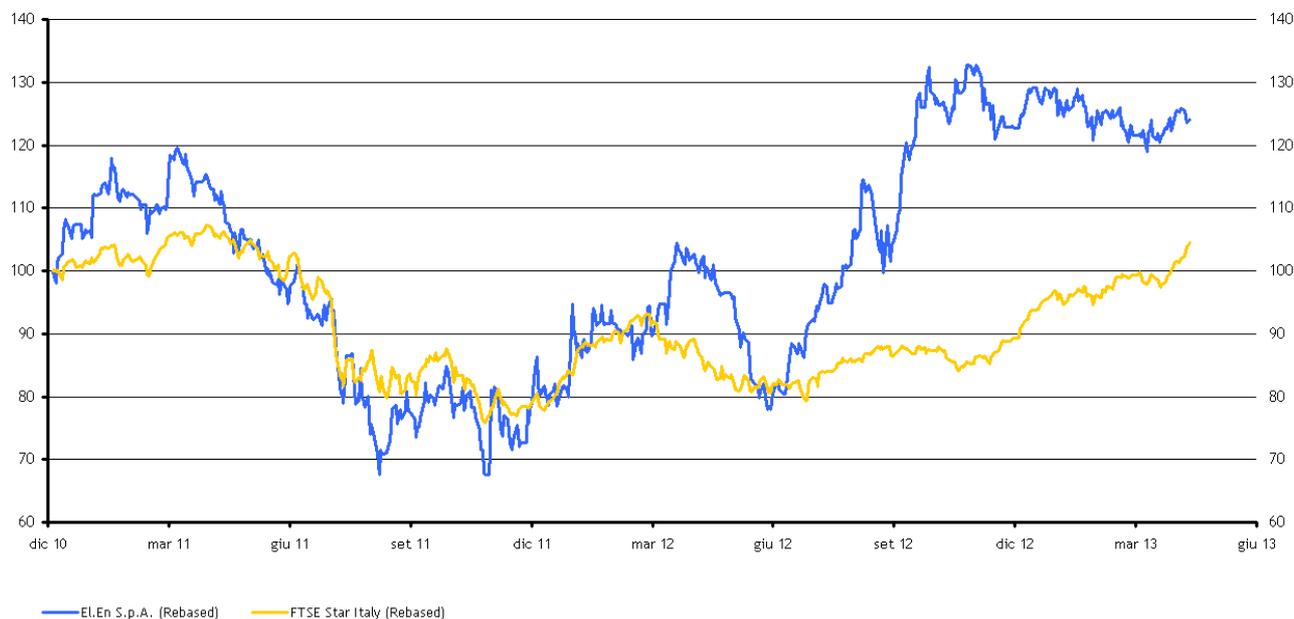
The following chart shows the costs for Research and Development for the first quarter.

<i>thousands of euros</i>	<b>31/03/2013</b>	<b>31/03/2012</b>
Costs for staff and general expenses	1.583	1.527
Equipment	14	15
Costs for testing and prototypes	342	271
Consultancy fees	114	84
Other services	21	23
<b>Total</b>	<b>2.074</b>	<b>1.920</b>

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 about 6% of the consolidated sales volume of the Group.

## Trend of El.En. stock

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



## Other information

It should be noted that on October 3<sup>rd</sup> 2012 the Board of Directors of El.En. S.p.A. voted to adhere to an opt-out in compliance with art. 70, sub-section 8 and 71, sub-section 1-bis of the *Regolamento Emittenti Consob* 11971/99, thus making use of the option to derogate from the obligation to publish the required information documents in the case of extraordinary significant operations related to mergers, divisions, increase in capital in kind, acquisitions and sales.

## Other significant events which took place during this quarter

In the month of January 2013, the company Penta Laser Equipment (Wenzhou) Co., Ltd in which Cutlite Penta S.r.l., has an equity of 55%, was founded. The company will conduct the manufacturing activities that are presently conducted in the factory of Wuhan.

Also in the month of January 2013, after a vote taken at the end of 2012, Quanta System liquidated its equity in GLL, thus putting an end to an investment that was made futile by the economic crisis in Spain: the investment and the receivables owed by the company were allocated as losses last year.

## Subsequent events

The shareholders' meeting of the Parent Company, El.En. S.p.A., that met today approved the financial statement for 2012 and voted to allocate the net income of 9.804.911 Euros as follows:

- 7.403.301,00 Euros to an extraordinary reserve;
- to distribute to the shares in circulation, on the date that coupon no. 11 becomes due, on May 20<sup>th</sup> 2013, in compliance with art. 2357-ter, second sub-section of the Civil Code – a dividend of 0,50 Euros gross for each share in circulation for an overall amount of 2.401.610,00 Euros as of today, and to accrue in a special reserve of retained earnings the residual dividend destined for the other treasury shares held by the company on the due date.

The assembly approved the first part of the report on remuneration in conformity with art. 123-ter, sub-section 6, D. Lgs. February 24<sup>th</sup> 1998, n. 58.

Moreover, the assembly proceeded with the renewal of the board of statutory auditors for the three-year period 2013-2015 and appointed Vincenzo Pilla as president and Paolo Caselli and Gino Manfriani as acting auditors, Rita Pelagotti and Manfredi Bufalini as supplementary auditors. All of those appointed possess the legal prerequisites according to the law and the company by-laws and will remain on the board until the approval of the financial statement for the year ending December 31<sup>st</sup> 2015.

The assembly, during the extraordinary meeting, also modified articles 19 and 25 of the company by-laws which regulate the method for electing, respectively, first, the Board of Directors and, secondly, the Board of Statutory Auditors, by removing the ban to withdraw the certifications proving the legitimacy of the right to present proposals for appointments before the actual date of the meeting. At the same time they approved to delete some typos present in those article which refer to the date of the deposit/ communication of the certification.

## **Current outlook**

The results obtained during the first quarter are behind in the schedule that has been planned for reaching the objectives of sales volume and EBIT that have been set for 2013 which are: growth of sales volume 5% (to 10% if the general economic situation improves) and improvement of the EBIT. Although we are dealing with unfavorable conditions on some of the markets and we must make up for the delay, we still believe that these objectives for 2013 can be achieved.

For the Board of Directors

The Managing Director  
Ing. Andrea Cangioli

## Appendix “A”: List of the consolidated companies as of March 31<sup>st</sup> 2013

### Subsidiary companies

Company name:	Notes	Headquarters	Currency	Percentage held:			Consolidated Percentage
				Direct	Indirect	Total	
<b>Parent company:</b> El.En. SpA		Calenzano (ITA)	EURO				
<b>Subsidiary companies:</b> Deka M.E.L.A. Srl		Calenzano (ITA)	EURO	85,00%		85,00%	85,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	93,76%		93,76%	93,76%
Esthologue Srl	1	Calenzano (ITA)	EURO	50,00%	50,00%	100,00%	100,00%
Deka Sarl		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.	2	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	3	Jena (GER)	EURO	50,00%	50,00%	100,00%	100,00%
Arex Srl	4	Solbiate Olona (ITA)	EURO		51,22%	51,22%	51,22%
AQL Srl	5	Vimercate (ITA)	EURO		100,00%	100,00%	72,50%
ASA Srl	6	Arcugnano (ITA)	EURO		60,00%	60,00%	51,00%
With Us Co Ltd	7	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	8	Wuhan (CHINA)	YUAN		55,00%	55,00%	51,57%
Penta Laser Equipment (Wenzhou) Co Ltd	9	Wenzhou (CHINA)	YUAN		55,00%	55,00%	51,57%
Lasit Usa Inc.	10	Branford (USA)	USD		100,00%	100,00%	70,00%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	REAL	88,00%		88,00%	88,00%
Lasercut Technologies Inc.	11	Branford (USA)	USD		100,00%	100,00%	100,00%
Pharmonia Srl	12	Calenzano (ITA)	EURO		100,00%	100,00%	100,00%
Deka Medical Inc	13	San Francisco (USA)	USD		100,00%	100,00%	100,00%
Quanta France Sarl	14	Paris (FRA)	EURO		60,00%	60,00%	60,00%

(1) owned by Elen SpA (50%) and Asclepion (50%)

(2) owned by BRCT Inc. (80,71%) and by ElEn SpA (11,78%)

(3) owned by Elen SpA (50%) and by Quanta System SpA (50%)

(4) owned by Quanta System SpA (51,22%)

(5) owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)

(6) owned by Deka Mela Srl (60%)

(7) owned by BRCT (78,85%)

(8) owned by Cutlite Penta Srl (55%)

(9) owned by Cutlite Penta Srl (55%)

(10) owned by Lasit SpA (100%)

(11) owned by BRCT (100%)

(12) owned by Asclepion (100%)

(13) owned by BRCT (100%)

(14) owned by Quanta System SpA (60%)

## Associated companies

Company name:	Notes	Headquarters	Currency	Percentage held:			Consolidated percentage
				Direct	Indirect	Total	
Cynosure Inc.		Westford (USA)	USD	12,95%		12,95%	12,95%
Cynosure GmbH	1	Langen (D)	EURO		100,00%	100,00%	12,95%
Cynosure Sarl	1	Courbevoie (FRA)	EURO		100,00%	100,00%	12,95%
Cynosure KK	1	Tokyo (JAP)	YEN		100,00%	100,00%	12,95%
Cynosure UK	1	Cookham (UK)	GBP		100,00%	100,00%	12,95%
Suzhou Cynosure Medical Devices Co.	1	Suzhou (CHINA)	YUAN		100,00%	100,00%	12,95%
Cynosure Spain	1	Madrid (SPAIN)	EURO		100,00%	100,00%	12,95%
Cynosure Mexico	1	S.Jeronimo Aculco (MEX)	MEX		100,00%	100,00%	12,95%
Cynosure Korea	1	Seoul (SOUTH KOREA)	KRW		100,00%	100,00%	12,95%
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	2	Bangkok (Thailand)	BAHT		49,00%	49,00%	49,00%

(1) detenuta da Cynosure Inc.  
(100%)

(2) detenuta da Quanta System  
S.p.A. (49%)

**Appendix “B”: Declaration in conformity with Act. 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 24<sup>th</sup> 1998, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

Calenzano, May 15<sup>th</sup> 2013

Executive officer responsible for the financial reports  
Dott. Enrico Romagnoli