

Quarterly Financial Report as of March 31st, 2016



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 financial statement on March 31st 2016)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangoli

BOARD MEMBERS

Fabia Romagnoli

Michele Legnaioli

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

ELEN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS OF MARCH 31st 2016

Quarterly report

Introduction

This quarterly report as of March 31st 2016 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 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 31st 2016 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, 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 earnings of the associated companies, the financial income/charges;
- the **earnings before income taxes, devaluations, depreciations and amortizations** or “EBITDA”, also represents an indicator of operating performance and is determined by adding to the EBIT the amount of “Depreciations, Amortizations, accruals and devaluations”;
- the **value added** is determined by adding to the EBITDA the “cost for personnel”;
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the “Costs for services and operating 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.

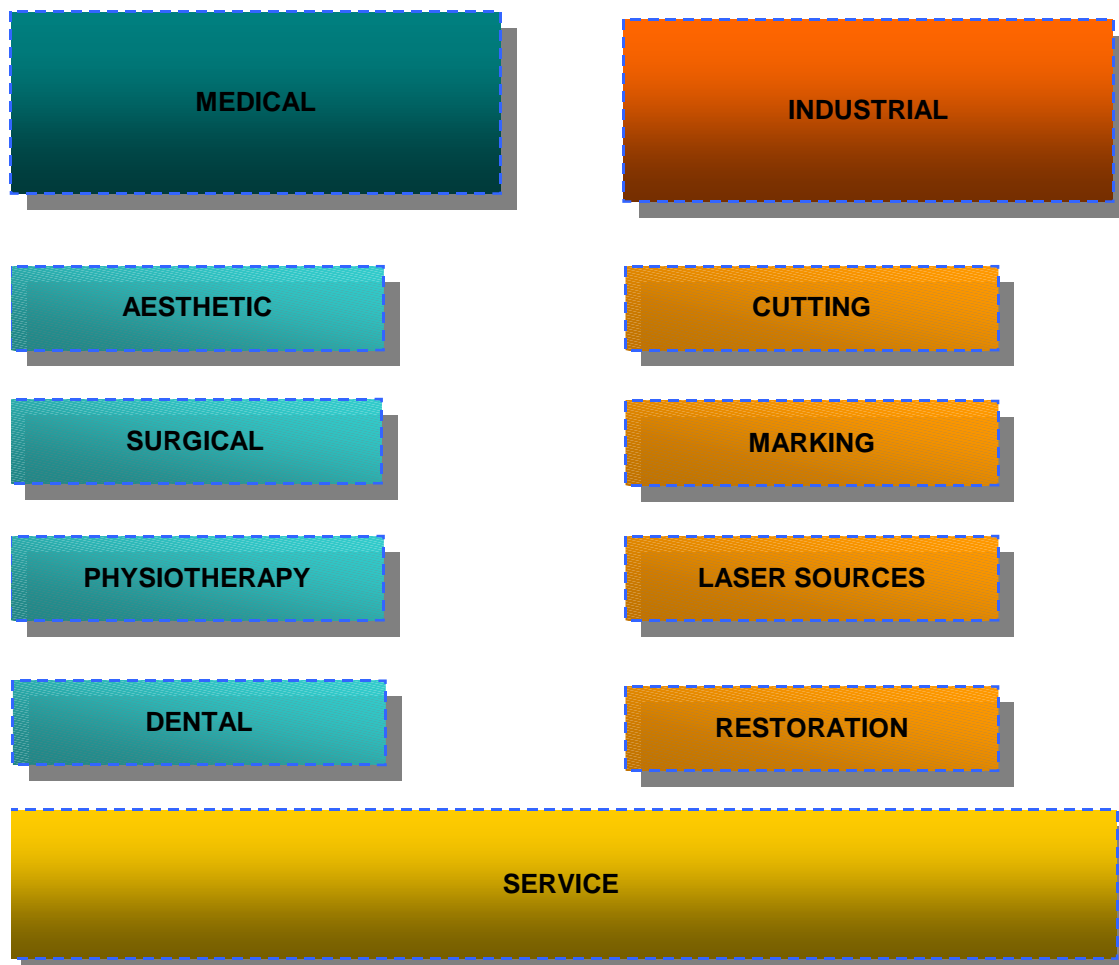
The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not 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 may be determined by the geographical area it covers, or by its particular merchandise niche, or even by a broader range of activities including different technologies, applications and geographical markets. The activities of all of the companies are coordinated by the Parent Company with an aim to improve coverage of the selling markets by optimizing the dynamism and flexibility of the single business units without losing the advantages of a unified management of the technical, managerial, commercial and financial resources.

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 segments which differ according to the specific 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 an after-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The expectations for growth of our two main macro-markets lie at the foundation of the constant growth that the company has registered in the past few years and the positive outlook for future development. In the medical sector there is an increased demand for aesthetic and medical treatments from an aging population which wishes to appear younger; at the same time there is also an increase in the demand for technologies that are capable of reducing to a minimum the duration of some of the surgical operations or to increase their effectiveness and reduce the impact on the patient (minimally-invasive procedures) and reduce the overall costs. In the industrial sector, laser systems represent an increasingly indispensable instrument for manufacturing technologies that are both flexible and innovative and are ideal for manufacturing companies that are competing on the international markets and wish to raise their qualitative standards. While continuing in the traditional manufacturing market, laser systems represent a hi-tech component which thanks to the continual innovation of the laser product and the processes which the laser makes possible, offer significant prospects for growth.

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.

It should also be recalled that, with the excellent outlook for growth on our main selling markets, the Group has been able to acquire significant portions of the market and create new market niches thanks to their capacity for innovation; in fact, the ability to innovate and to propose new products which allow new applications are the chief critical factors for success on our markets and have represented El.En's main competitive edge since its foundation in 1981.

Group financial highlights

The first quarter of 2016 registered a consolidated sales volume of 55 million, showing an increase of about 14% over the first quarter of 2015 and an EBIT of 6,7 million amounting to 12,2% of the sales volume which also increased sharply, by about 51% over the first quarter of 2015. Consequently the phase of rapid growth and the high level of profits shown last year have continued in 2016.

The EBIT was over 10%, a target amount which is often referred to for the best performance of the Group. The excellent results are derived from the positive performance of all the activity segments in which the Group operates. Although certain activities showed an exceptional increase in sales volume and profitability, it was the positive contribution of each of the individual companies to the income of the Group that made it so significantly higher than that shown for the financial years preceding 2015. The same investments which, from 2008 to 2012 allowed us to open and explore new business areas, that in the years of crisis had also suffered significant operating losses, decreasing the profitability of the group, are now fully displaying the potential that was expected from the beginning and confirm the strategy used by the Group. We are pursuing company growth by identifying and developing diversified niches for our technologies in our main markets: laser systems for medical applications and sources and systems for industrial applications intended for the manufacturing market. Moreover, we are continually investing in research activity in order to be able to excel in innovation which is part of the product to the extent to which we improve our systems technologically and part of the process to the extent to which the innovative technologies and the meticulous applicative studies make implementation possible for new medical applications or manufacturing processes.

The macro-economic conditions remained substantially favourable during this quarter with a lively demand on most of our target markets. In this regard, attention should be called to the Italian situation and the excellent results registered on our local markets thanks mainly to the cash and financing now available to our clientele which remained positive during the first months of the year. In the past we have often mentioned the fact that in the years of crisis the drop in demand is determined by a series of factors, among which the reduced availability of credit is one of the most critical.

The position of the Group on their target markets is highly competitive thanks to their ability to create a competitive edge through a systematic research activity aimed at developing innovative products or technical and application innovations of pre-existing products. When new technologies and applications are available the general difficulties of the market can be overcome by the unique qualities of the product being offered. The ability to offer numerous products that are at the beginning of their life cycle makes it possible to maintain a high level of attractiveness for the clientele and, consequently, increased profitability from sales, thus reducing the effects of the ordinary dynamics of market pressure on products in a more advanced phase of their life cycle to which even a hi-tech activity like ours is, in any case, subjected. The dynamic nature of the offering is clearly perceived by the markets and the clientele which have rewarded our efforts in this direction and have made possible the results that we are about to comment on below. Further on, we will give a detailed analysis of the areas and the products which have made the most important contribution to the results of the Group.

The chart below shows the income statement for the first quarter of 2016 shown in comparative form with the results for the same quarter last year.

Income Statement	31/03/16	Inc.%	31/03/15	Inc.%	Var.%
Revenues	55.231	100,0%	48.511	100,0%	13,9%
Change in inventory of finished goods and WIP	784	1,4%	887	1,8%	-11,6%
Other revenues and income	744	1,3%	391	0,8%	90,3%
Value of production	56.758	102,8%	49.789	102,6%	14,0%
Purchase of raw materials	27.356	49,5%	25.980	53,6%	5,3%
Change in inventory of raw material	(434)	-0,8%	(1.783)	-3,7%	-75,7%
Other direct services	4.436	8,0%	3.351	6,9%	32,4%
Gross margin	25.400	46,0%	22.242	45,8%	14,2%
Other operating services and charges	7.296	13,2%	6.930	14,3%	5,3%
Added value	18.104	32,8%	15.311	31,6%	18,2%
For staff costs	10.434	18,9%	10.011	20,6%	4,2%
EBITDA	7.669	13,9%	5.301	10,9%	44,7%
Depreciation, amortization and other accruals	949	1,7%	845	1,7%	12,3%
EBIT	6.721	12,2%	4.456	9,2%	50,8%
Net financial income (charges)	(811)	-1,5%	1.794	3,7%	
Share of profit of associated companies	(96)	-0,2%	55	0,1%	
Other Income (expense) net	0	0,0%	0	0,0%	
Income (loss) before taxes	5.813	10,5%	6.305	13,0%	-7,8%

The chart below shows the net financial position of the Group:

Net financial position	31/03/2016	31/12/2015
Cash and bank	41.594	46.990
Financial instruments	1.978	1.965
Cash and cash equivalents	43.572	48.954
Short term financial receivables	72	222
Bank short term loan	(8.543)	(11.593)
Part of financial long term liabilities due within 12 months	(2.924)	(2.770)
Financial short term liabilities	(11.467)	(14.363)
Net current financial position	32.178	34.813
Bank long term loan	(1.635)	(1.831)
Other long term financial liabilities	(2.983)	(3.167)
Financial long term liabilities	(4.617)	(4.998)
Net financial position	27.560	29.815

Operational performance

The table below shows the sales volume for the first three months of 2016 divided by sector of activity of the Group compared with that for the same period last year.

	31/03/2016	Inc%	31/03/2015	Inc%	Var%
Medical	38.139	69,05%	34.191	70,48%	11,55%
Industrial	17.092	30,95%	14.320	29,52%	19,35%
Total	55.231	100,00%	48.511	100,00%	13,85%

Both of the activity sectors of the Group showed a two-digit increase. The growth in the industrial sector is close to 20%.

The chart below shows the sales volume for this quarter according to geographic distribution.

	31/03/2016	Inc%	31/03/2015	Inc%	Var%
Italy	10.508	19,03%	7.511	15,48%	39,91%
Europe	9.044	16,37%	9.107	18,77%	-0,69%
Rest of the world	35.679	64,60%	31.894	65,75%	11,87%
Total	55.231	100,00%	48.511	100,00%	13,85%

For the reasons described above, the most important growth, close to 40% was registered on the Italian market, thanks to the increased propensity to buy along with the appealing selection of products offered on the Italian market both in the industrial and medical sectors.

There was also interesting growth in the non-European markets; the European markets, on the other hand, remained stable mainly due to the complex social and economic conditions present in countries like Turkey and Russia which, up until a short time ago, were among our best clients.

For the medical and aesthetic sector, which represent more than 69% of the sales of the Group, the results in the various segments are shown on the chart below.

	31/03/2016	Inc%	31/03/2015	Inc%	Var%
Aesthetic	16.928	44,39%	16.734	48,94%	1,16%
Surgical	9.830	25,77%	7.953	23,26%	23,60%
Physiotherapy	2.138	5,60%	1.933	5,65%	10,57%
Dental	105	0,27%	177	0,52%	-40,84%
Other medical lasers	69	0,18%	0		
Total medical systems	29.069	76,22%	26.797	78,37%	8,48%
Medical service	9.070	23,78%	7.394	21,63%	22,66%
Total medical revenue	38.139	100,00%	34.191	100,00%	11,55%

Overall growth was over 10% and, as occurred in 2015, was mainly due to the penetration of the surgical segment.

There were, in particular, two application disciplines for our systems that allowed the surgical sector to exceed 20% in growth: gynecology and urology. Mona Lisa Touch, our system that introduced the use of lasers for the treatment of vaginal atrophy showed further growth and consolidated the international leadership of Deka for this application. In fact, the quality of CO₂ laser source emission which is its main element, the prestige of the clinical studies which have demonstrated its effectiveness and the partnership formed for the distribution, in particular with Cynosure Inc, for the United States, Canada and some European companies have made it so that Mona Lisa Touch has created a new market

and been able to keep their leadership in it through our efforts to continually improve all of the aspects that had made it successful.

A different approach has been used to achieve the leadership in the lithotripsy segment in which Quanta System represents the technological point of reference for numerous important companies specializing in this sector. For their OEM systems, in order to place their own brand of products on the market these companies have chosen the characteristics of the Quanta product, in particular the so-called “dusting” which helps the surgeon shatter the kidney stone with the laser beam. Consequently, although Quanta System sells only a fraction of the systems that they produce under their own brand name they are, in any case, the absolute leader in the field.

The aesthetics sector showed a slight growth which was a good result in consideration of the fact that part of the revenue from after-sales service is attributed to it since it includes the numerous upgrades of systems that are already installed. This activity allows the clients to update their systems at a much lower price than the purchase of a new system and, for the Group represents an activity with a good profit margin that builds company loyalty with a type of client who would not be able to afford an investment in a new system.

A unique characteristic of the El.En. Group is their multi-brand approach to the market with three independent but coordinated business units. These different units use their own independent distribution networks to place on the market the products that are the results of the development and manufacturing activity conducted in their own factories. From the point of view of the characteristics of the goods being offered this type of organization allows for the maximum range of products, highlights the excellence in the particular technologies chosen by each research team and promotes their creativity; from a commercial point of view it facilitates an in-depth penetration of the market thanks to the appreciation that each brand receives for its unique qualities which are distinctly perceived by the clientele. By co-existing on the market each brand and/or business unit is able to satisfy the most diverse requirements of the clientele for quality, image and price.

The three business units are: Deka, which distributes all over the world the products made in the Parent Company’s Calenzano factory, Quanta System, with Headquarters in Solbiate Olona (Varese) and Asclepion with Headquarters in Jena, Germany. As part of their policy of having a range of products in continual evolution, in February of 2016 the Group launched Deka’s new depilatory system, the Motus AX which features painless hair removal using alexandrite lasers. Moreover, the launching phase of Quanta System’s Discovery Pico continued with success; this system features a technology that augments the effectiveness of the removal of pigmented lesions and all colors of tattoos; in March we obtained FDA clearance for sales in the United States. Asclepion consolidated their leadership on the market for hair removal devices with their diode laser systems thanks to the Mediostar system and its sales on the international markets, in particular in the Far East, and to their capacity to penetrate the Italian professional aesthetics market, where the Esthelogue brand has become a point of reference due to the quality of both the product and the support provided by the Esthelogue specialists to their clientele.

The physical therapy sector started growing again 10%. The Group operates in this sector through ASA in Vicenza, a leader in this market sector thanks to the quality of the products and the customer assistance offered to the clientele. In this quarter there was a return to a good level of activity in the United States and of sales of the high-powered systems with HILT technology. The dental sector declined and now represents a marginal area for the Group.

Again this quarter the increase in sales volume for after-sales services and sales of consumables was significant. Besides the normal growth which is expected from the increase in the number of installations, the contribution from the sales of consumables, in particular disposable optical fibers used in urological surgical operations, was significant. Also, as mentioned above the upgrading activities on previously installed systems and, in particular, on systems used for aesthetic hair removal applications, were intensive.

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

	31/03/2016	Inc%	31/03/2015	Inc%	Var%
Cutting	11.996	70,19%	9.415	65,75%	27,41%
Marking	2.890	16,91%	1.974	13,78%	46,41%
Laser sources	133	0,78%	1.265	8,84%	-89,45%
Conservation	57	0,33%	61	0,43%	-7,38%
Total industrial systems	15.076	88,21%	12.715	88,79%	18,56%
Industrial service	2.016	11,79%	1.605	11,21%	25,63%
Total industrial revenue	17.092	100,00%	14.320	100,00%	19,35%

The main segment is cutting which exceeds 70% of the sales volume. The joint ventures in China at Wuhan and Wenzhou for flat cutting of metal were the main drivers in this growth. The recessive phase that was caused by the Chinese financial crisis during the middle of 2015 has now been overcome and the segment registers a vigorous growth. It should be recalled that the two factories are supposed to be serving only the local market and, during 2016 along with the commercial activity which up to now has been conducted at the headquarters in Wenzhou there will also be production activity conducted in the factory which is now under construction which will significantly increase the manufacturing capacity.

Excellent results were obtained by Cutlite Penta which, in the cutting segment, is specialized in the manufacturing niche of cutting flat and rotary dies and plastic cutting, a field in which they have obtained, both in Italy and the rest of Europe, a significant position on the market. The company's results confirm the progressive growth, following the economic recovery in Italy and the rest of Europe, of sales of investment goods for industry and the demand for machine tools in general.

The marking sector, for which the Group has important technologies both from a point of view of RF laser sources as well as those with beam delivery optical scanners, also showed growth. The Group companies operate in two distinct sectors, that for marking and decorating large surfaces (prevalently Cutlite Penta with its Ot-las brand systems for fabrics and leather) and that for identification marking in which Lasit of Torre Annunziata operates successfully and is increasingly dynamic in their ability to offer customized solutions to the clientele. The company showed an increase in sales volume and in profits also in this quarter.

The decrease in the laser source segment was due to the very significant order delivered in the first quarter of 2015 which was not repeated in 2016. Actually, this segment represents an excellent opportunity for growth for El.En. and this growth has already started to take place if we consider the results net of the 2015 order; the segment is also being sustained by special investments in the production lines and in the activities for improving the product.

Everything involving our systems for restoration and conservation continue to be both interesting and intriguing. El.En. participated in international missions in Nubia (Sudan) and Baalbek (Jordan) and obtained important recognition for its activities which have a significance which is certainly greater than the minor economic value of this little niche and which will certainly be pursued with investments in R & D for the development of equipment with laser emission characteristics that are targeted specifically for this application.

The gross margin was 25.400 thousand Euros, an increase with respect to the 22.242 thousand Euros registered on March 31st 2015. The percentage incidence of the margin on the sales volume was 46%, practically unchanged with respect to the first quarter of 2015.

It should be noted that, again, in the first three months of 2016, 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 and is related only to the Italian market.

Costs for operating services and charges were 7.296 thousand Euros, showing an increase of 5% over the 6.930 thousand Euros for March 31st 2015, but the increase in the volume of business made it so that their incidence on the sales volume decreased from 14,3% to 13,2%.

Analogously, the cost for personnel for the amount of 10.434 thousand Euros, showed an increase of 4,2% as opposed to the 10.011 thousand Euros for the same period last year while, thanks to the rapid growth in the sales volume, the incidence on the latter decreased from 20,6% on March 31st 2015 to 18,9% on March 31st 2016.

As of March 31st 2016 there were 980 employees in the Group, an increase with respect to the 965 registered on December 31st 2015.

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 as of March 31st 2016 amounted to 307 thousand Euros, showing an increase with respect to the 126 thousand Euros registered for the same period in 2015 whose the sales margin benefited.

On account of the increase in the volume of business the EBITDA was 7.669 thousand Euros, an increase of 44,7% with respect to the 5.301 thousand Euros shown on March 31st 2015.

The costs for amortization, depreciations and accruals were 949 thousand Euros while for the first quarter of 2015 they were 845 thousand Euros.

Consequently also the EBIT, amounted to 6.721 thousand Euros and increases significantly with respect to the 4.456 thousand Euros shown on March 31st 2015. The incidence on the sales volume was 12,2%, showing an increase with respect to the 9,2% registered on March 31st 2015, and represents the highest amount ever achieved by the Group, a demonstration of the excellent state of health of the company.

The financial charges amounted to 811 thousand Euros as opposed to the financial income for 1.794 thousand Euros for the same period last year on account of the unfavorable exchange rates trend and the relative exchange gain/loss registered under this heading for the accounts in foreign currency. In particular, the weakness of the US dollar and the Chinese Yuan were mainly responsible for the negative amount registered, just the opposite of what had occurred last year due to their gradual strengthening which had contributed significantly to the good results for 2015. In particular, a strong US dollar is an important element in determining our ability to compete on the International markets where we face competition that operates in dollars or has the US dollar as the currency they refer to.

For the reasons described above, the pre-tax income amounted to 5.813 thousand Euros with respect to the pre-tax income of 6.305 shown on March 31st 2015.

Financial position and investments

Comments on the net financial position

The net financial position of the Group decreased by about 2 million with respect to the end of 2015. The use of cash was determined by the investments described in the paragraph below and by the increase in net working capital due to the growth.

Investments made in this quarter

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

<i>Progressive</i>	31/03/16	31/03/15
Intangible assets	75	74
Tangible assets	2.779	561
Equity investments	0	4.425
<i>Total</i>	2.854	5.060

The investments in tangible assets refer mostly to work conducted by the subsidiary Wenzhou for the construction of a new building. The other investments made during this quarter were of an ordinary kind and were aimed at the management of current activities.

Research and Development activities

During the first quarter of 2016 the Group conducted an intense research and development activity for the purpose of discovering new laser applications and different light sources for both the medical and the industrial sectors and to place innovative products on the market. 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.

In our laboratories we conduct research on new or unsolved problems in medicine and industry and we try to find solutions on the basis of the experience and know-how that we have developed on the interaction between laser light and biological and inert materials. As far as laser lights are concerned, we develop the sources on one hand by making a selection of its spectral content, the methods for generating it and the optimal level of power and, on the other hand, we program its management over time in relation to the laws governing its disbursement and in space as far as the shape and movement of the light beam is 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 performance 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 only 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 different wave lengths, 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 been active in research and clinical for surgical applications of the devices and subsystems for the SMARTXIDE² family of products (the product name is pronounced “Smartxide quadro” to highlight the Italian origin of the devices belonging to this family, considering the characteristics and performance that are particularly appreciated by the clientele) which has recently been developed and placed on the market for different applications in aesthetic medicine and surgery. 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 dermatology (cutaneous ulcers), gynecology, urogynecology, 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.

We are now conducting research on a new scanning system which is very compact, easy to handle and extremely precise for use in dermatological surgery applications. In collaboration with numerous centers both in Italy and other countries, we are conducting an intense activity for the collection of the results of clinical trials regarding the innovative application possibilities for machines of this type.

An application that is extremely important is used in uro-gynecology and, in particular, for a new treatment to reduce the effects of the atrophy of vaginal mucous. There are already hundreds centers already active in Italy and other countries

that perform this treatment which is called the “Mona Lisa Touch” or “Monna Lisa Touch”, depending on the country. At some of these centers which operate inside university structures or prestigious private clinics in Italy and abroad, they are now conducting important research in order to gain a better understanding of the mechanisms and new applications that can be obtained from scientific advancements.

Clinical studies related to the laser treatment of atrophy of the vaginal mucous have demonstrated that it is safe, effective and without negative collateral effects; it can be said that this is an extremely important innovation for medicine that will always remain among the options for specific therapy. For this reason, it is our specific intention to remain among the leaders in this new therapeutic sector and to guide and encourage the scientific and technological developments in order to maintain our position. This particular pathology is common and quite disabling with interactions with other pathologies; it afflicts a high percentage of women in menopause and younger women with tumors to whom therapies are given that affect the hormonal balance.

We are conducting research on a new class of applications in gynecology based on the exceptional characteristics of the *restitutio ad integrum* that the use of CO₂ lasers supplies to soft tissues in the various anatomic areas being treated. For surgical applications we are now developing a treatment for diabetic feet. In this sector we have obtained interesting results concerning the possibility of cleaning the lesions with a laser which leaves the treated portion practically sterile.

As part of this research we have developed a mono-mirror scanner accessory for CO₂ laser equipped with feedback position, miniaturized with speed and precision performance comparable to those of the Hi Scan with double galvanometer which was more costly and cumbersome.

Among the applied research activities with mid- to long term objectives we can mention the BI-TRE project co-financed by the Region of Tuscany with European Union funds, for which we conducted research on the anastomosis methods of blood vessels using laser beams with semi-conductor lasers and special patches and, in the field of neurosurgery in particular, the technique would allow the surgeon to save hours in the duration of operations on the brain.

We continued research on a new system in the field of eye surgery assisted by a robot and spinal surgery using a new, high resolution three-dimensional X-ray vision system assisted by a robot attached to the vision system of the operating table.

We are developing dedicated software and improved hardware components in order to improve it as much as possible; there is also the interesting possibility of a study of the distribution of the blood vessels in the ankle for the development of laser treatment of diabetic feet.

In collaboration with Elesta we are working on the development of a device for the percutaneous laser ablation of breast neoformations with energy emitted by a diffuser point with a fiber cooled by closed circuit forced circulation of a sterile liquid. Along with this project we are also developing a method using ultra-sound for the characterization of tissue damage suffered during and after the ablative operation.

We have concluded the development of an alexandrite mono-source system called Motus AX, for hair removal applications, which is equipped with innovative technical solutions and accessories for:

- minimizing pain during treatment while maintaining effectiveness, thanks to the “Moveo” mode which moderates the energy dose for the necessary impulse;
- minimizing the size/ weight/ energy use /costs of consumables for the doctor.

We have completed the study and planning phase of an innovative system for “Body Shaping” (reduction of the adipose layer) based on the use of a new form of energy that is able to apoptosis of the adipose tissue more effectively than that used in other systems now on the market.

We are conducting experiments for improving and optimizing the control of the temperature both on the surface and in depth.

Important certifications and approvals from International regulatory agencies for the sale of products we have developed at Deka, Asclepion, Quanta System, and ASA. have been obtained.

We are now conducting clinical trials and industrial development of laser equipment and devices for the laser treatment of cutaneous ulcers. Brilliant clinical results were obtained consisting of a reduction in the lists of patients requiring amputation. The LUC study authorized by the Ministry of Health, is now being completed. The first results on the elaboration of the statistics for the safety “end point” of the laser and the use during the cleaning (debridement) phase of diabetic ulcers are positive.

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 time, we have been taking the necessary measures for the protection of our brand names and applications in the most important countries.

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, proctology and neurology.

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 and uro-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 Italian and foreign academic and professional medical centers.

At Quanta System they are conducting intense research on instruments for use in aesthetic medicine and medical therapies in urology. In particular, they have introduced incremental innovations to the Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes and automatic recognition; development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP); development of incremental innovations on Holmium systems for lithotripsy, improving the performance of the cavity, of the launch of the fiber and of the fibers themselves.

They have completed the development and begun producing a system on picoseconds, nanoseconds and in free running: the Discovery Pico system is distinguished by its peak power at 1064 nm and 532 nm, the highest among the systems now available on the market and its technical characteristics are protected by two patents.

Also as part of the Q-switched systems, they conducted the development and initiated the production of the Q-Plus C MT system which, for the first time, simultaneously mixes in Q-switch 1064 nm + 694 nm e 532 nm + 694 nm.

They completed the Q-scale project. They also completed the planning of the Phocas project of Horizon 2020 and defined the group of European partners.

At Asclepion Laser Technologies they have completed the final stages for the certification of the Ho 140W holmium laser, for the surgical treatment of benign prostate hypertrophy, which will be sold by Jena Surgical. They also conducted preliminary activities for the improvement of lasers for the removal of tattoos and pigmented lesions and on the methods and devices to be used for “body shaping”.

They continued their activity of evaluation of new concepts of fibre optics and ferrules; they conducted studies for the use in the medical field of technologies for the recognition and cataloguing of images.

In collaboration with ACTIS, an associated company of El.En. we continued a European project on the therapy of tumours using nano-particle activation through laser light and ultrasound, the LUS BUBBLE (Light and Ultrasound Activated micro-bubbles for cancer treatment).

Laser systems and applications for industry

At El.En., in collaboration with the subsidiary Cutlite Penta we continued research for the development of innovative pre-cutting processes and machine micro-perforation of labels and systems for applications in the field of cutting and welding plastic materials and for the beverage sector in order to prolong the shelf-life of food products.

We continued the study that had been begun on software and algorithms for high-speed advanced coding in the sector of transactional paper-digital converting.

For the development of laser sources we have concluded the project on the 850W source and are beginning the experimentation of a sealed 300W source, and designed and tested a new delivery system on the Bright 30 source of the Milord project. We have developed a focusing head for lasers in fibre and dedicated process sensors. We have also studied and added new sensors on metal cutting machines.

The activity for the development of radio frequency distributors and laser sources is aimed at increasing the maximum power available in the range of products while maintaining a high quality and modulability of the beam in order to make innovative applications possible for the micro-piercing of panels and special applications in the field of digital converting and the cutting of rigid modular wooden packing materials in MDF (Medium Density Fibreboard).

For cutting Plexiglas we have developed new CAM software with an interface user that is much closer to the world of graphics and design.

We have developed a project for a new five-axle machine which minimizes the impact on the production activities thanks to the bases of the flat machines with linear motors that are manufactured by our company.

We have also continued the activities for the verification and experimentation of focusing and scanning heads for lasers in fibre for remote-controlled welding plants for metal materials and the mass production of furniture parts. As part of this project we have begun to develop a new dynamic focalizing system with high-speed response.

In the die sector we have engineered a new system for attaching rotary dies to the machine. This simple method offers greater guarantees of precision and reduces the number of settings during the testing phase.

We are now working on solutions that would eliminate most of the optical itineraries of the CO₂ laser beam which would include mounting the new sources with radio frequency pumping directly on the mobile portal of the machine.

In the sector of cutting Plexiglas we have developed and tested the combination of a matrix on the cutting machine and we are now continuing further experiments necessary for perfecting the innovations that have been adopted.

At El.En. we have conducted research on remote control welding of sheet metal with superficial treatments and applications with optical retroaction systems.

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

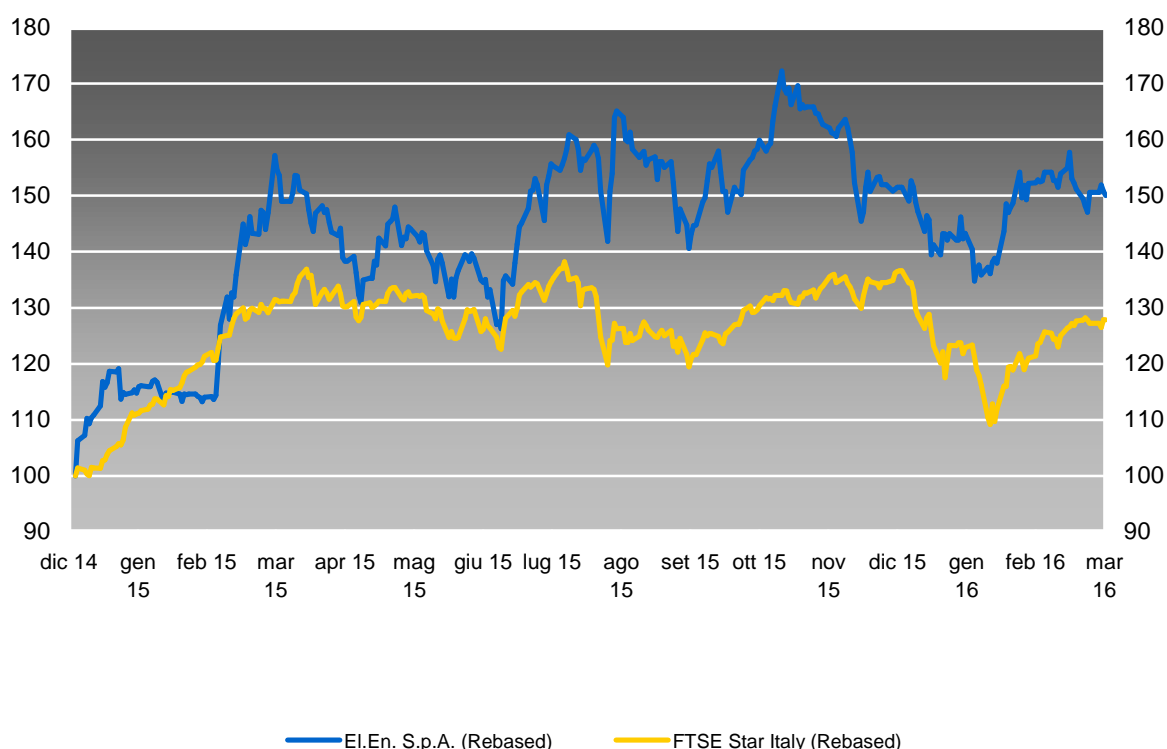
<i>thousands of euros</i>	31/03/2016	31/03/2015
Costs for staff and general expenses	1.763	1.691
Equipment	50	22
Costs for testing and prototypes	399	341
Consultancy fees	153	102
Other services	15	16
Intangible assets	0	14
<i>Total</i>	2.380	2.186

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 4,3% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 7% 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 this quarter

No significant events occurred during this quarter.

Subsequent events

In April El.En. S.p.A. sold 998.628 shares of Cynosure Inc. (Nasdaq CYNO) on the stock market at an average price of about 45,10 US dollars per share net of sales commissions, for a total of about 45 million US dollars. After this sale, El.En no longer possesses Cynosure stock. The consolidated gross capital gains amounts registered in the income statement for this operation at the current exchange rate of 1,13 USD/Euro will amount to about 23 million Euros.

This transaction does not in any way alter the cooperation that exists between the two companies which have mutually profitable commercial relations, first of all for the distribution of the Mona Lisa Touch laser system for the treatment of vaginal atrophy.

With the definitive sale of all the Cynosure shares E.En. concludes a highly successful investment which began in 2002 immediately after El.En. was first quoted on the stock Exchange. This investment is typical of El.En.'s ability to combine success in their product strategy and marketing with a financial strategy. The simple numbers of the investment show that

there was an initial payment of 16 million Euros and gains from the sale of shares over time that amounts to a total of 108 million Euros (IRR = 32%). Besides this amount one must consider also the significant economic benefits that the relationship with Cynosure had, has now and will have in the future in terms of sales volume for El.En to Cynosure, as well as the amount of know-how and contacts acquired by the Group which, together with the cash now available will allow El.En to initiate a new cycle of investments.

The transaction will not have any impact on the goals for sales or EBIT set by the company for the financial year 2016.

On May 12th 2016 the Shareholders' meeting approved the financial statement for December 31st 2015 and voted to distribute the net income of 6.307.307,00 Euros as follows:

- 518.065,40 as extraordinary reserve;
- to distribute to the shares in circulation on the date that coupon 14 becomes due, May 23rd 2016,– in compliance with art. 2357-ter, second sub-section of the Civil Code– a dividend of 1,20 Euros gross for each share in circulation for an overall amount of 5.789.241,60 Euros as of today's date;
- to accrue, where possible, in a special reserve of retained earnings the residual dividend destined for treasury stock that may be held by the company when the coupon becomes due.

The ordinary assembly also voted to approve the report on incentive remuneration ex art. 123-ter T.U.F.; the appointment of the Board of Auditors and the president of the board for the three-year period 2016, 2017 and 2018 and the relative remuneration, the approval of the stock option plan for 2016-2025 reserved for members of the Board of Directors, collaborators and employees of the company and its subsidiaries.

The extraordinary shareholders' meeting voted:

- to authorize the Board of Directors, pursuant to ex art. 2443, II co., c.c. to increase the capital stock, even on different occasions and in separate ways, within the next five years up to the nominal amount of 104.000,00 Euros by issuing new shares to be underwritten by the beneficiaries of the 2016-2025 stock option plan;
- the subdivision of the capital stock into 19.297.472 ordinary shares with a nominal value of 0,13 Euros each to be made after the approved dividend has been paid and the consequent modification of art. 6 of the company by-laws.

No other significant events occurred after the closure of the first quarter of 2016.

Current outlook

The net income achieved during 2016 will set a historical record thanks to the sale of the last Cynosure shares which took place in April and therefore not registered in the first quarter, which will characterize the income statement for 2016 with its capital gains (36 million for El.En. Spa and 23 million for the consolidated financial statement). As far as the ordinary activity is concerned, the first quarter exceeded all expectations and made it likely that we can improve on the 5% annual growth in sales volume and EBIT achieved in 2015.

For the Board of Directors

The President
Ing. Gabriele Clementi

Attachement “A”: List of consolidated companies as of March 31st 2016

Subsidiary companies

Company name:	Headquarters	Percentage held:			Consolidated Percentage
		Direct	Indirect	Total	
Parent company:					
El.En. SpA	Calenzano (ITA)				
Subsidiary companies:					
Deka M.E.L.A. Srl	Calenzano (ITA)	85,00%		85,00%	85,00%
Cutlite Penta Srl	Calenzano (ITA)	96,65%		96,65%	96,65%
Esthelogue Srl	Calenzano (ITA)	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lyons (FRA)	100,00%		100,00%	100,00%
Lasit SpA	Torre Annunziata (ITA)	70,00%		70,00%	70,00%
BRCT Inc.	New York (USA)	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	100,00%		100,00%	100,00%
Asclepion Laser Technologies GmbH	Jena (GER)	50,00%	50,00%	100,00%	100,00%
ASA Srl	Arcugnano (ITA)		60,00%	60,00%	51,00%
With Us Co Ltd	Tokyo (JAP)		78,85%	78,85%	78,85%
Deka Japan Co. Ltd	Tokyo (JAP)	55,00%		55,00%	55,00%
Penta Chutian Laser (Wuhan) Co Ltd	Wuhan (CHINA)		55,00%	55,00%	53,16%
Penta Laser Equipment (Wenzhou) Co Ltd	Wenzhou (CHINA)		55,00%	55,00%	53,16%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	68,56%		68,56%	68,56%
Lasercut Technologies Inc.	Hamden (USA)		100,00%	100,00%	100,00%
Pharmonia Srl	Calenzano (ITA)	100,00%		100,00%	100,00%
Deka Medical Inc	San Francisco (USA)		100,00%	100,00%	100,00%
JenaSurgical GmbH	Jena (GER)		100,00%	100,00%	92,50%
Accure Quanta Inc	Wilmington (USA)		100,00%	100,00%	100,00%
Merit Due Srl	Calenzano (ITA)		100,00%	100,00%	96,65%

Associated companies

Company name:	Headquarters	Percentage held:			Consolidated percentage
		Direct	Indirect	Total	
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	12,00%		12,00%	12,00%
SBI S.A.	Herzele (B)	50,00%		50,00%	50,00%
Elesta Srl	Calenzano (ITA)	50,00%		50,00%	50,00%
Chutian (Tianjin) Lasertechnology Co. LTD	Tianjin (China)		49,00%	49,00%	26,05%
Quanta USA LLC	Englewood (USA)		19,50%	19,50%	19,50%
Accure LLC	Delaware (USA)		45,82%	45,82%	45,82%

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

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

Calenzano, May 12th 2016

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