

Quarterly Financial Report as of March 31st, 2015



EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

This document has been translated into English for the convenience of readers who do not understand Italian.
The original Italian document should be considered the authoritative version.

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financials on March 31st 2015)

Board of Directors

CHAIRMAN

Gabriele Clementi

BOARD MEMBERS

Barbara Bazzocchi

Andrea Cangoli

Michele Legnaioli

Alberto Pecci

Fabia Romagnoli

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 2015

Quarterly report

Introduction

This quarterly report as of March 31st 2015 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 31st 2015 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.

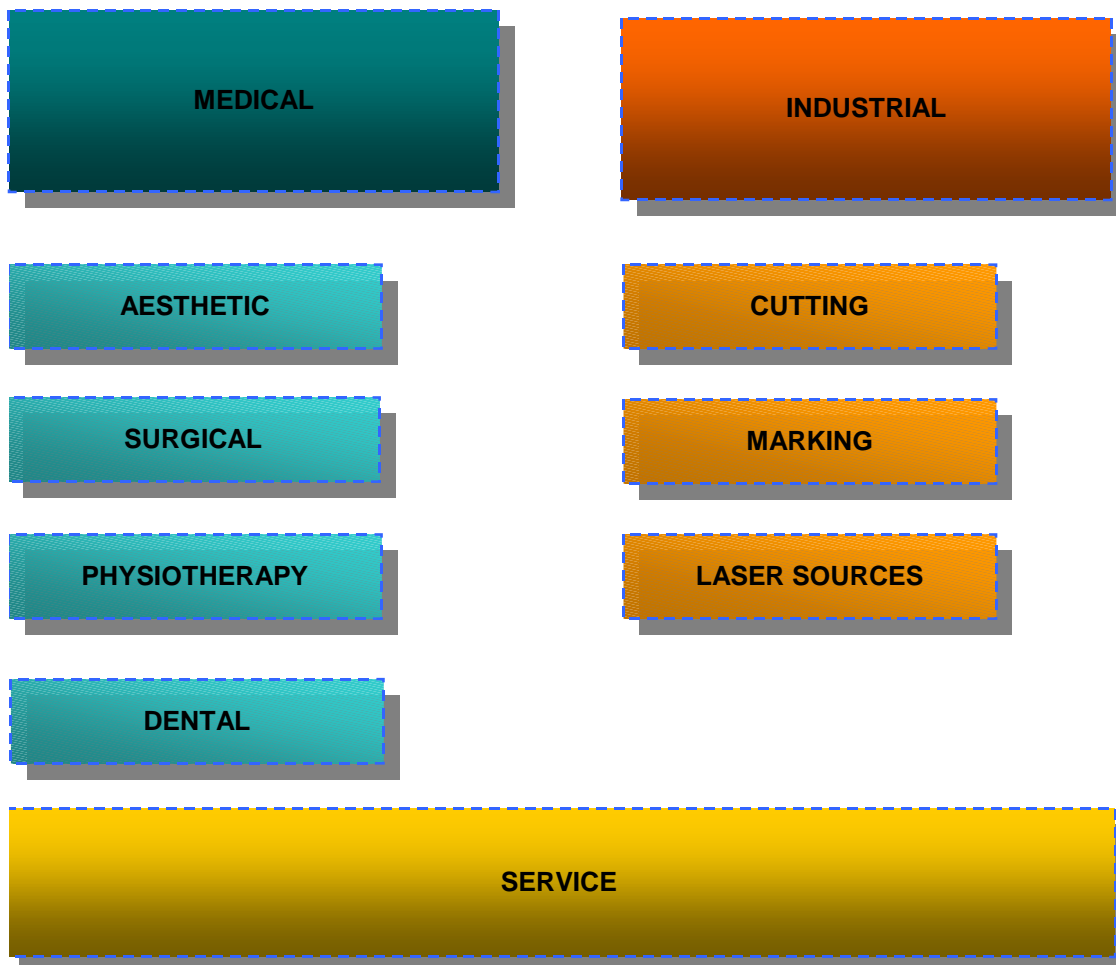
The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not 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 is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group

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

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



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

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

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which, through acquisitions, have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure which left the Group at the end of 2012 and Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

Group financial highlights

The financial year 2015 started in the wake of the growth registered for 2014 showing a continued phase of strong, dynamic expansion in the activities of the Group. The consolidated sales volume for this quarter was 48,5 million Euros which represented an increase of almost 30% with respect to the first quarter of 2014. The EBIT of 4,5 million Euros was also greater than that registered for 2014.

This growth is purely organic and represents the outcome of our strategy in this phase to develop the particular activities of the Group which show potential for growth which still has to be achieved. The results we hoped for were actually obtained slightly earlier than was expected according to the schedule which was announced at the time as guidance. For this quarter, in fact, the results are significantly better than the average of those that our main competitors are required to publish since they are quoted on NASDAQ.

The results that we are going to comment on in this report are extremely interesting and are remarkable even when compared with the results, at the time considered exceptional, for the first quarter of 2014. It should be recalled, in fact, that in March of 2014 the Group concluded two operations which had a significant impact on the results shown in the income statement for the first quarter of 2014 and then for the entire financial year. A lengthy law suit over patent rights with Palomar was concluded with the ex-subsiidiary Cynosure (which, in the meantime had acquired Palomar), for the amount of about 700 thousand Euros and in the consequent release of about 1,5 million Euros which had been accrued in a special reserve set aside in case we loss the law suit and which were no longer required after this transaction. Also in the month of March, the Parent Company El.En. sold a block of Cynosure stock which resulted in a consolidated capital gains of about 4,5 million Euros. These two operations, therefore, improved the EBIT for 2014 by about 1,5 million Euros and the earnings before taxes by 6 million Euros. Being able to make up almost all the difference that these two operations had earned in 2014 with respect to 2015 starting already in the first quarter was an extraordinary achievement: at the end of March the earnings before taxes, in fact, were 6,3 million which, in fact did represent a decrease with respect to the 7,9 million registered in March 2014, but of only 1,6 million as opposed to the 6 million which the above mentioned operations had brought in during 2014.

We believe that the market position of the Group at this time is at an excellent level of competition thanks mainly to the innovative characteristics of our products which are the result of a systematic program of research and development and the substantial investments necessary to sustain these activities which are the life's blood of the Group. The satisfaction for the success of the company's business activity is accompanied by the confidence that the positive evolution of the economic situation is instilling in the markets. It is clear that, after many years, the strengthening of the US dollar now puts us in a radically improved condition to be able to compete with our American competitors or with competitors with costs in US dollars. The advantage derived from the exchange rate is reflected in the improvement in the profitability from sales in US dollars which are now greatly increased thanks to the specific investments made to better address the North American markets and also in the possibility, with the same prices /margins in Euros, to substantially increase the sales volume thanks to the advantage we now have with a strong US dollar. Moreover, the often contradictory news about the state of the Italian and European economies recently seems to finally agree on an overall perception and a statistical tendency toward a general improvement in economic conditions.

The strength of our capabilities and innovative proposals and the growth trend of our two main markets, the one for laser applications in medicine and aesthetics and the other for laser applications in manufacturing, is finally benefitting from a renewed confidence in the general economic outlook that suggests the possibility of an increased global demand and consequently also for our systems. Moreover, from a financial point of view, it would appear that there were new opportunities for obtaining credit which is of fundamental importance in our field for the quantity and quality of the demand, since most of the clients using our equipment and systems are able to purchase only through financing or leasing granted by a financial institution.

The strategy of the Group has always been to create a competitive edge through technological innovation achieved through a systematic program of research for the development of new products or technical and applicative innovations on pre-existing products. The general difficulties of the market are overcome because the product is unique, although, in a more advanced phase of the life cycle of the products, even a high-tech industry like ours is subject to the ordinary market dynamics and pressures.

The chart below shows the income statement for the first quarter of 2015 shown in comparative form with the results for the same quarter last year.

Income Statement	31/03/15	Inc.%	31/03/14	Inc.%	Var.%
Revenues	48.511	100,0%	37.570	100,0%	29,1%
Change in inventory of finished goods and WIP	887	1,8%	3.081	8,2%	-71,2%
Other revenues and income	391	0,8%	438	1,2%	-10,8%
Value of production	49.789	102,6%	41.090	109,4%	21,2%
Purchase of raw materials	25.980	53,6%	20.832	55,4%	24,7%
Change in inventory of raw material	(1.783)	-3,7%	(1.291)	-3,4%	38,1%
Other direct services	3.351	6,9%	3.247	8,6%	3,2%
Gross margin	22.242	45,8%	18.301	48,7%	21,5%
Other operating services and charges	6.930	14,3%	5.726	15,2%	21,0%
Added value	15.311	31,6%	12.575	33,5%	21,8%
For staff costs	10.011	20,6%	9.129	24,3%	9,7%
EBITDA	5.301	10,9%	3.446	9,2%	53,8%
Depreciation, amortization and other accruals	845	1,7%	(182)	-0,5%	
EBIT	4.456	9,2%	3.628	9,7%	22,8%
Net financial income (charges)	1.794	3,7%	(109)	-0,3%	
Share of profit of associated companies	55	0,1%	2	0,0%	3565,4%
Other Income (expense) net	0	0,0%	4.433	11,8%	
Income (loss) before taxes	6.305	13,0%	7.954	21,2%	-20,7%

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

Net financial position	31/03/2015	31/12/2014
Cash and bank	68.851	73.804
Cash and cash equivalents	68.851	73.804
Short term financial receivables	343	714
Bank short term loan	(22.323)	(17.634)
Part of financial long term liabilities due within 12 months	(7.178)	(3.861)
Financial short term liabilities	(29.500)	(21.494)
Net current financial position	39.693	53.023
Bank long term loan	(1.769)	(2.604)
Other long term financial liabilities	(3.289)	(3.303)
Financial long term liabilities	(5.058)	(5.907)
Net financial position	34.636	47.116

Operational performance

The table below shows the sales volume for the first three months of 2015 divided by sector of activity of the Group compared with that for the same period last year.

	31/03/2015	Inc%	31/03/2014	Inc%	Var%
Medical	34.191	70,48%	26.800	71,33%	27,58%
Industrial	14.320	29,52%	10.770	28,67%	32,97%
Total	48.511	100,00%	37.570	100,00%	29,12%

Growth was about 30% in both of the main sectors of activity in which we operate and was greatest in the industrial sector.

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

	31/03/2015	Inc%	31/03/2014	Inc%	Var%
Italy	7.511	15,48%	8.550	22,76%	-12,15%
Europe	9.107	18,77%	7.587	20,20%	20,03%
Rest of the world	31.894	65,75%	21.433	57,05%	48,81%
Total	48.511	100,00%	37.570	100,00%	29,12%

The orientation of the Group towards export and a global presence was highlighted this quarter by economic conditions which favoured export, in particular to America, as shown by the increase of almost 50% on the non-European markets. While we wait for a revival of domestic consumption, the sales volume in Italy, on the other hand, showed a decrease.

For the medical sector, which represents more than 70% of the sales of the Group, the results in the various segments are shown on the chart below:

	31/03/2015	Inc%	31/03/2014	Inc%	Var%
Aesthetic	16.734	48,94%	15.925	59,42%	5,08%
Surgical	7.953	23,26%	3.575	13,34%	122,48%
Physiotherapy	1.933	5,65%	2.134	7,96%	-9,40%
Dental	177	0,52%	288	1,07%	-38,53%
Total medical systems	26.797	78,37%	21.922	81,80%	22,24%
Medical service	7.394	21,63%	4.879	18,20%	51,56%
Total medical revenue	34.191	100,00%	26.800	100,00%	27,58%

The overall growth was close to 30% and was driven by the overwhelming success in the surgical segment.

In this segment we have included the sales for laser applications in the fields of otorlaryngology and urology for which the holmium systems for lithotripsy have met with increasing favour on the market; through Quanta System Spa the Group has acquired a significant share of the market also through OEM with operators of primary standing. The laser systems for endovascular applications and for the removal of BPH (benign prostate hyperplasy) with high powered holmium and tullium laser systems contributed to the growth. Last but not least, in the surgical sector, the CO₂ laser

system Mona Lisa Touch for the treatment of vaginal atrophy made a significant contribution to the growth of the sector thanks in part to the success it achieved in the United States starting in the first weeks after the launch of the product in December by Cynosure which acts as the sole distributor for Mona Lisa Touch in the USA.

In the aesthetics segment which represents 50% of the revenue in the medical sector, the Group continues with their original strategy of offering several different brands using three different business units which are independent but coordinated. These companies, each of which has its own independent distribution network, offer the products derived from the research and development activity that each one has conducted in their own factories. As a result we are able to offer a vast range of products with individual points of excellence based on the particular technologies selected by each research team and a widespread penetration of the market where each brand is recognized and appreciated for its unique qualities and, along with the others, is able to effectively meet all the clientele's requirements for quality, image and price.

The three companies involved in this segment are Deka, which distributes worldwide the products made in the factory in Calenzano by the Parent Company; Quanta System, with headquarters in Solbiate Olona (Varese) and Asclepion which has its headquarters in Jena (Germany). Each of these companies is distinguished by a particular range of products: Deka by the CO₂ Smartxide systems for photo-rejuvenation and the alexandrite Replay systems for hair removal; Quanta System by the Alexandrite Light Systems for hair removal and the Q-Plus systems for tattoo removal; Asclepion by the diode laser systems Mediostar Next and XP for hair removal and the Dermablade erbium systems for dermatological treatments and ablation aesthetics. Besides the products, each of these companies has a strong point in distribution. Deka has a position of leadership in the medical sector in Italy, Asclepion, traditionally in Germany and recently also in Italy, in the sector of professional aesthetics thanks to the Esthelogue brand, Quanta System, on the other hand, is now showing significant growth on the American market thanks to the collaboration with its distributor Quanta Aesthetic USA, in which the Group has an equity in order to re-enforce the spirit of collaboration and improve the effectiveness of the distribution.

The physical therapy segment showed a decrease which was not so much due to the group leader ASA of Vicenza which maintained their position, as to the direct activities conducted by other companies of the Group in some specific niches which in this quarter showed a fall in demand. The dental sector also decreased.

In after-sales assistance and sales of consumables the sales volume showed a significant increase which went well beyond the normal service requirements by the clientele which every year becomes more numerous; the results show that there was optimal coverage of this sector through maintenance contracts for the plants that have been installed, especially in the Far East.

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

	31/03/2015	Inc%	31/03/2014	Inc%	Var%
Cutting	9.415	65,75%	6.625	61,52%	42,11%
Marking	1.974	13,78%	2.302	21,37%	-14,25%
Laser sources	1.265	8,84%	139	1,29%	812,37%
Conservation	61	0,43%	60	0,55%	2,52%
Total industrial systems	12.715	88,79%	9.125	84,73%	39,34%
Industrial service	1.605	11,21%	1.644	15,27%	-2,39%
Total industrial revenue	14.320	100,00%	10.770	100,00%	32,97%

The main segment is that of cutting which remains the most important one and showed a growth of over 40%. In this sector the most significant production was that of our Chinese Joint Ventures which are located in Wuhan and now also at Wenzhou to serve the local market of flat cutting of metal with a local production based on technology designed mainly in Italy. Cutlite Penta also operates in the cutting segment and specializes in niches like die cutting and plastic cutting for which it detains a large share of the market in Italy and the rest of Europe. Cutlite do Brazil builds systems which it combines with laser sources coming from Italy to be installed for the local market.

The marking segment showed a decrease but remains a very interesting field for the Group which has important technologies from the point of view of RF sources as well as optic scanners for beam delivery. It should be recalled that the companies of the Group operate both in the segment of marking and decorations of large surfaces (mainly Cutlite Penta with the Ot-las brand systems for fabrics and leather) as well as the sector of marking for identification through Lasit in Torre Annunziata, which has demonstrated itself to be increasingly dynamic in offering customized solutions to their clientele.

Growth in the segment of laser sources was also significant thanks to the characterization for specific applications of new medium powered RF sources which led to the conclusion of several supply contracts of a significant entity in early 2015. The sales volume for systems dedicated to restoration of art works remains constant; this is an activity of minor dimensions but of great satisfaction and high visibility because of the importance of the masterpieces that have been treated by an artistic and cultural community to which the Group is closely connected by their Florentine roots if for nothing else.

The sales volume for customer service in the industrial sector showed a slight decrease and should be re-evaluated over a longer period of time.

The gross margin was 22.242 thousand Euros, an increase with respect to the 18.301 thousand Euros shown on March 31st 2014. The reduction in the amount of income from research activity, a mix that was less favourable with most of the sales with lower margins like that of the sales activity for laser systems for metal cutting in China comported a decrease in the incidence of the margin on the sales volume which fell from 48,7% in the first quarter of 2014 to 45,8%. The change in the mix of products in 2014 had comported a gradual decrease in the percentage margin on sales, and the margin in the first quarter of 2015 improved with respect to the indicator registered during the fourth quarter of 2014, for 44,4%, thanks to the improvement in the profitability of the sales expressed in US currency.

It should be noted that, again, in the first three months of 2015, although the Group cashed in the sale price, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the period.

Costs for operating services and charges were 6.930 thousand Euros showing an increase of 21% with respect to the 5.726 thousand Euros registered on March 31st 2014, but the increase in the sales volume has made it so their incidence on the sales volume decreased from 15,2% to 14,3%.

The cost for personnel, amounting to 10.011 thousand Euros, also showed an increase, in this case of 9,7% with respect to the 9.129 thousand Euros for the same period last year, however, thanks to the rapid growth of the sales volume its incidence on the sales volume decreased from 24,3% on March 31st 2014 to 20,6% on March 31st 2015.

As of March 31st 2015 there were 976 employees in the Group, showing an increase over the 951 registered on December 31st 2014. The rapidly growing Chinese companies showed the greatest increase in the number of employees.

A large portion of the personnel expenses is directed towards research and development costs, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. The grants registered into accounts on March 31st 2015 were 126 thousand Euros, a decrease with respect to the 235 thousand Euros registered for the same period in 2014.

Due to the situation described above, the EBITDA was 5.301 thousand Euros, an increase of 53,8% with respect to the 3.446 thousand Euros shown on March 31st 2014.

The costs for amortization, depreciations and accruals were 845 thousand Euros, while during the first quarter of 2014 the heading showed a revenue of 182 thousand Euros. In fact, in March of 2014 the category had benefitted from the release of 1.478 thousand Euros in funds accrued for risks and charges after the conclusion of the transaction with Palomar Inc. which, after the settlement of the law suit, rendered the accrual unnecessary.

The EBIT was 4.456 thousand Euros, an increase with respect to the 3.628 thousand Euros shown on March 31st 2014; the incidence on the sales volume was 9,2%, a slight decrease with respect to the 9,7% shown on March 31st 2014. If we do not consider the one-off amount of 1,5 million for the above mentioned patent transaction with Palomar, the EBIT for last year was 2,1 million Euros with an incidence of 5,7% on the sales volume. Therefore, net of the one-off amount mentioned above, the EBIT for this quarter is double that for the same period last year.

The financial income was 1.794 thousand Euros with respect to the financial charges of 109 thousand Euros for the same period last year, benefiting from the favourable trend of the exchange rate and the relative exchange gains registered under this heading for the accounts open in US currency.

It should be recalled that the other net income and charges as of March 31st 2014 for 4.433 thousand Euros, were totally derived from the capital gains of 4,5 million Euros earned from the sale by El.En. S.p.A of a block of 1.100.000 Cynosure Inc. shares which occurred in the month of March and which comported the cashing of 32 million dollars.

The earnings before taxes was 6.305 thousand Euros with respect to 7.954 thousand Euros on March 31st 2014. The drop of 1,6 million in the amount of the earnings before taxes for the first quarter of 2015 with respect to the first quarter of 2014, contrary to appearances, actually represents an extremely positive result and shows great growth in the current activities. The improvement, net of the 2014 of the 6 million contributed by the Palomar transaction and by the sale of the Cynosure shares, is over 4 million during this quarter (+208%).

Financial position and investments

Comments on the net financial position

The net financial position of the Group decreased by 12,5 million with respect to the end of 2014.

4 million in cash was used for temporary financial investments, the nature of which requires that they be entered into accounts among the non-current assets and excluded from the net financial position. 0,6 million were used for investments in fixed assets.

The rest of the difference was due to the use of the net working capital which was necessary for the rapid growth of the volume of business.

Gross investments made this quarter

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

<i>Progressive</i>	31/03/15	31/03/14
Intangible assets	74	64
Tangible assets	561	647
Equity investments and other non current financial assets	4.425	0
<i>Total</i>	5.060	711

The increase in the equity investments, besides the investments referred to in the preceding paragraph, refer to the acquisition of a minority quota in Epica International Inc. by the Parent Company El.En spa for an amount of 500 thousand US dollars.

No other significant investments were made during this quarter; the fixed assets shown in the chart represent ordinary investments for the management of current activities.

Comments on Research and Development

During the first three months of 2015 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 is still in progress in Italy but with low sales volumes in almost all of the other European countries, and which required even more attractive items for the market through the presentation of new products and applications. Effective innovations, in fact, can convince both our medical and industrial clients to overcome their fears about investing, since they can look forward to attracting clients with the improvements and novelties that we offer.

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

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

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

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

The El.En. Group is currently the 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 various wave lengths and various power versions and, in some cases 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.

The parent company, El.En. has been active in research and clinical for surgical applications of the devices and sub-systems for the SMARTXIDE² family of products (the product name is pronounced “*Smartxide quadro* (squared)” 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 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; in particular, we have been able to obtain a high consistency between the focal distance in those cases where they are using different wave lengths of the laser beam at the same time, as occurs in surgical applications with the visible guide light being used with the laser light that the surgeon uses for cutting and vaporizing with micro-manipulators seen under the microscope.

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 in collaboration with medical specialists for the development of uses in other fields in which it is necessary to place the wave length at different settings in the various phases of the operation. Intense research is also being conducted at various centers in Italy and other countries in order to collect clinical results relating to the innovative possibilities offered by the equipment of this type.

An application that is extremely important is used in urogynecology and, in particular, for a new treatment to reduce the effects of the atrophy of vaginal mucous. There are already several centers in Italy and other countries that perform this treatment which is called the "Mona Lisa Touch". This particular pathology is common and quite disabling with interactions with other pathologies that often causes urinary incontinence; it afflicts a high percentage of women in menopause and younger women with tumors for whom hormonal therapies are not appropriate.

We have developed a new applicator for laser treatment. For surgical uses we are now developing applications in otorhinolaryngoiatry, proctology and neurosurgery, in particular application of patches using semi-conductor lasers.

We continued research activity as part of the FORTE project, approved by the Region of Tuscany and co-financed with funds from the EU. This project is related to the development of new systems for minimally invasive surgical operations for controlled local and partial ablation of the spinal cord for the reduction of herniated discs. Along with this research, which is related to orthopaedics, we are developing an innovative device to separate the vertebrae and maintain the distance between them.

Another project is the development of a device for the laser ablation of breast tumours, with delivery of Energy from a diffusing tip which is cooled by closed forced circulation of sterile liquid; combined with this project we are developing a method of characterization of tissue damage through ultrasound during and after the ablative operation.

Another important area of research is that related to minimally invasive ablative surgical operations: an inserter with a small diameter is placed inside the brain through a tiny hole just a few millimetres in diameter which has been made directly in the skull, or through the palate, to carry an optical fiber dispenser of laser energy, by means of a robotic arm attached to the patient's bed; using high resolution 3D X-ray images acquired through CONE-BEAM technology the doctor plans the surgery using the robotic arm to identify the path and the final position of the inserter.

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.

In particular, in recent years we developed a system for obtaining 3D images of X rays with CONEBEAM technology. As part of the MILORDS project. The performance in terms of speed of acquisition and spatial resolution place it among the top devices of this type in the world. We are developing dedicated software and improved hardware components in order to improve it as much as possible.

We have just developed research activity that is part of the BI-TRE project, co-financed by the Region of Tuscany with EU funds, on the methods of anastomosis of blood vessels using laser light and special patches, in the field of neurosurgery; in particular, the technique we are developing would, among other things, allow the surgeon to greatly reduce the duration time of brain operations.

We have just completed the preliminary study and design stage for a new instrument that would reduce the layer of body fat based on the use of a new form of energy.

We have conducted clinical experiments with the first prototype equipment on cadavers with encouraging results at Cadaverlab in Arezzo. We have created the base for an original optical guiding system for the operator intended to increase the safety of the treatments and the control of their uniformity. We are now preparing a prototype of the first experiments *in vivo* and a prototype series.

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

In collaboration with the associated company Elesta Srl, founded by El.En. together with Esaote, we conducted technological research and development activity on miniaturized percutaneous applicators which are cooled by circulating liquid and dispenser terminals. Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs.

We have continued research and experimentation in collaboration with the university clinics of Pisa and Florence and with the Department of Engineering and Telecommunications of the University of Florence; we have also continued research to improve the precision in recording the margins of ablation.

Another project that is now in progress is related to the clinical trials and industrial development of laser equipment and devices for the treatment of cutaneous ulcers for which the LUC study, authorized by the Ministry of Health, is now being conducted. The end-point for laser safety in the debridement phase of diabetic ulcers has been reached; this activity was

officially submitted to the Italian Ministry of Health in 2011 and an agreement was signed with the Hospital of Careggi in Florence. Once again, however, bureaucratic red tape slowed down the activity: we recently concluded the collection of data from the first twenty-one patients and the elaboration of the statistics for the publication of the results, which seem to be very 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 in the most important countries of our brand names and applications.

We ran feasibility studies on new applications for dye lasers in dermatology, both alone and associated with carbon dioxide laser treatments. The dye laser system has recently undergone significant technological developments aimed at increasing the duration of the substances involved in the production mechanism of the laser light that are subject to deterioration.

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 for 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.

Incremental innovations of Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes and automatic recognition; feasibility of UVB applicators for psoriasis development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP) continued; 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 just concluded the development of a laser system with extremely brief impulses (hundredths of picoseconds) for applications in dermatology and they have deposited the request for a patent for this device. For the Cyber TM200 laser they have completed development for coupling it with the Da Vinci robot.

We have completed the Q-Scale project. We are starting the final phases of Icoone, transformed into an Energy-based device with the addition of laser and LED with Robosolo handle. We have continued with the development and testing of the Studio with 1,2 J Q-switched laser.

Another important activity that was conducted was the procedure necessary to obtain the 510(k) from the FDA for equipment and accessories.

We began the preliminary selection of the team for the Horizon 2020 project on Pleurodesi Laser.

At Asclepion Laser Technologies they began the final steps towards the certification of the HO 130W Holmium laser for the surgical treatment of BHP (Benign hypertrophy of the prostate). They conducted activity for the development of a new laser for the removal of pigmented lesions and tattoos. They also conducted studies on methods and innovative devices for body shaping.

They continued the process of evaluation of the new concepts of optic fibers and ferrules; they conducted studies for uses of applications in the medical field and technologies for the recognition and cataloguing of images.

As part of the European project LUS BUBBLE (Light and Ultrasound Activated microbubbles for cancer treatment) in collaboration with ACTIS, in which El.En. also participates, a study is now in progress for the treatment of tumours using the activation of nanoparticles by means of laser light and ultrasound.

At El.En., in collaboration with the subsidiary Cutlite Penta, they continued research on innovative processes for machine precutting and microperforation of labels and on systems for applications in the field of cutting and welding of plastic products and in the beverage sector to prolong the shelf-life of food products.

They 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 they are now in the final phases of the 850W source, they have begun experiments on a 300W sealed source and they have created and tested a new dispenser on the Bright 30 source from the MILORDS project. They also developed and tested a focalizing head for lasers in fiber and dedicated process sensors. They studied and added new sensors to machines for metal cutting.

They continued verification and experimentation activities on scanning and focalizing heads for fiber lasers, for remote welding plants for metal materials for the automotive sector and for the mass production of furniture parts. As part of this project they started to develop a new dynamic system with high-speed response focalization.

They ran verifications and experiments on algorithms and sensors for new rapid marking methods with jobs variable in real time, according to bar codes present on the material to be processed, on rolls of paper and other materials.

They developed a stand-alone system for the marker which makes it possible to conduct the work program with self-learning for the cutting of each insole.

They continued experiments on the marking applications on large objects using a head with a small opening (35 mm) instead of a high-definition had with a 70 mm opening. Using this method, the depth of field is increased and permits the elimination of the dynamic-z. In the sector of metal sheet cutting they completed the developments necessary for fast piercing and created the software needed for the fly cut of thin sheets.

In the dies sector, they developed a new method for securing the rotary dies to the machine. This simple method offers a better guarantee of precision and reduces the number of regulations during the testing phase.

In the sector of plexiglass cutting, they have developed and tested the combination of a marker installed on the cutting machine; they also continued the experiments necessary for the perfecting of the innovations that had been introduced.

They conducted further activities of development and improvement for the processes related to cutting rigid packing materials made of MDF (Medium Density Fibreboard); this sector is in expansion for the packing of high-quality fruits and vegetables. The development process focused on the improvement of the parameters of the process, the effectiveness of which is pushed to the maximum in order to achieve the necessary economic competitiveness, in the technology of laser excitation with continuous high voltage discharge and new sources with RF excitation, with the beam transported by optics housed in high dynamic Cartesian handling systems. They continued the development study of the features and the limits of this technology which controls the cutting through a remote process without the help of proximity sensors for the focalization and dispensing of the process gases.

They are also developing a method for eliminating most of the optic paths of the CO₂ laser beam with solutions that include the assembly of the new sources with radio-frequency pumping directly on the mobile portal of the machine.

At El.En. they have conducted research activity on remote welding of sheet metal with surface treatments with retroaction optic systems.

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

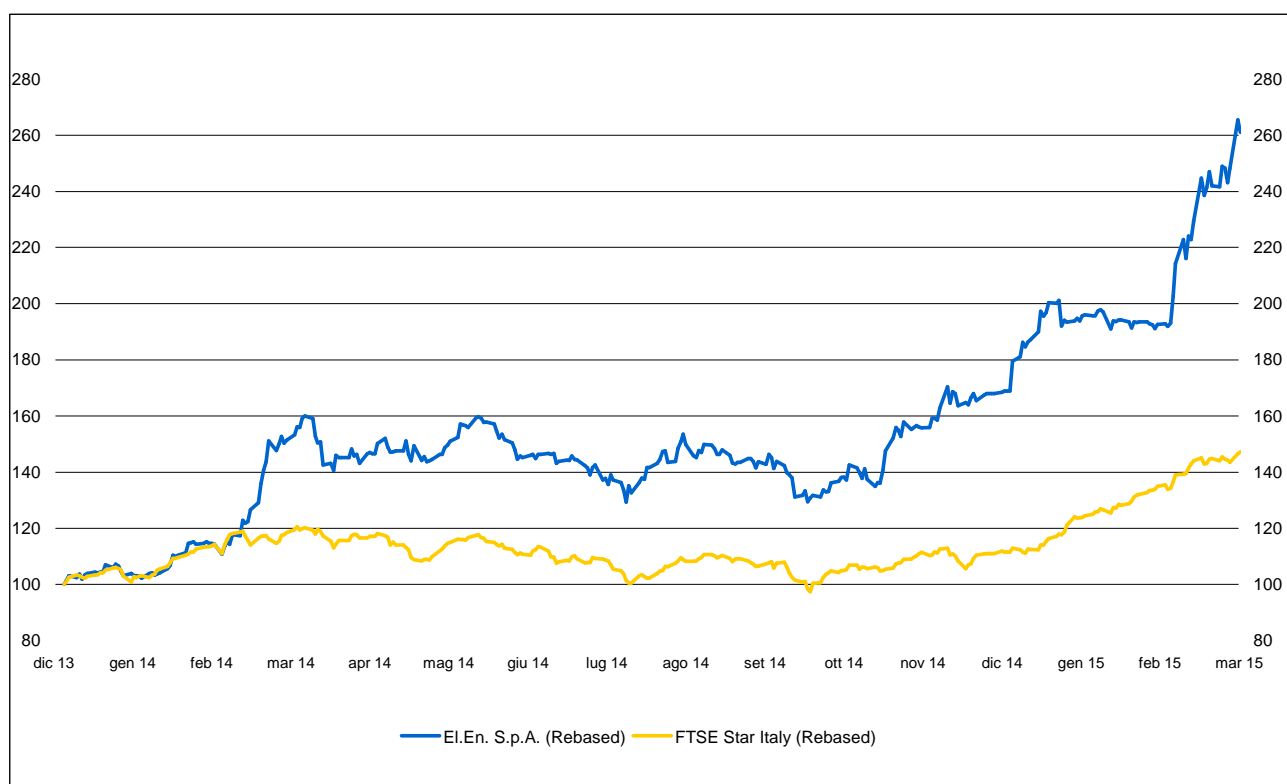
<i>thousands of euros</i>	31/03/2015	31/03/2014
Costs for staff and general expenses	1.691	1.565
Equipment	22	6
Costs for testing and prototypes	341	281
Consultancy fees	102	140
Other services	16	19
Intangible assets	14	0
<i>Total</i>	2.186	2.011

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 4,5% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 6% 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 other significant events occurred during this quarter.

Subsequent events

The shareholders' meeting of the Parent Company El.En. S.p.A., held on April 28th 2015, approved the financial statement for the year 2014 and voted to allocate the net income for the year, 23.529.094,00 as follows:

- 18.704.726,00 Euros as extraordinary reserve;
- when coupon 13 comes due on May 25th 2015 to distribute to all the shares in circulation –in compliance with art. 2357-ter, second sub-section of the Civil Code - a dividend of 1 Euro gross for each share in circulation, for an overall amount of 4.824.368,00 Euros;
- to accrue, if necessary, in the retained earnings reserve, of profits carried forward, the residual dividend destined for any treasury stock that may be held by the company on the date that the coupon came due.

The shareholders' meeting also approved the report on the remuneration in compliance with art. 123-ter, sub-section 6, D.Lgs. of February 24th 1998, n. 58, related to the remuneration policy including the incentives for 2015-2016.

Moreover, the shareholders' meeting appointed a Board of Directors for the three year period 2015-2017 and, therefore, until the approval of the financials for 2017. The shareholders' meeting also established six as the number the board members and appointed Gabriele Clementi as president; they elected as the other board members Barbara Bazzocchi,

Andrea Cangioli, Alberto Pecci, Fabia Romagnoli, Michele Legnaioli. The composition of the Board of Directors respects the balance of genders in compliance with Art. 147-ter, sub-section 1-ter of D.Lgs. 58/1998.

In conclusion, the shareholders' meeting authorized the Board of Directors to purchase treasury stock. The purchase of treasury stock, as it was authorized by the Board, will be made for the following concurrent and alternative reasons: to stabilize the stock, for assignment to employees and/or collaborators, for exchange with equities during company acquisitions. Authorization was granted for the purchase in one or more portions, of a maximum of ordinary shares of the company, the sole financial instrument now issued by the company, which, in any case, does not exceed one-fifth of the capital stock, for a maximum amount of 20.000.000,00 (twenty million) Euros. At this time, 20% of the capital underwritten and paid out by El.En. is equal to 964.873 shares. The authorization was granted for the maximum period allowed by the law, 18 months from the date of the shareholders' meeting.

The purchase can take place on the regular markets for a price that is not less by more than 20% nor greater than 10% more than the official price of the negotiations registered on the day preceding the purchase. The Board also received permission to sell, within ten years after the date of acquisition, the shares acquired at a price or an amount in the case of company operations, which is not less than 95% of the average of the official prices for sales registered during the five days preceding the sale.

There were no other significant events which occurred after the closure of the first quarter 2015.

Current outlook

The outstanding results obtained during the first quarter of the year confirm the optimistic forecasts for a growth in sales volume and EBIT which were made for the entire year: 200 million in sales volume and an improvement in the EBIT. We are able also to confirm the goal of reaching 20 million Euros in the EBIT, which can be achieved if the general economic conditions remain the same, and, in particular, if the exchange rate between the Euro and the US dollar remains under 1,1 US dollar per Euro.

For the Board of Directors

The President
Ing. Gabriele Clementi

Attachment “A”: List of consolidated companies as of March 31st 2015

Subsidiary companies

Company name:	Headquarters	Currency	Percentage held:			Consolidated Percentage
			Direct	Indirect	Total	
Parent company: El.En. SpA	Calenzano (ITA)	EURO				
Subsidiary companies: Deka M.E.L.A. Srl	Calenzano (ITA)	EURO	85,00%		85,00%	85,00%
Cutlite Penta Srl	Calenzano (ITA)	EURO	96,65%		96,65%	96,65%
Esthelogue Srl	Calenzano (ITA)	EURO	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lyons (FRA)	EURO	100,00%		100,00%	100,00%
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.)	Carlsbad (USA)	USD	12,74%	87,26%	100,00%	100,00%
Lasit SpA	Torre Annunziata (ITA)	EURO	70,00%		70,00%	70,00%
BRCT Inc.	New York (USA)	USD	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	EURO	100,00%		100,00%	100,00%
Asclepion Laser Technologies GmbH	Jena (GER)	EURO	50,00%	50,00%	100,00%	100,00%
AQL Srl	Vimercate (ITA)	EURO		100,00%	100,00%	72,50%
ASA Srl	Arcugnano (ITA)	EURO		60,00%	60,00%	51,00%
With Us Co Ltd	Tokyo (JAP)	YEN		78,85%	78,85%	78,85%
Deka Japan Co. Ltd	Tokyo (JAP)	YEN	55,00%		55,00%	55,00%
Penta Chutian Laser (Wuhan) Co Ltd	Wuhan (CHINA)	YUAN		55,00%	55,00%	53,16%
Penta Laser Equipment (Wenzhou) Co Ltd	Wenzhou (CHINA)	YUAN		55,00%	55,00%	53,16%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	REAL	68,56%		68,56%	68,56%
Lasercut Technologies Inc.	Hamden (USA)	USD		100,00%	100,00%	100,00%
Pharmonia Srl	Calenzano (ITA)	EURO		100,00%	100,00%	100,00%
Deka Medical Inc	San Francisco (USA)	USD		100,00%	100,00%	100,00%
Quanta France Sarl	Paris (FRA)	EURO		60,00%	60,00%	60,00%
JenaSurgical GmbH	Jena (GER)	EURO		100,00%	100,00%	92,50%

Associated companies

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

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 15th 2015

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