

Quarterly Financial Report as of September 30th 2015



E. En.
Ei. En. Group

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 September 30th 2015)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

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.

EL.EN. GROUP

**QUARTERLY MANAGEMENT
REPORT**

AS OF SEPTEMBER 30th 2015

Quarterly report

Introduction

This quarterly report as of September 30th 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 September 30th 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.

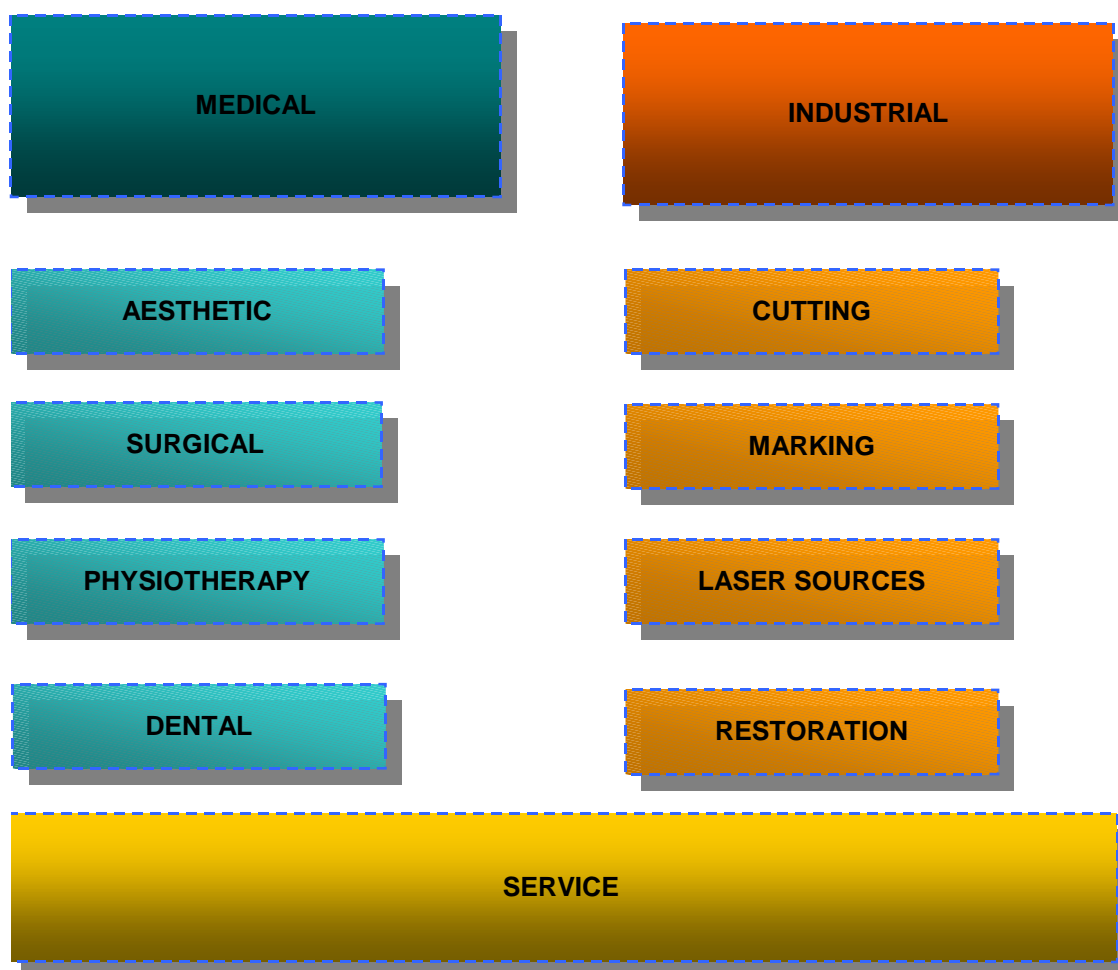
The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not 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.

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 and products 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 trend in the two main markets in which we operate will continue to be positive in the next few years. In the medical sector there is a growing demand for aesthetic and medical treatments by a population which on the average is growing older and increasingly desires to reduce the effects of aging; there is also a growing request for technologies capable of reducing the time required for some surgical operations while at the same time augmenting their effectiveness. In the industrial sector, laser systems represent flexible and innovative technologies and their use is increasingly widespread among manufacturers who must adapt their production standards to the evolution of the market.

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

In this report we will be commenting on another quarter of extraordinary growth and exceptional profitability for the El.En. Group: as of September 30th the consolidated sales volume of the Group exceeded 156 million Euros (+25%) with an EBIT of 16 million Euros (+54%) which passes the threshold of 10% of the sales volume.

These results confirm the most optimistic forecasts made at the beginning of the financial year and subsequently updated as they rose; they are results that are distinguished by the rapidity of growth and the profitability from those of the competition, particularly the American competitors who have already published their quarterly results.

For the “neighbouring” markets we have now seen the tendency, which is also confirmed by statistics, of the end of the financial crisis and a general improvement in economic conditions and, consequently, an atmosphere of confidence. Confidence, in fact, is of fundamental importance for the sales of our products which represent a form of investment with a multi-year return for our clients. Along with confidence, the availability of credit for investments, which has also improved in the last few quarters thanks to the policy of monetary expansion adopted in the Euro area and the positive effects that these improvements have brought about. Moreover, the markets outside of Europe, from which the Group receives two-thirds of its sales volume, have remained very receptive. The Euro-Dollar exchange rate, which has hovered for many years in an area where the weakness of the US dollar was extremely disadvantageous, is now stabilized around 1,1 Euro per dollar, and has contributed significantly to our competitive edge; the exchange rates with respect to our main competitors, usually American, or with costs in dollars, has been to the advantage of both the profitability from sales and the increase in our share of the market.

The growth has been of a purely organic nature in the sense that it is based on a strategy that focuses on the Group’s potential for growth, with an outlook for concrete development for each of the business units that are part of the Group. Each of these businesses has pursued these goals with great success during this financial period thanks to the dynamic activity in the creation of innovative new products and to the general management which has made financial resources available for both technical and commercial projects which have been coordinated within the Group. The financing of the organic growth, in fact, represents at this time the main use of the cash held by the Group.

In analyzing the important steps forward that the Group has made since 2014, it should be recalled that the results for last year had benefitted significantly from some extraordinary non-repeatable amounts. In fact, in the month of March 2014 the Group sold a block of Cynosure shares with a consolidated capital gains of about 4,5 million Euros and had concluded a patent dispute with a transaction that allowed them to release about 1,5 million in funds which had been accrued in case they lost the law suit; as of September 30th, the amounts shown in dollars had also benefitted from the improvement in the exchange rate and registered exchange gains that amounted to 3 million Euros. These one-off amounts therefore had improved the 2014 EBIT by 1,5 million and the pre-tax income by 9 million. Thanks to the extraordinary improvement in the EBIT, this gap has been mostly filled and 7,5 of the 9 million mentioned above has been recovered. If we subtract the non-recurring amounts the EBIT as of September 30th 2015 increases by about 80% with respect to 2014. Although there was a further increase in the EBIT in the third quarter (+44%), the earnings before taxes show a drop which is due to the exchange gains for an amount of 3 million registered in the third quarter of 2014.

The Group’s position on the main markets in which it operates is characterized by the excellent level of competitiveness, thanks to their ability to continually innovate their range of products which, in turn, is the result of a systematic process of research and development and the significant investments necessary to sustain this activity which is the life blood of the company. This spirit is clearly perceived by the markets and the clients who have rewarded our efforts in this sense.

Although the general conditions on our markets are favourable, to a different degree and with different effects, there are two markets that remain critical. Brazil has not yet started a credible recovery from the crisis, as shown by the collapse of the local currency, which makes it even more difficult for our company that is manufacturing lasers for cutting (for which the Brazilian company imports the laser sources from Italy). The financial turbulence that occurred in China this Summer and the slowdown in the growth of the country influenced our sales of laser systems for flat cutting of metal. Although the gradual growth trend that had been typical of recent year was interrupted in the third quarter of 2015, the outlook for mid-term growth remains unchanged and the construction of the new factory in Wenzhou is almost completed.

Before commenting on the numerical results for the past nine months, it should be recalled that the strategy of the Group, which is the basis for our expectations and now, of the results, for growth, is that of creating a competitive edge through the technological innovation acquired from a systematic activity of research for the development of new, innovative products or technical innovations and applications on pre-existing products. In fact, in the presence of technical and applicative innovations the general difficulties of the market are overcome because of the uniqueness of the product; the ability to offer a large number of products that are in the initial phase of their life cycle makes it possible to maintain a

high level of appeal for the clientele and, consequently, a better return on sales, which minimizes the effects of the ordinary market dynamics of pressure on products in a more advanced phase of their life cycle to which even a hi-tech activity like ours is subjected.

The chart below shows the results of the Income Statement for the third quarter of 2015, shown in comparative form with the results for the same period last year.

Income Statement - 3 months	30/09/15	Inc.%	30/09/14	Inc.%	Var.%
Revenues	49.122	100,0%	44.218	100,0%	11,1%
Change in inventory of finished goods and WIP	2.131	4,3%	1.244	2,8%	71,4%
Other revenues and income	812	1,7%	367	0,8%	121,0%
Value of production	52.065	106,0%	45.829	103,6%	13,6%
Purchase of raw materials	27.799	56,6%	23.043	52,1%	20,6%
Change in inventory of raw material	(1.786)	-3,6%	530	1,2%	
Other direct services	3.894	7,9%	3.041	6,9%	28,0%
Gross margin	22.159	45,1%	19.215	43,5%	15,3%
Other operating services and charges	6.147	12,5%	5.623	12,7%	9,3%
Added value	16.012	32,6%	13.593	30,7%	17,8%
For staff costs	9.231	18,8%	8.674	19,6%	6,4%
EBITDA	6.781	13,8%	4.919	11,1%	37,9%
Depreciation, amortization and other accruals	962	2,0%	871	2,0%	10,5%
EBIT	5.819	11,8%	4.048	9,2%	43,7%
Net financial income (charges)	(341)	-0,7%	3.370	7,6%	
Share of profit of associated companies	18	0,0%	(13)	-0,0%	
Other Income (expense) net	0	0,0%	(21)	-0,0%	
Income (loss) before taxes	5.496	11,2%	7.385	16,7%	-25,6%

The chart below shows the results of the Income Statement for the first nine months of 2015 shown in comparative form with those of last year.

Income Statement	30/09/15	Inc.%	30/09/14	Inc.%	Var.%
Revenues	156.006	100,0%	124.616	100,0%	25,2%
Change in inventory of finished goods and WIP	3.754	2,4%	5.067	4,1%	-25,9%
Other revenues and income	1.773	1,1%	1.644	1,3%	7,9%
Value of production	161.533	103,5%	131.327	105,4%	23,0%
Purchase of raw materials	87.049	55,8%	64.822	52,0%	34,3%
Change in inventory of raw material	(7.523)	-4,8%	(489)	-0,4%	1439,1%
Other direct services	11.772	7,5%	9.719	7,8%	21,1%
Gross margin	70.236	45,0%	57.274	46,0%	22,6%
Other operating services and charges	20.789	13,3%	18.141	14,6%	14,6%
Added value	49.446	31,7%	39.132	31,4%	26,4%
For staff costs	30.136	19,3%	27.169	21,8%	10,9%
EBITDA	19.310	12,4%	11.964	9,6%	61,4%
Depreciation, amortization and other accruals	3.117	2,0%	1.432	1,1%	117,8%
EBIT	16.193	10,4%	10.532	8,5%	53,7%
Net financial income (charges)	881	0,6%	3.795	3,0%	-76,8%
Share of profit of associated companies	117	0,1%	(13)	-0,0%	
Other net income (expense)	0	0,0%	4.430	3,6%	
Income (loss) before taxes	17.191	11,0%	18.744	15,0%	-8,3%

The chart below shows the Net Financial Position of the Group.

Net financial position	30/09/2015	31/12/2014
Cash and bank	47.167	73.804
Financial instruments	1.957	0
Cash and cash equivalents	49.125	73.804
Short term financial receivables	149	714
Bank short term loan	(17.836)	(17.634)
Part of financial long term liabilities due within 12 months	(3.267)	(3.861)
Financial short term liabilities	(21.103)	(21.494)
Net current financial position	28.171	53.023
Bank long term loan	(1.976)	(2.604)
Other long term financial liabilities	(3.121)	(3.303)
Financial long term liabilities	(5.096)	(5.907)
Net financial position	23.075	47.116

Operational performance

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

	30/09/2015	Inc%	30/09/2014	Inc%	Var%
Medical	105.917	67,89%	84.885	68,12%	24,78%
Industrial	50.089	32,11%	39.731	31,88%	26,07%
Total	156.006	100,00%	124.616	100,00%	25,19%

The two main activity sectors of the Group showed a growth that was substantially the same, about 25%.

The chart below shows the geographical distribution of the sales volume for this period:

	30/09/2015	Inc%	30/09/2014	Inc%	Var%
Italy	26.132	16,75%	22.286	17,88%	17,26%
Europe	26.873	17,23%	25.201	20,22%	6,63%
Rest of the world	103.001	66,02%	77.128	61,89%	33,55%
Total	156.006	100,00%	124.616	100,00%	25,19%

All three geographical areas showed growth. The most significant growth was in the markets outside of Europe, in particular in the USA. Italy did better than the rest of Europe which demonstrates the particular attention that has been given, even by means of special investments, to the exploitation of the advantages offered by this hint of recovery in our country.

The chart below shows the sales in the medical/aesthetic sector which represents more than 68% of the sales of the Group:

	30/09/2015	Inc%	30/09/2014	Inc%	Var%
Aesthetic	51.888	48,99%	51.612	60,80%	0,54%
Surgical	25.547	24,12%	11.673	13,75%	118,85%
Physiotherapy	4.920	4,65%	5.218	6,15%	-5,71%
Dental	447	0,42%	497	0,59%	-10,07%
Other medical lasers	34	0,03%	0		
Total medical systems	82.835	78,21%	68.999	81,29%	20,05%
Medical service	23.082	21,79%	15.885	18,71%	45,30%
Total medical revenue	105.917	100,00%	84.885	100,00%	24,78%

The overall growth rate was close to 25% and was driven by the three/digit increase in the surgery sector (+119%).

The segments of applications in which the Group operates in the surgical sector are: otolaryngology, urology, gynecology and vascular surgery. In urology Quanta System has found an important niche for the growth with the Holmium systems sold both under their own brand name as well as through major OEM contracts with primary operators using them for lithotripsy: for this application they have a significant quota of the world production of laser systems. The laser systems for endovascular applications and for the removal of BPH (benign prostate hyperplasy) with high-powered Holmium and Tullium lasers have shown a growth in their sales volume thanks to the activities of Quanta System and Jena Surgical; this latter has been started up recently in order to better serve the clientele of this segment by offering a wider range of products. In any case, the extraordinary growth in the surgical sector is due, above all, to the success of the Mona Lisa Touch system for the treatment of vaginal atrophy. Mona Lisa Touch is a laser system that was developed by Deka which

has unique characteristics that are based on the CO₂ laser sources produced by El.En. in its highly specialized laboratories in Calenzano; the system responds effectively to a common need which correspond to a market that is turning out to be very sizeable. The system has been sold through Deka's distribution network and also, since November 2014, in collaboration with Cynosure for the distribution in the USA; as in the past for other products that were being sold in the USA by Cynosure (Smartlipo above all), this has turned out to be a mutually satisfactory partnership which, once again, is opening up to the laser technologies and, with the laser technologies, a new application.

In the aesthetic segment which remains the most important segment of the medical sector and represents almost half of the revenue, the revenue does not show a significant increase. The El.En. Group is characterized by an original strategy for this market and a multi-brand approach with three separate business units which are independent but coordinated. Using their own independent distribution networks, these three businesses place on the market the products that are the result of the development and manufacture that each one conducts in their own factory. This type of organization facilitates the wide range of products offered by highlighting the strong points of each of the research teams. It also makes a vast penetration of the markets possible thanks to the positive reception that each brand name receives on account of its unique qualities that are perceived by the clientele. By coexisting on the market, each brand name/business unit is able to effectively satisfy even the most diverse requirements of the clientele for quality, image, and price.

The three business units are Deka, which distributes worldwide the products made in Calenzano by the Parent Company; Quanta System, which has its headquarters in Solbiate Olona (Varese) and Asclepion which has its headquarters in Jena (Germany). As mentioned above, the range of products is constantly evolving. For Deka its unique technology lies in the CO₂ systems, with Smartxide DOT and Smartxide Quadro for photorejuvenation, recently joined by the new Smartxide Touch, and the alexandrite systems, Replay for hair removal and Motus AX which was presented at the EADV congress (Associazione Europea di Dermatologia e Venereologia) held in Copenhagen in October of this year. Quanta System has its strong points in the Q-switched Q-Plus systems for the removal of tattoos and pigmented lesions and the alexandrite Light and EVO for hair removal; they have just placed on the market the Discovery Pico system with picoseconds technology which makes the removal of tattoos of all colours even more rapid and effective. Asclepion's premier product is represented by the diode laser systems Medistar Next and XP for hair removal, and the Dermablate erbium systems for dermatological treatments and aesthetics involving ablation; for this type of technology Asclepion is the main point of reference on the market. Besides their unique products, each of these business unit has a specialty in the distribution network: Deka has a leadership position with its direct distribution to the medical sector in Italy, Asclepion traditionally in Germany and more recently in Italy in the professional aesthetics sector under the brand name of Esthelogue, Quanta System, on the other hand, has registered significant growth on the American market thanks to the collaboration with its distributor Quanta Aesthetic USA, in which the Group has had an equity since 2014 in order to sustain the collaboration and improve the effectiveness of its distribution.

The physical therapy segment showed a slight decrease; this segment is represented by ASA in Vicenza which maintains a position of leadership in this niche of application. The dental sector, which is now a marginal area for the Group, also registered a decrease.

The increase in the sales volume for after-sales service and sales of consumables was significant. The increase in the number of installations determined the rise in sales of spare parts and service which are sometimes supplied according to "full risk" contracts; the financial year 2015, moreover, benefitted from the exceptionally intense activity and revenue for services for updating performance of the installations. There was also an increase in the sales of optical fibres which represent a consumable for surgical applications.

The chart below shows the breakdown of the sales volume by market segment for the industrial applications sector in which the Group operates.

	30/09/2015	Inc%	30/09/2014	Inc%	Var%
Cutting	33.300	66,48%	26.931	67,78%	23,65%
Marking	8.506	16,98%	7.311	18,40%	16,35%
Laser sources	2.459	4,91%	340	0,86%	622,82%
Conservation	303	0,60%	161	0,40%	88,28%
Total industrial systems	44.568	88,98%	34.742	87,44%	28,28%
Industrial service	5.521	11,02%	4.989	12,56%	10,66%
Total industrial revenue	50.089	100,00%	39.731	100,00%	26,07%

The main segment is cutting which represents about two-thirds of the sales volume; it showed a growth of over 20% notwithstanding the temporary slowdown in the growth of our Chinese joint ventures with factories in Wuhan and later at Wenzhou to serve the Chinese market for flat cutting of metal with a local production based mainly on Italian technology. Cutlite Penta, which is specialized in the production of dies and plastic cutting for which they control a significant portion of the market in Italy and the rest of Europe, showed excellent results that have gradually grown following the financial recovery which has involved Italy and Europe with increased sales of investment goods for industry and for machine tools in general.

The marking sector has started to grow again; in this segment the Group has important technologies both in the area of radio frequency sources and of optical scanners with beam delivery. It should be recalled that the Group operates in two distinct sectors, that of the marking and decoration of large surfaces (mainly Cutlite Penta with the Ot-las brand systems for fabrics and leathers) and that for identification marking operated by Lasit in Torre Annunziata, which has been increasingly dynamic in their ability to offer customized solutions to their clientele and again this year, was able to grow both in sales volume and revenue.

Growth in the sector of laser sources was also significant thanks to the characterization for specific applications of the new mid-power radio frequency sources for which in early 2015 orders were received for significant volumes which, for the moment, are of an entity that is non-repeatable.

During this quarter there was also an increase in the sales volume for restoration; this activity is small in size but of enormous prestige for the Group which has received great satisfaction from the contributions they have made to the restoration of masterpieces and artworks of significant historical importance and the public relations benefits that were derived from it. In recent weeks we have contributed to the restoration of the Egyptian sarcophagi in the *Musées Royaux d'Art et d'Histoire di Bruxelles* and we have completed restoration work on the doors of the Baptistery in Florence. We are also continually experimenting with new technologies that may be used in preservation techniques that are increasingly effective and respectful of the works of art.

The increase in sales volume for service in the industrial sector is a natural result of the growth in the numerous installations.

The gross margin was 70.236 thousand Euros, an increase over the 57.274 thousand Euros shown on September 30th 2014. The margin on the sales volume dropped to 45% from 46% for the first nine months of 2014 due to a less favourable mix and fewer grants received for research during the year.

It should be noted that, again in the first nine 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 at the consolidated level and a greater effect on the Italian market where the practice is more common.

The costs for operating services and charges were 20.789 thousand Euros, an increase of 14,6% with respect to the 18.141 thousand Euros shown on September 30th 2014, but the increase in the sales volume made it so that their incidence on the sales volume decreased from 14,6% to 13,3%.

Similarly, the staff costs were 30.136 thousand Euros, showing an increase of 10,9% with respect to the 27.169 thousand Euros for the same period last year while, thanks to the growth in the sales volume, the productivity improved with an incidence that fell from 21,8% of the sales volume on September 30th 2014 to 19,3% on September 30th 2015.

The improvement in the productivity of the two cost aggregates just mentioned is at the basis of the improvement in the profitability of the Group, thanks to the operating leverage which has been consented by the significant increase in sales volume.

As of September 30th 2015 there were 985 employees in the Group with respect to the 951 registered on December 31st 2014 and the 918 shown on September 30th 2014. The Italian companies showed the greatest increase in personnel with respect to the end of 2014.

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 received as of September 30th 2015 amounted to 249 thousand Euros, a decrease with respect to the 337 thousand Euros registered for the same period in 2014.

As a result of the amounts described above, the EBITDA was 19.310 thousand Euros, an increase of 61,4% over the 11.964 thousand Euros registered on September 30th 2014.

The amount for amortizations, depreciations and accruals was 3.117 thousand Euros as opposed to the 1.432 thousand Euros shown on September 30th 2014; in this regard it should be remembered that in March 2014 this category had benefitted from the release of 1.478 thousand Euros from the reserve for risks and charges as the result of the resolution of a long patent dispute with Palomar Inc. so that there was no longer any need for the funds meant to cover the costs in case the company loses the law suit. Net of this one-off amount for 2014 the costs of amortizations, depreciations and accruals increased by 7,1%, which, again in this case, was an amount significantly less than the increase in sales volume.

The EBIT registered was 16.193 thousand Euros, an increase over the 10.532 thousand Euros shown on September 30th 2014 also on the incidence on the sales volume which was 10,4% compared with the 8,5% for the same period last year. If we do not consider in 2014 the one-off amount of 1,5 million described above, the EBIT for last year was about 9 million Euros with an incidence of 7,3% on the sales volume, which clearly demonstrates the extraordinary growth of the result in 2015.

Financial income amounted to 881 thousand Euros with respect to the 3.795 thousand Euros for the same period last year which had benefitted from the favourable exchange rates, in particular the increase in the value the US dollar, and the relative exchange gains under this heading for the amounts shown in foreign currency.

It should be recalled that the other net income as of September 30th 2014 for the amount of 4.430 thousand Euros was due to the capital gains of 4,5 million Euros which was the result of the sale by El.En. S.p.A of a block of 1.100.000 Cynosure Inc. shares which took place in the month of March and for which the Group received 32 million dollars.

The income before taxes for the first nine months of 2015, amounted to 17,2 million Euros compared with the 18,7 million Euros for the same period in 2014. This figure, however, must be interpreted subtracting from the 2014 results the exceptional and one-off amounts of about 9 million Euros– due to the Palomar transaction (about 1,5 million), the capital gains on the sale of the Cynosure shares (about 4,5 million) and the greater exchange gains (about 3 million). Net of these amounts the result during the first nine months of 2015 exceeds that for the preceding year by about 7 million Euros.

Financial position and Investments

Comments on the net financial position

The net financial position of the Group decreased by about 24 million with respect to the end of 2014. 10,5 million Euro of cash was used for temporary financial investments whose nature require that they be entered among the non-current assets and excluded from the net financial position; the Parent Company El.En. also concluded a transaction for the purchase of a minority share of Epica International Inc. for the amount of 500 thousand US dollars.

During the first nine months of the year 5 million in cash was also used for investments in fixed assets and in the second quarter the Parent Company, El.En. S.p.A. paid dividends to third parties for about 4,8 million Euros and the subsidiaries Deka Mela S.r.l., Lasit S.p.A., and ASA S.r.l. paid dividends for a total amount of 566 thousand Euros.

The other changes were due to the use of net working capital that had been created by the rapid growth of the volume of business.

Investments made during this quarter

The chart below shows the gross investments made during this period:

<i>Progressive</i>	30/09/15	30/09/14
Intangible assets	355	192
Tangible assets	4.578	2.648
Equity investments	10.904	1.962
<i>Total</i>	15.838	4.802

<i>3 Months</i>	30/09/15	30/09/14
Intangible assets	181	21
Tangible assets	845	681
Equity investments	1.000	1.962
<i>Total</i>	2.026	2.664

The increase in the financial investments during this quarter refers to a temporary investment of cash which was in addition to the investments made in the first 6 months.

No other significant investments were made; the assets shown in the chart refer to ordinary investments which are part of the normal financial management of the company business.

Comments on Research and Development

During the first nine 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. In general, the global market, particularly that for high-tech products, requires that international competition be met in such a way as to continually and rapidly develop products and versions of products that are innovative in their applications or performance and in which the most up-to-date technologies and components have been used. For this reason a vast and intense program of research and development organized according to short and mid-to-long term schedules is necessary.

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 are derived 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 and 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.

Laser systems and applications in medicine

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” 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. We are now conducting research with doctors in various specializations for further uses in other fields in which it is essential to avail of a laser beam with a wave length that is different in the various phases of an operation on the same organ. 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” or “Monna Lisa Touch” depending on the country. 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 tumours to whom therapies are given that affect the hormonal balance. We have developed in this sector a new applicator for laser treatment. Moreover, we are conducting research on a new type of application in gynecology based on the exceptional characteristics of the *restitutio ad integrum* that the use of the CO₂ laser supplies to the tissue of the areas that have been treated. For surgical uses, we are now developing applications in otorhinolaryngoiatry, ophthalmology, proctology and neurosurgery.

As part of the BI-TRE project co-financed by the Region of Tuscany with European Union funds, 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 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. Part of this project includes other types of research 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.

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.

An important part of the FORTE project is the research sector related to ablative, minimally invasive neurosurgery. The technique now being developed is based on the use of a small-diameter inserter to be placed in the brain by using a robot arm which is attached to the bed of the patient. The inserter is moved through a hole of just a few millimetres in diameter that has been made in the skull or through the palate, in order to place an optic fibre laser energy dispenser; the surgeon uses high resolution 3D X-ray images acquired with Cone Beam technology attached to the patient's bed and plans the operation by using the robot arm in order to program the path and the final position of the inserter. The project has outstanding partners from specialized research centers in Tuscany and companies associated with multinationals active 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 have 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 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. We have conducted experiments on ex-vivo samples and on animal models and have collected the histological data for evaluating the effects and determining the best doses and treatment procedures.

In the important and highly innovative field of development of laser devices and procedures for regenerative medicine, we continued to work on the development of innovative laser equipment and clinical experimentation in the veterinary sector in the USA and in Europe, in particular on valuable horses active in sports competitions. These are regenerative medicine treatments that are called HILT (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment), which were introduced by our company, and which have been used recently in physical therapy for treating trauma and chronic infections of a rheumatic or arthritic nature, as well as tendinitis and tendinosis pathologies.

For applications for the treatment of pathologies of the tendons we are setting up an experimentation program to be conducted in several different centers which will be characterized by irrefutable, objective evaluations of the therapeutic effects obtained from ultra-sound images.

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.

We are now conducting 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 in progress. The “end point” has been reached for the safety of the laser during the debridement of diabetic ulcers. This activity was officially underwritten by the Italian Ministry of Health in 2011 and a convention was signed with the Hospital of Carreggi in Florence.

Once again, bureaucratic red-tape slowed down the activities and we just now concluded the collection of data from the first twenty-one patients for the elaboration of the statistics to support the officialising of the results, the second “end point”, i.e., the effectiveness.

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.

We ran feasibility studies on new applications for dye lasers in dermatology for skin affections, 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 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.

They have developed incremental innovations of 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 fibre and of the fibres themselves.

Extensive clinical experiments are now in progress on the new picosecond (a thousandth of a millionth of a second) laser systems for application in dermatology and a patent has been applied for.

We have completed the “redesign” of the 200 W Cyber TM laser with triple pedal for cutting, coagulation and “stand by”. For the Cyber TM200 laser we have perfected the coupling with the Da Vinci robot. We completed the Q-Scale project. We have finished writing the Phocas project of Horizon 2020 and selected the European partners. We proceeded with the preliminary selection of the team for the Horizon 2020 project on Pleurodesis Lasers.

At Asclepion Laser Technologies they have completed the final stages for the certification of the Holmium Ho 130W laser for the surgical treatment of Benign Hypertrophy of the Prostate. They conducted activity for the development of a new laser for the removal of tattoos and pigmented lesions. They also conducted studies on new methods and innovative devices for “body shaping”.

They continued research to evaluate new concepts of optic fibres and ferrules; they also conducted studies for the use of applications in the medical field and image recognition and cataloguing technologies.

Another on-going activity is that involving a study, as part of the European project in collaboration with ACTIS, an associated company of El.En., of a treatment for tumours through the activation of nano-particles by means of laser light and ultrasound, which is the European Union project LUS BUBBLE (Light and Ultrasound Activated microbubbles 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.

We continued verification and experimentation activities on scanning and focalizing heads for fibre 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 we started to develop a new dynamic system with high-speed response focalization.

We have conducted tests and experiments on algorithms and sensors for new high-speed marking methods with variable jobs in real time, according to the codes that are present on the material that needs to be processed in reels of paper and other materials.

We have developed a stand-alone system for the marker which makes it possible to create the self-taught program for every size of insole.

We have continued experimenting with marking applications on large sizes using a head with a small aperture (35mm) instead of the high definition head (aperture 70mm). In this optical configuration the depth of field is such that the dynamic z becomes useless. In the sheet metal cutting sector, we concluded the studies necessary for fast piercing and developed the software for the fly cut of thin sheets.

In the die cutting sector we have developed a method for securing rotating dies to the machine. This method is much simpler than the preceding one and also offers higher precision and reduces the regulations during the testing phase so that the time required for set up is much shorter.

In the field of plexiglass cutting, we have applied and tested the combination of a marker on a cutting machine, basically following what we did last year with the dies. We continued with the experiments necessary for the development of the latest innovations.

Further development activities and tuning processes have been carried out for cutting MDF (Medium Density Fiberboard) rigid wooden modular packaging, an expanding sector as far as high quality fruit and vegetable packaging is concerned. The work of development was focused on the optimization of the process parameters whose efficiency needs to be brought to the highest level in order to achieve the economic competitiveness required in the transition between the laser excitation and high tension discharge to the new RF laser sources with the beam being carried by optics housed on Cartesian high dynamic handling systems.

We continued research on the nature and limitations of this technology which manages cutting through a remote process without the assistance of proximity devices for focusing and delivering the process gas.

We are studying ways to eliminate most of the optical routes of the CO₂ laser beam with solutions that include the assembly directly on the mobile portal of the machine of the new sources with radio-frequency pumping.

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 chart shows the costs for Research and Development for this period:

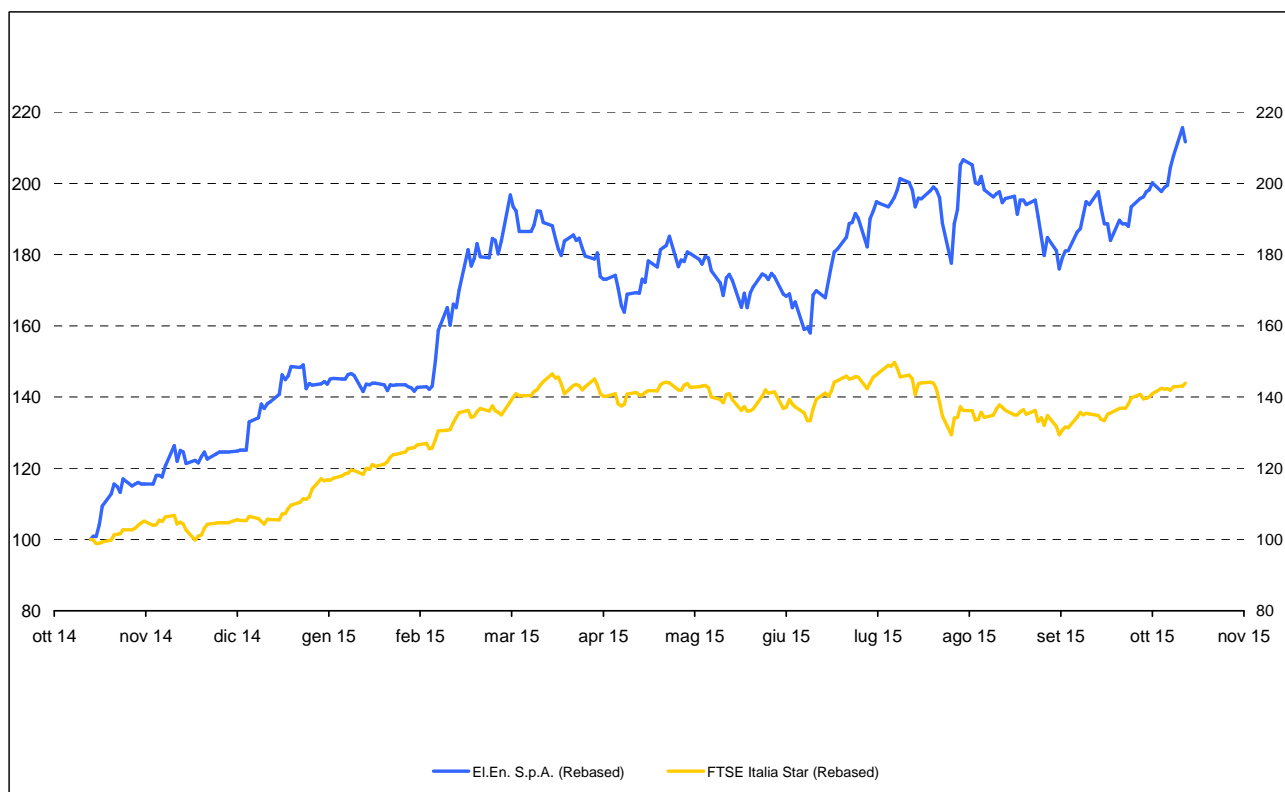
<i>thousands of euros</i>	30/09/2015	30/09/2014
Costs for staff and general expenses	4.721	4.483
Equipment	89	51
Costs for testing and prototypes	1.368	985
Consultancy fees	389	512
Other services	53	54
Intangible assets	14	0
Total	6.634	6.085

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. Most of the expenses are sustained by El.En. SpA and they amount 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 that occurred during this quarter

No significant events occurred this quarter.

Subsequent events

No significant events occurred after the closure of the third quarter.

Current outlook

Thanks to the increasingly favourable economic conditions and the ability of the Group to take advantage of the opportunities for growth that have appeared on the market, the third quarter of 2015 registered brilliant results in overall terms and better than those forecast at the beginning of the year. By the end of this year, in fact, we believe that we will be able to exceed 210 million Euros in sales volume and 20 million Euros in annual EBIT.

For the Board of Directors

The managing director
Ing. Andrea Cangioli

Attachment “A”: List of the consolidated companies as of September 30th 2015

Subsidiary companies

Company name:	Headquarters	Currency	Percentage held:			Consolidated
			Direct	Indirect	Total	Percentage
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%
Esthologue Srl	Calenzano (ITA)	EURO	50,00%	50,00%	100,00%	100,00%
Deka Sarl	Lyons (FRA)	EURO	100,00%		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%
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%
Accure Quanta Inc	Wilmington (USA)	USD		100,00%	100,00%	100,00%

Associated companies

Company name:	Headquarters	Currency	Percentage held:			Consolidated
			Direct	Indirect	Total	percentage
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, November 13rd 2015

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