

## **El.En. Group**

# **BOARD OF DIRECTORS' COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2005**

(Approved by the Board of Directors of the company on 14th November 2005)

### **Report for the Quarter ending 30/09/2005**

#### **Introduction**

The present quarter report ending 30/09/2005 based on the consolidated financial statements of El.En. SpA has been drawn up and divulged in accordance with art. IA 2.18.2 of Market Regulations and of art. 82 of the CONSOB Regulation adopted through deliberation n. 11971 and subsequent modifications. The quarter data and information provided in this report have not been examined by an auditor, because no auditor has been appointed since this is not compulsory.

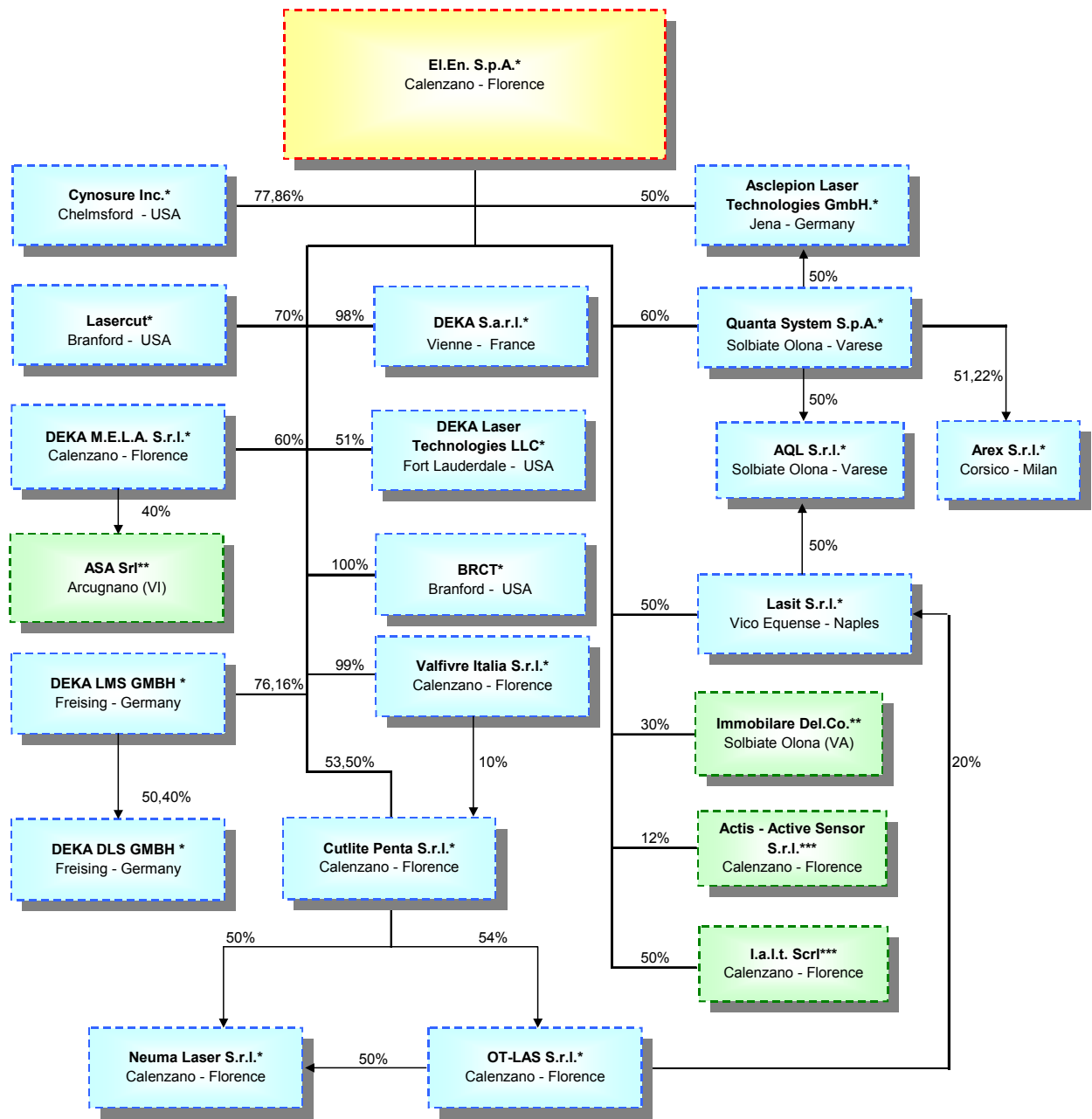
The following information has been prepared according to the same international accounting principles IAS/IFRS, compulsory since 2005 in terms of the preparation of consolidated company accounts listed in controlled markets. In order to guarantee information comparison, data related to the period ending 30<sup>th</sup> September 2004 has been re-elaborated according to IFRS principles.

The results for the quarter ending 30/09/2005 are therefore shown in a comparative form with those for the same financial period of the previous year. All amounts are expressed in thousands of Euros, if not otherwise stated.

#### **Group Description**

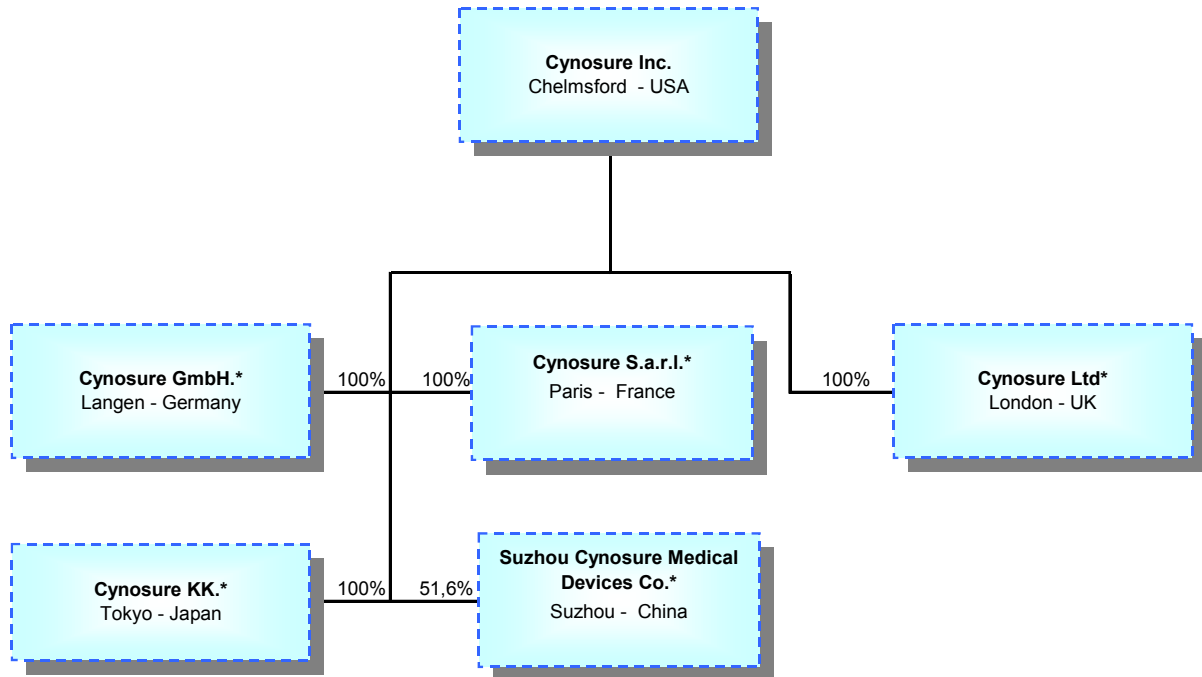
El.En. SpA controls a group of companies operating in the design, production and distribution of laser sources and systems for a variety of applications. El.En. SpA itself carries out important operative activities within the group, in particular in terms of research and development, design and production.

At 30/09/2005 the structure of the group is the following:



\* Entirely consolidated  
 \*\* Consolidated using the equity method  
 \*\*\* Kept at cost

Cynosure Inc. also controls a group of companies. As of September 30<sup>th</sup> 2005 the structure of the Cynosure group is the following



\* Entirely consolidated

On 30th September 2005 companies such as Immobiliare Del.Co. Srl and ASA Srl, whose results are not totally integrated into the balance sheets of the group, but are consolidated using the net equity method, can be found.

## Financial and economic results of the Group

The chart below shows the Profit and Loss account for the third quarter of 2005 displayed in a comparative form with the results for the same period of the previous year:

<b>Profit and loss account</b>	<b>30/09/2005</b>	<b>Inc.%</b>	<b>30/09/2004</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	29.219	100,0%	21.075	100,0%	38,6%
Change in inventory of finished goods and WIP	641	2,2%	2.078	9,9%	-69,2%
Other revenues and income	641	2,2%	64	0,3%	900,8%
<b>Value of production</b>	<b>30.501</b>	<b>104,4%</b>	<b>23.217</b>	<b>110,2%</b>	<b>31,4%</b>
Purchase of raw materials	12.468	42,7%	10.330	49,0%	20,7%
Change in inventory of raw material	(316)	-1,1%	(1.171)	-5,6%	-73,0%
Other direct services	2.610	8,9%	1.826	8,7%	42,9%
<b>Gross margin</b>	<b>15.740</b>	<b>53,9%</b>	<b>12.233</b>	<b>58,0%</b>	<b>28,7%</b>
Other operating services and charges	5.481	18,8%	4.749	22,5%	15,4%
<b>Added value</b>	<b>10.258</b>	<b>35,1%</b>	<b>7.484</b>	<b>35,5%</b>	<b>37,1%</b>
For staff costs	6.386	21,9%	5.200	24,7%	22,8%
<b>EBITDA</b>	<b>3.872</b>	<b>13,3%</b>	<b>2.285</b>	<b>10,8%</b>	<b>69,5%</b>
Depreciation, amortisation and other accruals	936	3,2%	863	4,1%	8,5%
<b>EBIT</b>	<b>2.936</b>	<b>10,0%</b>	<b>1.421</b>	<b>6,7%</b>	<b>106,6%</b>
Net financial income (charges)	(78)	-0,3%	93	0,4%	
Share of profit of associated companies	0	0,0%	0	0,0%	-99,7%
Other Income (expense) net	0	0,0%	4	0,0%	-100,0%
<b>Income before taxes</b>	<b>2.858</b>	<b>9,8%</b>	<b>1.518</b>	<b>7,2%</b>	<b>88,2%</b>

The chart below shows the data of the Profit and Loss account for the first nine months of 2005, displayed in a comparative form with those of the previous financial period.

<b>Profit and loss account</b>	<b>30/09/2005</b>	<b>Inc.%</b>	<b>30/09/2004</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	80.998	100,0%	66.093	100,0%	22,6%
Change in inventory of finished goods and WIP	3.105	3,8%	4.163	6,3%	-25,4%
Other revenues and income	1.324	1,6%	729	1,1%	81,7%
<b>Value of production</b>	<b>85.427</b>	<b>105,5%</b>	<b>70.985</b>	<b>107,4%</b>	<b>20,3%</b>
Purchase of raw materials	35.435	43,7%	29.417	44,5%	20,5%
Change in inventory of raw material	(1.822)	-2,2%	(1.182)	-1,8%	54,1%
Other direct services	7.499	9,3%	6.066	9,2%	23,6%
<b>Gross margin</b>	<b>44.314</b>	<b>54,7%</b>	<b>36.684</b>	<b>55,5%</b>	<b>20,8%</b>
Other operating services and charges	16.632	20,5%	13.546	20,5%	22,8%
<b>Added value</b>	<b>27.682</b>	<b>34,2%</b>	<b>23.138</b>	<b>35,0%</b>	<b>19,6%</b>
For staff costs	18.908	23,3%	15.907	24,1%	18,9%
<b>EBITDA</b>	<b>8.774</b>	<b>10,8%</b>	<b>7.230</b>	<b>10,9%</b>	<b>21,4%</b>
Depreciation, amortisation and other accruals	2.616	3,2%	3.476	5,3%	-24,7%
<b>EBIT</b>	<b>6.158</b>	<b>7,6%</b>	<b>3.754</b>	<b>5,7%</b>	<b>64,0%</b>
Net financial income (charges)	169	0,2%	153	0,2%	10,8%
Share of profit of associated companies	47	0,1%	145	0,2%	-67,7%
Other Income (expense) net	(233)	-0,3%	2.905	4,4%	
<b>Income before taxes</b>	<b>6.141</b>	<b>7,6%</b>	<b>6.957</b>	<b>10,5%</b>	<b>-11,7%</b>

The chart below analyses the net financial position of the Group.

<b>Net financial position</b>	<b>30/09/2005</b>	<b>30/06/2005</b>	<b>31/12/2004</b>
Financial mid and long term debts	(2.680)	(2.766)	(2.580)
<i>Financial mid and long term debts</i>	<i>(2.680)</i>	<i>(2.766)</i>	<i>(2.580)</i>
Financial liabilities due within 12 months	(1.666)	(2.013)	(4.044)
Cash and cash equivalents	11.634	11.916	15.338
<i>Net financial short term position</i>	<i>9.968</i>	<i>9.903</i>	<i>11.294</i>
<i>Total financial net position</i>	<i>7.288</i>	<i>7.136</i>	<i>8.714</i>

## Comments on management trends

The operative field of the group has not changed during the period: during the first 9 months of 2005, the group operated in the field of design, production and distribution of laser sources and systems; the main markets being, as in previous years, laser equipment for medical and cosmetic use and laser systems for industrial use. Alongside these two

main fields, the Group has also created revenue in terms of the after-sales technical assistance service that it offers to its clients and it created revenue related to research and development activities.

The trend in activities has been positive without a doubt, as shown by the increase in consolidated turnover (more than 22%) and operative income compared with the first months of the previous year. The trend registered in the third quarter was remarkably positive and it registered an increase in turnover of almost 40% compared with the third quarter of 2004, with a subsequent increase in income from operations.

The following table illustrates turnover divided up into fields of activity of the Group for the 9 months of 2005, compared with the same classification for the same period of the previous year.

	30/09/2005	Inc%	30/09/2004	Inc%	Var%
Industrial systems and lasers	11.439	14,12%	10.566	15,99%	8,26%
Medical and cosmetic lasers	58.640	72,40%	44.622	67,51%	31,41%
Research and Development	-		87	0,13%	-100,00%
Service	10.919	13,48%	10.818	16,37%	0,93%
<b>Total</b>	<b>80.998</b>	<b>100,00%</b>	<b>66.093</b>	<b>100,00%</b>	<b>22,55%</b>

The growth rates highlighted reflect the situation of the respective reference markets and the competitive position currently held by the group.

The medical field, in particular, with regards to cosmetics, is going through a favourable stage of economic trend, as shown by the excellent trend that our main competitors are going through at the moment. Levels of consumption in this field do not appear to have been affected by the climate of uncertainty that characterizes the economic situation, in particular in Europe and Italy.

In the industrial field, that is still going through a very difficult period, the growth achieved reflects the consistent repositioning efforts that the group is sustaining with regards to the range offered and the sales markets. The competitive pressure from countries with low labour and structure costs, together with the loss of competitiveness due to the weakness of the dollar, are moving manufacturing production activities, that the group aims at, to new markets, and therefore our action in these markets that are becoming more and more important, is becoming much more incisive.

In the field of after-sales service turnover has remained substantially stable compared with the previous year. Quite remarkable is the decline in turnover of “revenue sharing” developed by Cynosure for the client Sona, due to the revision of the contract which involved reduction in revenue sharing profit in favour of revenues for laser system sales.

Turnover from research projects and related reimbursements carried out on the basis of contracts signed with institutions financed by MUIR is registered at zero in this period: we continue to list the entry among revenues since it must be integrated with the amounts registered in “other revenues and income, because the amount of the revenues registered among sales continues to be insignificant compared with the amount registered in the other revenues and income: during the 9 months income reached 770 thousand Euro, achieved among other things within the TRL01, NIM and EUV projects; during the 9 months of 2004 it had reached 457 thousand Euro.

In terms of a geographic distribution of turnover, the trend of the financial year is illustrated in the following chart:

	30/09/2005	Inc%	30/09/2004	Inc%	Var%
Italy	13.957	17,23%	14.635	22,14%	-4,64%
Europe	23.307	28,77%	18.786	28,42%	24,06%
Rest of the world	43.762	54,03%	32.672	49,43%	33,94%
<b>Total</b>	<b>80.998</b>	<b>100,00%</b>	<b>66.093</b>	<b>100,00%</b>	<b>22,55%</b>

The trend in globalisation turnover, with the decrease in the share developed in Italy and with a growing presence outside of Europe, is clearly illustrated in the chart.

Within the medical/cosmetic sector, which represents more than 70% of group sales, the following chart shows the segments of activity and the consistency of turnover:

	30/09/2005	Inc%	30/09/2004	Inc%	Var%
Surgical CO2	1.706	2,91%	1.816	4,07%	-6,07%
Physiotherapy	457	0,78%	461	1,03%	-0,93%
Cosmetic	46.883	79,95%	31.762	71,18%	47,60%
Dental	4.501	7,68%	4.631	10,38%	-2,81%
Other medical lasers	4.666	7,96%	5.657	12,68%	-17,52%
Accessories	427	0,73%	295	0,66%	45,13%
<b>Total</b>	<b>58.640</b>	<b>100,00%</b>	<b>44.622</b>	<b>100,00%</b>	<b>31,41%</b>

The cosmetic field drags the entire sector to a growth rate above 30%, despite the decrease in sales registered in other segments.

As previously indicated, the market favours laser systems for cosmetic applications, in which the group can offer a wide range of unique products in the world through its own articulated distribution network, concentrated on internationally prestigious brands such as Deka, Asclepion, Cynosure and Quanta. The procedures carried out using our systems range from hair removal, to cellulite treatment, from lipolysis to vascular applications and photo-rejuvenation. The trend in the American market is very positive, thanks to Cynosure which, especially with the success of distribution of its products in the United States, has laid the foundations for its IPO on the Nasdaq, which is currently underway.

However, the trend in other segments is reflective, excluding accessory systems. The fall in turnover in the field of dental equipment has decreased, compared with the percentage registered during the first semester.

For the industrial applications sector, the chart below shows the breakdown of turnover according to the markets in which the group operates.

	30/09/2005	Inc%	30/09/2004	Inc%	Var%
Cutting	5.251	45,90%	4.798	45,41%	9,43%
Marking	4.218	36,87%	3.977	37,64%	6,07%
Laser sources	1.447	12,65%	1.424	13,47%	1,62%
Welding	524	4,58%	367	3,48%	42,59%
<b>Total</b>	<b>11.439</b>	<b>100,00%</b>	<b>10.566</b>	<b>100,00%</b>	<b>8,26%</b>

Positive signs have been registered once again in all sectors, due to and proved by constant efforts that the various structures of the group operating in the industrial sector are carrying out.

Signs of improvement in the general market situation have been perceived on a broad scale and can be seen from the results. The "restoration and welding systems" segment also includes other kinds of systems for special processes.

The sector of technical assistance, sales of spare parts and the supply of after-sales services is expected to undergo a physiological growth, the direct result of constant increases in the installed base. As previously indicated, such increase appears to be reduced by the effect of reduction in revenue from equipment renting by Cynosure to the client Sona. The new collaboration contract prepared limits the amount of revenue for revenue sharing with regards to the transfer of part of the equipment used by hair removal centres belonging to the Sona franchising network.

The Gross margin is around 44,314 thousand euro, with an increase of 21% on the same period of the previous financial year, slightly lower compared with the increase in turnover, due to the presence of a slight fall in margin. The margin expressed in percentage is still at a satisfactory level, well above 50%.

The costs for services and operative expenses are 16,632 thousand euro, with an incidence on turnover almost without any kind of variation compared with the corresponding period of the previous financial year. The increase in costs in absolute terms is due, among other things to an intensification in costs related to publicity, marketing and trade exhibitions; rent costs sustained by Cynosure are rather high as well as costs sustained by the group for audit activities related to the adoption of international accounting standards.

Personnel related costs have increased by 18.9%, in a lesser degree compared with turnover, and these costs have reached 18,908 thousand euro. During the year the total number of employees increased by 9, for a total 525 Group employees at 30<sup>th</sup> September. During the first 9 months of the financial year the consolidation area remained unchanged, therefore more employees were hired in order to satisfy the growing turnover. It is also important to point out that, according to the new accounting principles, the figurative cost related to stock options granted to employees is also included in personnel related costs, which has reached a high level: during the first 9 months of 2004 this cost reached 92 thousand euro, in 2005 716 thousand, therefore an increase mainly due to the options granted to employees of Cynosure and the increase in the reference value of shares thanks to the results and the IPO process underway.

A considerable part of personnel related costs are down to research and development, for which the Group also receives grants and reimbursements due to specific contracts underwritten with specific institutions. These grants make it possible to pursue a wider range of research activities by limiting their impact on the profit and loss account. As mentioned earlier, during the first 9 months grants received amounted to approx. 770 thousand Euros.

On account of the trend in revenues and aggregate costs described above, EBITDA reached 8,774 thousand Euro, reflecting in its increase, the increase in the turnover of the Group.

The decrease in costs for depreciation and amortization is also considerable (approx. -25%): in 2004 some consistent accruals were performed based on bad debt and on the write off of goodwill of subsidiaries, accruals of an extraordinary nature that were not repeated during 2005. Also product warranty reserve decreased due to a lowered registered burden in the supply of this service. The ordinary share of amortizations and accruals has not registered any variations worth commenting on.

The operating income registered amounts of 6,158 thousand Euros, as opposed to the 3,754 thousand Euros for the same period of the previous year and with an incidence of approx. 7.6% on turnover and with an increase of a 64%. The result achieved in the quarter), equal to 10% of the turnover, is also interesting.

Financial income is in line with the previous period: interest rates on liquidity are quite low, while in light of the appreciation of the dollar since the beginning of the year, foreign exchange highlight a neutralization during the period of gain registered by the European companies with corresponding losses in the subsidiaries towards which Cynosure has receivables in American dollars.

Among other income and expenses, a loss of 233 thousand Euros in the sale of assets was registered within the transfer of Cynosure shares acquired in September 2004, while the previous financial year had registered a profit of 2,905 thousand Euro, mainly due to the gain in the sale of the interest in Sona International effected by Cynosure.

Income before taxes is 6,141 thousand Euro, close to the income before taxes of the previous financial year, even though it has not benefited from the consistent gain on sale of assets mentioned above.

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

The net financial position is still positive, above 7 million Euros, therefore substantially unchanged compared with 30<sup>th</sup> June 2005.

The position of liquidity at 30<sup>th</sup> September 2005 has fallen, compared with 31<sup>st</sup> December 2004, by approximately 4 million Euro which is also due to the payoff of short term financial liabilities for approximately 2 million Euros for payment of the second instalment for the purchase of Cynosure Inc. shares from some minority shareholders of the company.

Furthermore, the dividends paid by El.En. SpA and the amount destined for third parties by Deka M.E.L.A. Srl, for a total amount of approximately 1.8 million Euros, has also absorbed liquidity.

As far as the rest is concerned, the reduction in the net financial position can be mainly attributed to the increase in net working capital.



## Gross investments made during the quarter

The chart below shows the gross investments made during the year.

<i>Progressive</i>	30/09/2005	30/09/2004
Intangible assets	63	279
Tangible assets	2.979	3.149
Equity investments	31	68
<i>Total</i>	3.073	3.496

<i>3 months</i>	30/09/2005	30/09/2004
Intangible assets	34	94
Tangible assets	1.097	677
Equity investments	0	0
<i>Total</i>	1.131	771

Investments during the period have been made in terms of new laser equipment destined for experiments and demonstrations in the industrial and medical sectors, especially with regards to the group leader El.En. and Cynosure. Remaining investments are of a very ordinary nature and they refer to vehicles, electronic machines for office use and equipment used to support research activities and production.

## Comments on Research and Development activities

During the third quarter of 2005 important Research and Development activities were carried out in the Group with two main objectives: introducing new laser applications in the medical sector and in the industrial sector and launching new innovative products onto the market.

The world market, especially with regards to high-tech products, requires that competition be faced by an almost uninterrupted stream of new products and versions of old products with improved performance, using state-of-the-art technology and components, onto the market. For this reason broad and intense Research and Development activities are required, which should be organized according to programmed short and mid-term projects. Research carried out to acquire mid-term results is characterized by an orientation towards higher risk subjects inspired by intuitions within our companies and perspectives indicated by the scientific work of the most advanced laboratories and research centers throughout the world. Research dedicated to short-term projects, especially new products and applications, is currently being carried out on projects where control and pre-feasibility work has already been carried out in the past. The choice and the preparation of functional characteristics and specifications has been carried out on these subjects: the elements for this activity are defined on the basis of information achieved through the work performed by internal specialists and also as a result of the activities of public and private structures involved as consultants in the preliminary study phase.

Research is, for the most part, applied and, for some specific topics, basic. Both applied research and the development of prototypes are sustained in part by company resources and in part by grants and contributions issued on the basis of research contracts stipulated with the institutions appointed for this purpose by the Ministry of University Instruction and Research and with the European Union, both directly and through the Research Institutions.

A description of some of the research projects conducted during this quarter is provided below.

### Laser systems and applications for medicine

Activities related to the development of laser equipment and systems for robot-assisted mini-invasive microsurgery are still continuing; the activities are being developed according to a project on new "New Medical Engineering" FIRB (Fund for Investments in Basic Research), partially financed by MIUR (Ministry of University Instruction and Research) following assignment through a selection based on the opinions of international experts. Theoretical and

experimental studies based on the definition of techniques for cutting and ablation procedures of soft tissues and the cauterisation of small blood vessels.

We have also continued work on the development of a swinging micro-tweezers and of a multiple catheter for endoscopy, for endoluminal photodynamic therapy, and for diagnosis using opto-acoustic micro-probes. Research activities are also being carried out for the development of a technique and the relative devices for laser assisted anastomosis of blood vessels.

The development of instruments and clinical experimentation of innovative laser equipment for uses in physiotherapy and orthopaedics have also continued and new agreements have been reached in order to carry out clinical experimentation activities in the USA in Harvard. Research is currently underway on new devices and methods for percutaneous laser ablation on the liver and thyroid gland, as part of the IALT (Image Aided Laser Therapy) consortium created by El. En. and Esaote. A project financed by the European Union based on new diagnosis methods using micro particles and laser systems and interacting ultrasounds has been approved; for this project we are collaborating with European institutions including Fraunhofer IBMT.

A regional research project has been approved for the associated company Actis Active Sensors for the study of a new laser suture technique in the field of ophthalmology.

The development of a new laser for use in an original technique for preservative therapy of the saphena is currently underway and is also covered by an international patent that has recently been registered.

At the same time, clinical experimentation activities are still being carried out in Italy and in qualified European and American centres in order to confirm and document the efficiency of modern therapeutic laser treatments in various fields of medicine: odontology, heart surgery, gastroenterology, ophthalmology, echo-guided interstitial hyperthermia, dermatology and aesthetics.

We are working on the development of a new type of low-flow radiator with isotropic emissions for interstitial and/or laparoscope hyperthermia laser to be used for operations involving mini-invasive micro-surgery on the thyroid guided by ultrasound images. The activities underway are mainly aimed at the development of technologies used to create prototypes that can be used on animals. A program is now in progress related to the innovative technologies in ophthalmology for the attachment of the cornea by means of a laser.

Laser development activities for ophthalmology have also been launched to perform retinal photo coagulations with the use of lamps based on an agreement with an important company specialized in the production and distribution of diagnostic and therapeutic apparatus in the field of ophthalmology.

Research and development activities have continued for the development of a diode laser for applications in neurosurgery using mini-invasive techniques. With grants from the European Union, a program for research on mechatronic applications in the bio-medical industry is currently underway.

#### Laser systems and applications for industries

Research activities related to an excimer laser system, to be used for the nano-manufacture of devices for electronics and opto-electronics, have continued.

Two projects co-financed by the Tuscany Region on European funds have been approved: one refers to the development by El.En. of "New laser scanning systems for large corners" and the other refers to development by the controlled company Ot-las of a "method for superficial treatment using railway track lasers".

The development of electronics based on a Digital Signal Processor to apply results of the theoretical research carried out on the numerical control of galvanometers for scanning heads is also underway.

Study for the perfection of algorithms, calculus programs and Hardware structures for artificial vision systems to be used for cutting automation, superficial decoration, using laser markers, of leather and other materials and for cutting and marking of common objects spread out on a work surface.

Research activity included in a project for a high power laser source in a solid state with active material in a ceramic amorphous support is underway.

The development of new laser equipment used to diagnose and document art objects has continued as part of the PON (Piani Operativi Nazionali) for the development of strategic sectors in Southern Italy.

In this sector the development of a new system of sensors and storage of environmental solicitations of works of art while transferred from a museum to another exhibition space, has been carried out.

Furthermore, a new representation system of thermal transients for the study of the level of preservation of works of art and of industrial products during definition of the production process, is currently being developed.

The new Eureka project has been approved which refers to the diagnosis of cultural objects using spectrometry.

Development work has continued on a new diagnostic system of ancient books using a laser, recently covered by a patent.

The following table shows the expenses incurred for Research and Development.

<i>thousands of euros</i>	30/09/2005	30/09/2004
Costs for staff and general expenses	4.372	4.462
Equipment	221	142
Costs for testing and prototypes	667	486
Consultancy fees	530	234
Other services	52	238
Intangible assets	3	15
<b>Total</b>	<b>5.845</b>	<b>5.577</b>

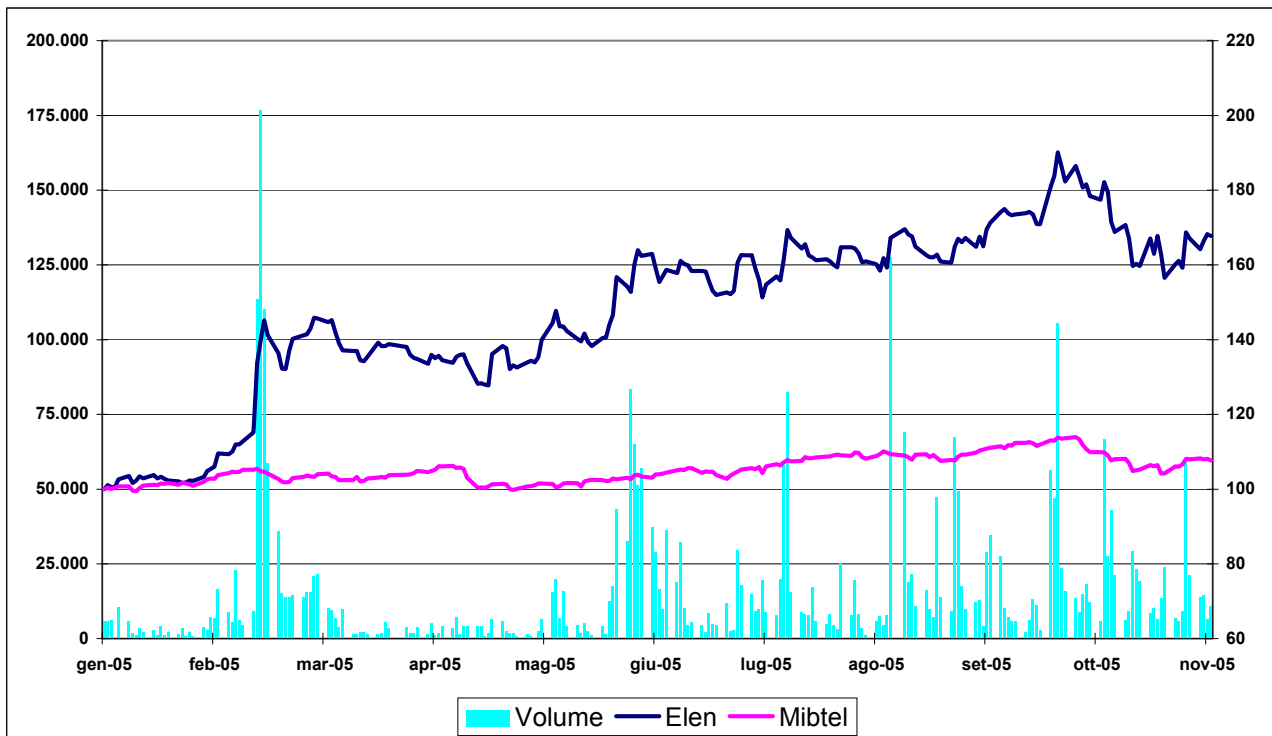
As is the case for turnover and revenue entries, as well as research and development costs, the contribution provided by Cynosure is very important due to intense activities carried out in this specific sector. The amount of expenses sustained by Cynosure for research and development during the period was approximately 2.3 million dollars.

Following the usual company policy, the expenditures listed in the chart below have been entirely entered under the heading of operating charges.

The amount of expenses sustained corresponds to 7% of the Group's consolidated turnover. The amount related to Cynosure, which, as previously stated, is 2.3 million dollars, represents approx. 6% of its turnover: the remainder of costs are sustained almost entirely by El.En S.p.A. and correspond to 13% of its turnover. El.En. S.p.A. has entered into accounts for 9 months, income received in the form of grants, credit on taxes and advances from contributions for approximately 713 thousand Euros. It is clear to see the importance of the efforts made in these activities and how resources are destined to be consistent.

## Trend of El.En. stock

The trend of El. En. stock during the current year is shown on the graph below.



## **Other significant events which occurred during this quarter**

No particularly significant events took place during the third quarter of 2005.

## **Other events which occurred after the closing of the quarter**

On 2nd November Cynosure Inc., undergoing the quotation process of its shares in the Nasdaq market, filed the first draft of the S1 informative prospect with SEC. The leader of the offer is Citigroup, alongside UBS Investment Bank, Jeffries and Needham.

According to the prospect, 5,000,000 shares will be offered to the market, 4,000,000 of which are newly issued and 1,000,000 put up for sale by the El.En. group. Following the offer El.En will keep 38% of Cynosure shares, maintaining control due to the specific shareholding structure created, with two classes of shares. Furthermore, the offer also includes a “green shoe” option granted by Cynosure by the underwriters, for a further 750,000 shares to be offered to the market. The prospect also presents an indication of the price range expected between 12 and 14 American dollars per share.

As of today it is not possible to indicate a specific date for the offer.

On 2nd November the subsidiary company Deka M.E.L.A. Srl purchased another 20% stake in ASA Srl, a manufacturing company from Veneto and one of the most important for production of medical devices for laser therapy and magneto-therapy, for 390 thousand Euros. Therefore the interest of the El.En. group in ASA reaches 60%; from the date of acquisition, the ASA financials will be wholly consolidated into the financials of the El.En. Group. The company from Veneto has recently achieved two important recognitions on an international level: the FDA approval for sale within the American market of innovative MLS laser equipment used to treat muscular and tendineous disorders such as lumbar sciatica and epicondylitis and SFDA approval for sale in China of magnet-therapy equipment to cure osteo-articular disorders such as osteoporosis and arthritis.

Again, on 2nd November El.En. SpA purchased from third parties a participation share of 15% of Ot-Las Srl, a company already controlled indirectly through the subsidiary company Cutlite Penta Srl with, in turn, a share of 54% of its capital.

Finally on 2<sup>nd</sup> November the special meeting of shareholders (of Lasit Srl resolved on transforming the company into a SPA and also resolved to increasing its share capital, originally 234 thousand Euro, up to 1 million Euro to be paid in cash for 750 thousand Euro end by the free allocation of reserves for 16 thousand Euro. The increase in share capital was underwritten pro-quota by all partners. This operation was a natural step forward in the development and consolidation process performed by Lasit in the last few years, and aims to strengthen its role on the market.

## **Predictable evolution of activities for the financial year in progress**

The results indicated in this report are in line, slightly above, with the forecasts made at the beginning of the year in terms of turnover and income from operations. The continuance of the positive market situation in the medical sector, and the recovery phase encountered in the industrial sector makes us very optimistic for closing of the financial year that may be confirmed in line or slightly above forecasts.

On behalf of the Board of Directors

The President of the Board of Directors  
Ing. Gabriele Clementi