El.En. Group

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30th, 2002

(Board of Directors - November 14th, 2002)

Report on the quarter ended September 30th, 2002

Introduction

This report covers the El.En. Group consolidated financial information up to September 30, 2002 prepared and divulged in accordance with article 2.6.2. of the Nuovo Mercato of the Italian Stock Exchange regulations and IA 2.4.1. instructions, and complies with article 82 of Consob rulings ex resolution 11971 and following amendments. The data and the information provided in this report have not been audited, being not compulsory.

The following information has been prepared on the same principles previously adopted by the El.En. Group for the interim and annual reports.

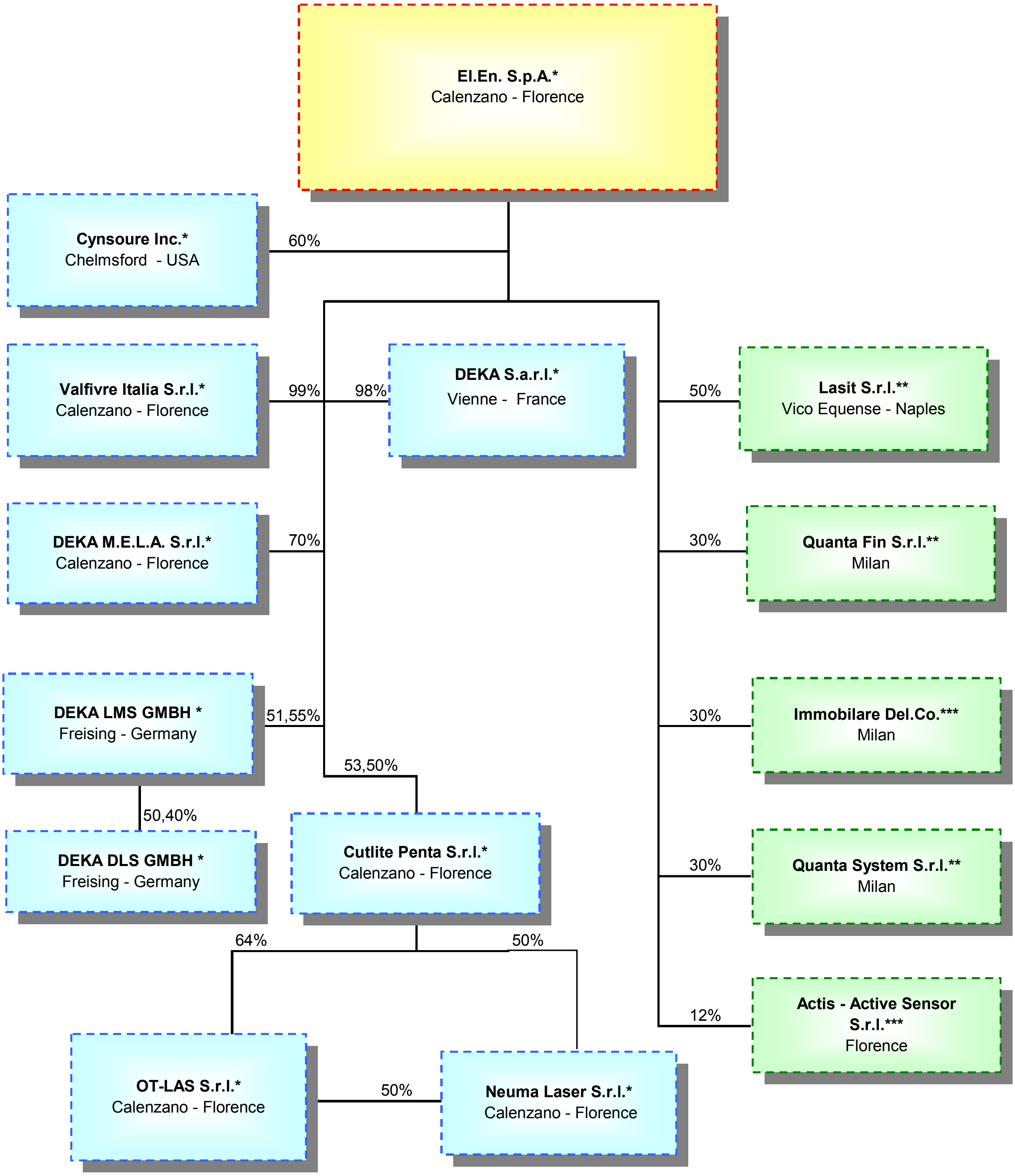
The financial results for the third quarter of year 2002 can be compared with the consolidated financial drawn for the quarter ended on September 30, 2001. Following the acquisition of Cynosure closed on May 6, 2002, which leads to the consolidation of Cynosure financials within El.En. groups' accounts, the financial statements are displayed both with and without the consolidation of Cynosure financials, in order to allow a homogeneous comparison with the corresponding period of the previous year.

All the amounts are expressed in thousands of euro, if not otherwise stated.

Description of the Group

El.En. SPA is the holding company of an industrial group operating in the design, production and distribution of laser sources and systems for a variety of applications.

The structure of the group as of September 30th, 2002 is represented in the following chart.

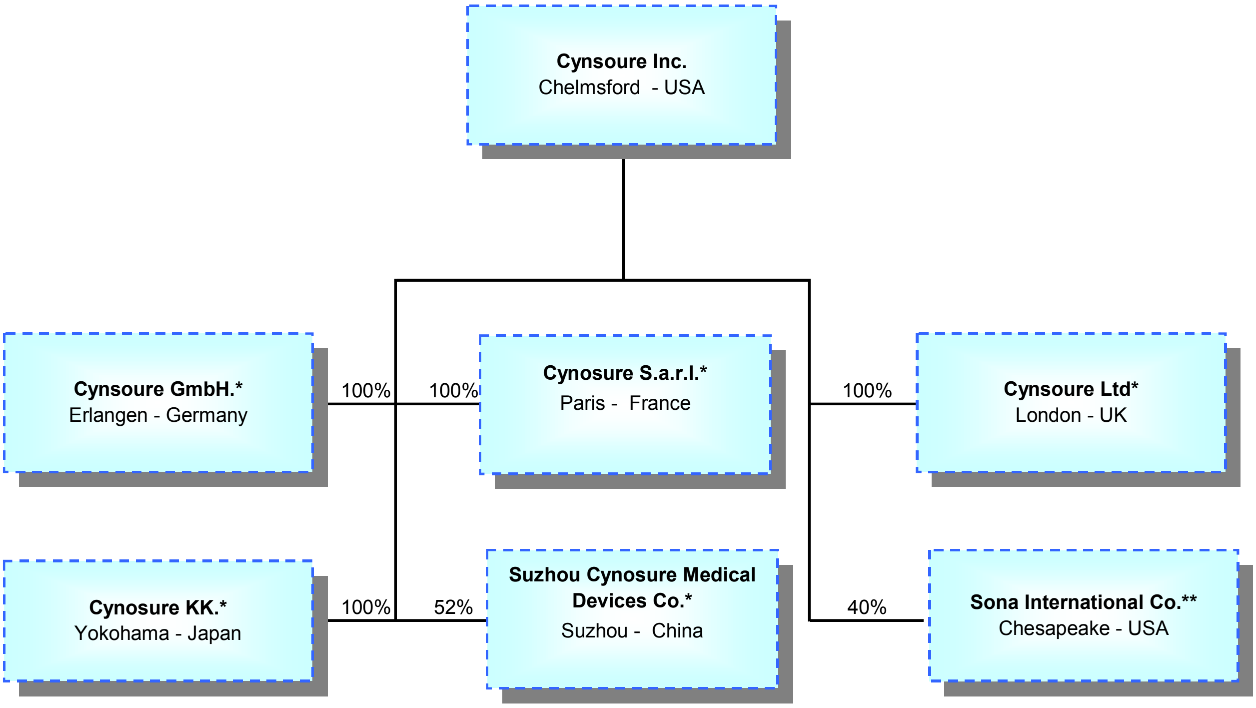


* *Entirely consolidated*

** *Consolidated in relation to net worth*

*** *Kept at cost*

Cynosure Inc. itself controls a group of companies. As of September 30,2002 the structure of the Cynosure group is the following:



* *Entirely consolidated*

** *Consolidated in relation to net worth*

On May 6, 2002 Cynosure Inc, a prestigious American company active in the design production and sale of medical laser systems, entered El.En.'s group following the acquisition of 60% by El.En. SpA. This transaction is of capital importance for the group, because Cynosure's dimension, in terms of annual revenues and number of employees, is almost doubling the group's size, and because of the growth opportunities on the American and international markets that Cynosure will allow to exploit.

Cynosure Sarl in France, Cynosure Ltd in the UK, Cynosure Gmbh in Germany and Cynosure KK in Japan are wholly controlled subsidiaries, they act as local distributors and perform the technical after sale service; Cynosure Suzhou in China is a 52% controlled joint venture with a local partner that is manufacturing certain devices for dermatology, too.

Moreover Cynosure owns 40% of Sona International Co., a company that runs laser hair removal centers, and is a customer of Cynosure for the rental of the laser used for its activity.

The financial statements of Cynosure are consolidated from the month of May on, therefore they impact on the group's consolidated financials for five months, only.

El.En. S.p.A. is shareholder in a few other companies active in its same business, without holding a control on them; therefore the financial statements of these companies are not wholly consolidated in the group financial statement, but they are usually consolidated in relation to net worth. These companies, Quanta System Srl, Lasit Srl and Quanta Fin Srl, do not draw up quarterly financial reports, therefore their net worth is prudentially considered as unchanged from the six months report the companies issued as of June 30, 2002.

Results of operations and financial position of the group

Consolidated income statement for the third quarter of 2002 is showed below, compared with the same period of 2001.

Profit and loss account - 3 months	**30/09/2002**	**Inc.%**	**30/09/2001**	**Inc.%**	**Variazione**
Net turnover from sales and services	13.663	100,56%	6.055	95,70%	125,65%
Variation in stock of finished goods and WIP	(93)	0,68%	263	4,16%	-135,25%
Other revenues and income	17	0,12%	9	0,14%	86,65%
Value of production	**13.587**	**100,00%**	**6.327**	**100,00%**	**114,76%**
Costs for raw materials	5.717	42,08%	2.873	45,41%	99,01%
Variation in stock of raw material	(1.015)	7,47%	(110)	1,73%	826,71%
Other direct services	1.409	10,37%	762	12,04%	84,91%
Gross margin	**7.476**	**55,02%**	**2.802**	**44,28%**	**166,85%**
Other operating services and charges	2.735	20,13%	1.116	17,65%	145,00%
Added value	**4.741**	**34,89%**	**1.685**	**26,64%**	**181,32%**
For staff costs	3.163	23,28%	995	15,73%	217,86%
Gross operating profit	**1.578**	**11,61%**	**690**	**10,91%**	**128,63%**
Depreciation, amortisation and other accruals	806	5,93%	286	4,52%	181,96%
Net operating profit	**772**	**5,69%**	**405**	**6,39%**	**90,97%**
Net financial income (charges)	115	0,85%	303	4,79%	-62,03%
Operating profit	**888**	**6,53%**	**708**	**11,19%**	**25,41%**
Value adjustments (Devaluations)	279	2,05%	5	0,09%	4994,90%
Extraordinary income (Charges)	345	2,54%	6	0,09%	5692,59%
Earning before taxes	**1.512**	**11,13%**	**719**	**11,37%**	**110,19%**

Consolidated income statement for the third quarter of 2002 is showed below, compared with the same period of 2001, excluding Cynosure.

Profit and loss account - 3 Months - without Cynosure	**30/09/2002**	**Inc.%**	**30/09/2001**	**Inc.%**	**Variazione**
Net turnover from sales and services	9.026	102,11%	6.055	95,70%	49,06%
Variation in stock of finished goods and WIP	(213)	2,41%	263	4,16%	-181,10%
Other revenues and income	27	0,30%	9	0,14%	193,17%
Value of production	**8.839**	**100,00%**	**6.327**	**100,00%**	**39,71%**
Costs for raw materials	3.955	44,74%	2.873	45,41%	37,66%
Variation in stock of raw material	(686)	7,76%	(110)	1,73%	526,61%
Other direct services	1.078	12,19%	762	12,04%	41,49%
Gross margin	**4.493**	**50,83%**	**2.802**	**44,28%**	**60,35%**
Other operating services and charges	1.289	14,59%	1.116	17,65%	15,50%
Added value	**3.203**	**36,24%**	**1.685**	**26,64%**	**90,06%**
For staff costs	1.260	14,25%	995	15,73%	26,57%
Gross operating profit	**1.944**	**21,99%**	**690**	**10,91%**	**181,60%**
Depreciation, amortisation and other accruals	327	3,70%	286	4,52%	14,54%
Net operating profit	**1.616**	**18,29%**	**405**	**6,39%**	**299,60%**
Net financial income (charges)	109	1,23%	303	4,79%	-64,07%
Operating profit	**1.725**	**19,52%**	**708**	**11,19%**	**143,78%**
Value adjustments (Devaluations)	0	0,00%	5	0,09%	-100,00%
Extraordinary income (Charges)	18	0,21%	6	0,09%	205,75%
Earning before taxes	**1.744**	**19,73%**	**719**	**11,37%**	**142,44%**

Consolidated income statement for the first nine months of 2002 is showed below, compared with the same period of 2001.

Profit and loss account	30/09/2002	Inc.%	30/09/2001	Inc.%	Var.%
Net turnover from sales and services	34.776	97,2%	19.513	94,0%	78,2%
Variation in stock of finished goods and WIP	939	2,6%	1.156	5,6%	-18,8%
Other revenues and income	74	0,2%	93	0,4%	-20,7%
Value of production	**35.789**	**100,0%**	**20.762**	**100,0%**	**72,4%**
Costs for raw materials	15.932	44,5%	10.451	50,3%	52,4%
Variation in stock of raw material	(1.800)	5,0%	(1.350)	6,5%	33,3%
Other direct services	3.878	10,8%	2.218	10,7%	74,9%
Gross margin	**17.779**	**49,7%**	**9.444**	**45,5%**	**88,3%**
Other operating services and charges	6.222	17,4%	3.774	18,2%	64,9%
Added value	**11.557**	**32,3%**	**5.670**	**27,3%**	**103,8%**
For staff costs	7.395	20,7%	3.140	15,1%	135,5%
Gross operating profit	**4.163**	**11,6%**	**2.530**	**12,2%**	**64,5%**
Depreciation, amortisation and other accruals	1.745	4,9%	863	4,2%	102,0%
Net operating profit	**2.418**	**6,8%**	**1.667**	**8,0%**	**45,1%**
Net financial income (charges)	290	0,8%	941	4,5%	-69,2%
Operating profit	**2.708**	**7,6%**	**2.608**	**12,6%**	**3,8%**
Value adjustments (Devaluations)	318	0,9%	45	0,2%	609,9%
Extraordinary income (Charges)	416	1,2%	62	0,3%	566,0%
Earning before taxes	**3.443**	**9,6%**	**2.716**	**13,1%**	**26,8%**

Consolidated income statement, without Cynosure, for the first nine months of 2002 is showed below, compared with the same period of 2001.

Profit and loss account - without Cynosure Inc.	30/09/2002	Inc.%	30/09/2001	Inc.%	Var.%
Net turnover from sales and services	26.107	96,9%	19.513	94,0%	33,8%
Variation in stock of finished goods and WIP	750	2,8%	1.156	5,6%	-35,1%
Other revenues and income	77	0,3%	93	0,4%	-17,3%
Value of production	**26.935**	**100,0%**	**20.762**	**100,0%**	**29,7%**
Costs for raw materials	12.256	45,5%	10.451	50,3%	17,3%
Variation in stock of raw material	(1.179)	4,4%	(1.350)	6,5%	-12,6%
Other direct services	3.319	12,3%	2.218	10,7%	49,7%
Gross margin	**12.539**	**46,6%**	**9.444**	**45,5%**	**32,8%**
Other operating services and charges	4.005	14,9%	3.774	18,2%	6,1%
Added value	**8.534**	**31,7%**	**5.670**	**27,3%**	**50,5%**
For staff costs	4.042	15,0%	3.140	15,1%	28,7%
Gross operating profit	**4.492**	**16,7%**	**2.530**	**12,2%**	**77,5%**
Depreciation, amortisation and other accruals	991	3,7%	863	4,2%	14,8%
Net operating profit	**3.501**	**13,0%**	**1.667**	**8,0%**	**110,0%**
Net financial income (charges)	277	1,0%	941	4,5%	-70,6%
Operating profit	**3.777**	**14,0%**	**2.608**	**12,6%**	**44,8%**
Value adjustments (Devaluations)	126	0,5%	45	0,2%	181,3%
Extraordinary income (Charges)	21	0,1%	62	0,3%	-66,4%
Earning before taxes	**3.925**	**14,6%**	**2.716**	**13,1%**	**44,5%**

The following chart shows the net financial position of the group as of September 30, 2002 compared with June 30, 2002, and December 31, 2001.

Net financial position			
	30/09/2002	**30/06/2002**	**31/12/2001**
Financial mid and long term debts	(1.966)	(2.189)	(2.249)
Financial mid and long term debts	*(1.966)*	*(2.189)*	*(2.249)*
Financial liabilities due within 12 months	(925)	(927)	(357)
Cash in banks and on hand	24.314	25.652	32.478
Net financial short term position	*23.388*	*24.725*	*32.121*
Total financial net position	**21.422**	**22.536**	**29.872**

Report on operations

During the first nine months of 2002 the group operated in the design, production and distribution of laser sources and systems; the main markets on which the group operates are, like in the previous years, the market for medical and aesthetical laser systems and the market for laser systems for industrial applications. Beside these two main markets, the group is reporting sales for technical services effected to its own customers and in relation to research and development projects.

The turnover for the first six months of 2002 marks a 78,2% increase compared to the turnover of the first nine months of year 2001, as an effect of the contribution of Cynosure, too. It is anyway useful to show the trend of revenues with reference to the same consolidation perimeter of the previous year: a 33,8% increase is achieved, a brilliant performance which widely overruns the forecast of the annual budget.

The following chart shows the first nine months sales by market segment, compared with the first nine months of year 2001. We are also providing a second report, which is related to the consolidation perimeter prior to Cynosure's acquisition.

with Cynosure	**30/09/2002**	**Inc%**	**30/09/2001**	**Inc%**	**Var%**
Industrial systems and lasers	10.324	29,7%	6.998	35,9%	47,5%
Medical and cosmetic lasers	19.318	55,5%	11.072	56,7%	74,5%
Altri	152	0,4%	82	0,4%	85,4%
Service	4.982	14,3%	1.360	7,0%	266,2%
Total	34.776	100,0%	19.513	100,0%	78,2%

without Cynosure	**30/09/2002**	**Inc%**	**30/09/2001**	**Inc%**	**Var%**
Industrial systems and lasers	10.324	39,5%	6.998	35,9%	47,5%
Medical and cosmetic lasers	14.031	53,7%	11.072	56,7%	26,7%
Altri	133	0,5%	82	0,4%	62,3%
Service	1.619	6,2%	1.360	7,0%	19,0%
Total	26.107	100,0%	19.513	100,0%	33,8%

The medical laser systems segment marks a 74,5% increase; without Cynosure the increase is equal to 26,7%, higher that forecasted, as all the results in terms of revenue increase. The performance of the industrial laser systems segment is even more brilliant, close to +50%, in a year of market stagnation.
Notwithstanding the strong performance of the industrial laser segment, sales of medical and cosmetic laser systems keep the largest share of the group's sales, equal to 53,7% without Cynosure, and up to 55,5% including the US Company: in effect a relevant share of Cynosure's revenues consists of post-sale services and of "revenue sharing", the lease of hair removal laser systems with lease rates related to the revenue generated by the leased system. For this reason the group's revenues for service increases by 250%, and, within this activity, service performed for medical laser systems gains a prevailing weight.

The revenues from R&D projects and R&D costs reimbursement marks an increase on the level of year 2001, nevertheless achieving very low amounts with respect to the physiological level to be obtained by a group that has in the R&D activity one of its main strengths and that is undergoing an intense R&D activity. This low amount is mainly due to the delays in the payment of grants with respect to the execution of the R&D projects. In the paragraph of the R&D activities we will report on the undergoing projects and the related expectations for grants: these revenues, though marginal as amount with respect to the group's consolidate revenues, are very important, because they allow to sustain the massive R&D expense, which is the basis for the group's development, with an appropriate financial balance.

The following charts show the consolidated sales according to geographical distribution.

with Cynosure	30/09/2002	Inc%	30/09/2001	Inc%	Var%
Italy	13.293	38,2%	10.648	54,6%	24,8%
Europe	7.200	20,7%	3.602	18,5%	99,9%
Rest of the world	14.283	41,1%	5.263	27,0%	171,4%
Total	34.776	100,0%	19.513	100,0%	78,2%

without Cynosure	30/09/2002	Inc%	30/09/2001	Inc%	Var%
Italy	13.267	50,8%	10.648	54,6%	24,6%
Europe	5.377	20,6%	3.602	18,5%	49,3%
Rest of the world	7.463	28,6%	5.263	27,0%	41,8%
Total	26.107	100,0%	19.513	100,0%	33,8%

With Cynosure the group is more international, the weight of revenues generated in Italy is limited to 38,2%, it would have been 50,8% without the acquisition. The international markets, particularly Europe and Far East, had an excellent performance, as showed in the chart. The revenue increase in Europe has been largely generated by the subsidiaries created in the last years for the medical and cosmetic laser systems.

Medical/cosmetic market sales are 55,5% of total sales; the following chart reports on sales for each segment of the market.

with Cynosure	30/09/2002	Inc%	30/09/2001	Inc%	Var%
Surgical CO2	1.208	6,3%	1.079	9,7%	12,0%
Physiotherapy	385	2,0%	509	4,6%	-24,4%
Cosmetic	13.054	67,6%	7.338	66,3%	77,9%
Dental	1.264	6,5%	1.075	9,7%	17,6%
Other medical lasers	3.058	15,8%	750	6,8%	307,7%
Accessories	349	1,8%	321	2,9%	8,7%
Total	19.318	100,0%	11.072	100,0%	74,5%

without Cynosure	30/09/2002	Inc%	30/09/2001	Inc%	Var%
Surgical CO2	1.208	8,6%	1.079	9,7%	12,0%
Physiotherapy	385	2,7%	509	4,6%	-24,4%
Cosmetic	9.923	70,7%	7.338	66,3%	35,2%
Dental	1.264	9,0%	1.075	9,7%	17,6%
Other medical lasers	919	6,6%	750	6,8%	22,6%
Accessories	332	2,4%	321	2,9%	3,3%
Total	14.031	100,0%	11.072	100,0%	26,7%

The cosmetic segment leads the revenue increase trend, mainly as an effect of sales of hair removal and so called cellulites removal systems, which had the best performances in the period: on the segment El.En. offers Nd:YAG lasers and the Photosilk and Triactive systems, Cynosure its Alexandrite systems and also distributes in the US El.En.'s Nd:YAG lasers.
The pike in the "Other lasers" revenue is due to the second segment in which Cynosure is a market leader, Vascular and Dermatology performed with its renowned Dye lasers, leading to a 307% increase.
The dental segment shows an increase with respect of the previous year, and is going through a transition phase marked by the release to the market, during the months of September and October, of a completely new and highly competitive product range.
In the therapy segment, also the release of new products and application protocols, supported by an intense R&D work, is creating expectations for a revival of this segment with decreasing revenues within the group. The revenue increase in the CO_2 surgical lasers shows on one side the continuing interest of the market on the most consolidate laser technology

for medical application, on the other the ability of the group to offer products and accessories meeting the customer's requests.

During the year the results of the release of the new products for the cosmetic segment have been achieved, and they are now in the most fruitful phase of their life cycle; In the dental segment the need for a product range renewal was felt, and the revenues can now perform higher increase rates due to this innovations. The group is working at developments for each segment, and innovation is the main competitive tool and a key success factor on the laser market.

The following chart shows a classification of sales in the industrial laser systems market. No separate chart is provided to exclude Cynosure sales, since there aren't any in the industrial laser market.

	30/09/2002	Inc%	30/09/2001	Inc%	Var%
Cutting	5.158	49,96%	4.381	62,60%	17,73%
Marking	4.464	43,24%	1.844	26,35%	142,09%
Laser sources	602	5,83%	676	9,66%	-10,99%
Welding	101	0,98%	98	1,39%	3,18%
Total	10.324	100,00%	6.998	100,00%	47,52%

The results in terms of sales are very positive, particularly for the marking systems: the segment sees today the positive outcome of years of work in the development of highly advanced scanning systems and laser sources designed to offer superior performances for marking applications. The laser cutting segment shows a 17,7% increase, to be considered highly satisfactory and sign of great vitality during a negative conjuncture. The decrease in laser sources revenues can be reverted during the next months by the new high power product range. The welding segment, which includes laser systems for restoring of art manufacts, too, is not expected to perform significant sales increases.

The results in terms of profits and margins, analysed in detail in the following paragraphs, show in a word a positive behaviour, over-performing the previous year, of the group limited to the perimeter precedent to Cynosure's acquisition; this brilliant outcome is only partially balanced by the consolidation of Cynosure, which shows an operating loss for the period, almost completely offset by extraordinary income which contain with a few thousand of euro it's pre tax loss. The consolidated operating profit is also hit by the amortization of the goodwill paid for the acquisition of Cynosure. This situation was expected, knowing that Cynosure accounted for a big loss in year 2001, and that the action taken in order to lead the company to the generation of profit can not show their effect in such a short period. Nevertheless the consolidated financials as of September 30 show positive figures in all of their components, and allow foreseeing the great potential of the group with its new structure.

Gross margin is up to euro 17.779 thousands, increasing with respect of the same period of 2001, with the impact on Value of production up to 49,7% from the 45,5% of the corresponding period of last year. Two drivers for this profitability increase can be identified: a first "endogenous" due to a real higher profitability achieved by the group "pre Cynosure"; a second due to the Cynosure acquisition, whereas Cynosure marks a considerably higher gross margin on sales. The virtuous combination of the revenue and gross margin percentage increase lead to a strong increase in Gross margin (+88,3% with Cynosure, +32,8 without), and contributes to the profitability increase trend. Once more we underline that the contribution to gross margin by grants for R&D activity is well below expectations, and that these revenues have a strong and direct impact on all profit margins.

The Other operating services and charges account for about 6.222 thousands of euro with a 17,4% impact on Value of Production, down from the 18,2% of the first nine months of year 2001; without Cynosure the impact drops to 14,9%. These percentages show the control of the fixed cost increase, even in a period of strong revenue increase, which required the adequate support of sales and marketing expenses, markedly for the distribution companies. The sales and marketing expense was particularly concentrated in the markets where demand was lighter in the period, which means the Italian market and that laser cutting systems market. The consolidation of Cynosure does not significantly changes the impact of operating costs on the value of production.

Staff costs account for 7.395 thousands of euro, with an impact rising to 20,7% from 15,1% of the first nine months of 2001. Employees were 129 as of December 31, 2001, and are 272 on September 30, 2002: the increase is mainly attributable to the 119 Cynosure employees, and for the rest to internal growth. Internal growth impacts on every activity of the group, but the new hiring and for staff cost mainly involved R&D activity, a key factor to provide mid-long term competitive strength to the Group. Part of the expense for R&D employees will be reimbursed within specifically financed projects, as we will explain in the R&SD paragraph.

Gross operating Profit (EBITDA) accounts for 4.163 thousands of euro, up 64,5%; the impact on the value of production is 11,6%, lower than 12,2% marked in the previous year, due to the Cynosure consolidation. EBITDA without Cynosure increases by 77,5% and has a 16,7% impact on the Value of production.

Depreciation and amortization are more or less double with respect to the previous year, with a small increase in the impact on the value of production. The entry includes the amortization of the goodwill involved in the Cynosure acquisition. The goodwill accounts for 7.549 euro thousands and led amortization for 315 euro thousands on the five months of consolidation of the controlled company. The amortization of the goodwill will be a significant consolidated cost in the next years, too. Without Cynosure the entry shows a small increase and a drop of the impact from 4,2% to 3,7%. The activities of the group do not require, for development and expansion, significant investments in fixed assets; much more relevant for development is the R&D expense, which is mainly accounted for within employees and operating cost.

The operating profit (EBIT) is therefore 2.418 thousands of euro, up 45,1% with an impact of 6,8% on Value of Production.

The net financial income is positive (290 thousands of euro), but marks a strong decrease with respect to the previous year (941 thousands of euro). There are three causes: the interest rate decrease, the use of a significant portion of the cash for the acquisition of Cynosure and the losses on foreign currency due to the decrease of the US dollar value. Concerning this last piece, the deposits opened before the closing of the Cynosure transaction affected the income with a 99 thousand euro entry for foreign exchange loss at the moment of the final booking of the acquired shares.

Value adjustments account for 318 euro thousands, accounting for the share of net revenue for the period of the companies Quanta System Srl, Quanta Fin Srl e Lasit Srl for a total 126 euro thousands (these results are with reference to six month financials, prudentially assumed unchanged for the third quarter) and of Sona International Co., for a 192 euro thousands amount.

Extraordinary income accounts for 416 thousands of euro including a 5 thousands euro gain on the sale of 20% of the interest owned by El.En. SpA in Quanta Fin Srl, and a tax reimbursement accounted for by Cynosure for 370 thousands US dollars.

The profit before taxes is 3.443 thousands of euro; its impact on the value of production is 9,6%, down from 2001's 13,1% del 2001, with a 26% increase on the total amount.

Comments on the trend of the net financial position

The net financial position is positive for more than 21 millions of euro.

During the quarter the net financial position decreased by slightly more than one million of euro. The increase in net working capital was not covered by the cash generated by operations, particularly hurt by Cynosure's operating loss. No particular event impacted on cash in the period, except the payment of a dividend by Deka M.E.L.A. Srl which led to a payment of 120 thousands of euro to minority shareholders.

Gross investments effected in the quarter

The following charts show the gross investments effected in the quarter.

Progressive	**30/09/2002**	**30/09/2001**
Intangible assets	174	345
Tangible assets	1.236	608
Equity investments	274	0
Total	1.685	953

3 Months	**30/09/2002**	**30/09/2001**
Intangible assets	38	2

Tangible assets	349	-61
Equity investments	0	0
Total	387	-59

No single investment of significant nature and amount was effected in the quarter: investments in fixed assets involved the acquisition of equipment for sales demos and clinical trials for the medical market, and the renewal of certain lab equipment. Cynosure capitalized laser systems to be rented to the Sona subsidiary. Moreover El.En., on the nine months period, booked 107 thousands of euros within the intangible assets for the acquisition and start-up of a new IS.

Comments on Research and development activities

During the first six months of 2002 the group has undertaken, as in the previous years, an intense activity of research and development, aimed to the creation of innovative products and of new application methodologies both in the medical and the industrial application fields.

The competition on the global markets, typical of high tech products, is faced by the group by a n almost continuous release to the market of new products, new version of products including technological and performance upgrade together with the proved success of our systems in new applications.

These efforts stand on an intense R&D activity, directed according to short and medium term strategic guidelines. Financing for applied R&D and prototype development is allowed by cash detained by the group and Grants allowed by contracts underwritten whit financial institutions on behalf of the Education, University and Research Office and of the European community, or directly with research centers.
Among the activities undertaken we note the characterisation of the beam and the optical components for industrial laser systems (EUREKA 2379 European project). For the industrial laser segment we are developing new galvanometers for the deflection of beams in optical scanners used for laser decoration of various materials.

In the medical laser field we are conducting experimental clinical activities on lasers for physiotherapy and orthopaedics, and a formation activity on young researchers to be eventually hired in order to further consolidate the segment. Moreover an activity of development of laser systems for invasive microsurgery assisted by robot has begun, after an assignment, based upon evaluation by international experts, of a MIUR project on the “New Medical Engineering” as a “FIRB” (Fund for Investments in Basic Research) project. At the same time clinical trials are performed in Italy and in other qualified European centers, aimed to confirm and provide documentation support to the efficacy of certain laser therapeutic procedures.
Furthermore a program for the development of new laser diagnostic system for art manufacts has been activated within the “PON” (National Operating Plans for the development of strategic activities in Southern Italy)

Cynosure has brought into the group a new R&D team, to which it allocates the appropriate resource, more or less 900 thousands of euros for the period. The R&D activity is concentrated in developing new laser system with outstanding performances for their applications, and new clinical applications for the existing product range.

The following chart lists the R&D expenses including the mentioned Cynosure expense.

thousands of euro	**30/09/2002**	**30/09/2001**	**Var.%**
Costs for personnel and general expenses	2.958	1.373	115%
Costs for instruments and equipment	166	53	213%
Costs for building of prototypes	508	91	455%
Costs for technological consultants	294	83	256%
Services provided	47	19	153%
Intangible assets	1	-	-
Total	**3.973**	**1.619**	**145%**

The amount of the sustained expenses sums up to around 11% of the consolidated turnover. Cynosure allocates to R&D about 10% of its revenues; El.En. Spa stands most of the rest of the reported expense, which equals 19% of the revenues of its revenues. The effort in these activities, and the resources dedicated to R&D are very important. For the share of R&D expenses sustained by El.En. Spa revenues for about 30% of the amount are expected, to be received according to the terms and the timing of each of the projects eligible for grants.

Other significant events of the quarter

On July 16, 2002, the extraordinary shareholder meeting of El.En. Spa approved to revoke, for the unexecuted part, the resolution of the shareholders meeting held June 7, 2000, which had given to the board of directors the power to increase the share capital by issuing a maximum of 240.000 ordinary shares, to be executed without any option right, to be reserved in option to employees and directors of the company and its subsidiaries (stock options). Such revoke was needed because the board couldn't anymore affect the share capital increase, since the minimum exercise price had been fixed to 26 euro, the IPO's value, not suitable for an incentive plan due to the current market value of the share.
Within the same meeting the shareholders resolved to reassign to the board of directors the power to issue a share capital increase for a maximum of 240,000 shares, but defined the minimum price as the maximum of the following: i) net worth per share value, ii) the average of the stock value during the six months before the date of the share capital increase, iii) the average of the stock value during the thirty days before the date of the share capital increase, iv) the average of the stock value during a period before the date of the share capital increase to be selected by the board.

As approved by the shareholders meeting held on April 24 2002, El.En. purchased own shares according to the instructions approved in the same meeting. As of September 30, 2002, El.En. had acquired n. 19.454 shares for a total amount of euro 219.901, at an average price of euro 11,304. These shares are booked within current assets at cost, being that the current market price does not materially differ form the average cost Between October, 1 and November 14 El.En. purchased n. 2.260 more shares for an amount of euro 23.652, at an average price of 10,465. Therefore today El.En. owns n. 21.714 shares paid an average of 11,216 euro per share, fro a total amount of 243.553 euro.

No other notable event of particular relevance took place in the third quarter 2002.

Other significant events after the end of the quarter

On October 17 Quanta System and Quanta Fin merged, according to the disposition of their extraordinary shareholders meetings approved the merger of the two companies. All the transactions of the incorporated Quanta Fin Srl will be included retroactively in the incorporating Quanta System, back to January 1, 2002, and from the same date all the economic and fiscal effects will be assigned to Quanta System.

Short term evolution

The current trend in the group's performances allows to confirm the forecast set upon the acquisition of Cynosure, when, due to the changed dimension of the group, the growth target had been accordingly updated. The better than forecasted results achieved by the group with Cynosure allow confirming the revenue growth forecast, notwithstanding the uncertainty that still hits the American market and consequently Cynosure's performances. Moreover Cynosure is expected to achieve a better performance in the last quarter, more favourable that the third, typically the weakest quarter of the year.

The forecasted profitability increase is quite evident in the interim financials, and can be maintained, and, if possible, improved, during the fourth quarter.

The net financial position, still positive for over 20 millions, allows to design without cash constraints the development and the expansion of the group, even through extraordinary M&A transactions finalized to the acqsuisition of companies or the launching of cooperation or joint ventures to operate on specific geographical markets or application niches for our laser systems.

For the Board of Directors

The President
Dr. Ing. Gabriele Clementi