

# **EL.EN. S.p.A.**

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Euro 2,591,871.36  
Subscribed and paid-in Euro 2,508,671.36

Registry of Companies in Florence – Tax No. 03137680488

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The original Italian document should be considered the authoritative version.

# **CORPORATE BOARDS OF THE PARENT COMPANY**

## **Board of Directors**

CHAIRMAN

Gabriele Clementi

EXECUTIVE DIRECTORS

Barbara Bazzocchi

Andrea Cangoli

DIRECTORS

Paolo Blasi

Angelo Ercole Ferrario

Michele Legnaioli

Stefano Modi

Alberto Pecci

## **Board of Statutory Auditors**

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Gino Manfriani

## **Executive responsible for the preparation of accounting documents as per Law 262/05**

Enrico Romagnoli

## **Independent Auditors**

Reconta Ernst & Young S.p.A.

**EL.EN. GROUP**

**QUARTERLY REPORT**

**AT SEPTEMBER 30, 2011**

# Quarterly Report

## Introduction

The quarterly report for the nine months ended September 30, 2011 for the El.En. Group was prepared in accordance with Article 154-ter of Legislative Decree 58/1998 and subsequent modifications, as well as the Consob Issuers' Regulations. This document contains the disclosures normally presented by the Issuer in the preceding quarters.

The report has been prepared in accordance with IAS/IFRS International Accounting Standards, obligatory since 2005 for the preparation of the consolidated financial statements of companies listed on regulated markets.

The quarterly report has not been audited as such is not required by current regulations.

The quarterly report at September 30, 2011 is shown in comparative format with the corresponding quarter of the previous year. All amounts are shown in thousands of Euro, unless otherwise indicated.

## Performance indicators

The quarterly report includes performance indicators in order to facilitate a better evaluation of the financial performance. The Group uses the following performance indicators:

- the **EBITDA** or earnings before interests, income taxes, depreciation and amortisation, which is the EBIT performance indicator before "Depreciation and amortisation, provisions and write-downs";
- the **EBIT** or earnings before interests and income taxes;
- the percentage of each profit and loss account to sales.

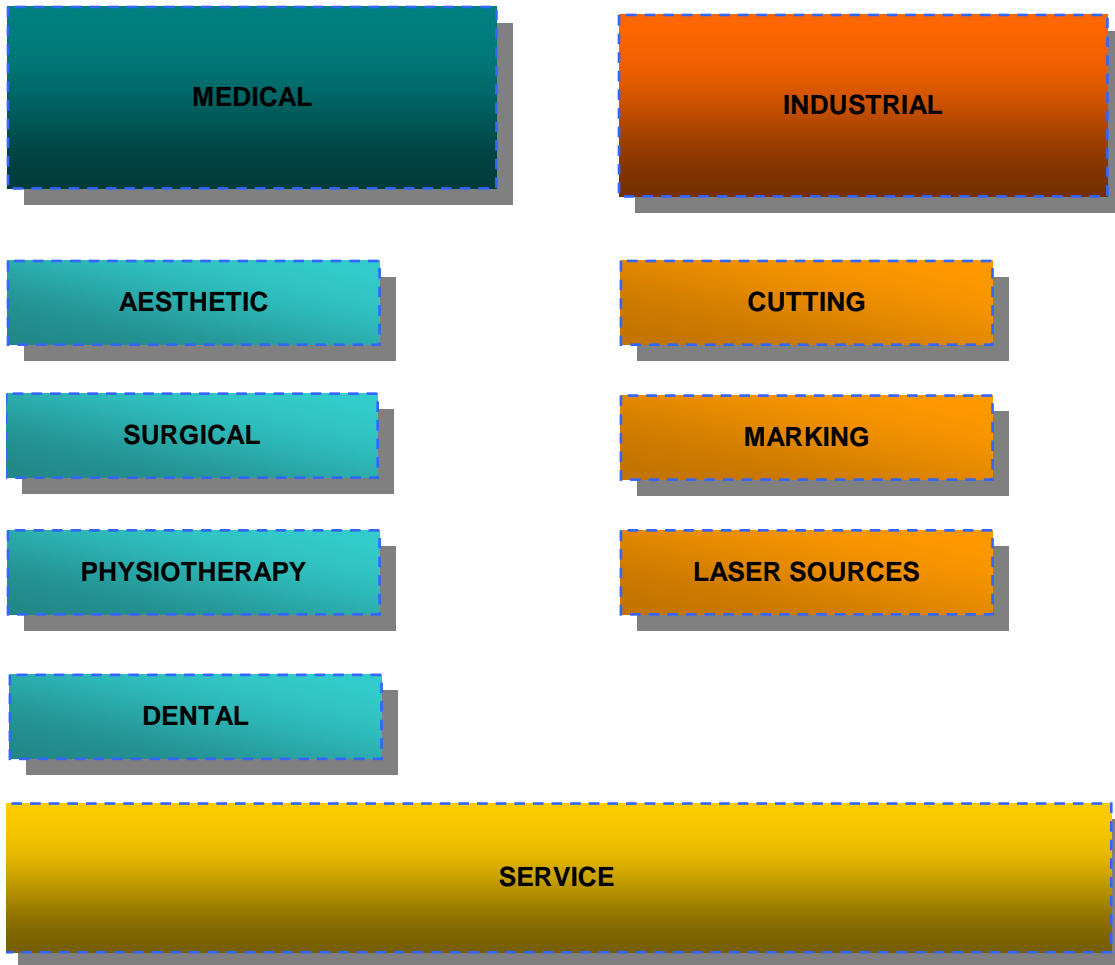
These performance indicators are illustrated in the Statement of income shown and commented upon below.

## Group activities

El.En. SpA is the parent company of a group operating in the field of manufacture, research and development, distribution and sales of laser systems. The group has expanded over the years through the setting up of new companies and acquisitions. Each company undertakes a specific role within the group, determined either by the geographical area covered, its technological specialisation, or by the specific position held within one of the markets served by the group.

Apart from the subdivision of the roles of the various companies, the group undertakes its activities in two major sectors: laser systems for the medical and aesthetic field and laser systems for manufacturing. Within these two sectors, the activities can be further subdivided into different segments, both in relation to the application required from the laser system and consequently the underlying technology and the type of user. The activity of the group is generally defined as the manufacture of laser sources and systems, and therefore the range of clients varies considerably, especially if one considers the global presence of the group and therefore the necessity of dealing with the special requirements which every region has in the application of our technologies.

This wide variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximise the group's market share and the involvement of local management as minority shareholder partners, is at the core of the group strategy; this structure is based on the linear subdivision of the activities, which we have identified - not just for reporting purposes - but principally for strategic purposes, as follows:



In addition to the core activity of selling laser systems, we also provide post sales customer assistance, indispensable for the installation and maintenance of our laser systems and also derive a source of income from the sale of spare parts, consumables and technical assistance.

The numerous group companies also reflect the product distribution strategy and research and development and marketing activities. In fact, particularly in the medical field, the various companies acquired by the group (DEKA, Asclepion, Quanta System, Cynosure, Asa) have always maintained their own product and segment characteristics and separate brands and distribution networks from those of the other group companies. At the same time, they have been able to benefit from the cross fertilisation between research teams, thus creating centres of excellence for specific technologies and made available to the other group companies. Although this strategy has provided some management challenges, it is a prime growth driver of the group, which is now a leader in the market.

## Group financial highlights

In the first nine months of 2011, the group reports a pre-tax loss of Euro 768 thousand, compared to a profit in the same period of 2010 of Euro 1,685 thousand, while the consolidated result excluding Cynosure reports a strong pre-tax profit of Euro 2,795 thousand - although a decrease on Euro 4,261 thousand in the previous year.

The general economic climate, already reported as more difficult than expectations in the first six months of the year, from July deteriorated quickly: the turbulences generated on the financial markets from the debt crisis in Greece, Italy and also the United States over the summer period had repercussions on the real economy and in our markets. Instead of a progressive return to normal levels of activity, continuing the recovery begun in 2010, with the passing of each month the spectre of a return to a profound crisis was increasingly becoming reality.

The group results should therefore be seen within the general economic climate which remains uncertain, but without excessive negativity, for the first months of the year, to then deteriorate rapidly before the summer and now encounter the prospect of stagnation for the coming months.

During the deep crisis of 2008-2009, the Group undertook investments in start-ups for the development of activities in some strategic and high growth markets; we recall the factories built in China and Brazil for the industrial sector, the turnaround of Deka Laser Technologies for the dental sector in the USA, Deka Medical for the medical and aesthetic sector in the USA, Esthelogue and Raylife for the professional aesthetical sector in Italy, and some partnerships for the development of niche markets in the industrial sector. The initial start-up costs and working capital investments were necessary steps in consolidating market share: rather than to finance acquisitions, liquidity was utilised to invest in organic growth and the consequent significant financial resources needed.

For 2010 and the first half of 2011, the expansion contributed strong improvements in operating results, although with significant use of liquidity. Already in the first half of 2011, risk provisions were booked, without which the operating results, although retreating slightly, would have continued to record growth and recovery; the return of uncertainty on financial markets and credit restrictions with consequent financial difficulty for clients thus impacted the half year results. Uncertainties which in the following quarter developed into the previously mentioned sovereign debt crisis of Greece, the USA and Italy, with the relative market turbulences, and caused further slowdown on the group's markets. In light of these market difficulties, the development of the various initiatives saw a general slowdown, both in terms of reaching breakeven and in terms of growth, thus impacting upon results - in particular for the quarter - also at an operating level. Clearly the prospects of these initiatives were reviewed in light of the changed general economic expectations and impact on our specific markets.

Cynosure undertook a different strategy, which, hit at the end of 2008 by an unforeseen collapse of the internal market - halved in a few months, incurred a significant drop in turnover and operating losses, but decided against utilising its significant liquidity resources through the relaunch of new internal initiatives or working capital investments. This resulted in a slower recovery for Cynosure and 2010 still in loss. However two significant acquisitions took place in 2011, which against strong capital injections resulted in sales growth and a strong recovery in results.

Finally, it is highlighted that the items which significantly impacted on the result in the first half year, in particular, the significant exchange losses, due to a more favourable US exchange rate in the quarter, had a positive contribution to the quarter results.

In relation to the geographic markets, Japan confirmed its good performance in the quarter, exceeding the forecasts which were excessive negative as a consequence of the earthquake. The United States continues to grow, but very slowly; Cynosure recorded strong growth, but principally due to acquisitions. The European markets remained stable in the medical sector and decreased in the industrial sector. The Chinese and Brazilian markets performed strongly in the industrial sector, although the effects of the international crisis in part caused a slowdown in their economies and consequently lessened our growth expectations.

Even in the particular conditions that have been described above, the Group intends to focus on growth by taking advantage of the opportunities offered by the various markets, mainly through the innovation of products and the creation of production and distribution structures that we believe are ideally suited to serve the markets of major interest. The size of some operations has been or may be reviewed in order to maintain strong positions on the market, but with costs in line with potential development opportunities updated based on the changed economic conditions.

We believe that the principal markets offer interesting opportunities even for mid-term development: the cosmetic laser market expands with wider social acceptance of the custom of maintaining a pleasant appearance with the passing of the years; surgical applications on the other hand, thanks to the minimal invasive techniques and their effectiveness, reduce

recovery time which offers benefits both for the patient and for the institutions; lasers on the other hand create innovation in the procedures and products of manufacturers which improves efficiency and quality standards.

Given the importance of Cynosure on the consolidated results and the large minority interest stake (in fact El.En. spa at September 30, 2011, holds 23.39%) we also report the results, in addition to the group consolidated results, of the group without Cynosure.

The table below reports the Statement of income for the third quarter of 2011, with the comparative results for the same period of the previous year.

<b>Statement of income - 3 months</b>	<b>30/09/11</b>	<b>Inc.%</b>	<b>30/09/10</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	49.079	100,0%	43.060	100,0%	14,0%
Change in inventory of finished goods and WIP	1.551	3,2%	1.426	3,3%	8,7%
Other revenues and income	480	1,0%	795	1,8%	-39,5%
<b>Value of production</b>	<b>51.110</b>	<b>104,1%</b>	<b>45.281</b>	<b>105,2%</b>	<b>12,9%</b>
Purchase of raw materials	21.608	44,0%	19.017	44,2%	13,6%
Change in inventory of raw material	172	0,3%	(1.189)	-2,8%	
Other direct services	4.547	9,3%	3.727	8,7%	22,0%
<b>Gross margin</b>	<b>24.784</b>	<b>50,5%</b>	<b>23.726</b>	<b>55,1%</b>	<b>4,5%</b>
Other operating services and charges	10.389	21,2%	9.522	22,1%	9,1%
<b>Added value</b>	<b>14.396</b>	<b>29,3%</b>	<b>14.204</b>	<b>33,0%</b>	<b>1,3%</b>
For staff costs	12.206	24,9%	10.544	24,5%	15,8%
<b>EBITDA</b>	<b>2.189</b>	<b>4,5%</b>	<b>3.661</b>	<b>8,5%</b>	<b>-40,2%</b>
Depreciation, amortization and other accruals	2.770	5,6%	2.200	5,1%	25,9%
<b>EBIT</b>	<b>(581)</b>	<b>-1,2%</b>	<b>1.461</b>	<b>3,4%</b>	
Net financial income (charges)	407	0,8%	(705)	-1,6%	
Share of profit of associated companies	(130)	-0,3%	(147)	-0,3%	-12,0%
Other Income (expense) net	68	0,1%	(2)	-0,0%	
<b>Income (loss) before taxes</b>	<b>(236)</b>	<b>-0,5%</b>	<b>606</b>	<b>1,4%</b>	



The table below reports the Statement of income for the first nine months of 2011, with the comparative results for the same period of the previous year.

Statement of income	30/09/11	Inc.%	30/09/10	Inc.%	Var.%
Revenues	147.330	100,0%	134.916	100,0%	9,2%
Change in inventory of finished goods and WIP	8.347	5,7%	(1.392)	-1,0%	
Other revenues and income	2.033	1,4%	1.671	1,2%	21,7%
<b>Value of production</b>	<b>157.710</b>	<b>107,0%</b>	<b>135.196</b>	<b>100,2%</b>	<b>16,7%</b>
Purchase of raw materials	70.628	47,9%	54.172	40,2%	30,4%
Change in inventory of raw material	(4.229)	-2,9%	(3.706)	-2,7%	14,1%
Other direct services	14.109	9,6%	12.468	9,2%	13,2%
<b>Gross margin</b>	<b>77.202</b>	<b>52,4%</b>	<b>72.261</b>	<b>53,6%</b>	<b>6,8%</b>
Other operating services and charges	32.986	22,4%	30.029	22,3%	9,8%
<b>Added value</b>	<b>44.216</b>	<b>30,0%</b>	<b>42.232</b>	<b>31,3%</b>	<b>4,7%</b>
For staff costs	36.363	24,7%	32.972	24,4%	10,3%
<b>EBITDA</b>	<b>7.853</b>	<b>5,3%</b>	<b>9.260</b>	<b>6,9%</b>	<b>-15,2%</b>
Depreciation, amortization and other accruals	7.918	5,4%	6.427	4,8%	23,2%
<b>EBIT</b>	<b>(65)</b>	<b>-0,0%</b>	<b>2.833</b>	<b>2,1%</b>	
Net financial income (charges)	(209)	-0,1%	(296)	-0,2%	-29,4%
Share of profit of associated companies	(529)	-0,4%	(392)	-0,3%	35,2%
Other net income (expense)	35	0,0%	(461)	-0,3%	
<b>Income (loss) before taxes</b>	<b>(768)</b>	<b>-0,5%</b>	<b>1.685</b>	<b>1,2%</b>	

The table below illustrates the Group Net Financial Position:

Net financial position	30/09/2011	30/06/2011	31/12/2010
Cash and bank	37.933	30.709	41.515
Financial instruments	23.627	28.600	44.676
<b>Cash and cash equivalents</b>	<b>61.560</b>	<b>59.309</b>	<b>86.191</b>
<b>Short term financial receivables</b>	<b>107</b>	<b>147</b>	<b>50</b>
Bank short term loan	(12.734)	(13.909)	(5.290)
Part of financial long term liabilities due within 12 months	(1.763)	(1.097)	(1.169)
<b>Financial short term liabilities</b>	<b>(14.497)</b>	<b>(15.006)</b>	<b>(6.460)</b>
<b>Net current financial position</b>	<b>47.170</b>	<b>44.450</b>	<b>79.782</b>
Bank long term loan	(2.180)	(1.998)	(2.164)
Bonds	(618)	(550)	(784)
Other long term financial liabilities	(1.703)	(1.630)	(1.934)
<b>Financial long term liabilities</b>	<b>(4.501)</b>	<b>(4.179)</b>	<b>(4.882)</b>
<b>Net financial position</b>	<b>42.669</b>	<b>40.271</b>	<b>74.900</b>

The table below reports the Statement of income for the third quarter of 2011, the first nine months of 2011 and the group net financial position, excluding the subsidiary Cynosure from the consolidation scope.

<b>Statement of income - 3 months</b>	<b>30/09/11</b>	<b>Inc.%</b>	<b>30/09/10</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	30.439	100,0%	29.144	100,0%	4,4%
Change in inventory of finished goods and WIP	288	0,9%	1.710	5,9%	-83,2%
Other revenues and income	378	1,2%	720	2,5%	-47,5%
<b>Value of production</b>	<b>31.105</b>	<b>102,2%</b>	<b>31.574</b>	<b>108,3%</b>	<b>-1,5%</b>
Purchase of raw materials	14.236	46,8%	14.314	49,1%	-0,5%
Change in inventory of raw material	80	0,3%	(471)	-1,6%	
Other direct services	2.441	8,0%	2.320	8,0%	5,2%
<b>Gross margin</b>	<b>14.347</b>	<b>47,1%</b>	<b>15.411</b>	<b>52,9%</b>	<b>-6,9%</b>
Other operating services and charges	5.757	18,9%	6.022	20,7%	-4,4%
<b>Added value</b>	<b>8.590</b>	<b>28,2%</b>	<b>9.390</b>	<b>32,2%</b>	<b>-8,5%</b>
For staff costs	7.060	23,2%	6.349	21,8%	11,2%
<b>EBITDA</b>	<b>1.530</b>	<b>5,0%</b>	<b>3.041</b>	<b>10,4%</b>	<b>-49,7%</b>
Depreciation, amortization and other accruals	1.266	4,2%	1.196	4,1%	5,9%
<b>EBIT</b>	<b>264</b>	<b>0,9%</b>	<b>1.845</b>	<b>6,3%</b>	<b>-85,7%</b>
Net financial income (charges)	594	2,0%	(1.087)	-3,7%	
Share of profit of associated companies	(130)	-0,4%	(147)	-0,5%	-12,0%
Other Income (expense) net	66	0,2%	0	0,0%	
<b>Income (loss) before taxes</b>	<b>794</b>	<b>2,6%</b>	<b>611</b>	<b>2,1%</b>	<b>30,0%</b>

<b>Statement of income</b>	<b>30/09/11</b>	<b>Inc.%</b>	<b>30/09/10</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	97.718	100,0%	92.993	100,0%	5,1%
Change in inventory of finished goods and WIP	5.696	5,8%	2.508	2,7%	127,1%
Other revenues and income	1.782	1,8%	1.430	1,5%	24,6%
<b>Value of production</b>	<b>105.196</b>	<b>107,7%</b>	<b>96.931</b>	<b>104,2%</b>	<b>8,5%</b>
Purchase of raw materials	50.483	51,7%	42.565	45,8%	18,6%
Change in inventory of raw material	(2.250)	-2,3%	(1.148)	-1,2%	95,9%
Other direct services	8.401	8,6%	8.267	8,9%	1,6%
<b>Gross margin</b>	<b>48.561</b>	<b>49,7%</b>	<b>47.248</b>	<b>50,8%</b>	<b>2,8%</b>
Other operating services and charges	18.516	18,9%	18.240	19,6%	1,5%
<b>Added value</b>	<b>30.045</b>	<b>30,7%</b>	<b>29.008</b>	<b>31,2%</b>	<b>3,6%</b>
For staff costs	22.446	23,0%	20.342	21,9%	10,3%
<b>EBITDA</b>	<b>7.599</b>	<b>7,8%</b>	<b>8.666</b>	<b>9,3%</b>	<b>-12,3%</b>
Depreciation, amortization and other accruals	4.142	4,2%	3.312	3,6%	25,1%
<b>EBIT</b>	<b>3.457</b>	<b>3,5%</b>	<b>5.354</b>	<b>5,8%</b>	<b>-35,4%</b>
Net financial income (charges)	(198)	-0,2%	(243)	-0,3%	-18,6%
Share of profit of associated companies	(529)	-0,5%	(392)	-0,4%	35,2%
Other net income (expense)	66	0,1%	(457)	-0,5%	
<b>Income (loss) before taxes</b>	<b>2.795</b>	<b>2,9%</b>	<b>4.261</b>	<b>4,6%</b>	<b>-34,4%</b>

<b>Net financial position</b>	<b>30/09/2011</b>	<b>30/06/2011</b>	<b>31/12/2010</b>
Cash and bank	14.688	16.242	20.983
Financial instruments	71	1	220
<b>Cash and cash equivalents</b>	<b>14.758</b>	<b>16.243</b>	<b>21.204</b>
<b>Short term financial receivables</b>	<b>107</b>	<b>147</b>	<b>50</b>
Bank short term loan	(12.731)	(13.903)	(5.284)
Part of financial long term liabilities due within 12 months	(1.666)	(1.052)	(1.076)
<b>Financial short term liabilities</b>	<b>(14.396)</b>	<b>(14.955)</b>	<b>(6.360)</b>
<b>Net current financial position</b>	<b>469</b>	<b>1.434</b>	<b>14.893</b>
Bank long term loan	(2.141)	(1.967)	(2.151)
Bonds	(618)	(550)	(784)
Other long term financial liabilities	(1.535)	(1.611)	(1.916)
<b>Financial long term liabilities</b>	<b>(4.294)</b>	<b>(4.129)</b>	<b>(4.852)</b>
<b>Net financial position</b>	<b>(3.826)</b>	<b>(2.695)</b>	<b>10.042</b>

## Operational performance

The table below shows the breakdown of sales in the first nine months of 2011 by group sector of activity, compared with the same period of the previous year.

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Industrial systems and lasers	25.959	17,62%	21.058	15,61%	23,27%
Medical and aesthetic lasers	91.548	62,14%	87.295	64,70%	4,87%
Service	29.823	20,24%	26.563	19,69%	12,27%
<b>Total</b>	<b>147.330</b>	<b>100,00%</b>	<b>134.916</b>	<b>100,00%</b>	<b>9,20%</b>

Sales grew close to 10% driven by the rapid development of the industrial sector, and in the quarter, the recovery of revenues by Cynosure, also thanks to the acquisitions completed in the previous months.

Growth in the industrial sector gained further momentum in the quarter. The strongest revenue growth was from our production facilities in high growth countries, China and Brazil, but these companies recorded a slowdown in the growth rate in the quarter, concerned by macroeconomic uncertainties which also hit the areas in which they operate; on the other hand, there was a strong recovery by the Italian companies Cutlite Penta, Otlas and Lasit, compared to the previous year, which saw a peak in deliveries in the first half year thanks to the stimulus from the so-called "Tremonti" law.

Sale of medical systems improved, thanks to excellent results in the period by Cynosure, which benefited from the expansion of the product range obtained through the M&A operations. The addition to the product range also saw Cynosure return to growth on the North American market, its most important market and also very important for the other group companies which, similar to market competitors and as a consequence of the continual market difficulties, continued to encounter difficulties in meeting development plans in this market.

Revenue growth from technical assistance and spare parts continue to be satisfactory, reflecting the progressive increase in the number of systems installed and the volume of business of our clientele, who purchase spare parts, consumables and maintenance services.

The table below reports the geographic breakdown of revenue in the period.

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Italy	17.765	12,06%	20.569	15,25%	-13,63%
Europe	34.550	23,45%	34.740	25,75%	-0,55%
Rest of the world	95.015	64,49%	79.607	59,00%	19,36%
<b>Total</b>	<b>147.330</b>	<b>100,00%</b>	<b>134.916</b>	<b>100,00%</b>	<b>9,20%</b>

The increase in the Rest of the world illustrates the recovery in the American market and the growth in the medical and industrial sectors in the Far East. Sales volumes in Italy fell due to the transition within the professional aesthetics sector.

Within the medical/aesthetics sector, which represent approx. 62% of group sales, the sales in the various segments is shown in the table below:

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Surgical CO2	6.858	7,49%	7.315	8,38%	-6,24%
Physiotherapy	4.005	4,37%	3.372	3,86%	18,77%
Aesthetic	63.886	69,78%	57.230	65,56%	11,63%
Dental	2.484	2,71%	3.179	3,64%	-21,84%
Other medical lasers	11.235	12,27%	12.977	14,87%	-13,43%
Accessories	3.080	3,36%	3.222	3,69%	-4,42%
<b>Total</b>	<b>91.548</b>	<b>100,00%</b>	<b>87.295</b>	<b>100,00%</b>	<b>4,87%</b>

We recall that the group operates in the medical sector with a strategy which best promotes the peculiar characteristics of each of the companies. Deka, Cynosure, Asclepion, Quanta System and Asa operate on the market with their own brand and an independent distribution network; each company has its own research and development laboratories and its own sphere of technological excellence; the group activities are coordinated in order to permit cross fertilisation between the various companies. In this manner, without limiting any company's autonomy, opportunities can be taken and the areas of excellence of each company shared, even to a partial extent, be they commercial, technological or simply geographic location.

The good overall performance of the aesthetic sector saw the medical sector record close to 5% growth and the revenue growth in the aesthetic segment was greater than the entire sector. Strong contribution to the sector from the Q-switched Revlite and Medlite systems for the removal of tattoos and vascular lesions, acquired with the acquisition of Hoya Conbio, and of *SmoothShapes*<sup>®XV</sup> for "body shaping", acquired with Elémé; in their absence, the growth would have been lower, within an economic climate much removed from the robust results in the past and the transition phase of the group's product offer in some areas fundamental for medical aesthetic treatment. We refer in particular to the invasive removal of cellulite which is still awaiting FDA approval for sales in the USA of the "Cellulaze" platform, the innovative mini-invasive system developed in close collaboration with El.En. S.p.A., and for which the launch of a system considered fundamental for the development of Cynosure will be delayed until 2012, and the "flagship" systems of Deka and Asclepion for hair removal, respectively the Synchro Replay and the Mediostar Next platforms, not available for sale before the fourth quarter of 2011.

Due to seasonal factors, sales in the professional aesthetic sector in Italy were not significant, while expectations - also in view of intergovernmental regulations enacted, which define and limit the technical characteristics of equipment used in aesthetic centres - are encouraging. It should be mentioned that the clarity which the decree brought to the sector was unfortunately undermined both by the appeals made to the regional administrative courts by some lobby groups (while others support the decree) and by some interpretations locally applied which had the effect of reducing the beneficial action of the regulation, with the entry into the marketplace of less qualified operators.

The residual segment "Other" is the second largest and reports a fall of 13%; included are surgical systems, principally urology, lithotripsy and endovascular, which after strong initial growth must undergo consolidation through the redefinition of product and market strategies which involve in particular the companies Quanta System and Asclepion. This segment also includes the "Dye" systems of Cynosure for vascular surgery which are no longer the central plank of the company's product range and have experienced a drop in sales, although still comprising highly sophisticated and important technological know-how for the group.

Thereafter follows the CO2 segment, with ElEn production, marked by Deka and the group, world leader in the sector. The aesthetic application of a highly surgical or dermatological system such as CO2 laser, combined with scanning systems (included in the "Accessory" segment) has seen an excellent performance in this segment thanks to the "DOT therapy" systems, very effective for skin rejuvenation. The product is now in a mature phase, and the family of products driving the market, above all Smartxide<sup>2</sup>, has a high level of innovation and strong potential given its wide versatility of application from surgical uses to aesthetic medicine and gynaecology, but has yet to gain full market appreciation.

The therapy segment continues to grow faster than the other segments thanks to ASA, the group company operating in the segment, and the wide range of laser systems for physiotherapy and rehabilitation available for sale.

The dental sector reports a drop in sales, due to the termination of a contract with an important OEM client and lower sales than expected on the American market.

For the industrial application sector, the table below shows the breakdown of sales by market segments.

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Cutting	18.082	69,66%	13.478	64,00%	34,16%
Marking	6.968	26,84%	6.158	29,24%	13,16%
Laser sources	645	2,48%	1.273	6,04%	-49,33%
Welding, other industrial systems	264	1,02%	150	0,71%	76,22%
<b>Total</b>	<b>25.959</b>	<b>100,00%</b>	<b>21.058</b>	<b>100,00%</b>	<b>23,27%</b>

Sales growth is very strong at above 20%.

The cutting systems benefit from excellent results on the Chinese market, where Wuhan Penta Chutian operates and is quickly gaining market share in the metal cutting segment. The growth in the metal cutting segment did not affect the traditional segment which is occupied by groups in leadership positions, such as methacrylate cutting and die laser systems with medium strength laser sources. The marking sector saw recovery especially in the small surface marking sector, thanks to the capacity of Lasit to integrate operating simplicity and system customisation.

The sharp fall in the sale of laser sources is due to the difficult economic climate which resulted in a general decline in demand by our traditional clients, clients involved in the traditional industrial production markets, and especially by the absorption of the production capacity by the Chinese and Brazilian initiatives, which resulted in a considerable increase in the number of laser sources produced by the group within the laser cutting and marking systems.

The small segment which represents the activities in the cultural arts sector, typically with specialised lasers for artistic restoration (we recall David di Verrocchio and Donatello, le porte di Paradiso di Ghiberti, only to name but a few in Florence) in 2011 was able to generate good interest on the potential of our technologies in the sector, with a strong increase in revenue.

The table below shows the breakdown of revenues excluding Cynosure; the industrial sector table is not shown, as Cynosure does not operate in the sector.

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Industrial systems and lasers	25.959	26,57%	21.058	22,65%	23,27%
Medical and aesthetic lasers	53.452	54,70%	56.294	60,54%	-5,05%
Service	18.307	18,73%	15.640	16,82%	17,05%
<b>Total</b>	<b>97.718</b>	<b>100,00%</b>	<b>92.993</b>	<b>100,00%</b>	<b>5,08%</b>

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Italy	17.372	17,78%	20.248	21,77%	-14,20%
Europe	21.331	21,83%	24.487	26,33%	-12,89%
Rest of the world	59.016	60,39%	48.258	51,89%	22,29%
<b>Total</b>	<b>97.718</b>	<b>100,00%</b>	<b>92.993</b>	<b>100,00%</b>	<b>5,08%</b>

	30/09/2011	Inc%	30/09/2010	Inc%	Var%
Surgical CO2	5.690	10,64%	6.817	12,11%	-16,53%
Physiotherapy	4.005	7,49%	3.372	5,99%	18,77%
Aesthetic	30.984	57,97%	31.901	56,67%	-2,87%
Dental	2.484	4,65%	3.179	5,65%	-21,84%
Other medical lasers	7.548	14,12%	7.883	14,00%	-4,25%
Accessories	2.741	5,13%	3.144	5,59%	-12,81%
<b>Total</b>	<b>53.452</b>	<b>100,00%</b>	<b>56.294</b>	<b>100,00%</b>	<b>-5,05%</b>

The 5% growth in the medical sector includes Cynosure, while excluding Cynosure becomes a fall of a similar amount. Within the various segments, aesthetics reports a fall of 3%: without the contribution of the acquisitions of Cynosure, the market contraction is apparent, together with the difficulties in specific markets, as reported in the previous section. The drop was greater in the CO2 and accessory segments, while the drop in the “other” segment also illustrates a transition phase for the surgical sector.

In conclusion on the group turnover, it must be remembered the effects of the crisis are very tangible in our markets, both as a direct effect of the fall in demand against a contraction in disposable income and especially the fears engendered by the significant macroeconomic turbulence. Although our markets are often drivers independent of the general economic climate, we have never before seen the general macroeconomic variables have such an impact. Firstly, we think of the US exchange rate and the continual exchange within the 1.30 area which provides significant advantages to our competitors with costs in Dollars; while we also make reference to the availability and cost of credit, which in recent months have experienced continual turbulences, with periodic availability and periodic increases in costs and extensive uncertainty such as in recent weeks with the worsening of the Italian debt crisis.

The gross margin was Euro 77,202 thousand, an increase of 6.8% on Euro 72,261 thousand in the same period of the previous year; as a percentage of sales, the margin reports a decrease from 53.6% in 9M 2010 to 52.4% in 9M 2011. The decrease in the sales margin was greater in the third quarter - a consequence of an unfavourable product mix and competitive pressures on some markets, which necessitated a small reduction in prices to maintain sales.

Also in the first nine months of 2011 some sales were financed by clients under operating leases, although the group received the sales price, were considered in accordance with IAS/IFRS standards as long-term rental income; however this had a limited effect in the period.

Costs for operating service and charges, amounting to Euro 32,986 thousand, increased by 9.8% on the same period of the previous year, with a percentage on sales which increased to 22.4% from 22.3% in the same period of the previous year. The most significant increase relates to the accessory expenses incurred by Cynosure in the acquisition of the activities of Elémé and Hoya ConBio, for a total in the period of approx. USD 1.3 million. The recording of such non-recurring expenses in the period impacts the result for the period, although not comprising normal operating activity.

Personnel costs amounted to Euro 36,363 thousand and increased by 10.3% compared to Euro 32,972 thousand in the same period of the previous year and highlights substantially unchanged productivity: the percentage on sales in fact increases from 24.4% in 9M 2010 to 24.7% in 9M 2011. Personnel costs also include notional costs for stock option assigned to employees: In 9M 2011 these costs (principally stock options issued by the subsidiary Cynosure Inc) amounted to Euro 1,554 thousand compared to Euro 1,826 thousand in 9M 2010.

At September 30, 2011 the total number of group employees were 1,069 compared to 969 at December 31, 2010 and 954 at September 30, 2010. The increase compared to the beginning of the year is largely attributable, (70 employees), to Cynosure Inc. and the acquisition of the activities of HOYA ConBio® and the subsequent employment of a large part of its staff. The number of employees at the Chinese company Wuhan Penta Chutian also continued to increase with the total number of 196 employees at September 30, 2011 compared to 184 employees at December 31, 2010.

A considerable part of personnel expenses are included within research and development expenses, for which the group receives grants and expense reimbursements against specific contracts underwritten with institutions; the grants recorded under income in 9M 2011 amounted to Euro 1,009 thousand compared to Euro 903 thousand in the same period of 2010. It should be highlighted that the research expenses increased significantly, evidence of the continual commitment of the group to the activity which has always been one of its principal competitive advantages. The table in the paragraph on research illustrates the breakdown of these expenses.

Due to the cost items illustrated above, the EBITDA was Euro 7,853 thousand compared to Euro 9,260 thousand in 9M 2010.

Depreciation and amortisation and provisions, amounting to Euro 7,918 thousand, increased by 23.2% on 9M 2010, as did the percentage on sales which increased from 4.8% in 9M 2010 to 5.4% in 9M 2011. The increase is principally due to the greater provisions made in the period for the product warranty provision. The account remains high due to the provisions for credit risk, considered necessary by the fragile economic outlook which affects the financial solidity of the clients: the impact of this cost item on the group result, unfortunately significant, is an effect of the continuing crisis and the resulting repercussions on the operating activities.

The EBIT therefore reports a loss of Euro 65 thousand compared to a profit of Euro 2,833 thousand in 9M 2010.

It should be noted that, while in the first six months the results, in terms of percentage on sales, were substantially maintained in line with the previous year up to the provisions cost item (significant increase penalising the operating result), in the third quarter the difference of the percentage on sales compared to 2010, on similar productivity of the three cost aggregates of the operating expenses, personnel and provisions, is due to the decrease of the margin on sales. As already outlined this situation derives from an unfavourable sales mix, while the costs reflect a higher level of business activity.

Net financial charges amounted to Euro 209 thousand compared to Euro 296 thousand in the same period of the previous year.

The loss of associated companies is largely due to Elesta Srl and the Spanish company GLI.

Other net income/(expense) in 9M 2011 represent minor items and valuations; it is recalled that the amount recorded in this account in 9M 2010 principally related to the residual goodwill included in the value of the investment in the associated company GLI.

The pre-tax result reports a loss of Euro 768 thousand, attributable, compared to the same period of the previous year a profit of Euro 1,685 thousand, to the deterioration of the operating activities in the nine month period.

In relation to the sub consolidation excluding Cynosure, sales growth was lower (+5.1%), but there was a lower percentage of overhead costs; the EBIT was therefore 3.5%, a better result than in the full consolidation.

The gross margin, which amounted to Euro 48,561 thousand, grew 2.8% on Euro 47,248 thousand in 9M 2010, but fell as a percentage of sales, from 50.8% in the previous year to 49.7% in the current year. As for the full consolidation, there was a greater fall in the quarter from 52.9% to 47.1% and is the principal factor in the deterioration of the results.

The “operating services and charges, and personnel costs” were substantially stable as a percentage on sales; therefore the EBITDA, of approx. Euro 7.6 million, reports a 7.8% margin on sales compared to 9.3% in 9M 2010.

The effect of the provisions, in particular credit risks, contributed to the EBIT of Euro 3.5 million, lower than the previous year, also in the margin which decreased from 5.8% in 9M 2010 to 3.5% in the current period.

The associated companies reporting losses relate entirely to the group without Cynosure, therefore the relative item is unchanged compared to the group consolidation, a loss of Euro 529 thousand (0.5% of sales).

Net financial charges reports Euro 198 thousand compared to Euro 243 thousand in the same period of the previous year.

The pre-tax profit amounts to approx. Euro 2.8 million, with a margin on sales of 2.9% compared to 4.6% in the same period of the previous year.

## **Financial position and Investments**

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

The net financial position of the Group has decreased since December 31' 2010 and is now approx. Euro 43 million, most of which is held by the subsidiary Cynosure Inc.

Among the uses of cash made during this period, were the acquisitions made by Cynosure of the assets of Elémé Medical and of Hoya ConBio® which involved the expenditure of USD 2.5 million and USD 24.5 million respectively; moreover, dividends were paid by El.En. spa of Euro 944 thousand, Euro 335 thousand by ASA Srl and Euro 105 thousand by Deka Mela srl.

The use of liquidity was almost entirely related to the increase in the net working capital which was proportionally greater than the increase in revenues. This is more evident in the consolidated financial statements excluding Cynosure, where the increase in revenues resulted in a greater increase in inventories and trade receivables. For the consolidation without Cynosure, the net financial position also reduced in the third quarter, but to a lesser extent than seen in the first six months of the year.



From the net financial position we have excluded financial receivables from associated companies for an amount of Euro 64 thousand, since these are related to the policy of financial support of the companies in the Group. In continuation of past policy, we did not consider it appropriate to include this type of financing in the net financial position illustrated above.

### Gross investments in the quarter

The gross investments made in the period are shown below.

<i>Progressive</i>	30/09/11	30/09/10
Intangible assets	16.244	120
Tangible assets	5.296	3.634
Equity investments	566	170
<i>Total</i>	22.106	3.924

<i>3 Months</i>	30/09/11	30/09/10
Intangible assets	190	45
Tangible assets	2.573	1.435
Equity investments	250	170
<i>Total</i>	3.013	1.650

The principal investments in the 9 month period relate to the acquisitions undertaken by Cynosure of the assets of **Elémé Medical and Hoya ConBio®**, which also resulted in the recording of intangible assets of USD 14.6 million of goodwill in addition to patents and trademarks.

## Research & Development

During the first nine months of 2011 the Group conducted intense research and development for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market. The Group increased the investments in R&D to face the economic crisis which required even more attractive items for the market through the presentation of new products and applications.

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

The innovative results consist essentially in the creation of new laser applications and the development of suitable equipment for the new applications. In other words, 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 in laser systems related, on the one hand, to its generation and level of power and, on the other, its management over time and in the shape and movement of the ray.

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

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

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

The Group is the only one in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid, semiconductor, gas) each one with 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.

Without going into excessive detail, a description of the numerous sectors in which the research activities of the parent company and some of the subsidiary companies have been involved is given below.

### Systems and applications for lasers in medicine

Through a major effort involving massive use of both personnel and resources, the parent company, El.En. has developed a new family of equipment and sub-systems for the SMARTXIDE<sup>2</sup> family of CO<sub>2</sub> laser products for surgical uses and aesthetic medicine. 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, laparoscopic surgery and aesthetic surgery. One of the innovations that characterises the equipment are scansion heads that are able to emit on to the patient's skin radio frequency electromagnetic radiofrequency energy. In this manner, it allows the doctor to apply DOT and RF (Radiofrequency) treatment for skin rejuvenation, in particular the face, and the reduction of acne scars. On some versions of this group it is possible to install a second semi-conductor source with the wave-length that can be selected by the client when ordering.

Research continued with clinical trials and technological developments on new scanning systems for the use of these lasers in otolaryngology and in gynaecology: initial results on patients were considered excellent by the doctors after the trials. At numerous centers in Italy and abroad there is an intense activity involved in the gathering of clinical results related to the innovative application possibilities which will be provided by the equipment belonging to this particular family of instruments. Further technological innovations have been applied to scanning systems with optical and newly developed electronic management systems which permit surgical intervention on certain anatomic areas with extreme precision.

The research activities in relation to the MILORDS project commenced. We have received approval from the Region of Tuscany for the co-financing with funds from the European Union of the MILORDS Project related to the development of new robot laser systems for surgical operations in the fields of ophthalmology, urology, cutaneous ulcers, the treatment of benign hypertrophy of the prostate and percutaneous ablation within the human body. The project is headed by El-En and has as partners excellent specific research centers in Tuscany and companies associated with multi-national corporations that are active in the field of robotics. Projects of this type pertain to the line of research

being conducted for the development of minimally invasive surgery systems which have a substantial impact both on the quality of life of the patient and the reduction in the cost of health care.

Development work is now in the final phase for a new (Alex+ Nd:YAG+IPL) platform: this is a matrix device capable of sustaining various laser sources, integrated for: co-ordinate and interface with the doctor, supply of electrical current and conditioning fluids, ergonomic mechanical support, management of the various integrated systems. Activity aimed at gathering data from trials conducted in clinics in Italy and abroad is now in the final phase.

We have continued the development of instruments and clinical experiments for innovative laser equipment belonging to the HILT family of equipment (High Intensity Laser Therapy) for uses in physical therapy, dermatology (cutaneous ulcers), orthopaedics, with experiments also conducted in the USA in collaboration with Washington State University using animal (horse) models. Our research is in the final phase of the experimental treatment of affections on knee articulation on patients with the Rizzoli Institute of Bologna, our partner for a number of years, and with specialised orthopaedic clinics in Germany.

We have continued experimental trials on the effects of photo-mechanical stimulation of chondrocytes.

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 as part of the activity conducted with the associated company Elesta created by El.En. and Esaote. Collaborative research and experimental projects have taken place with the university clinics of Florence and Pisa and with the Electronic Engineering and Telecommunication Department of the University of Florence; we are now concluding research for the creation of interaction laser tissue models for programming ablation operations; moreover, research is proceeding for the identification of methods aimed at the characterization of tissue treated with radio-frequency ultrasound signals in order to improve the verification phase of the effects of the treatment once it has been applied; we have completed the research for the identification of procedures for the creation of applicators with cold points and those with inflatable balloons with spreading liquid. These activities were conducted as part of the TRAP project with funds received from the European Union issued by the Department of Economic Development of the Region of Tuscany.

We have continued activities for the development of laser equipment and devices for the treatment of cutaneous ulcers (TROPHOS project). This project like the above mentioned TRAP, are conducted with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany.

At the same time, active clinical experimentations have continued in Italy and in qualified European and American centers in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odontostomatology and aesthetics. 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 El.En. we have conducted research for new medical applications in the recently created PHOTOBIO LAB for the study of the interaction between light and biological tissue. As part of this project, a laboratory for *in vitro* trials of pre-prototype equipment and for the education of the operators has been set up.

The collaboration of El.En.'s Research and Development department for medical laser devices with Cynosure for the development of new laser equipment for the treatment of adipose layers was concluded during this period.

At Cynosure they have continued experimental activity on the treatment of cellulite using a new instrument which has innovative characteristics in terms of the power level and the control of feeding elements with retroactivated systems with information supplied by temperature sensors and using multiple wave lengths. Feasibility studies have commenced for a new method to eliminate tattoos on a wide range of pigment colours.

Quanta System continued the development of two types of lasers, one with holmium and the other with Thulium infrared, for the therapy for the treatment of benign prostate hypertrophy and of a fiber laser with augmented performance with respect to the state of the art, with contributions derived from financing for a European Union project. We are also actively conducting research on new laser equipment with multiple wave lengths with Q-switch technology.

DEKA M.E.L.A. 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, gynaecological and otolaryngological. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for Italian and foreign academic and professional medical centers.

Asclepion received an important grant from the region in which it operates, Tuscany, for the development and experimentation of lasers for surgery; the activity of research and development of equipment for applications in urology and the related clinical trials are now in progress.

#### Laser systems and applications for industry

We have completed experimental trials and are now completing activities for the integration into our products of groups of innovative electronic subsystems based on a system in Digital Electronics (VOYAGER) which was developed inside the company, for the control and management of equipment for marking recently created at OT-LAS.

For cutting applications on metallic materials we have developed a capacitive sensor for controlling the position of the focal zone of the laser ray with respect to the material; experimental activities were concluded.

As part of the strategy for the development of restoration methods, a project (TEMART) was approved and El.En. is responsible for the development of the laser equipment used for certain special types of conservation work.

We continued experimentation work on new diagnostic systems for paper in antique books using lasers; this system has recently been patented.

We are developing laser systems to be used for cutting and sealing plastic materials in equipment for packaging foods and chemicals for various uses.

We have developed new testing methods for mirrors for marking devices of different dimensions on the basis of the high speed scansion in machines performing laser decoration on large surfaces.

Cutlite Penta is a company that operates in a market of high technological intensity and maintains its competitive position by amplifying its range both by offering newly designed systems as well as renovating technical solutions in systems that are already being manufactured.

They completed verification trials on structural and functional innovations developed on sealed CO<sub>2</sub> sources manufactured by El.En. and new sources of this family are been developed at a greater impact level. The development continued of an electronic system for tele-diagnosis and tele-assistance for industrial machines. They have developed new compact cutting systems with higher performance and limited costs, and have continued the applicative study for the identification of new cutting solutions, in particular those for cutting sheet metal. They are developing systems to eliminate most of the optical routes of the CO<sub>2</sub> laser ray with solutions that include the direct assembly of the new sources with Radiofrequency pumping on the mobile portal of the machine. They are now about to complete the development of the software for the execution using raster scansion for marking metal and other kinds of surfaces on the cutting machine.

Feasibility studies commenced for new laser applications in processing cycles for glass objects.

Quanta System has completed a research program on the use of laser based working technologies on components for exploiting solar energy; financing for the project has been approved by the special commissions of the European Union.

At Ot-las they are completing the development of a new generation machine for continual decorating of rolls of fabric over large areas and they have developed the specific software for using VOYAGER boards on this machine (MX). For this same machine, they have completed the preliminary study for the 2800 mm version. In accordance with the mid- and long-term plans they have developed the software for the remote monitoring of the new RF333 radio-frequency sources now in progress at El.En.

We have continued work on perfecting the algorithms, calculus programs and hardware structures for artificial vision systems to be used in the automation of surface decoration using laser markers, on leather and other materials and for the cutting and marking of other objects which are laid out flat on the work surface; moreover, we have completed the development of the software to apply offset algorithms to closed edges and to reorganize execution files.

The following table shows the expenses for Research and Development in the period:

<i>thousands of euros</i>	<b>30/09/2011</b>	<b>30/09/2010</b>
Costs for staff and general expenses	8.406	7.103
Equipment	136	116
Costs for testing and prototypes	1.393	762
Consultancy fees	489	525
Other services	452	549
Intangible assets	0	0
<b>Total</b>	<b>10.876</b>	<b>9.055</b>

As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses incurred by Cynosure during this period for research and development was approx. USD 7.1 million compared to USD 5.4 million in the same period of last year.

In accordance with company policy, the above expenses have been entirely expensed in the income statement for the period.

The amount of expenses incurred accounts for 7% of group consolidated revenues. The amount relating to Cynosure, as previously reported, USD 7.1 million, accounts for approx. 9% of its revenues; the remainder of the expenses were largely incurred by El.En. S.p.A. and account for 9% of its revenues.

## Share performance

The share performance in the period is shown in the graph below.



## Significant events in the quarter

On July 11, 2011, the subsidiary Quanta System spa increased its holding in Quanta France Sarl acquiring 42% from minority shareholders at a price of approx. Euro 27 thousand, consequently increasing its holding to 60%.

On July 12, 2011, after the share capital increase approved by the shareholders' meeting of Quanta France Sarl on the same date, Quanta System spa subscribed to its share of Euro 15 thousand through the offset of receivables due from the French company.

On July 20, 2011, the parent company El.En. spa increased its holding in Deka M.E.L.A. srl acquiring 5% from a minority shareholder at a price of Euro 250 thousand, increasing its stake to 75%.

On September 8, 2011, the shareholders' meeting of Asclepion Laser Technologies GmbH approved a share capital increase from Euro 1,025 thousand to Euro 2,025 thousand, which was fully subscribed and paid in by the shareholders El.En. spa and Quanta System spa, in proportion to the capital held.

## Subsequent events after the end of the quarter

On October 5, 2011, the final liquidation accounts of the company Ratok srl were filed at the Varese company's registration office with consequent request for cancelation of the company.

On October 25, 2011, the shareholders' meeting of SBI S.A. approved the share capital increase from Euro 600 thousand to Euro 1,200 thousand, subscribed and paid in for the share relating to the parent company El.En. spa (50%).

## **Outlook for the current year**

The results in the third quarter were impacted by unfavourable seasonal factors and the general deterioration in the economic climate. In relation to the results excluding Cynosure – for which separate forecasts are provided - the operating result contracted compared to both the previous quarters and the previous year, while extraordinary and financial items, which in the first six months negatively impacted the operating results, improved significantly.

The improvement in the operating result in the second half of the year over the first half year, objective outlined in the half year report, remains the benchmark for management, despite a rapid deterioration in the economic climate which renders the objective more ambitious.

For the Board of Directors

Managing director  
Andrea Cangioli

## Attachment A: Consolidated companies at September 30, 2011

### Subsidiaries

Company name:	Headquarters	Currency	Percentage held:			Consolidated Percentage
			Direct	Indirect	Total	
<b>Parent company:</b>						
El.En. SpA	Calenzano (ITA)	EURO				
<b>Subsidiary companies:</b>						
Deka M.E.L.A. Srl	Calenzano (ITA)	EURO	75,00%		75,00%	75,00%
Cutlite Penta Srl	Calenzano (ITA)	EURO	90,67%		90,67%	90,67%
Esthelogue Srl	Calenzano (ITA)	EURO	100,00%		100,00%	100,00%
Deka Technologies Laser Sarl	Lyons (FRA)	EURO	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH	Berlin (GER)	EURO	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	Carlsbad (USA)	USD	11,78%	80,71%	92,49%	92,49%
Ot-las Srl	Calenzano (ITA)	EURO	90,00%		90,00%	90,00%
Lasit SpA	Vico Equense (ITA)	EURO	52,67%	17,33%	70,00%	68,27%
BRCT Inc.	Branford (USA)	USD	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	EURO	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	Jena (GER)	EURO	50,00%	50,00%	100,00%	80,00%
Arex Srl	Solbiate Olona (ITA)	EURO		51,22%	51,22%	30,73%
AQL Srl	Vimercate (ITA)	EURO		100,00%	100,00%	67,58%
ASA Srl	Arcugnano (ITA)	EURO		60,00%	60,00%	45,00%
Cynosure Inc.	Westford (USA)	USD	23,39%		23,39%	23,39%
Cynosure GmbH	Langen (GER)	EURO		100,00%	100,00%	23,39%
Cynosure Sarl	Courbevoie (FRA)	EURO		100,00%	100,00%	23,39%
Cynosure KK	Tokyo (JAP)	YEN		100,00%	100,00%	23,39%
Cynosure UK	Cookham (UK)	GBP		100,00%	100,00%	23,39%
Suzhou Cynosure Medical Devices Co.	Suzhou (CHINA)	YUAN		100,00%	100,00%	23,39%
Cynosure Spain	Madrid (SPAIN)	EURO		100,00%	100,00%	23,39%
Cynosure Mexico	S. Jeronimo Aculco (MEX)	MEX		100,00%	100,00%	23,39%
Cynosure Korea	Seul (S. KOREA)	KRW		100,00%	100,00%	23,39%
With Us Co Ltd	Tokyo (JAP)	YEN		51,25%	51,25%	51,25%
Deka Japan Co. Ltd	Tokyo (JAP)	YEN	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	Wuhan (CHINA)	YUAN		55,00%	55,00%	49,87%
Lasit Usa Inc.	Branford (USA)	USD		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	REAL	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	Branford (USA)	USD		100,00%	100,00%	100,00%
Ratok Srl	Solbiate Olona (ITA)	EURO		70,00%	70,00%	42,00%
Pharmonia Srl	Calenzano (ITA)	EURO		100,00%	100,00%	80,00%
Deka Medical Inc	San Francisco (USA)	USD		100,00%	100,00%	100,00%
Quanta France Sarl	Paris (FRA)	EURO		60,00%	60,00%	36,00%

## Associated companies

Company name:	Headquarters	Percentage held:			Consolidated Percentage
		Direct	Indirect	Total	
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	12,00%		12,00%	12,00%
SBI S.A.	Herzele (BE)	50,00%		50,00%	50,00%
Laser International Ltd	Tianjin (CHINA)		40,00%	40,00%	24,00%
Elesta Srl	Calenzano (ITA)	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL	Donostia (SPAIN)		30,00%	30,00%	18,00%
Quanta System Asia Pacific Co.LTD	Bangkok (Thailand)		49,00%	49,00%	29,40%
Electro Optical Innovation Srl	Turin (ITA)		33,33%	33,33%	20,00%



**Attachment “B”: DECLARATION IN ACCORDANCE WITH ARTICLE 154BIS, PARA. 2 OF LEGISLATIVE DECREE No. 58/1998**

The undersigned, Mr Enrico Romagnoli, Executive responsible for the preparation of the corporate accounting documents of El.En. S.p.A., declares in accordance with article 154 bis, paragraph 2, of Legislative Decree No. 58/1988 of February 24<sup>th</sup> 1998, that the accounting information contained in the present document corresponds to the underlying accounting documents, records and accounting entries.

Calenzano, November 14, 2011

The Executive Responsible  
Dott. Enrico Romagnoli