



Quarterly Financial  
Report at  
September 30<sup>th</sup>, 2009



Ei. En. Group

# **EL.EN. S.P.A.**

Headquarters in Calenzano (FI), Via Baldanzese, 17

Capital stock      approved: € 2.591.871,36  
                         Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

# **CORPORATE BOARDS OF THE PARENT COMPANY**

## **Board of Directors**

PRESIDENT

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Angelo Ercole Ferrario

Michele Legnaioli

Stefano Modi

Alberto Pecci

## **Board of statutory auditors**

PRESIDENT

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Giovanni Pacini

## **Executive officer responsible for the preparation of the Company's financial statements in compliance with Law 262/05**

Enrico Romagnoli

## **Independent auditors**

Reconta Ernst & Young S.p.A.

**EL.EN. GROUP**

**INTERIM MANAGEMENT  
REPORT**

**AS OF SEPTEMBER 30<sup>th</sup> 2009**

# Intermediate management report

## Introduction

This intermediate management report for the quarter ending September 30<sup>th</sup> 2009 for the El.En. Group was drawn up in compliance with to Art. 154-ter of Legislative Decree 58/1998 and later modifications as well as the regulations for issuing companies issued by Consob. This document contains the information usually included by the company in the preceding quarterly reports.

The information sheet shown below has been drawn up in compliance with IAS/IFRS international accounting principles which have been obligatory since 2005 for the display of the consolidated statements of companies quoted on the regulated stock markets.

The task of examining the data and the information provided in this report has not been assigned to an auditing firm, because, as of this writing, it is not compulsory.

The quarterly results as of September 30<sup>th</sup> 2009 are shown in comparative form with those for the same quarter last year. All amounts are expressed in thousands of Euros unless otherwise indicated.

## Performance indicators

In this management report we have shown some performance indicators for the purpose of facilitating the evaluation of the performance of the economic and financial management. The Group uses the following performance indicators:

- the EBITDA or earnings before interest, income taxes, depreciations and amortizations, which represents an indicator of operating performance which is determined by adding to the earnings before interest and income taxes (EBIT), the heading of “Amortizations, accruals and devaluations”;
- the EBIT or earnings before interests and income taxes;
- the incidence that the various entries in the profit and loss account have on the sales volume.

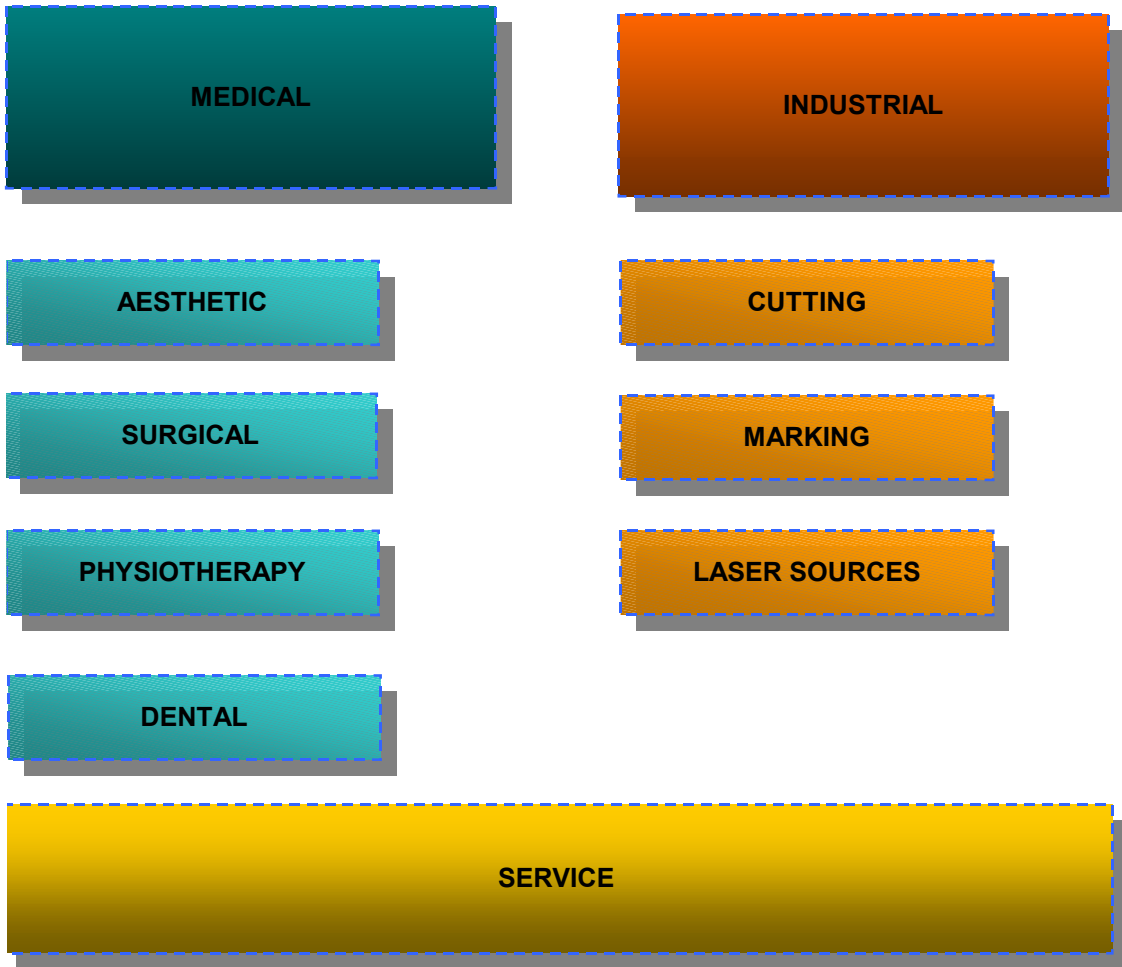
These indicators are illustrated in Profit and Loss Account charts shown and commented further on.

## Description of the activities of the Group

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group.

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

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



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

## **Significant events which occurred during this quarter**

During the quarter which ended on September 30<sup>th</sup> 2009 we concluded several operations which involved companies that are included in the area of consolidation.

### Subsidiary companies

- Deka Laser Technologies Inc.: we completed the operations for the merger by incorporation of Deka Laser Technologies LLC into Deka Laser Technologies Inc. as apart of the program of reorganization of the distribution activities in the dental sector in the United States; after the merger, El.En. Spa holds directly 11,78% of the capital and indirectly, through BRCT Inc., 80,71%;

- Deka Medical Inc.: with this entity (which is owned 100% by BRCT Inc.) in the month of August we started the direct distribution in the United states of the some of the DEKA brand products in the medical, aesthetic and surgical sectors. The direction of the activities of the company, which has its headquarters in San Francisco, have been turned over to highly experienced managers;

- Esthologue Srl (formerly Valfivve Italia Srl): this company, which ceased all operating activity at the end of 2007 has been singled out by the group as the best vehicle for a new development initiative which would involve the direct entry into the market of technological systems for aesthetic purposes. In relation to this, in the month of September, the shareholders' assembly voted to change the name of the company and replace the administrative board as well as to modify the company purpose in such a way as to effectively express the actual kind of activity that the company will be conducting.

### Associated companies

- Smartbleach International SA: the operations for the increase in capital stock from 300 thousand to 600 thousand Euros were concluded in compliance with the vote of the assembly of the company, to be effected by means of the underwriting and paying out of an amount proportionate to the quotas held by each partner; El.En. Spa holds a quota of 50%.

- Elesta Srl: the partners of the company concluded the payment of the residual tenths of the capital stock that was underwritten for the transformation of the company from a consortium company with limited responsibility to a company with limited responsibility (Slr).

The list of the companies which are included in the area of consolidation as of September 30th 2009 is shown in "Attachment A".

## **Economic and financial results of the Group**

At the beginning of the most critical phase of the current economic crisis about a year ago, it had been forecast that the second half of 2009 would represent a return to normal economic activity and the beginning of the end of the crisis. Later, when it became evident that the crisis was more serious than expected, forecasts for a further worsening of the situation appeared, with particular reference to the drop in consumption which was a consequence of the increased unemployment present in the industrialized nations. The market conditions which the Group is now dealing with reflect the continuance of a situation of great difficulty which has been present since the beginning of the year; while the continued worsening of the situation which was feared has not occurred, the improvements are not substantial enough to be considered signs of a change in tendency.

The level of activity continues to remain at about 30% below that for the same period a year ago. Through a systematic revision of overhead cost we have been able to save the core values and the investments in research activities but the Group has decidedly lowered their break-even level and has been just barely able to generate revenue at the sales volume level that is only slightly above that for the third quarter, which among other things was penalized by the reduction in activity typical of the summer season which in this case, from a phenomenon that is typically Italian and European, had extended to become a global phenomenon which included the United States of America.

The condition of the financing market, which is fundamental in enabling our clients to acquire the financial means for the purchase of capital goods like those we produce in both the medical and industrial sectors, remains stifled, as we are continually informed by the specialized and mass media. The financial standing necessary for a potential client in order to receive financing has been substantially raised and therefore limits the number of persons who count on our technology to relaunch an activity or start up a new business, and also those who are presently generating revenue using technologies they have acquired through financial leasing, and who are now denied the possibility of extending their investment, even though it is profitable for them and the financing company, because there is now a general tendency on the part of the financiers to try and reduce exposure to risks. In short, as far as this sector is concerned, we have not seen any significant improvement since the last report.

The sales volume for technical assistance and spare parts continues to show a slight growth and this confirms that the market of the end-user for services offered by our systems remains lively and allows our clients to maintain a good level of activity, but not enough to induce them to make new purchases or to replace them with new equipment as had occurred in the past.

The presence of special merchandise sectors and market niches that showed a positive trend with respect to 2008 demonstrates the fact that being able to identify these particular sectors or niches through the creation of innovative ad hoc products and the opportune distribution of these products with the differentiation in the range offered to the client, can create competitive opportunities even in periods of generalized crisis. It is in fact, the continual innovation of our products and of their potential uses that the Group continues to believe in and to work towards, with the prospect of being able to offer to the markets a range of products which is vast enough and innovative enough to overcome the general reluctance to make new investments which has been caused by the crisis.

Among the various activities of the Group, those in the United States continue to show the most significant drop in sales volume. Cynosure saw its sales volume in dollars fall 53% in the third quarter of 2009, but the volume for our distributors both inside and outside of the Group has also shown a considerable drop. On the other markets the results are better and in some cases have even shown improvement, but the overall result in terms of sales volume shows a fall of 35%, with the relative consequences on the revenue.

As mentioned earlier, we have taken multiple measures in order to try to cut costs. As far as the staff is concerned, each company in the Group has acted in accordance to the specific regulations and market in their area, and has limited costs by reducing the number of working hours, applied partial lay-offs, interrupted temporary and short terms contracts, or directly reduced the number of personnel. The overall effect compared with the costs for 2008, in any case still reflects the growth trend in the number of employees and the relative costs shown for 2008, a year of tremendous growth for all of the Group: the effects of the reduction in costs therefore had as its point of departure a level of costs which was greater than the average for the preceding year, on particular for the first quarters, and therefore at this time appears to be less drastic than it actually is.

Another important measure that has been taken is the partial re-appropriation of some of the manufacturing phases which had been sent out to jobbers, and which now, with the greater availability of personnel, have been brought back to the factory and will be performed by the employees; through the increase in activity conducted inside the factory combined with the reduction of external production costs, this step has made it possible to avoid the dispersion of personnel that is trained and qualified for the delicate tasks of testing and control.



As explained in detail below, expenses for Research and Development continue to represent a major investment for the companies belonging to the Group and remain the chief competitive weapon. The start up of new sales offices, in particular for the distribution of laser systems for dental use in the United States of America and for laser systems for aesthetic purpose in Italy also represented major cost items in the budget for this quarter.

Considering the importance that the subsidiary Cynosure has on the consolidated results and the large portion of stock held in the company by third parties (the controlling majority held by El. En. Spa in fact is 23,05% as of September 30<sup>th</sup> 2009), in this information sheet we are showing both the consolidated statement for the Group as well as the data relative to the results of the Group excluding Cynosure.

The chart below shows the results of the Profit and Loss account for the third quarter of 2009 displayed in comparative form with the results for the same period last year.

<b>Profit and loss account - 3 months</b>	<b>30/09/09</b>	<b>Inc. %</b>	<b>30/09/08</b>	<b>Inc. %</b>	<b>Var. %</b>
Revenues	34.295	100,0%	51.403	100,0%	-33,3%
Change in inventory of finished goods and WIP	836	2,4%	143	0,3%	485,1%
Other revenues and income	335	1,0%	453	0,9%	-26,2%
<b>Value of production</b>	<b>35.466</b>	<b>103,4%</b>	<b>51.999</b>	<b>101,2%</b>	<b>-31,8%</b>
Purchase of raw materials	12.194	35,6%	17.952	34,9%	-32,1%
Change in inventory of raw material	1.358	4,0%	(389)	-0,8%	
Other direct services	3.345	9,8%	5.649	11,0%	-40,8%
<b>Gross margin</b>	<b>18.569</b>	<b>54,1%</b>	<b>28.788</b>	<b>56,0%</b>	<b>-35,5%</b>
Other operating services and charges	7.875	23,0%	11.729	22,8%	-32,9%
<b>Added value</b>	<b>10.694</b>	<b>31,2%</b>	<b>17.059</b>	<b>33,2%</b>	<b>-37,3%</b>
For staff costs	10.191	29,7%	11.019	21,4%	-7,5%
<b>EBITDA</b>	<b>503</b>	<b>1,5%</b>	<b>6.041</b>	<b>11,8%</b>	<b>-91,7%</b>
Depreciation, amortization and other accruals	2.002	5,8%	1.590	3,1%	25,9%
<b>EBIT</b>	<b>(1.499)</b>	<b>-4,4%</b>	<b>4.451</b>	<b>8,7%</b>	
Net financial income (charges)	(15)	-0,0%	678	1,3%	
Share of profit of associated companies	(137)	-0,4%	(102)	-0,2%	33,9%
Other Income (expense) net	(2)	-0,0%	(124)	-0,2%	-98,5%
<b>Income before taxes</b>	<b>(1.653)</b>	<b>-4,8%</b>	<b>4.902</b>	<b>9,5%</b>	

The chart below shows the results of the Profit and Loss Account for the first nine months of 2009 displayed in comparative form with the results for the same period last year.

<b>Profit and loss account</b>	<b>30/09/09</b>	<b>Inc.%</b>	<b>30/09/08</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	106.846	100,0%	165.050	100,0%	-35,3%
Change in inventory of finished goods and WIP	(1.059)	-1,0%	4.590	2,8%	
Other revenues and income	1.642	1,5%	1.002	0,6%	63,9%
<b>Value of production</b>	<b>107.429</b>	<b>100,5%</b>	<b>170.641</b>	<b>103,4%</b>	<b>-37,0%</b>
Purchase of raw materials	36.077	33,8%	65.345	39,6%	-44,8%
Change in inventory of raw material	2.057	1,9%	(5.077)	-3,1%	
Other direct services	10.674	10,0%	17.441	10,6%	-38,8%
<b>Gross margin</b>	<b>58.621</b>	<b>54,9%</b>	<b>92.932</b>	<b>56,3%</b>	<b>-36,9%</b>
Other operating services and charges	30.949	29,0%	35.074	21,3%	-11,8%
<b>Added value</b>	<b>27.673</b>	<b>25,9%</b>	<b>57.857</b>	<b>35,1%</b>	<b>-52,2%</b>
For staff costs	31.695	29,7%	33.897	20,5%	-6,5%
<b>EBITDA</b>	<b>(4.022)</b>	<b>-3,8%</b>	<b>23.960</b>	<b>14,5%</b>	
Depreciation, amortization and other accruals	6.510	6,1%	4.412	2,7%	47,6%
<b>EBIT</b>	<b>(10.533)</b>	<b>-9,9%</b>	<b>19.548</b>	<b>11,8%</b>	
Net financial income (charges)	811	0,8%	1.564	0,9%	-48,1%
Share of profit of associated companies	(693)	-0,6%	(121)	-0,1%	470,5%
Other net income (expense)	(20)	-0,0%	(228)	-0,1%	-91,2%
<b>Income before taxes</b>	<b>(10.434)</b>	<b>-9,8%</b>	<b>20.763</b>	<b>12,6%</b>	

Details of the net financial position of the Group are shown on the chart below:

<b>Net financial position</b>	<b>30/09/2009</b>	<b>30/06/2009</b>	<b>31/12/2008</b>
Cash and bank	47.071	49.435	59.114
Financial instruments	28.263	28.651	18.044
<b>Cash and cash equivalents</b>	<b>75.333</b>	<b>78.086</b>	<b>77.158</b>
<b>Short term financial receivables</b>	<b>8</b>	<b>4</b>	<b>42</b>
Bank short term loan	(4.862)	(4.543)	(4.461)
Part of financial long term liabilities due within 12 months	(1.277)	(1.025)	(1.087)
<b>Financial short term liabilities</b>	<b>(6.140)</b>	<b>(5.567)</b>	<b>(5.548)</b>
<b>Net current financial position</b>	<b>69.202</b>	<b>72.523</b>	<b>71.652</b>
Bank long term loan	(2.226)	(2.369)	(1.920)
Other long term financial liabilities	(2.227)	(2.276)	(1.815)
<b>Financial long term liabilities</b>	<b>(4.454)</b>	<b>(4.645)</b>	<b>(3.735)</b>
<b>Net financial position</b>	<b>64.748</b>	<b>67.878</b>	<b>67.918</b>

The charts below show the Profit and Loss Account for the third quarter of 2009, the Profit and Loss Account for the first nine months of 2009 and the net financial position of the Group excluding the subsidiary Cynosure from the area of consolidation.

<b>Profit and loss account - 3 months</b>	<b>30/09/09</b>	<b>Inc.%</b>	<b>30/09/08</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	22.612	100,0%	29.222	100,0%	-22,6%
Change in inventory of finished goods and WIP	1.224	5,4%	493	1,7%	148,4%
Other revenues and income	292	1,3%	331	1,1%	-11,8%
<b>Value of production</b>	<b>24.128</b>	<b>106,7%</b>	<b>30.046</b>	<b>102,8%</b>	<b>-19,7%</b>
Purchase of raw materials	9.413	41,6%	12.674	43,4%	-25,7%
Change in inventory of raw material	1.372	6,1%	460	1,6%	198,5%
Other direct services	2.349	10,4%	3.035	10,4%	-22,6%
<b>Gross margin</b>	<b>10.994</b>	<b>48,6%</b>	<b>13.878</b>	<b>47,5%</b>	<b>-20,8%</b>
Other operating services and charges	4.648	20,6%	5.681	19,4%	-18,2%
<b>Added value</b>	<b>6.345</b>	<b>28,1%</b>	<b>8.197</b>	<b>28,1%</b>	<b>-22,6%</b>
For staff costs	5.566	24,6%	5.777	19,8%	-3,6%
<b>EBITDA</b>	<b>779</b>	<b>3,4%</b>	<b>2.420</b>	<b>8,3%</b>	<b>-67,8%</b>
Depreciation, amortization and other accruals	980	4,3%	821	2,8%	19,4%
<b>EBIT</b>	<b>(201)</b>	<b>-0,9%</b>	<b>1.600</b>	<b>5,5%</b>	
Net financial income (charges)	(350)	-1,5%	577	2,0%	
Share of profit of associated companies	(137)	-0,6%	(102)	-0,4%	33,9%
Other Income (expense) net	0	0,0%	(5)	0,0%	
<b>Income before taxes</b>	<b>(688)</b>	<b>-3,0%</b>	<b>2.069</b>	<b>7,1%</b>	

<b>Profit and loss account</b>	<b>30/09/09</b>	<b>Inc.%</b>	<b>30/09/08</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	71.605	100,0%	98.534	100,0%	-27,3%
Change in inventory of finished goods and WIP	932	1,3%	3.823	3,9%	-75,6%
Other revenues and income	1.486	2,1%	655	0,7%	126,7%
<b>Value of production</b>	<b>74.023</b>	<b>103,4%</b>	<b>103.012</b>	<b>104,5%</b>	<b>-28,1%</b>
Purchase of raw materials	29.905	41,8%	49.815	50,6%	-40,0%
Change in inventory of raw material	1.611	2,2%	(3.588)	-3,6%	
Other direct services	6.848	9,6%	9.906	10,1%	-30,9%
<b>Gross margin</b>	<b>35.659</b>	<b>49,8%</b>	<b>46.879</b>	<b>47,6%</b>	<b>-23,9%</b>
Other operating services and charges	16.539	23,1%	17.147	17,4%	-3,5%
<b>Added value</b>	<b>19.120</b>	<b>26,7%</b>	<b>29.732</b>	<b>30,2%</b>	<b>-35,7%</b>
For staff costs	18.176	25,4%	18.882	19,2%	-3,7%
<b>EBITDA</b>	<b>944</b>	<b>1,3%</b>	<b>10.850</b>	<b>11,0%</b>	<b>-91,3%</b>
Depreciation, amortization and other accruals	3.005	4,2%	2.334	2,4%	28,8%
<b>EBIT</b>	<b>(2.061)</b>	<b>-2,9%</b>	<b>8.516</b>	<b>8,6%</b>	
Net financial income (charges)	1	0,0%	256	0,3%	-99,8%
Share of profit of associated companies	(693)	-1,0%	(121)	-0,1%	470,5%
Other net income (expense)	0	0,0%	(5)	0,0%	
<b>Income before taxes</b>	<b>(2.754)</b>	<b>-3,8%</b>	<b>8.645</b>	<b>8,8%</b>	

<b>Net financial position</b>	<b>30/09/2009</b>	<b>30/06/2009</b>	<b>31/12/2008</b>
Cash and bank	14.638	15.354	23.617
Financial instruments	230	0	0
<b>Cash and cash equivalents</b>	<b>14.868</b>	<b>15.354</b>	<b>23.617</b>
<b>Short term financial receivables</b>	<b>8</b>	<b>4</b>	<b>42</b>
Bank short term loan	(4.861)	(4.538)	(4.453)
Part of financial long term liabilities due within 12 months	(1.074)	(791)	(809)
Other short term financial liabilities	0	0	0
<b>Financial short term liabilities</b>	<b>(5.935)</b>	<b>(5.328)</b>	<b>(5.262)</b>
<b>Net current financial position</b>	<b>8.940</b>	<b>10.030</b>	<b>18.397</b>
Bank long term loan	(2.202)	(2.351)	(1.920)
Other long term financial liabilities	(2.094)	(2.091)	(1.502)
<b>Financial long term liabilities</b>	<b>(4.296)</b>	<b>(4.442)</b>	<b>(3.422)</b>
<b>Net financial position</b>	<b>4.645</b>	<b>5.588</b>	<b>14.976</b>

## Comments on the management results

The table below shows the subdivision of the sales volume according to sectors of activity of the Group for the first nine months of 2009 in comparison with the same subdivision for the same period last year

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Industrial systems and lasers	11.930	11,17%	21.558	13,06%	-44,66%
Medical and aesthetic lasers	72.444	67,80%	122.598	74,28%	-40,91%
Service	22.472	21,03%	20.894	12,66%	7,55%
<b>Total</b>	<b>106.846</b>	<b>100,00%</b>	<b>165.050</b>	<b>100,00%</b>	<b>-35,26%</b>

The drop in sales for industrial laser systems was greater than that for medical systems, however both showed a decrease of over 40% in sales, which reflects the global financial and sectorial crisis, in particular in the medical sector in the United States of America. As mentioned above, the servicing activity on the other hand shows an increase; this is due to the increase in the number of systems installed thanks to the substantial number of sales made in 2008, and also to the level of activity maintained by the clientele which continued purchasing consumables and items for ordinary and extraordinary maintenance to keep the systems running properly and in conformity with regulations.

Results for this period in relation to geographic distribution of the sales volume are shown on the chart below.

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Italy	17.223	16,12%	22.598	13,69%	-23,78%
Europe	29.827	27,92%	48.621	29,46%	-38,65%
Rest of the world	59.796	55,96%	93.831	56,85%	-36,27%
<b>Total</b>	<b>106.846</b>	<b>100,00%</b>	<b>165.050</b>	<b>100,00%</b>	<b>-35,26%</b>

Although all markets showed a drop, the Italian market showed the least and the European markets the greatest decrease. The European market results however should be evaluated considering that the GLI company, the Spanish distributor for our Quanta System, has left the area of consolidation and this comports an overall net reduction in sales volume of about 6 million Euros for this quarter. The greatest drop in sales volume in fact is that registered for the Rest of the World, which was penalized in particular by the United States.

Although the quota of sales volume on the Italian market increased from 13% to about 16% the Group still maintains their intention of global expansion and while not neglecting any sector of interest on the Italian market, their sales strategies are always directed towards affirmation at an international level.

For the medical sector, which represents almost 68% of the sales of the Group, the chart below shows the results for the various segments.

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Surgical CO2	6.830	9,43%	5.660	4,62%	20,67%
Physiotherapy	3.315	4,58%	2.984	2,43%	11,07%
Aesthetic	46.999	64,88%	97.929	79,88%	-52,01%
Dental	2.680	3,70%	5.162	4,21%	-48,07%
Other medical lasers	10.083	13,92%	8.823	7,20%	14,29%
Accessories	2.537	3,50%	2.040	1,66%	24,36%
<b>Total</b>	<b>72.444</b>	<b>100,00%</b>	<b>122.598</b>	<b>100,00%</b>	<b>-40,91%</b>

In the aesthetic segment, where the growth had been the most brilliant and had brought the Group to its maximum level of expansion in 2008, we are now seeing the greatest decrease. In this segment in which the Group holds a position of leadership through its different brand names and diffused global presence, it has been more difficult to fight the general reluctance to purchase by means of differentiation and innovation of the product. Actually, an important reaction has been produced in an aesthetic application that makes use of an instrument traditionally used in surgery like CO<sub>2</sub> laser and an accessory scanning system, the so-called DOT therapy for resurfacing, the interesting results for which are shown in the chart, in the categories of CO<sub>2</sub> lasers and accessories, in which we have traditionally placed this equipment.

Considering the leadership that the Group has achieved in this field thanks to its particular systems, first of all DEKA's Smartxide DOT, followed by Cynosure's Smartskin and Performa and Asclepion's Multistar, we believe that it is useful to describe the characteristics of this system. The use of a pulsating CO<sub>2</sub> laser combined with a scanner that performs in rapid succession a series of adjacent micro-holes on the skin creates a remarkable effect of rejuvenation on the face due to the particular characteristics of the impulse and its capacity to achieve the stimulation threshold of some regenerating activities of the skin without causing bleeding. The application has been use on thousands of patients including many members of the Star System who are always attracted by innovations in the field of aesthetic treatments.

This type of ablation resurfacing has made it possible to partially offset the losses that other aesthetic applications like hair removal, laser-lipolysis, vascular treatments, and non-invasive anti-cellulitis treatments have shown during this period.

The negative trend of the dental sector has still not turned around: the reorganization of the sector in the United States has not yet been completed and is subject to the difficulties of this market, as have the other channels of distribution, including the OEM of the Group.

The increase shown in the residual sector "Others", is related in particular to the introduction on the surgical market of a high-powered solid state laser for use in urology and other application niches.

The trend in the physical therapy sector is again positive as the ASA company continues to reap the benefits of their focus on this segment with the amplification of their range which was made possible by their collaboration with El.En. The diversification of the product in this market niche has made it so that ASA is the only company on the Group which, upon its entry the first time into the U.S. market has shown a positive trend.

For the industrial applications sector, the chart below shows the break-down of the sales volume according to the market segments in which the Group operates

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Cutting	6.978	58,49%	8.805	40,84%	-20,75%
Marking	3.472	29,11%	6.072	28,16%	-42,81%
Laser sources	1.256	10,53%	6.419	29,78%	-80,44%
Welding, other industrial systems	224	1,88%	262	1,22%	-14,48%
<b>Total</b>	<b>11.930</b>	<b>100,00%</b>	<b>21.558</b>	<b>100,00%</b>	<b>-44,66%</b>

The effects of the crisis are evident in the drop in sales volume also in the industrial sector, which is even greater than that shown in the medical sector.

Also in the industrial sector, the segment of laser sources, which had seen the greatest success last year, showed a sharp drop. The non renewal of an important order which had characterized 2008, combines with the general crisis in the sector of machine tools and the consequent drop in demand by integrated systems operators which constitute our clientele in this sector.

The substantial decrease shown in the marking segment also effects the sales of both systems for marking large surfaces as well as those for small surfaces.

The drop in sales volume is less significant in the other segments, in particular in the cutting segment which has benefited from the good pace of production and sales achieved by the Chinese branch, which has taken advantage of the local conditions which are much more lively than those found elsewhere in the world.

The tables below show the composition of the sales volume of the sub-consolidated which excludes Cynosure; the break-down chart for the industrial sector, in which Cynosure does not operate, is not shown.

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Industrial systems and lasers	11.930	16,66%	21.558	21,88%	-44,66%
Medical and aesthetic lasers	46.186	64,50%	63.830	64,78%	-27,64%
Service	13.489	18,84%	13.145	13,34%	2,62%
<b>Total</b>	<b>71.605</b>	<b>100,00%</b>	<b>98.534</b>	<b>100,00%</b>	<b>-27,33%</b>

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Italy	17.178	23,99%	22.268	22,60%	-22,86%
Europe	21.326	29,78%	36.766	37,31%	-41,99%
Rest of the world	33.100	46,23%	39.500	40,09%	-16,20%
<b>Total</b>	<b>71.605</b>	<b>100,00%</b>	<b>98.534</b>	<b>100,00%</b>	<b>-27,33%</b>

	30/09/2009	Inc%	30/09/2008	Inc%	Var%
Surgical CO2	5.684	12,31%	5.555	8,70%	2,31%
Physiotherapy	3.315	7,18%	2.984	4,68%	11,07%
Aesthetic	25.957	56,20%	43.146	67,59%	-39,84%
Dental	2.680	5,80%	5.162	8,09%	-48,07%
Other medical lasers	5.999	12,99%	5.021	7,87%	19,48%
Accessories	2.552	5,52%	1.962	3,07%	30,03%
<b>Total</b>	<b>46.186</b>	<b>100,00%</b>	<b>63.830</b>	<b>100,00%</b>	<b>-27,64%</b>

The comparison with the charts for the Group including Cynosure shows that the other companies of the Group which operate in the medical sector did better as far as the sales of systems was concerned (decrease of 27% as opposed to the drop of 40% including Cynosure), whereas the growth in the assistance sector was limited (+2% as opposed to about +7%). If one considers that the subconsolidated without Cynosure is directly influenced by the removal of GLI from the area of consolidation, then the drop in internal sales volume is even less.

The trends in the single segments of the medical sector reflects, in its main tendencies, those of the entire Group; even from the point of view of the geographic distribution of the sales volume the tendency is substantially the same if one bears in mind the amplified effect of the exclusion from the area of consolidation of the Spanish company GLI.

It should be recalled also that during 2009 some purchases that were financed by the clientele through operative leasing, although the Group cashed in the sale price, were considered, in conformity with IAS/IFRS accounting principles, as revenue from multi-year rentals, which however had a limited effect on the financial period.

The results in terms of sales volume, in summary, show a drop of 35,3% and of 27,3% respectively for the consolidated and the consolidated without Cynosure; comments on the other items in the budget follow below.

The margin of contribution was registered for an amount of 58.621 thousand Euros, showing a drop of 36,9% with respect to the 92.932 thousand Euros for the same period last year, with an incidence on the sales volume which fell from 56,3% on September 30<sup>th</sup> 2008 to 54,9% on September 30<sup>th</sup> 2009. Also due to the fact that the margin benefits from the entry of a research grant cashed in during this quarter for an amount of 1 million Euros, which is equal to more than 1% of the consolidated sales volume, an actual drop in the margin of contribution is shown, for an amount of about 2,5%; this decrease is the effect of the competitive pressure, aggravated by the market crisis and, at the same time, is limited in its extent and in its consequences because of the effects that the crisis itself has had on the sales volume.

The costs for operating services and charges were 30.949 thousand Euros, showing a decrease of 11,8% with respect to September 30<sup>th</sup> 2008 but due to the greater decrease in sales volume, the incidence rises from 21,3% in 2008 to 29,0% on September 30<sup>th</sup> 2009.

The impossibility of reducing the overhead costs in proportion to the reduction in sales volume continues to have a decisive effect on the loss in revenue for the Group during this quarter. It should be recalled that the overhead costs have been drastically reduced and carefully monitored, but the starting point, which was too high in relation to the present level of activity, made it impossible to reduce them enough to avoid operating losses. Moreover, certain expense categories, like Research and Development, the reorganization and start up of certain activities were not subjected to aggressive reductions because we felt it opportune to continue to invest in areas with high growth potential.

One should also recall the considerable sum, about 2 million dollars, spent by Cynosure Inc. in their legal suit for the protection of their intellectual property rights for the laser lipolysis applications for which they detain the exclusive license from El.En. SpA in the United States.

The cost for personnel was 31.695 thousand Euros with respect to the 33.897 thousand Euros for the same period last year, showing a decrease of 6,5%, with a drop in productivity of this cost aggregate which rose in its incidence on the sales volume from 20,5% on September 30<sup>th</sup> 2009 to 29,7% on September 30<sup>th</sup> 2009.

The calculated costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. On September 30<sup>th</sup> 2008 these costs were 3.991 thousand Euros, and they dropped to 2.710 thousand Euros on September 30<sup>th</sup> 2009; these costs are mostly related to the stock option issued by the subsidiary Cynosure Inc.

For the personnel costs the same considerations are valid as those referring to the costs for operating services and charges.

On September 30<sup>th</sup> 2009 the number of employees in the Group was 861 with respect to 876 on December 31<sup>st</sup> 2008 and 957 September 30<sup>th</sup> 2008.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. These grants make it possible to broaden the range of research by limiting the economic impact. The grants issued and entered into accounts during this quarter were for an amount of 1.053 thousand Euros, whereas the amount for the same period in 2009 was for 199 thousand Euros, this representing an important source of support for an activity which is vital to the development of the Group.

On account of the trends in the entries described above, the EBITDA registered a negative result of 4.022 thousand Euros, in comparison to the positive result of 23.960 thousand Euros on September 30<sup>th</sup> 2008.

The costs for depreciations, amortizations and accruals were 6.510 thousand Euros, an increase of 47,6% with respect to the same period last year, and with an increase in the incidence on the sales volume which went from 2,7% to 6,1%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation; these latter include some accruals of an extraordinary nature created to represent the doubtful likelihood of cashing in on some of the receivables, an effect of the economic crisis which not only has diminished the purchasing power of the clientele, but has also reduced their solvency.

The EBIT therefore registered a negative amount of 10.533 thousand Euros equal to 9,9% of the sales volume, with respect to the positive result of 19,548 thousand Euros registered for September 30<sup>th</sup> 2008.

The financial income is 811 thousand Euros as opposed to the 1.564 thousand Euros for the same period last year, which is due mainly to the lower interest rates on bank deposits.

The negative results of the associated companies are mainly due to Elesta Srl, which is continuing in its phase of initial investment for the creation of highly sophisticated surgical instruments, and to the Spanish company GLI, whose situation remains very difficult due to the acuteness of the crisis which, in fact, has been more severe in Spain than in the rest of Europe.

The entries shown under the heading to other net revenue and charges as of September 30<sup>th</sup> 2009, do not represent significant elements. It should be recalled that on September 30<sup>th</sup> 2008, this category was influenced by the charges related to the rectification of consolidation which derived from the increase in capital of Cynosure for the implementation of the stock options at a price which was lower than the charge value of the stock in the consolidated statement (about 8,5 Euros); in fact, these were options which were mostly assigned before the IPO of 2009 with a pick-up price of 5 US dollars per share.

The earnings before taxes therefore show a negative amount of 10.434 thousand Euros with respect to the 20.763 thousand Euros registered for September 30<sup>th</sup> 2008.

For the sub-consolidated statement without Cynosure, there is a smaller reduction in sales volume and less incidence of the overhead costs, with a consequent operating loss limited to 2,9% of the sales volume with respect to the 9,9% shown for the consolidated statement.

An interesting positive note is the incidence on the margin of contribution of the sales on the sales volume which shows an increase from 47,6% on September 30<sup>th</sup> 2008 to 49,8% on September 30<sup>th</sup> 2009. It should be mentioned that a decisive source of support for this margin is represented by the grant entered among the other income for an amount of 1.053 thousand Euros (almost 1,5% of the sales volume); even without this grant the margin increases and this demonstrates that, in particular outside of the American market, the imaginative proposals and the innovative range of products have enabled us to maintain almost unchanged our level of margin even in times of crisis.



The other cost entries also show an increase in the incidence on the sales volume, since it was not possible to adjust them rapidly to the new situation, in particular the expenses for personnel, as described above.

For this reason a negative EBITDA which did not reach 1 million Euros has been registered, which, in turn has resulted in a negative EBIT of about 2 million Euros, also due to the effect of some extraordinary accruals made for the devaluation of receivables which was particularly significant this quarter.

The associated companies which showed a negative result involve only the sub-consolidated without Cynosure, for which losses equal to about 1% of the sales volume have been registered.

As far as the consolidated quarterly result without Cynosure is concerned, it comes close to breaking even at the level of operating results and shows some improvement over the preceding quarters for this year. Since the third quarter is traditionally the slowest because of the summer vacation period, this result demonstrates that, without drastically reducing its critical mass in terms of capacity for technological development and presence on the various markets, and in the presence of a crisis which is more intense and more pervasive than any ever recorded in the history of the Group, the company is still positioned in a manner so as not to generate losses.

## Financial and economic situation

### Comments on the net financial position of the Group

The amount of cash held by the Group is still sizeable and is registered for an amount of 65 million Euros.

Of this amount, the majority is held by the parent company and by Cynosure Inc., as a result of the IPO of December 2005 and subsequently increased by the cash it generated.

With respect to December 31<sup>st</sup> 2008, the net financial position has benefited from the reclassification effected by the subsidiary Cynosure which entered among the “financial activities available for sale” a total of 19 million dollars (about 21 million dollars on December 31<sup>st</sup> 2008) in Auction Rate Securities, stocks which up until the end of last year were entered as tangible assets, as already described in the half-yearly financial report dated June 30<sup>th</sup> 2009.

The negative result made it impossible to generate a positive cash flow for this quarter, notwithstanding the control of the capital circulating on account of the reduction in the sales volume. Among the uses of cash during this period, we wish to call attention to the investment activity which involved, in particular, the Parent Company El.En. Spa and Cynosure Inc. for about 8,7 million Euros, the payment of dividends to third parties for about 1,5 million Euros, as well as the payment of direct taxes which occurred during the month of June which, just for the Italian companies, amounted to about 4 million Euros.

Financial receivables from associated companies and other minority equities are excluded from the net financial position for an amount of 113 thousand Euros because they are related to the Group’s policy of financial support of the Group companies. In continuation of past policy, we felt it opportune to not include these financings in the net financial position described above.

### Gross investments made during this quarter

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

<i>Progressive</i>	30/09/09	30/09/08
Intangible assets	107	338
Tangible assets	8.431	10.385
Equity investments	189	235
<i>Total</i>	8.727	10.959

<i>3 Months</i>	30/09/09	30/09/08
Intangible assets	13	72
Tangible assets	2.552	3.225
Equity investments	150	10
<i>Total</i>	2.716	3.307

Real estate activity has represented a particularly important investment, for an amount of 3 million Euros spent on construction and service plants. This amount refers mostly to the enlargement of the factory in Calenzano, headquarters of the parent company El.En.

Substantial investments were also made in equipment, especially by Cynosure, which continues their policy of investing in equipment for demonstrations for use by most of their agents in the U.S., as well as the investments in equipment made by the subsidiaries Asclepion GmbH e Dekka Mela Srl.

The increases in equity investments refer to the underwriting of the increase in capital stock in the associated company SBI by the Parent Company El.En. Spa.

## **Comments on Research and Development activities**

During the first three quarters of 2009 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market. This activity was further motivated by the financial crisis which requires a stronger attraction to the market through 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 brief and mid-term schedules. The innovative results consist essentially in the creation of new laser applications and the development of the suitable equipment. In other words, we conduct research in order to understand open or new problems related to medicine or industry, and we look for solutions on the basis of experience and culture matured on laser light, on one hand, related to its generation and the power level, and on the other, to the management of the timing and the shape of the ray. Research projects, which are conducted in order to obtain results according to a mid-term schedule, are characterized by the fact that they are oriented towards higher risk subjects inspired by intuitions which arise within the company and by prospects indicated by the scientific work in laboratories and in advanced research centres around the world, some of which we collaborate with.

Research which is dedicated to achieving results according to a short-term schedule, above all for products developed for new laser applications, 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 validation in the field.

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 Instruction and Research (MIUR) and the European Union, as well as directly with the Research Institutions or Regional structures

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 with 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 instruments and accessories. Without going into excessive details, a description of the numerous sectors in which the research activities of the various 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. is developing new equipment and sub-systems for uses in surgery, dentistry, gynecology and aesthetic medicine. Development of the new "multiwavelength platform" has continued; this is a matrix device able to sustain the management and interface with the doctor, feeding of electricity and conditioning fluids, ergonomic mechanical support, various peripherals and active generators of radiofrequency, ultrasounds in two frequency bands and mechanical and laser energy, for treating patients in cosmetic surgery. The following devices are in the category of the new active peripherals: the FT hand piece, Sheer Wave, the LIPOSHOCK, the laser head NdYAG 7x15, the three-phase RF hand piece, Krypton.

Research has been completed on the development of single pieces of specialized equipment like the second generation Triactive for aesthetics, Smartlipo MPX, the Nd YAG for veterinary use, the DOT 1540, the Smartxide family, the new Synchro and specialized peripherals like the micro-manipulator "Finespot" ("Easyspot"). Clinical tests have begun on the New Triactive.

We have also started to work on the development of a new CO<sub>2</sub> device which can house the radio-frequency laser source and the interface management with a personal computer. We are completing the new more powerful Synchro with increased impulse energy for cooling of the skin and with a screen which is sensitive to contact with the visual interface on the new dimensions and with new graphics.

The Group has also continued working on the development of the instruments and on the clinical experimentation of innovative laser devices (family of devices for the HILT - High Intensity Laser Therapy) for uses in physical therapy and in orthopaedics, and experiments have also begun in the United States, in collaboration with Washington State University, on animal models (horses); we have also continued our collaboration for trials on patients with knee joint pathologies with the Istituti Rizzoli of Bologna, who have been our partners for several years now. Trials on the effects of photo-mechanical stimulation of Chondrocytes have also continued.

The activity for the development of laser devices and equipment for the treatment of cutaneous ulcers (ABOVE and OMNIA projects) continued with grants of EU funds received through the council for economic development of the Region of Tuscany.

As part of this program, the development of a compact radiofrequency CO<sub>2</sub> source for surgical applications is about to be completed.

Research continued on a new micro-manipulator for uses in otorhinolaryngology of the CO<sub>2</sub> laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by doctors who are assisting us in the clinical tests.

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 and thyroid, as part of the activity conducted by the associated company Elesta created by El.En. and Esaote. As part of this project, we have developed a new multiple source for the simultaneous ablative treatment with four fibres each with adjustable independent power. For this purpose a public/private laboratory in Naples for the development of innovative technologies for minimally invasive medicine was opened. As part of this program, in collaboration with the University of Lecce we are now conducting research on the use of nano-particles with interaction with laser light in order to create images which will be useful for identifying tumours.

A project financed by the European Union for the creation of prototypes of equipment for new methods of diagnosis using nano-particles and laser systems with ultrasound inter-agents for the diagnosis of tumours of the prostate has been completed. For this project we are collaborating with prestigious European institutions like Fraunhofer IBMT, project leader.

At the same time, active clinical experimentation has continued in Italy and in qualified European and American centres in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology 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.

A research laboratory has been set up at the El.En headquarters and is available also for the coordinated activity conducted by other companies in the Group, studying the interaction between the laser light and biological tissue. The laboratory is presently able to execute preparations and conduct analysis of histological samples and the activation of exams in the field of molecular biology are also planned.

At Cynosure, they have continued experiments on laser-lipolysis using a new instrument with innovative characteristics in terms of the power level, control of the power emitted through retroactive systems with temperature sensors and use of more than one wave length.

At Quanta System we have continued activities for the development of lasers for the therapy of prostate hypertrophy and of a fibre laser with augmented performance. They have completed the development of a diode laser device for use in odontostomatology with innovative interface and design characteristics.

At DEKA M.E.L.A. they are conducting intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynecological and otorhinolaryngological. 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 both academic and professional medical centres in Italy and abroad.

Asclepion received an important grant from the region in which it operates, Turginia, for the development and experimentation of lasers for surgery; research and clinical experimentation is now in progress.

#### Laser systems and applications for industry

At El.En. feasibility studies were conducted for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.

We are now conducting experimental trials on a new medium power ultra-compact radio-frequency pumped CO<sub>2</sub> laser source with increased power with respect to the ones already developed; some prototypes have already been made and are now installed at the clients.

We are now concluding the research activity which was part of a project for a solid state high power laser source with active material in an amorphous ceramic support which was supported by a grant from the Ministry for Research and the University.

We are now concluding the project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices.

Experimental trials on the electronics based on a "Digital Signal Processor" recently created for on-line setting and numerical control of the galvanometers for recently developed scansion heads have been completed.

The data from the development of new laser equipment for use in diagnosing and documenting the condition of important art objects (*St Jerome* and the *Annunciation* by Leonardo da Vinci) was elaborated. This documentation is obtained by the insertion, into the special crates used for transporting important works of art, of equipment for the referenced acquisition and memorisation over time and space of the data of three-dimensional sensors of acceleration, temperature, pressure, humidity and light exposure on the various bands from infra-red to ultra-violet. Research strategy activity has been conducted with an aim to sustaining the restoration system in Tuscany and as part of this program approval has been given for a project in which El.En would be commissioned to develop specialized laser equipment for particular types of conservation work.

A new system for representing thermal transistors for the study of the state of conservation of works of art and of industrial products in the start-up in the manufacturing process is now in the experimentation phase.

Work on the development of a new diagnostic system using lasers on the paper of antique books has continued and recently been granted a patent.

For applications related to the cutting of metal materials, we are now completing the development of a capacitive sensor for the control of the position of the focal zone of the laser beam with respect to the material.

We have developed new methods for testing mirrors for markers of different dimensions on the basis of the uses of high speed scansion in machines for laser decoration on large areas.

We have developed new catalyser systems for Compact power lasers.

At Ot-las they have developed a new generation machine for decorating continuous rolls of fabric over large areas and they have developed specific software programs for use with Voyager boards. Moreover, the MX machine has been developed so that it was possible to plan new systems for unrolling and pulling of fabrics to be treated with new SW for the execution of lists. For this same machine, a preliminary study was completed on the 2800 mm version. Following the short and mid-term plan, a software was developed for remote control of the new RF333 radio frequency sources monitoring, now in progress at El.En.

We have continued to work at 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 WAY machine, following these developments, is now in the version equipped with laser RF333 and 1000W laser.

The verification phase of a pyroelectric matrix system for centring the laser beam on the basis of the recording of the form of the beam in various portions of a cross section was completed. We have conducted research on a means of perfecting the laser cutting process of tiles of composite materials as a light-weight support for thin marble slabs.

Cutlite Penta operates in high intensity technological market and maintains their competitive edge by renewing and amplifying their range of products both by proposing newly designed systems and renovating the technical solutions in systems that are already in production.

Their research is supported by their own resources and, in some cases by grants derived from research contracts stipulated with the specific institutions. Trials have now been completed on the structural and functional innovations developed on sealed CO<sub>2</sub> sources produced by El.En. Work has continued on the development of an electronic system for tele-diagnosis and tele-assistance of industrial machines.

At Quanta System they have 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.

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

<i>thousands of euros</i>	<b>30/09/2009</b>	<b>30/09/2008</b>
Costs for staff and general expenses	6.538	6.715
Equipment	128	121
Costs for testing and prototypes	1.116	1.281
Consultancy fees	480	225
Other services	244	370
Intangible assets	0	0
<b>Total</b>	<b>8.507</b>	<b>8.712</b>

As for the entries of the sales and the revenues, 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 sustained by Cynosure during this period for research and development was approx. 5 million dollars.

As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs.

The amount of the expenses sustained corresponds to 8% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 5 million dollars which represents about 9% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 11% of its sales volume.

## Trend of El.En. stock

The trend of the stock is shown in the chart below.



## Other significant events which took place during this quarter

No other significant events took place during this quarter.

### **Other events which took place after the closure of the quarter**

During the month of October, Cutlite Penta Srl and the minority shareholder Wuhan Chutian Industry Laser Equipment Co.,Ltd completed the payment of one million Euros (550 thousand of which were from Penta) for the increase in the capital of Wuhan Penta Chutian, the company which, in Wuhan, in the central region of Hubei in China, produces laser cutting systems with high power sources provided by the El.En. Group. The increase in capital is aimed at sustaining the need for circulating capital created by the growth of the company.

No other significant events occurred after the closing of the quarter.

### **Outlook for the financial year now in progress**

By now it is evident from the general market situation and the trend in the acquisition of orders, that during the last quarter of the year 2009 we will not see any radical changes in its business volume with respect to the first nine months of the year, except for a slight seasonal improvement which is expected notwithstanding the crisis and, hopefully, will be sustained by the tax incentives which, not only in Italy, will make the purchase of certain types of investment goods more attractive.

As far as the result expected for the consolidated drawn up without Cynosure is concerned, since the budget objectives now appear to be out of our reach, the objective for the end of the year is that of developing a volume of business sufficient to recuperate the operating losses of about two million which were registered for the first nine months.

#### ***For the Board of Directors***

Executive Director

Ing. Andrea Cangioli

**Annex “A”: List of consolidated companies as of September 30<sup>th</sup> 2009**
**Subsidiary companies**

Company name:	Headquarters	Percentage held:			Consolidated Percentage
		Direct	Indirect	Total	
<b>Parent company:</b>					
El.En. SpA	Calenzano (ITA)				
<b>Subsidiary companies:</b>					
Deka M.E.L.A. Srl	Calenzano (ITA)	70,00%		70,00%	70,00%
Cutlite Penta Srl	Calenzano (ITA)	90,67%		90,67%	90,67%
Esthelogue Srl	Calenzano (ITA)	100,00%		100,00%	100,00%
Deka Technologies Laser Sarl	Lione (FRA)	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH	Berlin (GER)	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	Carlsbad (USA)	11,78%	80,71%	92,49%	92,49%
Ot-las Srl	Calenzano (ITA)	90,00%		90,00%	90,00%
Lasit SpA	Vico Equense (NA)	52,67%	17,33%	70,00%	68,27%
BRCT Inc.	Branford (USA)	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	Jena (GER)	50,00%	50,00%	100,00%	80,00%
Arex Srl	Corsico (ITA)		51,22%	51,22%	30,73%
AQL Srl	Vimercate (ITA)		100,00%	100,00%	67,58%
ASA Srl	Arcugnano (ITA)		60,00%	60,00%	42,00%
Cynosure Inc.	Westford (USA)	23,05%		23,05%	23,05%
Cynosure GmbH	Langen (GER)		100,00%	100,00%	23,05%
Cynosure Sarl	Paris (F)		100,00%	100,00%	23,05%
Cynosure KK	Tokyo (JAP)		100,00%	100,00%	23,05%
Cynosure UK	London (UK)		100,00%	100,00%	23,05%
Suzhou Cynosure Medical Devices Co.	Suzhou (China)		100,00%	100,00%	23,05%
Cynosure Spain	Madrid (Spain)		100,00%	100,00%	23,05%
Cynosure Mexico	S. Geronimo Ladice (Mexico)		100,00%	100,00%	23,05%
Cynosure Korea	Seul (South Korea)		100,00%	100,00%	23,05%
With Us Co Ltd	Tokyo (JAP)		51,25%	51,25%	51,25%
Wuhan Penta Chutian Laser Equipment Co Ltd	Wuhan (China)		55,00%	55,00%	49,87%
Lasit Usa Inc.	Branford (USA)		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda	Blumenau (Brasil)	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	Branford (USA)		100,00%	100,00%	100,00%
Ratok Srl	Solbiate Olona (ITA)		70,00%	70,00%	42,00%
Raylife Srl	Calenzano (ITA)		100,00%	100,00%	80,00%
Deka Medical Inc	San Francisco (USA)		100,00%	100,00%	100,00%

**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%
Electro Optical Innovation Srl	Torino (ITA)		33,33%	33,33%	20,00%



**Annex “B”: DECLARATION IN CONFORMITY WITH ART. 154BIS, COMMA 2, D.LGS. N.58 / 1998**

The manager in charge of preparing the corporate accounting records, Enrico Romagnoli, declares, pursuant to paragraph 2, article 154-bis of the Consolidated Finance Law, that the accounting disclosures provided in this document correspond to the accounting records, books and entries.

Calenzano, November 13<sup>th</sup> 2009.

Executive in charge of the financial reports  
Enrico Romagnoli