El. En. Group

ANNUAL REPORT 2009

EL.EN. SpA

MANAGEMENT REPORT 2009

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31st 2009

El.En. S.p.A.
Headquarters in Calenzano (FI) – Via Baldanzese n. 17
Capital stock: € 2.591.871,36 approved € 2.508.671,36 underwritten and paid
Company registered with the Registro delle Imprese di Firenze al n. 03137680488

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This document has been translated into English for the convenience of readers who do not understand Italian.

The original Italian document should be considered the authoritative version.

CORPORATE BOARDS OF THE PARENT COMPANY

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

Manager in charge of preparing the Company’s financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditor

Reconta Ernst & Young S.p.A.

To our shareholders,

As predicted in the letter which accompanied the financial report for 2008, the sudden and drastic fall in demand which occurred on almost all of our markets severely compromised our sales volume.
The countermeasures which were taken certainly helped to reduce the impact on the results which, however, for some of the companies of the Group, deteriorated considerably with respect to last year.

We will continue to rely on a careful management of costs and on the innovation of the products which has always distinguished the company and trust that we will be able to bring the Group back to a profit level by the end of this year notwithstanding the highly unstable macro-economic climate.

For the Board of Directors
The President,
Gabriele Clementi

Management Report 2009

INTRODUCTION

To our shareholders,

The financial year ending on December 31st 2009 closed with a loss of the Group of 5.258 thousand Euros after taxes for an amount of 4.060 thousand Euros.

The effects of the international crisis from which the Group had managed to defend itself in 2008 by continuing the brilliant growth shown in the preceding years and registering an all time record in their EBIT, starting in the first months of 2009 had a profound effect on the business volume. The reduction of the United States markets spread rapidly and effected most of the companies and markets of the Group causing a serious drop in sales volume and, ultimately, the losses mentioned above.

ADOPTION OF INTERNATIONL ACCOUNTING PRINCIPLES

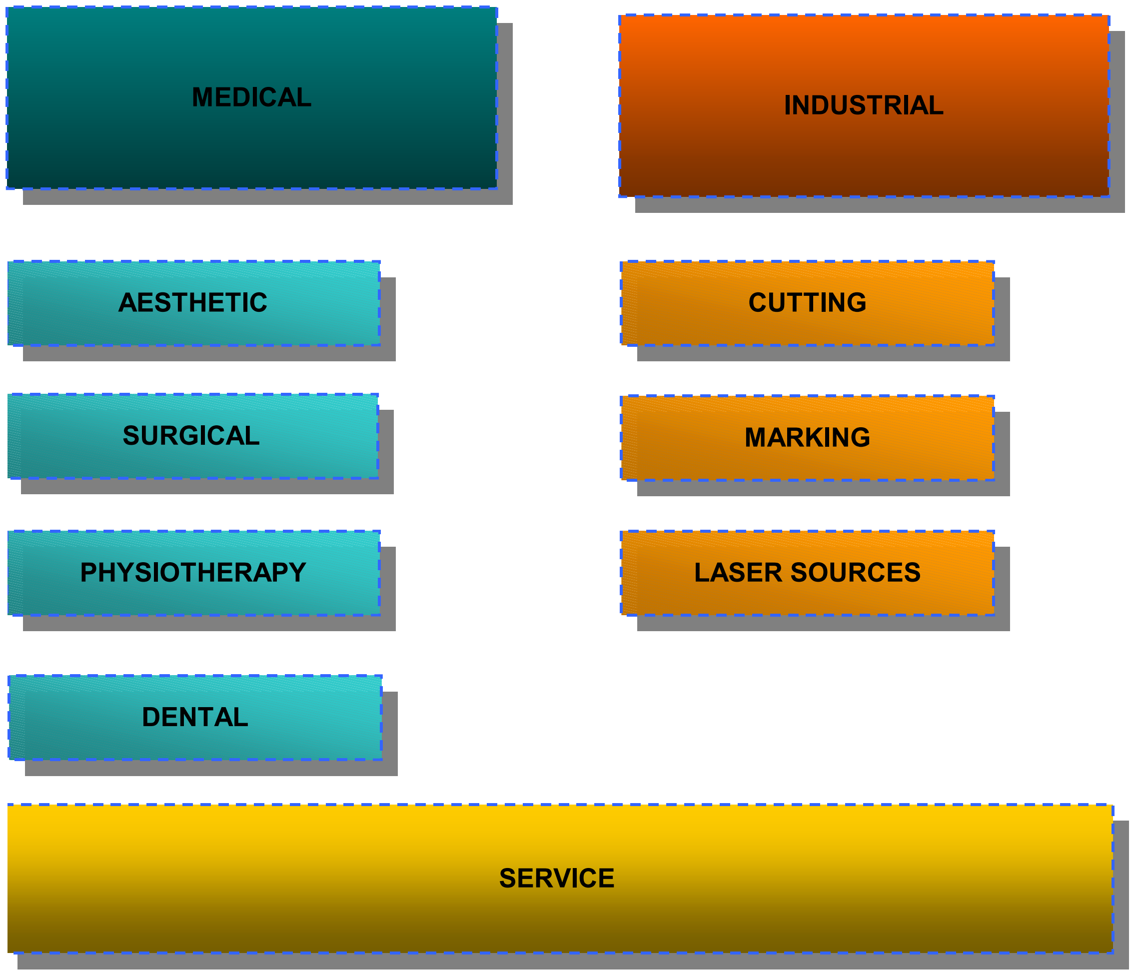
In compliance with European Regulation 1606 of July 19th 2002, the El.En. Group has drawn up their consolidated statement as of December 31st 2009 in conformity with the International Accounting Principles approved by the European Commission.
In conformity with Legislative Decree n. 38/2005, starting with the financial year 2006, the Parent Company El.En. S.p.A. is also required to draw up an individual report in conformity with International Accounting Principles (IFRS); reference will be made to them when the data relative to the Parent Company are displayed.

DESCRIPTION OF THE ACTIVITIES OF THE GROUP

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

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

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

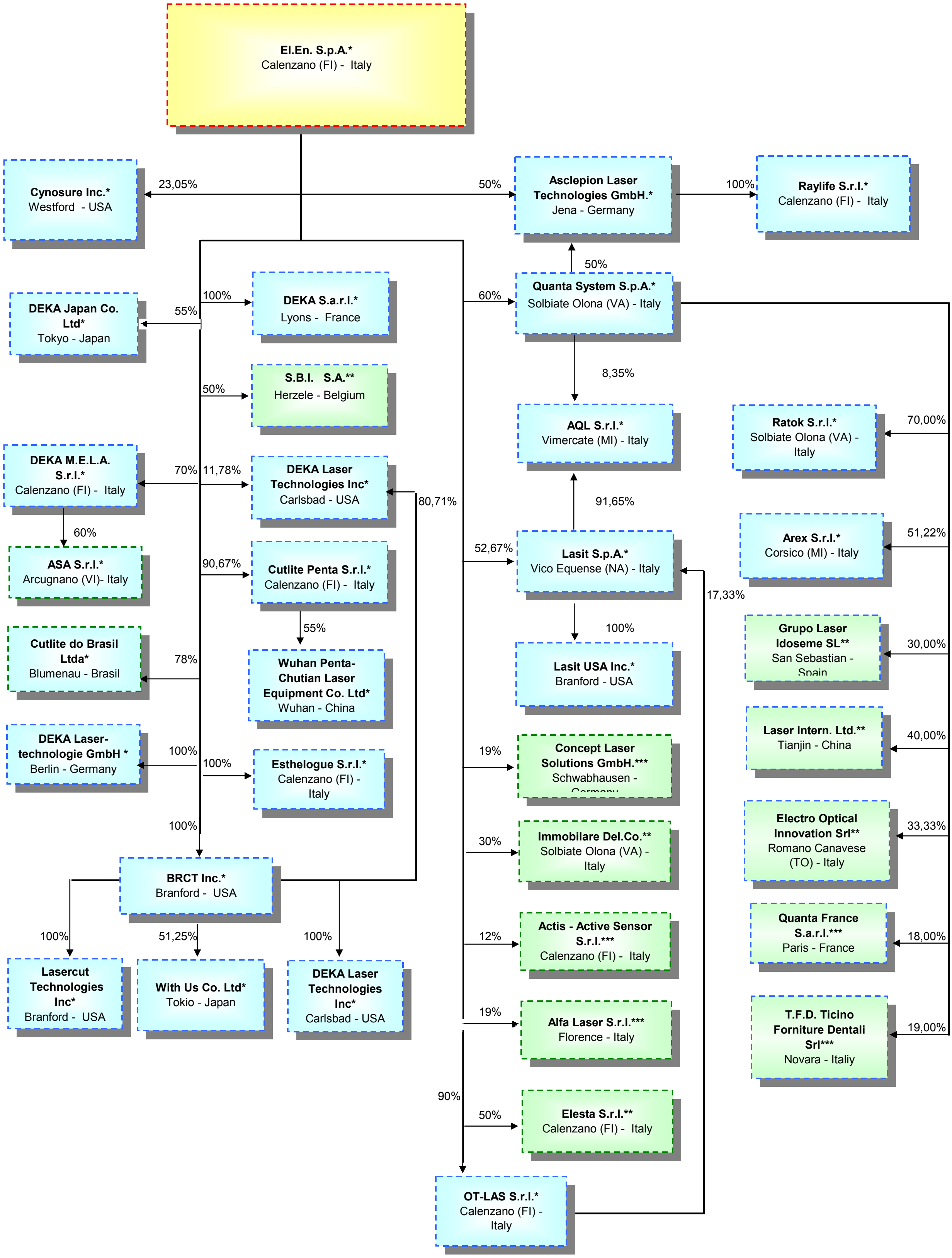


Along with their main activity of selling systems, the Group offers after-sales service which is not only the indispensable support for the installation and maintenance of our laser systems but also a source of revenue from the spare parts, consumables, and technical assistance.

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure, Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centers of excellence for certain specific technologies which were made available to them also by other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

DESCRIPTON OF THE GROUP

As of December 31st 2009, the structure of the Group was as follows:



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

Cynosure Inc., a company quoted on the American stock market Nasdaq (NASDAQ:CYNO) controls in turn six companies which distribute their products, and which they own 100% in Germany, France, Great Britain, Japan, Mexico, South Korea, Spain and China.

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, depreciations, 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 shown in the Profit and Loss Account chart which is shown below and commented on later in this report.
Moreover, the following performance indicators have been selected for the purpose of supplying additional information concerning the capital, financial and revenue structure of the Group:

	31/12/09	31/12/08
Profitability ratios:		
ROE (Net income / Own Capital)	-5,5%	9,4%
ROI (EBIT / Total assets)	-5,6%	8,1%
ROS (EBIT/ Revenues)	-8,4%	9,3%
Structure ratios:		
Financial flexibility (Current assets / Total assets)	0,80	0,77
Leverage ((Stockholders' Equity + Financial liabilities) / Stockholders' Equity)	1,06	1,05
Current Ratio (Current assets / Current liabilities)	3,64	3,26
Acid ratio (Current receivables + Cash and cash equivalents/ Current liabilities)	2,62	2,29
Quick ratio (Cash and cash equivalents + Investments / Current liabilities)	1,61	1,30
Turnover ratios:		
Total assets turnover (Revenues / Total assets)	0,66	0,88
Current assets turnover (Revenues / Current assets)	0,83	1,15
Inventory turnover (COGS / Inventory)	1,15	1,29
Days sales of inventory (Inventory / COGS) *365	319	282
Days sales outstanding (Account receivables / Revenues)*365	90	78

In order to facilitate comprehension of the chart above, and in consideration of the regulations concerning alternative performance indicators, below we are giving the definitions of some terms used in the charts of the financial statement:

- Own Capital = Shareholders' equity of the Group – Net income
- Cost of good sold = Purchases ± Change in the inventory

MACROECONOMIC CONTEXT

The year 2009 was characterized by the lingering global financial and economic crisis which first appeared on the markets in early 2008 and spread rapidly, in particular after the events of September 2008 which included among other things the bankruptcy of Lehman Brothers. The analyst agree that it is the most serious financial crisis for the world economy since the second world war. The impact on the real economy was exceptionally serious and caused immense product losses. The credit crunch which was implemented by almost all loan institutions caused an even worse situation on the real economy, severely limited the cash available to many investors, and comported major difficulties to manufacturers of investment goods since it drastically reduced the number of people willing and able to receive financing for purchases.
The World Bank registered a growth rate for the global economy of –2,2% in 2009, with the principal countries recording a negative growth rate of the GNP: the United States was at the lowest level since 1946 with a drop of 2,4%, the Euro area registered a drop of -4% and Italy a drop of 4,9%.
In order to oppose the spread of the crisis the governments implemented severe monetary and fiscal measures in an effort to stimulate the economy.
Starting in the second half of the year there was some talk of the end of the crisis but the phenomenon was mainly related to the recovery of the financial markets, and in particular to the positive trend of the stock market, rather than the real economy, the recovery of which was extremely slow and presented doubtful and fragile aspects threatened by the persistence of major areas of unemployment both in Europe and the United States.
By early 2010, the analyst were stating that the world economy will start a phase of recovery, but the growth rates will be below those registered during the period prior to the crisis. The International Monetary Fund has predicted that the world GNP will grow 3,9% in 2010, whereas for Italy a growth of 1% is considered likely and for the overall advanced economies a growth of 2,1% with the Euro area expected to grow 1% and the United States 2,7%. The recovery of the international economic cycle, moreover, will be uneven at a geographical level with better growth opportunities in the emerging economies, while the western countries will proceed at a slower pace since the effects of the expansion phase of the fiscal policy are now over.

MAIN ECONOMIC AND FINANCIAL DATA

The results of the Group show the difficulties which were encountered throughout the year as a result of the international crisis which directly effect our main selling markets.

The Group is facing a drop in demand which at this point has taken on a structural nature since the signs of improvement that have gradually been shown have not yet been able to delineate a tendency which makes us confident that we will actually be able to return to an activity level close to that of 2008. In recognition of this fact, the companies of the Group have followed a policy of reducing costs in such a way as to lower the break-even point and enable the company to generate revenue even at the sales volume which we have now been able to reach.

It should also be mentioned that in 2009 the Group still maintained a high level of investments and expenses in research and development, in keeping with their competitive strategy of product innovation and even accelerated some investments in distribution structures of strategically important markets like that for the distribution of dental laser systems in the United States or that of the aesthetic sector in Italy, both of which are in a turnaround phase with current expenses, especially in commercial and marketing activities, which in this phase have not been off set by the volume of revenue.

Considering the importance of the impact of the subsidiary Cynosure on the consolidated results and the considerable quota of the company which is held by third parties (the controlling interest held by El.En. SpA as of December 31st 2009 is, in fact, 23,05%), we will complete this information sheet by showing not only the data related to the consolidated statement of the Group, but also the results excluding Cynosure from the area of consolidation. It should be recalled in fact that El.En. detains the control of Cynosure on the basis of a clause in the statutes which assigns them the right to appoint the majority of members of the Board of Directors; this clause remains in effect as long as El.En. holds at east 20% of the shares in the company.

The following chart shows the subdivision of the sales volume divided by the Group's sectors of activity in 2009 compared with the same subdivision for the same period last year.

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Industrial systems and lasers	19.182	12,86%	28.180	12,71%	-31,93%
Medical and aesthetic lasers	99.946	67,03%	164.568	74,24%	-39,27%
Service	29.982	20,11%	28.922	13,05%	3,67%
Total	**149.111**	**100,00%**	**221.670**	**100,00%**	**-32,73%**

Medical and industrial systems showed a decrease of over 30%, which was greater in the medical sector as a consequence of the drop in sales in the United States which particularly affected Cynosure Inc. In consideration of the overall context, the trend of the revenues for customer service and assistance was good, and maintained a slight growth rate, thus demonstrating the value of the vast number of installations in terms of current flow of revenue from spare parts and consumable materials. This fact also confirms that, although our clients are less inclined than in the past to renew their investment in laser technology, they continue to make ample use of the ones they have.

The chart below shows the geographical distribution of the sales volume for this year.

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Italy	24.437	16,39%	31.496	14,21%	-22,41%
Europe	42.859	28,74%	68.015	30,68%	-36,99%
Rest of the world	81.815	54,87%	122.159	55,11%	-33,03%
Total	**149.111**	**100,00%**	**221.670**	**100,00%**	**-32,73%**

The Italian market was the one that best resisted the impact of the crisis and showed numbers that were relatively better than those of the North American markets.

Within the medical and aesthetic sector, which represents more than 67% of the sales of the Group, the sales trends of the various segments is shown on the chart below:

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Surgical CO2	10.013	10,02%	9.048	5,50%	10,67%
Physiotherapy	4.447	4,45%	4.340	2,64%	2,47%
Aesthetic	64.709	64,74%	127.736	77,62%	-49,34%
Dental	3.866	3,87%	7.767	4,72%	-50,23%
Other medical lasers	13.214	13,22%	12.281	7,46%	7,60%
Accessories	3.697	3,70%	3.396	2,06%	8,86%
Total	**99.946**	**100,00%**	**164.568**	**100,00%**	**-39,27%**

The chart shows how the dental and aesthetic sectors were most affected by the crisis. Even though our clients continued to show a good volume of business, i.e., the number of aesthetic treatments offered to the final customer using our equipment (as demonstrated by the quantity of service sales), it is clear that there is a reduced inclination on the part of the operators in this sector to invest, either because of the fear of a greater impact on the final consumptions or because of the difficulty in finding financing for the investments since the loan institutions are often less confident than the operators in the sector as far as the actual possibility of sustaining the investment is concerned. In practice, our potential clients have difficulty finding the right kind of financing for investments in laser technologies. The trend was good for the other segments, particularly that of CO_2 lasers, the applications of which are close to the aesthetic ones, the physical therapy sector which has continued to grow over the past few years, and the residual sector which includes surgical applications with solid state lasers, a segment which is less subject to the variability of the markets typical of the aesthetic sector, and in which the companies of the Group are taking significant steps.

During the fourth quarter of 2009 we presented on the market some new laser equipment which is of significant importance for the Group, like the Cynosure's MPX for hair removal and DEKA's multifunctional Synchro FT platform, which will contribute to the sales volume for next year by completing and improving the vast range of products which the Group features in this sector.
It should be recalled that the El.En. Group operates in the medical sector by means of a vast distribution network which includes several different brands like DEKA, Cynosure, Asclepion, Quanta System and Asa, each of which offers a personalized and technologically specific product, and whose activity is coordinated with an aim to optimizing the Research and Development resources and the competitive leadership position which is held by each brand on the various merchandise and geographical markets.

The table below illustrates the breakdown of the sales volume for the industrial applications sector, divided according to the market segments in which the Group operates.

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Cutting	11.460	59,74%	11.629	41,27%	-1,45%
Marking	5.846	30,48%	8.471	30,06%	-30,99%
Laser sources	1.571	8,19%	7.719	27,39%	-79,65%
Welding, other industrial systems	305	1,59%	362	1,28%	-15,65%
Total	**19.182**	**100,00%**	**28.180**	**100,00%**	**-31,93%**

Also in the industrial sector the effects of the crisis are evident in the drop in sales volume which was over 30%.
The segment of laser sources, which had achieved the greatest success last year, showed a significant drop. The failure to confirm an important order which had characterized 2008 combined with the general crisis in the machine tool sector and consequent fall in demand from the integrated system clients which represent our clientele in this sector.
The significant drop that was registered also in the marking segment affected the sales both of systems for work on large surfaces as well those for small surfaces.
The decrease in sales volume was not so serious in other segments, in particular the cutting segment which benefited from the good production and sales rhythm reached by the Chinese and Brazilian branches, which have now achieved a condition of stability which makes us confident about the contribution to the annual revenue that these companies will be able to offer next year.

The tables below show the composition of the sales volume for the sub-consolidation which excludes Cynosure; the chart showing details of the industrial sector is not shown since Cynosure does not operate in this sector.

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Industrial systems and lasers	19.182	18,85%	28.180	20,13%	-31,93%
Medical and aesthetic lasers	64.477	63,36%	93.809	67,01%	-31,27%
Service	18.105	17,79%	17.999	12,86%	0,59%
Total	**101.764**	**100,00%**	**139.988**	**100,00%**	**-27,31%**

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Italy	24.188	23,77%	31.155	22,26%	-22,36%
Europe	30.218	29,69%	52.115	37,23%	-42,02%
Rest of the world	47.358	46,54%	56.718	40,52%	-16,50%
Total	**101.764**	**100,00%**	**139.988**	**100,00%**	**-27,31%**

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Surgical CO2	8.495	13,18%	8.669	9,24%	-2,01%
Physiotherapy	4.447	6,90%	4.340	4,63%	2,47%
Aesthetic	35.900	55,68%	62.415	66,53%	-42,48%
Dental	3.866	6,00%	7.767	8,28%	-50,23%
Other medical lasers	8.119	12,59%	7.460	7,95%	8,83%
Accessories	3.651	5,66%	3.158	3,37%	15,61%
Total	**64.477**	**100,00%**	**93.809**	**100,00%**	**-31,27%**

It should be noted how the drop in the medical sector is less than the drop registered at the overall consolidated level; this is due to the sharper decrease on sales registered by Cynosure with respect to the rest of the Group. In the single segments it is interesting to note that the dental sector registered the most significant drop; this is the result of the difficulties now faced by an important international distributor and by the phase of transition of the American branch that is active in this segment.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AS OF DECEMBER 31st 2009

The chart below shows the reclassified consolidated Profit and Loss Account for the year ending on December 31st 2009 compared with that for 2008.

Profit and loss account	31/12/09	Inc.%	31/12/08	Inc.%	Var.%
Revenues	149.111	100,0%	221.670	100,0%	-32,7%
Change in inventory of finished goods and WIP	(2.237)	-1,5%	5.358	2,4%	
Other revenues and income	1.829	1,2%	1.818	0,8%	0,6%
Value of production	**148.703**	**99,7%**	**228.847**	**103,2%**	**-35,0%**
Purchase of raw materials	52.097	34,9%	85.679	38,7%	-39,2%
Change in inventory of raw material	3.561	2,4%	(6.029)	-2,7%	
Other direct services	13.757	9,2%	22.866	10,3%	-39,8%
Gross margin	**79.287**	**53,2%**	**126.330**	**57,0%**	**-37,2%**
Other operating services and charges	41.287	27,7%	51.379	23,2%	-19,6%
Added value	**38.001**	**25,5%**	**74.951**	**33,8%**	**-49,3%**
For staff costs	42.027	28,2%	46.140	20,8%	-8,9%
EBITDA	**(4.026)**	**-2,7%**	**28.812**	**13,0%**	
Depreciation, amortization and other accruals	8.571	5,7%	8.260	3,7%	3,8%
EBIT	**(12.598)**	**-8,4%**	**20.551**	**9,3%**	
Net financial income (charges)	947	0,6%	1.629	0,7%	-41,9%
Share of profit of associated companies	(278)	-0,2%	(130)	-0,1%	113,8%
Other net income (expense)	(402)	-0,3%	36	0,0%	
Income before taxes	**(12.331)**	**-8,3%**	**22.087**	**10,0%**	
Income taxes	4.060	2,7%	7.868	3,5%	-48,4%
Income for the financial period	**(16.391)**	**-11,0%**	**14.218**	**6,4%**	
Minority interest	(11.133)	-7,5%	5.890	2,7%	
Net income	**(5.258)**	**-3,5%**	**8.329**	**3,8%**	

The gross margin is registered for the amount of 79.287 thousand Euros, an decrease of 37,2% with respect to the 126.330 thousand Euros for December 31st 2008, with an incidence on the sales volume which dropped from 57% last year to 53,2% for this year.
The main causes of this decrease can be identified in the pressure from the competition, aggravated by the economic crisis, and actually is not so severe if we consider the size and consequences that the crisis has had on the sales volume..
The accrual for inventory obsolescence during this year had an incidence on the sales volume of about 1,5% and consequently the same influence on the margin on the sales.

It should be noted that in 2009, although the Group cashed in the sale price during this year, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the statement for the year.

Costs for operating services and charges were registered for an amount 41.287 thousand Euros, an decrease of 19,6% with respect to December 31st 2008; notwithstanding thus sharp reduction in the sales volume the incidence on the sales volume rose from 23,2% on December 31st 2008 to 27,7% on December 31st 2009.
The impossibility of maintaining the overhead costs in proportion to the reduction in sales volume had a decisive effect on the Group's losses in revenue for this period. It should be recalled that the overhead costs were drastically reduced and carefully monitored but the point of departure was too far from the present level of activity and consequently it was not possible to reduce them enough to avoid an operating loss. Moreover, some types of expenses, like research and development, the reorganization and launching of certain activities were not aggressively modified because we felt it was opportune to continue to invest in areas with a high growth potential.

It should also be pointed out that Cynosure sustained major expenses, about two million dollars, in their suit for the protection of the intellectual property rights on the applications of laser-lipolysis for which they are El.En.'s exclusive agent in the United States. This suit was concluded with a positive outcome in February 2010 as described in the following paragraph titled "Events of importance which occurred after the closing of the financial year", to which the reader is referred.

The costs for staff was 42.027 thousand Euros, showing a decrease of 8,9%, with respect to the 46.140 thousand Euros for the same period last year and showing a decrease in productivity of this cost aggregate which fell, in the incidence on the sales volume, from 20,8% on December 31st 2008 to 28,2% on December 31st 2009. The figurative costs for the stock options assigned to employees are part of the staff costs. As of December 31st 2008 these costs were 5.009 thousand Euros; by December 31st 2009 they had fallen to 3.007 thousand Euros. These costs refer mainly to the stock options issued by the subsidiary Cynosure Inc.
The considerations made in reference to the limiting of the costs for services and operating charges also apply to the costs for personnel.

As of December 31st 2009 the number of employees in the Group was 874 as compared with 876 for December 31st 2008. The number is substantially unchanged due to the fact that although the American and European companies were reducing their personnel, the Chinese company Wuhan Penta Chutian, which was growing rapidly even in 2009, was hiring personnel.

A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. These grants make it possible to amplify the range of research activity since they limit their economic impact. As of December 31st 2009 the grants entered into accounts amounted to 1.138 thousand Euros, while the amount for the same period in 2008 was 785 thousand Euros, which represents an important contribution toward sustaining an activity which is vital for the development of the Group.

On account of the trends described above the EBITDA showed a negative amount of 4.026 thousand Euros as opposed to the positive result of 28.812 thousand Euros on December 31st 2008.

The costs for depreciations, amortizations and accruals were 8.571 thousand Euros, , representing an increase of 3,8% with respect to December 31st 2008 and with an increase in the incidence on the sales volume which rose from 3,7% to 5,7%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation. These latter also include some accruals of an extraordinary nature intended to represent the unlikely cashing in of some receivables, as a result of the crisis which has not only reduced the buying power of the clientele but has also decreased their ability to payoff their debts.

The EBIT showed a negative result of 12.598 thousand Euros, with respect to the positive result of 20.551 thousand Euros registered on December 31st 2008.

Results of the financial management showed 947 thousand Euros as opposed to the 1.629 thousand Eros for the same period last year and was influenced, among other things, by the reduction in the amount of interest paid on bank deposits.

The negative result of the associated companies is mainly due to Elesta Srl, which is continuing in its phase of initial investment for the creation of sophisticated surgical equipment, and to the Spanish company GLI which continues to be in difficulty on account of the economic crisis which, in Spain, has been more severe than in the rest of Europe.

The other income and charges were -402 thousand Euros; this amount was influenced by the devaluation made on the value of the equity in the associated company GLI (374 thousand Euros) which was consolidated with the shareholders' equity method.

Earnings before taxes showed a negative amount of 12.331 thousand Euros with respect to the positive amount of earnings of 22.087 thousand Euros for December 31st 2008.

Notwithstanding the losses, the costs for current and deferred taxes for this year was 4.060 thousand Euros which was due mainly to the devaluation made for about 7 million dollars (about 5 million Euros) by Cynosure on prepaid taxes which had earlier been entered in consideration of the non recoverability of these receivables in the next two years.

CONSOLIDATED BALANCE SHEET AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2009

The reclassified balance sheet below shows a comparison between this years results and those of last year.

	31/12/2009	31/12/2008	Var.
Balance Sheet			
Intangible assets	6.975	6.407	568
Tangible assets	29.845	26.258	3.586
Equity investments	1.289	1.692	-402
Deferred tax assets	4.431	9.414	-4.983
Other non current assets	3.665	15.408	-11.743
Total non current assets	**46.205**	**59.179**	**-12.973**
Inventories	50.531	57.423	-6.892
Accounts receivables	36.573	47.310	-10.738
Tax receivables	8.040	5.609	2.431
Other receivables	4.980	5.512	-532
Financial instruments	29.803	18.044	11.759
Cash and cash equivalents	49.573	59.114	-9.541
Total current assets	**179.499**	**193.012**	**-13.513**
TOTAL ASSETS	**225.704**	**252.191**	**-26.487**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	32.426	27.373	5.052
Treasury stock	-2.576	-2.576	
Retained earnings / (deficit)	24.552	22.459	2.093
Net income / (loss)	-5.258	8.329	-13.586
Parent stockholders' equity	**90.247**	**96.688**	**-6.441**
Minority interests in consolidated subsidiaries	73.117	84.310	-11.193
Total equity	**163.364**	**180.997**	**-17.634**
Severance indemnity	2.607	2.469	138
Deferred tax liabilities	417	328	89
Other accruals	5.143	5.428	-285
Financial liabilities	4.927	3.735	1.192
Non current liabilities	**13.094**	**11.960**	**1.134**
Financial liabilities	5.613	5.548	65
Accounts payables	25.136	31.118	-5.981
Income tax payables	450	2.979	-2.529
Other payables	18.047	19.589	-1.542
Current liabilities	**49.246**	**59.234**	**-9.988**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**225.704**	**252.191**	**-26.487**

Net financial position		
	31/12/2009	**31/12/2008**
Cash and bank	49.573	59.114
Financial instruments	29.803	18.044
Cash and cash equivalents	**79.376**	**77.158**
Short term financial receivables	**55**	**92**
Bank short term loan	(4.450)	(4.461)
Part of financial long term liabilities due within 12 months	(1.163)	(1.087)
Financial short term liabilities	**(5.613)**	**(5.548)**
Net current financial position	**73.818**	**71.702**
Bank long term loan	(2.044)	(1.920)
Other long term financial liabilities	(2.883)	(1.815)
Financial long term liabilities	**(4.927)**	**(3.735)**
Net financial position	**68.891**	**67.968**

For the comments on the consolidated net financial position, please refer to the specific paragraph in the Notes.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2009 (excluding Cynosure from the area of consolidation)

The chart below shows the profit and loss account and net financial position of the Group for the year, excluding the subsidiary Cynosure from the area of consolidation.

Profit and loss account	31/12/09	Inc.%	31/12/08	Inc.%	Var.%
Revenues	101.764	100,0%	139.988	100,0%	-27,3%
Change in inventory of finished goods and WIP	(84)	-0,1%	3.200	2,3%	
Other revenues and income	1.631	1,6%	1.381	1,0%	18,1%
Value of production	**103.311**	**101,5%**	**144.569**	**103,3%**	**-28,5%**
Purchase of raw materials	42.890	42,1%	65.275	46,6%	-34,3%
Change in inventory of raw material	1.580	1,6%	(4.476)	-3,2%	
Other direct services	8.517	8,4%	13.608	9,7%	-37,4%
Gross margin	**50.325**	**49,5%**	**70.163**	**50,1%**	**-28,3%**
Other operating services and charges	22.939	22,5%	25.430	18,2%	-9,8%
Added value	**27.386**	**26,9%**	**44.733**	**32,0%**	**-38,8%**
For staff costs	25.104	24,7%	26.282	18,8%	-4,5%
EBITDA	**2.282**	**2,2%**	**18.452**	**13,2%**	**-87,6%**
Depreciation, amortization and other accruals	3.736	3,7%	4.615	3,3%	-19,1%
EBIT	**(1.454)**	**-1,4%**	**13.836**	**9,9%**	
Net financial income (charges)	90	0,1%	(176)	-0,1%	
Share of profit of associated companies	(278)	-0,3%	(130)	-0,1%	113,8%
Other net income (expense)	(374)	-0,4%	253	0,2%	
Income before taxes	**(2.016)**	**-2,0%**	**13.783**	**9,8%**	
Income taxes	872	0,9%	5.131	3,7%	-83,0%
Income for the financial period	**(2.888)**	**-2,8%**	**8.652**	**6,2%**	
Minority interest	183	0,2%	550	0,4%	-66,8%
Net income	**(3.071)**	**-3,0%**	**8.102**	**5,8%**	

Net financial position		
	31/12/2009	**31/12/2008**
Cash and bank	18.477	23.617
Financial instruments	537	0
Cash and cash equivalents	**19.013**	**23.617**
Short term financial receivables	**55**	**92**
Bank short term loan	(4.445)	(4.453)
Part of financial long term liabilities due within 12 months	(985)	(809)
Financial short term liabilities	**(5.430)**	**(5.262)**
Net current financial position	**13.639**	**18.447**
Bank long term loan	(2.028)	(1.920)
Other long term financial liabilities	(2.780)	(1.502)
Financial long term liabilities	**(4.809)**	**(3.422)**
Net financial position	**8.830**	**15.026**

The sub-consolidated chart drawn up excluding Cynosure shows a reduction in sales volume which is less (-27,3%), and a lower incidence on the fixed structural costs (overhead); this fact comports an annual operating loss limited to 1,4% of the sales volume as opposed to the 8,4% registered in the consolidated chart. During the fourth quarter the overhead costs were reduced to a level which made it possible to turn a profit in that quarter.

The margin of contribution was about 50.325 thousand Euros, showing a decrease of 28,3% with respect to the 70.163 thousand Euros for December 31st 2008, with an incidence on the sales volume which decreased from 50,1% last year to 49,5 % for this year.

The other categories of costs show an increase in their incidence on the sales volume since it was not possible to reduce them rapidly enough, in particular as far as staff costs were concerned. For this reason the EBITDA of about 2,3 million Euros results in a negative EBIT of 1,4 million Euros, also on account of the effects of extraordinary reserves for devaluation of receivables.

The associated companies which showed negative results are related only to the sub-consolidated without Cynosure, for which a loss of 0,3% on the sales volume was registered.

RECONCILIATION CHART COMPARING THE CONSOLIDATED BALANCE SHEET WITH THE BALANCE SHEET OF THE PARENT COMPANY

	Profit and loss account 31/12/2009	**Capital and reserves 31/12/2009**	**Profit and loss account 31/12/2008**	**Capital and reserves 31/12/2008**
Balance as for parent company	**360.422**	**73.555.983**	**7.029.759**	**74.426.988**
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiaries company	-6.667.346		2.156.865	
- other (charge) income	648.068		559.114	
Total contribution of subsidiary companies	**-6.019.278**	**19.789.157**	**2.715.979**	**26.124.300**
Elimination of investments companies consolidated with the shareholders' equity method	-277.822	-326.558	-30.375	-49.262
Elimination of dividends	-217.003		-208.231	
Elimination of intercompany profits on inventory (*)	903.549	-2.595.492	-1.046.773	-3.645.866
Elimination of intercompany profits from sales of fixed assets (*)	-7.534	-176.151	-131.833	-168.617
Balance as per consolidated statement – Group quota	**-5.257.666**	**90.246.939**	**8.328.526**	**96.687.543**
Balance as per consolidated statement – Third party quota	**-11.133.074**	**73.116.715**	**5.889.776**	**84.309.795**
Balance as per consolidated statement	**-16.390.740**	**163.363.654**	**14.218.302**	**180.997.338**

(*) net of the relative fiscal effects

RESULTS OF THE PARENT COMPANY EL.EN. SpA

Main economic and financial data

The business activity of the Parent Company El.En. SpA has as its objective the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of accessory services like after-sales assistance, supplying of spare parts and consulting.
In following a policy of continued expansion over the years El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing.
The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the companies of the Group, while the financial management of the equities, with the allocation of the resources acquired with the IPO on the New Market in 2000 and with the cash flows generated by the manufacturing activities, assumes particular significance both in the use of managerial resources and in the impact on the economic and financial results of the company.

As in earlier years, the activities of El.En. SpA, takes place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

The chart below shows the results of the sales in the sectors mentioned above shown in comparative form with those of last year.

	31/12/2009	Inc%	31/12/2008	Inc%	Var%
Industrial systems and lasers	4.842	13,42%	12.060	21,06%	-59,85%
Medical and aesthetic lasers	25.819	71,54%	38.529	67,30%	-32,99%
Service	5.431	15,05%	6.664	11,64%	-18,50%
Total	**36.092**	**100,00%**	**57.253**	**100,00%**	**-36,96%**

After a series of brilliant growth years, the severity of the international crisis has forced the company to reduce their pace and to register a drop on sales during 2009.

In the industrial sector, besides the effects of the crisis in industrial production, the company has also had to deal with the not entirely unexpected cancellation of an important order, which had given a decisive contribution to the growth registered in 2008. The drop in sales volume was about 60%.

In the aesthetic sector the crisis in the North American market had a severe impact on the drop in sales volume which was over 30%. All of our North American clients showed drastic decreases in sales volume, in particular the subsidiary Cynosure which saw their domestic market cut in half and consequently cut their purchases from El.En. SpA more than in half. Our main client, the subsidiary Deka M.E.L.A., although some distribution channels had completely shut down, was still able to limit the drop in sales volume thanks to the positive trend of the Italian and Japanese markets and the stability of the international markets.

The drop in sales of spare parts and technical assistance was of a minor entity and demonstrates that the purchases of investment goods like our laser systems has been hit by the economic and financial crisis more than the consumption of the services offered by these same laser systems, for the use of which our clients continue to request consumable material and repair and assistance services.

In relation to the category of consulting and research it should be recalled that the revenue inherent to the research activities has been entered into accounts, as usual, under the heading of “Other revenue and income” for an amount of about 790 thousand Euros which is related to grants for research projects.

Profit and Loss Account of El.En. SpA as of December 31st 2009

Profit and loss account	31/12/09	Inc.%	31/12/08	Inc.%	Var.%
Revenues	36.092	100,0%	57.253	100,0%	-37,0%
Change in inventory of finished goods and WIP	(1.115)	-3,1%	514	0,9%	
Other revenues and income	1.241	3,4%	1.093	1,9%	13,5%
Value of production	**36.219**	**100,4%**	**58.861**	**102,8%**	**-38,5%**
Purchase of raw materials	13.824	38,3%	27.630	48,3%	-50,0%
Change in inventory of raw material	2.894	8,0%	(2.309)	-4,0%	
Other direct services	2.740	7,6%	6.788	11,9%	-59,6%
Gross margin	**16.761**	**46,4%**	**26.752**	**46,7%**	**-37,3%**
Other operating services and charges	5.015	13,9%	6.542	11,4%	-23,3%
Added value	**11.746**	**32,5%**	**20.210**	**35,3%**	**-41,9%**
For staff costs	8.759	24,3%	8.681	15,2%	0,9%
EBITDA	**2.987**	**8,3%**	**11.529**	**20,1%**	**-74,1%**
Depreciation, amortization and other accruals	1.277	3,5%	1.519	2,7%	-16,0%
EBIT	**1.710**	**4,7%**	**10.010**	**17,5%**	**-82,9%**
Net financial income (charges)	463	1,3%	1.552	2,7%	-70,2%
Other net income (expense)	(850)	-2,4%	(707)	-1,2%	20,1%
Income before taxes	**1.323**	**3,7%**	**10.855**	**19,0%**	**-87,8%**
Income taxes	963	2,7%	3.825	6,7%	-74,8%
Income for the financial period	**360**	**1,0%**	**7.030**	**12,3%**	**-94,9%**

The gross margin decreased from 16.761 thousand Euros this year, a decrease of 37,3% with respect to the 26.572 thousand Euros registered for the same period last year, showing a slight decrease in the incidence on the sales volume which went from 46,7% on December 31st 2008 to 46,4% for this year. The effect of the severe drop in sales volume is evident in this revenue entry; the decrease in the incidence on the sales volume is minor thanks to the important contribution made by the research grants registered among the other income, net of which the decrease would have been much greater and consistent with the trend for the year and the difficulties caused by the crisis.

The costs for operating services and charges was 5.015 thousand Euros, showing a decrease of 23,3% with respect to December 31st 2008; notwithstanding this reduction, which reflects the efforts made by the company to reduce the overhead in proportion to the negative trend of sales, due to the effect of the greater drop in sales volume , their incidence rose from 11,4% in 2008 to 13,9% on December 31st 2009. It should also be recalled that in the Parent Company and the rest of the Group for certain types of expenses like research and development we did not want to make drastic cuts since we considered it opportune to continue to invest in areas with high growth potential.

The costs for personnel was 8.759 thousand Euros, a slight increase of 0,9% over last year with a decrease of the productivity of the cost aggregate which rose in its incidence on the sales volume from 15,2% last year to 24,3% in 2009, notwithstanding the measures taken by the company to limit the personnel costs, with the number of employees of the company which decreased from 183 on December 31st 2008 to 173 in 2009.

A substantial part of the personnel expenses is dedicated to research and development which the company decided not to cut, and for which El.En. SpA receives grants and reimbursements foe specific contracts underwritten by the institutions created for this purpose. The grants entered into accounts as of December 31st 2009 amounted to 790 thousand Euros, while for the same period last year they amounted to 447 thousand Euros.

The result was an EBITDA of 2.987 thousand Euros, a substantial reduction with respect to the 11.529 thousand Euros for last year, with an incidence on the sales volume which dropped from 20,1% last year to 8,3% this year.

Amortizations, depreciations and accruals showed an increase, falling from 1.519 thousand Euros for last year to 1.277 thousand Euros for 2009,with an incidence on the sales volume of 3,5%. This reduction is mainly due to the smaller accruals made this year for credit risks and to the effects of the partial reversal of the product guarantee fund calculated in the preceding years.

The EBIT decreased from 10.010 thousand Euros in 2008 to 1.710 thousand Euros in 2009, showing an decrease of 82,9% and with an incidence on the sales volume of 4,7%.

The results of the financial management were positive for an amount of 463 thousand Euros as opposed to the 1,5 million Euros last year. This result was influenced mostly by the decrease in interest paid on bank deposits and the smaller difference in exchange rate assets generated on holdings in foreign currency, in particular the US dollar.

The other net income and charges show a negative balance of 850 thousand Euros due to the devaluation made on the value of the equities held in Esthelogue Srl, Elesta Srl (ex IALT scrl), SBI SA and Cutlite do Brasil and a further accrual made for the losses of companies in which an equity is held which are related to Deka Lasertechnologie GmbH, Cutlite do Brasil and Elesta srl.

Earnings before taxes were 1.323 thousand Euros with respect to the 10.855 thousand Euros for last year.

The income taxes for this year were 963 thousand Euros as opposed to the 3.825 thousand Euros for last year, showing an increase in the tax rate which rose from 35,24% in 2008 to 72,77 for this year. This effect is mainly due to the fact that the costs for devaluations and accruals on group companies cannot be deducted and above all, the high incidence they have with respect to the revenue otherwise generated by the company.

Balance Sheet and Net Financial Position of El.En. SpA as of December 31st 2009

	31/12/2009	31/12/2008	Var.
Balance Sheet			
Intangible assets	14	17	-3
Tangible assets	14.237	12.151	2.086
Equity investments	18.329	18.207	122
Deferred tax assets	1.317	1.246	71
Other non current assets	550	621	-70
Total non current assets	**34.447**	**32.242**	**2.205**
Inventories	16.879	21.067	-4.188
Accounts receivables	22.528	25.419	-2.890
Tax receivables	2.169	1.629	540
Other receivables	3.882	4.517	-636
Cash and cash equivalents	7.618	11.536	-3.917
Total current assets	**53.076**	**64.167**	**-11.091**
TOTAL ASSETS	**87.524**	**96.409**	**-8.885**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	35.589	29.791	5.798
Treasury stock	-2.576	-2.576	
Retained earnings / (deficit)	-921	-921	
Net income / (loss)	360	7.030	-6.669
Parent stockholders' equity	**73.556**	**74.427**	**-871**
Severance indemnity	968	993	-25
Deferred tax liabilities	267	221	46
Other accruals	2.144	2.313	-170
Financial liabilities	136	268	-132
Non current liabilities	**3.515**	**3.795**	**-281**
Financial liabilities	89	43	45
Accounts payables	7.876	13.548	-5.672
Income tax payables		1.678	-1.678
Other payables	2.488	2.918	-430
Current liabilities	**10.453**	**18.187**	**-7.734**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**87.524**	**96.409**	**-8.885**

Net financial position		
	31/12/2009	**31/12/2008**
Cash and bank	7.618	11.536
Cash and cash equivalents	**7.618**	**11.536**
Short term financial receivables	**20**	**0**
Part of financial long term liabilities due within 12 months	(89)	(43)
Financial short term liabilities	**(89)**	**(43)**
Net current financial position	**7.550**	**11.493**
Other long term financial liabilities	(136)	(268)
Financial long term liabilities	**(136)**	**(268)**
Net financial position	**7.414**	**11.224**

For an analysis of the net financial position, please refer to the comments in the separate statement for El.En. SpA

RESULTS OF THE SUBSIDIARY COMPANIES

El.En. SpA controls a Group of companies which operate in the same overall area of lasers, and to each of which a special application niche and particular function on the market has been assigned.

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the financial year 2009.

	Revenues 31-dic-09	Revenues 31-dic-08	Var. %	EBIT 31-dic-09	EBIT 31-dic-08	Net income 31-dic-09	Net income 31-dic-08
Cynosure (*)	52.002	94.515	-44,98%	-12.863	8.505	-14.705	6.941
Deka Mela Srl	18.947	23.102	-17,99%	142	1.157	99	895
Cutlite Penta Srl	6.932	9.095	-23,78%	-648	22	-488	37
Esthelogue Srl	319	0		-353	-13	-264	5
Deka Technologies Laser Sarl	2.641	2.034	29,82%	260	53	262	54
Deka Lasertechnologie GmbH	586	881	-33,57%	-343	-248	-355	-267
Deka Laser Technologies	2.173	4.057	-46,44%	-1.194	-76	-1.198	-82
Deka Medical Inc.	126	0		-328	0	-329	0
Quanta System SpA	15.025	13.863	8,38%	-102	373	-658	-283
Asclepion Laser Technologies GmbH	17.983	21.357	-15,80%	-140	1.333	-226	752
Quanta India Ltd	0	19	-100,00%	0	27	0	23
Asa Srl	4.937	4.588	7,62%	872	644	624	385
Arex Srl	1.019	1.016	0,33%	27	75	-11	26
AQL Srl	423	259	62,99%	12	-9	5	-9
Ot-Las Srl	1.751	2.660	-34,16%	-478	-82	-468	-30
Lasit Spa	4.260	5.845	-27,12%	103	205	-124	-223
Lasercut Technologies Inc.	175	476	-63,37%	-93	-20	-100	-25
BRCT Inc.	0	0		2	12	5	32
With Us Co LTD	13.758	13.363	2,95%	336	887	210	170
Deka Japan Co LTD	8	0		-21	0	-22	0
Wuhan Penta Chutian Laser Equipment Co LTD	4.279	2.524	69,54%	162	61	61	182
Lasit Usa INC	347	709	-50,97%	-132	-147	-132	-148
Cutlite do Brasil Ltda	2.463	2.949	-16,47%	-298	-42	-80	-198
Grupo Laser Idoseme SL (**)	0	12.375		0	-10	0	-320
Raylife Srl	1.662	2.433	-31,72%	-129	95	-115	58
Ratok Srl	5	13	-60,99%	-1	-10	-1	-11

(*) consolidated data
(**)consolidated from February 2008 until December 2008

Cynosure Inc.
This company, listed on Nasdaq (CYNO), operates in the field of design, manufacture and sales of laser systems for medical and aesthetic applications, and in the last few years has been concentrating on laser applications for aesthetics, with excellent results which, in 2008, established it as the largest company in this sector in terms of sales volume. These results have been achieved thanks to the superior performance and the high quality of its products, in particular the alexandrite laser for hair removal and the Smartlipo System for laser-lipolysis.

The research and development team in Westford has helped the continual innovation of the range of products offered by the company; during 2009 they placed on the market the Elite MPX, an alexandrite and Nd:YAG laser system for hair removal which also uses Multiplex ("MPX") proprietary technology which makes the applications more effective.
Of particular significance has been the collaboration with the Parent Company, which supplies Cynosure, with exclusive rights for distribution in the United States, the Smartlipo system for laser-lipolysis, and which, as part of a joint development program, supplies Cynosure with the innovative Smartlipo MPX system which combines the Smartlipo platform with the Multiplex technology making a highly qualified product for minimally invasive fat removal available to all the international markets.
Cynosure organizes the commercial and marketing activities for its products directly on the American and international markets, using its own subsidiaries in France, Great Britain, Germany, Spain, Japan, Korea, Mexico and China, and a network of distributors. The distribution network in the United States is particularly important and efficient and is the

main driver in the rapid growth of the company. Manufacture, research and development are conducted in Westford, Massachusetts.
Starting in the fourth quarter of 2008 the brilliant growth which had characterized the company in the last few years suddenly came to a halt; on account of the financial and economic crisis which had struck the American market in particular the sales volume decreased. Demand remained very weak for all of 2009, and sales volume fell by 50% with the greatest decrease registered on the American market. Notwithstanding the rigid policy of cost reductions the company registered major operating losses which were further effected by a major devaluation for product obsolescence. The EBIT was further penalized by the devaluation of receivables for prepaid taxes which for precautionary reasons been entered because of the negative revenue for the year.
The financial crisis also caused a drop in the stock quotation from a maximum of 45 US dollars registered in the Summer of 2007 to a minimum of about 6 US dollars which, however, corresponded to a stock market capitalization which was less than the cash on hand of the company. As of this writing, the stock was quoted at over 10 US dollars per share and in early August the company announced a buy back plan for the overall amount of 10 million dollars.

Deka M.E.L.A. Srl
Deka represents the first in chronological order, and principal marketing channel for the production of laser systems for medical applications developed in the in the factory in Florence. Deka operates directly in the fields of dermatology, aesthetics and surgery. For the physical therapy sector DEKA has turned the management of the sector over to ASA Srl, of which it controls 60%, and has achieved good results both in terms of sales volume and revenue, while in the dental sector the range of products is distributed in Italy by Krugg (ex Anthos Impianti).
The international economic crisis affected the results of which showed a drop in sales volume of 18% with respect to the all time maximum recorded in 2008. The drop in the business volume involved the foreign markets in particular and some segments of the Italian market. On account of the reduced business volume and losses on receivables entered into accounts as a consequence of the insolvency of a major distributor in the aesthetic sector, the earnings show a sharp decrease although they managed to maintain a net profit of about one-hundred thousand Euros.
In a year in which our main competitors registered a drop in sales volume of between 30% and 50%, even in the face of a drop in sales volume the recognition, in Italy and abroad, of the quality of our products, allowed us to expand our portion of the market, to consolidate our presence on the global markets, and to increasingly become a point of reference.
For the present year the lingering effects of the international crisis do not allow for much optimism, although we are still cautiously optimistic about the possibility of growth and of some improvement in our earnings.

Cutlite Penta Srl
This company is active in the manufacture of laser systems for industrial cutting applications and installs the laser power sources produced by El. En. SpA on movements controlled by CNC.
The potential markets for Cutlite Penta, the manufacturing industries, in 2009 went through one of the most critical phases of the last decades; the inclination to invest is reduced by the expectation of reduced sales in the manufacturing sector in general and further aggravated by the difficulty in obtaining credit to sustain investments in capital goods.
The recovery which many had predicted and hoped for in the second half of 2009 did not take place, and Cutlite, unable to benefit from the situation, registered losses in the second half of the year just as it had in the first.
Even though the market continues to be sluggish, the creation of new application systems and innovative cutting systems allow for some optimism for an improvement in 2010 over the 2009 earnings
During 2009 the financial support was confirmed for an important initiative undertaken in China with the start up of Wuhan Penta Chutian, which will bring the Cutlite Penta products to China by means of a solid local manufacturing structure, as described below.

Wuhan Penta Chutian
This Joint Venture was created by Cutlite Penta together with the Wuhan Chutian Group of Wuhan, in the region of Hubei in central China.
The company was founded in 2007 for the manufacture of laser cutting systems for the local market and, in 2009, reached a satisfactory level of production thanks to the technical and technological efforts made on one hand and, on the other, the good level of acquisition on the part of the local market, with a progression which brought the sales volume to over 4 million Euros (+ 70% over 2008). In prospect, the Chinese market remains one of the most attractive for the sale of innovative systems for manufacturing and we expect to be able to register further positive results with the Wuhan company. During 2009 the financial position of the company, which had been weakened by the need for working capital required for growth, was re-enforced by an increase in capital, as a demonstration of the confidence that the Group has in the potential for development of this activity.

Quanta System SpA
Quanta System started as a research laboratory and became part of the area of consolidation of the Group in 2004; it represents a company of excellence at a global level for its innovation and technological research in the laser sector. In the past few years the medical/ aesthetic sector has represented the main driver of growth for this company, partially overshadowing the scientific sector, in which the company was born, and the industrial sector.
Among the companies in the Group that are active in the medical sector, at the beginning of 2008 Quanta was the first to feel the effects of the crisis, and it was also the first, in the last quarter of 2009, to show strong signs of recovery.
The financial year 2009 therefore closes showing a loss but with a good outlook for 2010; this was achieved thanks to the rebound from the disappointing results of the sales in the aesthetic sector of the associated Spanish company (ex-subsidiary) GLI, and the expansion of the range of laser systems for surgical applications which makes this segment an area of great potential growth for the company and for the Group.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the main activities of the Group thanks to its geographical location in the global cradle of the electro-optical industry and its capacity to associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world. In the last few years, Asclepion has maintained an enviable growth rate.
The company was able to limit its fall in sales volume to about 16% and monitored their costs. On the other hand, the effect of the mix of products which in 2009 saw a move towards products with smaller margins, reduced the margins and comported in the last analysis a slight loss for this year.

With Us
This company replaces its predecessor, the distributor in Japan for DEKA M.E.L.A., and for the Group represents an essential point of reference in one of their most important markets.
The systems installed by With Us now represent an important point of reference for aesthetic laser applications, in particular for hair removal. The equipment installed represents an important source of revenue for the maintenance contracts and supplying of consumables. Notwithstanding the market which had become objectively difficult due to the factors related to the general economic situation as well as the specific market, the company managed to maintain its position and showed only a slight decrease in sales volume in Yen, while, because of the strengthening of the Yen in relation to the Euro, the sales volume in Euro actually increased. The EBIT was also positive, although less than last year.

ASA Srl
This company in Vicenza, a subsidiary of Deka M.E.L.A. Srl, operates in the physical therapy sector. This year it was the only company of the Group that was able to improve its sales volume and earnings in 2009, thanks to the effectiveness of its expansion strategy and the originality of the technological products offered. A determining factor to this aim was the increase in the sales volume for high powered laser equipment and the reorganization of the manufacturing processes which envisions the company as increasingly central, dynamic and active in its role in the physical therapy activities of the Group.

Other companies in the medical sector

Deka Technologies Laser Sarl and **Deka Laser Technologie GmbH** distribute the line of Deka laser systems in France and Germany. For the French branch 2009 was a year of great success after many years of trying to establish itself on the market; for the German branch on the other hand it was another disappointing year which preludes the complete reorganization of the activities in Germany. **Deka Japan** was founded towards the end of the year in order to create a specific organization dedicated to the distribution of medical systems in Japan on addition to With Us which is specialized in systems for aesthetics.

During this year the Group made investments for the start up or re-enforcement of companies for the distribution of DEKA brand products in the United States, with **Deka Laser Technologies Inc**. which was founded in order to merge with and relaunch the activities of **Deka Laser Technologies LLC** in the dental sector, and **Deka Medical Inc**. which was founded in order to create an important presence in the aesthetic and surgical sector. In both cases the operating losses, involving investments for the acquisition of a position and of visibility on the market, were greater than those expected in the development plans of the start-ups, in part due to the consequences of the difficult situation on the American market, which, in any case, remains the most important at a global level both for its size and for its significance as a point of reference for other international markets.

Another sector in which the Group has planned investments for expansion is that of laser systems in the field of professional aesthetics. **Raylife Srl** is the Italian distributor for the aesthetic division of the German company Asclepion, which features the multifunctional products manufactured by Raylife. **Esthelogue Srl** on the other hand was created to deal with the Italian aesthetic market with a structure directly managed in order to place the line of El.En. laser systems for hair removal and for aesthetics at the disposal of a highly qualified and strongly motivated management team after the disappointments suffered in 2009 due to the insolvency and eventual liquidation of the distributor on which the market had been developed.

The **Arex Srl** medical center, specialized in the treatment of psoriasis and vitiligo continued its activity with satisfactory results, while **Ratok Srl** has not yet started its activity of spreading the business model represented by the Arex center.

Other companies in the industrial sector

Ot-Las Srl designs and manufactures special laser systems for CO_2 laser marking for decorating large surfaces, and is present on the market with the most advanced technological solutions thanks to the technological cooperation with the Parent Company El.En. for the creation of the strategic components.

Lasit SpA is specialized in the manufacture of marking systems for small surfaces and besides having a valid research and development team in the headquarters in Torre Annunziata (Naples), controls an Italian company, **AQL Srl** and an American company, **Lasit USA, Inc**. which are involved in the distribution of the Lasit systems. Lasit is also equipped with a complete modern mechanical workshop where they carry out work for other companies of the Group and are able to offer their own clientele customized services which make the company unique on the market.

BRCT Inc. holds the real estate property located in Branford, Connecticut and operates as a financial sub-holding which includes a series of foreign equities like **Lasercut Technologies Inc.** which conducts after-sales service for industrial systems in the United States.

Cutlite do Brasil Ltda. is involved in the distribution and production in Brazil of laser systems for industrial applications; the company has its headquarters in Blumenau in the state of Santa Catalina. In 2009 the company consolidated their position and although they showed a slight drop in sales volume, were able to reduce the losses thanks to an increase at the end of the year which leaves room for a certain optimism for 2010.

RESEARCH AND DEVELOPMENT ACTIVITIES

During 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.
El.En. 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 brief and mid-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 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, 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.
The research which is conducted is mainly applied and is basic for some specific subjects. 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 detail, 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. has developed a new family of equipment and sub-systems for medical uses. On one hand, they have created a new series of equipment based on the "platform" concept (for example the Alex+Nd:YAG+IPL platform), that is, a mother device able to sustain the management and interface with the doctor, feeding of electricity and conditioning fluids, ergonomic mechanical support. Moreover, we have developed the TRIACTIVE PLUS system equipped with various peripherals which are active generators of laser energy, using radiofrequency and ultrasound in two bands of frequency for aesthetic surgery treatments. The following devices are in the category of the new active peripherals: the FT handpiece, the LIPOSHOCK, the laser head NdYAG 7x15, the multipolar RF handpiece, Krypton. Research has been completed on the development of the following types of equipment: Smartlipo MPX, Nd YAG for veterinary uses, DOT 1540, and specialized peripherals like the "Finespot" ("Easyspot") micro-manipulator. Clinical experimentations on the New Triactive were completed. We also completed the development of a new CO_2 device, the Smartxide 2, which can also hold the laser source fed by radio-frequency and an interface management with a personal computer on it, with the radio-frequency head integrated in the scanning system for the DOT treatment. We are in the final phases of completion of the new Synchro FT with increased impulse energy in the cooling systems for the skin and with a screen which is sensitive to the touch of the visual interface which has a new size and 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 orthopedics, 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 condrocites 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 CO_2 source for surgical applications is about to be concluded.

Research continued clinical trials on a new micro-manipulator for uses in otorhinolaryngology of the CO_2 laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by the doctors who are collaborating with us.
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 fibers each with adjustable independent power. For this purpose a public/private laboratory for the development of innovative technologies for minimally invasive medicine was opened in Naples. As part of this project in collaboration with the University of Lecce we are conducting research for the use of nano-particles and laser systems with interaction with laser light to create images useful for identifying tumors.
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 tumors 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 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: 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 now able to make preparations and conduct analysis on samples of histological tissue and the activation of examinations in the area of techniques of molecular biology are also planned. Two important research projects using European funds managed by the Region of Tuscany have been approved: one related to minimally invasive surgery and the other related to regenerative medicine in the dermatological field for the treatment of cutaneous ulcers.

Cynosure 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 and use of more than one wave length.

Quanta System continued the development of two types of lasers, one with emissions in green and the other with Tullium infrared, for the therapy for the treatment of benign prostate hypertrophy and of a fiber laser with augmented performance. We have completed the development of a diode laser device for odontostomatology, with innovative characteristics both in the interface and design.

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, 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 Italian and foreign academic and professional medical centers.

Asclepion received an important grant from the region in which it operates, Turingia, for the development and experimentation of lasers for surgery.

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.
Recently there has been considerable interest in galvanometers with a small scanning angle (1.5° mecc. total) but with high resolution and precision (<20-30 µrad) and speed (< 100 µsec on step of 20 µrad), with a typical ray of about 10 mm diameter.
The applications are in ophthalmology (laser systems for random ablation) and in scanning microscopes, as well as Frap systems, photo-activation, etc. In some of these applications it would be necessary to generate regular high definition scansions with a speed of over 50 fps (galvanometers with over 30kHz of BW) and this can be achieved only using hybrid scansions (piezoelectric + galvanometer).
In the applications for ophthalmology on the other hand it is necessary to ablate a zone of the cornea with a random pattern in order to reduce to a minimum defractive phenomenon and moiré effect which could be generated by regular patterns. The use of these patterns makes it possible to come close to approach the application using galvanometers with

BW which is high but lower than 10kHz. For this reason galvanometric systems able to achieve this type of performance have been studied.
With the use of a dsp control driver we have developed control algorithms, in particular for the phases of acceleration and deceleration of the galvanometer, in order to reach speed limit performance and position related to the intrinsic torque rigidity of he shaft. We have also implemented on the dsp control driver a serial entry synchronous 10Mbit differential with 485 standard level in order to reduce communication times with the pattern generator to a minimum.
At the same time we have been working on the stability of the galvanometers (achieving drifts of 3-4 u-rad/°K and 20ppm/°K) and on the immunity from disturbances induced by diffused or scattered radiation in the ultraviolet region.
We are developing and running experimental trials on a new compact radio-frequency CO_2 laser sources with power increased with respect to the earlier ones; models with various levels of power have been installed at the clients'.
Research activity as part of a project for a solid state high power laser source with active material in an amorphous ceramic support supported by a grant from the Ministry for Research and the University has just been concluded.
The project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices is now in the final phases.
Experimental trials on the electronics based on a "Digital Signal Processor" recently created for on-line setting and numerical control of the galvanometers for scansion heads have been completed.
We have continued to elaborate 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). 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 memorization 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.

Ot-las completed the development of 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 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 WAY machine, following these developments, is now in the version equipped with RF333 laser 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. The development of a robot machine for laser cutting is now in progress.

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. They completed verification trials on structural and functional innovations developed on sealed CO_2 sources manufactured by El.En. They continued work on the development of an electronic system for remote diagnosis and remote assistance of 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.

Quanta System 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:

thousands of euros	**31/12/2009**	**31/12/2008**
Costs for staff and general expenses	8.673	9.012
Equipment	168	269
Costs for testing and prototypes	1.464	1.651
Consultancy fees	656	1.239
Other services	420	279
Intangible assets	0	0
Total	**11.381**	**12.450**

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 sustained by Cynosure during this period for research and development was approx. 6,6 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 6,6 million dollars which represents about 9% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 10% of its sales volume.

RISK FACTORS AND PROCEDURES FOR THE MANAGEMENT OF FINANCIAL RISKS

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research , they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residua risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing and financial instruments.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
Again in 2009, approx. 50% of consolidated sales were made in markets outside of the European Union; most of the transactions were conducted in US dollars. It should be pointed out that the presence of stable structures in the United States, in particular Cynosure, make it possible to have a partial coverage of these risks since both the costs and the revenue are in the same kind of currency.
Some of the companies in the Group (in particular Asa, With Us and Cutlite do Brasil) have activated hedging operations intended to cover currency risks, as already described in the charter on the subsidiary companies in the Management Report.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation fund which is accrued at the end of the year represent about 12% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the relative note of the consolidated financial statement.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies. For these financings no devaluation has been necessary.

In relation to bank guarantees granted to others, it should be noted that the Parent Company El.En along with a minority partner, has underwritten a bank guarantee for a maximum of 1 million Euros to guarantee the bonds of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing of 900 thousand Euros, the installments for which expire up to 84 months after he date of issuance, which took place in the second half of 2009. The subsidiary ASA issued a bank guarantee in favor of the renter for 10 thousand Euros which becomes due on August 31st 2010, and can be renewed every year unless cancelled. The subsidiary Quanta System issued a bank guarantee in favor of some credit institutes of the associated company Grupo Laser Idoseme for a total of 675 thousand euros which became due on February 28th 2010 and was renewed until February 28th, 2011, except for a bank guarantee for 125 thousand Euros renewed up until May 31st 2010.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The primary objective of the management of the capital of the Group is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Group, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

EQUITY INVESTMENTS HELD BY DIRECTORS, AUDITORS AND GENERAL DIRECTORS

In compliance with Art. 79 of the Consob regulations adopted with vote no.11971of May 14th 1999, the chart below shows the equities held in the company or in its subsidiaries by directors and auditors or by their relatives, also through subsidiary companies.

Name	*Company*	*No. of shares on 31/12/2008*	*No. of shares acquired*	*No. of shares sold*	*No. of shares on 31/12/2009*
Andrea Cangioli	El.En. S.p.A.	646.660	1.012		647.672
Barbara Bazzocchi	El.En. S.p.A.	504.824			504.824
Gabriele Clementi	El.En. S.p.A.	517.622	17.082		534.704
Immobiliare del Ciliegio Srl (*)	El.En. S.p.A.	362.412			362.412
Lucia Roselli	El.En. S.p.A.	350			350
Paolo Caselli	El.En. S.p.A.	300			300
Vincenzo Pilla	El.En. S.p.A.	300			300
Giovanni Pacini	El.En. S.p.A.	0	300		300
Michele Legnaioli	El.En. S.p.A.	160			160
Stefano Modi	El.En. S.p.A.	2.200			2.200
Stefano Modi	Cynosure Inc.	1.000	2.000		3.000
Angelo Ercole Ferrario	El.En. S.p.A.	2.914	480		3.394
Laserfin Srl (**)	El.En. S.p.A.	11.994	2.980		14.974
Paola Salvadori	El.En. S.p.A.	300			300
Alberto Pecci	El.En. S.p.A.	413.114			413.114

(*) Immobiliare del Ciliegio Srl is a company with headquarters in Prato, with a capital stock of 2.553.776 Euros. Andrea Cangioli is the outright owner with a quota of 25% of the capital stock.
(**) Laserfin is a company with headquarters in Milan and a capital stock of 10.500 Euros. Angelo Ercole Ferrario holds an equity in the company of 21,78%.

The ordinary shares in circulation on December 31st 2009 were 4.721.220. Par value of each share is 0,52 Euros.

STOCK OPTIONS OFFERED TO DIRECTORS AND EMPLOYEES

The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

On July 15th 2008 the Board of Directors of the parent company voted to implement in full the decision of the Shareholders' assembly of May 15th 2008 to increase the share capital by 83.200,00 Euros for use in the 2008/2013 stock-option plan and approved the relative regulations.
The option rights are assigned exclusively to the employees of El.En. SpA and of the other companies of the Group who, at the moment of assignment were working in a subordinate position. this plan is divided into two equal phases, each of which can be implemented in accordance with the following rules: a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:
- if the shareholders' assembly, during the approval of the report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;

- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the company report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' assembly votes in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the company report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.

b) in relation to the residual amount of the increase of nominal 41.600,00 Euros starting on July 15th 2012 and up until the date of approval of the budget of the company for the year 2012 by the Board of Directors.

Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' assembly, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of the company report for 2013, and otherwise, on May 15th 2013.

Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

STAFF

As mentioned earlier the number of staff members decreased from 876 people on December 31st 2008 to 874 people on December 31st 2009.

Staff members divided by Group company are shown on the chart below:

Company	2009 Average	31-dic-09	31-dic-08	Var.	Var. %
El.En. S.p.A.	178,00	173	183	-10	-5,46%
Cutlite Penta Srl	24,50	23	26	-3	-11,54%
Esthelogue Srl	1,50	3	0	3	0,00%
Deka M.E.L.A. Srl	14,00	15	13	2	15,38%
Ot-las Srl	14,00	13	15	-2	-13,33%
Raylife Srl	3,50	3	4	-1	-25,00%
Quanta System SpA	67,00	67	67	0	0,00%
AQL Srl	1,00	1	1	0	0,00%
Arex Srl	7,00	7	7	0	0,00%
Lasit SpA	42,50	41	44	-3	-6,82%
Asa Srl	25,50	26	25	1	4,00%
Deka Technologies Laser Sarl	7,50	8	7	1	14,29%
Deka Lasertechnologie GmbH	2,50	2	3	-1	-33,33%
Deka Medical INC	2,50	5	0	5	0,00%
Deka Laser Technologies LLC	3,00	0	6	-6	-100,00%
Asclepion Laser T. GmbH	73,50	73	74	-1	-1,35%
Lasercut Technologies Inc	2,00	1	3	-2	-66,67%
Cynosure	272,00	255	289	-34	-11,76%
Deka Laser technologies INC	4,00	8	0	8	0,00%
With Us Co Ltd	25,50	25	26	-1	-3,85%
Wuhan Penta Chutian Laser Equipment Co Ltd	87,50	104	71	33	46,48%
Lasit Usa Inc	1,50	1	2	-1	-50,00%
BRCT	0,00	0	0	0	0,00%
Cutlite do Brasil Ltda	13,50	17	10	7	70,00%
Ratok Srl	0,00	0	0	0	0,00%
Deka Japan Ltd	1,50	3	0	3	0,00%
Total	**875,00**	**874**	**876**	**-2**	**-0,23%**

CORPORATE GOVERNANCE AND OWNERSHIP, IN APPLICATION OF D.LGS. 231/01

In compliance with legislation and regulations, El.En. SpA has drawn up a “Report on corporate governance and ownership” which is deposited and published as a separate document together with this Management Report. This document can also be consulted on the internet site www.elengroup.com at the section titled Investor Relations – assembly and statute.

Among the activities conducted in 2008, attention should be called to the application of the Organization, Management and Control Model (*Modello di Organizzazione, Gestione e Controllo*) in compliance with the new type of misdemeanour introduced after the original approval of the Model on March 31st 2008.

RELATED PARTIES

In regard to the relations with related parties, please refer to the notes that accompany the consolidated statement of the El.En. Group and the separate statement of El.En. SpA.

OTHER INFORMATION

Atypical and unusual operations

In compliance with Consob Communication DEM/6064296 of July 28th 2006, we wish to state that during 2009 the El.En. Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

Managing and coordinating activities

El.En. S.p.A. is the Parent Company and therefore is not subject to any activity of management or coordination in conformity with art. 2497 and following of the Civil Code.

Adoption of measures intended to guarantee the protection of privacy

In conformity with present legislation in this regard, the company declares that they have updated the Safety Program Document (*Documento Programmatico sulla Sicurezza*), which was previously adopted.

Information in conformity with art. 149-duodiecies of the *Regolamento Emittenti Consob*

The chart below was drawn up in conformity with art. 149-*duodiecies* of the *Regolamento Emittenti Consob*, and shows the respective amounts received during the year 2009 for auditing services and for services other than auditing rendered by the Reconta Ernst & Young to the Parent Company and to some of the Italian and foreign subsidiaries .

	Audit of individual, consolidated annual report and occasional audits	Audit of half-yearly report	Audit of management report	Underwriting of tax forms	Other services
El.En. SpA	43.400	27.350	3.000	4.000	20.000
Italian Subsidiaries (*)	43.950	0	5.000	10.000	0
Foreign Subsidiaries (**)	281.171	104.506	0	0	52.576
Total	**368.521**	**131.856**	**8.000**	**14.000**	**72.576**

(*) Audited Italian subsidiaries are: Deka Mela Srl, Cutlite Penta Srl, Ot-Las Srl, Quanta System SpA and Lasit SpA.
(**) Audited foreign subsidiaries are: Cynosure Inc and Asclepion Laser Technologies GmbH.

The honorariums shown on the chart are subject every year to an adaptation on the basis of the ISTAT index and are shown net of the expenses sustained and the overseeing fee paid to Consob.

Compliance with Art. 36 and following of the Consob regulations related to markets.

In relation to the recent regulations concerning the conditions for quotation of companies controlling companies founded or governed according to the laws of countries which do not belong to the European Union and which are of significant importance in the consolidated statement, we declare the following:

- On December 31st 2009 the companies controlled by El.En. SpA to which these rules are applicable are the following: Cynosure Inc. (NASDAQ:CYNO) and With Us Co. Ltd.
- Appropriate procedures have been adopted to censure complete compliance with the regulations.

SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE CLOSING OF THE FINANCIAL YEAR

On January 28th 2010 the assembly of Elesta Srl, a company in which the Parent Company El.En. Spa holds a 50% equity, voted to pay off the debts shown in the balance sheet closed on December 31st 2009 by reversing the capital stock and through a further payment by the partners for the residual amount. They also voted to reconstitute the capital stock to its original amount of 110 thousand Euros, and this amount was totally underwritten by the partners..

On February 9th 2010 El.En. SpA, which holds US patent n. 6.206.873 (also known as patent 873) which deals with the technique of laser-lipolysis, removal of subcutaneous fat by means of a laser, and which constitutes the fundamental point of reference for the application performed with the device which is sold under the brand name of Smartlipo™, announced along with its subsidiary and sole licensee for the above mentioned patent, Cynosure Inc., the conclusion of its suit for the violation of the patent rights initiated against CoolTouch Inc. and based on the violation of the intellectual property rights belonging to El.En. by CoolTouch through the selling of the device they called 1320 nm CoolLipo™.
On the basis of the settlement which was reached, CoolTouch will pay a royalty of 9% on the CoolLipo systems sold before the settlement and will reimburse Cynosure Inc. a part of the legal expenses which they incurred. CoolTouch, moreover, will be obliged to pay a royalty of 10% on all the systems which can be used exclusively for lipolysis and 7,5% for the systems which it will sell which can be used for lipolysis and at least one other aesthetic application. CoolTouch ha s also accepted to recognize in front of a judge their violation of patent 873 and that this patent is completely valid. CoolTouch moreover granted El.En. and Cynosure free of charge the license for patents already obtained and for patents pending which belong to CoolTouch and that are used for the treatment of body fat and/or cellulitis.
On the basis of the agreement which regulates the license for the patent granted to Cynosure by El.En., as accessory to the existing distribution contracts for license Smartlipo™, when Cynosure has received the total reimbursement of the legal expenses they sustained for this suit, the sums received from the royalties paid by CoolTouch will be split between El.En. and Cynosure in the proportion of 40% for the former and 60% for the latter.
With the success of this transaction, the El.En. Group has confirmed their technological and market leadership in the segment of laser-lipolysis , in which the standard reference is represented by the Smartlipo™ system distributed in Italy by DEKA M.E.L.A. and in the United States by Cynosure.

CURRENT OUTLOOK

As described in the preceding sections, the situation on our selling markets remains stagnant and does not show any reliable signs of reversing the trend. As far as the consolidated statement excluding Cynosure is concerned, the phase of instability on the markets is such that we are unable to formulate a precise outlook on the evolution of the income and the sales volume. For this reason we prefer to simply state that for 2010 we will attempt to return to a profit level thanks to a slight increase in sales volume and an effective control of costs.
Even though we will be paying particular attention to limiting our overhead, the Group intends to continue their expenses and investments in research and development, which are fundamental for innovation and for success in competition on the markets.

DESTINATION OF THE NET INCOME

To our shareholders :
we herewith request that you approve the financial statements of El.En. SpA and we propose to allocate the year's earnings to extraordinary reserve.

For the Board of Directors
The Managing Director – Andrea Cangioli

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

in compliance with art. 123-bis D. Lgs. February 24th 1998, n. 58

Approved by the Board of Directors during the meeting held on March 31st 2010

Financial year 2009

GLOSSARY

"Code": *Codice di Autodisciplina*: the self-disciplining code for the companies quoted on the stock market approved in March 2006 by the Commission for Corporate Governance and promoted by the Borsa Italiana S.p.A. and later added to and modified;

"c.c.": the Civil Code;

"Board": the Board of Directors of El.En. s.p.a.

"El. En."/ "the Company": the company issuing these documents.

"D. Lgs ": Legislative Decree

"Regolamento Emittenti Consob": the Regulations issued by Consob after vote n. 11971 in 1999 (and later modified) concerning companies issuing financial statements;

"Regolamento Mercati Consob": the Regulations issued by Consob after vote n. 16191 in 2007 (and later modifications) concerning stock markets.

"Report": the report on corporate governance and ownership that all companies are required to issue in compliance with art. 123-bis TUF.

"TUF": Legislative Decree of February 24th 1998, n. 58 (Testo Unico della Finanza).

1. PROFILE OF THE EL.EN. GROUP

Since December 11th 2000, with the admission of its ordinary stock to the MTA (formerly MTAX, and before that, *Nuovo Mercato*) organized and managed by Borsa Italiana SpA – it has always been the intention of El.En. ("the Company"), apart from any legal obligations and/or regulations, to follow, maintain and perfect the alignment of its own system of corporate governance in conformity with the suggestions and recommendations of the Code - both in the original version of 1999, revised in 2002, and in the current edition of March 2006, and identified as the best practice, since it represents a unique opportunity to increase their reliability and reputation in relation to the market. The company has been part of the Techstar segment since the founding of the segment in 2004 and has been quoted in the Star segment since 2005.
The corporate governance of El.En. consists of an administrative body, a managing body and an assembly.
During the phase of adaptation to the regulations set forth by Legislative Decree n. 6 of January 17th 2003, and the later amendments and modifications, the shareholders of El.En. voted to keep the traditional system of administration and management.
Consequently, the company is currently administered by a Board of Directors which is regulated, in all of its aspects (composition, functions, salaries, powers, representation of the company), by Articles 19 to 23 of the company by-laws and is subject to the control and supervision of a Board of Statutory Auditors which is governed in every aspect by Art. 25 of the by-laws.
The revision of accounts is conducted in compliance with Art. 155 TUF by a company that is enrolled in the special CONSOB professional register.

The Board of Directors
The Board of Directors holds full powers for the ordinary and extraordinary administration of the activities related to the pursuit of the aims of the company.
The Board Members were elected by the shareholders' meeting held on April 30th 2009 and, after the vote of approval of the Board of Directors on May 15th 2009, is made up of executive and non-executive members organized so as to carry out consulting and executive functions in support of the Board, in three committees: for internal control, for remuneration, and for nominations. Two of the Board members were elected since they possessed the independence requirements as per art. 148-ter TUF.
The board members have legal domicile at the headquarters of the Company for the duration of their mandate.
The executive Board Members retain, in accordance with the vote of the Board of Directors held on May 15th 2009, separately from each other and with independent signature, all of the ordinary and extraordinary administrative powers for achieving all of the aims included in the company purpose, excluding only the attributions which are prohibited from being object of proxy in conformity with art. 2381 of the civil code and the company by-laws.
Since September 5th 2000 the Board has instituted amongst its members the following committees which are composed for the most part, of non-executive members who have the following tasks:
a) *Nominations Committee for the appointment of the director*, which currently has the task of nominating candidates, receiving proposed nominations from the shareholders, and verifying that the procedure for the selection of candidates respects the company by-laws;
b) *Remuneration Committee*, which has the task of formulating proposals for the amount of remuneration to be paid to the executive Board Members and to those that have particular responsibilities, and, in response to the indications given by the delegated commissions, to determine the criteria for the remuneration of the top executive officials of the company;
c) *Internal Control Committee*, which has consulting, executive and sustaining functions for the Board of Directors in the realization and the supervision of the internal controls systems and of the evaluations of the proposals of the auditing companies.

These committees are regulated in their composition, role and functions by a special set of regulations, the first version of which was approved on September 5th 2000, revised in December 2003 and finally were further revised by the Board of Directors on March 30th 2007.
On September 5th 2000 the Board also appointed a provost for internal control.
The Board of Directors convenes at least once every quarter in order to guarantee adequate information for the Board of Statutory Auditors related to the activities and the most important transactions conducted by the Company and its subsidiaries.
The directors of the Company participate as members of the administrative organs of the subsidiary companies or else have the position of sole director, otherwise the administrative organ of the subsidiary companies supply complete detailed information required for the organization of the activities of the Group and the accounting statements necessary for conformity with the relative legislation; normally, the usual policy in the past has been for the subsidiary companies to supply all of the information necessary for the preparation of the consolidated financial and economic reports before the end of the month following the closing of the quarter.
The company by-laws concerning the appointment of directors, the composition of the Board and their related areas of competency – specifically articles 19, 21 and 22 – were ultimately modified by the assembly which was held on May 15th 2007 for the purpose of adapting them, to the extent required and not already included, to the new TUF and to the Code.
For a detailed description, please refer to the specific paragraphs contained in the part of this report related to information on the adhesion to the Code.
In relation to the expectation at the level of primary source of the obligatory presence of the so-called independent board members, the Company has proceeded with the insertion of this into the by-laws, as part of the rules on appointment to and composition of the Board; this requirement, in any case, is in conformity with the discipline of the Code, and has been a regular policy since 2000, the year when the company was first quoted on the stock market.

The Board of Statutory Auditors
The Board of Statutory Auditors is entrusted with the supervision of the conformity to the laws and company by-laws, the respect of the principles of correct administration, of the adequacy of the company organizational set-up related to the specific tasks, systems of internal controls and accounting administration system used by the company and its concrete functioning.
This Board is also entrusted with the supervision of the adequacy of the instructions given to the subsidiary companies so that they supply all the information necessary in order to be in compliance with the communication obligations required by law.
The present Board of Statutory Auditors was elected by the assembly on May 15th 2007 and their mandate expires after the approval of the financials on December 31st 2009. Consequently, the shareholders assembly convening on the 29th/30th of April will elect the new Board of Statutory Auditors and nominate the president.
The Board of Statutory Auditors is composed of three active auditors and two supplementary auditors.
Company by-laws establish a limit in the accumulation of assignments, in conformity with 148-bis TUF, so that the appointment of a candidate or auditor who already functions as acting auditor in more than five listed companies is considered ineligible or invalid, as well those who are in a situation of incompatibility or that exceed the maximum limit as per the *Regolamento Emittenti* (art. 144-*duodecies* and following).
After the modifications in the by-laws approved by the assembly on May 15th 2007, they specified in art.25 of the statute, which already contemplated the election using a voting list, that the acting auditor drawn from the minority list which came in first would be elected president of the Board of Statutory Auditors.

Auditing of Accounts
Auditing of accounts, in conformity with Art. 155 ss. TUF is entrusted to an auditing company: the assembly held on May 9th 2006 conferred this task of auditing the annual report and the consolidated annual report of the company for the financial years 2006-2011, in conformity art. 159 TUF to RECONTA ERNST & YOUNG SpA.

Other information
On February 24th 2006, the original shareholders who had adhered to the pact stipulated in 2000 and later renewed in 2003, decided unanimously to terminate the Pact in advance with effect to take place immediately.

Internal dealing
Up until March 30th 2006, for the relevant definable subjects in accordance with and in conformity with articles 2.6.3 and 2.6.4. of the "*Regolamento dei Mercati organizzati e gestiti da Borsa Italiana SpA*" starting on January 1st 2003 there had been in force an "Ethics Code" which, with reference to operations made by those subjects, regulated the obligations of information and the types of behaviour to be observed with an aim to guaranteeing the maximum transparency and homogeneity of information in relation to the market.
On account of the modifications determined by the TUF of the EU law 2004 (L. April 18th 2005, n. 62), in consideration of the EU directives concerning market abuse, and of the later regulating activity in conformity with the CONSOB, since April 1st 2006 the company has been required to conform to the regulations on the subject of internal dealing in particular to articles 114, sub-section 7, *Testo Unico sulla Finanza* and from 152-sexies to 152-octies of the *Regolamento Emittenti*.
Since April 1st 2006, therefore, it has become obligatory to communicate to the public all the operations made on the financial instruments of the company by relevant persons or persons closely connected to them and, consequently, the laws regarding internal dealing contained in the Market Regulations (*Regolamento dei Mercati*) organized and managed by Borsa Italiana SpA, have been abrogated.
As a consequence of this, the Ethics Code adopted in 2003 by the Company was replaced by another document, adopted on March 31st 2006 and later modified on November 13th 2006, which, besides describing in detail the legal obligations, also specifies the time limits or prohibitions for the operations made by the above mentioned subjects.

* * *

2. INFORMATION ON OWNERSHIP (ex art. 123-bis, sub-section 1, TUF) on December 31st 2009)

a) Structure of capital stock (ex art. 123-bis, sub-section 1, letter a), TUF)

The capital stock underwritten and paid out is 2.508.671,36 Euros divided into 4.824.368 ordinary shares for a nominal value of 0,52 Euros each.

The voted capital stock amounts to 2.591.871,36 Euros on account of the decision made by the Board of Directors on July 15th 2008 to authorize the increase in capital as per *ex* art. 2443 c.c. of the shareholders' assembly on May 15th 2008 for use in the employee incentive plan 2008-2013 as described in the Management Report which accompanied the Statement for 2009, in the section titled "Stock Options offered to directors and employees" in compliance with 84-*bis Regolamento Emittenti Consob* on the internet site of the El.En. Group, www.elengroup.com in the Italian version, investor relations sector, assembly and by-laws – Ordinary and Extraordinary assembly April 29th/May 15th 2008 – descriptive report on the assembly.

b) Restrictions in the transfer of stock (ex art. 123-bis, sub-section 1, letter b), TUF)

There are no particular restrictions on the transfer of stock.

c) Significant ownerships in shareholders' capital (ex art. 123-bis, sub-section 1, letter c), TUF)

According to the information and data available as of December 31st 2009, significant equities (over 2%) of the capital stock of the El.En. Group are held by the shareholders' listed in Table 1.

d) ***Shares which confer special rights (ex art. 123-bis, sub-section 1, letter d), TUF)***

None.

e) Shares held by employees: mechanism of the voting rights (ex art. 123-bis, sub-section 1, letter e), TUF)

None.

f) Restrictions in the right to vote (ex art. 123-bis, sub-section 1, letter f), TUF)

None.

g) Agreements among shareholders (ex art. 123-bis, sub-section 1, letter g), TUF)

None.

h) Clauses related to change of control (ex art. 123-bis, sub-section 1, letter h), TUF)

None.

i) Authorizations to increase the capital stock and to purchase treasury stock (ex art. 123-bis, sub-section 1, letter m), TUF)

The extraordinary assembly held on May 15th 2008, in conformity with and due to the effects of art. 2443 of the Civil Code, granted the faculty for a period of five years to increase the capital stock one or more times, by a maximum of nominal 83.200 Euros (eighty three thousand two hundred) by issuing a maximum of 160.000 (one hundred-sixty thousand) ordinary shares for a nominal value of 0,52 Euros (point 52 Euros) each, with payment the same as that for ordinary stock of El.En. Group on the date of underwriting, to be issued through the payment of a price determined by the Board in due time, in compliance with art. 2441 of the Civil Code – that is to say, on the basis of the value of the shareholders' equity, bearing in mind also the trend of the quotation of the stock on the stock market during the last half year, and in a unit value comprehensive of the share premium, which cannot be less than the greatest of the following:

- the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options;
- the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options;
- the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

This authorization was conferred with the exclusion of the option rights in favor of partners ex-art.2441, VIII sub-section of the Civil Code, since it was directed to the creation of the incentive plan for the period from 2008 to 2013 in favor of the employees of the Company and their subsidiaries, to be effected with the assignment free of charge of stock option rights, the exercising of which is regulated by the set of rules which was approved definitively by the Board on July 15th 2008 during the meeting for the authorization and activation of the incentive plan.
For further information, see the Management Report for 2009, the section titled "*Stock options offered to directors and employees*".

In relation to treasury stock, on March 3rd 2008, the shareholders assembly, voted to authorize the Board of Directors to acquire treasury stock in conformity with art. 2357 ss. of the Civil Code, within eighteen months of that date for an amount which represents not more than 10% (ten percent) of the capital stock in conformity with the law, at a price which is not more than 20% (twenty percent) less nor more than 10% (ten percent) greater than the official trading price registered for the day preceding the purchase. This purchase was made for the following concurrent and alternative purposes: to stabilize the stock, to assign the stock to employees and/or collaborators, to exchange the stock for equities upon the occasion of company purchases.
The authorization of the shareholders also allows them to authorize the Board of Directors to return the shares to circulation within three years of the purchase date, as long as the price is not less than 95% (ninety-five percent) of the average of the trading official prices registered in the five days preceding the sale, and is in compliance with the regulations governing this type of transaction.
The authorization expired on December 31st 2009 and the Company possesses at this time 103.148 shares of treasury stock.

l) Management and coordinating activities (ex. art. 2497 and ss. C.C.)

El.En. Spa is the Parent Company and therefore is not subject to any activity of management or coordinating in compliance with art. 2497 and following of the Civil Code.

* * *

In compliance with art. 123-*bis*, first sub-section, letter i) we herewith declare that *"no agreements have been stipulated between the Company and the Directors which include indemnities in case of resignation or firing without just cause or if their employment is terminated due to an offer of public acquisition".*

The information required by article 123-*bis*, first sub-section, letter l) *("the regulations applicable to the appointment and the replacement of the directors….as well the modification of the by-laws, if different from the legislative and regulatory ones applied in addition")* are described in the section of the Report dedicated to the Board of Directors (Section 4.1).

3. COMPLIANCE (ex art. 123-bis, sub-section 2, letter a), TUF)

Until the ordinary stock of El.En. was quoted on the stock market organized and managed by the Borsa Italiana s.p.a. on December 11th 2000, apart from any legal obligations and/or regulations, the Company acted in accordance with the suggestions and recommendations of the Code, both in the original version of 1999, the revised version of 2002, and the present version of March 2006.

The present version of the Code is accessible to the public at the web site of the Borsa Italiana (www.borsaitaliana.it).

The information in compliance with art. 123-bis, sub-section 2, letter a), is contained in the related and pertinent sections of the Report.

* * *

The American subsidiary CYNOSURE Inc. is the company the stock of which was admitted for trading on the NASDAQ and is therefore subject to the relative US regulations, also in relation to their corporate governance. The corporate governance of El.En. is not influenced by it.

4. BOARD OF DIRECTORS

4.1. APPOINTMENTS AND REPLACEMENTS (ex art. 123-bis, sub-section 1, letter l), TUF) – ART. 6 Code

The appointment of the Board of Directors takes place by means of a voting list and is regulated by art. 19 of the statutes in the version modified by the extraordinary assembly of the shareholders on May 15th 2007 in compliance with art. 147-*ter* TUF and the *Regolamento Emittenti* 11971/1999.
*"**Art. 19 – Administrative organ** – (… omissis …) At least 15 (fifteen) days before the date set for the first convocation of the ordinary assembly the partners who intend to propose candidates for the appointment as members of the board must deposit the following documents at the company headquarters:*
a) a list containing the names of the candidates for the position of board member numbered progressively and an indication of which ones have the requisites for independence in compliance with art. 147-ter, sub-section 4, D. Lgs. February 24th 1998, n. 58 and the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a.;*
b) together with this list the partners must deposit: a complete and detailed description of the professional curriculum of the candidates being presented, with adequate reasons for the proposal of their candidacy; a complete curriculum vitae of each candidate from which it will be possible to see the positions held in administrative boards or controlling commissions in other companies; a declaration in which each candidate accepts their candidacy and declares under their own responsibility that no causes exist for ineligibility or incompatibility, and that all the requisites established by the applicable regulations and by the by-laws for their respective positions exist.
The lists must show the identifying list of the partners, or the name of the partner, who is presenting the list with complete indications of personal data and the percentage of capital held singularly and overall.
Each partner may present and participate in the presentation of a single list and each candidate can be presented in only one list, otherwise will be considered ineligible. The partners who belong to the same union pact may present only one list.
The partners who have the right to present lists either by themselves or together with other partners are those who possess the percentage of equity in the capital stock specified by art. 147-ter D. Lgs. February 24th 1998, n. 58, or the greater amount established by Consob regulations considering the capitalization, floating funds and ownership of the companies quoted.
The possession or co-ownership of the number of shares necessary for the presentation of the lists must be approved by the partners or by the partner at the moment of presentation by showing to the company or to the persons appointed by the company the certifications issued by the intermediaries who detain the originals of the shares. These certifications cannot be returned until the actual assembly has taken place.
The board members are appointed by the ordinary assembly on the basis of the lists presented by the partners in which the candidates are listed in numerical order.
Each partner having the right to vote may vote for only one list.
The board members are drawn from the list or lists which have received a percentage of votes which is at least half of that necessary for the presentation of the list itself.
The votes obtained from each list will be divided by one, two, three, etc. according to the number attributed to each candidate to be elected; the quotients thus obtained will be assigned progressively to the candidates on each list in the order which appears on the list and will be shown in a single classification in decreasing order; the candidates who receive the highest quotients will be elected.
At least one member of the board must always be drawn from the minority list which received the largest number of votes. For this reason, should the highest quotients be obtained by candidates

who all belong the majority lists in sufficient number to fill all the positions up for election, the last member to be elected will in any case be drawn from the minority list which obtained the most votes, even though he obtained a quotient that was lower than that of the majority candidate with the last highest quotient.
In the case that two candidates obtain the same quotient, the candidate on the list which has not yet had a member elected will be elected, or, if all lists have elected the same number of candidates the candidate whose list received the greatest number of votes will be elected. In the case that there is both the same number of list votes and the same quotients, a new vote will be held by the entire ordinary assembly and the candidate who obtains the simple majority of votes will be elected.
If, within the established term, no list has been presented, the assembly will vote according to the relative majority of shareholders present at the assembly.
In the case of a sole list being presented, all of the board members will be elected as part of that list in the order in which they appear on the list.
In the case that no minority list receives votes, the board will be completed by the vote by the relative majority of the shareholders present at the assembly.
Among the candidates the assembly must elect an appropriate number of board members who possess the requisites for independence established for the controllers by art. 148, sub-section 3, D. Lgs. February 24th 1998, n. 58 and by the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a"*
For the purpose of guaranteeing the greatest transparency during the election of the Board presently serving, the Company has adopted and has expressly mentioned in the notice convening the assembly, the recommendations of the CONSOB in their communication n. DEM/9017893 of February 26th 2009, related to the necessity for all of those who intend to present a list of candidates, to be elected to the position of so-called minority board members, to deposit together with the list, a declaration which demonstrates the absence of connections, even indirect ones, as per art. 147-*ter*, sub-section 3, D. Lgs. 58/1998 and art. 144-*quinquies* of the *Reg. Emittenti* 11971, with shareholders who detain, even jointly, a controlling equity or relative majority which can be identified on the basis of the "communication of significant equities" as per art. 120 of D. Lgs. 58/1998 or of the publication if company pacts as per art. 122 of the same D. Lgs. 58/1998.
Moreover, in order to satisfy the interest of most shareholders to know in advance the personal and professional characteristics of the candidates so as to cast a more informed vote, it was decided to anticipate the statutory term for depositing the lists. (6.C.1.).

El.En. Spa is not subject to any other special regulations related to the composition of the Board of directors, in particular those related to the representation of minority shareholders and/or the number and characteristics of the independent directors.

4.2. COMPOSITION (ex art. 123-bis, sub-section 2, letter d), TUF) – ART. 2 CODE

Current members of the Board of Directors

The current Board which will be in office until the approval of the annual report for the year which ends on December 31st 2011, is composed of the following eight members as determined by the assembly which elected them:
1) Gabriele Clementi – president and executive member;
2) Barbara Bazzocchi – executive member;
3) Andrea Cangioli – executive member;
4) Stefano Modi – special member, without powers of attorney but executive in compliance with art. 2, application criteria 2.C.1 of the Code since he is the director of the R&D department of El.En. Spa.

5) Paolo Blasi – independent board member in compliance with art. 147-ter TUF and art. 3 of the Code;
6) Alberto Pecci – board member;
7) Michele Legnaioli – independent board member in compliance with art. 147-ter TUF and art. 3 of the Code;
8) Angelo Ercole Ferrario – board member.

The Board was elected with 56,96% of the voting capital by the shareholders assembly held on April 30th 2009 and, after the vote of the Board of Directors on May 15th 2009, is made up of executive and non-executive members who, in order to carry out the consulting and proposing functions of the Board, are organized in three committees: one for internal controls, one for remuneration and one for nominations and appointments.

For the elections only one list was presented and deposited fifteen days before the assembly and this list contained the names of all the candidates who were subsequently elected.
The list was presented jointly by the following partners: Andrea Cangioli, Gabriele Clementi, Barbara Bazzocchi, Alberto Pecci on his own and as representative of S.M.I.L. di Alberto Pecci & C. s.a.s., Elena Pecci who detains 100% of the usufruct of the quotas of IMMOBILIARE IL CILIEGIO s.r.l., Pio Burlamacchi, Carlo Raffini and Autilio Pini.

The personal data of the board members is listed below:

GABRIELE CLEMENTI – Born in Incisa Valdarno (Florence) on July 8th 1951. He received his degree in electrical engineering from the University of Florence in 1976 and collaborated with the university until 1981, while at the same time founding a center for experimenting applications of biomedical equipment together with Barbara Bazzocchi. In 1981, together with Mrs. Bazzocchi he founded El.En. as a collective company. Since that time he has been dedicated full time to the direction and management of El.En. Spa and of the Group in which he has several different positions. Since 1989, year of the transformation of the company into Srl (company with limited responsibility) he has been President of the Board of Directors.

BARBARA BAZZOCCHI – born in Forlì on June 17th 1940. She received her diploma in accounting in 1958 and as an executive secretary in 1961. From 1976 until 1981 she managed and administered a center for the experimentation and application of biomedical equipment and then, with G. Clementi, founded El.En. Spa. As director, she has been involved full time in the management of the company since its founding. Since 1989 she has been executive board member.

ANDREA CANGIOLI – born in Florence in December 31st 1965. In 1991, he received his Engineering degree from the Politecnico di Milano with a major in Engineering of Technological Industries specializing in Economics and Organization. Since 1992 he has been on the Board of Directors of El.En. s.r.l. and since 1996 he has been executive board member of the company and of numerous companies belonging to the Group.

STEFANO MODI – was born in Borgo San Lorenzo (Florence), on January 16th 1961. In 1989, he received his degree in Electronic Engineering from the University of Florence and up until 1990 collaborated with the Institute of Quantistic Electronics on projects related to the technical and functional specifications as well as the design and engineering of diode lasers. Since 1990 he has been an employee of the Company and has worked on projects related to the technical and functional specifications engineering and development of various types of laser systems intended for use primarily in medical and aesthetic applications. Since 1999 he has been an officer of the company with management responsibilities in the medical research and development department. He has been a board member since 2006.

ALBERTO PECCI – born in Pistoia on September 18th 1943. He received his degree in Political Science and after a brief experience working at the BNL bank USA, he founded the Lanificio Pecci, of which he is president, as well the other companies of the textile group of which the Lanificio is parent company. He was nominated Cavaliere del Lavoro in 1992, and was first Vice President (1988-1993) and then President (1993-2002) of the La Fondiaria Assicurazioni; he has been a member of the Board of Directors of Mediobanca, of Assicurazioni Generali, of Banca Intesa and of Alleanza Assicurazioni. He is a member of the board of Directors of KME, a company listed on the Italian stock market (Borsa Italiana).

PAOLO BLASI – born in Florence on February 11th 1940. He received his degree in Physics from the University of Florence in 1963, in 1971 received a teachers certificate for teaching General Physics. From 1979 o 1982 he was director of the National Laboratories of Legnaro of the I.N.F.N. (*Istituto Nazionale di Fisica Nucleare*); from 1985 to 1989 he was a member of the Directing Committee of the I.N.F.N. and from 1989 to 1991 at the executive joint commission of the same institute; from 1987 to 1996 he was Vice President of the I.N.O. (*Istituto Nazionale di Ottica*). Since 1980 he has been Professor of the "Physics Laboratory" for the university course in physics. From November 1st 1991 until October 31st 2000 he was president (Magnifico Rettore) of the University of Florence. From 1994 to 1998 he was president of the *Conferenza dei Rettori delle Università Italiane* (C.R.U.I.), for two consecutive terms. He is a member of the *International Association of Universities* (I.A.U.) and during the "*10th I.A.U. General Conference in New Delhi*", in February 1995*, he was elected member of the Administrative Board* for the five year term from 1995-2000, and in 2000 re-appointed until 2004. In August of 1998 he was elected board member of CRE (Association of European Universities) and later was appointed vice president of the same association, up until March 2001. By decree of the Ministry of the University and Scientific Research on February 25th 1999 he was appointed member of the Board of Directors of the C.N.R. (*Consiglio Nazionale delle Ricerche*), and served on the board until 2003. He was elected executive board member of the Banca d'Italia representing the headquarters of Florence and Leghorn, during the Assembly of July 15th 1999 and reappointed in 2003. He has been a member of the Board of Directors of the *Ente Cassa di Risparmio* of Florence since and was re-elected in November of 2000 and in November of 2003. With a decree of the Ministry of Health on October 31st 2001 he was appointed member of the ministerial commission on University Hospitals and served in this position until 2002. From 2000 to 2004 he was a member of EURAB (*European Research Advisory Board*). Since 2003 he has been a member of upon appointment by the *Comité national d'Evaluation des établissements publics à caractère scientifique culturel et professionnel* President of France.
Since 1970 he has collaborated in the elaboration and discussion of the Proposals for Laws on the University and on Research.
From 1974 to 1977 he was a member of the Board of Directors of the University of Florence.
Since 1981 he has been a member of the *Fondazione Internazionale Nova Spes* (for the Global Development of People and Society) and director of the *Istituto per una Scienza Aperta* of the same Foundation.
From 1983 to 1988 he was director of the Physics Department of the University of Florence and promoted and directed the creation of the *Laboratorio Europeo di Spettroscopie non Lineari* (L.E.N.S.) and of the *Centro Eccellenza Optronica* (C.E.O.).
He was a member of the Board of Directors of the consortium promoting study and research (*Consorzio per l'Incremento degli Studi e delle Ricerche*) of the Physics Institute of the University of Trieste from 1985 to1991.
From 1988 to 2002 he was president of the technical and scientific committee for the evaluation of requests for financing of applied research projects for the development of Southern Italy in

collaboration with the *Ministero per gli Interventi Straordinari nel Mezzogiorno* and presently with the ministry for Economic Planning (*Ministero del Tesoro, del Bilancio e della Programmazione Economica*).
In 1993-'94 he was a member of the Committee of Experts of MURST for the formulation of an agreement on Scientific and Technological parks in Southern Italy.
From 1994 to 2000 he was president of the consortium "Ortelius", that created the Data Base for all the institutes of advanced education in the European Union.
From 1994 to 1996 he was a member of the Technical and Scientific Commission of the Ministry of the University and Scientific and Technological Research aimed at identifying the types of intervention required in the economically depressed areas in Italy.
He is a member of the *National Geographic Society*, of the *Forum per i Problemi della Pace e della Guerra*, of the Centre for the Study of decorative Arts, and the *Director's Advisory Committee* of the *Italian Academy for Advanced Studies in America* at Columbia University.
He is now or has been a member of the Board of Directors of various institutions including: Officine Galileo, from 1985 to 1988; Società Galileo Vacuum Tec, from 1988 to 1990; Istituto Nazionale di Ottica (INO), from 1987 to 1996; Fondazione Scienza e Tecnica, from 1987 to 2000; Fondazione "Progettare Firenze", since 1995; Conservatorio di Santa Maria degli Angeli, since 1985; British Institute of Florence, since 1995; Scuola di Musica di Fiesole, since 1996.
He has received several awards like the title of *Commendatore della Repubblica Italiana* (N° 8073 *dell'elenco Nazionale sez. V*), on December 27th 1992; the honorary degree of *Doctor of Humanae Litterae* confered on May of 1997 by the University of New York; in May of 2000 he received the Sir Harold Acton Award from New York University; the title of *Chevalier de l'Ordre National de la Légion d'Honneur was awarded to him in June of* 2000 by the President of France; the honorary degree of *Doctor of Humanae Litterae* was awarded to him in December 2003 by the University of Arizona.

MICHELE LEGNAIOLI – born in Florence on December 19th 1964. He has had a vast professional experience, including, among other offices, president of Fiorentinagas s.p.a. and Fiorentinagas Clienti s.p.a., of the Gruppo Giovani Industriali di Firenze (Young Industrialist of Florence), national vice president of the young entrepreneurs of Confindustria, from May 2003 member of the joint commission of Confindustria, and, at present, since April 28th 2004, president of the Aeroporto di Firenze s.p.a..

ANGELO FERRARIO – born at Busto Arsizio on June 20th 1941. He received his degree in physics in 1965 and until 1988 worked at CISE (Centre for study and experimentation information) in Segrate as a researcher. In 1984 he was the director of the electro-optics department. In 1985 he founded Quanta System the company which he has managed and directed since then. He is the author of numerous scientific publications. Since 2004 he has been a Board Member of El.En.
Since the date of approval of this report no variations have been made in the composition of the Board..

Number of Board Members
Art. 19 of the company by-laws states that the Board of Members must be composed of a minimum of three and a maximum of fifteen members appointed, even among non-partners, by the assembly which will, on each occasion, determine the number of members.
The members of the administrative board will serve for three years, or else for the a shorter period determined on each separate occasion by the assembly, in compliance with art. 2383, sub-section 2, c.c. and can be re-elected; if during the year, one or more of the board members dies or resigns, the other board members will have them replaced in conformity with art. 2386 c.c.
In compliance with art. 2 of the Code (principle 1.P.1.), the present Board of Directors of El.En., is composed of executive directors (including the president) in compliance with application criteria

2.C.1. and non-executive members: of the eight persons that are now board members, three directors including the president are formally executive members (Clementi, Cangioli and Bazzocchi) since they have authorized signature and five (Blasi, Legnaioli, Ferrario, Pecci, Modi) are formally non-executive.
In relation to the board member Modi, please refer to the preceding paragraph.
(2.P.2 and 2.P.3) As far as the non-executive members are concerned, in theory the recommendation contained in principle 2.P.2 related to those cases where the contribution of specific and expert qualifications of the board members are required and that, contained in principle 2.P.3 which, instead, requires a certain availability of time to dedicate to the acquisition of a significant role in the discussions of the board of El.En. would appear to be a contradiction; instead, it is evident that the more qualified these people are the more experience they are gaining now and have gained in the past in contexts that are analogous or more complex.
All things considered, the board members of El.En., notwithstanding the fact that the are outstanding and experienced individuals, still dedicate enough time and thought to their activity as board members to be continually active in the meetings and discussions of the commissions of which they are part. This is particularly true in the case of the two independent directors and of the board member Pecci.
The positions held by non-executive directors in other companies is shown on the following chart:

Name	Position and name of company	Number of large sized companies or those quoted on the stock market (also foreign)
Michele Legnaioli	• Sole director of Valmarina s.r.l. • President of the Board of Directors of Aeroporto di Firenze s.p.a. • Board member of Parcheggi Peretola s.r.l. • Brad member of Firenze Convention Bureau S.c.r.l.	1
Paolo Blasi	• Board member of the Banca d'Italia • Board member of the Ente Cassa di Risparmio di Firenze	
Angelo Ercole Ferrario	• President and executive board member of LASERFIN s.r.l..	
Alberto Pecci	• President of the Pecci textile Group • Board member of KME, a company quoted on the stock market	2

Maximum number of positions which can be held in other companies

During the board meeting held on May 15th 2008, for which the duly transcribed minutes exist, the board expressed their intent in relation to the maximum number of positions as director or auditor which El.En. directors could hold in other companies that are quoted on the regular Italian and foreign stock markets, in financial institutions, banks, insurance companies or others of significant dimensions. During this meeting, the board elaborated their evaluations on the basis of the involvement related to each role (executive, non-executive, independent board member) also in relation to the type and size of the company in which the positions were held as well as the eventuality of their belonging to the El.En. Group and established that their executive board members could not hold positions as directors and/or auditors in more than five companies quoted on the stock market.

As far as the Board of Statutory Auditors is concerned, after the approval of the shareholders' assembly, the board of directors, using the regulatory recall method, inserted into art. 25 of the statutes, the further limits which were introduced by art.. 144-*duodecies* ss. of the *Regolamento Emittenti* issued by the Consob in compliance with 148-*bis* TUF, in addition to the previously established maximum limit of five positions as acting auditor in quoted companies.

4.3. ROLE OF THE BOARD OF DIRECTORS (ex art. 123-*bis*, sub-section 2, letter d), TUF) – ART. 1 CODE

In compliance with art. 21 of the statutes, the Board of Directors is the body to which the most ample powers of ordinary and extraordinary administration are conferred and which is responsible for the management of the company.
In conformity with principles 1.P.1. and 1.P.2, and with art. 20B of the company by-laws, the Board of Directors, meets at least once every quarter in order to receive information from the delegated bodies and, also, to inform the Board of Statutory Auditors on the activity conducted in relation to the operations of major economic and financial importance made by the company and by the subsidiaries, as well as the transactions involving potential conflict of interest, those with correlated parties, and those which are atypical or unusual with respect to the normal operations of the company.
The fixed schedule for the meetings is planned so as to assure that the Board of Directors is able to carry out their functions in an informed and responsible manner. It also has the purpose of guaranteeing the conduction on the part of the Board of Directors of all the necessary and essential activities of a strategic nature and the verification in relation to the exercising of the powers delegated to them also in reference to the main subsidiaries which are subject to activities of management and coordination which include among the components of their respective controlling bodies one of the executive board members if not the president of El.En. or, in some cases, the president of the scientific-technical commission.
The scheduled meetings, moreover, have the purpose of allowing the non-executive board members to acquire all the elements necessary for the evaluation of the organizational, administrative and accounting arrangements both of El.En. and the main subsidiaries, with their actual operations set up by the executive board members (1.C.1. lett. b).
On the other hand, the provision that the incumbent head of the executive board members report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, on the activities conducted during the year, on the general trend of the operations and on their foreseeable evolution, as well as on all the main operations of major economic and financial significance performed by the Company or by its main subsidiaries, usually in advance but, in any case, before the next meeting of the Board, not only is required by law in compliance with 150 TUF, but is part of the policy of creating all the conditions necessary so that the Board can evaluate the overall results of the management and periodically compare the results actually obtained with those programmed (1.C.1 lett. e) as well as evaluating the reaction of the management towards situations in potential conflict of interest (1.C.1.lett.b). In particular, in view of the future approval by the Board and as a preventive measure, the executive board members, in compliance with art. 20 E mentioned above, must promptly report the operations in potential conflict of interest, those with correlated parties, as well as those which are atypical or unusual with respect to the normal operations of the company.

During the financial year 2009 the Board of Directors met six times on the following dates.

1. February 13th (Pecci absent)
2. March 31st
3. May 15th
4. June 10th (Blasi, Ferrario absent)
5. August 28th (Ferrario absent)
6. November 13th (Bazzocchi absent)

During the financial year 2010 the Board of Directors of El.En. have met on the following dates:

1. February 12th
2. March 31st

and on November 13th 2009 scheduled the following meetings in compliance with the company regulations:

3. May 14th – Intermediate management Report – First Quarter 2010
4. August 27th – Half yearly Financial Report
5. November 12th – Intermediate management Report – Third Quarter 2010

This schedule of course may have additional dates added to it should there be a need for other meetings of the Board of Directors.

In relation to the documentation and information supplied to the Board so that they can express informed and knowledgeable opinions on the subjects to be discussed, art. 20 A of the company by-laws states that the president must take measures to make sure that all of the members of the Board are supplied, at a reasonable time well in advance of the date of the meeting (except in urgent cases) all of the documentation and information necessary related to the subjects to be discussed and submitted for their approval. In practice, in order to assure that the pre-meeting information sheet is delivered rapidly and completely, we send the documentation needed for the discussion of the subjects as part of the order of the day of the meeting, either dispatched *brevi manu* or by e-mail to all of the non-executive board members and members of the Board of Statutory Auditors.

It should be noted that, as far as the presence of the single board members at the Board meetings is concerned, three executive directors including the president, must be present unless prevented from attending (because they are at one of the foreign subsidiaries, for health reasons, or in mourning). As far as the independent board members are concerned, unless prevented from attending for the same reasons, they attend the board meetings and participate actively in the discussions.
The exact percentage of attendance for each board member is shown on Chart 2 in the Appendix of this report.

Considering the fundamental importance that research activity has in the activity of El.En. the secretary, usually invited by the president, and the president of the technical-scientific commission of El.En. participate in the meetings of the Board. In order to illustrate changes in regulations, the legal consultant of the Company is also usually present at the board meetings and, when deemed necessary in order to describe and to illustrate subjects to be discussed that day of a purely technical nature, an executive or professional of the type considered most suitable.

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In compliance with art. 20 E of the company statutes, besides the attributions which by law cannot be delegated and are part of the specific duties and functions of the Board, the following activities are reserved as the exclusive right of the Board of Directors:
- establishing the general direction to be taken by the management and overseeing the general trend of the management with particular reference to situations of conflict of interest;
- the study and approval of the strategic, industrial and financial plans of the company and of the structure of the Group of which it is the leader (1.C.1. lett.a);

- the attribution and the revocation of powers to the board members or to the executive committee with the definition of the content, the limits, and the means of exercising them (1.C.1. lett. c), as well as the adoption of measures specifically intended to avoid the concentration of excessive power and responsibility in the management of the company (2.P.4);
- the determination of the amounts of remuneration of the delegated bodies, of the president and the board members charged with special tasks and, in the case that the assembly has not already taken measures in this direction, the subdivision of the overall salary owed to the single members of the Board of Directors and the executive commission (1.C.1. lett. d);
- the creation of committees and commissions, and the establishment of their fields of expertise, attributions and means of functioning, also with an aim to the creation of the form of corporate governance in compliance with the self-disciplining codes for the companies quoted on the stock market. (5.P.1);
- the approval, usually given in advance, of operations of major strategic, economic, and financial importance, with particular reference to the operations with correlated parties, to those in which a board member has personal interest for himself or for a third party or that are atypical or unusual. (1.C.1 lett. f);
- the verification of the adequacy of the type and size of the organizational, administrative and general accounting structures set up by the delegated bodies (1.C.1 lett. b);
- the appointment of the general managers and the determination of their duties and powers;
- the appointment of agents for single acts or categories of acts.
- the appointment or the revocation, in accordance with the opinion expressed by the Board of Statutory Auditors of the executive responsible for drawing up the company financial documents (art. 154-*bis* T.U.F.)

In implementation of the functions attributed to them by the above mentioned regulation, through the activity initiated and coordinated by the controls commission as well as the half-yearly reports presented by the provost for internal controls, the Board of Directors, during the meetings held on March 31st and on August 28th, established by sectors the adequacy of the organizational, administrative and general accounting structures set up by the executive board members, with particular reference to the system of internal controls and the management of conflicts of interest (Applicative criteria 1.C.1., lett. b).

In relation to the organizational, administrative and general accounting structure of the subsidiary companies with strategic importance set up by the executive directors, with particular reference to the internal control system and the management of conflicts of interest (Applicative criteria 1.C.1., lett. b) as part of the activity of the internal controls commission for 2009 El.En. has identified Cynosure Inc. as a significant company on the basis of the incidence of the equities on the net shareholders' equity and the earnings before taxes. This company, which is quoted on Nasdaq, for this reason is subject to the controls for the evaluation of their compliance with the Sarbanes Oxley Act 404.

On April 30th 2009, during the elections of the present Board of Directors, the shareholders' assembly established an annual remuneration of 12.000,00 Euros (twelve thousand Euros) each or all of the members of the Board and set aside a total amount of 234.000,00 (two-hundred and thirty-four thousand Euros) for the president and the executive board members, which were divided in equal parts by the Board when the attributions of the powers were made to the president and to the two executive members during the meeting held on May 15th 2009 (Applicative criteria 1.C.1., lett. d). Moreover, on the same day, the administrative body conferred the mandate to the remuneration committee to prepare an incentive remuneration for the president, the executive board members and the other board member who, as director of medical research and developments is to be considered executive in compliance with art. 2 of the Code, which was later approved during the meeting held on June 10th.

The Board evaluates the general trend of the management on the basis of the information received from the delegated bodies and at every board meeting therefore, every three months, compares the results programmed with those actually achieved. (Applicative criteria 1.C.1., lett. e).

As already mentioned, art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations of El.En. and of it subsidiaries, whenever these operations have significant strategic, economic, or financial importance for the company (Applicative criteria 1.C.1., lett. f).

Art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations of El.En. and of it subsidiaries in which one or more of the directors have an interest either for themselves or for a third party (Applicative criteria 1.C.1., lett. f).

Art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations with correlated parties, in conformity with those identified on the basis of IAS 24, of El.En., and of its subsidiaries, when these operations have significant strategic, economic or financial importance for El.En. (Applicative criteria 1.C.1., lett. f).

In relation to the identification of the operations that have particular strategic, economic or financial importance, no general criteria have been established because the evaluation for each individual case is turned over to the delegated bodies which conduct the daily management and, in the opinion of the Board, have all the characteristics required for identifying these cases.

At the time the proposal is brought before the assembly the Board evaluates the size, composition and functioning of the Board itself and of its committees in terms of determining the number of board members, and subsequently for the division and delegating of functions and the election of the committees (Applicative criteria 1.C.1., lett. g).

During the meeting for the approval of the budget, the Board makes a qualitative evaluation of the presence of the requisites for independence of the independent board members which are held to be sufficient also in quantitative terms according to the terms of the Code and the law.

As far as the concurrent activities of the board members and their evaluation by the Board is concerned (criteria 1.C.4), in case of general preventive authorization by the assembly of the derogation of the prohibition of concurrency, on May 15th 2007 the shareholders' assembly, authorized the inclusion in the statutes at art. 19 last sub-section, of a regulation according to which no act of authorization is necessary as long as the concurrent activity is conducted because of having the role of member in one of the administrative bodies in one of the subsidiaries. This authorization therefore is limited to the area of consolidation.

4.4. MANAGING DIRECTORS

Executive directors

The Board of Directors which is now serving was elected by the shareholders' assembly on April 30th 2009; by the vote cast on May 15th 2009, they appointed from among their members three executive members, one of which is also president. These members have, separately from each other and with individual signature, all the ordinary and extraordinary powers of administration for the conduction of all activities that are part of the company purpose, excluding only those powers

the attribution of which is prohibited in conformity with art. 2381, sub-section 3, c.c. and the company statutes.
(2.P.4) The circumstance in which quite ample powers are conferred is related mainly, according to an inveterate usage, to the exercising, in practice, of the powers delegated according to a model that requires, on the one hand, daily involvement on the part of the three executive board members in pursuing the company objective, with each one acting individually and autonomously carrying out only those tasks related to everyday management, each one in the sector to which he has been designated and, on the other hand, confronting and cooperating with each other in every operation which has even the most minor significance or importance.
In effect, therefore, there is never a concentration of company powers in a single individual as described in principle 2.P.4, although each one could potentially do so. In practice, although they have held a mandate as executive director for many years, none of the three executive board members, including the president, has ever become the sole and principal person responsible for the management of the company.

For this reason the Board reserves the right to further evaluate the expediency of appointing a *lead independent director* as described in Applicative criteria 2.C.3. or whether to adopt other criteria.
In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the conduction of the company.

President of the Board of Directors (2.P.5)
In conformity with art. 2. of the Code, art. 20 A of the company statutes, El.En. assigns to the President the possibility/duty of organizing the work of the Board, by proceeding with the convocation and the organization of the Order of the Day as well as the coordinating of the Board's activities, the conduction of the various meetings, and the rapid communication of information to the board members so that they can act and decide knowledgeably and autonomously.
Art. 23 of the company statute assigns the representation of El.En to the president of the Board of Directors without any limitations and, within the limitations of the powers delegated to them, to the members of the Board of Directors who have executive powers.
In effect, to the president of the Company – Gabriele Clementi – on account of the limited size of the Company and the close collaboration, even in operational terms, with the other two executive board members, executive powers have been conferred which have a content and breadth analogous to those of the other executive directors: in fact, like the other two executives, he conducts a concrete and daily activity in the service of the company.
During the board meetings he also makes it a habit to inform and involve the non-executive members in the company activities, the strategies of the Group and the prospects for their long-term realization.
As already described and explained above in relation to the conferring of powers, the Board of Directors at this time does not feel that it is opportune to appoint one of the two independent members as *lead independent director* to collaborate with the president in order to further re-enforce the connection between the executive and non-executive directors.

The President is not the principal , in the sense of sole person, responsible for the management of El.En., as explained in the motivations given in the preceding paragraph and he is not the controlling partner of El.En.

Information given to the Board of Directors

The delegated bodies refer to the Board concerning the activities conducted while exercising the powers conferred to them:

- normally, on a quarterly basis;
- when a significant transaction takes place with correlated parties or in conflict of interests, by calling a special board meeting.

4.5. OTHER EXECUTIVE BOARD MEMBERS

One of the non-executive board members, Stefano Modi, is also the director of the research and development sector of El.En. and therefore is not qualified as an executive board member as per art. 2381, sub-section 2, c.c., however he is considered "executive for the purposes of the Applicative criteria 2.C.1. and 7.C.1.

Besides the detailed report given during the board meetings, the participation in the internal commissions of the Board, and the frequent discussions with independent board members during situations which require their opinion or intervention, there are no other specific initiatives planned for the purpose of adding to the knowledge of the directors concerning the events and dynamics of the company, but any initiative in this sense on behalf of the board member is immediately realized (Applicative criteria 2.C.2.).

4.6. INDEPENDENT DIRECTORS

During the meeting held on March 31st 2009 in relation to its non-executive members deemed independent in conformity with art. 147-*ter*, sub-section 4 TUF, the Board evaluated the presence of the requisites for independence bearing in mind compliance with art.. 148 sub-section 3 TUF and criteria 3.C.1 and 3.C.2. of the Code.

During the election of the current Board, in relation to the two candidates presented as independent, the shareholders' assembly evaluated the existence of the requisites for independence in conformity with art. 148 sub-section 3 TUF and the criteria 3.C.1 and 3.C.2. of the Code. In fact, as was immediately communicated in the press release sent out during the election, the assembly decided that the circumstance in which the two above mentioned candidates had held the position of independent directors of the company for nine years did not in itself constitute a relation of a nature that would exclude their fitness to be qualified as independent directors, notwithstanding the absence of any other kind of relationship among those listed in art. 148 sub-section 3 D. Lgs. 58/98 cit. and in criteria 3.C.1 of the Code and considering the recognized ethical character and professional capacity of the persons involved as well as the continuation of their independence of judgment and evaluation.

On May 15th 2009, at the first meeting after the election, while forming the internal commissions, the Board decided that the requisites for independence existed in relation to the two non- executive board members elected as such (Applicative criteria 3.C.4.).
The independence of the directors is subsequently evaluated annually during the meeting for the approval of the budget on the basis of information obatined from the directors themselves (3.C.4): according to policy, in fact, the company sends a questionnaire to the two directors qualified as independent which contains the declaration concerning the relations of economic or personal control with the company, the subsidiaries or executives of the company.

In this regard it should be noted that during the approval of the budget for 2009 and of this Report, the Board, in the presence of the Board of Statutory Auditors, on the basis of the information supplied by the independent directors did not find any variation in the conditions and the requisites for independence in conformity with the law and with the Code.

The Board of Statutory Auditors checked the correct application of the verification criteria and procedures used by the Board to evaluate the independence of its members and issued a positive result. (Applicative criteria 3.C.5.).

As far as Applicative criteria 3.C.6. is concerned, the independent board members who, as mentioned above, participate in all three of the commissions created within the Board, during 2009 did not believe it necessary to convene formal meetings in the absence of the other directors because during the meetings of the commissions, and above all that for internal controls, they have the opportunity to consult and discuss many topics with each other and to have direct access to the management of the company.

4.7. LEAD INDEPENDENT DIRECTOR

El.En. Spa believes that a concentration of company positions in a sole person has not occurred, in conformity with principle 2.P.4, and that none of the three executive board members, including the president, has ever effectively become the sole and principal person responsible for the management of the company.
For this reason the Board of Directors has decided at this time to not proceed with the appointment of a *lead independent director* as per Applicative criteria 2.C.3. and to adopt other delegating criteria.
In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., if necessary, during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the conduction of the company.

5. TREATMENT OF COMPANY INFORMATION

In conformity with art. 4 of the Code, the confidential information is managed by the executive board members so as to guarantee its preservation and diffusion in conformity with the laws now in effect. The information which is not publicly known and which, if rendered public, is of a nature that could significantly influence the price of the financial instruments, is divulged following the specific instructions from the executive board members, in compliance with art. 114 D.Lgs. 58/98, in order to guarantee the parity, punctuality and completeness of the information.
In particular, any news related to El.En. is carefully evaluated by the executive directors, along with the employees and collaborators who elaborate the data and are aware of information related to the company, first on the basis of its nature – whether it is confidential or not - and, secondly as to what is the best and most correct means of diffusion.
Moreover, on March 30th 2007 the Board of Directors, on the basis of a proposal made by the executive board members, approved a special procedure called "Regulations for the treatment of El.En. company information" ("*Regolamento per il trattamento delle informazioni societarie di El.En. s.p.a.*") with which, besides putting into practice the above mentioned policy for the diffusion of information, they intend to codify, in a form which is simple but safe and confidential, the internal management of the information and knowledge of special importance for the company activities and the conduction of its functions and, where necessary, in order to prevent illegal behaviour and for the fulfilling of the obligations imposed by law for quoted companies, for the purposes of a correct divulgation of information which is of interest to the stock market, i.e., price sensitive.
The above mentioned regulations were adopted, therefore, with the double intent of preventing, on one hand, an uncontrolled diffusion of information which could compromise the legitimate interests of the company and of its stockholders and, on the other, to insure a correct, rapid and impartial communication to the market of the important sensitive information which, as per art. 181 TUF could significantly influence the prices of the financial instruments issued by the Company which involve El.En. itself or its subsidiaries.
Moreover, following the acceptance by the Italian legislators of the European regulations regarding *market abuse*, this document also includes the rules for the institution and management of the persons who have access to sensitive information in compliance with art. 115 TUF and the relative Consob regulations implementing them.
Moreover, in conformity with articles 2.6.3 and 2.6.4 of the markets organized and managed by Borsa Italiana s.p.a. then in effect, from 2003 until March 31st of 2006, the Company had adopted an internal ethics code for the Group concerning *internal dealing.*
After the modifications made on the TUF by the law on saving (*Legge sul Risparmio*) and the regulations issued by Consob to implement them, the obligation to communicate all operations made by significant subjects as prescribed in the ethics code became law, and the threshold of the operations to be communicated was reduced to 5.000,00 Euros; for this reason it was necessary to adopt a new text for the internal regulations which described the current regulations.
In following the recommendations of Borsa Italiana, El.En. accepted the new ethics code which is called the "Ethics code for operations performed on financial instruments of El.En. by significant persons" ("*Codice di comportamento per operazioni compiute su strumenti finanziari di El.En. s.p.a. da persone rilevanti*") adopted by the Board of Directors after the vote on March 31st 2006 and subsequently modified by the vote on November 13th 2006, the imposition on the significant persons and those closely connected to them, as defined in art. 152-*sexies* Regolamento Consob 11971/1999, to respect a blackout period of 15 days prior to the approval of the budget for the year and the relative intermediate reports.
In the case of extraordinary operations, the Board of Directors may impose extra temporal limits *ad personam* for the negotiation of company shares, or, in exceptional and motivated cases they may grant exceptions to the blackout periods.

In the above mentioned ethics code the exercising of stock options or of rights for options related to financial instruments and, solely for the shares derived from the stock option plans the consequent selling operations (as long as they are made when exercising the stock option right) are not subject to the limits and prohibitions described in the above mentioned ethics code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (ex art. 123-bis, sub-section 2, letter d), TUF) – ART. 5 CODE

Since 2000, and after that at each re-election, the Board has created from its members three commissions which are supposed to take initiatives and to be consulted.
In conformity with Criteria 5.C.1 the commissions:
a) are all composed of three members, two of which are independent;
b) are governed by regulations defining their duties and functions approved by the Board of Directors and periodically updated by the Board, as last occurred during the meeting held on March 30th 2007, for the approval of the financials on December 31st 2006.
c) the composition reflects the recommendations expressed in the Code and the last time the members were replaced was on May 15th 2009;
d) the regulations of each committee state that minutes must be made to record the content of each meeting.
e) the regulations of each committee, in accordance with the modifications made on March 30th 2007 state that in order to carry out their duties and their functions, the committee has access to the information and company functions necessary for this task, as well as the faculty of consulting outside experts and of disposing of any financial resources placed at their disposal by the Company to the extent required for carrying out the activities with which they have been entrusted.
f) the regulation of each commission states that persons from outside the company may be sent to participate in the meetings , when their presence constitutes a useful auxiliary for the conducting of the activities and functions of the commissions.

7. NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS – ART. 6 CODE

In conformity with art. 6.P.2. of the Code, the Board of Directors usually appoints a committee composed of prevalently of its own non-executive members which has the task of nominating members to be appointed director.

Composition and function of the nominations committee (ex art. 123-bis, sub-section 2, letter d), TUF)

The composition has always been in conformity with the Code.

The first appointment was made during the meeting of the Board of Directors held on September 5th 2000, which, on the same date created the nominations committee with the following persons as its members: President, Gabriele Clementi and two non-executive independent directors Paolo Blasi e Michele Legnaioli.

Likewise, the Board elected on November 6th 2003, created the nominations committee with the following persons as its members: executive board member Barbara Bazzocchi and two non-executive independent directors Paolo Blasi e Michele Legnaioli.

Again, the Board elected on May 9th 2006, voted on May 15th 2006 to appoint all non-executive members to the committee, two of which were independent from the nominations committee appointed by the preceding Board, as did the current Board elected on April 30th 2009 by their vote cast on May 15th 2009; therefore, the current committee is composed of the board members Pecci, Blasi and Legnaioli.

The tasks to be carried out and the functioning of the above mentioned committee were originally described in the relations approved *ad hoc* by the Board of Directors on September 5th 2000, which accepted the contents of the Code then in effect (1999); on November 13th 2003 the regulations were changed in order to put them in conformity with the version of the Code updated in July 2002; on March 30th 2007 a further revision of the regulations was made in compliance to Code 2006 criteria 6.C.2.

This year, the committee met on March 31st in view of the elections for the Board which were then held on April 30th . All of the components were present and the meeting lasted for 40 minutes. At this time no further meetings have been scheduled for this year.

The nominations committee this year has been made up mostly of independent directors.

During this year the committee has been composed of three members, two of which are independent. (Applicative criteria 5.C.1., lett. a).

Upon invitation by the committee, the secretary and the provost for internal controls participate in the meetings and, when necessary, a member of the Board of Statutory Auditors. (Applicative criteria 5.C.1., lett. f).

In compliance with art. 9 of the regulations of the committee, they are entrusted with the tasks described in art. 6 of the C*odice di Autodisciplina delle Società Quotate*. The committee therefore has the following functions:

a) they must guarantee the transparency of the procedures for the selection of the directors.

b) for the purpose of informing the shareholders in advance about the personal and professional characteristics of the candidates which make them, in the opinion of the nominators, suitable for the appointment, they preside over the appointing procedures in compliance with art. 19 of the company by-laws.

c) they can receive proposals from the shareholders as well as making their own proposals;

d) to the Board of Directors they can propose candidates for the position of director in conformity with art. 2386, first sub-section, c.c., in the case that it is necessary to replace an independent

director; (Applicative criteria 6.C.2., lett. a)
e) they can indicate candidates for the office of independent director to be submitted to the shareholders' assembly, bearing in mind any suggestions that might be made by the shareholders; (Applicative criteria 6.C.2., lett. b)
f) they can give their opinion to the Board of Directors concerning the size and composition of the Board as well as in relation to any professional figures whose presence on the committee would be useful. (Applicative criteria 6.C.2., lett. c)
When carrying out their functions and duties, the commission has the concrete possibility of gaining access to the company information and operations necessary to conduct their activity, as well as making use of outside advisors and any financial resources put at their disposal by the Company to the extent that is necessary to carry out the tasks which have been assigned to them.

During the current year, the committee in particular presided over the procedures for nomination in conformity with article 19 of the statutes.

Normally, the meetings of the nominations committee are recorded in the minutes book. (Applicative criteria 5.C.1., lett. d).

At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

8. REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS – ART. 7 CODE

In order to guarantee the most complete information and total transparency in the remuneration paid to the directors, in 2000 the Board of Directors created the remuneration committee from among its own members (Principle 7.P.3.).

Composition and function of the remuneration committee (ex art. 123-bis, sub-section 2, letter d), TUF)
On December 31st 2006 the committee was still composed of two non-executive independent directors (Paolo Blasi and Michele Legnaioli)and the president, in conformity with art. 7, principle 7.P.3., on March 30th 2007 the Board of Directors replaced the president with a non-executive board member, Alberto Pecci.

During the meeting held on May 15th 2009, the current Board confirmed the members of the preceding committee. Therefore, at this time the committee is composed of three members all of which are non-executive and two of which are independent.

The committee for remuneration functions and has the duties described in the regulations approved *ad hoc* by the Board of Directors during the meeting held on September 5th 2000 which had accepted the contents of the Code which was then in effect (1999); on November 13th 2003, the regulation was modified to conform it to the contents of the Code in the version updated in July of 2002; on March 30th 2007 a further revision of the regulations was made in conformity with Code 2006, applicative criteria 7.C.3.

It should be noted that the remuneration committee only has the faculty of making proposals and that, in conformity with art. 2389, sub-section 3, c.c. and art. 20 E of the company statutes, only the Board of Directors has the power to determine the remuneration of the delegated bodies, the president and the board members with special positions.

Number of meetings held by the committee during this year: 2 (two).
Average duration of the meetings: 45 minutes.
Presence of each individual member at the meetings of the committee: refer to Table 2.
Number of meetings scheduled for the current year: 2 (two) one of which was held on March 31st.

Last year the remuneration committee met on March 31st and June 8th.

Last year the committee was composed of non-executive members, most of which were independent. (Principle 7.P.3.).

Last year the remuneration committee was composed of at last three members (Applicative criteria 5.C.1., lett. a).

The salaries of non-executive and independent directors were voted by the assembly and since the committee is composed only of non- executive directors, the executive directors to which the remuneration proposals refer do not participate in the meetings of the commission in which the proposals of the committee are made concerning their own salaries. (Applicative criteria 7.C.4.).

The secretary and the provost for internal controls participated in the meetings of the remuneration committee upon invitation from the committee and in relation to the specific subjects being dealt with. (Applicative criteria 5.C.1., lett. f).

Functions of the remuneration committee

The remuneration committee has the functions that were assigned to it by the regulations approved by the Board of Directors the last time on March 30th 2007, which consists in the tasks described in art. 7 of the Code. Its role, consequently, is to advise and to propose:

- in relation to the various types of salaries that they are authorized to consider, the commission presents proposals to the Board of Directors for the remuneration of the executive directors and of those appointed to particular positions, and monitors the application of the decisions adopted by the Board, (Applicative criteria 7.C.3.);
- the commission periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of information supplied by the executive directors and transmits general recommendations to the Board of Directors (Applicative criteria 7.C.3.).

In making their recommendations, the committee may stipulate that a part if the overall salaries of the board members be dependent on the earnings of the Company and, to the reaching of certain objectives specified in advance by the Board of Directors.

During 2009 the remuneration committee concentrated its efforts mainly on the proposal to modify the remuneration (raising the amounts of the salaries of the executive directors in order to align them with those currently paid to executive directors of companies having a structure, size and economic assets comparable to those of El.En. s.p.a.) even of the fixed portion of the salaries paid to the executive board members, on the definition of a budget for the incentive salary plan for 2009 and, lastly, on the definition of a proposal for an incentive salary plan for 2009.

Normally, the meetings of the nominations committee are recorded in the minutes book. (Applicative criteria 5.C.1., lett. d).

When carrying out their functions and duties, the remuneration commission has access to the company information and operations necessary to conduct their activity, as well as making use of outside advisors according to the terms established by the Board. (Applicative criteria 5.C.1., lett. e).

At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

9. REMUNERATION OF THE DIRECTORS

A significant portion of the salaries of the executive directors depends on the earnings of the Company and/or reaching certain goals specified in advance by the Board (Applicative criteria 7.C.1.) proposed by the remuneration committee.

For the salaries of executives with strategic responsibilities (Applicative criteria 7.C.1.) the Board of Directors of El.En. has decided that it is enough of an incentive to assign the stock option rights issued after the increase in reserve capital as per art. 2441, sub-section 8, c.c, to the executives with strategic responsibilities and to a few other employees deemed by the Board to be particularly meritorious and useful for the activities of the Company. The requirements for the assigning of the stock options, the regulating of the relative rights by those to whom they have been assigned and the periods of time within which they may proceed with the purchase of the shares are all the subject of a special set of rules for which each individual plan is approved by the Board.

The Board had also deemed it necessary to assign an incentive remuneration to the president of the scientific committee who is considered a figure of major strategic importance because of the fact that the main characteristic of the business of the company is that it is based on research.

The remuneration of the non-executive directors is in no way connected to the earnings of El.En. (Applicative criteria 7.C.2.).

The non-executive directors are not included in the incentive plans involving stock options (Applicative criteria 7.C.2.).

The remuneration of the non-executive directors is represented by the base salary established by the shareholders' assembly for all of the board members when they are appointed and currently amounts to 12.000,00 Euros.

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Indemnities for the directors in case of resigning, dismissal, or discharging on account of an offer of public acquisition (ex art. 123-bis, sub-section 1, letter i), TUF)

No agreements have been stipulated between El.En. and the directors concerning an indemnity in case of resignation or dismissal/discharge without just cause or if the relationship with the Company ceases on account of an offer of public acquisition.

10. INTERNAL CONTROLS COMMITTEE OF THE BOARD OF DIRECTORS

In 2000 the Board of Directors created the internal controls commission from among its own members (Principle 8.P.4.) the independent members of which were confirmed when the mandate was renewed on November 13th 2003 and May 9th 2006; on May 15th 2006 its third component, again a non-executive member, Alberto Pecci, was appointed. On May 15th 2009 the Board confirmed as members of the commission three non-executive members, two of which were independent.

Composition and function of the commission for internal controls (ex art. 123bis, sub-section 2, letter d), TUF)
The commission is currently composed of three non-executive board members (Pecci, Blasi, Legnaioli), two of which are independent.
The commission always meets before the approval of the annual budget and the half-yearly report by the Board of Directors, before the approval of the appointment of the auditors, and whenever requested by one of its members or the provost for internal controls.
During the year examined in this report the commission met on March 31st and again on August 28th.
The meetings lasted for an average of 90 minutes and all of the members were present.
For the current year two meetings have been scheduled: one on March 31st and another on August 27th.

In 2009 the internal controls commission was composed of non-executive directors, most of whom were independent (Principle 8.P.4.).

In 2009 the internal controls commission was composed of at least three members (Applicative criteria 5.C.1., lett. a).

All of the members of the internal controls commission have experience in the fields of accounting and finance which the Board felt was adequate at the time of the appointment (Principle 8.P.4.).

The acting auditor Paolo Caselli, the executive designated for the drawing up of the financial documents, the executive director for internal controls, the secretary and the provost for internal controls, upon invitation by the commission or whenever necessary for certain subjects in the Order of the Day, participated in the meetings of the internal controls commission (Applicative criteria 5.C.1., lett. f).

Functions attributed to the commission for internal controls
According to the regulations last modified in 2007 by the Board, the commission is charged with the tasks described in art. 8 of the Code, and on the basis of this must consult and recommend, and must analyze the problems and initiate the procedures related to the internal controls of the Company. In particular, the commission must:
(a) assist the Board of Directors in defining the directives for internal control, in the periodic evaluation of the adequacy of the system, of the efficiency and effectiveness of the system, as well as the verification activity aimed at the identification and management of the main risks involving the company and its subsidiaries through a sound and correct management of the company (Applicative criteria 8.C.1.)
(b) evaluate, together with the executive who draws up the company accounting documents and the auditors, the adequacy of the accounting principles being used and their consistency in relation to the drawing up of the consolidated statement of the Group; (Applicative criteria 8.C.3., lett. a)

(c) express, upon request of the executive director appointed for this purpose, opinions on certain aspects related to the identification of the main risks for the company, as well as the planning, implementing and management of the internal controls system; (Applicative criteria 8.C.3., lett. b)
(d) examine the work plan set up by the provosts for internal controls as well as the periodic reports that they issue; (Applicative criteria 8.C.3., lett. c)
(e) evaluate the proposals made by the auditing companies in order to be appointed, as well as the work plan set up for the auditing and the results displayed in the report and the letter with suggestions; (Applicative criteria 8.C.3., lett. d)
(f) supervise the efficiency of the auditing procedures; (Applicative criteria 8.C.3., lett.e)
(g) report to the Board, at least twice a year, on the occasion of the approval of the budget and the half-yearly report, on the activity conducted and on the adequacy of the system of internal controls; (Applicative criteria 8.C.3., lett. g)
(h) carry out the other tasks which from time to time may be assigned to it by the Board of Directors.

During 2009 the commission evaluated, in particular, the progress being made in relation to D. Lgs. 231/2001 and 262/2005 and the means being implemented for the formation of the budget of the Company and of the Group.

The acting auditor, Paolo Caselli, participates in all of the meetings of the internal controls commission (Applicative criteria 8.C.4.)

Normally the meetings of the commission for internal controls are recorded in the book of minutes (Applicative criteria 5.C.1., lett. d).

When carrying out its functions, the commission for internal controls may have access to the company information and operations which are necessary for it to conduct its activities, and it may also, when opportune, consult with outside experts, in accordance with the terms established by the Board. (Applicative criteria 5.C.1., lett. e).

At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

11. INTERNAL CONTROLS SYSTEM

While mandating the various bodies involved in the system of internal controls (executive director, provost, commission, etc.) the Board has defined the various directives of the internal controls system in such a way that the principal risks pertaining to El.En. and its subsidiaries are correctly identified, adequately measured, managed and monitored, and, at the same time, the criteria for the compatibility of these risks with a sound and correct management of the company is determined (Applicative criteria 8.C.1, lett. a)

The essential elements of the system of internal controls (Applicative criteria 8.C.1, lett. d) of El.En. set up and used in order to guarantee a sound and efficient management for the purpose of proceeding with the identification, prevention and management, as far as possible, of any risks of a financial or operative nature which might involve the company, are represented, on the one hand by the rules and procedures, and on the other, by the bodies for corporate governance and control.

The rules consist mainly of a series of fundamental principles which El.En has adopted for its operations and which, in 2008 where codified in the Ethics Code; secondly, they consist of a series of second level procedures (those in *ex* 231/01, 262/05, 81/09, internal regulations on the treatment of confidential information, operations with correlated parties, internal dealing, etc.) which make it possible to apply them to the specific situation of the company and to implement the above mentioned general principles. On the other hand, the internal controls commission, the provosts for internal controls, the executive responsible for the company financial documents, the supervising bodies 231, the Board of Statutory Auditors, the auditing company are all charged with the supervision of the compliance, with the rules and procedures on the basis of the competence and functions defined and attributed by the Board, of the rules and different bodies at their respective levels.

The details of the current system for the management of risks and for internal controls now in existence in relation to the policy on financial information, even consolidated (ex art. 123-bis, sub-section 2, letter b), TUF), are described in Appendix 1. The following is a summary of the policy followed by El.En. after law 262/2005 came into effect.
On May 5th 2007, in implementation of art. 154-bis D.Lgs. February 24th 1998, n. 58, for the purpose of formalizing a set of rules and tests to add to those already in existence which were related to the financial information process (including the consolidated) the Board appointed Enrico Romagnoli, an employee who has worked for the company since its admission to the stock market organized and managed by the Borsa Italiana Spa, as the executive in charge of drawing up the Company accounting documents.
Initially, El.En. instituted a task force with the objective of analyzing the system of internal controls with reference to the tasks assigned by law to the executive responsible for the accounting and company documents collaborating with Price Waterhouse Coopers company (a company which is different from that which audits the books of El.En.).
The analysis was conducted the CoSo Report – Internal Control Integrated Framework using as a model and upon conclusion of the project a report was written which summarized the results which had emerged; on the basis of these results they identified the specific instruments to apply in order to guarantee the coordination and functioning of all the elements of the SCI which were related to information and data on the economic and financial situation of the company, in compliance with the law and/or diffused on the market.

Since that time, the provost has carried out this activity with an aim to continuous improvement and constant verification of the instruments being used.

Through the activities conducted and coordinated by the internal controls commission as well as the reports presented periodically by the provost for internal controls and the supervising body 231, during the meetings held on March 31st, May 15th, August 28th, November 13th, the Board has evaluated by sectors the adequacy, efficiency and effective functioning of the internal controls system (Applicative criteria 8.C.1., lett.c).

11.1. EXECUTIVE DIRECTOR IN CHARGE FOR THE INTERNAL CONTROLS

The Board has appointed Andrea Cangioli as executive director in charge of supervising the functioning of the internal controls system (Applicative criteria 8.C.1., lett.b).

In the name of the Board of Directors, he is in charge of the supervision of the functioning of the internal controls system and carries out the tasks and the functions as per the Code and in particular: the identification of the main risks for the company (strategic, operative, financial, compliancy), bearing in mind the characteristics of the activity conducted by El.En. and by its subsidiaries, and submits them for periodic examination by the Board (Applicative criteria 8.C.5., lett. a); implementing the directives defined by the Board of Directors, including the planning, activation and management of the internal controls system and constant verification of its adequacy, effectiveness and efficiency (Applicative criteria 8.C.5., lett. b); adaptation of the system to the dynamics of the operating conditions and the legislative and regulating situation (Applicative criteria 8.C.5., lett. b); proposing to the Board of Directors the appointment, dismissal or remuneration of one or more provosts for internal controls (Applicative criteria 8.C.5., lett. c).

11.2. PROVOST FOR INTERNAL CONTROLS

Since 2000 the Board has appointed one or more persons to verify that the internal controls system is always adequate, fully operative and functioning (provost(s) for internal controls) (Applicative criteria 8.C.6., lett. a).

The current provosts for internal controls are Cristina Morvillo and, exclusively in relation to the drawing up of the financial statements, Simona Checconi, the appointment of which occurred on the basis of the executive director in charge of supervising the systems for internal controls and the opinions expressed by the internal controls commission (Applicative criteria 8.C.1.).

The Board is in charge of the remuneration of the provost(s) for internal controls consistent with the company policy, upon proposal from the executive director on charge of supervising the functions of the internal controls system and, on the basis of the opinion expressed by the commission for internal controls, established the salary. (Applicative criteria 8.C.1).

The provost(s) for internal controls are not responsible for any of the operative sectors and, except for the areas subject to their control, are not part of a hierarchy in which they depend on one of the managers responsible for one of the operative sectors, including the administrative and financial sectors (Applicative criteria 8.C.6., lett. b).

The provosts for internal controls have direct access to all the information that is useful for conducting their activities (Applicative criteria 8.C.6., lett. c); report their findings to the commission for internal controls and to the Board of Statutory Auditors (Applicative criteria 8.C.6., lett. e); report their activities also to the executive director in charge of supervising the functions of the internal controls commission (Applicative criteria 8.C.6., lett. e).

At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

During 2009 the activities of the provost for internal controls were concentrated mainly on the implementation of organizational model *ex* 231 and on the coordinating of the various instruments for internal controls as well as on the monitoring of the activities for drawing up the budget of El.En. and of the Group.

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The function of internal audit (Applicative criteria 8.C.7.) is currently conducted by the provost for internal controls, Cristina Morvillo.

The function of internal audit is not currently conducted by persons outside of the company.

11.3. ORGANIZATIONAL MODEL ex D. Lgs. 231/2001
El.En. has a model for organization, management and control in compliance with Legislative Decree n. 231/2001.
As far as the subsidiaries of strategic importance are concerned, Cynosure Inc. is subject to US law and therefore cannot be evaluated in relation to the adoption of model 231.
The model has been adopted by the subsidiary ASA srl and is in the process of being adopted by the subsidiary Deka M.E.L.A. s.r.l.

The current model has a rather simple structure which is designed to prevent offences which could involve the activity of El.En. in consideration of its structure and the area in which it operates.
At this time we are studying a revision of the model related to the sections concerning health and safety in the work place which will make it possible to use a single model valid for the purpose of 231 and art. 30 L. 81/09.
The superintending body is a commission composed of three members.

11.4. INDEPENDENT AUDITOR
The auditing of the books in conformity with art. 155 ss. TUF is done by an auditing company enrolled in the professional registry of CONSOB; the assembly held on May 9th 2006 appointed RECONTA ERNST & YOUNG s.p.a for the auditing of the financial statements for the year and the consolidated financial statement of the Company for the years 2006-2011, in conformity with art. 159 TUF.

11.5. MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS
The executive in charge of drawing up the accounting and company documents is Enrico Romagnoli who is the manager of the accounting office of El.En. and also has the position of head of Investor Relations.

The executive in charge of the accounting documents is appointed according to the statutes by the Board of Directors and in compliance with art. 20 G must possess all of the requisites of honesty in accordance with the law for auditors and directors and the professional characteristics and requisites both in terms of education and formation but also in terms of experience in the work place which are adequate for the tasks assigned to him.

The provost in charge of the accounting documents has access to all the powers and means that are necessary for conducting this activity.
The principles and the means that are implemented by the provost are described in detail in Appendix 1.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

With reference to the operations in which one of the directors has an interest or the operations with correlated parties, meaning those which involve the parties identified according to IAS 24, in art. 20 the statute states that the approval by the Board in relation to operations having a significant strategic, economic or financial importance, with particular reference to the operations with correlated parties, to those in which one of the board members detains an interest for himself or for a third party, or those that are unusual or atypical, must be given in advance.
The Board, moreover, in conformity with art. 2391-*bis* of the Civil Code and the recommendations of art. 9.C.1 of the Code, on March 30th 2007 adopted a special procedure called "*Regolamento per la disciplina delle operazioni con parti correlate di El.En. s.p.a.*" (El.En. Regulations for the operations with correlated parties) which is currently being revised, and which contains the rules which govern the approval and conducting of operations initiated by the company, either directly or through one of the subsidiary companies, with parties with which there is a pre-existing equity investment, a professional or employee relationship, or a close family relationship which could condition the conclusion, regulating or substance of a contractual relationship.
This set of rules has rendered, in formal terms, the intent which, in any case, in the past has always been followed by the Company, to act in such a way as to guarantee that the performance of operations with correlated parties (meaning also the operations in which the correlation exists on account of the interest of an director or an auditor for himself or for a third party) takes place with the greatest transparency and correctness both in substance and in procedure.
The Company and its directors in any case must act and conform to the regulations of the Civil Code concerning this subject (articles 2391 e 2391-*bis*).
A specific procedure controlling the relations with correlated parties and the existence of conflicts of interest which involve the administrative and controlling bodies is contained in the manual of administrative and management procedures.
This procedure specifies that the provost for internal controls must proceed every six months with the verification, by means of interviews with the members of the Board of Directors and the Board of Statutory Auditors, of the existence of other correlated parties or of situations which might determine a conflict of interest.
In practice, this verification is conducted by means of a written interview consisting of a questionnaire which is filled out and signed by the above mentioned officers and kept in a file by the provost for internal controls..
Currently, the Company is evaluating the impact that the recent regulations issued by Consob are having on this topic.

The procedure approved by the Board contains the criteria for identifying the operations which must be approved by the Board after the opinion of the internal controls commission has been expressed. (Applicative criteria 9.C.1.).

Besides the regulations on this subject contained in the statutes (art. 20 E) and the internal regulations according to which, in particular, the executive board members are required, in conformity with the above mentioned art. 20 E, in view of the necessity of approval in advance, to immediately call attention to operations potentially in conflict of interest, those with correlated parties, and those which are atypical or unusual with respect to the normal operations of the company, the Board did not deem it necessary to adopt other solutions aimed at facilitating the identification and the adequate management of the situations in which an director detains an interest either for himself or for a third party (Applicative criteria 9.C.2).

In practice, the board members must always abstain from expressing a vote in relation to subjects in which they actually have, or there might be some doubt that the have, a conflict of interest.

13. APPOINTMENT OF STATUTORY AUDITORS

In conformity with art. 144-*sexies Regolamento Emittenti Consob* and art. 10 of the Code, principle 10.P.1. and applicative criteria 10.C.1, art. 25 of the company statutes the, following procedure must be applied for the appointment of the auditors.

For the appointment of the members of the Board of Statutory Auditors the following procedure must be applied: the partners who intend to nominate candidates to be appointed Auditor at least 15 (fifteen) days before the date set for the first convocation of the ordinary assembly must deposit the following documents at company headquarters:

a) a list containing the names shown in numerical order and divided into two sections: one for the candidates for acting auditor and the other for supplementary Auditor.

b) along with the list, they must present a complete description of the professional curriculum of the persons being nominated and supply adequate reasons for the nomination as well as a complete CV for each candidate;

c) along with the list, they must present a declaration in which each candidate accepts his nomination and declares, on their own responsibility, the non-existence of causes for ineligibility or incompatibility as well the existence of all of the requisites prescribed by the applicable regulations and by the company statutes for this particular position.

d) along with the list they must add a declaration by the partners who are not among those who detain, even jointly, a controlling equity or relative majority, which attests the absence of the connections as per art. 144-quinquies Regolamento Consob 11971/1999 *with these latter.*

The lists must contain the identity of the partners or the name of the partner, who is presenting the list with all of the personal data and the percentage of capital possessed individually or jointly.

Each partner may present and participate with only one list and each candidate can be present on only one list, otherwise they will be considered ineligible.

Only the partners who either alone or jointly with other partners represent the quota of equity in the capital stock in the amount established by art. 147-ter D. Lgs. February 24th 1998, n. 58, or in the greater amount established by the Consob regulations bearing in mind the capitalization, floating funds and ownership of the quoted companies, may present lists.

The ownership or co-ownership of the number of shares required for the presentation of the lists must be demonstrated by the partner or partners upon presentation of the list by showing the company or the representatives of the company ,the original copies of the certificates issued by the intermediaries holding the shares. These certificates cannot be returned before the actual meeting of the assembly.

The auditors are nominated by the ordinary Assembly on the basis of the lists presented by the partners in which the candidates are listed in numerical order. Each partner having the right to vote may vote only for one list.

*In the case that, upon expiration of the term for presenting the lists, only one list has been deposited, or else that only lists presented by partners that, on the basis of sub-section 4 of art. 144-*sexies Regolamento Consob 11971/1999*, are connected to each other as per art. 144-quinquies* Regolamento Consob 11971/1999*, additional lists may be presented up until the fifth day after that date. In this case the amount of equity which must be held in the capital for the presentation of the list is reduced by half.*

In the case that there is more than one list, for the election of the members of the Board of Statutory Auditors the procedure described below must be followed:

a) the votes obtained by each list must be divided by one, two, three, etc. according to the progressive number assigned to each candidate;

b) the quotients that are thus obtained must be assigned progressively to the candidates of each list in the order in which they appear on the list and they will placed in a single classification in descending order.

c) the candidates that receive the highest quotients will be elected.

At least one acting Auditor must be taken from the minority list which obtained the greatest number of votes. Consequently, in the case that the three highest quotients were obtained by candidates belonging to the majority lists, the last acting auditor to be elected must, in any case, be taken from the minority list which obtained the most votes, even though he obtained a quotient that was lower than that of the majority candidate with the third highest quotient.
In the case in which the candidates have obtained the same quotient, the candidate on the list which has not yet elected any Auditor will be elected, or in the case that all the lists have elected the same number of Auditors, the candidate on the list which obtained the greatest number of votes will be elected. In the case of the same number of votes for the list and the same quotients, a new election will be held by the entire ordinary Assembly, and the candidate who receives the simple majority of votes will be elected.
The presidency of the Board of Statutory Auditors is assigned to the acting Auditor elected first on the minority list who has obtained the greatest number of votes, or, if there is no minority list, to the acting auditor elected first from the list which received the greatest number of votes. In the case of the substitution of the acting Auditor, he will be replaced by the substitute Auditor belonging to the same list as the one who is being replaced.
In the case that no list has been presented before the expiration date, the Assembly will vote with the relative majority of partners present at the Assembly.
In the case that only one list has been presented the acting and supplementary auditors will be elected from that list in the order in which they appear on the list.
In the case that no minority list receives votes the integration of the Board of Statutory Auditors will take place by means of a vote with the relative majority of the partners present at the Assembly.
The appointment of the Auditors for the completion of the Board in conformity with article 2401 c.c. is made by the relative majority of the Assembly.

With vote 17148/2010 of January 27th 2010 Consob established as 4,5% the percentage of capital stock required for the presentation of the lists.

14. STATUTORY AUDITORS (ex art. 123-bis, sub-section 2, letter d), TUF)

In conformity with the specific company statutes, the auditors must possess the requisites required by law and, consequently, also the requisites of independence as per art. 148 TUF.

They must act with autonomy and independence also in relation to the shareholders who have elected them (10.P.2.): the current Board comes from a single list presented by Andrea Cangioli, since no other lists were presented at the time of the elections held on May 15th 2007.
The company constantly places at their disposal their staff and the resources which the Board deems useful in order to conduct their functions in conformity with the current version of art. 25 of the statutes.
As already mentioned, for the purposes of implementing Applicative Criteria 10.C.7, one of the auditors, Paolo Caselli, participates regularly and actively in the meetings and the activities of the internal controls commission and collaborates with the provost for internal controls. Moreover, in accordance with the vote made by the Board on March 31st 2008, he also a member of the supervising body as per *ex* D.Lgs. 231/2001.

The Board of Statutory Auditors is the body which is supposed to supervise the compliance with the law and with the company statutes, the respect of the principles for correct administration, the adequacy of the organization of the company in relation to the aspects in which they are competent, the internal controls system and the administrative and accounting systems used by the company and their actual functioning.
This body is also entrusted with the supervision of the adequacy of the instructions given to the subsidiaries so that they can supply all of the information necessary in order to comply with the requirements for communication according to the law.
The current Board of Statutory Auditors was elected by the Assembly on May 15th 2007 and their term ended upon the approval of the budget on December 31st 2009. For this reason the shareholders' assembly which convenes on April 29/30 of this year will elect a new Board of Statutory Auditors and appoint the president.
The Board is composed of three acting auditors and two supplementary auditors;

Name	Position	Residence	Place and date of birth
Vincenzo Pilla	President	Firenze, Via Crispi, 6	S. Croce di Magliano (CB), May 19th 1961
Paolo Caselli	Acting auditor	Pistoia, Via Galvani, 15	Firenze, April 14th 1966
Giovanni Pacini	Acting auditor	Firenze, Via Crispi, 6	Firenze, December 10th 1950
Lorenzo Galeotti Flori	Alternate auditor	Firenze, Borgo Pinti, 80	Firenze, December 9th 1966
Manfredi Bufalini	Alternate auditor	Firenze, Piazza S. Firenze, 2	Firenze, August 24th 1966

According to the Statutes there is a limit in the number of offices which can be held, in conformity with art. 148-*bis* TUF, so that those auditors who hold the office of acting auditors in more than five companies quoted on the stock market as well as those who are in situations of incompatibility or are over the maximum number of offices according to the *Regolamento Emittenti* (articles. 144-*duodecies* e ss.) are considered ineligible and dismissed if they are candidates or elected auditors.

As of December 31st 2009 the components of the Board of Statutory Auditors of the company were also members of the controlling bodies of the following subsidiary companies:

Name	Office
Vincenzo Pilla	- President of the Board of Statutory Auditors of Lasit s.p.a. - President of the Board of Statutory Auditors of Deka M.E.L.A. s.r.l. - Acting auditor of Cutlite Penta s.r.l.
Paolo Caselli	- President of the Board of Statutory Auditors of Cutlite Penta s.r.l. - Acting auditor of Deka M.E.L.A. s.r.l. - Acting auditor of Lasit s.p.a.
Giovanni Pacini	- Acting auditor of Cutlite Penta s.r.l. - Acting auditor of Deka M.E.L.A. s.r.l.

The average duration of the meetings of the Board of Statutory Auditors is 2,15 hours.
The number of meetings of the Board of Statutory Auditors scheduled during this year is six, two of which have already been held (on January 12th 2010 and March 15th 2010).

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The Board of Statutory Auditors:

- verified the independence of its members on the first occasion after their appointment (Applicative criteria 10.C.2.);

- during the year verified that their members continued to have the requisites for independence (Applicative criteria 10.C.2.);

- while conducting the evaluations mentioned above, applied all of the criteria stated in the Code with reference to the independence of the directors (Applicative criteria 10.C.2.)20.

An auditor who, either for himself or for a third party has an interest in a particular operation of El.En. must inform immediately and in detail the other auditors and the president of the Board concerning the nature, terms, origin and extent of his interest (Applicative criteria 10.C.4.).

The Board of Statutory Auditors supervised the independence of the auditing company and verified both that the regulations are followed as well as the nature and entity of the different services for controlling accounts rendered to El.En. and to its subsidiaries by the same auditing company and by the entities belonging to its network. (Applicative criteria 10.C.5.).

The Board of Statutory Auditors, as has already been mentioned, is coordinated in its activities with functions as an internal audit and with the internal controls commission (Applicative criteria 10.C.6. and 10.C.7.) through its participation in the meetings of the commission and by belonging to the supervising body *ex* D. Lgs. 231/2001.

15. RELATIONS WITH SHAREHOLDERS

El.En. has created a special section in its Internet site which is easy to find and to access and which contains all of the information concerning El.En. which is of importance to its shareholders so that they can gain the knowledge they need to exercise their rights (Applicative criteria 11.C.1.).

The person responsible for management of relations with the El.En. shareholders is Enrico Romagnoli (investor relations manager) (Applicative criteria 11.C.2.).

El.En. does not feel it is necessary to create a special department in the company for the relations with shareholders (Applicative criteria 11.C.2.).

In conformity with art. 11 of the Code, the Board of Directors endeavours to encourage the participation of the shareholders in the assemblies and to facilitate the exercising of the rights of its partners also by creating a continuous dialogue with them. The Board of Directors endeavours to set a convenient time, date and place (usually the company headquarters) for the meetings and to comply rapidly with the requirements set by law in relation to the convening of the assembly, the communication that the assembly has been convened, and the participation of the shareholders at the assembly.
In conformity with the Code all of the directors normally attend the assemblies and, during the assemblies all of the information and news concerning El.En. are communicated to the shareholders, naturally in compliance with the regulations related to price sensitive information.
The president of the Board of Directors and the executive board members have unanimously agreed to appoint one of the employees, Enrico Romagnoli, to be responsible for the relations with institutional investors and the other shareholders. The *investor relations manager* is part of a company department which is composed of employees who elaborate accounting and administrative documents and information (11.C.2).
In conformity with the procedure for the communication of documents and information concerning El.En., the investor relations manager is involved in a dialogue with the shareholders and with the institutional investors also through the creation and management of a special section of the Company's Internet site and the communication of the appropriate documents in compliance with the law and the regulations regarding the treatment of company information ("*Regolamento sul trattamento della informazione societaria")*, in particular confidential information.

16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, sub-section 2, letter c), TUF)

The assembly is governed by Title III of the Company Statutes (articles 11-18) which, in conformity with the law and the specific rulings, regulates its areas of competence, functioning, means of convening, constitutional quorums, intervention etc. as described below:

"***Article 11***

Assembly

The legally constituted Assembly represents the entirety of the shareholders, and its decisions, made in conformity with the law and with the Statutes, are binding for all of the shareholders including those that dissent or were not present..

The Assembly may be ordinary or extraordinary and may be convened even in second or third convocation.

The ordinary Assembly must be convened at least once a year, within one-hundred and twenty days after the date of closing the financial year, or be held or within one-hundred and eighty days for the periods for which the company is required to draw up a consolidated financial report and when particular reasons related to the structure and purpose of the company require it.

The Shareholders' Assembly is convened whenever the administrative body deems it opportune, or when a special request has been presented by the persons who may do so according to law, or else upon the initiative of the Board of Statutory Auditors or a part of it, in conformity with art. 25 of the current Statutes.

Article 12

Place of assembly

The Assemblies are held at the headquarters of the company or in another place that is specified in the notification of the assembly, as long as it is in Italy.

Article 13

Convocation of the Assembly

The Assembly is convoked normally by the Administrative body, in conformity with the relative regulations, by means of a notice which is published, in accordance with the law, in the daily newspaper "LA NAZIONE" (except in those cases where the law states otherwise).

The notice must state the day, the time and the place where the meeting is being held and the list of subjects which will be discussed.

A single notice may contain the dates for the first, second and third convocations. .

Article 14

Attendance at the Assembly

Attendance at the Assembly is governed by the related laws and regulations now in effect.

The shareholders who have the right to vote may attend the assembly on the condition that, and for the number of shares in relation to which, they have deposited certification at least two days in advance of the date set for the Assembly in conformity with the law. The shares may not be removed until the Assembly has actually met.

A partner who has the right to attend the Assembly may be represented by conferring a written power of attorney in conformity with the subjective limits stated in art. 2372, sub-section 5, c.c.., however the imperative regulations concerning power of attorney to vote as per D.Lgs February 24th 1998, n. 58, still apply.

Article 15

Presidency of the Assembly

The Assembly is presided over by the President of the Board of Directors or, if he is absent or impeded, by the Vice-President; if neither of them are present, then by the person elected with the greatest majority of votes by the shareholders present.

The Assembly elects, even among the non-shareholders, a Secretary and, if deemed necessary, scrutinizers.

The presence of a secretary is not necessary if the minutes are kept by a notary.

The President of the Assembly has the duty of verifying that the meeting complies with regulations and of ascertaining the identity and legitimate rights of those present. Once the validity of the constituents of the Assembly has been certified, it cannot be invalidated because some of those present have left the meeting.
The President also has the task of presiding over the regular conduction of the meeting of the Assembly, directing and moderating the discussion and establishing, when necessary the duration of each intervention, determining the methods and order for voting and ascertaining the results, all in conformity with the regulations which, formulated by the Board of Directors and approved by the ordinary Assembly can govern the orderly and functional activity of the meeting both in ordinary and extraordinary assembly.

Article 16
Minutes

The decisions taken by the Assembly must be transcribed in the minutes and be signed by the President, by the Secretary, or by a notary and by the scrutinizers if there are any. In the cases where it is set forth by the law, and, also, when the President of the Assembly deems it opportune, the minutes may be drawn up by a notary.

Article 17
Ordinary Assembly

For the first convocation the ordinary assembly is considered to be duly constituted when the number of shareholders present represents at least half of the capital stock calculated in conformity with art. 2368, sub-section 1, c.c.; the assembly votes by absolute majority. For the second convocation the ordinary assembly, whatever the portion of capital stock represented is, votes according to the absolute majority of those present on the subjects which should have been decided earlier.
For appointment of the Board of Statutory Auditors the regulations as per Art. 25 of the present Statute must be observed.
In conformity with the laws and regulations, write-in votes are allowed.

Article 18
Extraordinary Assembly

In first and second convocation the extraordinary assembly is considered to be duly constituted when the number of shareholders present represents the portion of the capital stock indicated as per art. 2368, sub-section second and 2369, third sub-section c.c.. For the third convocation, the Assembly is duly constituted when the number of shareholders present represents at least a fifth of the capital stock. The assembly decides in first, second and third convocation with the favorable vote of at least two thirds of the capital stock represented in the assembly.

In particular, since 2000 El.En. has included in its Statute the possibility for its shareholders to use write-in votes (absentee ballots) and this has been mentioned in every notification of convocation of assembly along with the instructions for casting the write-in vote (11.C.1 e 11.C.3).
The notifications of convocation of assembly and the relative courtesy communications concerning the actual date of the meeting are published both on the Internet site of the company and in a national daily newspaper.
The president of the Board of Directors, who generally presides over the assembly, must proceed with the detailed description of the proposals and the subjects in the Order of the Day of the shareholders' assembly (11.C.4) in such a way as to guarantee that the assembly is conducted in an efficient and orderly fashion. For this purpose the shareholders' assembly on May 15th 2007 voted to approve the assembly regulations drawn up by the Board (11.C.5).

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"ASSEMBLY REGULATIONS OF EL.EN. S.p.A.

Art. 1 – Subject and area of application

This set of regulations governs the orderly and efficient conduction of the shareholders' assembly of El.En. s.p.a. ("the Company") both for the ordinary and extraordinary assemblies.

The regulations can be consulted at company headquarters or on the Internet site of the Company (www.elen.it investor relations section) as well as whenever an assembly meets.

Art. 2 – Place and presidency of the assembly meetings

The assembly meets in first, second and third convocations at the time and place shown in the notice of convocation published in conformity with art. 13 of the Statute, and it is normally presided over by the president of the Board of Directors, or in case of his absence or impediment, by the persons indicated in art. 15 of the company statutes.

Art. 3 – Attendance at the assembly

3.1. The right to attend the meetings of the assembly is governed by art. 14 of the Company Statutes, in conformity to which those who may attend the assembly with the right to vote are the owners of ordinary shares as shown in the records of the shareholders register who, in accordance with the law, have deposited them at least two days before the date set for the convocation of the assembly and have not removed them until the assembly actually takes place, even in second or third convocation.

3.2. Upon invitation by the president, the employees of the Company, consultants and representatives of the company in charge of auditing the accounts may attend the assembly meetings when their presence is considered useful or opportune in relation to the subjects to be discussed or the work to be conducted.

3.3. Experts, financial analyst, and journalists, with the consent of the president, may also attend the meetings of the assembly unless there are objections on the part of the shareholders present. For this purpose, those who wish to attend must send the president a written request by the second weekday before the date set for the assembly.

3.4. Before starting the description and discussion of the various items in the Order of the Day, the president must inform the assembly of the presence and participation in the meeting of those persons indicated in sub-sections 3.2.ande 3.3. above.

Art. 4 –Verification of the right to attend the assembly and access to the meetings.

4.1. Only the approved and authorized persons, as per article 3 above, after showing personal identification and verification of their legitimate right, may have access to the assembly rooms.

4.2. The personal identification and verification of the legitimate right to attend the assembly must be conducted by auxiliary personnel hired specifically for this purpose, at the entrance to the rooms where the meeting will be held and normally take place during the thirty minutes prior to the time set for the beginning of the meeting, unless otherwise stated in the notice of convocation.

4.3. at the entrance to the meeting rooms those persons who have the right to attend the assembly must display personal identification and the certification described in the notice of convocation to the auxiliary personnel. Once the identification and the verification has taken place as per sub-section 4.2. above, the auxiliary personal will give the attendees a special voucher which they must keep for the duration of the assembly meeting and return to the auxiliary personnel should they leave the meeting, even temporarily.

4.4. In order to facilitate the verification of the powers of representation to which they have the right, the persons who attend the assembly as legal or voluntary representatives of shareholders or of other persons who possess the right to vote, may send the documents proving their powers to the Company within the two days preceding the date set for the meeting.

4.5. Except for the audio-visual equipment which may be authorized by the president to assist the creation of the written report (minutes) and documentation of the meeting of the assembly, no type of recording equipment (including cell phones), photographic equipment or similar.

Art. 5 – Constitution of the assembly and opening of discussions

5.1. The president of the assembly is assisted in drawing up the minutes by a secretary appointed, even from among the non-shareholders, by the assembly on the basis of a proposal made by the president himself or by a notary and, when necessary in conformity with the law, by two scrutinizers designated in the same way among the non-shareholders. The secretary or the notary can be assisted by persons of their choice and, as an exception to art. 4.5, upon authorization by the president, they may use audio-visual recording equipment.

5.2. Among his duties, the president also has that of ascertaining and guaranteeing the legitimacy of the individual delegations and, in general, the legitimacy of the attendees present at the assembly and, consequently, also to verify and declare the legitimate constitution of the assembly. The president may create a presidential office which has the task of assisting him in the verification of the legitimacy of the participation and of the voting, as well as the specific assembly procedures.

The president may solve any conflicts which may arise related to the legitimacy of the attendees.

5.3. The President of the assembly may make use of the security services provided by the auxiliary services which have been specifically hired for the occasion.

5.4. In the case that the number of shareholders present does not reach the amount of capital stock necessary for the legitimate constitution of the assembly in conformity with articles 17 and 18 of the company statutes, the president of the assembly, after an appropriate amount of time, in any case not less than an hour after the time set for the beginning of the meeting, will communicate this information to the attendees and postpone the discussion of the Order of the Day until the next convocation.

5.6. Once the legitimate constitution of the assembly has been ascertained, the president of the assembly declares that the discussions may begin.

Art. 6 – Treatment of the subjects and proposals in the Order of the Day

6.1.The president of the assembly must describe to the attendees the subjects and the proposals on the agenda, by using, whenever he deems opportune, the opinions of directors, auditors and employees of the Company. The subjects and the proposals can be dealt with in a different order that is approved on the basis of a proposal by the president with a vote by the majority of the capital represented, and, in the same way, a proposal by the president to deal partially or completely may be approved.

6.2. The president of the legitimate assembly also has the duty of directing and moderating the discussions and the right to intervene by establishing the methods and maximum duration of each intervention.

The president of the assembly has faculty to: call a conclusion to the discussions which are lasting longer than the set time limit or that are not pertinent to the subject or proposal on the agenda; to silence those who intervene without having the right to do so or those who have been reprimanded and persist; to prevent words and attitudes that are inappropriate, pretentious, aggressive, offensive or slanderous as well as evident excesses, revoking the right to speak whenever he deems necessary and, in the most serious cases, ordering the expulsion of the person from the meeting area for the entire duration of the discussions.

6.3. The request to be present at the discussions of the individual subjects on the agenda must be directed to the president, who in granting the right to speak, normally follows the progressive order of the requests to speak. The faculty of a brief reply is granted to whoever has requested the right to speak.

6.4. The president of the assembly or, upon his invitation, the directors, auditors, company employees or consultants normally reply after all of the discussions on each subject on the agenda. The components of the administrative body and of the Board of Statutory Auditors may request to intervene in the discussions.

6.5. In order to prepare adequate replies to the various interventions, bearing in mind the purpose and relevance of the subjects and proposals being dealt with, the president of the assembly can, on the basis of his indisputable judgment, suspend the work of the assembly for an interval of not more

than two hours.
6.6. After all of the interventions and replies, the president declares the discussions concluded and puts the proposals to a vote.

Art. 7 – Voting and conclusion of the meeting

7.1. Voting on the various items usually takes place right after the conclusion of the discussions on each item listed in the Order of the Day and the discussions are held in the order in which they appear in the agenda unless the president of the assembly decides otherwise and determines that the voting take place in a different order or after the conclusion of the discussions of all or some of the items.
7.2. Before the voting can begin, the president of the assembly must readmit the shareholders who wish to return to the meeting and had left or been expelled during the discussion time.
7.3. Except in the case of incontrovertible laws to the contrary, the voting must take place with open scrutiny.
7.4. The president of the assembly establishes the means for expressing the votes, which is normally by a show of hands, the recording and counting of the votes, and can also express a time limit within which the vote must be cast.
Upon conclusion of the voting, the scrutiny of the votes takes place; when this is terminated, the president, assisted by the secretary or the notary and scrutinizers if there are any, proclaims the results of the voting.
7.5. The votes that are expressed in a manner that is different from that established by the president of the assembly are null and void.
7.6. The shareholders who express negative votes or who abstain, must declare at the time of the declaration of their vote, their name and the number of shares which they hold on their own or for which they have power of attorney. After the agenda has been concluded, the president of the assembly declares the meeting terminated and proceeds with the formalities for the completion of the minutes.

Art. 8 – Final provisions

8.1. In compliance with art. 15 of the company statutes now in effect, this set of Regulations was approve, by the ordinary assembly of the Company which was held on May 15th 2007, and it can be modified or abrogated only by the vote of the same body.
8.2. Besides the various measures described in this set of regulations, the president may adopt any measures that he deems opportune in order to guarantee the orderly and correct conduction of the work of the assembly and the exercising of the rights of those present.

During the assembly the Board reported on the activities conducted and scheduled, and took measures to assure that the shareholders receive adequate information on all the elements necessary so that they can knowledgably make decisions which are the competence of the assembly. (Applicative criteria 11.C.4.);

17. OTHER POLICIES OF CORPORATE GOVERNANCE (ex art. 123-bis, sub-section 2, letter a), TUF)

There are no additional policies of corporate governance other than those described in the preceding paragraphs.

18. CHANGES SINCE THE CLOSING OF THE FINANCIAL YEAR

No changes have been made in the structure of the corporate governance the closing of the financial year.

TABLE 1 – INFORMATION ON OWNERSHIP

STRUCTURE OF CAPITAL STOCK				
	Number of shares	% of the capital stock	Quoted	Rights and obligations
Ordinary shares	4.824.368	100%	Milan Stock Exchange	*ex lege*
Shares with limited voting rights	0			
Shares with no voting rights	0			

SIGNIFICANT OWNERSHIPS IN SHAREHOLDERS' CAPITAL			
Person declaring	Direct shareholder	Quota % of the ordinary capital	Quota % of the voting capital
ANDREA CANGIOLI	ANDREA CANGIOLI	13,425	13,425
GABRIELE CLEMENTI	GABRIELE CLEMENTI	11,083	11,083
BARBARA BAZZOCCHI	BARBARA BAZZOCCHI	10,464	10,464
ALBERTO PECCI	ALBERTO PECCI	0,345	0,345
ALBERTO PECCI	S.M.I.L. di Alberto Pecci & C. s.a.s.	8,218	8,218
ELENA PECCI		0,079	0.079
ELENA PECCI	IMMOBILIARE IL CILIEGIO s.r.l.	7,512	7,512
EL.EN. s.p.a.	EL.EN. s.p.a.	2,138	(2,138)*
PIO BURLAMACCHI		2,001	2,001

* voting rights suspended *ex lege*

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors as of December 31st 2009											Internal controls committee		Remuneration committee		Nomination committee	
Position	Members	From	Until	List (M/m)	Executive	Non Executive.	Indep. As per the Code	Indep. for TUF	Percentage of attendance at meetings	Number of other positions	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings
President and executive director	Gabriele Clementi	April 30th 2009	Appr. of annual report 2011	M	X				100%	0						
Executive director	Andrea Cangioli	April 30th 2009	Appr. of annual report 2011	M	X				100%	1						
Executive director	Barbara Bazzocchi	April 30th 2009	Appr. of annual report 2011	M	X				83%	0						
Director	Paolo Blasi	April 30th 2009	Appr. of annual report 2011	M		X	X	X	83%		X	100%	X	100%	X	100%
Director	Michele Legnaioli	April 30th 2009	Appr. of annual report 2011	M		X	X	X	100%	1	X	100%	X	100%	X	100%
Director	Alberto Pecci	April 30th 2009	Appr. of annual report 2011	M		X			83%	2	X	100%	X	100%	X	100%
Director	Stefano Modi	April 30th 2009	Appr. of annual report 2011	M		X			100%	0						
Director	Angelo Ercole Ferrario	April 30th 2009	Appr. of annual report 2011	M		X			33%	0						
Number of meetings held during 2009				6 (six)		Internal controls commission 2 (due)				Remuneration committee: 2 (two)				Nomination committee: 1 (one)		
Quorum required for the presentation of lists during the last appointment				4,5%												

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Member	Since	Until	List (M/m)	Indepen-dence as per the Code	Percentage of attendance at board meetings	Number of other positions in companies quoted on the Italian stock market
President	**Vincenzo Pilla**	15/05/2007	Appr. annual report 2009	**M**	**X**	**100%**	1
Acting auditor	**Paolo Caselli**	15/05/2007	Appr. annual report 2009	**M**	**X**	**100%**	0
Acting auditor	**Giovanni Pacini**	15/05/2007	Appr. annual report 2009	**M**	**X**	**100%**	0
Alternate auditor	**Lorenzo Galeotti Flori**	15/05/2007	Appr. annual report 2009	**M**	**X**	/	0
Alternate auditor	**Manfredi Bufalini**	15/05/2007	Appr. annual report 2009	**M**	**X**	/	0

Number of meetings held during 2009: (6)

During the last appointment no quorum had been set yet. After the modifications made on the statutes on May 15th 2007 the *quorum* required for the presentation of the lists by the minorities for the election of one or more active members is 1/40 of the capital stock in conformity with art. 144-*sexies* Regolamento CONSOB 11971/1999 issued in implementation of art. 147-*ter* TUF or the higher percentage set by Consob.

Appendix 1: Paragraph on the "Main characteristics of the systems for risk management and internal controls in relation to the financial information process" in compliance with art. 123-bis, sub-section 2, lett. b), TUF

This document is dedicated to the description of the "Principal characteristics of the risk management and internal controls systems now in existence in relation to the financial information process" in conformity with art. 123-bis, sub-section 2, lett. b), TUF (henceforth called the System).

***

1) Premise

El.En. has defined their own system for risk management and internal controls in relation to the process of financial information which is consistent with international best practice and is based on the CoSO Report model to which, for the computer aspects, the COBIT model "Control Objectives for Information and Related Technology") has been added.

The CoSO Report defines internal controls as the process, implemented by the Board of Directors by the management and by all of he employees, which is supposed to furnish a reasonable assurance for the achievement of the company goals.:

- Effectiveness and efficiency of the operating activities (*operation*);
- Reliability of the financial information reported (*reporting*), for the purpose of guaranteeing that the financial reporting supplied a true and correct representation of the financial and economic situation in conformity with the generally accepted accounting principles.
- Conformity with the laws and with the applicable regulations (*compliance*).

Among the companies that have been considered significant according to the methodology described below, there is Cynosure Inc., the American company which is subject to the regulations contained in the Sarbanes Oxley Act 404. Considering that the company in question has the same model of reference as the Parent Company as the basis of its internal controls systems, and that numerous analogies exist between the American and Italian regulations, the company was judged to be in conformity with law 262/05.

The internal controls system of El.En. is based on the following principal features:

Control environment: this is the environment in which the individuals work and represents the control culture which has permeated the organization. It consists of the following elements: Ethics Code, company structure, systems of powers of attorney and proxy, organizational arrangements, procedure for fulfilling the obligations in relation to internal dealing, organizational model *ex* D.Lgs 231/2001.

Identification and evaluation of risks: this is the process which is intended to guarantee the identification, analysis, and management of company risks particularly in relation to the analysis of risks of an administrative and accounting nature, related to accounting information and to the controls meant defend against the risks which have been identified.

Control activities: this is the set of control policies and procedures which has been defined to create a defense against company risks for the purpose of reducing them to an acceptable level as well as guaranteeing that company objectives are reached. It is composed of the following elements:

i. *Administrative and accounting procedures*: the set of company procedures that are significant in relation to the drawing up and diffusion of accounting information (like related administrative and accounting procedures, in particular, statements and periodic financial reports and matrices of the administrative and accounting controls;

ii. *Company procedures that are significant for the purpose of preventing and monitoring operative risks like:* quality management system ISO 9001:2008.

Monitoring and information sheets: this is the process that has been created in order to ensure an accurate and rapid collection of information as well as the set of activities which are necessary in order to verify and periodically evacuate the adequacy, effectiveness and efficiency of the internal controls. We focus on the process of evaluation of the adequacy and the actual application of the procedures and of the controls of the accounting information, so as to enable the Executive Director in charge of the Internal Controls System and the Provost for Internal Controls to issue the declarations required in conformity with art. 154-*bis* TUF.

***

2) Description of the main characteristics of the System for managing risks and internal controls existing in relation to the process of financial information.

The system of internal controls related to the process of financial information is intended to guarantee the reliability, the accuracy, and the speed of the financial information.

a) Phases of the System for managing risks and internal controls existing in relation to the process of financial information

The main characteristics of the System for internal controls in relation to the process of financial information are described below:

a.1) Identification and evaluation of the risks in financial information:
The process for identifying and evaluating risks (*risk assessment*) related to financial and accounting information is directed by the provost for internal controls and shared with the Executive Director in charge of the System for Internal Controls and the Internal Controls Commission.

The process of *risk assessment* is divided into the following activities:
- **analysis and selection of significant financial information** diffused on the market (analysis of the last statement or of the last available half-yearly statement of the Parent Company or consolidated for the purpose of identifying the principal area of risk or and the significant related processes.
- **identification of the significant subsidiary companies and of the significant administrative and accounting areas**, for each entry of the consolidated statement on the basis of defined quantitative criteria;
- **identification and evaluation of the risks** inherent in the significant administrative and accounting areas, as well as of the relative financial processes and flows, on the basis of the analysis of qualitative and quantitative indicators;
- **communication** to the function involved, of the areas of intervention for which it is necessary to create or update the administrative and accounting procedures**.**

a.2) Identification of the controls for the risks which have been identified
After the identification of the risks we proceeded with the identification of the specific controls needed to reduce to an acceptable level the risk related to the failure to reach certain objectives of the system both in relation to the company and to the process. For this purpose El.En. has defined,

within the system of administrative and accounting procedures, the so-called “administrative and accounting control matrices” which are documents which describe the control activities existing in every significant administrative and accounting process. The controls described in the matrices should be considered an integral part of the administrative and accounting procedures of El.En.

At *the procedural level* specific controls have been identified like the verifications of the correct recording of accounts on the basis of supporting documentation, the issuing of authorizations, the conducting of reconciliations, and of verifications of consistency. The controls identified at the procedural level, moreover, have been classified according to their characteristics in manual or automatic and then in “previous” or “subsequent”.

At the company level specific controls have been identified as “pervasive”, meaning that they characterize the entire company, like assigning of responsibilities, powers, and jobs, and controls of a general nature on the computer systems, the separation of incompatible jobs.

a.3) Evaluation of the controls for the risks which have been identified:
The periodic verification and evaluation of the adequacy, effectiveness and efficiency of the administrative and accounting controls is divided into the following phases:
- **Continuous supervision,** by the managers of the operations/company which is an integral part of the current management;
- **Conducting of the activities of control and monitoring** for the purpose of evaluating the adequacy of the plan and the actual effectiveness of the controls being used, conducted by the executive delegated to internal controls who makes use of the assistance of Reconta Ernst & Young – main auditors for the Group - to which a specific task for some testing activities has been assigned this year. This task consisted in supplying the professional and methodological support both for the definition of the sampling techniques as well as the conduction and formalization of periodic tests.

Following up the verifications described related to the effectiveness of the accounting control system a written report on the efficiency of the system was made which, along with the Executive Director of the Internal Controls System, was communicated to the Executive Director of the Internal Controls Commission.

b) Roles and functions involved
In particular, the main responsibilities which are intended to guarantee the correct functioning of the System are as follows:
• the ***Board of Directors*** is responsible for the appointment of the Executive responsible for drawing up the company and accounting documents, for ascertaining that the Executive has all the necessary prerequisites (in terms of authority, professional competence and independence), powers and means for carrying out the tasks which have been assigned to him; for the institution of a regular flow of information through which the Executive may report the results of the activities conducted and any critical issues which may emerge, also with an aim to taking the necessary steps to overcome the significant critical issues. In carrying out their functions, the Board makes use of the assistance of the ***Internal Controls Committee***, which has the duty to advise and to recommend also in reference to the administrative and accounting internal controls system;
• the ***Director*** *Executive in charge of the internal controls system* is responsible for the implementation and monitoring of the Internal Controls System, with particular reference to the Administrative and Accounting procedures; for the evaluation, together with the Executive in charge of Internal Controls, of the results of the periodic risk assessments; for the evaluation, bearing in mind the preliminary activity of the Executive, of the effectiveness of the procedures being used; for the revision of the “other information of a financial nature” released to the market.

EL.EN. GROUP
CONSOLIDATED FINANCIAL STATEMENTS
AND EXPLANATORY NOTES AS OF DECEMBER 31st 2009

Consolidated balance sheet

	Notes		31/12/2009		31/12/2008
Balance Sheet					
Intangible assets	1		6.975.387		6.407.466
Tangible assets	2		29.844.579		26.258.356
Equity investments:	3				
- in associates		1.116.205		1.557.875	
- other investments		173.291		133.817	
Total equity investments			1.289.496		1.691.692
Deferred tax assets	4		4.431.198		9.413.820
Other non current assets	4		3.664.699		15.407.516
Total non current assets			**46.205.359**		**59.178.850**
Inventories	5		50.530.850		57.422.948
Accounts receivables:	6				
- from third parties		34.525.154		46.052.282	
- from associates		2.047.539		1.258.028	
Total accounts receivables:			36.572.693		47.310.310
Tax receivables	7		8.039.656		5.609.107
Other receivables:	7				
- from third parties		4.896.332		5.173.371	
- from associates		83.241		338.667	
Total other receivables			4.979.573		5.512.038
Financial instruments	8		29.803.183		18.044.112
Cash and cash equivalents	9		49.572.862		59.113.513
Total current assets			**179.498.817**		**193.012.028**
TOTAL ASSETS			**225.704.176**		**252.190.878**
Common stock	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		32.425.784		27.373.361
Treasury stock	13		-2.575.611		-2.575.611
Retained earnings / (deficit)	14		24.552.143		22.458.978
Net income / (loss)			-5.257.666		8.328.526
Parent stockholders' equity			**90.246.939**		**96.687.543**
Minority interests in consolidated subsidiaries			73.116.715		84.309.795
Total equity			**163.363.654**		**180.997.338**
Severance indemnity	15		2.607.348		2.469.118
Deferred tax liabilities	16		417.013		328.086
Other accruals	17		5.143.042		5.428.166
Financial liabilities:	18				
- to third parties		4.926.996		3.734.531	
Total financial liabilities			4.926.996		3.734.531
Non current liabilities			**13.094.399**		**11.959.901**
Financial liabilities:	19				
- to third parties		5.612.941		5.547.589	
Total financial liabilities			5.612.941		5.547.589
Accounts payables:	20				
- to third parties		25.034.788		30.475.082	
- to associates		101.538		642.554	
Total accounts payables			25.136.326		31.117.636
Income Tax payables	21		450.143		2.979.276
Other payables:	21				
- to third parties		18.046.713		19.589.138	
Total other payables			18.046.713		19.589.138
Current liabilities			**49.246.123**		**59.233.639**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			**225.704.176**		**252.190.878**

Consolidated Profit and Loss Account

Profit and loss account	Note		31/12/2009		31/12/2008
Revenues:	22				
- from third parties		147.173.314		221.050.851	
- from associates		1.937.402		619.511	
Total revenues			149.110.716		221.670.362
Other revenues and income:	23				
- from third parties		1.793.780		1.814.322	
- from associates		35.457		4.080	
Total other revenues and income			1.829.237		1.818.402
Total revenues and income			**150.939.953**		**223.488.764**
Purchase of raw materials:	24				
- to third parties		51.894.250		85.548.084	
- to associates		203.247		131.413	
Total purchase of raw materials			52.097.497		85.679.497
Change in inventory of finished goods and WIP			2.237.364		(5.357.892)
Change in inventory of raw material			3.561.123		(6.029.175)
Other direct services:	25				
- to third parties		13.700.737		22.861.251	
- to associates		56.010		4.979	
Total other direct services			13.756.747		22.866.230
Other operating services and charges:	25				
- to third parties		41.096.495		51.069.970	
- to associates		190.182		308.924	
Total other operating services and charges			41.286.677		51.378.894
For staff costs	26		42.026.865		46.139.584
Depreciation, amortization and other accruals	27		8.571.392		8.260.164
EBIT			**(12.597.712)**		**20.551.462**
Financial charges:	28				
- to third parties		(1.437.668)		(2.578.880)	
Total financial charges			(1.437.668)		(2.578.880)
Financial income	28				
- from third parties		2.383.449		4.203.250	
- from associates		1.209		4.874	
Total financial income			2.384.658		4.208.124
Share of profit of associated companies			(277.586)		(129.831)
Other net expenses	29		(402.858)		(222.953)
Other net income	29		525		258.679
Income before taxes			**(12.330.641)**		**22.086.601**
Income taxes	30		4.060.099		7.868.299
Income for the financial period			**(16.390.740)**		**14.218.302**
Minority interest			(11.133.074)		5.889.776
Net income			**(5.257.666)**		**8.328.526**

Basic net (loss) income per share		(1,11)	1,76
Diluted net (loss) income per share		(1,11)	1,76
Basic weighted average common shares outstanding	32	4.721.220	4.744.621

(*) In accordance with Delibera Consob 15519 of 27th July 2006, the amounts related to significant non-recurring events are listed in note (33).

Consolidated comprehensive income statement

	31/12/2009	31/12/2008
Reported net (loss) income	-16.390.740	14.218.302
Cumulative translation adjustments	-2.834.540	4.451.681
Unrealized gain (loss) on marketable securities	-55.882	39.646
Total comprehensive (loss) income	-19.281.162	18.709.629
Referable to:		
Parent Shareholders	-6.016.449	9.443.917
Minority Shareholders	-13.264.713	9.265.712

Consolidated cash flow statement

Financial statement (cash flow)	31/12/2009	related parties	31/12/2008	related parties
Cash flow generated by operating activity:				
Profit (loss) for the financial period - group part	**-16.390.740**		**14.218.302**	
Amortizations and depreciations (27)	6.051.115		5.065.918	
Devaluations of equity investments (29)	374.895	374.895		
Stock Options (26)	3.007.213		5.106.171	
Change of employee severance indemnity (15)	138.230		-15.603	
Change of provisions for risks and charges (17)	-285.124		654.132	
Change of provisions for deferred income taxes (4) (16)	5.071.549		-3.774.280	
Stocks (5)	6.892.098		-10.855.261	
Receivables (6)	10.737.617	-789.511	-4.996.990	-1.016.960
Tax receivables (7)	-2.430.549		-395.164	
Other receivables (7)	240.153		-189.345	
Payables (20)	-5.981.310	-541.016	2.507.857	614.135
Income Tax payables (21)	-2.529.133		663.051	
Other payables (21)	-1.542.425		1.354.431	
	19.744.329		-4.875.083	
Cash flow generated by operating activity	3.353.589		9.343.219	
Cash flow generated by investment activity:				
(Increase) decrease in tangible assets (2)	-9.184.323		-11.154.906	
(Increase) decrease in intangible assets (1)	-1.020.936		-229.935	
(Increase) decrease in equity investments and non current assets	11.770.118	137.198	-16.322.368	-1.152.294
Increase (decrease) in financial receivables (7)	292.312	255.426	-174.819	-132.676
(Increase) decrease investments which are not permanent (8)	-11.759.071		13.999.998	
Cash flow generated by investment activity	-9.901.900		-13.882.030	
Cash flow from financing activity:				
Increase (decrease) in non current financial liabilities (18)	1.192.465		293.768	
Increase (decrease) in current financial liabilities (19)	65.352		2.740.932	
Change in Capital and Reserves	9.232		267.894	
Change in Capital and Reserves of third parties	679.279		941.947	
Change in Treasury Stock	-22.511		-2.575.611	
Dividends distributed (31)	-1.621.266		-5.360.674	
Cash flow from financing activity	302.551		-3.691.744	
Change in cumulative translation adjustment reserve and other no monetary changes	-3.294.891		5.832.282	
Increase (decrease) in cash and cash equivalents	-9.540.651		-2.398.273	
Cash and cash equivalents at the beginning of the financial period	**59.113.513**		**61.511.786**	
Cash and cash equivalents at the end of the financial period	**49.572.862**		**59.113.513**	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned during this financial period on bank deposits amounts to about 662 thousand Euros.

The current taxes for the year produced a positive effect of about 0,4 million Euros which is due mainly to the fact that Cynosure entered current fiscal assets on the losses they suffered during the year for the amount of 2,8 million Euros, as described in note (7)

Statement of changes in consolidated Stockholders' Equity

STOCKHOLDERS' EQUITY:	**Balance 31/12/2007**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2008**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares				-2.575.611		-2.575.611
Others reserves:						
Extraordinary reserves	12.530.904	15.158.390				27.689.294
Reserve for contribution on capital account	426.657					426.657
Cumulative translation adjustments reserve	-3.523.979				1.106.243	-2.417.736
Other reserves	1.052.217			85.627		1.137.844
Retained earnings	23.803.182	2.494.160	-5.193.342	1.345.830	9.148	22.458.978
Profits (loss) of the year	17.652.550	-17.652.550			8.328.526	8.328.526
Parent company's stockholders' equity	93.581.122	0	-5.193.342	-1.144.154	9.443.917	96.687.543
Capital and reserves of third parties	61.700.213	7.285.692	-167.332	6.225.510	3.375.936	78.420.019
Profit (loss) of third parties	7.285.692	-7.285.692			5.889.776	5.889.776
Minority interests	68.985.905	0	-167.332	6.225.510	9.265.712	84.309.795
Total Stockholders' equity	162.567.027	0	-5.360.674	5.081.356	18.709.629	180.997.338

STOCKHOLDERS' EQUITY:	**Balance 31/12/2008**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2009**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares	-2.575.611					-2.575.611
Others reserves:						
Extraordinary reserves	27.689.294	5.613.393				33.302.687
Reserve for contribution on capital account	426.657					426.657
Cumulative translation adjustments reserve	-2.417.736				-745.904	-3.163.640
Other reserves	1.137.844			184.934		1.322.778
Retained earnings	22.458.978	2.715.133	-1.416.366	807.277	-12.879	24.552.143
Profits (loss) of the year	8.328.526	-8.328.526			-5.257.666	-5.257.666
Parent company's stockholders' equity	96.687.543	0	-1.416.366	992.211	-6.016.449	90.246.939
Capital and reserves of third parties	78.420.019	5.889.776	-204.900	2.276.533	-2.131.639	84.249.789
Profit (loss) of third parties	5.889.776	-5.889.776	0	0	-11.133.074	-11.133.074
Minority interests	84.309.795	0	-204.900	2.276.533	-13.264.713	73.116.715
Total Stockholders' equity	180.997.338	0	-1.621.266	3.268.744	-19.281.162	163.363.654

The amount referred to the conversion reserve entered in the column "Comprehensive (loss) income" is related mainly to the negative change in that reserve which was caused by the devaluation of the US dollar.

Other operations in the stockholders' equity of the Group refer to:
- the variation in the reserve for stock options (other reserves) for 185 thousand Euros, which includes the counterpart of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned to El.En. SpA for the quota which matured on December 31st 2009.
- the changes in the undivided earnings which, among other things, summarizes the increase in the shareholders' equity registered for Cynosure as a consequence of the stock option plans now in force.

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Consolidated Statement for the El.En. Group was examined and approved by the Board of Directors on March 31st 2010.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The consolidated statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*

This consolidated Annual Report consists of:

- the Consolidated Balance Sheet,
- the Consolidated Profit and Loss Account,
- the Consolidated comprehensive income statement
- the Financial Statement (Cash Flow)
- the Statement of changes in the Stockholders' Equity,
- the following Explanatory Notes.

The economic information which is provided here is related to the financial years 2009 and 2008. The financial information, however, is supplied with reference to December 31st 2009 and December 31st 2008.

The Parent Company El.En. SpA has engaged the auditing firm of Reconta Ernst & Young SpA to audit the consolidated financial statement dated December 31st 2009.

CONFORMITY WITH IFRS STANDARDS

This consolidated statement for the financial year ending December 31st 2009 has been drawn up in conformity with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The models used by the El.En. Group for drawing up the financial statements have been changed with respect to those used on December 31st 2008, in conformity with the IAS 1 Revised accounting standards which, starting on January 31st 2009, require the display of the overall result including the effects of the transactions made directly on the stockholders' equity with persons who are not the owners. According to the revised version of the IAS 1, in fact, all the variations generated by transactions generated with non-partners must be displayed in a single, separate chart which shows the trend for the financial period (overall profit or loss account) or else in two separate charts (Profit and Loss Account or charts of the overall profits and losses). These variations must be shown separately also in the Variations in the Stockholders' Equity chart.
The Group has applied the revised version of the standard starting on January 1st 2009 retroactively, choosing to display all of the transactions generated by transactions with non-partners in two charts measuring the trend for the period which are called, respectively, "Consolidated Profit and Loss Account" and "Overall Consolidated Profit and Loss Account". Consequently, the Group has modified the presentation of the Chart of Variations in the Stockholders' Equity.

The accounting standards used for drawing up this consolidated statement are in conformity with the accounting standards used for formulating the consolidated statement as of December 31st 2008, except for the application of the new or revised standards of the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, as will be explained below. The application of these amendments and interpretations had no significant effect on the financial position or the performance of the Group.

Accounting standards, amendments and interpretations applied since January 1st 2009

The following accounting standards, amendments and interpretations were revised during the annual Improvement activity in 2008 conducted by the IASB, and were applied for the first time by the Group starting on January 1st 2009.

- IFRS1 First use of the international accounting standards and IAS 27 consolidated and individual statements. The modifications of the IFRS1 make it possible for the entity to determine the "cost" of the equities in associated and subsidiary companies and joint ventures on the basis of IAS 27 or utilizing the deemed cost. The modification of IAS 27 requires that all the dividends derived from subsidiaries, associated companies and joint ventures be shown in the Profit and Loss account in the separate statement.

- IFRS 2 Payment base on stock (Revised). In January of 2008 the IASB, issued an amendment to IFRS 2 which cleared up the definition of the conditions of maturity and described the accounting treatment of a plan that has been, in effect, cancelled. IFRS 2 did not have any effects on the consolidated statement.

- IFRS 8 Operating sectors
On November 8th 2006 the IASB issued IFRS, which replaces the IAS 14 information sheet for the sector effective from that date. This will require more information which will enable users of the statement to better understand the management reporting. The application of' IFRS 8 did not have any substantial impact on the consolidated statement of the Group.

-IFRIC 13 – Client Fidelity programs
IFRIC 13 was issued in June of 2007. The interpretation requires that awards offered as part of client fidelity programs be entered into accounts as a separate component with respect to the sales to which they refer. A part of the fair value of the payment received in fact, must be suspended and recognized as revenue during the period of assignment. The modifications did not have any effect on the statements of the Group because, as of this writing, the Group does not have a client fidelity program.

-IFRIC 14 IAS 19 – Limitations to the assets of Defined Benefit plans, minimum financing requisites and their interaction.
IFRIC 14 supplies information on how to determine the limit of capital gains which can be entered as assets in a defined Benefit Plan, in conformity with IAS 19 – Benefits to employees. The minimum financing threshold can cause effects on the assets and liabilities derived from pension plans. The application of this standard did not have any effects on the statement of the Group since, as of the writing of this consolidated statement, this type of operation was not in use.

-IAS 1 Presentation of the statement (revised)
The modified standard was issued in September of 2007 and became effective for firms starting on that date or later. The standard describes how to present the variations in the equities in the subsidiaries and the variations in the interest held by the minority partners. Moreover, the standard introduces the Overall Profit and Loss Account: the entity must present all the components of the Profit and Loss Account either in a single chart showing the Overall Profit and Loss Account or in two joint charts one of which shows the components of the economic results and the other which shows the components of "the other entries in the Overall Profit and Loss Account".

- IAS 23 Financial charges (Revised)
In April of 2007 the IASB issued a modification of IAS 23. This revision of the standard requires the capitalization of the financial charges directly related to the purchase, construction and production of a qualified activity. As of this writing of this consolidated statement, the application of IFRS 23 has not had any effect on the statement of the Group.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of the Statement – Instruments with selling options and obligations which arise during liquidation.
These modifications to IAS 32 and to IAS 1 were issued in February of 2008 and became effective for the financial periods starting January 1st 2009 and after that date. The modifications of the standard provide for an exception, within a very limited area of application, which makes it possible to classify an option for sale and similar instruments like

capital instruments if they meet certain requirements. The modifications to the standard have had no effect on the financial position of the Group because the Group has never issued instruments of this type.

Improvements to the IFRS

In the month of May 2008, the IASB issued the first set of modifications to its standards, for the purpose mainly of eliminating any inconsistencies and clarifying certain expressions. There are different transition suggestions for each standard. The Group has not yet adopted the following standards and believes that they will not have any significant impact on the statement.

Improvement to IAS 1 – Presentation of the statement (revised in 2007): the modification, which must be applied prospectively starting January 1st 2009, requires that the assets and liabilities coming from derived financial instruments which are not detained for the purpose of negotiation, be classified in the statement distinguishing between current and non-current assets and liabilities.

Improvement to IAS 16 – Real estate property, plants and machinery: the modification must be applied retroactively starting January 1st 2009 and states that the companies whose characteristic business is renting must reclassify the goods in their warehouses which are no longer being rented and are up for sale. The Group is not active in this type of operation.

Improvement to IAS 19 – Benefits to employees: the amendment must be applied after the 1st of January 2009 and clarifies the definition of the cost related to work carried out in the past; it establishes that in the case of the reduction of a plan, the effect which must be immediately entered into the Profit and Loss Account must include only the reduction of the benefits related to future periods, while the effect which may be derived from any reductions related to work performed in the past must be considered a negative cost related to work performed in the past. As of this writing, the application of Improvement to IAS 19 has not had any effect on the statement of the Group.

Improvement to IAS 20 – Entering into accounts and information sheets on public grants: the modification which must be applied from January 1st 2009 on, establishes that the benefits derived from loans from the State granted at an interest rate which is lower than the current market rates must be treated like public grants and consequently follow the recognition rules established by IAS 20. At the time of this writing the application of the Improvement to IAS 20 had not had any significant effects on the statement of the Group.

Improvement to IAS 23 – Financial charges: the modification, which must be applied starting January 1st 2009, revised the definition of financial charges. As of this writing the application of the Improvement to IAS 23 had not had any significant effects on the statement of the Group.

Improvement to IAS 27 – Consolidated and individual statements: when the parent company enters into accounts its own subsidiaries at fair value in conformity with IAS 39 in its own individual statement, this treatment continues even when the subsidiary is classified as detained for sale. As of this writing the application of the Improvement to IAS 27 had not had any significant effects on the statement of the Group.

Improvement to IAS 28 – Equities in associated companies: the modification which must be applied, even only in prospect, from January 1st 2009 on, establishes that in the case of equities evaluated according to the stockholders' equity method, any losses should not be attributed to a single activity (and in particular to goodwill) which are part of the charges of the equity, but rather to the to the overall value of the equity.

Improvement to IAS 38 – Intangible assets: the modification must be applied retroactively starting on January 1st 2009 and establishes the recognition in the profit and loss account of promotional and advertising expenses. The application of this standard has not had any significant effects on the statement of the Group.

Improvement to IAS 39 – Financial instruments: identification and evaluation. The amendment, which must be applied retroactively starting on January 1st 2009, clarifies how to calculate the new actual yield rate of a financial instrument upon conclusion of a covering report of the fair value. As of this writing the Group has not dealt in fair value covering operations.

Improvement to IAS 40 – Real Estate Investments: the Improvement revises the definition of the area of application so that the assets under construction or under development, in order to be detained at a later date as real estate investments are classified as real estate investments. If the fair value cannot be reliably determined, the investment under construction will be measured at cost until the time that a fair value can be determined or until the completion of construction. Moreover, the Improvement clarifies that the fair value of the real estate investment held through leasing reflects the financial flows expected (including the amount of rent that is expected to be paid). Consequently, if the evaluation of a property is net of all expected payments, it will be necessary to add any liabilities entered into accounts that were derived from leasing to reach the fair value of the real estate investment for accounting purposes. Moreover, the Improvement revises the conditions for a voluntary modification of accounting policies in order to be consistent with IAS 8. As of this writing the application of the Improvement to IAS 40 had not had any significant effects on the statement of the Group.

Improvement to IAS 41 – Agriculture: the reference to the discount rate before taxes for determining fair value has been removed. The Improvement also removed the rule against considering, in the estimate of fair value, the cash flow derived from any kind of later transformation. The term “costs at place of sale” was replaced with “selling costs”. At the time of this writing the Group does not conduct any agricultural activities.

New standards and interpretations accepted by the European Union but not yet in effect

As required by IAS 8 (Accounting standards, changes in accounting estimates and errors) the IFRS in effect starting January 1st 2010 or later are listed and described briefly below.

-“ IFRS 3 Company aggregations” -The IASB has issued a revision of the January 2008 standard concerning company aggregations. The standard introduces changes in the entering into accounts of company aggregations which will have an impact on the amount of goodwill entered, on the result for the financial period in which the purchase was made and on the results for future financial periods.
- Modifications to “IAS 39 – Financial instruments: identification and evaluation. – Elements which qualify for coverage”. On September 15th 2009 they issued CE Regulation n. 839-2009 which accepted at an EU level some of the modifications to IAS 39 which further clarify some aspects of hedge accounting. The modifications must be applied retroactively according to IAS 8, starting on January 1st 2010. It is not expected that these modifications will have any significant impact on the consolidated statement of the Group.
- “IFRIC 17 – Distribution to partners of assets not represented by cash on hand”. On November 26th 2009 they issued CE Regulation n. 1142-2009 which accepted IFRIC 17 at the EU level. This interpretation clarified the fact that the liability related to the dividend to be paid must be reported when the dividend is adequately authorized and that the entity must evaluate a liability related to the distribution of assets not represented by cash on hand as a dividend for its own partners as fair value of the assets to be distributed. As soon as the entity proceeds to the regulating of the payable dividend, it must show in the separate Profit and Loss Account any differences between the accounting value of the assets distributed and the accounting value of the payable dividend. The IFRIC 17 comes into effect starting on January 1st 2010 and must be applied from that time on. It is not expected that this interpretation will have any significant impact on the consolidated statement of the Group.
- Modifications to “IAS 32 – Classification of Issuing Rights”. On December 23rd 2009 they issued CE Regulation n. 1293-2009 which accepted at the EU level some of the modifications to IAS 32 related to the methods for the entering into accounts of Issuing Rights (rights, options or warrants) which are registered in a currency which is different from the working currency of the company. In the past, these rights were entered into accounts as liabilities from derived financial instruments. The modification requires, if certain conditions are met, that these rights be classified as instruments representative of the shareholders’ equity regardless of the currency in which the price is shown. The modifications to IAS 32 must be applied starting on January 1st 2011; however, application prior to that date is permitted. It is not expected that this modification will have any significant impact on the consolidated statement of the Group.
- “IFRIC 18 – Ceding of assets by the clientele”. This interpretation clarifies the accounting treatment which should be used if the company stipulates a contract in which they receive from one of their clients a material asset which must be used to connect the client to a network or to give them particular access to the supply of goods or services (for example, to supply electricity, gas, water). In some cases, in fact, the company receives the cash on hand from the client for the purpose of building or acquiring the material asset which will be used for fulfilling the contract. The interpretation must be applied starting on January 1st 2010 and from then on.

AREA OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. controls directly or indirectly through a majority of votes in the ordinary assembly, or, in the case of Cynosure Inc., where they have the power to appoint and to remove the majority of members of the Board of Directors. The companies that are currently included in the area of consolidation are shown on the chart below.

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr. capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:								
El.En. SpA		Calenzano (ITA)	EURO	2.508.671				
Subsidiary companies:								
Deka M.E.L.A. Srl		Calenzano (ITA)	EURO	40.560	70,00%		70,00%	70,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	103.480	90,67%		90,67%	90,67%
Esthelogue Srl		Calenzano (ITA)	EURO	47.840	100,00%		100,00%	100,00%
Deka Technologies Laser Sarl		Lyons (FRA)	EURO	76.250	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH		Mainburg (GER)	EURO	51.129	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	1	Carlsbad (USA)	USD	25	11,78%	80,71%	92,49%	92,49%
Ot-las Srl		Calenzano (ITA)	EURO	57.200	90,00%		90,00%	90,00%
Lasit SpA	2	Vico Equense (NA)	EURO	1.154.000	52,67%	17,33%	70,00%	68,27%
BRCT Inc.		Branford (USA)	USD	no par value	100,00%		100,00%	100,00%
Quanta System SpA		Solbiate Olona (ITA)	EURO	1.500.000	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	3	Jena (GER)	EURO	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl	4	Corsico (ITA)	EURO	20.500		51,22%	51,22%	30,73%
AQL Srl	5	Vimercate (ITA)	EURO	50.000		100,00%	100,00%	67,58%
ASA Srl	6	Arcugnano (ITA)	EURO	46.800		60,00%	60,00%	42,00%
Cynosure Inc.		Westford (USA)	USD	12.749	23,05%		23,05%	23,05%
Cynosure GmbH	7	Langen (GER)	EURO	25.565		100,00%	100,00%	23,05%
Cynosure Sarl	7	Paris (FRA)	EURO	970.000		100,00%	100,00%	23,05%
Cynosure KK	7	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,05%
Cynosure UK	7	London (UK)	GBP	1		100,00%	100,00%	23,05%
Suzhou Cynosure Medical Devices Co.	7	Suzhou (CHINA)	YUAN	no par value		100,00%	100,00%	23,05%
Cynosure Spain	7	Madrid (SPAIN)	EURO	864.952		100,00%	100,00%	23,05%
Cynosure Mexico	7	S. Geronimo Ladice (MEXICO)	MEX	no par value		100,00%	100,00%	23,05%
Cynosure Korea	7	Seul (S. KOREA)	KRW	350.800.000		100,00%	100,00%	23,05%
With Us Co Ltd	8	Tokyo (JAP)	YEN	100.000.000		51,25%	51,25%	51,25%
Deka Japan Co. Ltd		Tokyo (JAP)	YEN	10.000.000	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	9	Wuhan (CHINA)	YUAN	20.467.304		55,00%	55,00%	49,87%
Lasit Usa Inc.	10	Branford (USA)	USD	30.000		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	REAL	1.404.000	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	11	Branford (USA)	USD	50.000		100,00%	100,00%	100,00%
Ratok Srl	12	Solbiate Olona (ITA)	EURO	20.000		70,00%	70,00%	42,00%
Raylife Srl	13	Calenzano (ITA)	EURO	110.000		100,00%	100,00%	80,00%
Deka Medical Inc	14	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%

(1) owned by BRCT Inc. (80,71%) and
by El En Spa (11,78%)

(2) owned by Elen Spa (52,67%) and Ot-las (17,33%)
(3) owned by Elen SpA (50%) and Quanta System SpA (50%)
(4) owned b Quanta System SpA
(5) owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)
(6) owned by Deka Mela Srl
(7) owned by Cynosure Inc.
(8) owned by BRCT (51,25%)
(9) owned by Cutlite Penta Srl (55%)
(10) owned by Lasit SpA (100%)
(11) owned by BRCT (100%)
(12) owned by Quanta System Spa (70%)
(13) owned by Asclepion (100%)
(14) owned by BRCT (100%)

During this financial period, several transactions were concluded which involved companies included in the area of consolidation. In particular:

NEW COMPANIES

- Deka Laser Technologies Inc.: in January of 2009 the subsidiary BRCT Inc., founded Deka Laser Technologies Inc. The founding of the company was part of the program of reorganization of the distributing operations in the odontoiatric sector in the United States which later brought about the merger through incorporation of Deka Laser Technologies LLC into Deka Laser Technologies Inc. which used to operate in the American sector, and the replacement of the management of that company. After the merger, 11,78% of the equity is held by El.En. SpA and 80,71% by BRCT Inc.

- Deka Medical Inc.: with this entity (which is held 100% by BRCT) in the month of July 2009 we started the direct distribution in the United States of some DEKA brand products in the medical, aesthetic and surgical sector. Some highly experienced managers in this sector have been put in charge of the operations of the company which has its headquarters in San Francisco.

- Deka Japan Ltd: in the month of December 2009, we acquired control of Deka Japan Ltd, of which the Parent Company El.En. Spa holds 55% of the capital, with an aim to making the presentation of medical applications more effective on the Japanese market, while, at the same time focusing on the activities of the other Japanese branch, With Us, on the aesthetic market.

OTHER OPERATIONS

- Deka Technologies Laser Sarl (ex Deka Sarl): in the month of June 2009, the assembly of Deka Technologies Laser Sarl voted to proceed with the coverage of the losses registered for the financial period which ended on December 31st 2008 by increasing the capital stock by an amount equal to that of the losses which were in this way covered. The capital stock of Deka Technologies Laser Sarl, which is entirely owned by the Parent Company El.En. SpA, therefore remains at the amount of 76.250,00 Euros.

- Esthelogue Srl (formerly Valfivre Italia Srl): this company, which had ceased all activity at the end of 2007, has now been identified by the Group as the best means for a new development initiative which involves the direct entry into the market of technological systems for aesthetic treatments. For this purpose, in the month of September, the shareholders assembly voted to change the name of the company and replace the administrative staff, as well as to change the company objective and to one that was more consistent with the new activity that the company intends to conduct.

- Wuhan Penta Chutian: on the month of December 2009 Cutlite Penta Srl and the minority partner Wuhan Chutian Industry Laser Equipment Co. Ltd, with the payment of an overall amount of one million Euros (550 of which was paid by Penta), concluded operations for the increase in capital of Whuan Penta Chutian, the company in Wuhan, in the central region of Hubei in China, produces laser cutting systems with high powered laser sources which are supplied by the El.En. Group. The increase in capital is aimed at sustaining the need for working capital which has been created due to the growth of the company.

ASSOCIATED COMPANIES

El.En. SpA holds equities directly and indirectly in several companies, which, however it does not control. These companies are evaluated according to the stockholders' equity method. Equities in associated companies are shown in the chart below:

Company name:	Headquarters	Subscr. capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	24.000	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	10.200	12,00%		12,00%	12,00%
SBI S.A.	Herzele (BE)	600.000	50,00%		50,00%	50,00%
Laser International Ltd	Tianjin (CHINA)	1.552.396		40,00%	40,00%	24,00%
Elesta Srl	Calenzano (ITA)	110.000	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL	Donostia (SPAIN)	1.045.280		30,00%	30,00%	18,00%
Electro Optical Innovation Srl	Turin (ITA)	12.000		33,33%	33,33%	20,00%

Capital stock is expressed in Euros with the exception of Laser International Ltd expressed in Yuan

During this financial period several operations have been concluded which involve companies that are evaluated using the stockholders' equity method; in particular:

- Smartbleach International SA: we have concluded an operation which increased the capital stock from 300 thousand Euros to 600 thousand Euros voted by the assembly of the company, and effected by underwriting and payment of a sum which was in proportion to the equity held in the company by each partner; El.En. Spa holds 50% of the company.

- Elesta Srl: the partners of this company completed payment of the residual amounts of capital stock underwritten when the company was being transformed from a consortium company with limited responsibility to a company with limited responsibility.

The amounts shown in the statement of the equities in associated companies are as follow:

Immobiliare Del.Co. Srl:	245 thousand Euros
Actis Srl:	1 thousand Euros
SBI S.A.:	94 thousand Euros
Laser International Ltd:	94 thousand Euros
Elesta Srl	-115 thousand Euros
Grupo Laser Idoseme SL:	834 thousand Euros
Electro Optical Innovation Srl:	-36 thousand Euros

EQUITIES IN OTHER COMPANIES

On February 17th 2009 the subsidiary Quanta System SpA acquired a quota of 19% of the capital stock of T.D.F. Ticino Forniture Dentali Srl. This company supplies various types of material to dental offices. They have a vast sales network which includes supplying laser devices for dental applications.

On April 23rd 2009 the Parent Company El.En. SpA underwrote 19% of the capital stock of Alfa Laser Srl, a company which is active in the sector of lasers for industrial uses.

TREASURY STOCK

On March 3rd 2008, the shareholders assembly of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire treasury stock; this purchase was made for the following concurrent and alternative purposes: to stabilize the stock, to assign the stock to employees and/or collaborators, to exchange the stock for equities upon the occasion of company purchases.
The authorization was granted for the purchase in exchange for a payment of 15 million Euros in one or more installments, for a quantity of shares in the company which, in any case, should not be in excess of one-tenth of the capital stock. (Presently, 10% of the capital underwritten and paid out by El.En. is equivalent to 482.436 shares.) The

duration of the authorization is for the maximum period allowed by law, that is, 18 months from the date of approval by the assembly and therefore at the writing of this document the time has expired.
The purchase was supposed to take place on the regular stock market for a price which is not more than 20% less or 10% more than the official exchange price registered on the day preceding the purchase. The sale of the shares purchased must be made at a price which is not less than 95% of the average of the official negotiated prices registered during the five days preceding the sale.
As of December 31st 2009 the company had acquired 103.148 shares of treasury stock at an average price of 24,97 Euros for a total amount of 2.575.611 Euros.

STANDARDS OF CONSOLIDATION

The statements used for the consolidation of the annual reports are those of the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria selected by the Parent Company.
In drawing up the consolidated financial statement the assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included. We have not included the payables and receivables, income and charges, profits and losses which have been generated by transactions made between the consolidated companies.
The book value of the equity in each of the subsidiaries is eliminated in the place of the corresponding portion of the stockholders' equity of each of the subsidiaries including the final adaptation at fair value on the date of purchase; the difference which emerges, if it is in the black (positive), is treated as goodwill, and as such is entered into accounts, in accordance with IFRS 3, as illustrated below. If it is in the red (negative) it is entered directly into the Profit and Loss Account.
The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the stockholders' equity titled "Capital and Reserves of third parties"; the portion of the consolidated economic result which corresponds to the equities of third parties is entered into accounts under the heading "Profit (loss) this year pertaining to third parties".

CONVERSION OF AMOUNTS IN FOREIGN CURRENCY

The accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

For the purposes of the Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Profit and Loss Account, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the stockholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Profit and Loss Account at the time that the subsidiary is sold.
The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.
For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

Currencies	Exchange Rate @ 31/12/2008	Average exchange rate @ 31/12/2009	Exchange Rate @ 31/12/2009
USD	1,3917	1,3948	1,4406
Yen	126,14	130,34	133,16
Yuan	9,50	9,53	9,84
Real	3,24	2,77	2,51

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated Annual Report requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Profit and Loss Account.
Goodwill is annually subjected to an impairment test in order to determine any loss in value.

SECTORIAL INFORMATION

Starting with the financial year 2009, the El.En. Group will present a sectorial information sheet in conformity with the requirements of IFRS 8, as described in detail in the specific paragraph of the report.

EVALUATION CRITERIA

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE
Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The Group has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.
The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Profit and Loss Account in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.
Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.

Goodwill
All acquisitions are entered into accounts applying the "*purchase method*".
Goodwill derived from the acquisition of subsidiary or associated companies or *joint ventures,* represents the excess in the purchase price with respect to the *fair value* of the activities acquired, net of the current and potential liabilities taken on and it is placed in each of the *"cash generating units"* (CGU) which has been identified. The identification of the CGU coincides with each juridical subject. After the first entry, the goodwill is not amortized and is reduced in anticipation of possible reductions in value, which are determined according to the methods described below. Goodwill which is related to equities in associated companies is included in the charge value of each company. Should a negative goodwill arise, this is immediately entered in the Profit and Loss Account.
Goodwill which derives from the acquisitions made before January 1st 2004 is entered at the value registered under this heading in the last consolidated statement drawn up using the earlier accounting standards (December 31st 2003).

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Profit and Loss Account. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item**.**

The Group uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is amortized.

The aliquots used for depreciation are shown on the chart below:

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Profit and Loss Account at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected cash flow are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Profit and Loss Account wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

Financial assets which consist of equities in associated companies are evaluated according to the stockholders' equity method, that is to say, for an amount equal to the corresponding fraction of the stockholders' equity shown in the last financial statement of the companies, after having subtracted the dividends and after having made the rectifications required by the accounting standards used for drawing up the consolidated statement in conformity with the IFRS to make them compatible with the accounting standards used by the Parent Company.

Joint-venture companies are evaluated in the consolidated statement with the stockholders' equity method, starting on the date in which the joint-venture is initiated up to the date on which it ceases to exist.

F) FINANCIAL INSTRUMENTS

Equities in other companies

The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) are classified at the time of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the Profit and Loss Account" with the current or non-current assets. Changes in the value of equities that are classified as available for sale are entered into a reserve of the stockholders' equity which will be entered into the Profit and Loss Account at the time of sale. Changes in the value of the equities classified as assets evaluated at fair value through the Profit and Loss Account are entered directly into the Profit and Loss Account. These equities are evaluated at cost according to IAS 39.

Financial instruments and financial assets at fair value with variations entered in the profit and loss account.
This category includes the assets held for negotiation and the designated assets, at the time that they were first reported, as financial assets at fair value with variations entered in the profit and loss account. The Group evaluates its financial assets at the time for value registered in the profit and loss account (held for negotiation) if the intention to sell them within a brief period of time is still appropriate.

Stocks – financial assets available for sale
The financial assets that are available for sale are evaluated at fair value, with effect on the shareholders equity with the exception of the losses due to reduction in value, until the financial asset is eliminated; at this time the total entered earlier in the shareholder's equity must be entered in the profit and loss account.

Commercial receivables
The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets
Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.
Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Profit and Loss Account under the heading "Financial Revenue (Charges)" or in a special reserve of the Stockholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents
This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock
Treasury stock is entered against stockholders' equity. No profit/loss is shown in the Profit and Loss Account for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables
Commercial payables, the due date of which falls within the normal commercial terms, are not discounted and are entered at cost (identified as their nominal value).

Financial liabilities
Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method.

G) INVENTORY

Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labour and the indirect costs of production (variable and fixed). Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.

Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY.

Severance indemnity may be classified as a "post-employment benefit" of the "defined benefit plan" type, the amount of which already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently analyzed, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate, the current service cost which defines the amount of rights matured during the financial year by employees is entered under the "labour costs" heading of the Profit and Loss Account and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial Revenue (Charges)".
The actuarial profits and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, are entered pro-quota in the Profit and Loss Account for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeds the value of the liability by 10% (so-called corridor method).

REMUNERATION PLANS IN THE FORM OF PARTICIPATION IN THE CAPITAL (STOCK OPTION PLANS)

The costs of staff labour remunerated by means of a *stock option plan* are determined on the basis of the fair value of the options granted to the employees at the date of assignment.
The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Profit and Loss Account during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In conformity with the IFRS 1, the said standard has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Group has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Group will have to use its resources to honour such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Profit and Loss Account for the financial year in which the variation takes place.

L) RECOGNITION OF REVENUE

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped.
Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate.

M) ENTRIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency, with the exception of real estate, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses are entered into the Profit and Loss Account.

N) GRANTS IN CAPITAL ACCOUNT AND IN OPERATING ACCOUNT

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Profit and Loss Account at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Profit and Loss Account in relation to the period of depreciation of the assets they refer to. Grants in operating account are shown entirely in the Profit and Loss Account at the moment in which the conditions for entering them are satisfied.

O) FINANCIAL LEASING

Financial leasing operations are entered into accounts using the financial methodology which stipulates that the fixed asset acquired and its relative financing be entered into accounts. The relative amounts of depreciation and financial charges are entered in the Profit and Loss Account.

P) TAXES

Income taxes include the current and deferred taxes calculated on the taxable income of the companies of the Group. Current taxes represent an estimate of the amount of the income taxes calculated on the taxable income for the period. Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference. Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating assets for deferred tax assets is re-examined at the closing of each financial year.

Q) EARNINGS PER SHARE

The basic earnings per ordinary share are calculated by dividing the portion of the Group’s net profit attributable to ordinary shares by the weighted average of the ordinary shares in circulation during the financial year, excluding treasury stock. For the purposes of calculating the diluted earnings per share, the weighted average of the shares in circulation is modified by assuming the subscription of all the potential shares deriving from the conversion of stock options having a diluting effect.

STOCK OPTION PLANS

El.En. spa

The chart below shows information related to the stock options voted during the year 2008 by the Parent Company El.En. S.p.A. Stock option plans were implemented within the company with the aim of providing the Group with an instrument for encouraging employee incentive and loyalty.

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01.01.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	31.12.09	31.12.09	
Plan 2008/2013	May, 15 2013	160.000	0	0	0	0	160.000	0	€ 24,75

For the stock option plan, the fair value was determined following the "Black & Scholes" pricing model using the following hypotheses:

Market interest rate for risk free investments: 4,8%
Historical volatility: 26,11%
Time interval used for calculating volatility: 3 years prior to the date of issue

The overall fair value of the stock options is 786 thousand Euros.

During the financial year 2009, the average price registered for the El.En. stock was approx. 11,68 Euros.

With regard to the characteristics of the individual stock option plans as well as the increases of capital decided on to implement it, please refer to the description contained in note (10) of this report.

Cynosure Inc.

The chart below shows a summary of the main elements of the Cynosure stock option plan in existence during 2009.

Outstanding options	Options granted	Options cancelled, expired, not exercised	Options exercised	Outstanding options	Exercisable options
01.01.09	01.01.09 - 31.12.09	01.01.09 -31.12.09	01.01.09 -31.12.09	31.12.09	31.12.09
1.352.747	506.225	117.574	15.671	1.725.727	1.139.742

The chart below shows the average pick-up price and the average lifespan of the options in circulation on December 31st 2009.

Average exercise price	Outstanding options	Exercisable options	Average life
	31.12.09	31.12.09	
$16,58	1.725.727		7,54
$18,13		1.139.742	6,89

Comments on the Main Assets

Non-current assets

Intangible fixed assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	Balance 31/12/08	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Translation Adjustments	Balance 31/12/09
Goodwill	5.023.976	922.155				-65.545	5.880.586
Patents and rights to use patents of others	103.410			-1	-35.243	-2.390	65.776
Concessions, licenses, trade marks and similar rights	1.215.393	108.461		34.999	-391.533	-16.843	950.477
Other	64.687	40.014		-1	-26.239	87	78.548
Total	**6.407.466**	**1.070.630**		**34.997**	**-453.015**	**-84.691**	**6.975.387**

Goodwill

Goodwill, which constitutes the most significant component of the intangible fixed assets, represents the excess of the purchase cost with respect to the fair value of the assets acquired net of the current and potential liabilities assumed. Goodwill is not subject to amortization and is subject to an impairment test at least once a year.

At the end of each impairment test of the possible reduction in value, the single entries of goodwill have been placed in the respective "*cash generating unit*" (CGU) which has been identified. The identification of the CGU coincides with each juridical subject and corresponds to what the directors envision as their own activity.

The following chart shows the accounting value of goodwill for each "*Cash generating unit":*

CASH GENERATING UNIT (CGU)	Goodwill 31/12/2009	Goodwill 31/12/2008
Cynosure Inc.	1.863.024	1.930.911
Cynosure Korea	897.497	0
Quanta System SpA	2.079.260	2.079.260
ASA Srl	439.082	439.082
Cutlite Penta Srl	407.982	407.982
Asclepion Laser Technologies GmbH	72.758	72.758
Arex Srl	55.000	55.000
Ot-Las Srl	7.483	7.483
Deka MELA Srl	31.500	31.500
Deka Laser Technologies	27.000	0
Total	5.880.586	5.023.976

As of December 31st 2009 the recoverable value of the CGUs shown on the chart was subjected to an impairment test in order to verify the existence of any losses in value by comparing the accounting value of the unit and the recoverable amount, i.e., the current value of the expected future financial flows which one supposes will be derived from the continued use and from the eventual disuse at the end of the useful life of the unit. Results of these tests are shown below.

Cynosure Inc.: the recoverable amount was determined with the Discounted Cash Flow Method (DCF) by using the cash flow contained in the economic-financial plan set up by the Cynosure management for the years 2010 to 2012. In

order to determine the recoverable amount of the CGU we considered actualized financial flows for the 3 years for which there was an explicit forecast added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The actualization rate applied to the expected cash flows (WACC) was 8,03%; for the cash flows related to the years following the period which had explicit forecasts, we hypothesize a long term growth rate "g" of'1,5%.
We also conducted an analysis of the sensitivity of the results: the recoverable amount remain significantly higher than the accounting value even assuming as a hypothesis a growth rate "g" of 0,5% and a WACC of 10%. For a hypothetical growth rate (g) of zero, the WACC which would make the recoverable value of the CGU equal to its accounting value would be 11,5%.
The hypotheses of sensitivity which could show a recoverable amount which is lower than the accounting value are therefore not believed to be acceptable if we consider the expectations of growth which the company has inserted with all due caution in their plans.

The consolidated value of the equity in Cynosure as of December 31st 2009 is, in any case, lower than the present value on the stock market.

Quanta System SpA: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta System SpA, which covered a time span from 2010-2012. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The actualization rate applied to the expected cash flows (WACC) is 8,75%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the accounting value assuming the following hypothesis:
1) growth rate (g) of 0,5% and a constant WACC
2) growth rate (g) constant and a WACC of 9,75%

Cutlite Penta Srl: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Administrator of Cutlite Penta Srl, which covered a time span from 2010-2012. In order to determine the recoverable amount of the CGU we considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The actualization rate applied to the expected cash flows (WACC) is 8,75%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the accounting values assuming the following hypothesis:
1) growth rate (g) of 0,5% and a constant WACC
2) growth rate (g) constant and a WACC of 9,75%

ASA Srl: this company with headquarters in Vicenza, is a subsidiary of Deka MELA Srl. It is active in the sector of physical therapy and notwithstanding the difficult economic situation, during the last few years has shown a growth in sales volume and constant profits. These results have made it possible to distribute significant dividends.
Also for Asa, the recoverable amount of the CGU was determined by actualizing the cash flows contained in the economic-financial plan for the years 2010-2012. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The actualization rate applied to the expected cash flows (WACC) is 8,75%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate "g" of 1,5%.

An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the accounting values even assuming as hypothesis a growth rate "g" of zero and a WACC of 11%.

Cynosure Korea: the amount entered into accounts is related to the acquisition made in 2009 by the Cynosure Group of the distributor of the Group's products on the Korean market. This operation generated a goodwill entered into accounts on December 31st 2009 for an amount of about 897 thousand Euros.

The recoverable amount of the CGU was determined by actualizing the cash flows contained in the economic-financial plan set up by the management of Cynosure, head of Cynosure Korea, which referred to a time span from 2010 to 2014. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 5 years of explicit forecasts added to the terminal value. By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill. Moreover, the sensitivity analysis conducted by the American management did not show any reduction in the goodwill value.

The verification of the procedures used for the impairment tests to determine if they were in conformity with the regulations prescribed in the international accounting standards was approved independently by the same Board of Directors.

Other immaterial assets

The “industrial patent rights and rights to use the patents of others” are related to the capitalization of the costs sustained by Cynosure Inc., Deka Laser Technologies, Asa Srl and Arex Srl for patents and license agreements.

Under the heading “concessions, licenses, trade marks and similar rights” we have entered among other things, the overall costs sustained by the subsidiary Cynosure for new management software.

The residual heading “Others” includes the costs sustained, in particular by the subsidiary Quanta System, for the creation of a new web site.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets is shown on the chart below:

Cost	Balance 31/12/08	Increments	Revaluations and devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 31/12/09
Lands	2.413.943					-5.474	2.408.469
Buildings	10.683.216	10.518		72.199		-15.258	10.750.675
Plants and machinery	3.313.486	144.255		282.068	-3.314	8.631	3.745.126
Industrial and commercial equipment	17.879.908	6.538.701		140.740	-865.287	-398.284	23.295.778
Other goods	9.577.637	1.171.068	-51.979	-82.119	-355.725	-135.762	10.123.120
Tangible assets under construction	2.282.233	2.707.494		-635.064		-794	4.353.869
Total	**46.150.423**	**10.572.036**	**-51.979**	**-222.176**	**-1.224.326**	**-546.941**	**54.677.037**

Depreciation provisions	Balance 31/12/08	Depreciation	Devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 31/12/09
Lands							
Buildings	910.543	326.962				-1.930	1.235.575
Plants and machinery	1.126.509	363.950		-2	-2.966	-955	1.486.536
Industrial and commercial equipment	11.337.354	3.609.139		613.757	-446.583	-340.192	14.773.475
Other goods	6.517.661	1.298.049		-75.754	-288.892	-114.192	7.336.872
Tangible assets under construction							
Total	**19.892.067**	**5.598.100**		**538.001**	**-738.441**	**-457.269**	**24.832.458**

Net value	Balance 31/12/08	Increments	Revaluations and other operations	(Depreciations and devaluations)	(Disposals)	Translation Adjustments	Balance 31/12/09
Lands	2.413.943					-5.474	2.408.469
Buildings	9.772.673	10.518	72.199	-326.962		-13.328	9.515.100
Plants and machinery	2.186.977	144.255	282.070	-363.950	-348	9.586	2.258.590
Industrial and commercial equipment	6.542.554	6.538.701	-473.017	-3.609.139	-418.704	-58.092	8.522.303
Other goods	3.059.976	1.171.068	-6.365	-1.350.028	-66.833	-21.570	2.786.248
Tangible assets under construction	2.282.233	2.707.494	-635.064			-794	4.353.869
Total	**26.258.356**	**10.572.036**	**-760.177**	**-5.650.079**	**-485.885**	**-89.672**	**29.844.579**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands on December 31st 2009 was 2.408 thousand Euros.
The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (FI), where the company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta and Esthelogue (ex Valfivre Italia srl), the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008, the building in the city of Torre Annunziata purchased in 2006 for the research, development and production activities of the subsidiary Lasit SpA, the building located in Branford, Connecticut, which the subsidiary BRCT possesses where Lasercut Technologies Inc. operates and the new building which since May of 2008 houses the activities of the subsidiary Asclepion GmbH.
In particular, the column titled “Other goods” includes the expenses sustained by El.En. for the completion of the enlargement of a part of the factory in Calenzano which was originally reclassified with the “tangible assets in progress and advance payments”.

The increments in the category of “Plants and machinery” are related in particular to the investments made by the Parent Company El.En. SpA and by Asclepion GmbH. Also for this heading, the amount registered in the column “Other goods” is related to the activities for the enlargement of the factory in Calenzano as described in the paragraph related to “Buildings”.

The equipment which the subsidiary Cynosure assigns to most of their sales agents working in the US for sales demonstrations continues to represent a major investment. Further increases in the category of “Equipment” are related to investments by the subsidiaries Wuhan Penta Chutian Ltd, Asclepion GmbH, Quanta System Spa and Deka Mela Srl; for this latter, also as a result of the different treatment of the sales which are financed by the clientele by means of operative leasing, considered in conformity with the IAS/IFRS standards as revenue from multi-year rents, there is the consequent capitalization of the costs of the machinery.

The amount entered under the heading “Revaluations and Devaluations” in the entry “Other goods” includes the devaluation made on some of the goods belonging to Deka Laser Technologies.

It should also be recalled that in the “Other Operations” column of the “Plants and Machinery” we have included, among other things, the grant received by the subsidiary Lasit SpA as part of an industrialization project, as also occurred lat year. This grant has been subtracted from the value capitalized for the relative goods.

Under the heading of” Intangible assets in progress and payments on account” we have entered, among other things, the costs sustained by the parent company El.En. related to the work in progress for the enlargement of another section of their factory. The column “Other operations” represents the reallocation of part of these costs to their specific categories as described above.

The tangible assets held in leasing amount to 0,5 million Euros and are mostly entered among the industrial and commercial equipment and other goods.

Equity investments (note 3)

The chart below provides information on the equity investments:

	31-dic-09	31-dic-08	Variation	Var. %
Equity investments in:				
associated companies	1.116.205	1.557.875	-441.670	-28,35%
other companies	173.291	133.817	39.474	29,50%
Total	1.289.496	1.691.692	-402.196	-23,77%

On December 31st 2009 the recoverable value if the associated company GLI was subjected to an impairment test for the purpose of determining the existence of losses in value. The recoverable amount was determined using the Discounted Cash Flow (DCF) method actualizing the cash flows contained in the economic-financial plan for 2010-2012. In order to determine the recoverable amount of the cash generating unit (CGU) we considered the actualized financial flows for the 3 years of explicit forecast added to a terminal unit, assumed at the current value if the perpetual revenue of the flow generated in the last year which was the subject if an explicit forecast.

The actualization rate applied to the prospective cash flows (WACC) is 8,75%; for the cash flows related to the financial years following the period of explicit forecast; along-term growth rate “g” of 1,5% is hypothesized.
The recoverable amount determined on the basis of these parameters showed indicators of loss of value which made it necessary to devaluate the equity for an amount of 374 thousand Euros.

Equities in associated companies

For a detailed analysis of the equities held by Group companies in associated companies, refer to the paragraph relative to the area of consolidation.
It should be recalled that the associated companies GLI SA, Immobiliare Del.Co. Srl, Smartbleach International SA (SBI SA), Elesta Srl (ex IALT), JV Laser International LTD, Electro Optical Innovation Srl are consolidated using the shareholders’ equity method.

The amounts of the equities in associated companies registered in the statement are, respectively:

Immobiliare Del.Co. Srl:	245 thousand Euros
Actis Srl:	1 thousand Euros
SBI S.A.:	94 thousand Euros
Laser International Ltd:	94 thousand Euros
Elesta Srl:	-115 thousand Euros
Grupo Laser Idoseme SL:	834 thousand Euros
Electro Optical Innovation Srl:	-36 thousand Euros

It should be recalled that on December 31st 2008 the GLI company was not part of the associated companies and was therefore consolidated with the integral method. Since control had been held in the company for 11 months during 2008, the profit and loss account has been wholly consolidated for that period, while the financial value of the company has been considered synthetically according to the shareholders’ equity method

The chart below shows a summary of the data related to the associated companies:

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	316.218	231.868	7.748	272.115	264.367
Elesta Srl (ex IALT Scrl)	1.173.897	1.404.619	-278.357	976.530	1.254.887
Immobiliare Del.Co. Srl	203.409	181.796	63.834	106.989	43.155
S.B.I. SA	400.784	212.134	-167.015	96.401	263.416
JV Laser International Ltd	492.256	227.664	39.453	352.774	313.321
Electro Optical Innovation Srl	158.736	266.878	-47.425	63.692	111.117
Grupo Laser Idoseme SL	12.318.393	10.512.512	-512.011	9.928.032	10.440.043

(*) As of December31st,, 2008

Other equities

The increases shown in the equities held in other companies are due mainly to the following events:
-on February 17th 2009 the subsidiary Quanta System SpA acquired a quota of 19% of the capital stock of T.D.F. Ticino Forniture Dentali Srl. This company is involved in the sale of various kinds of products to dental offices. They have a vast sales network which includes the sale of laser equipment for dental applications.
- on April 23rd 2009 the Parent Company El.En. SpA underwrote 19% of the capital stock of Alfa Laser Srl, a company which operates in the sector of industrial lasers.

Financial receivables/Deferred tax assets/Other non-current receivables and assets (note 4)

Other non current assets	31/12/2009	31/12/2008	Variation	Var. %
Financial receivables vs. associated	29.576	100.000	-70.424	-70,42%
Securities	3.476.392	15.148.529	-11.672.137	-77,05%
Deferred tax assets	4.431.198	9.413.820	-4.982.622	-52,93%
Other non current assets	158.731	158.987	-256	-0,16%
Total	8.095.897	24.821.336	-16.725.439	-67,38%

The financial receivables from associated companies are represented by the financing granted by the parent company El.En. SpA to the associated company Actis for 29 thousand Euros, to be paid at the annual rate of BCE + 1%.

The heading “Securities” is entirely related to an investment made by Cynosure for about 5 million dollars (3,5 million Euros) in mid-term government bonds and as such has been entered as non-current assets.
The reclassification in the current assets made by Cynosure in 2009 on mid to long term stocks held at the end of 2008 should be recalled. The amount entered into accounts at the end of last year for 21 million dollars (about 15 million Euros) was related, for an amount of 16,8 million dollars to the Auction Rate Securities (ARS), and for the amount of 4,2 million dollars for exercising the right to sell back the securities to the institute managing them, the UBS financial services, which guaranteed reimbursement during the period from June 30th 2010 to July 2nd 2012 at an amount equal to the nominal value of the securities involved, thus in effect canceling the loss in value which had emerged from the impairment test conducted by Cynosure. During this year, moreover, the company sold stock on the stock market for an amount of 2,6 million dollars without showing any losses in capital.
On December 31st 2009 the overall value of the stock and the relative right to sell it amounted to 18,4 million dollars (about 12,7 million Euros), 16,4 million dollars of which was related to stock and 2 million of which was related to the selling rights.
Since the management intends to exercise their right to sell to UBS on June 30th 2010, the company believed it opportune to reclassify the stock among the current assets.

For an analysis of the heading “Deferred tax assets”, refer to the note which follows concerning the analysis of deferred and anticipated taxes.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	31-dic-09	31-dic-08	Variation	Var. %
Raw materials and consumables	18.728.572	22.373.204	-3.644.632	-16,29%
Work in progress and semi finished products	9.468.181	10.210.588	-742.407	-7,27%
Finished products and goods for sale	22.334.097	24.839.156	-2.505.059	-10,09%
Total	50.530.850	57.422.948	-6.892.098	-12,00%

The comparison between the final inventories for the two years shows a decrease which is the result also of the reduction in production volume.

The chart below shows the breakdown of the total inventory, distinguishing between the amount of obsolete stock from the gross amount:

Inventory:	31/12/2009	31/12/2008	Variation	Var. %
Gross amount	58.666.273	63.369.628	-4.703.355	-7,42%
minus: devaluation provision	-8.135.423	-5.946.680	-2.188.743	36,81%
Total	50.530.850	57.422.948	-6.892.098	-12,00%

The incidence of the obsolescence provision on the gross value of the inventory rose fro 9,39% on December 31st 2008 to 13,87% on December 31st 2009.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	31-dic-09	31-dic-08	Variation	Var. %
Trade debtors	34.525.154	46.052.282	-11.527.128	-25,03%
Associated debtors	2.047.539	1.258.028	789.511	62,76%
Total	36.572.693	47.310.310	-10.737.617	-22,70%

Trade debtors:	31/12/2009	31/12/2008	Variation	Var. %
Italy	13.229.405	14.362.257	-1.132.852	-7,89%
European Community	9.672.690	13.748.111	-4.075.421	-29,64%
Outside of European Community	16.322.472	22.729.390	-6.406.918	-28,19%
minus: devaluation provision for debtors	-4.699.413	-4.787.476	88.063	-1,84%
Total	34.525.154	46.052.282	-11.527.128	-25,03%

The reduction in the volume of business of the Group determined the reduction in the receivables shown in the above chart.

The chart below shows the operations which took place this year in provision for devaluation of receivables:

Provision for bad debts	2009	2008
At the beginning of the period	**4.787.476**	**2.168.011**
Amounts accrued	2.732.632	2.726.688
Amounts utilized	-2.676.039	-241.132
Unused amounts reversed	-6.816	-16.351
Other operations		1.570
Translation adjustment	-137.840	148.690
At the end of the period	**4.699.413**	**4.787.476**

Breakdown of trade receivables from third parties are shown below:

Account receivables vs. third parties:	31/12/2009	31/12/2008
To expire	12.435.318	14.994.649
Expired:		
30 days	8.517.678	13.229.241
60 days	4.181.133	4.878.874
90 days	1.876.566	2.177.578
180 days	1.952.982	4.026.392
over 180 days	5.561.477	6.745.548
Total	34.525.154	46.052.282

The chart below shows the trade receivables from third parties listed by type of currency:

Account receivables in:	31/12/2009	31/12/2008
Euro	23.904.698	28.031.750
USD	4.708.117	13.189.101
Other currencies	5.912.339	4.831.431
Total	34.525.154	46.052.282

The value in Euro shown in the chart for the receivables originally expressed in US dollars or other currency represents the amount in currency converted at the exchange rate in force on December 31st 2008 and December 31st 2009.

For a detailed analysis of the trade and financial receivables from associated companies, please refer to the paragraph in the chapter titled “Related parties”.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables:

	31/12/2009	31/12/2008	Variation	Variation %
Tax debtors				
VAT credits	3.442.746	3.614.172	-171.426	-4,74%
Income tax credits	4.596.910	1.994.935	2.601.975	130,43%
Total tax debtors	8.039.656	5.609.107	2.430.549	43,33%

Financial receivables				
Financial receivables to third parts	55.257	92.143	-36.886	-40,03%
Financial receivables to associated companies	83.241	338.667	-255.426	-75,42%
Total	138.498	430.810	-292.312	-67,85%
Other receivables				
Security deposits	535.452	1.188.337	-652.885	-54,94%
Down payments	1.214.315	922.755	291.560	31,60%
Other credits	3.091.308	2.970.136	121.172	4,08%
Total	4.841.075	5.081.228	-240.153	-4,73%
Total financial and other receivables	4.979.573	5.512.038	-532.465	-9,66%

The financial year closed with a VAT credit of over 3,4 million Euros which was mostly a result of the intense export activity of the Group. Among the income tax credits we have entered the amount of 2,8 million Euros for the credit that the subsidiary Cynosure matured after the year's losses and which will be reimbursed by the IRS. We have also entered credits which are derived from the difference between the pre-existing tax credit/ down payments made and the tax debt which had matured by the date of this financial statement.

For a detailed analysis of the financial receivables from associated companies, please refer to the following chapter regarding "Related parties".

Financial instruments (note 8)

Investments which are not permanent:	31/12/2009	31/12/2008	Variation	Var. %
Other investments	29.803.183	18.044.112	11.759.071	65,17%
Total	29.803.183	18.044.112	11.759.071	65,17%

The amount entered under the heading of "Other investments" consists of temporary uses of cash as follows:
a) by Deka Laser Technologies Sarl for an amount of about 540 thousand Euros;
b) by Cynosure using part of the cash held after the IPO of 2005.
In particular:
- stocks belonging to the category "financial assets available for sale" made up mainly of investments in bonds and similar securities, for a value of about 16,5 million Euros (about 23,7 million dollars);
- Auction Rate Securities (ARS) entered into accounts for 12,7 million Euros (18,4 million dollars) which last year were entered among the "non-current assets", as already described in Note (4).

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2009	31/12/2008	Variation	Var. %
Bank and postal current accounts	49.529.087	59.068.950	-9.539.863	-16,15%
Cash in hand	43.775	44.563	-788	-1,77%
Total	49.572.862	59.113.513	-9.540.651	-16,14%

For an analysis of the variations in cash at bank and on hand, please refer to the financial statement (cash flow) chart.

Net financial position as of December 31st 2009

The net financial position of the Group as of December 31st 2009 expressed in thousands of Euros, was as follows:

Net financial position		
	31/12/2009	**31/12/2008**
Cash and bank	49.573	59.114
Financial instruments	29.803	18.044
Cash and cash equivalents	**79.376**	**77.158**
Short term financial receivables	**55**	**92**
Bank short term loan	(4.450)	(4.461)
Part of financial long term liabilities due within 12 months	(1.163)	(1.087)
Financial short term liabilities	**(5.613)**	**(5.548)**
Net current financial position	**73.818**	**71.702**
Bank long term loan	(2.044)	(1.920)
Other long term financial liabilities	(2.883)	(1.815)
Financial long term liabilities	**(4.927)**	**(3.735)**
Net financial position	**68.891**	**67.968**

The net financial position of the Group remains substantial and is registered for an amount of 69 million Euros.

Most of this cash is held by the Parent Company and by the subsidiary Cynosure Inc., this latter was obtained initially from the IPO of 2005 and later increased with the cash flows which were later generated.
With respect to December 31st 2008, the net financial position benefits from the reclassification made by Cynosure which entered among the "financial assets available for sale" a total of about 18 million dollars (21 million dollars on December 31st 2008) in Auction Rate Securities, which are stocks which at the end of last year were entered among the tangible assets. Net of this reclassification the net financial position would have been 12,7 million Euros less. The effects of the evaluation at fair value of the "assets available for sale" are shown in the Consolidated comprehensive income statement.

Among the uses of cash during this period, attention is called to the investment activity which has involved in particular the Parent Company El.En. SpA and Cynosure Inc. for an amount of about 9,6 million Euros, the payment of dividends to third parties for about 1,6 million Euros, and the payment of direct taxes which, for the Italian Companies alone, was about 4 million Euros. Moreover, during the second half of the year, Cynosure invested about 5 million dollars (3,4 million Euros) in mid-term government bonds which have been entered among the non-current assets.

The financial receivables from associated companies and other minor equities for an amount of 83 thousand Euros are excluded from the net financial position since they are connected to the Group's policies of financial support of the companies (for details please refer to the following chapter regarding "Related parties").
In continuation of past policy, we felt it opportune not to include this type of financing in the net financial position displayed above.

Comments on the main liabilities

Capital and Reserves

The main components of the stockholders' equity are shown below:

Capital stock (note 10)

As of December 31st 2009, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorized	Euros	2.591.871
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	***0,52***

Categories	**31/12/2008**	**Increase.**	**(Decrease.)**	**31/12/2009**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases in capital for use in the stock option plan
The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were working in a subordinate position. The stock option plan is divided into two equal portions which can be implemented in conformity with the following terms:
a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:

- if the shareholders' meeting, during the approval of the report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting votes in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the proposed annual report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.

b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the proposed annual report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of proposed annual report for 2013, and otherwise, on May 15th 2013.

Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Additional paid in capital (note 11)

On December 31st 2009 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2008.

Other reserves (note 12)

Other reserves	31/12/2009	31/12/2008	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	33.302.687	27.689.294	5.613.393	20,27%
Reserve for translation adjustments	-3.163.640	-2.417.736	-745.904	30,85%
Stock options reserve fund	1.309.386	1.124.452	184.934	16,45%
DIFF3 contribution on capital account	150.659	150.659		0,00%
CESVIT contribution on capital account	3.099	3.099		0,00%
CCIAA contribution on capital account	3.892	3.892		0,00%
EU contribution on capital account	269.007	269.007		0,00%
Other reserves	13.392	13.392		0,00%
Total	32.425.784	27.373.361	5.052.423	18,46%

As of December 31st 2009 the "extraordinary reserve" was 33.303 thousand Euros. The change which took place with respect to December 31st 2008 is related to the use of part of the profits from 2008, in accordance with the decision voted by the stockholders' assembly on April 30th 2009.

The reserve "for stock options" includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA.

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. As of December 31st 2009 the value can be attributed essentially to the devaluation of the dollar. The effects for the year 2009 are shown in the column " Comprehensive (loss) income " in the stockholders' equity chart.

In conformity with fiscal regulations, in the past the Parent Company has taken advantage of the possibility of suspending contributions on capital account, either entirely or for 50%, in a reserve of the stockholders' equity. Since

1998 these have been entirely entered into the Profit and Loss Account. The relative reserves can be considered reserves of profits.

Treasury Stock (note 13)

As described in detail in the paragraph related to the area of consolidation, at the date of closing of this document, December 31st 2009, the treasury stock purchased by the company amounted to a total of 103.148 shares at the average price of 24,97 Euros per share for a total amount of 2.575.611 Euros.

Profits/losses brought forward (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the stockholders' equity of the Group. During this financial year the variation is due to the clearance account of the profits from last year, the payment of dividends and the entering into accounts of the Cynosure stock options according to IFRS 2 standards as shown in the "Other operations" column of the Shareholders' Equity chart.

Non-current liabilities

Severance indemnity fund (note 15)

The chart below shows the operations which have taken place during this financial period.

Balance 31/12/2008	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 31/12/2009
2.469.118	933.478	-218.509	-576.739	2.607.348

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For IAS purposes the payment of a severance indemnity represents a “long term benefit subsequent to the termination of employment”; this is an obligation of the “defined benefit ” type which entails entering a liability similar to that entered for defined benefit pension plans.
As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured on January 1st 2007 has been paid into the treasury Fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited by the latter.

It should be recalled that the company uses the so-called “corridor method” in which the net cumulative value of the actuarial surplus and deficit is not registered until it exceeds in absolute terms 10% of the current value of the liabilities. On December 31st 2009 the net accumulated value of the actuarial profits not registered was equal to 137 thousand Euros. The present value of the liabilities as of December 31st 2008 was 2.435 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below.

Financial hypotheses	**Year 2008**	**Year 2009**
Annual technical discount rate	4,75%	4,25%
Annual inflation rate	2,50%	1,50%
Annual growth rate of severance indemnity	3,00%	2,34%
Annual increase rate of salaries (including inflation)	Executives 5% White collar workers 3,50% Blue collar workers 3,50%	Executives 4% White collar workers 2,50% Blue collar workers 2,50%

The amount entered in the column “Payment to complementary pension forms, to INPS fund and other movements” of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds or to the treasury Fund managed by INPS (with particular reference to the Parent Company El.En and the subsidiary Quanta System.), in accordance with the choices made by the employees during the financial year,

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.
The breakdown is as follows:

	Balance 31/12/2008	Accrual	(Utilization)	Other	Translation Adjustments	Balance 31/12/2009
Deferred tax assets on inventory devaluations	1.604.039	151.211	-506.161	2.750	-1.230	1.250.609
Deferred tax assets on warranty reserve	995.626	1.375	-798.518		-5.420	193.063
Deferred tax assets on bad debt reserve	1.173.477	144.674	-748.755		-2.921	566.475
Deferred tax assets on loss brought forward from the previous years	381.305	510.450	-62.604		-10.297	818.854
Deferred tax assets on intercompany profits	1.678.782	2.981	-413.578			1.268.185
Deferred tax assets on severance indemnity provision discount	-37.686	2.292	959			-34.435
Other deferred tax assets	3.618.277	83.291	-3.129.888	-184.447	-18.786	368.447
Total	9.413.820	896.274	-5.658.545	-181.697	-38.654	4.431.198
Deferred tax liabilities on advanced depreciations	81.914	10.473	-6.957			85.430
Other deferred tax liabilities	246.172	95.352	-27.740	19.705	-1.906	331.583
Total	328.086	105.825	-34.697	19.705	-1.906	417.013
Net amount	9.085.734	790.449	-5.623.848	-201.402	-36.748	4.014.185

Deferred tax assets amount to about 4.431 thousand Euros. The decrease in assets for deferred taxes is due mainly to the devaluation of this category operated by the Cynosure Group (about 5 million Euros). Due to the uncertain recoverability of these receivables during the next two years, the management of this subsidiary believed it wiser to not enter the deferred taxes on the losses for the year and to devaluate the pre-existing receivable.

Deferred taxes liabilities are registered for 417 thousand Euros. The variations in the other deferred taxes liabilities refer, among other things, to the evaluation for fiscal purposes of the LIFO inventory and differences in the exchange rate which were not realized.

Other accruals (note 17)

The chart below shows the operations made with other accruals:

	Balance 31/12/2008	Accrual	(Utilization)	Other	Translation Adjustments	Balance 31/12/2009
Reserve for pension costs and similar	351.538	94.897	-2.601	-22.617		421.217
Others:						
Warranty reserve on the products	3.106.954	-475.043	-42.969		-70.862	2.518.080
Reserve for risks and charges	1.887.674	372.492	-92.455	-20.000		2.147.711
Other minor reserves	82.000		-25.966			56.034
Total other reserves	5.076.628	-102.551	-161.390	-20.000	-70.862	4.721.825
Total	5.428.166	-7.654	-163.991	-42.617	-70.862	5.143.042

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on December 31st 2009, amounted to 380 thousand Euros as opposed to 315 thousand Euros on December 31st 2007.

According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2008	Year 2009
Annual technical discount rate	4,25%	4,25%
Annual rate of inflation	2,50%	1,50%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year. The amount shown in the "Reserves/operations" shows the effects of the utilization of the amount that had been accrued during the previous financial periods.

Other debts and potential liabilities

All of the companies belonging to the Group are subject to the risk of disputes and legal actions which may emerge during their normal operations. The subsidiary Cynosure, as part of their own 10-K related to the financial year 2009, has provided information concerning some of the disputes now in progress, in particular, a lawsuit related to the unsolicited use of faxes without the prior permission of the receiving party. Cynosure has firmly refused to meet the requests of the opposing party; in 2009 they filed a suit against their own insurance company because they believe that this kind of risk is covered by the policy stipulated with the insurance company. During the first half of 2009 the first sentence of the Court of Massachusetts established that the insurance company will have to provide assistance and will have to reimburse damages if Cynosure loses the case.

On January 10th 2008, moreover, Cynosure, with the support of El.En. for which it has exclusively patent rights in the United States, initiated a legal suit against Cool Touch Inc, in defense of its rights to the intellectual property on an application of laser-lipolysis made possible by the Smartlipo technique and system. This suit was initiated after Cool Touch started marketing a product which uses the technology that the Group had protected with specific patents with an aim to safeguarding the unique characteristics of the product. Cool Touch, on the other hand, denied the accusation, denied any responsibility in this regard and, in turn, initiated a suit against Cynosure for violation of some of their own patents. In February of 2010 an agreement was reached in which Cool Touch recognized that they had violated the patent and agreed to pay, besides the reimbursement of the legal expenses, royalties on past and future sales of the products on the technology which is protected by the patent. For further details, refer to the description in the paragraph "Events of importance which occurred after the end of the year" in the Management Report.

Amounts owed and financial liabilities (note 18)

Financial m/l term debts	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to banks	2.043.847	1.920.028	123.819	6,45%
Amounts owed for leasing	224.399	559.526	-335.127	-59,89%
Amounts owed to other financiers	2.658.750	1.254.977	1.403.773	111,86%
Total	4.926.996	3.734.531	1.192.465	31,93%

The medium/ long term debts owed to banks as of December 31st 2009 represent the quotas which are not payable within the year of the bank financing which was granted to Asclepion GmbH for the construction of a new building, for which information was given in the notes for the statement closed on December 31st 2008, and the bank financing granted to ASA for a total amount of 200 thousand Euros for temporary cash needs, with an expiration date during 2011.

"Amounts owed and financial liabilities" includes amounts owed to other financers consisting, among other things, in the quotas which are payable after this year for:

a) Facilitated financing MPS for applied research, reference TRL01 granted to the Parent company El.En. S.p.A. for an amount of 681.103 Euros at a fixed annual rate of' 2%, last installment July 1st 2012.

b) Facilitated financing IMI for applied research granted to the subsidiary company Quanta System SpA, for an amount of 929.157 Euros at a fixed annual rate of' 2% ,payable in 16 semi-annual deferred installments starting on July 1st 2003.
c) Facilitated financing for applied research, issued by MIUR, also to Quanta System SpA, granted in several installments, for an amount of 673.500 Euros at the annual interest rate of 0,50%, payable in 14 semi-annual deferred installments, starting on January 1st 2009.
d) Financing issued by the Banca Nazionale del Lavoro to the subsidiary Quanta System SpA, granted for an overall amount of 500 thousand Euros at the rate of 2,56%, for a duration of five years from the date of issuance including a period of pre-amortization of 6 months, to be paid back in deferred quarterly installments including capital and interest starting on January 15th 2010
e) Facilitated financing from Finlombarda/Regione Lombardia for applied research, issued to the subsidiary Quanta System SpA for a total of 900.000 Euros, at the rate of 0,50% on half of the capital and 4,01% annually on the other half, to be paid back in 14 half-yearly installments with the last installment on June 30th 2016.
f) Centrobanca facilitated financing for applied research, granted to the subsidiary Lasit for 231.060 Euros at the annual interest rate of 0,96% last installment August 5th 2014.

Debts guaranteed by real estate property
The property located in Via Baldanzese, 17 at Calenzano was bound by a mortgage, now being cancelled, which was used as a guarantee for the ten-year loan issued by the Cassa di Risparmio di Firenze and extinguished on December 31st 2006.

Current liabilities

Financial debts (note 19)

Below, a breakdown of the financial debts is given:

Financial short term debts	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to banks	4.449.788	4.460.889	-11.101	-0,25%
Amount owed for leasing	300.306	399.170	-98.864	-24,77%
Liabilities (forward exchange contracts)	199.136	467.221	-268.085	-57,38%
Amounts owed to other financiers	663.711	220.309	443.402	201,26%
Total	5.612.941	5.547.589	65.352	1,18%

The entry "Amounts owed to banks" is related to the short-term financing contracted by Asclepion and by ASA, and described in the preceding note, as well as to overdrafts on the checking accounts which were granted by credit institutions to subsidiary companies, in particular, Quanta System SpA and With Us Co..

The liabilities for forward exchange contracts refer to the subsidiary With Us. The evaluation was made at fair value and the effects were registered in the profit and loss account.

The entry "amounts owed to other financiers" includes the short-term financings described in the note above.

Amounts owed for supplies (note 20)

Trade debts:	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to suppliers	25.034.788	30.475.082	-5.440.294	-17,85%
Amounts owed to associated companies	101.538	642.554	-541.016	-84,20%
Total	25.136.326	31.117.636	-5.981.310	-19,22%

The decreased sales volume caused the drop in the volume of purchases and consequently of the amounts owed for supplies.

The chart below shows the trade debts toward third parties for 2009 divided according to the currency.

Account payables in:	31/12/2009	31/12/2008
Euro	17.640.455	21.325.958
USD	4.904.021	6.521.615
Other currencies	2.490.312	2.627.509
Total	25.034.788	30.475.082

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2009.

Income tax debts /Other short term debts (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2009 amounted to 450.143 Euros and are entered net of the down payments and deductions.

The breakdown of the other short term debts is the following:

	31/12/2009	31/12/2008	Variation	Variation %
Social security debts				
Debts owed to INPS	1.222.214	1.193.503	28.711	2,41%
Debts owed to INAIL	182.819	192.688	-9.869	-5,12%
Debts owed to other Social Security Institutions	160.347	134.518	25.829	19,20%
Total	1.565.380	1.520.709	44.671	2,94%
Other debts				
Debts owed to tax administration for VAT	765.198	421.290	343.908	81,63%
Debts owed to tax administration for deductions	945.998	983.446	-37.448	-3,81%
Other tax debts	85.764	9.952	75.812	761,78%
Owed to staff for wages and salaries	3.703.899	5.599.789	-1.895.890	-33,86%
Down payments	3.107.766	1.955.883	1.151.883	58,89%
Other debts	7.872.708	9.098.069	-1.225.361	-13,47%
Total	16.481.333	18.068.429	-1.587.096	-8,78%
Total Social security debts and other debts	18.046.713	19.589.138	-1.542.425	-7,87%

The “Debts owed to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2009.
The entry “Down payments” represents down payments received from clients.
The entry “Other debts” includes, among other things, the anticipated revenue related to the subsidiary Cynosure for customer assistance contracts entered with the revenue in proportion to the duration of the contracts.

Analysis of debts according to due date

	31/12/2009			31/12/2008		
	Within 1 year	From 1 to 5 years	More than 5 years	Within 1 year	From 1 to 5 years	More than 5 years
Amounts owed to banks	4.449.788	284.561	1.759.286	4.460.889	1.920.028	
Amounts owed to leasing company	300.306	224.399		399.170	559.526	
Liabilities (forward exchange contracts)	199.136			467.221		
Amounts owed to other financiers	663.711	2.418.806	239.944	220.309	1.043.005	211.972
Amounts owed to suppliers	25.034.788			30.475.082		
Amounts owed to associated companies	101.538			642.554		
Income taxes debts	450.143			2.979.276		
Amounts owed to social security institutions	1.565.380			1.520.709		
Other liabilities	16.481.333			18.068.429		
Total	49.246.123	2.927.766	1.999.230	59.233.639	3.522.559	211.972

Sectorial information in conformity with IFRS8

Starting with the financial year 2009 the El.En. SpA Group will present sectorial information in conformity with the requirements of IFRS8. The application of this standard has not had any effect on the evaluation of the amounts displayed in the statement.
Within the El.En. Group the sectors which have been identified as relevant for IFRS purposes are the same as those analyzed in conformity with IAS 14.

31/12/09		Total	Medical	Industrial	Other
Revenues		149.839	126.177	22.781	881
Intersectorial revenues		(728)	0	0	(728)
Net Revenues		149.111	126.177	22.781	154
Other revenues and income		1.829	925	103	801
Gross Margin		79.287	69.255	9.273	759
	Inc.%	*53%*	*54%*	*41%*	*80%*
Margin		(1.217)	(196)	(1.781)	759
	Inc.%	*-1%*	*-0%*	*-8%*	*80%*
Not assigned charges		11.381			
EBIT		(12.598)			
Net financial income (charges)		947			
Share of profit of associated companies		(278)	(313)	16	19
Other Income (expense) net		(402)			
Income before taxes		(12.331)			
Income taxes		4.060			
Income for the financial period		(16.391)			
Minority interest		(11.133)			
Net income		(5.258)			

31/12/08		Total	Medical	Industrial	Other
Revenues		222.493	188.552	32.719	1.222
Intersectorial revenues		(822)	0	0	(822)
Net Revenues		221.670	188.552	32.719	400
Other revenues and income		1.818	786	94	938
Gross Margin		126.330	110.639	14.489	1.202
	Inc.%	*57%*	*58%*	*44%*	*90%*
Margin		33.002	28.848	3.124	1.029
	Inc.%	*15%*	*15%*	*10%*	*77%*
Not assigned charges		12.450			
EBIT		20.551			
Net financial income (charges)		1.629			
Share of profit of associated companies		(130)	(84)	24	(70)
Other Income (expense) net		36			
Income before taxes		22.087			
Income taxes		7.868			
Income for the financial period		14.218			
Minority interest		5.890			
Net income		8.329			

31/12/2009	Total	Medical	Industrial	Other
Assets assigned	203.055	169.077	33.977	
Equity investments	1.045	834	211	
Assets not assigned	21.605			
Total assets	225.704	169.911	34.188	0
Liabilities assigned	42.816	34.452	8.364	
Liabilities not assigned	19.525			
Total liabilities	62.341	34.452	8.364	0

31/12/2008	Total	Medical	Industrial	Other
Assets assigned	224.138	192.454	31.684	
Equity investments	1.466	1.274	192	
Assets not assigned	26.587			
Total assets	252.191	193.728	31.876	0
Liabilities assigned	46.941	39.660	7.281	
Liabilities not assigned	24.253			
Total liabilities	71.194	39.660	7.281	0

31/12/2009	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	4.662	3.302	1.360	0
- not assigned	(508)			
Total	4.154	3.302	1.360	0

31/12/2008	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	5.584	4.156	1.428	0
- not assigned	734			
Total	6.319	4.156	1.428	0

Secondary information

31/12/09	Total	Italy	Europe	Row
Revenues	149.111	24.437	42.859	81.815

31/12/08	Total	Italy	Europe	Row
Revenues	221.670	31.496	68.015	122.159

31/12/2009	Total	Italy	Europe	Row
Assets assigned	224.415	90.059	16.389	117.966
Equity investments	1.289	1.289		
Assets not assigned	0			
Total assets	225.704	91.349	16.389	117.966
Liabilities assigned	62.341	30.489	9.611	22.240
Liabilities not assigned	0			
Total liabilities	62.341	30.489	9.611	22.240

31/12/2008	Total	Italy	Europe	Row
Assets assigned	250.499	95.636	16.245	138.619
Equity investments	1.692	1.692		
Assets not assigned	0			
Total assets	252.191	97.328	16.245	138.619
Liabilities assigned	71.194	36.177	9.433	25.584
Liabilities not assigned	0			
Total liabilities	71.194	36.177	9.433	25.584

31/12/2009	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	4.154	1.994	(212)	2.372
- not assigned	0			
Total	4.154	1.994	(212)	2.372

31/12/2008	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	6.319	2.787	2.320	1.211
- not assigned	0			
Total	6.319	2.787	2.320	1.211

Comments on the main entries in the Profit and Loss Account

Revenue (note 22)

Starting in the first months of 2009 the international crisis had a profound effect on the activities of the Group. The sudden drop in demand from our main markets and, in particular in the United States, which is our principal selling market, effected the volume of business which fell significantly with a decrease in sales volume of about 33%. For a detailed comment on the single sources of revenue, please refer to the management report.

	31/12/2009	31/12/2008	Variation	Var. %
Sales of industrial laser systems	19.182.372	28.180.254	-8.997.882	-31,93%
Sales of medical laser systems	99.946.235	164.568.427	-64.622.192	-39,27%
Service and sales of spare parts	29.982.109	28.921.681	1.060.428	3,67%
Total	149.110.716	221.670.362	-72.559.646	-32,73%

Other revenue and income (note 23)

The analysis of the other income is as follows:

	31/12/2009	31/12/2008	Variation	Var. %
Recovery for accidents and insurance reimbursements	37.440	22.811	14.629	64,13%
Expense recovery	522.636	813.659	-291.023	-35,77%
Capital gains on disposal of fixed assets	18.645	18.213	432	2,37%
Other income	1.250.516	963.719	286.797	29,76%
Total	1.829.237	1.818.402	10.835	0,60%

The entry “Expense recovery” refers mostly to the recovery of expenses for shipment.
The entry “Other income” consists for the most part of grants for research projects which have been entered into accounts. The most sizeable amounts were entered by the Parent Company, El.En. SpA for the amount of approx. 790 thousand Euros, by the subsidiary Asclepion GmbH for 260 thousand Euros, and by the subsidiary Quanta System SpA for approx. 71 thousand Euros.

Costs for the purchase of goods (note 24)

The analysis is shown on the following table:

	31/12/2009	31/12/2008	Variation	Var. %
Purchase of raw materials and finished products	50.505.893	83.247.151	-32.741.258	-39,33%
Purchase of packaging	459.526	706.880	-247.354	-34,99%
Shipment charges on purchases	547.065	1.061.301	-514.236	-48,45%
Other purchase expenses	238.660	280.650	-41.990	-14,96%
Other purchases	346.353	383.515	-37.162	-9,69%
Total	52.097.497	85.679.497	-33.582.000	-39,19%

The decrease in the number of purchases is a direct consequence of the drop in the business volume and, among other things, reflects the inventory left at the end of the year.

Other direct services/ operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2009	31/12/2008	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	2.612.476	5.777.565	-3.165.089	-54,78%
Technical services	763.401	1.992.277	-1.228.876	-61,68%
Shipment charges on sales	1.426.319	1.687.477	-261.158	-15,48%
Commissions	6.719.694	10.928.389	-4.208.695	-38,51%
Royalties	26.561	79.695	-53.134	-66,67%
Travel expenses	1.916.269	1.810.207	106.062	5,86%
Other direct services	292.027	590.620	-298.593	-50,56%
Total	*13.756.747*	*22.866.230*	*-9.109.483*	*-39,84%*
Operating services and charges				
Maintenance and technical assistance on equipments	1.287.951	1.274.068	13.883	1,09%
Services and commercial consulting	3.759.053	3.651.664	107.389	2,94%
Legal and administrative services	3.186.205	2.769.288	416.917	15,06%
Auditing fees and charges	848.665	732.242	116.423	15,90%
Insurances	1.450.849	1.851.747	-400.898	-21,65%
Travel and overnight expenses	3.263.677	4.539.401	-1.275.724	-28,10%
Promotional and advertising expenses	8.733.075	12.726.934	-3.993.859	-31,38%
Building charges	2.033.358	2.276.175	-242.817	-10,67%
Other taxes	314.247	373.327	-59.080	-15,83%
Expenses for vehicles	1.203.431	990.664	212.767	21,48%
Office supplies	446.031	558.465	-112.434	-20,13%
Hardware and Software assistance	303.331	527.063	-223.732	-42,45%
Bank charges	578.930	616.322	-37.392	-6,07%
Rent	2.755.346	4.369.406	-1.614.060	-36,94%
Other operating services and charges	11.122.528	14.122.128	-2.999.600	-21,24%
Total	*41.286.677*	*51.378.894*	*-10.092.217*	*-19,64%*

The most significant changes in the category of “other operating services” is related to the “expenses for work by third parties” and “commissions” which decreased because of the reduced business volume and the partial transfer of some phases of the production cycle which used to be jobbed out to third parties.

The single most important entries in the category of “other services and operating charges” are represented by the loss on some receivables registered as a consequence of the opening of a preventive agreement procedure of a distributor of the Group for an amount of about 1 million Euros, by the salaries paid to members of the Administrative organs and the auditing commission for approx. 2 million Euros, and costs for technical and scientific consultation, research and studies for approx. 2 million Euros. For the costs and activities of research and development, please refer to the description given in the management report.

Future obligations for use of goods belonging to others

The chart below shows a summary of the obligations that the Group will have for the use of goods belonging to others.

Operating lease commitments:	**31/12/2009**	**31/12/2008**
Within one year	2.085.595	1.853.284
After 1 year but not more than 5 years	3.508.729	4.266.772
More than five years	368.349	221.548
Total	**5.962.673**	**6.341.604**

Personnel costs (note 26)

The chart below shows the costs for staff:

For staff costs	31/12/2009	31/12/2008	Variation	Var. %
Wages and salaries	31.809.863	33.693.823	-1.883.960	-5,59%
Social security costs	6.357.327	6.710.976	-353.649	-5,27%
Accruals for severance indemnity	821.970	700.096	121.874	17,41%
Stock options	3.007.213	5.008.772	-2.001.559	-39,96%
Other costs	30.492	25.917	4.575	17,65%
Total	42.026.865	46.139.584	-4.112.719	-8,91%

The costs for personnel was 42.027 thousand Euros, compared with 46.140 thousand Euros for 2008, showing an decrease of 8,91% and with reduction of the productivity of this cost aggregate which in the incidence on the sales volume rose from 20,8% in 2008 to 28,2% in 2009. The figurative costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. In 2008 these costs were 5.009 thousand Euros, and in 2009 they fell to 3.007 thousand Euros; of these, 2.822 thousand Euros refer just to Cynosure Inc.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2009	31/12/2008	Variation	Var. %
Amortization of intangible assets	453.015	414.607	38.408	9,26%
Depreciation of tangible assets	5.598.100	4.651.311	946.789	20,36%
Devaluations of fixed assets	51.979		51.979	0,00%
Accrual for risk on receivables	2.736.132	2.683.620	52.512	1,96%
Other accruals for risks and charges	-267.834	510.626	-778.460	-152,45%
Total	8.571.392	8.260.164	311.228	3,77%

The category "Depreciations, Amortizations and other accruals" includes some devaluations effected for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general and to some of our commercial partners in particular.
The accrual for risks and charges shows a negative amount on account of the reversal of part of the accruals for product guarantees made in the preceding years, which were not compensated for in this year on account of the drop in sales volume.

Financial income and charges (note 28)

The breakdown of the category is as follows:

	31/12/2009	31/12/2008	Variation	Var.%
Financial incomes:				
Interests from banks	582.221	2.578.548	-1.996.327	-77,42%
Interests from associated company	1.209	4.874	-3.665	-75,19%
Income from negotiations		4.194	-4.194	-100,00%
Foreign exchange gain	1.722.762	1.419.636	303.126	21,35%
Other financial incomes	78.466	200.872	-122.406	-60,94%
Total	2.384.658	4.208.124	-1.823.466	-43,33%
Financial charges:				
Interest on bank debts for account overdraft	-406.892	-1.206.780	799.888	-66,28%
Interest on bank debts for medium and long - term loans	-32.075	-22.701	-9.374	41,29%
Foreign exchange loss	-823.036	-1.157.860	334.824	-28,92%
other financial charges	-175.665	-191.539	15.874	-8,29%
Total	-1.437.668	-2.578.880	1.141.212	-44,25%

The entry “Interest from banks”, although still benefiting from the cash held in particular by Cynosure as a result of the IPO of 2005 is affected among other things, by the reduction in interest rates.
The interest paid on bank overdrafts refers mainly to the overdrafts granted by credit institutes to subsidiary companies.
The entry “other financial charges” includes, for the amount of 112 thousand Euros, the interest due on account of the application of accounting standard IAS 19 to the severance pay.

“Interest on bank debts for account overdrafts” refers mainly to overdrafts allowed by credit institutions to subsidiary companies.
The category of “Other financial charges” includes approx. 112 thousand Euros for the entering of interest charges derived from the application of accounting standard IAS 19 to the severance indemnity.

Other net income and charges (note 29)

	31/12/2009	31/12/2008	Variation	Var. %
Other charges				
Loss on equity investments	-27.963	-222.953	194.990	-87,46%
Devaluation of equity investments	-374.895		-374.895	0,00%
Total	**-402.858**	**-222.953**	**-179.905**	**80,69%**
Other income				
Profit on equity investments	525	258.679	-258.154	-99,80%
Total	**525**	**258.679**	**-258.154**	**-99,80%**

The entry under “loss on equity investments” quantifies the effects of the dilution of the value of the equity in Cynosure Inc. after the increase in capital for use in the stock option plan in favor of third parties.

The entry under “Devaluation of equity investments” refers to the devaluation made on the value of the equity in the associated company Grupo Laser Idoseme SL.

Income taxes (note 30)

Description:	31/12/2009	31/12/2008	Variation	Var. %
IRES and other foreign income taxes	-1.007.457	10.569.793	-11.577.250	-109,53%
IRAP	591.789	1.076.821	-485.032	-45,04%
IRES and other foreign income taxes - Deferred (Advanced)	4.754.306	-3.634.445	8.388.751	-230,81%
IRAP - Deferred (Advanced)	79.093	-54.643	133.736	-244,74%
Receivable for income tax	-283.908	-	-283.908	0,00%
Taxes related to the previous years	-73.724	-89.227	15.503	-17,37%
Total income taxes	4.060.099	7.868.299	-3.808.200	-48,40%

Notwithstanding the losses, for this financial period we registered costs for income taxes for an amount of 4.060 thousand Euros which was due mainly to the devaluation effected for an amount of approx. 7 million dollars (about 5 million Euros) by Cynosure Inc. on the deferred taxes which had previously been entered in consideration of the non-recoverability of some receivables during the next two years. The American company also entered revenue from current taxes on the losses for this year.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES) and similar.

	2009	2008
Profit/loss before taxes	(12.330.641)	22.086.601
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	(3.390.926)	6.073.815
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	1.773.399	685.708
Devaluation of deferred income taxes asset effected by Cynosure	4.857.085	
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical 'aliquot	581.391	425.926
Higher (lower) fiscal incidence due to the effects of consolidation	(48.197)	(250.101)
Actual IRES	3.772.752	6.935.348
Actual IRES aliquot	N/A	31,40%

The overall tax load for this year was negatively influenced by the devaluation made by Cynosure on some receivables for deferred taxes as mentioned above.

Dividends distributed (note 31)

The shareholders' meeting held on May 15th 2008 voted to distribute a dividend of 1,1 Euro for each share in circulation at the maturity date of the coupon. The dividend paid amounted to 5.193.342 Euros.

The shareholders' assembly held on April 30th 2009 voted to distribute a dividend of 0,3 Euros for each share in circulation at the maturity date of the coupon. The dividend paid amounted to 1.416.366 Euros.

Profits per share (note 32)

The chart below illustrates the method used to calculate the weighted average number of shares in circulation.

Shares	**31/12/08**	**31/1/09**	**28/2/09**	**31/3/09**	**30/4/09**	**31/5/09**	**30/6/09**	**31/7/09**	**31/8/09**	**30/9/09**	**31/10/09**	**30/11/09**	**31/12/09**
Shares	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368
Treasury shares (-)	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148
Net shares	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220
Average weighted shares		**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**

Non-recurring significant events and operations (note 33)

During 2008 and 2009 no significant non-recurring operations took place.

Information about related parties (note 34)

In accordance with the IAS 24 the following subjects are considered related parties:
- the subsidiary and associated companies as shown in this document;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.
All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

<u>The Members of the Board of Directors and the Board of Statutory Auditors and other strategic executives</u>

The Members of the Board of Directors and the Board of Statutory Auditors of the Parent company receive the salaries indicated below:

Person		***Appointment description***	***Director compensation***			
Name	*Position*	*Term duration*	*Fees*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
Gabriele Clementi	President of the Board of Directors	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Barbara Bazzocchi	Managing Director	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Andrea Cangioli	Managing Director	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Michele Legnaioli	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Paolo Blasi	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Angelo Ercole Ferrario	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Alberto Pecci	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Stefano Modi	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Vincenzo Pilla	President of the Board of Statutory Auditors	Until the date of the assembly for the approval of the financials for 31.12.2009	26.036			
Giovanni Pacini	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.2009	18.002			
Paolo Caselli	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.2009	18.000			

Director Stefano Modi during 2009, as an employee of the company, received a salary of approx. 104 thousand Euros.
The remuneration of the directors of the parent company, for their functions in other companies included in the area of consolidation, are as follows: Barbara Bazzocchi, as sole director of Cutlite Penta Srl received from that company a salary of 12.000 Euros; Gabriele Clementi as sole director of Esthelogue (formerly Valfivre Italia Srl) and occupying that office until September 10th 2009, received from that company a salary of 8.318 Euros and, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen. Andrea Cangioli, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen. Angelo E. Ferrario as President of the Board of Directors of Quanta System SpA received a salary from that company of 90.000 Euros and as director of Arex Srl he received a salary from that company of 10.000 Euros.
The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors of Deka Mela Srl and Lasit SpA and actual Auditor of Cutlite Penta Srl received from these companies a total salary of 28.058 Euros; Giovanni Pacini, as acting Auditor of Deka Mela Srl and Cutlite Penta Srl received from these companies a total

salary of 16.315 Euros; Paolo Caselli as President of the Board of Statutory Auditors of Cutlite Penta Srl and actual Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of 24.309 Euros; Manfredi Bufalini as actual Auditor of Quanta System SpA received from this company a salary of 7.020 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 6.000 Euros.
The Parent Company does not have a General Director.

Physical persons possessing an equity in El.En. SpA
Besides the members of the Board of Directors, the Board of Statutory Auditors and the President of the Technical-Scientific Committee, partners Carlo Raffini and Pio Burlamacchi also received salaries, as follows:
a) Mr. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks from January 1st 2009 to August 31st 2009, received a salary of 34.222 Euros;
b) Prof. Pio Burlamacchi, who, on the basis of a specific contract, is the owner of an industrial right consisting of a patent pending for the invention of a "Support of an optical cavity for lasers with regulation of the alignment of the ray", received a salary of 6 thousand Euros.

Associated companies
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during 2009 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.

The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial receivables		Commercial receivables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
SBI SA			149.000	
Actis Srl		29.576	3.367	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			572.097	
Electro Optical Innovation Srl	69.676		26.772	
Grupo Laser Idoseme SL			1.296.303	
Total	83.241	29.576	2.047.539	-

	Financial payables		Commercial payables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl			16.146	
Immobiliare Del.Co. Srl			41.892	
Actis Srl			39.600	
SBI SA			5.700	
Electro Optical Innovation srl			-1.800	
Total	-	-	101.538	-

Associated companies:	**Sales**	**Service**	**Total**
Actis Srl	967		967
SBI S.A.	139.800		139.800
Elesta Srl	391.122	1.198	392.320
Electro Optical Innovation Srl	5.500		5.500
Grupo Laser Idoseme SL	1.261.965	136.850	1.398.815
Total	1.799.354	138.048	1.937.402

Associated companies:	Other revenues
Elesta Srl	1.200
Actis Srl	2.400
Electro Optical Innovation Srl	4.000
Grupo Laser Idoseme SL	27.857
Total	35.457

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl		44.000		44.000
SBI S.A.	5.700			5.700
Elesta Srl	19.529	39.473		59.002
Immobiliare Delco Srl		106.709		106.709
JV Laser International Ltd	50.028			50.028
Electro Optical Innovation Srl	32.490			32.490
Grupo Laser Idoseme SL	95.500	56.010		151.510
Total	203.247	246.192	-	449.439

The amounts shown in the tables above refer to operations which are inherent to the characteristic management of the company.

Approx. 1 thousand Euros in interest earned on the financing granted to the associated company Actis Srl, have been entered into accounts.

The table below shows the incidence which transactions with related parties have had on the economic and financial situation of the Group.

Impact of related party transactions	Total	Amount	%
a) Impact of related party transactions on the balance sheet			
Equity investments	1.289.496		0,00%
Accounts receivables	36.572.693	2.047.539	5,60%
Other receivables	4.979.573	83.241	1,67%
Non current financial liabilities	4.926.996		0,00%
Current financial liabilities	5.612.941		0,00%
Accounts payables	25.136.326	101.538	0,40%
Other payables	18.046.713		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	149.110.716	1.937.402	1,30%
Other revenues and income	1.829.237	35.457	1,94%
Purchases of raw materials	52.097.497	203.247	0,39%
Other direct services	13.756.747	56.010	0,41%
Other operating services and charges	41.286.677	190.182	0,46%
Financial charges	-1.437.668		0,00%
Financial income	2.384.658	1.209	0,05%

Risk factors and Procedures for the management of financial risks (note 35)

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residua risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing and financial instruments.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
Again in 2009, approx. 50% of consolidated sales were made in markets outside of the European Union; most of the transactions were conducted in US dollars. It should be pointed out that the presence of stable structures in the United States, in particular Cynosure, make it possible to have a partial coverage of these risks since both the costs and the revenue are in the same kind of currency.
Some of the companies in the Group (in particular With Us and Cutlite do Brasil) have activated operations intended to cover currency risks.

Credit risks
As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation provision which is accrued at the end of the year represents about 12% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the related note of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies. For these financings no devaluation has been necessary.

In relation to guarantees granted to third parties, it should be recalled that the Parent Company El.En. underwrote along with a minority partner, a bank guarantee for a maximum of one million Euros as a guarantee for the loan of the subsidiary Quanta System owed to the Banca Popolare di Milano for facilitated financing for a total amount of 900 thousand Euros, for which the reimbursement installments expire up to 84 months from the date of issuance, which occurred in the second half of 2009. The subsidiary ASA issued a bank guarantee in favor of the renter for 10 thousand Euros which falls due on August 31st 2010 and can be renewed each year unless cancelled. The subsidiary Quanta System issued a bank guarantee in favor of some banks of the associated company Grupo Laser Idoseme for a total of 675 thousand Euros which fell due on February 28th 2010 and was renewed until February 28th 2011, except for a bank guarantee for 125 thousand Euros renewed until May 31st 2010.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Group, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

Financial Instruments (note 36)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value	Book value	Fair value	Fair value
	31/12/2009	**31/12/2008**	**31/12/2009**	**31/12/2008**
Financial assets				
Financial mid and long term receivables	29.576	100.000	29.576	100.000
Financial receivables within 12 months	138.498	430.810	138.498	430.810
Mid and long term Financial instruments	3.476.392	15.148.529	3.476.392	15.148.529
Short term Financial instruments	29.803.183	18.044.112	29.803.183	18.044.112
Cash and cash equivalents	49.572.862	59.113.513	49.572.862	59.113.513
Financial liabilities				
Financial mid and long term debts	4.926.996	3.734.531	4.926.996	3.734.531
Financial liabilities due within 12 months	5.612.941	5.547.589	5.612.941	5.547.589

Fair value hierarchy

The Group uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

As of December 31st 2009 the Group possesses the following securities evaluated at fair market value.

	Level 1	Level 2	Level 3	Total
Money Market funds (1)	19.436.308			19.436.308
State & Municipal bonds (2)		9.758.542		9.758.542
Corp Obligations		11.825.575		11.825.575
Equity securities	4.633			4.633
Auction Rate Securities			11.374.901	11.374.901
ARS Rights			1.434.827	1.434.827
Total	**19.440.942**	**21.584.117**	**12.809.728**	**53.834.787**

(1) Included in cash and cash equivalent

(2) 1,1 million of euro included in cash and cash equivalent

Other information (note 37)

Average number of employees divided by category

	Average 2009	31/12/2009	Average 2008	31/12/2008	Variation	Var. %
Total	875,0	874	835,5	876	-2	-0,23%

For the Board of Directors

The Managing Director –. Andrea Cangioli

Declaration of the consolidated financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as manager in charge of preparing the financial statements of El.En. S.p.A., in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:
- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during 2009.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the consolidated statement dated December 31st 2009:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the area of consolidation.

3.2 The management report contains a reliable analysis of the trends and results of the management as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties which they are exposed.

Calenzano, March 31st 2010

The Managing Director	Manager in charge of preparing the Company's financial statements
Andrea Cangioli	Enrico Romagnoli

EL. EN. S.p.A.

Headquarters in Via Baldanzese 17 – Calenzano (FI)

Report of the Board of Statutory Auditors to the Shareholders' Assembly on the consolidated statement as of December 31st 2009 in conformity with art. 41 of D.Lgs. n.127/1991

To the shareholders of the Parent Company El.En. S.p.A.

In compliance with art. 41 of D.Lgs. n.127/1991, the Board of Statutory Auditors, within the limits of the areas of its competency, has revised the consolidated statement of the Parent Company El.En. S.p.A. as of December 31st 2009 and the management report for the Group.

The consolidated statement has been submitted for revision to Reconta Ernst & Young S.p.A., which expressed an opinion without criticism and declared that it was in conformity with the regulations which govern the criteria for drawing up financial statements, that it was clearly expressed and represented in a true and correct manner the financial and economic situation, the earnings and the cash flow of the El.En. Group.

The financial reports of the companies included in the area of consolidation were examined by the respective controlling bodies and by the Independent auditor when the control procedures were implemented during the certification phase of the consolidated statement.

The Board of Statutory Auditors verified the correspondence of the criteria utilized for determining the area of consolidation and the principles of consolidation in conformity with D.Lgs. 127/91; these principles are described in the report which supplies full and complete information concerning their application.

The Board of Statutory Auditors considers that the internal procedure adopted by the Parent Company in order to comply with the provisions of art. 36 of the Stock Market Regulations, is adequate.

The consolidated financial statement of the Group was drawn up in conformity with the IFRS international accounting principles. After European regulation n. 1606 of July 2002 came into effect, starting on January 1st 2005 the El.En. Group, in fact, adopted the International Accounting Principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

The management report of the administrators which accompanies both the individual and the consolidated financial statements, was examined by us for the purpose of verifying that the contents were in conformity with art. 40 of the above mentioned D.Lgs. n.127/1991 and to ascertain its consistency with the consolidated statement in compliance with art. 41 of the same Legislative Decree. On the basis of the controls which were conducted, the Board of Statutory Auditors believes that the management report for the Group is correct and consistent with the consolidated statement.

The Board of Statutory Auditors, within the limits of its area of competency and, on the basis of the results of the verifications conducted by the Independent auditor, believes that the consolidated statement of the Company is drawn up in conformity with the regulations that govern it.

Florence, April 13th 2010.

Board of Statutory Auditors

Dr. Vincenzo Pilla, president of the Board of Statutory Auditors .

Dr. Paolo Caselli, Statutory auditor

Dr. Giovanni Pacini, Statutory auditor.

Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(now Article 14 of Legislative Decree No. 39 of January 27, 2010)
(Translation from the original Italian text)

To the Shareholders of El.En. S.p.A.

1. We have audited the consolidated financial statements of El.En. S.p.A. and its subsidiaries (the "El.En. Group") as of and for the year ended December 31, 2009, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the El.En. S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   Our audit of the consolidated financial statements for the year ended December 31, 2009 was made in accordance with the regulations in force during that year.

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated April 10, 2009.
3. In our opinion, the consolidated financial statements of the El.En. Group as of December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the El.En. Group for the year then ended.
4. The management of El.En. S.p.A. is responsible for the preparation of the Management Report and the Annual Report on Corporate Governance and the ownership structure, published in the Investor Relations section of the El.En. S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Management Report and of the information reported in compliance with Article 123-bis of Legislative Decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report and the information reported in compliance with Article 123-bis of Legislative Decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report

on Corporate Governance are consistent with the consolidated financial statements of El.En S.p.A. as of December 31, 2009.

Florence, April 13, 2010

Reconta Ernst & Young S.p.A.
signed by: Fulvio Favini, partner

EL.EN. S.p.A. FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS OF DECEMBER 31st 2009

Balance Sheet

	Notes		31/12/2009		31/12/2008
Balance Sheet					
Intangible assets	1		13.954		16.570
Tangible assets	2		14.237.318		12.151.436
Equity investments:	3				
- in subsidiaries		17.850.011		17.789.154	
- in associates		369.765		327.091	
- other investments		109.080		90.853	
Total equity investments			18.328.856		18.207.098
Deferred tax assets	4		1.317.015		1.246.196
Other non current assets	4		550.328		620.680
Total non current assets			**34.447.471**		**32.241.980**
Inventories	5		16.878.696		21.066.532
Accounts receivables:	6				
- from third parties		4.162.531		5.037.803	
- from subsidiaries		17.722.803		20.081.133	
- from associates		643.083		299.976	
Total accounts receivables:			22.528.417		25.418.912
Tax receivables	7		2.169.259		1.628.919
Other receivables:	7				
- from third parties		672.852		669.983	
- from subsidiaries		3.195.118		3.578.293	
- from associates		13.565		268.991	
Total other receivables			3.881.535		4.517.267
Financial instruments	8				
Cash and cash equivalents	9		7.618.474		11.535.737
Total current assets			**53.076.381**		**64.167.367**
TOTAL ASSETS			**87.523.852**		**96.409.347**
Common stock	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		35.589.427		29.791.095
Treasury stock	13		-2.575.611		-2.575.611
Retained earnings / (deficit)	14		-920.544		-920.544
Net income / (loss)			360.422		7.029.759
Parent stockholders' equity			**73.555.983**		**74.426.988**
Severance indemnity	15		967.881		992.600
Deferred tax liabilities	16		267.074		221.377
Other accruals	17		2.143.669		2.313.229
Financial liabilities:	18				
- to third parties		136.100		268.199	
Total financial liabilities			136.100		268.199
Non current liabilities			**3.514.724**		**3.795.405**
Financial liabilities:	19				
- to third parties		88.502		43.162	
Total financial liabilities			88.502		43.162
Accounts payables:	20				
- to third parties		5.919.349		11.074.796	
- to subsidiaries		1.911.730		1.920.924	
- to associates		45.300		552.717	
Total accounts payables			7.876.379		13.548.437
Income Tax payables	21				1.677.529
Other payables:	21				
- to third parties		2.486.420		2.911.846	
- to subsidiaries		1.844		5.980	
Total other payables			2.488.264		2.917.826
Current liabilities			**10.453.145**		**18.186.954**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			**87.523.852**		**96.409.347**

Profit and Loss Account

Profit and loss account	**Note**		**31/12/2009**		**31/12/2008**
Revenues:	22				
- from third parties		11.143.880		18.637.566	
- from subsidiaries		24.609.181		38.152.176	
- from associates		339.400		463.183	
Total revenues			36.092.461		57.252.925
Other revenues and income:	23				
- from third parties		910.443		644.851	
- from subsidiaries		327.361		444.753	
- from associates		3.600		3.700	
Total other revenues and income			1.241.404		1.093.304
Total revenues and income			**37.333.865**		**58.346.229**
Purchase of raw materials:	24				
- to third parties		11.155.750		25.536.371	
- to subsidiaries		2.662.105		2.038.624	
- to associates		5.925		54.660	
Total purchase of raw materials			13.823.780		27.629.655
Change in inventory of finished goods and WIP			1.114.870		(514.432)
Change in inventory of raw material			2.893.908		(2.309.111)
Other direct services:	25				
- to third parties		2.683.192		6.422.648	
- to subsidiaries		56.914		360.756	
- to associates				4.979	
Total other direct services			2.740.106		6.788.383
Other operating services and charges:	25				
- to third parties		4.804.908		6.061.488	
- to subsidiaries		127.099		230.769	
- to associates		83.473		249.782	
Total other operating services and charges			5.015.480		6.542.039
For staff costs	26		8.758.753		8.680.859
Depreciation, amortization and other accruals	27		1.276.657		1.518.978
EBIT			**1.710.311**		**10.009.858**
Financial charges:	28				
- to third parties		(424.640)		(572.410)	
Total financial charges			(424.640)		(572.410)
Financial income	28				
- from third parties		809.108		1.990.042	
- from subsidiaries		77.018		129.488	
- from associates		1.209		4.874	
Total financial income			887.335		2.124.404
Other net expenses	29		(850.113)		(707.206)
Other net income	29		525		

Income before taxes		**1.323.418**	**10.854.646**
Income taxes	30	962.996	3.824.887
Income for the financial period		**360.422**	**7.029.759**

(*) In conformity with Consob vote 15519 of July 27th 2006 all amounts related to significant non-recurring operations are listed in note 32.

Comprehensive income statement

	31/12/2009	31/12/2008
Reported net (loss) income	360.422	7.029.759
Cumulative translation adjustments		
Total comprehensive (loss) income	360.422	7.029.759

Cash flow statement

Financial statement (cash flow)	31/12/2009	related parties	31/12/2008	related parties
Cash flow generated by operating activity:				
Profit (loss) for the financial period - group part	**360.422**		**7.029.759**	
Amortizations and depreciations (27)	845.860		756.636	
Devaluations of equity investments (29)	194.599	194.599	494.155	494.155
Stock Options (26)	184.934		85.627	
Change of employee severance indemnity (15)	-24.719		-78.070	
Change of provisions for risks and charges (17)	-169.560	-98.650	297.842	213.051
Change of provisions for deferred income taxes (4) (16)	-25.122		-432.168	
Stocks (5)	4.187.836		-2.443.344	
Receivables (6)	2.890.500	2.015.223	-5.305.396	-6.579.427
Tax receivables (7)	-540.340		-46.687	
Other receivables (7)	17.131		178.230	
Payables (20)	-5.672.058	-516.611	779.689	1.545.573
Income Tax payables (21)	-1.677.529		1.096.584	
Other payables (21)	-429.562	-4.136	93.461	5.980
	-218.030		-4.523.441	
Cash flow generated by operating activity	142.392		2.506.318	
Cash flow generated by investment activity:				
(Increase) decrease in tangible assets (2)	-2.919.477		-4.655.157	
(Increase) decrease in intangible assets (1)	-9.649		-22.556	
(Increase) decrease in equity investments and non current assets	-246.005	-227.778	-409.640	-390.640
Increase (decrease) in financial receivables (7)	618.601	638.601	-3.068.637	-3.068.637
(Increase) decrease investments which are not permanent (8)				
Cash flow generated by investment activity	-2.556.530		-8.155.990	
Cash flow from financing activity:				
Increase (decrease) in non current financial liabilities (18)	-132.099		-43.164	
Increase (decrease) in current financial liabilities (19)	45.340		-74.931	
Change in Capital and Reserves				
Change in Treasury Stock			-2.575.611	
Dividends distributed (31)	-1.416.366		-5.193.342	
Cash flow from financing activity	-1.503.125		-7.887.048	
Increase (decrease) in cash and cash equivalents	-3.917.263		-13.536.720	
Cash and cash equivalents at the beginning of the financial period	**11.535.737**		**25.072.457**	
Cash and cash equivalents at the end of the financial period	**7.618.474**		**11.535.737**	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned during this financial period amounts to 150 thousand Euros, of which 78 thousand Euros from associated or subsidiary companies.

Current income taxes for this financial year were 1.051 thousand Euros.

Statement of changes in the Stockholders' Equity

STOCKHOLDERS' EQUITY:	**Balance 31/12/2007**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2008**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares				-2.575.611		-2.575.611
Others reserves:						
Extraordinary reserves	12.530.904	15.158.390				27.689.294
Reserve for contribution on capital account	426.657					426.657
Other reserves	1.052.212	0	0	85.630	0	1.137.842
Retained earnings	-1.034.007	5.306.805	-5.193.342			-920.544
Profits (loss) of the year	20.465.195	-20.465.195			7.029.759	7.029.759
Total Stockholders' equity	75.080.552	0	-5.193.342	-2.489.981	7.029.759	74.426.988

STOCKHOLDERS' EQUITY:	**Balance 31/12/2008**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2009**
Common stock	2.508.671	0	0	0	0	2.508.671
Additional paid-in capital	38.593.618	0	0	0	0	38.593.618
Legal reserve	537.302	0	0	0	0	537.302
Own shares	-2.575.611	0	0	0	0	-2.575.611
Others reserves:						
Extraordinary reserves	27.689.294	5.613.393	0	0	0	33.302.687
Reserve for contribution on capital account	426.657	0	0	0	0	426.657
Other reserves	1.137.842	0	0	184.939	0	1.322.781
Retained earnings	-920.544	1.416.366	-1.416.366	0	0	-920.544
Profits (loss) of the year	7.029.759	-7.029.759	0	0	360.422	360.422
Total Stockholders' equity	74.426.988	0	-1.416.366	184.939	360.422	73.555.983

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The El.En. Statement was examined and approved by the Board of Directors on March 31st 2010.

This statement and the relative comments are presented in Euros unless other wise indicated.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The statement for the financial year 2009 which represents the separate statement of El.En. S.p.A. is drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments for which the evaluation has been made on the basis of the principle of *fair value*.

This individual Annual Report consists of:

- the Balance Sheet,
- the Profit and Loss Account,
- the comprehensive income statement
- the Cash Flow Statement
- the Statement of changes in the Stockholders' Equity,
- the Explanatory Notes which follow.

The economic information given refers to the financial years 2008 and 2009. The financial information on the other hand refer to the situations on December 31st 2008 and December 31st 2009.
For information concerning the type of activities in which the company is involved and the significant events which occurred after the closing of the financial year, please refer to the management report.

EXPRESSIONS IN CONFORMITY TO THE IFRS

The statement as of December 31st 2009 has been formulated using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, including all of the international standards which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC) besides the revised standards which came into effect this year.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The models used by the company have been changed with respect to those used on December 31st 2008 in application of accounting standard IAS 1 Revised which, starting on January 1st 2009, required the display of the overall income including the effects of the transactions with persons who were not the owners entered directly into the shareholders' equity. According to the revised version of IAS 1, in fact, all of the variations generated by transactions generated with non-partners must be shown in a single separate chart which shows the trend for the period (Overall Profit and Loss chart) or else in two separate charts (Profit and Loss chart and Overall Profit and Loss chart). These variations must be shown separately also in the chart of the Changes in the Shareholders' Equity.
The company has applied the revised version of the standard retroactively since January 1st 2009, and has chosen to display all the changes generated by transactions with non-partners on two charts showing the trends fro the period, the Profit and Loss chart and the Overall Profit and Loss chart. Consequently, the company has modified the presentation of the chart showing changes in the shareholders' equity.

The accounting standards used for drawing up this statement are in conformity with the accounting standards used for the statement issued on December 31st 2008 except for the new or revised standards of the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee, as described in the consolidated statement of the El.En. Group in the specific chapter titles "Accounting standards and evaluation criteria", to which the reader is referred.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Individual Annual Report requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Profit and Loss Account.

EVALUATION CRITERIA

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.
The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the company to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Profit and Loss Account in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.
Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Profit and Loss Account. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and depreciated according to the residual possibility of use of the said item.
The company uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is depreciated.

The aliquots used for depreciation are shown on the chart below:

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Profit and Loss Account at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Profit and Loss Account wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

According to IAS 27, the equities in subsidiary companies, in entities jointly controlled and in associated companies not classified as for sale (IFRS 5) must be entered into accounts at cost or in conformity with IAS 39. In the individual annual report of El.En. SpA the cost criteria has been used.

Since the necessary conditions exist, a consolidated statement has been drawn up.

F) FINANCIAL INSTRUMENTS

Equities in other companies

The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) are classified at the time of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the Profit and Loss Account" with the current or non-current assets. Changes in the value of equities that are classified as available for sale are entered into a reserve of the stockholders' equity which will be entered into the Profit and Loss Account at the time of sale. Changes in the value of the equities classified as assets evaluated at fair value through the Profit and Loss Account are entered directly into the Profit and Loss Account. These equities are evaluated at cost according to IAS 39.

Commercial receivables

The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets

Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.

Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Profit and Loss Account under the heading

"Financial Revenue (Charges)" or in a special reserve of the Stockholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents
This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock
Treasury stock is entered against stockholders' equity. No profit/loss is shown in the Profit and Loss Account for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables
Commercial payables, the due date of which falls within the normal commercial terms, are not discounted and are entered at cost (identified as their nominal value).

Financial liabilities
Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method.

G) INVENTORY
Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labour and the indirect costs of production (variable and fixed). Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.
Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) EMPLOYEE BENEFITS
SEVERANCE INDEMNITY
Severance indemnity may be classified as a "post-employment benefit" of the "defined benefit plan" type, the amount of which already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently analyzed, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate, the current service cost which defines the amount of rights matured during the financial year by employees is entered under the "labour costs" heading of the Profit and Loss Account and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial Revenue (Charges)".
The actuarial profits and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, are entered pro-quota in the Profit and Loss Account for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeds the value of the liability by 10% (so-called corridor method).

STOCK OPTION PLANS
The costs of staff labour remunerated by means of a stock option plan are determined on the basis of the fair value of the options granted to the employees at the date of assignment.
The calculation method for the determination of fair value bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Profit and Loss Account during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In conformity with the IFRS 1, the said standard has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES
The company has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the company will have to use its resources to honor such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Profit and Loss Account for the financial year in which the variation takes place.

L) REVENUE RECOGNITION

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped.
Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate.
The dividends from equities are entered according to the cash principle.

M) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency, with the exception of the tangible assets, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses are entered into the profit and loss account.

N) GRANTS IN CAPITAL ACCOUNT AND IN OPERATING ACCOUNT

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Profit and Loss Account at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Profit and Loss Account in relation to the period of depreciation of the assets they refer to.
Grants in operating account are shown entirely in the Profit and Loss Account at the moment in which the conditions for entering them are satisfied.

O) TAXES

Current income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period. The fiscal debts for these taxes are entered among the tax debts net of any down payments.
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference. Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words, when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating assets for deferred tax assets is re-examined at the closing of each financial year. No fiscal effect has been felt by El.En in relation to the stock option plans since the shares assigned to the employees derive from an increase in the capital.

STOCK OPTION PLANS

The chart below shows information related to the stock option plan which was implemented in 2008, with the aim of providing the company with an instrument for encouraging employee incentive and loyalty.

	Max. expiration date	Outstanding options	Options issued	Options cancelled	Options exercised	Expired option not exercised	Outstanding options	Exercisable options	Exercise price
		01.01.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	01.01.09 - 31.12.09	31.12.09	31.12.09	
Plan 2008/2013	May, 15 2013	160.000	0	0	0	0	160.000	0	€ 24,75
		160.000	0	0	0	0	160.000	0	0

For the stock option plan, the fair value was determined following the "Black & Scholes" pricing model using the following hypotheses:

- Market interest rate for risk free investments: 4,8%
- Historical volatility: 26,11%
- Time interval used for calculating volatility: 3 years prior to the date of issue

The overall fair value of the stock options is 786 thousand Euros.

During the financial year 2009, the average price registered for the El.En. stock was approx. 11,68 Euros.

With regard to the characteristics of the individual stock option plans adopted by El.En. S.p.A, as well as the increases of capital decided on to implement it, please refer to the description contained in note (10) of this report.

Comments on the main assets

Non-current assets

Intangible fixed assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	Balance 31/12/08	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Balance 31/12/09
Concessions, licenses, trade marks and similar rights	11.702	8.449			-9.431	10.720
Other	4.868	1.200			-2.834	3.234
Total	**16.570**	**9.649**			**-12.265**	**13.954**

In the category of "Intangible assets", the most significant entry is the cost sustained for the purchase of some software licenses.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets during the period is shown on the chart below:

Cost	Balance 31/12/08	Increments	Revaluations and devaluations	Other operations	(Disposals)	Balance 31/12/09
Lands	1.881.777					1.881.777
Buildings	6.556.482	4.550		72.199		6.633.231
Plants and machinery	1.382.125	7.830		321.234		1.711.189
Industrial and commercial equipment	3.518.813	209.739			-199.607	3.528.945
Other goods	1.485.634	89.230			-64.858	1.510.006
Tangible assets under construction	2.022.656	2.680.041		-393.433		4.309.264
Total	**16.847.487**	**2.991.390**			**-264.465**	**19.574.412**

Depreciation provisions	Balance 31/12/08	Depreciation	Devaluations	Other operations	(Disposals)	Balance 31/12/09
Lands						
Buildings	794.825	197.845				992.670
Plants and machinery	348.747	144.387				493.134
Industrial and commercial equipment	2.549.371	372.665		1.418	-129.243	2.794.211
Other goods	1.003.108	118.698			-64.727	1.057.079
Tangible assets under construction						
Total	**4.696.051**	**833.595**		**1.418**	**-193.970**	**5.337.094**

Net value	Balance 31/12/08	Increments	Revaluations and other operations	(Depreciations and devaluations)	(Disposals)	Balance 31/12/09
Lands	1.881.777					1.881.777
Buildings	5.761.657	4.550	72.199	-197.845		5.640.561
Plants and machinery	1.033.378	7.830	321.234	-144.387		1.218.055
Industrial and commercial equipment	969.442	209.739	-1.418	-372.665	-70.364	734.734
Other goods	482.526	89.230		-118.698	-131	452.927
Tangible assets under construction	2.022.656	2.680.041	-393.433			4.309.264
Total	**12.151.436**	**2.991.390**	**-1.418**	**-833.595**	**-70.495**	**14.237.318**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands on December 31st 2009 was 1.882 thousand Euros.

The heading of "Buildings" includes the building complex in Via Baldanzese a Calenzano (Florence), where the company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta and Esthelogue (formerly Valfivre Italia), the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008 and the building in the city of Torre Annunziata purchase in 2006 for the research, development and production activities of the subsidiary Lasit SpA, whose encouraging outlook for growth is in this way sustained by El.En.
In particular, the column "Other operations" includes the costs sustained for the completion of the enlargement of the factory in Calenzano, which, last year, were reclassified among the "Tangible assets under construction".

The increases in the category "Plants and machinery" are also related to the enlargement of the factory in Calenzano as described in reference to the heading "Buildings".

Under the heading of "Intangible assets under construction" we have entered, among other things, the costs sustained by the company up until December 31st 2009 related to the work in progress for the enlargement of another section of the factory located in Calenzano.

Equity investments (note 3)

Equities in subsidiary companies

During the year several transactions were concluded which involved some of the companies controlled by El.En. SpA; in particular:

Deka Laser Technologies Inc.: in January of 2009 the subsidiary BRCT Inc., founded Deka Laser Technologies Inc. The founding of the company was part of the program of reorganization of the distributing operations in the odontoiatric sector in the United States which later brought about the merger through incorporation of Deka Laser Technologies Inc. with Deka Laser Technologies LLC which used to operate in the American sector, and the replacement of the management of that company. After the merger, 11,78% of the equity is held directly by El.En. SpA and 80,71% indirectly through BRCT Inc.

Deka Technologies Laser Sarl (ex Deka Sarl): in the month of June 2009, the assembly of Deka Technologies Laser Sarl voted to proceed with the coverage of the losses registered for the financial period which ended on December 31st 2008 by increasing the capital stock by an amount equal to that of the losses which were in this way covered. The capital stock of Deka Technologies Laser Sarl, which is entirely owned by the Parent Company El.En. SpA, therefore remains at the amount of 76.250,00 Euros

Esthelogue Srl (Ex Valfivre Italia Srl): this company, which had ceased all activity at the end of 2007, has now been identified by the Group as the best means for a new development initiative which involves the direct entry into the market of technological systems for aesthetic treatments. For this purpose, in the month of September 2009 the shareholders assembly voted to change the name of the company and to change the company objective to one that was more consistent with the new activity that the company intends to conduct.

Deka Japan Co. Ltd.: in the month of December 2009, we acquired control of Deka Japan Ltd, of which the Parent Company El.En. Spa holds 55% of the capital, with an aim to making the presentation of medical applications more effective on the Japanese market, while, at the same time focusing on the activities of the other Japanese branch, With Us, on the aesthetic market.

The chart below shows information on the equities held by El.En. SpA:

Company name:	Headquarters	% owned	Value of charge	Equity 31/12/2009	Result 31/12/2009	Share of equity	Difference
Cynosure	Westford - USA	23,05%	9.928.028	85.957.387	-14.705.024	19.813.178	9.885.150
Deka M.E.L.A. Srl	Calenzano (FI) - Italy	70,00%	629.520	6.453.458	99.157	4.517.421	3.887.901
Cutlite Penta Srl	Calenzano (FI) - Italy	90,67%	1.031.053	1.102.062	-487.734	999.240	-31.813
Esthelogue Srl (ex Valfivre Italia Srl)	Calenzano (FI) - Italy	100,00%		-165.269	-263.727	-165.269	-165.269
Quanta System Spa	Solbiate Olona (VA) - Italy	60,00%	2.859.710	2.830.733	-658.438	1.698.440	-1.161.270
Ot-Las Srl	Calenzano (FI) - Italy	90,00%	1.481.000	1.505.595	-468.222	1.355.036	-125.965
Lasit SpA	Vico Equense (NA) - Italy	52,67%	593.614	1.127.894	-123.553	594.062	448
Deka Technologies Laser Sarl	Lyons - France	100,00%	78.545	340.294	261.750	340.294	261.749
Deka Lasertechnologie GmbH	Mainburg-Germany	100,00%		-1.504.600	-355.095	-1.504.600	-1.504.600
Asclepion Laser Technologies GmbH	Jena - Germany	50,00%	525.879	4.579.224	-226.437	2.289.612	1.763.733
BRCT Inc	New York - USA	100,00%	652.591	1.346.553	5.499	1.346.553	693.962
Deka Laser Technologies Inc	Carlsband - USA	11,78%	27.485	-712.351	-1.198.337	-83.915	-111.400
Cutlite do Brasil Ltda	Blumenau - Brazil	78,00%		-25.511	-79.787	-19.899	-19.899
Deka Japan Co. Ltd	Tokyo - Japan	55,00%	42.586	53.932	-21.625	29.663	-12.923
Total			17.850.011	102.889.401	-17.938.230	31.209.814	13.359.803

For Quanta System the difference between the amounts in the statement and the corresponding amounts of the fraction of the shareholders' equity is due to the goodwill paid at the time of purchase. The entity of this goodwill is, among other things, justified by an analysis of the revenue expected from the company which was determined using the DCF method, which considers also the capital gains implicit in the equity that Quanta has in the subsidiary Asclepion.

The equity in the subsidiary Deka Lasertechnologie GmbH, which had already undergone both direct and indirect devaluation on account of the losses sustained in the preceding years, was the subject of a further devaluation in the "Reserve for losses by associated companies" for an amount of 355 thousand Euros in consideration of the losses sustained during 2009. As of December 31st 2009 the provision for the company amounted to 1.505 thousand Euros.
Similarly, the equity in Cutlite do Brasil and Esthelogue Srl on December 31st 2009 was directly devaluated to zero value and indirectly devaluated with an accrual in the "Reserve for losses by associated companies" for a total of 20 thousand Euros and 165 thousand Euros respectively.

Equities in associated companies
The operations which involved associated companies are summarized below:

Smartbleach International SA (SBI SA): in the month of September 2009 SBI-SA concluded an operation which increased the capital stock from 300 thousand Euros to 600 thousand Euros voted by the assembly of the company, and effected by underwriting and payment of a sum which was in proportion to the equity held in the company by each partner; El.En. Spa holds 50% of the company, paid the amount of 150 thousand Euros.

Elesta Srl: during 2009 the partners of this company completed payment of the residual amounts of capital stock underwritten in 2008 when the company was being transformed from a consortium company with limited responsibility to a company with limited responsibility.

Company Name:	Headquarters	% owned	Value of charge	Equity 31/12/2009	Result 31/12/2009	Share of equity	Difference
Actis Srl (*)	Calenzano (FI) - Italy	12,00%	1.240	84.350	7.748	10.122	8.882
Elesta Srl (ex IALT Scrl)	Calenzano (FI) - Italy	50,00%		-230.722	-278.357	-115.361	-115.361
Immobiliare Del.Co. Srl	Solbiate Olona (VA) - Italy	30,00%	274.200	21.614	63.834	6.484	-267.716
S.B.I. SA	Herzele - (Belgium)	50,00%	94.325	188.650	-167.015	94.325	-
Total			369.765	63.892	-373.790	-4.430	-374.195

(*) As of December 31st, 2008

The data related to "Immobiliare Del.Co. Srl", which owns the building rented to Quanta System SpA, shows a difference between the purchase cost and the corresponding amount of the shareholders' equity which is due to the greater value implicit in the lands and the buildings it owns, as revealed during the voluntary re-evaluation of the real estate conducted by the associated company in conformity with D.L. 185/08.

The value of the equity in SBI SA, as was determined after the increase in capital stock mentioned above, on December 31st 2009 was subjected to a direct devaluation for the purpose of adjusting the value of the equity to the corresponding fraction of the shareholders' equity.
Moreover, after the losses shown in the statement of the associated company on December 31st 2009 the value of the equity in Elesta Srl was subjected to direct devaluation to zero value and indirect devaluation through the accrual in the "Provision for losses by associated companies" for an amount of about 115 thousand Euros.

A summary of the data related to associated companies shown in the chart below.

	Total assets	Total liabilities	Net income (loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	316.218	231.868	7.748	272.115	264.367
Elesta Srl (ex IALT Scrl)	1.173.897	1.404.619	-278.357	976.530	1.254.887
Immobiliare Del.Co. Srl	203.409	181.796	63.834	106.989	43.155
S.B.I. SA	400.784	212.134	-167.015	96.401	263.416

(*) As of December 31st, 2008

Equities in other companies

On April 23rd 2009 the Parent Company El.En. SpA underwrote 19% of the capital stock of Alfa Laser Srl, a company which operates in the field of cutting laser systems for industrial use.

Equity investments

Company name:	31/12/08 Cost	Reval. (Deval.)	Balance 31/12/08	Changes	Revaluations (devaluations)	Other movements	Balance 31/12/09	31/12/09 Reval. (Deval.)	Cost
Subsidiary companies:									
Deka M.E.L.A. Srl	629.520	0	629.520	0	0	0	629.520	0	629.520
Cutlite Penta Srl	1.031.053	0	1.031.053	0	0	0	1.031.053	0	1.031.053
Esthelogue Srl	49.583	0	49.583	0	-49.583	0	0	-49.583	49.583
Deka Technologies Laser Sarl	0	0	0	78.545	0	0	78.545	0	78.545
Deka Lasertechnologie GmbH	0	0	0	0	0	0	0	0	0
Ot-las Srl	1.481.000	0	1.481.000	0	0	0	1.481.000	0	1.481.000
Lasit SpA	593.614	0	593.614	0	0	0	593.614	0	593.614
Quanta System SpA	2.859.710	0	2.859.710	0	0	0	2.859.710	0	2.859.710
Cynosure	9.928.028	0	9.928.028	0	0	0	9.928.028	0	9.928.028
Deka Laser Technologies LLC	485	0	485	27.000	0	-27.485	0	0	0
Deka Laser technologies INC	0	0	0	0	0	27.485	27.485	0	27.485
BRCT	652.591	0	652.591	0	0	0	652.591	0	652.591
Asclepion Laser T. GmbH	525.879	0	525.879	0	0	0	525.879	0	525.879
Cutlite do Brasil Ltda	440.969	-403.278	37.691	0	-37.691	0	0	-440.969	440.969
Deka Japan Ltd	0	0	0	42.586	0	0	42.586	0	42.586
Total	18.192.432	-403.278	17.789.154	148.131	-87.274	0	17.850.011	-490.552	18.340.563
Associated companies:	0	0	0	0	0	0	0	0	0
Actis Srl	1.240	0	1.240	0	0	0	1.240	0	1.240
Elesta Srl (ex IALT scrl)	55.000	-31.182	23.818	0	-23.818	0	0	-55.000	55.000
Immobiliare Del.Co.	274.200	0	274.200	0	0	0	274.200	0	274.200
Sbi International	87.528	-59.695	27.833	150.000	-83.508	0	94.325	-205.675	300.000
Total	417.968	-90.877	327.091	150.000	-107.326	0	369.765	-260.675	630.440
Other companies:									
Concept Laser Solutions GmbH	19.000	0	19.000	0	0	0	19.000	0	19.000
Alfa Laser Srl	0	0	0	19.950	0	0	19.950	0	19.950
CALEF	5.125	0	5.125	-1.723	0	0	3.402	0	3.402
R&S	516	0	516	0	0	0	516	0	516
RTM	66.212	0	66.212	0	0	0	66.212	0	66.212
Total	90.853	0	90.853	18.227	0	0	109.080	0	109.080
Total	18.701.253	-494.155	18.207.098	316.358	-194.600	0	18.328.856	-751.227	19.080.083

Financial charges for this year for the amounts entered among the assets

No financial charges have been entered under the heading of assets.

Financial receivables/Deferred tax assets/ Other non-current assets and receivables (note 4)

Other non current assets	31/12/2009	31/12/2008	Variation	Var. %
Financial receivables vs. subsidiaries	517.644	517.572	72	0,01%
Financial receivables vs. associated	29.576	100.000	-70.424	-70,42%
Deferred tax assets	1.317.015	1.246.196	70.819	5,68%
Other non current assets	3.108	3.108	0	0,00%
Total	1.867.343	1.866.876	467	0,03%

The financial receivables are related to the mid-term financing issued to subsidiary and associated companies in order to meet normal operating requirements. Financing to the following companies has been entered: to Deka Lasertechnologie GmbH for 385 thousand Euros paid at the BCE rate + 2%, to Deka Laser Technologies for 185 thousand dollars paid at the 5% annually until June 30th 2009 and after that date at a rate of 2,5% annually, to Actis for 30 thousand Euros at the BCE rate + 1%.

For an analysis of the entry “Fiscal assets for prepaid taxes”, refer to the chapter on “Prepaid and deferred taxes” .

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	31-dic-09	31-dic-08	Variation	Var. %
Raw materials and consumables	9.203.185	12.097.093	-2.893.908	-23,92%
Work in progress and semi finished products	4.847.366	6.251.602	-1.404.236	-22,46%
Finished products and goods for sale	2.828.145	2.717.837	110.308	4,06%
Total	16.878.696	21.066.532	-4.187.836	-19,88%

The comparison between the final inventory for the two years shows a decrease in their amount which is also an effect of the reduction in the production volume.

It should also be pointed out that the values shown in the chart above are net of the devaluation provision which registered an increase as shown in the chart below:

Inventory:	31/12/2009	31/12/2008	Variation	Var. %
Gross amount	20.241.864	23.912.626	-3.670.762	-15,35%
minus: devaluation provision	-3.363.168	-2.846.094	-517.074	18,17%
Total	16.878.696	21.066.532	-4.187.836	-19,88%

The incidence in the provision for obsolescence on the gross value of the inventory rose from 11,9% on December 31st 2008 to 16,6% on December 31st 2009.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	31-dic-09	31-dic-08	Variation	Var. %
Trade debtors	4.162.531	5.037.803	-875.272	-17,37%
Subsidiary debtors	17.722.803	20.081.133	-2.358.330	-11,74%
Associated debtors	643.083	299.976	343.107	114,38%
Total	22.528.417	25.418.912	-2.890.495	-11,37%

Trade debtors:	31/12/2009	31/12/2008	Variation	Var. %
Italy	2.509.600	3.282.923	-773.323	-23,56%
European Community	2.063.116	1.941.687	121.429	6,25%
Outside of European Community	820.855	782.611	38.244	4,89%
minus: devaluation provision for debtors	-1.231.040	-969.418	-261.622	26,99%
Total	4.162.531	5.037.803	-875.272	-17,37%

The trade receivables from subsidiary and associated companies are inherent to the characteristic management operations. The reduction in the business volume of the company determined the reduction in the receivables, as shown on the charts above.

The chart below shows the operations which took place this year in the provision for bad debts .

Provision for bad debts	**2009**	**2008**
At the beginning of the period	**969.418**	**317.430**
Amounts accrued	480.797	681.942
Amounts utilized	-219.175	-29.954
Unused amounts reversed		
Other operations		
At the end of the period	**1.231.040**	**969.418**

The accruals made this year include among other things the further devaluation of a receivable which was considered unlikely to be cashed in and was already partially devaluated in 2008. Uses of the provision during the year include the writing off of a receivable from an important Italian client following a procedure for preventive agreement with him.

The chart below shows the trade receivables from third parties for 2009 divided according to the type of currency.

Account receivables in:	**31/12/2009**	**31/12/2008**
Euro	3.815.220	4.624.732
USD	346.794	412.589
Other currencies	517	482
Total	4.162.531	5.037.803

The amount in Euros shown in the chart of the receivables originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2009.

The chart below shows the analysis of the trade receivables from third parties and from subsidiary companies for 2009:

Account receivables vs. third parties:	**31/12/2009**	**31/12/2008**
To expire	1.592.548	2.686.189
Expired:		
30 days	578.558	333.982
60 days	509.595	543.480
90 days	175.350	215.926
180 days	418.009	532.841
over 180 days	888.471	725.385
Total	4.162.531	5.037.803

Account receivables from subsidiaries:	**31/12/2009**	**31/12/2008**
To expire	6.167.513	9.495.256
Expired:		
30 days	690.413	2.347.291
60 days	554.544	1.007.468
90 days	724.245	587.066
180 days	1.587.138	2.041.571
over 180 days	7.998.950	4.602.481
Total	17.722.803	20.081.133

For a detailed analysis of the trade receivables from subsidiary and associate companies, refer to the chapter in the information sheet on related parties.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables:

	31/12/2009	31/12/2008	Variation	Variation %
Tax debtors				
VAT credits	1.219.442	1.628.919	-409.477	-25,14%
Income tax credits	949.817		949.817	0,00%
Total tax debtors	2.169.259	1.628.919	540.340	33,17%

Financial receivables				
Financial receivables to third parts	20.000		20.000	0,00%
Financial receivables to subsidiary companies	3.195.118	3.578.293	-383.175	-10,71%
Financial receivables to associated companies	13.565	268.991	-255.426	-94,96%
Total	3.228.683	3.847.284	-618.601	-16,08%
Other receivables				
Security deposits	30.253	22.646	7.607	33,59%
Down payments	224.343	273.852	-49.509	-18,08%
Other credits	398.256	373.485	24.771	6,63%
Total	652.852	669.983	-17.131	-2,56%
Total financial and other receivables	3.881.535	4.517.267	-635.732	-14,07%

The amount entered among the "tax credits" related to Value Added Tax (IVA) is the natural effect of the large amount of exports which characterize the sales volume of the company.
The receivables for income taxes on December 31st 2009 amounted to 950 thousand Euros and represent the residual amount of the down payments and retained earnings sustained in excess with respect to the fiscal debt for the year.

The financial receivables are related to short-term financing issued to subsidiary and associated companies in order to provide for normal operational activities. The main financial receivables issued to subsidiary companies are the following:

Companies in the Group	**amount(/1000)**	**currency**	**Annual rate**
Asclepion Laser Technologies GmbH	500	Euro	BCE + 1%
Cutlite Penta Srl	500	Euro	BCE + 1%
Esthelogue Srl	300	Euro	BCE + 1%
Deka Laser Technologies INC	160	USD	2,50%
BRCT Inc.	360	USD	2,50%
Lasit SpA	203	Euro	BCE + 1%
Quanta System SpA	650	Euro	BCE + 1%
Deka Medical Inc	200	USD	2,50%
Raylife Srl	500	Euro	BCE + 1%

For further details on the financial receivables from subsidiaries and associated companies, please see the next chapter, regarding "related parties".

Securities (note 8)

The company does not hold any securities.

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2009	31/12/2008	Variation	Var. %
bank and postal current accounts	7.610.593	11.527.818	-3.917.225	-33,98%
cash in hand	7.881	7.919	-38	-0,48%
Total	7.618.474	11.535.737	-3.917.263	-33,96%

For an analysis of the variations in available cash, please refer to the financial statement (cash flow) chart; in any case it should be noted that the bank deposits are not binding.

Net financial position as of December 31st 2009

The net financial position as of December 31st 2009 is composed as follows (in thousand of Euros).

Net financial position		
	31/12/2009	**31/12/2008**
Cash and bank	7.618	11.536
Cash and cash equivalents	**7.618**	**11.536**
Short term financial receivables	**20**	**0**
Part of financial long term liabilities due within 12 months	(89)	(43)
Financial short term liabilities	**(89)**	**(43)**
Net current financial position	**7.550**	**11.493**
Other long term financial liabilities	(136)	(268)
Financial long term liabilities	**(136)**	**(268)**
Net financial position	**7.414**	**11.224**

The net financial position remains positive for over 7 million Euros.

Major investments have been made for the real estate activity of the company, in particular the enlargement of the building complex in Calenzano for about 3 million Euros; dividends for an amount of 1.416 thousand Euros were paid and direct taxes for an amount of about 3,3 million Euros.

Financial receivables from subsidiary and associated companies for an amount of 3.209 thousand Euros have been excluded from the net financial position because they are related to financial support policies of the companies of the Group.
In continuation of past policy, we considered it opportune to not include this type of financing in the net financial position shown above.

Comments on the main liability entries

Capital and Reserves

The main components of the stockholders' equity are shown on the chart below:

Capital stock (note 10)

As of December 31st 2009, the capital stock of El.En. was as follows

Authorized	Euros	2.591.871
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	***0,52***

Categories	**31/12/2008**	**Increase.**	**(Decrease.)**	**31/12/2009**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

The shareholders' Meeting which convened on April 30th 2009 voted to distribute the profits for 2008, for a total of 7.029.759,40 as follows: for the amount of 5.613.393,40 Euros for the extraordinary reserve, for the amount of 1.416.366,00 Euros as dividends for the amount of 0,30 for each share in circulation upon the maturity date of coupon no. 9 on May 18th 2009.

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net operating profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases in capital for use in the stock option plan
The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were

working in a subordinate position. The stock option plan is divided into two equal portions which can be implemented in conformity with the following terms:
a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting votes in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the proposed annual report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.
Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.
b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the proposed annual report for the year 2012 by the Board of Directors.
Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of proposed annual report for 2013, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Additional paid in capital (note 11)

On December 31st 2009 the share premium reserve amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2008.

Other reserves (note 12)

Other reserves	31/12/2009	31/12/2008	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	33.302.687	27.689.294	5.613.393	20,27%
Stock options reserve fund	1.309.386	1.124.452	184.934	16,45%
DIFF3 contribution on capital account	150.659	150.659		0,00%
CESVIT contribution on capital account	3.099	3.099		0,00%
CCIAA contribution on capital account	3.892	3.892		0,00%
EU contribution on capital account	269.007	269.007		0,00%
Other reserves	13.395	13.390	5	0,04%
Total	35.589.427	29.791.095	5.798.332	19,46%

On December 31st 2009, the "extraordinary reserve" amounted to 33.303 thousand Euros; the change which occurred during the financial year is due to the addition to the reserve of part of the profit of 2008, as per the decision of the shareholders' meeting on April 30th 2009.

The reserve "for stock options" includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA, for the quota which matured on December 31st 2009. The change of 185 thousand Euros, which took place during the year, is entered in the chart of the stockholders' equity in the "Other operations" column.

In conformity with fiscal regulations, in the past El.En SpA has taken advantage of the possibility of suspending contributions on capital account, either entirely or for 50%, in a reserve of the stockholders' equity. Since 1998 these have been entirely entered into the Profit and Loss Account. The relative reserves can be considered reserves of profits.

Treasury stock (13)

As of December 31st 2009 the treasury stock acquired by the company as a consequence of the vote of the shareholders' assembly of March 3rd 2008, amounted to 103.148 shares at the average price of 24,97 Euros per share for a total amount of 2.575.611 Euros.

Profits/losses brought forward (note 14)

The entry includes the rectifications of the shareholders' equity made necessary by the adoption of the International Accounting Standards; it also includes the entry of capital gains earned by the sale of treasury stock in February 2005.

Availability and possibility of utilization of the reserves

NET CAPITAL AND RESERVES:	**Balance 31/12/2009**	**Possibility of utilization**	**Portion available**	**Utilized in the previous two periods for covering losses**	**Utilized in the previous two periods for other purposes**
Subscribed capital	2.508.671				
Additional paid in capital	38.593.618	ABC	38.593.618		
Legal reserve	537.302	B			
Other reserves:					
Extraordinary reserves	33.302.687	ABC	30.727.076		
Reserve for contribution on capital account	426.657	ABC	426.657		
Profits (loss) brought forward	-920.544	ABC	-920.544		
Other reserves	1.322.781	ABC	1.322.781		
			70.149.588	**0**	**0**
Portion not distributable					
Portion distributable			**70.149.588**		

Key: A) capital increase; B) to cover losses; C) for distribution to shareholders

It should be noted that the amount of the extraordinary reserve that is available is net of the treasury stock acquired by the company for an amount of 2.576 thousand Euros.

Non-current liabilities

Severance indemnity fund (note 15)

The chart below shows the operations which have taken place during this financial period.

Balance 31/12/2008	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 31/12/2009
992.600	439.235	-95.153	-368.801	967.881

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment or in other cases according to the law.

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans.

After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity has matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited by the latter.

It should be recalled that the company uses the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not registered until it exceeds in absolute terms 10% of the current value of the liabilities. On December 31st 2009 the net accumulated value of the actuarial profits not registered was equal to 49 thousand Euros. The present value of the liabilities as of December 31st 2009 was 856 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below:

Financial hypotheses	**Year 2008**	**Year 2009**
Annual technical discount rate	4,75%	4,25%
Annual inflation rate	2,50%	1,50%
Annual growth rate of severance indemnity	3,00%	2,34%
Annual increase rate of salaries (including inflation)	Executives 5% White collar workers 3,50% Blue collar workers 3,50%	Executives 4% White collar workers 2,50% Blue collar workers 2,50%

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The analysis is as follows:

	Balance 31/12/2008	**Accrual**	**(Utilization)**	**Other**	**Balance 31/12/2009**
Deferred tax assets on inventory devaluations	888.505	134.184	-69.758		952.931
Deferred tax assets on warranty reserve	106.760		-31.400		75.360
Deferred tax assets on bad debt reserve	210.450	95.416			305.866
Deferred tax assets on severance indemnity provision discount	-23.119				-23.119
Other deferred tax assets	63.600	1.937	-59.560		5.977
Total	1.246.196	231.537	-160.718	0	1.317.015
Deferred tax liabilities on advanced depreciations	74.908		-789		74.119
Other deferred tax liabilities	146.469	56.914	-10.428		192.955
Total	221.377	56.914	-11.217	0	267.074
Net amount	1.024.819	174.623	-149.501	0	1.049.941

Assets for prepaid taxes amounted to 1.317 thousand Euros. Among the main variations which have occurred during this year, attention should be called to the increase in the deferred taxes assets calculated on the inventory devaluation and for accruals related to product guarantees and receivables. The principal uses of the fund were related to the partial use of the product guarantee fund and the payment of the directors' remunerations issued as an incentive reward for the fiscal year 2008 but paid only in 2009.
Deferred taxes liabilities amount to 267 thousand euros. The use of the deferred tax fund is mainly due to the differences in the exchange rates that were not realized at the end of the year; the accruals are mostly due to the differences between the fiscal and civil values in the warehouse stock and in the depreciations.

Other accruals (note 17)

The chart below shows the operations made with other accruals.

	Balance 31/12/2008	**Accrual**	**(Utilization)**	**Other**	**Balance 31/12/2009**
Reserve for pension costs and similar	17.556	24.556		-19.500	22.612
Others:					
Warranty reserve on the products	340.001	-100.000			240.001
Reserve for risks and charges		50.000			50.000
Other minor reserves	1.955.672	655.514	-780.130		1.831.056
Total other reserves	2.295.673	605.514	-780.130	-	2.121.057
Total	2.313.229	630.070	-780.130	-19.500	2.143.669

In the entry "reserve for pension costs and similar" the clients' agents fund and the TFM (severance indemnity fund for the directors) are included.
According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2008	Year 2009
Annual technical discount rate	4,25%	4,25%
Annual rate of inflation	2,50%	1,50%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year. The amount shown in the column "accrual operations" shows the effects of the partial use of amounts accrued in the preceding years.

In relation to the category called "Other minor accruals", the amount shown in the "operations" column refers to the accruals for losses by companies in which an equity is held, as described in Note 3 above. The amount shown in the "utilization" column refers instead to the 754 Euros used from the "Provision for losses by associated companies" also made as part of the operation described in Note 3, to the coverage of the losses accumulated by the subsidiary Deka Laser Technologies Sarl, and to the use of 26 thousand Euros from the "Provision for tax risks and charges" made after the definitive closure of the PVC (tax violation charges) of 2001.
On February 28th 2008, after the conclusion of a general audit conducted in relation to the year 2005 by the regional branch of the internal revenue service (Direzione Regionale delle Entrate per la Toscana), an offence report (Processo Verbale di Constatazione) was formulated against El.En. SpA. In this report the Agency, besides listing some minor violations in the reporting of income and Value Added Tax (IVA), refused to recognize the tax exempt status on some capital gains derived from a sale of shares made by El.En SpA in 2005. The company, on the other hand, is convinced that in this case they had acted in complete compliance with the tax regulations in force at that time, and considers the offence report illegal and unsubstantiated. Consequently, in 2007 the company, as a cautionary measure and with the support of its consultants, created an accrual under the heading of "Other minor provisions" to provide for any charges that might derive from the issuance of assessments, only in relation to the minor violations, for an amount of 26.000 Euros, including fines. At the time that this document was issued the situation was substantially unchanged.

Amounts owed and financial liabilities (note 18)

The chart below shows the breakdown of the amounts owed:

Financial m/l term debts	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to other financiers	136.100	268.199	-132.099	-49,25%
Total	136.100	268.199	-132.099	-49,25%

Among the non-current debts, there are amounts owed to other financers for amount not due within the year for facilitated financing MPS for applied research, reference TRL01, granted for an amount of 681.103 Euros at a fixed annual rate of' 2% , last installment July 1st 2012.

Current liabilities

Financial debts (note 19)

Financial short term debts	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to other financiers	88.502	43.162	45.340	105,05%
Total	88.502	43.162	45.340	105,05%

The entry "amounts owed to other financiers" includes the short-term financings described in the note above.

The chart below represents a summary which also shows the due dates for payment of the capital amounts of the debt.

	Expiration	Rate	Balance	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
MPS TRL 01 Loan	01/07/2012	2,00%	224.602	88.502	136.100	
Total			224.602	88.502	136.100	0

The amount entered in the column "amount within 1 year" consists of the amount of the short term installments related to the mid-term financing received.

Long term financial operations
During this financial year the following mid/long-term financial movements occurred. The balances include the short term capital amounts but do not include debts for interests.

	Balance 31/12/2008	Increase	Reimbursement	Other	Balance 31/12/2009
MPS TRL 01 Loan	311.361		-86.759		224.602
Total	311.361	-	-86.759	-	224.602

Debts guaranteed by real estate property
The property located in Via Baldanzese, 17 at Calenzano was bound by a mortgage, now being cancelled, which was used as a guarantee for the ten-year loan issued by the Cassa di Risparmio di Firenze and extinguished on December 31st 2006.

Amounts owed for supplies (note 20)

Trade debts:	31/12/2009	31/12/2008	Variation	Var. %
Amounts owed to suppliers	5.919.349	11.074.796	-5.155.447	-46,55%
Amounts owed to subsidiary companies	1.911.730	1.920.924	-9.194	-0,48%
Amounts owed to associated companies	45.300	552.717	-507.417	-91,80%
Total	7.876.379	13.548.437	-5.672.058	-41,87%

The drop in the sales volume comported a decrease in the volume of purchases and consequently also of amounts owed to third parties for supplies.
For a detailed analysis of the trade payables to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

The chart below shows a detailed breakdown of the trade debts for 2009 to third parties divided according to the type of currency.

Account payables in:	**31/12/2009**	**31/12/2008**
Euro	5.672.591	10.729.717
USD	182.569	260.069
Other currencies	64.189	85.010
Total	5.919.349	11.074.796

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2009.

Income tax debts /Other short term debts (note 21).

The breakdown of the other short term debts is the following:

	31/12/2009	**31/12/2008**	**Variation**	**Variation %**
Social security debts				
Debts owed to INPS	511.242	588.291	-77.049	-13,10%
Debts owed to INAIL	101.730	101.017	713	0,71%
Debts owed to other Social Security Institutions	49.817	48.640	1.177	2,42%
Total	662.789	737.948	-75.159	-10,18%
Other debts				
Debts owed to tax administration for VAT	5.420	1.754	3.666	209,01%
Debts owed to tax administration for deductions	457.913	422.794	35.119	8,31%
Other tax debts	12.991		12.991	0,00%
Owed to staff for wages and salaries	795.173	974.781	-179.608	-18,43%
Down payments	56.085	109.956	-53.871	-48,99%
Other debts	497.893	670.593	-172.700	-25,75%
Total	1.825.475	2.179.878	-354.403	-16,26%
Total Social security debts and other debts	2.488.264	2.917.826	-429.562	-14,72%

The "Debts owed to staff for wages and salaries" includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2009.
The entry "Down payments" represents down payments received from clients.

Analysis of debts according to due date

	31/12/2009			**31/12/2008**		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Amounts owed to other financiers	88.502	136.100		43.162	268.199	
Amounts owed to suppliers	5.919.349			11.074.796		
Amounts owed to subsidiary companies	1.913.574			1.926.904		
Amounts owed to associated companies	45.300			552.717		
Income taxes debts				1.677.529		
Amounts owed to social security institutions	662.789			737.948		
Other liabilities	1.823.631			2.173.898		
Total	10.453.145	136.100	0	18.186.954	268.199	0

Comments on the main entries in the profit and loss account

Revenue (note 22)

	31/12/2009	31/12/2008	Variation	Var. %
Sales of industrial laser systems	4.842.384	12.060.134	-7.217.750	-59,85%
Sales of medical laser systems	25.818.805	38.528.577	-12.709.772	-32,99%
Service and sales of spare parts	5.431.272	6.664.214	-1.232.942	-18,50%
Total	36.092.461	57.252.925	-21.160.464	-36,96%

The trend in sales, for which the reader is referred to the management report for a more detailed report, shows a drop of 37%, determined by the effects of the crisis on the main selling markets of the company.

Subdivision of revenue by geographical area

	31/12/09	31/12/08	Variation	Var. %
Sales in Italy	19.956.795	27.219.408	-7.262.613	-26,68%
Sales other EC countries	8.078.979	12.352.259	-4.273.280	-34,60%
Sales outside EC	8.056.687	17.681.258	-9.624.571	-54,43%
Total	36.092.461	57.252.925	-21.160.464	-36,96%

The chart shows how the markets outside of Europe, and in particular those in the United States, suffered the most significant losses in sales volume, while the Italian market managed to maintain its stability better than others in a situation of great weakness and uncertainty.

Other revenue and income (note 23)

Analysis of the other income is as follows:

	31/12/2009	31/12/2008	Variation	Var. %
Recovery for accidents and insurance reimbursements	3.270	5.318	-2.048	-38,51%
Expense recovery	79.564	94.693	-15.129	-15,98%
Capital gains on disposal of fixed assets	30.844	39.615	-8.771	-22,14%
Other income	1.127.726	953.678	174.048	18,25%
Total	1.241.404	1.093.304	148.100	13,55%

In the entry “Other revenue and income”, approx. 790 thousand Euros has been entered for grants received on research projects.

Costs for the purchase of goods (note 24)

The analysis is shown on the following table:

	31/12/2009	31/12/2008	Variation	Var. %
Purchase of raw materials and finished products	13.312.946	26.654.356	-13.341.410	-50,05%
Purchase of packaging	167.939	379.367	-211.428	-55,73%
Shipment charges on purchases	196.512	302.075	-105.563	-34,95%
Other purchase expenses	86.847	177.800	-90.953	-51,15%
Other purchases	59.536	116.057	-56.521	-48,70%
Total	13.823.780	27.629.655	-13.805.875	-49,97%

The decrease in the number of purchases is a direct consequence of the drop in the sales volume and is reflected, among other things, also in the final inventory at the end of the period.

Other direct services/ operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2009	31/12/2008	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	1.756.943	4.930.773	-3.173.830	-64,37%
Technical services	161.980	534.901	-372.921	-69,72%
Shipment charges on sales	379.167	529.819	-150.652	-28,43%
Commissions	131.090	274.244	-143.154	-52,20%
Royalties		35.263	-35.263	-100,00%
Travel expenses	120.436	168.247	-47.811	-28,42%
Other direct services	190.490	315.136	-124.646	-39,55%
Total	*2.740.106*	*6.788.383*	*-4.048.277*	*-59,64%*
Operating services and charges				
Maintenance and technical assistance on equipments	187.683	137.937	49.746	36,06%
Services and commercial consulting	219.120	174.641	44.479	25,47%
Legal and administrative services	458.696	388.192	70.504	18,16%
Auditing fees and charges	97.368	89.457	7.911	8,84%
Insurances	97.262	246.624	-149.362	-60,56%
Travel and overnight expenses	311.284	400.650	-89.366	-22,31%
Promotional and advertising expenses	568.850	614.765	-45.915	-7,47%
Building charges	533.490	588.540	-55.050	-9,35%
Other taxes	22.577	25.833	-3.256	-12,60%
Expenses for vehicles	156.294	147.818	8.476	5,73%
Office supplies	42.201	59.280	-17.079	-28,81%
Hardware and Software assistance	113.290	191.331	-78.041	-40,79%
Bank charges	32.042	53.983	-21.941	-40,64%
Rent	66.123	71.017	-4.894	-6,89%
Other operating services and charges	2.109.200	3.351.971	-1.242.771	-37,08%
Total	*5.015.480*	*6.542.039*	*-1.526.559*	*-23,33%*

The decrease in the expenses for work that has been jobbed out is due to the decrease in the business volume and to the partial return of some of the production processes which had been originally jobbed out to third parties.

The most significant amounts entered under the heading of “Other operating services and charges” is represented by the salaries paid to members of the Board of Directors and the Board of Statutory Auditors for 392 thousand Euros and by the costs for technical and scientific consultations, studies and research for an amount of approx 719 thousand Euros. For the costs of research and development activities, see the detailed description in the consolidated management report.

Future obligations for use of goods belonging to third parties

The chart below shows a summary of the obligations that the company will have for use of goods belonging to others, listed by the expiration date.

Operating lease commitments:	**31/12/2009**	**31/12/2008**
Within one year	177.165	193.220
After 1 year but not more than 5 years	210.540	320.205
More than five years		8.785
Total	**387.705**	**522.210**

Personnel costs (note 26)

The chart below shows the costs for staff:

For staff costs	**31/12/2009**	**31/12/2008**	**Variation**	**Var. %**
Wages and salaries	6.246.769	6.308.692	-61.923	-0,98%
Social security costs	1.941.619	1.993.955	-52.336	-2,62%
Accruals for severance indemnity	395.834	297.402	98.432	33,10%
Stock options	174.531	80.810	93.721	115,98%
Total	8.758.753	8.680.859	77.894	0,90%

Depreciations, amortizations and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	**31/12/2009**	**31/12/2008**	**Variation**	**Var. %**
Amortization of intangible assets	12.265	15.795	-3.530	-22,35%
Depreciation of tangible assets	833.595	740.841	92.754	12,52%
Accrual for risk on receivables	480.797	681.942	-201.145	-29,50%
Other accruals for risks and charges	-50.000	80.400	-130.400	-162,19%
Total	1.276.657	1.518.978	-242.321	-15,95%

The heading "Accrual for risks on receivables" includes some devaluations which, for cautionary reasons, were made on some receivables for which collection has been very slow on account of the financial crisis which has limited the cash resources available to the clientele and, in particular, some receivables the collection of which is very doubtful and which were already devaluated in 2008.
The accrual for risks and charges shows a negative amount due to the reversal of part of the accruals for product guarantees made in the preceding years which were not compensated for by the accruals for that year on account of the drop in business volume.

Financial incomes and charges (note 28)

The breakdown of the category is as follows:

	31/12/2009	31/12/2008	Variation	Var.%
Financial incomes:				
Interests from banks	71.900	625.989	-554.089	-88,51%
Dividends	175.000	175.000	-	0,00%
Interests from subsidiary company	77.018	129.488	-52.470	-40,52%
Interests from associated company	1.209	4.874	-3.665	-75,19%
Foreign exchange gain	562.084	1.131.673	-569.589	-50,33%
Other financial incomes	124	57.380	-57.256	-99,78%
Total	887.335	2.124.404	-1.237.069	-58,23%
Financial charges:				
Interest on bank debts for account overdraft	-9	-61.944	61.935	-99,99%
Interest on bank debts for medium and long - term loans	-5.796	-8.116	2.320	-28,59%
Foreign exchange loss	-374.817	-458.397	83.580	-18,23%
other financial charges	-44.018	-43.953	-65	0,15%
Total	-424.640	-572.410	147.770	-25,82%

Although it still benefited from the substantial amount of cash, the entry of "interest from banks", was affected among other things by the reduction in the interest rates.
During this financial year, we have entered dividends for 175 thousand Euros distributed by the subsidiary Deka M.E.L.A. Srl., among the "Dividends".

The category of "Other financial charges" includes 43 thousand Euros for the interest derived from the application of the IAS 19 accounting standard to the severance indemnity.

Other net income and charges (note 29)

	31/12/2009	31/12/2008	Variation	Var. %
Other charges				
Accrual for losses in group companies	-655.514	-213.051	-442.463	207,68%
Devaluation of equity investments	-194.599	-494.155	299.556	-60,62%
Total	**-850.113**	**-707.206**	**-142.907**	**20,21%**
Other income				
Profit on equity investments	525		525	0,00%
Total	**525**		**525**	**0,00%**

Devaluations were made on the value of the equities in Cutlite do Brasil for 38 thousand Euros, in Esthelogue Srl for 50 thousand Euros, in Elesta Srl for 24 thousand Euros and in the associated company SBI SA for 84 thousand Euros for the losses incurred during the year. These amounts are entered in the category of the "Devaluation of equity investments".

The category of "accrual for losses by Group companies" also includes the costs related to a further indirect devaluation with accrual in the "Reserves for losses by Group companies" related to Esthelogue Srl for an amount of 165 thousand Euros, related to Deka Laser technolgie GmbH for 355 thousand Euros, related to Cutlite do Brasil Ltda for the amount of 20 thousand Euros and to Elesta Srl for 115 thousand Euros.

Income taxes (note 30)

Description:	31/12/2009	31/12/2008	Variation	Var. %
IRES	744.293	3.600.538	-2.856.245	-79,33%
IRAP	306.599	692.359	-385.760	-55,72%
IRES Deferred (Advanced)	-96.151	-396.432	300.281	-75,75%
IRAP Deferred (Advanced)	71.029	-35.737	106.766	-298,75%
Taxes related to the previous years	-62.774	-35.841	-26.933	75,15%
Total income taxes	962.996	3.824.887	-2.861.891	-74,82%

The fiscal costs for this year amounted to 963 thousand Euros as opposed to the 3.825 thousand Euros for last year; this cost shows the increase in the tax rate which rose from 35,24% in 2008 to 72,77% for this year, mainly due to the effect of the devaluation made on the value of the equity investments held by the company, as described above.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2009	2008
Profit/loss before taxes	1.323.418	10.854.646
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	363.940	2.985.028
Higher (lower) fiscal incidence with respect to the theoretical aliquot	288.360	219.078
Actual IRES	652.300	3.204.106
Actual IRES aliquot	49%	30%

The breakdown of the composition of deferred tax assets and liabilities is shown in the note above (16). The heading "Income taxes" includes the balance related to this financial year.

Dividends distributed (note 31)

The shareholders' meeting held on May 15th 2008 voted to distribute a dividend for the amount of 1,1 Euro for each share in circulation on the due date for payment. The total amount paid as dividend was 5.193.342 Euros.

The shareholders' assembly held on April 30th 2009 voted to distribute a dividend for the amount of 0,3 for each share in circulation on the due date for payment. The dividend paid amounted to a total of 1.416.366 Euros.

Non-recurring significant, atypical or unusual events and operations (note 32)

During 2008 and 2009 no significant non-recurring atypical or unusual operations were made.

Information about related parties (note 33)

In accordance with the IAS 24 the following subjects are considered related parties of El.En. SpA:
- the subsidiary and associated companies as shown in this document;
- the members of the Board of Directors and Board of Statutory Auditors and the other executives with strategic responsibilities;
- the individuals holding shares in El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of El.En SpA, by one of the El.En. shareholders belonging to the voting syndicate, by a member of the Board of Directors, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

In particular the following should be noted:

Subsidiary and associated companies
El. En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.
The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Cutlite Penta Srl, Ot-Las Srl and Lasit SpA. Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Cynosure, to Deka M.E.L.A. Srl, to Esthelogue Srl, to Deka Sarl, to Deka Lasertechnologie GmbH, to ASA Srl and to Asclepion Laser Technologies GmbH which organize their distribution.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.
It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

The tables below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales and commercial and financial payables and receivables

	Financial receivables		**Commercial receivables**	
Subsidiary companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Cynosure			746.103	
Asclepion Laser Technologies GmbH	500.000		1.354.718	
Deka MELA Srl			3.217.778	
Cutlite Penta Srl	500.000		4.752.572	
Esthelogue Srl	300.000		83.591	
Deka Technologies Laser Sarl			1.124.760	
Deka Lasertechnologie GmbH		384.642	2.106.360	
Deka Laser Technologies INC	106.482	133.002	853.553	
BRCT Inc.	251.559			
Lasit Spa	203.255		724.855	
Ot-Las Srl			602.379	
Quanta System SpA	650.000		58.054	
AQL Srl			1.920	
ASA Srl			87.268	
Lasercut Technologies Inc.	46.654		234.693	
Cutlite do Brasil Ltda			220.650	
Wuhan Penta-Chutian Ltd			1.367.333	
Deka Medical Inc	138.831		174.126	
Raylife Srl	500.000		10.427	
Total	**3.196.781**	**517.644**	**17.721.140**	**0**

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			116.500	
Actis Srl		29.576	3.367	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			523.216	
Total	13.565	29.576	643.083	-

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Cynosure			4.400	
Asclepion Laser Technologies GmbH			412.624	
Deka MELA Srl			6.101	
Cutlite Penta Srl			2.926	
Deka Technologies Laser Sarl			46.993	
Deka Lasertechnologie GmbH			100.098	
Lasit Spa			348.850	
Ot-Las Srl			8.587	
Raylife Srl			1.409	
Quanta System SpA			979.969	
Cutlite do Brasil Ltda			1.245	
Lasercut Technologies Inc.			372	
Total	-	-	1.913.574	-

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Actis Srl			39.600	
SBI SA			5.700	
Total	-	-	45.300	-

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Cynosure	5.736	600		6.336
Deka MELA Srl	57.691	4.563		62.254
Cutlite Penta Srl	6.372	19.185		25.557
Deka Technolgies Laser Sarl	6.200	56.564		62.764
Deka Lasertechnologie GmbH	37.000	55.426		92.426
Lasit Spa	296.410	670		297.080
Ot-Las Srl	900	34.200		35.100
Quanta System SpA	1.784.507	9.766		1.794.273
Asclepion Laser Technolohies GmbH	461.636	1.630		463.266
Cutlite do Brasil Ltda	1.245			1.245
Raylife Srl		1.409		1.409
Wuhan-Penta Chutian Ltd	4.408			4.408
Total	2.662.105	184.013	-	2.846.118

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl		44.000		44.000
SBI S.A.	5.700			5.700
Elesta Srl	225	39.473		39.698
Total	5.925	83.473	-	89.398

Subsidiary companies:	Sales	Services	Total
Cynosure	2.368.733	126	2.368.859
Deka MELA Srl	12.528.694	433.056	12.961.750
Cutlite Penta Srl	1.268.424	421.823	1.690.247
Esthelogue Srl	60.849	8.426	69.275
Deka Technologies Laser Sarl	1.333.321	21.095	1.354.416
Deka Lasertechnologie GmbH	332.348	32.231	364.579
Lasit Spa	99.776	4.600	104.376
Ot-Las Srl	460.139	25.044	485.183
Deka Laser Technologies LLC	136.813		136.813
Deka Laser Technologies INC	615.113	1.330	616.443
Asclepion Laser Technologies GmbH	1.852.883	203.361	2.056.244
Quanta System SpA	85.790	717	86.507
ASA Srl	528.103	3.484	531.587
Wuhan Penta-Chutian Ltd	1.080.981	320	1.081.301
Cutlite do Brasil Ltda	106.239		106.239
With Us Co Ltd	225.000		225.000
Deka Medical Inc.	164.801		164.801
Raylife Srl	172.170	24.000	196.170
Lasercut Technologies Inc.	9.391		9.391
Total	23.429.568	1.179.613	24.609.181

Associated companies:	Sales	Service	Total
SBI S.A.	55.000		55.000
Elesta Srl	283.202	1.198	284.400
Total	338.202	1.198	339.400

Subsidiary companies:	Other revenues
Cynosure	10.725
Deka MELA Srl	57.643
Cutlite Penta Srl	99.539
Esthelogue Srl	193
Deka Technologies Laser Sarl	1.216
Deka Lasertechnologie GmbH	5.121
Lasit Spa	105.406
Ot-Las Srl	1.799
Deka Laser Technologies LLC	7.238
Deka Laser Technologies Inc	8.136
Quanta System SpA	248
Asclepion Laser Technologies GmbH	15.118
ASA Srl	2.578
Wuhan Penta-Chutian Ltd	5.418
Cutlite Do Brasil Ltda	80
Raylife srl	1.980
Deka Medical Inc.	4.880
Lasercut Technologies Inc.	43
Total	327.361

Associated companies:	**Other revenues**
Elesta Srl	1.200
Actis Srl	2.400
Total	3.600

The amounts shown on the charts above refer to operations which are inherent to the characteristic management of the company.

The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl and to Cutlite Penta Srl for the portions of the buildings in Calenzano which they occupy and to Lasit Spa for the factory at Torre Annunziata. .

Moreover, we have entered into accounts approx. 77 thousand Euros in interest earned on the financing granted to subsidiary companies, as well as 1 thousand Euros in interest earned on the financing of 100 thousand Euros granted to Actis Srl.

Members of the Board of Directors, the Board of Statutory Auditors s and other strategic executives
Members of the Board of Directors and the Board of Statutory Auditors receive the salaries indicated in the chart below.

Person		***Appointment description***	***Director compensation***			
Name	*Position*	*Term duration*	*Fees*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
Gabriele Clementi	President of the Board of Directors	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Barbara Bazzocchi	Managing Director	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Andrea Cangioli	Managing Director	Until the date of the assembly for the approval of the financials for 31.12.2011	90.000			6.500
Michele Legnaioli	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Paolo Blasi	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Angelo Ercole Ferrario	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Alberto Pecci	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Stefano Modi	Director	Until the date of the assembly for the approval of the financials for 31.12.2011	12.000			
Vincenzo Pilla	President of the Board of Statutory Auditors	Until the date of the assembly for the approval of the financials for 31.12.2009	26.036			
Giovanni Pacini	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.2009	18.002			
Paolo Caselli	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.2009	18.000			

Board member Stefano Modi during 2009, as an employee of the company, received a salary of approx. 104 thousand Euros.
The remuneration of the directors of the parent company, for their functions in other companies included in the area of consolidation, are as follows: Barbara Bazzocchi, as sole director of Cutlite Penta Srl received from that company a salary of 12.000 Euros; Gabriele Clementi as sole director of Esthelogue Srl (ex-Valfivre Italia Srl) and occupying that office until September 10th 2009 received from that company a salary of 8.318 Euros and, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen. Andrea Cangioli, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen. Angelo E. Ferrario as President of the Board of Directors of Quanta System SpA received a salary from that company of 90.000 Euros and as a board member of Arex Srl he received a salary from that company of 10.000 Euros.
The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors of Deka Mela Srl and Lasit SpA and acting Auditor of Cutlite Penta Srl received from these companies a total salary of 28.058 Euros; Giovanni Pacini, as statutory Auditor of Deka Mela Srl and Cutlite Penta Srl received from these companies a

total salary of 16.315 Euros; Paolo Caselli as President of the Board of Statutory Auditors of Cutlite Penta Srl and acting Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of 24.309 Euros; Manfredi Bufalini as acting Auditor of Quanta System SpA received from this company a salary of 7.020 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 6.000 Euros.
The company does not have a general director.

Physical persons possessing an equity in El.En. SpA
Besides the members of the Board of Directors, the Board of Statutory Auditors s and the President of the Technical-Scientific Committee, partners Carlo Raffini and Pio Burlamacchi also received salaries, as follows:
a) Mr. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks from January 1st 2009 to August 31st 2009, received an annual salary of 34.222 Euros;
b) Prof. Pio Burlamacchi, who, on the basis of a specific contract, is the owner of an industrial right consisting of a patent pending for the invention of a "Support of an optical cavity for lasers with regulation of the alignment of the ray" received a salary of 6 thousand Euros.

The table below shows the incidence that the transactions with related parties had on the economic and financial situation of the company.

Impact of related party transactions	**Total**	**Amount**	**%**
a) Impact of related party transactions on the balance sheet			
Equity investments	18.328.856		0,00%
Other non current assets	547.220	547.220	100,00%
Accounts receivables	22.528.417	18.365.886	81,52%
Other receivables	3.881.535	3.208.683	82,67%
Non current financial liabilities	136.100		0,00%
Current financial liabilities	88.502		0,00%
Accounts payables	7.876.379	1.957.030	24,85%
Other payables	2.488.264	1.844	0,07%
b) Impact of related party transactions on the profit and loss			
Revenues	36.092.461	24.948.581	69,12%
Other revenues and income	1.241.404	330.961	26,66%
Purchases of raw materials	13.823.780	2.668.030	19,30%
Other direct services	2.740.106	56.914	2,08%
Other operating services and charges	5.015.480	210.572	4,20%
Financial charges	-424.640		0,00%
Financial income	887.335	78.227	8,82%

Risk factors and Procedures for the management of financial risks (note 34)

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Company, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality, which is also certified, of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the Company.

The main financial instruments of the Company include checking accounts and short-term deposits, short and long-term financial liabilities. Besides these, the company also has payables and receivables derived from its activity.
The main financial risks to which the Company is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
The company is exposed to the risks of oscillations in the exchange rate of the currencies in which some of the commercial and financial transactions are expressed. These risks are monitored by the management which takes all the necessary measures to reduce this type of risks.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance.
The devaluation provision which is accrued at the end of the year represents about 23% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in note (6) of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies. For these financings no devaluation has been necessary.

As far as guarantees granted to third parties are concerned, together with a minority shareholder, the Parent Company El.En has underwritten for a maximum of 1 million Euros a guarantee on the loan of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing for 900 thousand Euros, to be repaid in installments that come due 84 months after the date of issuance, which occurred in the second half of 2009.

Cash and interest rate risks
As far as the exposure of the Company to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the company has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The objective of the management of the capital of the Company is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Company, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

Financial Instruments (note 35)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Company.

	Book value	Book value	Fair value	Fair value
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Financial assets				
Financial mid and long term receivables	547.220	617.572	547.220	617.572
Financial receivables within 12 months	3.228.683	3.847.284	3.228.683	3.847.284
Cash and cash equivalents	7.618.474	11.535.737	7.618.474	11.535.737
Financial liabilities				
Financial mid and long term debts	136.100	268.199	136.100	268.199
Financial liabilities due within 12 months	88.502	43.162	88.502	43.162

Other information (note 36)

Remuneration of directors and statutory auditors

	31/12/2009	31/12/2008	Variation	Var.%
Remuneration of directors	330.000	511.418	-181.418	-35,47%
Remuneration of statutory auditors	62.038	62.038	-	0,00%
Total	392.038	573.456	-181.418	-31,64%

Average number of employees divided by category

	Average 2009	31/12/2009	Average 2008	31/12/2008	Variation	Var. %
Executives	11,5	11	12,0	12	-1	-8,33%
Management	8,5	9	6,0	8	1	12,50%
White collar	88,5	88	88,0	89	-1	-1,12%
Blue collar	69,5	65	66,0	74	-9	-12,16%
Total	178,0	173	172,0	183	-10	-5,46%

For the Board of Directors

The Managing Director – Andrea Cangioli

Declaration of the individual financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as manager in charge of preparing the financial statements of El.En. S.p.A., in conformity with art. 154-bis, sub-section 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:
- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the individual financial statement, during 2009.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the individual statement dated December 31st 2009:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the company.

3.2 the management report contains a reliable analysis of the trends and results of the management as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties which they are exposed.

Calenzano, March 31st 2010

Managing Director	Manager in charge of preparing the Company's financial statements
Andrea Cangioli	Enrico Romagnoli

El. En. S.p.A.

Legal headquarters Via Baldanzese 17 Calenzano (FI)
Register of companies in Florence n. 03137680488

Report of the Board of Statutory Auditors to the Shareholders' Assembly on the financials as of December 31st 2009 in conformity with art. 2429 c.c. and of art. 153 of D. Lgs. n. 58 / 1998.

To our shareholders,

the Board of Directors of El.En. S.p.A. herewith presents to the Assembly of the company the proposed company report as of December 31st 2009 which was consigned to the Board of Statutory Auditors on March 31st 2010.

During the financial year 2009 the Board of Statutory Auditors conducted its activity in compliance with the regulations of the "*Testo Unico delle disposizioni in materia di intermediazione finanziaria*" (rules for financial intermediaries) D. Lgs. February 24th 1998 n. 58 and in conformity with the operating principles of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Business Administrators and Accountants) for the companies quoted on the stock market and with Consob Communication of April 6th 2001, modified and integrated with communication DEM/ 3021582 of April 4th 2003 and subsequently with communication DEM/6031329 of April 7th 2006.

In compliance with art. 155 D.Lgs. n. 58 of February 24th 1998, it should be noted that the activity of revision of the accounts and the financials is the responsibility of the Independent auditor Reconta Ernst & Young S.p.A. which was confirmed for the auditing of the financials for 2006 – 2011, by the shareholders' assembly which met on May 9th 2006, subject to the approval of the Board of Statutory Auditors.

For the financials as of December 31st 2009, the Independent auditor found no faults and declared that the statement was in conformity with the rules that govern the criteria for drawing up financial statements, that it is was written clearly and that it represented in a true and correct manner the economic and financial situation, the earnings and the cash flow of El.En. S.p.A.. The Independent auditor also found that the information contained in the management report and the report on corporate governance was consistent with the statement.

The financial statement as of December 31st 2009 was drawn up in conformity with the International Accounting Principles (IFRS).

In conformity with the recommendations given by Consob, with their communication of April 6th 2001, we declare that the Board of Statutory Auditors:

- Supervised the respect of the law and the act of constitution.

- Obtained from the directors, at least every quarter, information on the activity conducted and on the operations of major economic and financial significance made by the Company (and by its subsidiaries) and can reasonably affirm that the activities voted and carried out are in conformity with the law and with the company Statute and are not manifestly imprudent, risky or in potential conflict of interest or in contrast with the decisions made by the Assembly or of a nature to compromise the shareholders' equity.

- They have been informed about and have supervised, within the limits of their competency, the adequacy of the organizational structure of the Company, of the respect of the principles of correct administration, and the adequacy of the instructions given by the company to the subsidiaries in conformity with art. 114, sub-section 2 of D.Lgs. 58/98, through the gathering of information from the persons responsible for the organizational functions. As far as the inter-group operations are concerned, the directors, in the explanatory notes, illustrate and describe the relations between the Company and the companies of the Group, stating that the operations took place under normal market conditions.

- They have initiated an exchange of information with the Independent auditor, both by examining the minutes transcribed in the auditing books and meeting with their staff in conformity with art. 150, sub-section 2, D.Lgs. 58/98, and from these meetings no information emerged that needed to be mentioned in this report. From this exchange of information it emerged that the Independent auditor found no irregularities or errors in reference to the regular bookkeeping and the correct reporting of facts related to the management of the entries in the accounts which required notification to the competent authorities.

- They have initiated an exchange of information with the corresponding bodies of the Italian subsidiary companies concerning the administration and control and the general trend of the activities.

- They have evaluated and supervised the adequacy of the internal controls system and the administrative and accounting system as well as its reliability in correctly representing management events by (i) the obtaining of information from the managers of the respective functions, (ii) the inspection of the company documents and the analysis of the results of the work conducted by the Independent auditor, (iii) supervising the activity of the provosts for internal controls and (iv) participating in the activity conducted by the Internal Control Committees of the Board of Directors instituted by the Company in compliance with the *Codice di Autodisciplina* for companies quoted on the stock market; in relation to this no particular observations were reported. The Board of Statutory Auditors, moreover has taken note of the contents of the communication from the manager in charge of preparing the company's financial statements regarding the fulfilling of his duties and the declarations made by him and by the managing director in conformity with the law.

- From the Supervising Body, instituted in conformity with D.Lgs 231/2001, of which the statutory auditor Paolo Caselli is an acting member, they have received information concerning the activities conducted by this body. From this information no anomalies or reprehensible facts emerged.

- They reported that from the information received from the directors and from the conversations had with representatives of the Independent auditing company, the existence of atypical or unusual operations conducted with companies of the Group, correlated or third parties during 2009 or after the closure of the financial year, did not emerge.

- On the basis of the findings communicated by the Independent auditing company concerning their individual balance sheet, they did not report any critical points or errors in information.

- On April 8th 2010 El.En S.p.A. received a registered letter addressed to the Board of Statutory Auditors from a shareholder, Carlo Fabris, concerning a presumed violation of art. 2408 c.c. *("Denuncia in base all'art.2408 c.c.")*. In his letter Mr. Fabris complained of the lack of compliance with art. 84 sub-section 2 (*"alle prescrizioni previste dall'art. 84 comma 2 Regolamento Emittenti")*, and asked the Board of Directors what they intended to do in order to rectify this violation and the Board of Statutory Auditors to intervene within the limits of their competency. The Board of Statutory Auditors first of all pointed out the generic nature of the complaint lodged by the shareholder, who did not specify which of the provisions contained in the sub-section he cites had been violated and what kind of damage was inflicted if any. In the second place, once the inquiry had been completed, the Board of Statutory Auditors took note of the fact that the Company, in any case, had published a “Notice to shareholders” in which they specify the number of ordinary shares, the number of treasury shares held by the Company, and in relation to which the vote is suspended by law, and the methods for obtaining the proxy to attend the assembly. They believe, therefore, that there are were no flaws in the procedure used to convene the shareholders Assembly which was held on April 29th 2010 in first convocation and on April 30th 2010 in second convocation.

- The Board of Statutory Auditors has not received any further reports of violations of ex art. 2408 of the Civil Code nor other protests from third parties.

- They have taken note of the fact that the Company has substantially adhered to the *Codice di Autodisciplina* set up by the Commission for corporate governance of companies quoted on the stock market. The Board of Directors has appointed two independent directors and has instituted the following commissions: Nominations Committee, Remuneration Committee, and Internal Control Committee. Concerning the activities conducted and the state of implementation of the regulations contained in the above mentioned code, the Board of Directors has provided ample information in the annual report on corporate governance (*Relazione Annuale sul sistema di corporate governance)*.

- They have taken note of the approval of the Board of Directors of the ethics code for operations made on financial instruments by the El.En. Group (*Codice di "Comportamento per operazioni compiute su strumenti finanziari del Gruppo El.En. da persone rilevanti")* in effect starting on January 1st 2003, in compliance with the stock market regulations ("*Regolamento dei mercati organizzati e gestiti da Borsa Italiana S.p.A.")* approved on July 9th 2002.

- In a specific statement of the Directors, confirmed by the Independent auditing company, they declare that to the same independent auditing company the following tasks have been assigned besides the auditing of accounts and management reports:
    - Professional services for assistance in the testing phase as part of the project for adaptation in compliance with L. 262/2005 for 20 thousand Euros;
    - Non-auditing services rendered to the American subsidiary Cynosure Inc., by Ernst & Young LLP of Boston to which a fee of 52 thousand Euros was paid.

- In a specific statement by the Directors confirmed by the Independent auditing company, there are no positions held by subjects connected to this latter in a continuous relationship.

- The Board of Statutory Auditors did not find any critical aspects in relation to the independence of the Independent auditing company.

During the supervising activity conducted and, on the basis of information obtained from the Independent auditing company, no omissions or reprehensible facts emerged of a nature that would require them to be reported to the controlling bodies or mentioned in this report.

Upon the appointment by the Board of Directors of the manager in charge of preparing the Company’s financial statements, the Board of Statutory Auditors expressed their favourable opinion in conformity with art. 154-bis D. Lgs. 58/98.

The Board of Statutory Auditors issued statements related to the fees as per ex art. 2389 n. 3 c.c. and to the modification of art. 11 of the Company Statute concerning the terms for the convocation of the Assembly for the approval of the financials which was implemented in order to adapt it to art. 154-ter D.Lgs 58/98 during the assembly held on April 30th 2009.

The Board of Statutory Auditors believes that the internal procedure adopted by the Company in order to comply with art. 36 of the stock market regulations (*Regolamento Mercati*) approved by Consob with vote 16191/2007 concerning information and suitability of the systems of transmission of data by the subsidiary companies governed by countries not belonging to the European Union, is adequate.

The supervising activity described above was conducted in six meetings of the Board of Statutory Auditors, attending six meetings of the Board of Directors and one meeting of the shareholders' assembly and participating in the activities of the Internal Control Committees.

The Board of Statutory Auditors has verified the correct application by the Board of Directors of the criteria and of the procedures adopted to evaluate the independence of the independent directors in conformity with art. 3.C.5 of the *Codice di Autodisciplina*. The Board of Statutory Auditors has also verified the compliance with the criteria for independence of its own members both in the phase of appointment and afterwards, in conformity with art. 10.C.2 of the *Codice di Autodisciplina.*

The Board of Statutory Auditors, in consideration of the results of the verifications conducted and the positive opinion of the Independent auditing company, expresses their favourable opinion for the approval of the financials as it has been presented by the Board of Directors, and of the proposal by the same body in relation to the destination of the earnings for the financial year.

Florence, April 13th 2010.

The Board of Statutory Auditors

Dott. Vincenzo Pilla, president of the Board of Statutory Auditors

Dott. Paolo Caselli, Statutory auditor.

Dott. Giovanni Pacini, Statutory auditor.

The list below shows the various positions held by the members of the controlling body with the companies in conformity with *libro V, Titolo V, Capi V-VI-VII of the c.c.* on the date of issue of this report, in conformity with *art. 144 quinquiesdecies* of the *Regolamento Emittenti (Consob vote 11971/99).*

Vincenzo Pilla: *El.En. S.p.A. President of the Board of Statutory Auditors (2009); KME Recycle S.p.A. President of the Board of Statutory Auditors (2011); Dekamela S.r.l. President of the Board of Statutory Auditors (2009); Lasit S.p.A. President of the Board of Statutory Auditors (2009); Affitto Firenze S.p.A. President of the Board of Statutory Auditors (2011); Cutlite Penta S.r.l. Statutory auditor (2009); Geikos S.p.A. Statutory auditor (2010); KME Italy S.p.A. Statutory auditor (2009); Kme Group S.p.A., Statutory auditor (2011); number of positions held at listed company: 2; overall number of positions held: 9.*

Paolo Caselli: *El.En. S.p.A. Statutory auditor (2009); Dekamela S.r.l. Statutory auditor (2009); Lasit S.p.A. Statutory auditor (2009); Cutlite Penta S.r.l. President of the Board of Statutory Auditors (2009); Figli di Michelangelo Calamai S.r.l. Statutory auditor (2011); Betamotor S.p.A. Statutory auditor (2010); Biagioni Gas S.r.l. Statutory auditor (2010); IMEG S.r.l. Statutory auditor (2009); Firenze Convention Bureau S.c.r.l. (2010); number of positions held at listed company: 1; overall number of positions held: 9.*

Giovanni Pacini: *El.En. S.p.A. Statutory auditor (2009); Dekamela S.r.l. Statutory auditor (2009); Cutlite Penta S.r.l. Statutory auditor (2009); number of positions held at listed company: 1; Overall number of positions held:3*

Independent auditors' report

pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998 (now Article 14 of Legislative Decree No. 39 of January 27, 2010) (Translation from the original Italian text)

To the Shareholders of El.En. S.p.A.

1. We have audited the financial statements of El.En. S.p.A. as of and for the year ended December 31, 2009, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the El.En. S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   Our audit of the financial statements for the year ended December 31, 2009 was made in accordance with the regulations in force during that year.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 10, 2009.
3. In our opinion, the financial statements of the El.En. S.p.A. as of December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the El.En. S.p.A. for the year then ended.
4. The management of El.En. S.p.A. is responsible for the preparation of the Management Report and the Annual Report on Corporate Governance and the ownership structure, published in the Investor Relations section of the El.En. S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Management Report and of the information reported in compliance with Article 123-bis of Legislative Decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report and the information reported in compliance with Article 123-bis of Legislative Decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance are consistent with the financial statements of El.En S.p.A. as of December 31, 2009.

Florence, April 13, 2010

Reconta Ernst & Young S.p.A.
signed by: Fulvio Favini, partner