PROJECT LUX

Information Memorandum

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OVERVIEW

A successful provider of medical devices for the fast-growing aesthetics market

Lux develops, produces and distributes two ranges of medical devices, using state-of-the-art Intense Pulsed Light technology, targeting the fast growing aesthetics market of hair and beauty salons, spas, laser clinics and specialised medical aesthetic practitioners.

Lux's devices are primarily used for unwanted hair removal but also for treating chronic acne and visible surface veins, etc.

Technology of the future

Intense Pulsed Light is a recent, but proven and widely accepted technology. It is rapidly replacing existing laser, electrolysis and traditional treatments. Lux's intellectual property is protected by international patents.

Certified product range giving access to most international markets

Access to international markets is subject to stringent medical certification. Lux's products have been approved to the highest international standards: Health Canada, Food & Drugs Administration (USA) and CE Medical (EU).

A profitable business with attractive prices and pricing models

Lux sells its devices at highly competitive prices. Nevertheless, it delivered 2010 EBIT of € 0.6 million for € 1.8 million Revenue.

Thanks to flexible pricing models Lux enjoys a growing percentage of recurring revenue.

Large off Balance-Sheet financial asset

Lux has installed base of 150 medical devices sold under the "Freedom" pricing model. In order to operate these devices, end customers need to purchase "Flash Packs" the average value of which is estimated at € 14,000-€ 20,000 over a 5-year period.

Notwithstanding future profitability generated by current operations and by additional development initiatives, Lux's acquirer will in any case cash in an amount comprised between € 2 million and € 3 million over the next 5 years.

Production is well-established and scalable

Lux has focussed on creating robust device assembly, maintenance and distribution capabilities with well-documented processes, reliable component supplier partners and high quality standards. This solid infrastructure can now support rapid expansion.

The company is better structured than most companies of the same size

The whole company is structured around an ISO Quality Management System which would be the envy of companies many times its size, and which is a solid base for future expansion.

Sales effectiveness can be improved to accelerate growth

Lux can accelerate commercial development through increasing effectiveness of direct and indirect sales channels, particularly in high potential export markets.

Lux is launching a third product range targeting body remodelling

Lux has developed a third product range in the area of body remodelling and targeted fat removal. Full benefits of this new launch will be reaped by the Company's acquirer.

Opportunity

With cutting edge products and proven pricing models, Lux offers an acquirer with a strong commercial focus, or a complementary range of products with existing distribution channels, the opportunity to drive significant additional value from the business.

Intense Pulsed Light is a rapidly expanding technology used for unwanted hair removal and for treating skin blemishes, chronic acne and visible surface veins.

Lux develops, produces and distributes two ranges of Intense Pulsed Light medical devices. It addresses the fast growing aesthetics market of hair and beauty salons, spas, laser clinics and specialised medical aesthetic practitioners.

Lux is also in the process of launching a new ultrasound body remodelling device.

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4 THE OPPORTUNITY

Lux's medical devices address two primary markets:

- 85% are for the aesthetics/beauty: permanent hair reduction, skin rejuvenation, blemish removal, etc.
- 15% are for the medical market with skin disorders treatment: birthmarks, broken capillaries, etc.

1 COMPANY PRESENTATION

1.1 GENERAL OVERVIEW

1.1.1 Project outline

Project "Lux" is the planned sale of a company (hereafter referred to as "Lux"). Lux is a manufacturer of Intense Pulsed Light medical devices destined for the Aesthetic and Medical treatment markets.

The company operates from a single facility in Northern Paris and currently employs 16 staff (including trainees and apprentices) in addition to the 2 co-owners. In 2010, Lux sold 118 devices and generated € 1.8 million revenues. It has virtually no debt and is highly profitable.

1.1.2 Activities and market position

Lux designs, manufactures, commercialises and supports professional-use Intense Pulsed Light devices for specialised practices, clinics and salons in two primary markets :

- Aesthetics/beauty: permanent hair reduction, skin rejuvenation, etc.
- Medical: Treatment of skin disorders such as birthmarks, Rosacea, broken capillaries, etc.

In 2010, 85% of the total of 118 Lux devices delivered were destined for the Aesthetics market. At end July 2011, there were over 750 Lux devices installed worldwide since the company's first product launch in 2004.

1.1.3 Cutting-edge technology

Intense Pulsed Light is widely recognised as being cheaper, faster and less invasive than competing methods such as laser, electrolysis, waxing for many aesthetic applications in hair removal and skin treatments and hence is becoming increasingly popular, particularly in the Aesthetics market.

1.1.4 Intellectual property

Lux has created a unique advantage over other suppliers globally, by developing and patenting the first water-cooled lamp cartridge which can be changed by users directly. This allows continuity of service for aestheticians, and broad distribution for Lux without the need to establish an extensive after-sales service and maintenance structure.

1.1.5 Regulatory certificates

Given the medical implications, Intense Pulsed Light devices are subject to stringent regulatory homologation and approval. Lux has obtained the three most demanding certifications worldwide: Heath Canada, Food & Drugs Administration (USA) and CE Medical (Europe).

As those three major certifications are regarded as references to most certifications worldwide, they have enabled the company to expand rapidly from its home market in France to distribute its devices to 31 countries worldwide (nearly 40% of Lux devices installed in the last 3 years are in export markets).

1.1.6 Expansion into body remodelling

A new device reduces accumulated fat and cellulite using ultrasound cavitation, addressing the "body remodelling" trend of the Aesthetics market. Test marketing since late 2010 has proven the attractiveness of the market and the final launch version of "Cavifast" will be ready for full commercialisation in early 2012.

1.1.7 Transaction perimeter

The transaction perimeter includes the Lux company as it exists at the time of the transaction with its current product suite of Estheflash3, Mediflash3 and the new Cavifast devices, and associated accessories including the unique Easylamp replaceable lamp cartridge. All patents, homologations and other certifications for the devices belong to Lux and are included in the transaction.

If required by the acquirer, the transaction perimeter can also include the small separate legal entity used to deliver training to customers.

1.1.8 Project rationale and objective

Lux's owners and co-founders are pioneers who have built this company to its current state by leveraging strong customer insight, ability to conceive innovative solutions to customer needs and to build business model which is demonstrably highly profitable.
Lux has the products, licenses, organisation and production infrastructure which would allow a commercially minded acquirer to drive rapid growth, especially in international markets, and reap the benefits of increased revenues and profit.
Lux's co-founders are conscious that their pioneering talents would be under-utilised in the next logical stages of Lux's development. They are already considering a new business opportunity more in line with these talents and which will not compete with Lux.
Their objective, and hence the current project, is to see Lux and its potential move forward in the right hands.

1.1.9 Transition

The co-founders/current owners who are on the company's payroll will resign upon completion of the Transaction. However, they are willing to ensure Lux's ongoing success by providing support to the acquirers for a limited period of time, at terms and conditions to be agreed between the parties.

1.2 MARKET ANALYSIS

Lux addresses certain needs of the Medical and Aesthetics markets thanks to an innovative technology called Intense Pulsed Light. As technical edge is important for an acquirer, this section will focus primarily of the supply side of the market (competing technologies, major players, etc.) rather than the demand side (end users, distribution channels, etc.).

1.2.1 Intense Pulsed Light - new technology for a dynamic market

1.2.1.1 What is Intense Pulsed Light?

Intense pulsed light, a recent (1995) development of laser technology, is aimed at producing light of high intensity during a very short period of time. It involves specific flash lamps together with capacitors whose rapid discharge provides the high energy required.
The practical application of Intense Pulsed Light is in photo-thermolysis - the absorption of high intensity light energy into matter and its conversion into heat. In an aesthetic or medical Intense Pulsed Light treatment, darker coloured tissue, such as the pigment in a hair follicle, in veins or in an age spot, absorbs more light energy than the surrounding, lighter coloured tissue. As the amount of absorbed light energy increases, the level of heat rises, resulting in damage to the pigmented cells. Selective photo-thermolysis is the theory behind all light based medical and aesthetic equipment - using light energy, which is converted to localised heat, to selectively disable specific targeted cells in the tissue.

Intense Pulsed Light systems are unique in the way they deliver light energy to the skin. A laser will deliver one pulse of a specific wavelength of light while an Intense Pulsed Light will deliver numerous pulses of a broad-spectrum wavelength of light. As the name “Intense Pulsed Light” indicates, the light flashes are intense and pulsed, meaning the system delivers a very strong series of light flashes in very rapid succession. Multiple flashes ensure that the targeted dark tissue (hair follicle, melanin, oxy-haemoglobin etc.) builds a critical level of temperature to damage the tissue whilst not damaging lighter coloured surrounding tissues.

1.2.1.2 Intense Pulsed Light devices address needs of the rapidly growing market for "looking good"

The destruction of targeted tissues using Intense Pulsed Light has many aesthetic applications including:

- Removing darker tissues in skin or age spots (often caused by dark toned melanin) leaving a more even-toned younger-looking skin.
- Causing darker small veins and capillaries, seen under the skin as "spider veins" to shrink and disappear, photocoagulating and destroying the targeted vessel by breaking the vascular wall without damaging any surrounding tissues.
- Treating acne by heating of porphyrins which are produced by bacteria at the surface of the skin, resulting in destruction of the cell membrane, followed by asepsis of the skin by light.
- Destroying hair follicles (roots) and hair producing pupillae by targeting melanin which is produced in the hair growth (anagen) phase, ensuring substantial reduction of unwanted hair in the treated area
- Reduction of skin-aging effects by stimulating production of necollagen and elastin, Pores are tightened improving skin elasticity, the treatment reduces lines and wrinkles, and skin tone is improved. Tolerance has always been very good.

Different wavelengths of light, selected by use of filters, may be used to target different problems. Shorter wavelengths in the visible spectrum are used to target haemoglobin (red skin conditions like Rosacea) and melanin (brown spots and hair follicles). Longer infrared (IR) wavelengths target water in the skin and can treat other conditions.

Expert practitioners agree on the applications of different wavelength available in Intense Pulsed Light devices:

Wavelength (nm)	Used to treat:
420	acne
500	pigment
510	pigment
515	pigment
520	pigment and some vascular lesions
525	pigment and some hair removal
560	pigment and some vascular lesions
590	pigment in skin types
615	larger facial spider veins
640	superficial leg veins
650	hair removal
695	thicker vascular lesions (angiomas, hemangiomas), superficial leg veins, hair removal
755	thicker vascular lesions (angiomas, hemangiomas), superficial leg veins, hair removal

From the above table we can see that applications are available to two distinct but potentially overlapping markets with different needs and controls:

- Aesthetics/beauty - Permanent hair reduction, skin rejuvenation, etc. by well-trained operators in controlled and safe environments
- Medical - Treatment of skin disorders such as birthmarks, Rosacea, broken capillaries, but also aesthetic/cosmetic surgery applications by licensed medical practitioners in appropriate facilities

For both markets the requirement for safe, tested and officially approved Intense Pulsed Light devices, built to the highest quality standards, is of paramount importance.

1.2.1.3 Intense Pulsed Light - a major leap forward compared to alternative treatments

For many medical applications, such as vein treatment and removal, Laser and Intense Pulsed Light treatments have replaced surgical interventions which required hospitalisation, often painful recoveries and potential scarring. Whilst Intense Pulsed Light and Laser both function using photo-thermolysis it may be said that Laser is used where a tightly targeted intervention is required (i.e. varicose veins) where Intense Pulsed Light may be used over a larger area (i.e. facial spider vein removal). For many applications Intense Pulsed Light is seen to replace Laser over time and this is reflected in the marked shift of Laser device suppliers into the Intense Pulsed Light device segment.

Intense Pulsed Light is seen a major leap forward in the treatment of skin disorders such as acne and rosacea, and clinical trials have shown that Intense Pulsed Light is better than traditional antibiotic treatments. Skin spots may also be treated effectively for the first time and Intense Pulsed Light can be used to stimulate collagen to get rid of wrinkles, fine facial lines and reduce pore size. Alternatives such as Botox are invasive and are indeed based on injecting toxins into the body.

For hair removal, traditional methods such as shaving, plucking and waxing are all temporary solutions, which may also have the unwanted effect of promoting growth of new hair in the treated areas. Laser, Intense Pulsed Light and electrolysis treatments can be used for permanent hair reduction but Intense Pulsed Light has a distinct advantage over the others of being able to treat larger areas, being totally non-invasive and having negligible side effects.

A published comparison of Intense Pulsed Light and different laser treatments illustrates Intense Pulsed Light's considerable advantage over laser for hair removal

Methods	Overall Rating	Patient Comfort	Long Term Results	Skin Types	Wave lengths of Light (nm)	Positive (+) or Negative (-) Comments
I. Pulsed Light	A-	A	A	All (1, 2, 3, 4, 5, 6)	From 590 to 1200	++Least painful, no anesthetics needed. ++Long term success, almost 7 years and counting. ++Treats ALL 6 skin types. ++Most versatile. Requires expert physician to use full range of settings safely and effectively. + can be the fastest hair removal method.
II. Diode Laser	B-	C	C	1, 2, 3, (possibly 4, 5)	800 or 810	-Somewhat painful. -Little long-term success data.
III. Nd: Yag Laser	B-	D	C	All (1, 2, 3, 4, 5, 6)	1064	--Very painful. -Little long-term success data. ++Treats all 6 skin types.
IV. Alexandrite Laser	C-	C	B-	1, 2, 3	755	+Treats skin types 1, 2, 3. -I would not use on types 4, 5, or 6. -Moderate pain.
V. Ruby Laser	D	C	B	1, 2, 3	694	+Treats skin types 1, 2, 3. -I would not use on types 4, 5, or 6. -Moderate pain.
Methods	Overall Rating	Patient Comfort	Long Term Results	Skin Types	Wave lengths of Light (nm)	Positive (+) or Negative (-) Comments

Note : Skin types 1 to 6 are standard Fitzpatrick codifications from type 1 (Albino/very pale caucasian) to type 6 (deeply pigmented/African/some Middle Eastern)

Source : laserhairremovalreview.com - Author Dr. Michael Jay, Assistant Professor of Dermatology at New York Cornell Medical School

For many applications in both medical and aesthetic markets, Intense Pulsed Light, which is a relatively new but now proven technology, is the current and potential "best solution".

1.2.1.3 Home use Intense Pulsed Light devices will appeal to some users

Since 2009 miniaturised Intense Pulsed Light devices for home use have been developed and marketed by beauty product distributors, but these are relatively expensive when considering their irregular use, and are reported to be highly variable in quality and performance. Whilst their main promoted use is for hair reduction, even the best home-use devices cannot generate or sustain the power needed to permanently disable the hair follicle - home use devices deliver only 10% to 20% of the effective power of Lux's professional devices - and so effects are at best temporary.

Intense Pulsed Light devices can cause eye and skin problems in untrained hands and the lack of common legislation, particularly for home-use devices, is a concern expressed strongly by the European Society for Laser Dermatology.

These products will appeal to individuals who perceive a regular need for repeat treatment, typically targeting hair reduction, though after effective professional treatment this should not be necessary. We may, however, expect that these products, priced typically at around €300 to €400 will sell to a small proportion of the overall consumer market.

1.2.1.4 Professional Intense Pulsed Light devices - applications for a more beautiful world

In summary, Intense Pulsed Light is a new technology, with proven applications, broad market acceptance and the potential to replace a number of current alternatives over time. Suppliers, such as Lux, who provide safe, innovative and attractive devices for this market have a competitive edge which should allow them both to ride the wave of current trends in "looking good" and to leverage their experience to sustain a technological lead.

1.2.2 Market structure and recent market conditions

1.2.2.1 The Intense Pulsed Light devices market is young but growing well

Intense Pulsed Light dates from 1995, when US dermatologist Patrick Bitter developed the theories of using filtered flashes of light to imitate laser action to clear pigment spots (lentigines) and broken vessels (telangiectasias) and to rejuvenate and smooth the skin. He postulated that with a range of wavelengths and some innovative software a company could produce a device that could cure many ailments at once.

Many of the larger Intense Pulsed Light device producers started in the field of laser technologies for surgical use (including opthalmics), and expanded into the Intense Pulsed Light market as the relative advantages of Intense Pulsed Light for many different applications became clear. The pioneering company in this area was Lumenis, (then called ESC) who introduced the Photoderm device for vein treatment in 1995, the EpiLight (after discovery that hair did not re-grow in vein treated areas) for hair removal in 1997, and the Vasculight device for skin rejuvenation in 1998.

By 2001, numerous other companies began to produce Intense Pulsed Light machines and market their capabilities in photo-rejuvenation, permanent hair reduction and other procedures. Lux's founders set up the Lux legal entity in 2000, with the intention of getting into this dynamic and high potential market, but only dedicated themselves totally from 2004 when their first product was brought to market.

1.2.2.2 The Aesthetics market drives growth

Whilst safety standards on the devices and attention during usage must be high, due to the inherent dangers of treating the human body with high levels of heat (even when extremely localised), Intense Pulsed Light devices are simple and effective to use. They can be used by suitable trained operators in appropriate environments with minimal risk.

The use of Intense Pulsed Light for popular treatments such as permanent hair reduction (depilation), skin rejuvenation, anti-aging, and surface vein treatment has led to rapid adoption across a broad range of aesthetic businesses.

Target customers include existing and newly opening beauty clinics and salons, laser clinics, spas/health clubs and other aesthetic treatment centres. In terms of numbers of potential customers for Intense Pulsed Light devices, this sector is by far the largest, though it can be difficult to size exactly due to the variety of services provided by different players included in the different categories.

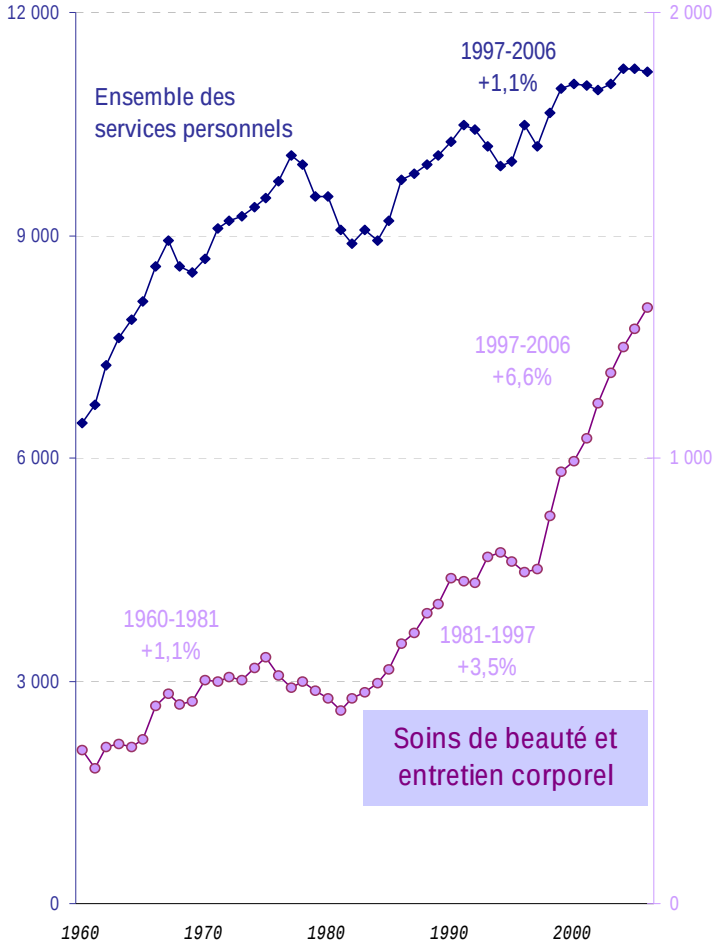
An example of the dynamism of this marketplace is the Spanish "NoMasVello" company founded in 2007, which has built a whole new B2C service business exclusively around Intense Pulsed Light, opening nearly 1,200 franchised clinics in 12 countries offering "fixed price" skin improvement and hair reduction treatments.

In France a recently launched chain of branded hair reduction centres, now provided exclusively with Lux's Intense Pulsed Light devices, already has over 30 centres with a "new openings" pipeline of around 10 centres per month.

In the broader market, while there are some large players, most hair and beauty salons and clinics are local owner-operated small businesses. The Risk Management Association in the USA cites the hair and beauty sector as on of the fastest growing personal service industries in the USA with hair treatment business "booming", in part due to the reduced cost of hair treatment technologies such as Intense Pulsed Light.

Its relatively low cost allows the technology to be attractive to many of the 840,000 small businesses in the hair and beauty sector in the USA, and margins generated by Intense Pulsed Light treatments are cited to be higher than many key elements of the core business of aesthetic beauty salons.

In France a 2008 report by CREDOC on the beauty and body maintenance market cites "spectacular" growth in the overall market, and sustained rapid growth in related service businesses, particularly since 1997



Market in € millions
Source : INSEE 2006

Hard data from the USA and France is reflected around the world in specialist media which cites rapid growth in "looking good" and "anti-aging" treatments, and the rise of profitable aesthetics service small businesses, both in developed and developing countries.

1.2.2.3 Medical applications and supervision can be important

The medical sector is also a strong adopter of Intense Pulsed Light with medical aestheticians, clinics and hospitals using the new technology and treatments both for medical and medical aesthetic purposes. The subject is ever-present in the Medical media, particularly in dermatology and cosmetology, and many medical laser companies are extending their range into Intense Pulsed Light, often with combined Laser and Intense Pulsed Light devices.

In the small specialist field of dermatology - because of the range of treatments which can be required - highly technical combined laser and IPL machines are more popular and relevant, with devices costing up to USD 400,000. However there are a significant number of medical aestheticians and generalists whose needs are adequately met by IPL-only devices which are much cheaper and less complex.

In some countries, health regulations still oblige Intense Pulsed Light treatment 'like Laser therapies) to be administered under medical supervision, even used for simple non-invasive applications - so the market may be termed "medical aesthetic". This "medical aesthetic" market is represented by many small specialist cosmetic surgery or general practices, but also by medically supervised laser clinics which may have many devices ... one "laser clinic" in Paris advertises that it has 19 aesthetic light-treatment devices in a single site.

In addition to the market of fully qualified doctors, other licensed medical practitioners such as physiotherapists represent an opportunity for IPL devices as they expand the range of treatments that they offer.

1.2.2.4 An example - the French market

Lux's home market in France provides an example of approximate sizes of the different prospective segments:

3,500	dermatologists - not a primary target for Intense Pulsed Light-only devices
110,000	general practitioners - around 15,000 with activity in medical aesthetics
35,000	physiotherapists, some of whom expand into aesthetics and anti-aging
12,000	beauty salons/clinics specialised in skin/anti-aging/slimming/hair treatments
55,000	hair salons which could expand into this new profitable activity

Health clubs/spas can be independent, in hotels, or in other sports venues.

As any of these segments can be customers for devices which deliver aesthetic treatments, the market potential is huge. A focussed product and customer strategy has enabled Lux to become an effective player on the French market in a relatively short time.

1.2.2.5 Distribution can be through direct and indirect sales

With such a fragmented market, and many individual/small business buyers, the sales approach can be direct (through a proactive sales force targeting high potential local prospects in specific geographical areas) or through distributors. Distributors will typically be used when covering wide or remote geographies (including international markets), or where established distributors supply the broader needs of the customer segment. An aesthetics sector distributor who supplies cosmeceuticals (cosmetic creams and skin treatments), may also source and supply a range of simple and complex beauty and body remodelling treatment devices for professional use.

As Intense Pulsed Light device are at the more technologically complex end of the range of products supplied by distributors, there is a risk of both incorrect information/over-promise and insufficient training and support. Intense Pulsed Light device manufacturers need to be extremely vigilant to ensure that distributors are up to the task, and have good information and infrastructure, to protect the device brand reputation and the patient.

1.2.2.6 The market has slowed down during the economic crisis but is back on a strong growth track

As for most "discretionary spend" sectors the aesthetics market has experienced turbulent times after the financial crisis of 2008, but even in this period the forecasts for the sector as a whole remained strong, and the recovery has been astonishingly rapid.

Lux's team is quite young but has the necessary skills and knowledge to perform their responsibilities effectively with the required quality level. Well-defined processes ensure rapid integration and training of new staff.

The largest laser manufacturing group En.El showed a decline in revenues of 28% in 2009, with a rapid recovery to 10% growth in 2010, and forecasts of continuing strong growth in the coming years.

Lux, with its innovative and attractive products and flexible pricing was more resilient with a moderate downturn in revenues in 2009, despite having to slow down commercial efforts due to a now-resolved supplier problem. This downturn was followed by an increase of 16% in Intense Pulsed Light devices sold in the last 12 months.

1.2.2.7 Profitable and dynamic small businesses are open to innovative quality suppliers

In this fragmented market, with many individual decision makers, there is room for a provider of value-for-money, technically effective, innovative and attractive IPL devices.

Customers concerns are to see that devices are approved to the highest levels of safety, that they deliver on the promise, that they are affordable and generate profitable business, that they are simple to use and maintain, and that they fit into the environment of their business.

Lux has focussed tightly on all of these elements to deliver the successful growth, and excellent reputation, which the company has experienced in recent times.

1.2.3 The market is competitive but fragmented

1.2.3.1 Overview

Competitors range in size from small local companies to large, multifaceted corporations, which may have greater financial, technical, marketing and other resources.

A few large global companies with total sales of over € 50 million each are highly visible on the market but produce a large range of devices, with Intense Pulsed Light as a small and low profile component of their total offering.

In some European markets such as UK, Spain and Italy locally-established competitors appear to focus initially on their home market with some export volumes and ambitions. Typically these companies do not have any significant competitive edge, and many still use outdated technology such as ineffective air-cooling of treatment lamps, unlike Lux's advanced water-cooling innovations.

Competitors typically come from two different origins:

- From the laser market - often technology driven and with their roots strongly planted in the medical area where lasers are used for highly technical surgical and medical treatments such as eye operations, photocoagulation, surgical cutting procedures, dental surgery etc. Intense Pulsed Light devices extend the laser product ranges, and allow medical practitioners to treat vascular (vein) problems and other aesthetic skin treatments, and now allow expansion into the aesthetics area.
- From the aesthetics market - mostly driven by the needs of this specific market, and the distribution relationships established over time for all product needs. These competitors may have a range of offerings from cosmeceuticals ("lotions and potions"), through simple beauty devices such as skin abrasion, light therapy and slimming machines, to more complex devices such as ultrasound cavitation, and Intense Pulsed Light devices.

The approach, products and presentation of different companies are therefore substantially different and run from the highly technical to highly aesthetic, with complex or simple marketing messages and distribution strategies adapted to their respective markets.

Lux appears unique in its focussed approach to Intense Pulsed Light capabilities and to the aesthetic and medical aesthetic markets - which means that its product ranges and pricing are totally adapted to the needs of its current and potential customers.

The variety of different devices on the market, with different combinations of laser and Intense Pulsed Light and different technical specifications, makes direct price comparison difficult. In fact some complex medical devices combining laser and Intense Pulsed Light functionality sell for up to $ 400,000 on the US market. Publicly available information shows medical aesthetic Intense Pulsed Light devices priced from € 35,000 to € 60,000. Lux's focus on Intense Pulsed Light only machines is perfectly adapted to the Aesthetics and Medical Aesthetics market Lux's prices at € 19,990 (aesthetic) and € 39.990 (medical aesthetic) appear very competitive and sustainable.

Some of the more notable players in the Intense Pulsed Light device market are described below. It is worth noting that Lux is one of the few European manufacturers focussed exclusively on Intense Pulsed Light devices for aesthetic and medical applications.

1.2.3.2 Global Competitors focus primarily on the USA

A small number of companies, based in USA and Israel, and with historic roots in the laser equipment market can be counted as global competitors in the laser and Intense Pulsed Light market. Whilst they are large in overall size, a major part of their revenues are typically from the laser business, device prices are expensive as they target subsidised medical use in US, and all the companies are heavily dependent on the US market.

The US market is very focussed on medical aestheticians and cosmetic surgeons, hence Intense Pulsed Light only devices, which appeal to a broader aesthetics market, do not appear to be the principal focus for any of the big players.

Key players include:

Lumenis

Lumenis, the pioneer of IPL devices (as ESC Medical Systems and Coherent Medical Group) is based in Israel. Global sales of this group are $ 237 million in laser and Intense Pulsed Light devices and related services, of which the aesthetics component represents 37%. Lumenis has around $ 50 million of sales in each of EMEA, China/Asia Pacific and Japan regions and nearly $ 100 million in the Americas.

Although Lumenis' core business is medical devices for surgery, and most of its Intense Pulsed Light devices are expensive models combined with laser technology, it has some Intense Pulsed Light-only devices which compete directly with Lux's range.

Syneron Medical Ltd. (which also now incorporates Candela Corporation);

Syneron Medical is another corporation of Israeli origin producing and commercialising a range of aesthetic devices primarily to the medical and medical-aesthetic community. The Company sells its products under two distinct brands, Syneron and Candela, and has R&D and manufacturing facilities both in Israel and the US.

It markets, services and supports its products in 86 countries with offices in North America, France, Germany, Italy, Portugal, Spain, UK, Australia, China, Japan, and Hong Kong. Global revenues are $ 114 million with 50% generated in the North American market.

Syneron/Candela covers a vast range of devices and treatments of which Intense Pulsed Light devices represent a small part. Light-based devices sold are typically high end specialist units with a combination of Radio Frequency, laser and Intense Pulsed Light capability.

The absence of attractively priced Intense Pulsed Light only devices in their portfolio may be the reason for Candela marketing a European competitor's (Ellipse) devices in the US. In this respect Syneron/Candela may not be a significant competitor to Lux in France and Europe.

Cynosure

Cynosure promotes itself as the "leader in aesthetic lasers" and its core business is clearly stated to be the laser market targeting physicians and aesthetic business owners. Cynosure was founded in 1991, and is now controlled by the Italian El.En. group (also owner of Italian competitor Deka Lasers) with a 23% shareholding in the company. The company generated $ 82 million of revenues in 2010, of which 43% in North America.
Cynosure's current range of 12 devices include a broad range of laser devices, including Alexandrite, pulsed dye, Nd, YAG and diode lasers, combination devices as well as one Intense Pulsed Light only device.

Palomar Medical Technologies

Palomar Medical Technologies is another US company which specialises in lasers and other light-based products for use in medical and cosmetic procedures. As with other major US players the core focus is medical and few products serve the Intense Pulsed Light only aesthetics market. Palomar's professional devices can be extremely expensive and the low cost aesthetic device niche does not appear to have been a priority, despite the attractive growth potential and margins in this market.

Palomar's total revenues in 2009 were $ 60 million with over 60% from the USA. They have regional sales offices in Europe (Amsterdam) and Australia (Sydney).

Other US and Israel based companies

Several other companies in the US or US/Israel produce and market laser and Intense Pulsed Light devices, but most seem to operate in a similar US-centred market space, with roots in the established US-style cosmetic surgery market and a relatively low footprint in Europe despite their larger overall size compared to European competitors.

These companies include:

- Cutera - *" sell laser and light based medical devices ... directed to physicians specializing in cosmetic procedures "* . Revenue $53 million in 2010 of which 36% in US.
- Sciton - *" laser and light source solutions for medical professionals".* Estimated sales in the range of $10-20 million.
- Alma Lasers - *"provider of laser, light-based, radiofrequency and ultrasound devices for aesthetic and medical applications*", but with no apparent Intense Pulsed Light devices. Headquartered in Israel with an office in USA, Alma Lasers filed for, and then withdrew, an Initial Public Offering in the USA in 2008. At the time Alma had around 140 staff and $ 62 million of revenues, and is said to have continued to grow rapidly since then.

In summary, the major US and Israel based competitors appear to focus on a US-style market of cosmetic surgeons and dermatologists with expensive laser-based or combination technologies which meet neither the needs or price points required to appeal to the aesthetics market targeted by Lux. They have decided not to "cover all bases" and thus leave an attractive and growing market wide open for companies like Lux.

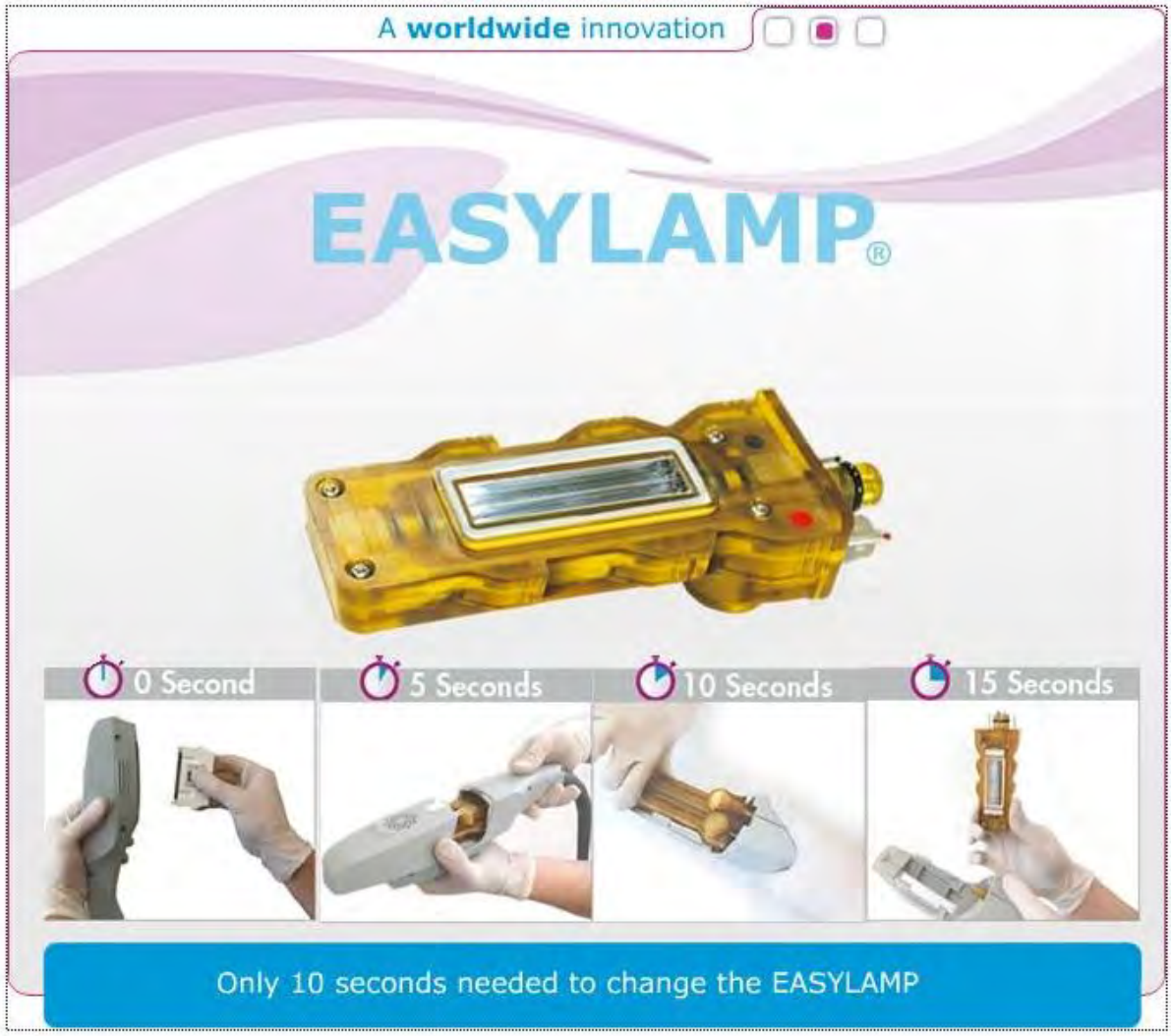
1.2.3.3 European competitors have "home country" strength, but with export markets and ambitions

The European markets have spawned a number of small local players in laser and aesthetics markets, who have built local market share in their home markets, and some export sales. Typically they have a broader focus than Lux, either coming from the laser device market into Intense Pulsed Light (with combination devices) or from a broad aesthetic/cosmetic distribution base marketing a range of cosmeceuticals and different beauty devices.

Company	Country	Positioning	Size in IPL*	Notes
Biotec Italia	Italy	Aesthetics : Skin Care equipments and beauty products	Small	Cosmeceuticals and a broad range of laser, cavitation, radio frequency, mechanical peeling, lymphatic massage and Intense Pulsed Light devices. Offices in Italy and London
Espansione Marketing	Italy	Surgery and diagnostic. Devices and cosmeceuticals for aesthetics	Small, All company is €100M and 60 staff. (distributor)	No specific "Intense Pulsed Light", but E-light devices are said to use light for many of the applications targeted by Lux's devices. In addition they market cavitation devices for body remodelling
General Project	Italy	Innovative and highly techno-logical beauty and body care products	Small. All company has €6M and 30 staff	Range includes dermoabrasion, laser, Pulsed Light, oxygen therapy, massage and ultrasound systems. Similar in many ways to Lux, but less technologically advanced in IPL
Deka Laser Technologies	Italy	Primary products are laser devices targeting medical apps	Small. IPL is small part of range. Owned by El.En Group	Said to be the world's largest manufacturer of medical laser equipment ... for aesthetic, surgical, and dental markets
Cyden	UK	"Leader" in the UK intense pulsed light	None in professional. Now only	Pioneers in light-based treatment with strong academic roots. Professional range is understood

		(IPL)/laser market for hair removal	focussing on the home-use market	to have been sold to Energist Group to allow focus on home-use. No longer a direct competitor for Lux
Chromogenex Technologies	UK	At forefront of laser and light technology for aesthetic applications	Small. Strong focus on Laser, and highly technical	Unappealing for professionals working in Aesthetics market. No references on their "clinics database" for the IPL devices, while over 150 clinics are shown for laser devices.
Greenton	UK	Expertise in development & manufacture of lasers for industrial and medical sector	Small. Low cost, small Ecolight product with basic, old technology	Greenton is cited as having market share in Europe, Japan, Middle-East and USA
Energist (McCue)	UK	Specialist medical equipment for the global cosmetic/aesthetic market	Medium Based on broad range of IPL/VPL and exports	Highly acquisitive and has purchase both the Med'Art company (aesthetic lasers), and professional range from Cyden. Global installed base of VPL and iPulse 'ex-Cyden) devices is said to be around 6,000
Lynton Lasers	UK	Provider of cosmetic laser solutions and aesthetic eq't to the medical, cosmetic and beauty sectors	Small Combination devices with laser & IPL	Interchangeable Light Guide (ILG) technology. Models can be taken with IPL-only then upgraded to laser. Compact version of device is available.
Ellipse	Denmark	High-quality laser and IPL systems for dermatologic treatments of a wide variety of medical and cosmetic conditions	Probably medium. Distributes to more than 50 countries world wide. including direct sales in Spain	Distributed by Candela in the US. *"Ellipse is among the top-providers of IPL solutions, and possesses a strong IP position with world wide IPL licenses"* Very focussed on technically proven excellence A strong all-round competitor
Luxsano	Switzer-land	"Leading light pulse technology of skincare and hair removal".	Small. Not very visible on the market and unclear	To lower the existing price on the market, Luxsano ... began to administer sales and customers over the Internet, with announced aims to rationalise its distribution, but a rather unclear strategy for doing so.
IPL-Germany	Germany	First "Made in Germany" IPL device company	This seems to be a poor front for cheap China imports,	All statements made on their site infer that the whole company is still in development and that it has not yet obtained approvals. Many evasive statements and inconsistencies.

Note : "Size in IPL" is an estimate based on range of product offering and overall company size



As with all electric light sources in continuous use, the flash lamp in Intense Pulsed Light equipment heats up during prolonged treatments. Lux has a developed a unique water-cooled lamp system which not only allows the lamp to operate for hours without interruption, but allows the operator to replace an exhausted lamp cartridge themselves in only ten seconds.

Other manufacturers offer replaceable heads but Lux's is the only water-cooled lamp, a significant technical advantage.

As the lifetime of the lamp cannot be predicted exactly, replacement could oblige the clinic to postpone scheduled appointments when the lamp arrives at exhaustion and also to lose operating time during scheduled maintenance.

Fully protected by patents, Lux's innovative Easylamp solution allows continuity of operations for the clinics and hence higher customer satisfaction and loyalty.

In summary, there are a number of small to medium players in the European market who provide some competition to Lux, and appear to have consolidated positions in their home markets. Most are lagging behind Lux in one of three areas:

- Technological edge - many still use air-cooling of lamps/hand-pieces which has a negative impact on patient comfort, treatment efficiency and lamp life compared to Lux's high specification water-cooling system of which key elements are protected by Lux's patents
- Ease of use - Lux's lamp cartridges and optical waveguides can be replaced by the operator in seconds, improving device utilisation and organisation of the operator's business. Many other devices on the market require expert technical intervention for simple maintenance.
- Appeal to aesthetics market - many devices on the market today look outdated and over-technical, and would not fit into the clean and elegant environment created by professionals active in the aesthetics market. Lux has paid particular attention to this key area.

Only one or two competitors appear to have a strong combination of high-level performance, aesthetic appeal and a strong marketing message to the beauty market ... and many are still anchored in the laser market which impacts prices and utilisation by non-medical operators.

1.2.3.4 Focus on the Lux's home market - France- highlights some small competitors

France - Eurofeedback

The Eurofeedback company, whose core business was created around electrical equipment for the military and aerospace market, now has an offerings of IPL devices for the decontamination (food treatment), medical and aesthetics market. Eurofeedback has an aggressive approach as it tries to catch up with Lux's technological edge by submitting patents.
The whole Eurofeedback company, for all the segments in which it is active, has 31 employees and around € 5 million of revenues, which would make it a relatively small player in Lux's market with its Ariane, Anthélia and Adéna devices.

France - BME (Bio-Medical Equipment)

BME which promotes itself as "the anti-aging company" provides a range of devices linked to the medical and cosmetic markets. Its principal product line is skin diagnosis (profiling of wrinkles, pores, redness, pigmentation, hydration and sebum) and hair diagnosis (capilloscopy, trichogram, alopecia, hair diameter and densitometry) to determine care treatments. In addition, BME has two other product lines for slimming/well-being (massage, electro stimulation, ultrasound and other techniques) and "anti-aging"

The "anti-aging" line includes two IPL devices Skin Perfect and Perfect Light, which are "designed, manufactured and maintained in France".

Overall the company, based near Bordeaux, employs 37 people for all its product lines.

In summary, in France there are a few small players, including the above, which compete for market share. Effort to expand the overall market and image of Intense Pulsed Light could be beneficial to all players.

1.2.3.5 Vertically integrated "No Mas Vello" has created an innovative business model

An innovative approach to development of the Intense Pulsed Light Aesthetics market is "NoMasVello" (No More Aging) which was founded in Spain in 2007 (branded as No+Vello outside Spain). The NoMasVello group is a franchise of hair reduction and skin rejuvenation "clinics" which use proprietary Intense Pulsed Light devices developed and manufactured by the parent company. With nearly 1,200 franchised "clinics" currently in operation in 12 countries around the world, including recent expansion into the USA, the increasing sale of its Intense Pulsed Light devices is guaranteed.

The NoMasVello model shows that there is a huge potential synergy in deploying proven technology across a B2C channel, driving overall market expansion. A new permanent hair-reduction franchise launched in France by highly experienced and successful franchise operators, now proposing Lux devices exclusively, has made a rapid entry into this market.

1.2.3.6 Chinese manufacturers exist but have reputation issues

While no major global laser and Intense Pulsed Light brands appear from the Chinese market, there are a number of Intense Pulsed Light equipment suppliers referenced in distribution and sourcing web sites. It is not clear whether machines have the necessary approvals and credibility for usage in developed markets, but Sincohere and C&A Light International are cited as making inroads into new markets such as India due to cost advantages compared with major international manufacturers.

Stringent international regulation of IPL devices will clearly favour established quality manufacturers such as Lux in the long term. There is continuing bad press on Chinese light-based devices (principally laser devices) due to outdated technology and poor quality.

A flagrant example of Chinese manufacturers trying to overcome their poor reputation appears to be the IPL-Germany company mentioned above, whose Managing Director is cited as Mr. Sen. Whilst it promotes itself as " the first "Made in Germany" IPL device company", it sells devices which are easily identified as models being produced in China.

1.2.4 Market trends

1.2.4.1 The Beauty and Anti-Aging markets are huge and growing

Lux's primary market is the aesthetics market, whether the treatment is provided through Aesthetic or Medical practices. Hence, while little market information is available for the Intense Pulsed Light device industry as a segment, the beauty and anti-aging markets are a strong indicator of a global, sustained market trend.

For the total "Global Beauty and Personal Care" market, recent research by Sanford C. Bernstein predicts around 6% annual growth from 2011 to 2015 in an industry which is already worth € 264 billion worldwide. This of course includes cosmetics and services but it confirms the overall positive trend in "looking good", which we can observe anecdotally in the ever-present media focussing on self-image and beauty

More promising still is research on the "anti-aging" market where Intense Pulsed Light applications such as hair removal, skin rejuvenation and vein/skin treatment are most relevant. BCC Research's 2009 report "Anti-Aging Products and Services: The Global Market" indicates a compound annual growth in the "appearance" segment (excluding disease and fitness segments) of around 11% per year to over $ 100 billion in 2013. Over 50% of this is from services cited specifically as "facial rejuvenation, skin rejuvenation, hair care and body shaping", in which Intense Pulsed Light and ultrasound cavitation devices are utilised.

This growth is not limited to the traditional Western "developed" markets. As an example, Indian consultants, iData, 2011 research predicts a "huge surge" in the market for aesthetic laser and light treatments in India as "consumers reach out for new ways of fighting signs of aging". The anti-aging trend is clearly a global phenomenon.

Trends which we can observe from our daily life, and which are supported by relentless media attention, are hence confirmed by reliable research which shows a growing and resilient market for treatments which help people look, and feel, better and younger.

1.2.4.2 The shift toward permanent treatments favours Intense Pulsed Light

Consumer comfort with new permanent hair reduction, skin and vein treatment and anti-aging treatments with Laser and Intense Pulsed Light is improving as the technology becomes more established as a part of everyday life. Whilst "laser" clinics (now often including Intense Pulsed Light) have been around for many years, this is cited as being a growing market. It is still extremely profitable for the owner/operators, inciting more clinics to open and beauticians and health spas to offer Intense Pulsed Light-based treatments to their customers. Documented evidence is available which shows that the Intense Pulsed Light area of a beauty clinic is the most profitable area of the business, and some cases show returns on revenue of over 50% for this activity.

There is also a sustained move toward control and reduction of body hair in both men and women, driven by lifestyle, fashion and beachwear. While traditional hair removal methods such as shaving and waxing are still prevalent, more and more people are taking the decision to permanently reduce body hair by electrolysis (becoming less popular due to discomfort and other undesired side effects) or light-based treatment.

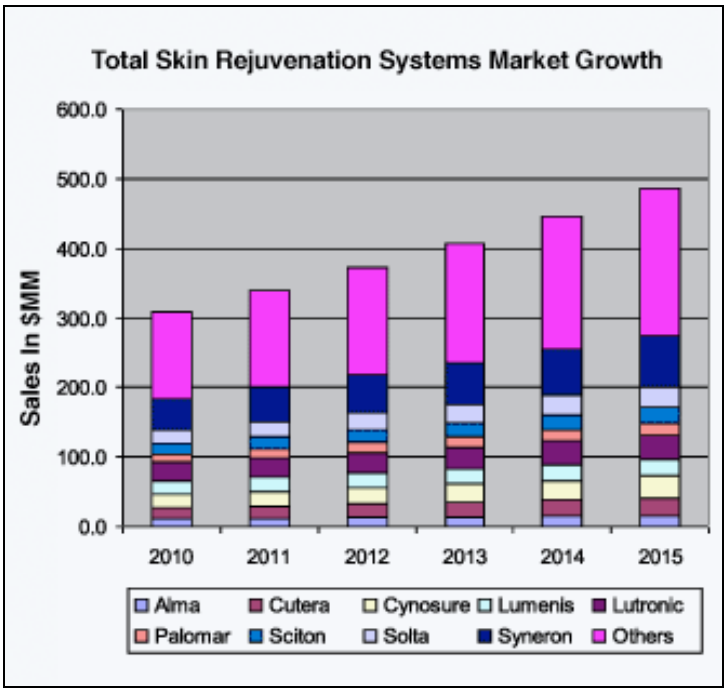
Whilst laser devices provided the first light-based treatments on the market, and hence many laser devices are still in operation, comparative studies as cited earlier in this document show that Intense Pulsed Light is now the preferred option for many aesthetic applications.

In fact many "laser clinics" are now moving increasingly to Intense Pulsed Light devices, retaining the "laser" terminology because this is recognised by the general public.

1.2.4.3 Analysts are unanimous in forecasting a dynamic market for Intense Pulsed Light devices

All the above leads to a favourable business environment for specialist manufacturers, and after a dip during the financial crisis, recovery in the market is well under way. Major global player in light-based aesthetic treatment systems Cynosure stated in its annual report to shareholders that *"... the global market for light-based aesthetic lasers has been increasing by 20 percent annually, making it one of today's most dynamic industries"*

A little less bullish, but still predicting a healthy 10% annual growth, is an analysis published by US media and research company Medical Insight in March 2011. Medical Insight forecasts a global market for "skin rejuvenation systems" of $ 500 million in 2013.



Source: Medical Insight Inc. 2009

In a market presentation delivered in 2010 El.En, one of the world's leading Laser suppliers to the Aesthetics market was confident to predict average growth of over 12% for the *"Aesthetic Laser"* market from 2009 to 2014. Intense Pulsed Light - the state-of-the-art "replacement" technology - should grow more rapidly.

A range of 10-20% base growth in the IPL devices market is the consensus.

1.2.4.4 Technical innovation in Intense Pulsed Light

There are many unique features and "patents" marketed by laser and IPL device manufacturers around the world, described as innovations resulting from extensive research and development. Almost all suppliers promote themselves as being "the leading" company on their market based on experience, technology, innovation etc.

The essentials for effective and safe performance, however, are the amount and effectiveness of power delivered to the treated skin area, the cooling of the hand piece for comfort and durability (water much better than air-cooling), the precise filtration of wavelengths for different treatment types, and safe control systems. In addition a good IPL device will create values to the operator such as easily changeable components and waveguides, connectivity and flexibility of control systems, and reliability.

Lux has focussed over time on these real values, described in more detail in later sections, rather than marketing gimmicks and exaggerated claims of "market leadership".

Growth predictions for the market range from 10% to 20%in line with past performance: "the global market for light-based aesthetic lasers has been increasing by 20 percent annually, making it one of today's most dynamic industries" (Cynosure).

Lux's high quality, attractive and innovative devices, with comprehensive international approvals, supported by competitive and flexible pricing models are ideally positioned to win significant share in this growing market.

1.2.4.5 Regulation of medical aesthetic devices favours established players

Under pressure from consumer, consumer associations and medical organisations, particularly concerned about the safety and effectiveness of cheaper imported and home-use devices, regulation may be expected to be maintained or increased. This trend will give additional impetus to established and technologically superior companies such as Lux.

Lux has adopted a forward looking approach to obtaining the highest levels of approval required by the most demanding markets (such as Canada) and hence ensures that its devices will continue to be sold in ever increasing numbers over a wide range of markets.

1.2.4.6 In this growing market Lux is an attractive company with strong potential

In this market for professional IPL devices, riding on the sustained surge in demand for durable "anti-aging" and beauty treatments, the effective, competitive and approved product range of Lux is a solid and successful foundation for future growth.

As a standalone business in this market Lux has strong revenue growth and profit potential, while as a complement to a company with existing laser or aesthetic market expertise and distribution, or ambitions, Lux provides a range of products perfectly adapted to this new and growing sector of the market. The structure of the market allows a niche player, delivering real value, to compete effectively with global players and produce strong financial results, as demonstrated by Lux in its performance to date.

1.3 LUX - PRODUCTS AND PRICING MODELS

1.3.1 Overview

1.3.1.1 Focus on Intense Pulsed Light for the aesthetics market

When Lux was set up in 2000, Intense Pulsed Light technology had already emerged from the "theoretical" stage and some early Intense Pulsed Light machines were already being manufactured and distributed by some of the pioneering companies, in parallel or combined with existing laser devices. The founders of Lux, with relevant medical and aesthetic markets in mind, decided to focus exclusively on Intense Pulsed Light -only devices and not on laser devices where existing players had been active since the 1970s. This allowed Lux to focus exclusively on the potential of Intense Pulsed Light as a replacement technology, and concentrated the company's efforts on a tighter overall market.

Lux's tight focus ensures that the company's offering incorporates the best and most relevant technological advances, is priced to take account of the economic realities of its customers and is aesthetically attractive in the beauty and anti-aging practice environment.

1.3.1.2 Lux's product range has been continuously developed since first launch in 2004

Lux was set up in 2000 by the co-owners to leverage opportunities in the developing Intense Pulsed Light devices industry. The founders experience in technology, commercial development, and company administration, particularly in international environments, allowed them to create a successful, robust and well-structured company with excellent growth potential.

Lux's first step, in 2004, was to sign a distribution agreement for a device of Italian origin. Following practical experience of poor technical and commercial performance of the device, this agreement was terminated rapidly and the co-founders of Lux decided that they could design and produce better devices themselves.

During 2005 Lux developed, with several consulting firms and industry partners, an innovative and efficient Intense Pulsed Light system which would allow it to become a leading player on the French and European markets. To confirm the technical and commercial performance of the new systems, in mid-2005 the company created a beauty-treatments clinic based exclusively on Intense Pulsed Light. This clinic served both as showroom and "laboratory", providing expertise in, and successful demonstration of, the use of Intense Pulsed Light systems.

Devices produced by Lux were composed of three generators associated with a complete range of hand-pieces (3 models and 4 wavelength filtrations), adapted to the various treatments required by the aesthetic market:

- Estheflash2 - designed specifically for beauty professionals and offering two applications for permanent hair reduction and skin rejuvenation (anti-aging);
- Kineflash - intended for the growing market of physiotherapists who acquire treatment equipment for aesthetic purposes;
- Mediflash2 - designed for dermatologists and physicians with expertise in "aesthetic medicine." Possible care covers a wide range of medical and aesthetic treatments to be performed under medical supervision

The company entered into distribution agreements with commercial companies specializing in this type of equipment in several countries including Belgium, Luxembourg, Switzerland, Italy, Czech Republic, Estonia, Russia, Lebanon and Middle East.

In 2006, to develop and support future sales, Lux initiated development of the next generation devices, innovating on several fronts and ensuring a wide range of certifications which would allow its devices to be widely distributed in many markets: Aesthetic, Medical, North American markets etc. The CE medical class IIb for the new system was obtained in February 2008 and market launch of the third generation devices took place in spring 2008.

Third generation devices are composed of three generators and six filtrations, targeting the principal requirements of aesthetic treatment:

- Estheflash3, designed specifically for beauty professionals and offering permanent hair reduction and skin rejuvenation (anti-aging);
- Kineflash3, targeting physiotherapists (since withdrawn due to low volumes)
- Mediflash3 designed for dermatologists and physicians with expertise in "aesthetic medicine." Possible care covers a wide range of medical and aesthetic treatments to be performed under medical supervision. This model is CE-approved for medical Class II b.

In March 2009, the new devices were approved to "cETLus" standards by the Intertek SEMKO laboratory for the North American market. In September 2009, the quality management system and CE certification of devices were transferred to Intertek.

In April 2010 the Canadian Ministry of Health (Health Canada) approved the Mediflash3 device for marketing on Canadian soil, followed by similar approval for Estheflash3 in January 2011. In May 2010 the US Food and Drug Administration gave approval for Mediflash3 and Estheflash3 to be marketed in the United States of America. Further approvals are being processed in Saudi Arabia, Russia and Asia.

In spring 2011 a new lamp cartridge - "EASYLAMP" - designed and manufactured by Lux, after its previous supplier discontinued its cartridge production, was officially launched.

A further device - Cavifast - using ultrasound for body remodelling and fat reduction, was test marketed since late 2010 with success, and Lux's improved proprietary version of this device will be fully launched in early 2012.

Lux has sold a total of 750 devices since 2004, including 378 of the current third generation devices (Estheflash3, Mediflash3 and Cavifast).

1.3.2 Lux has created a focussed but highly effective product range

Lux's product strategy targets primarily aesthetic needs, whether addressed through Aesthetic or Medical professionals. Devices produced may therefore have many similarities and common technological platforms, which drives efficiencies in development, commercialisation, production and maintenance.

1.3.2.1 A small product range for a broad range of customers

Upon transaction Closing, Lux's product range will comprise the following:

- Esthéflash3 (third generation of the hair removal and aesthetic treatment device sold to aestheticians and beauty therapists)
- Médiflash3 (third generation of the medical, hair removal and aesthetic treatment device sold to qualified medical practitioners, including specialist cosmetic surgeons)
- Cavifast (the new body remodelling/fat removal device test marketed in 2010, which will be discussed further in section 2)

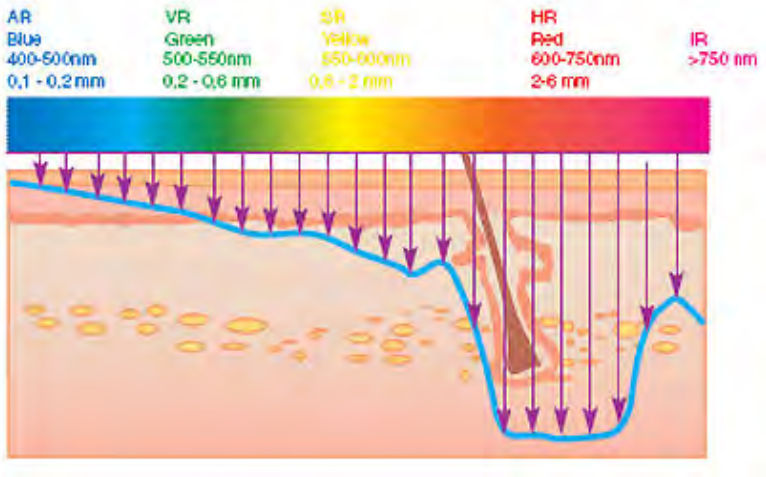
The advanced technology of Lux's products, currently acquiring additional approvals around the world, provides Lux's acquirer with a totally up-to-date range of high performance products which will probably not require updating for around 5 years.

1.3.2.2 Lux's innovative product features respond to identified market needs

The Intense Pulsed Light devices are composed of electric generators able to discharge capacitors in a controlled way to a water-cooled xenon flash lamp located in a hand piece in such a way as to generate intense pulsed light in an optimum way. Because each treatment is achieved by using a different colour – meaning a different wavelength - 6 “filters” are available for better treatments. Each filter has been optimised to get the best results.

Wavelength	Colour		Filtration	Application
0.400 µm		Violet		
0.430 µm		Indigo	400 nm	Acne
0.470 µm		Blue		
0.530 µm		Green	515 nm	Vein treatments
0.580 µm		Yellow	530 nm	Skin rejuvenation
0.600 µm		Orange	550 nm	Pigmented lesions
0.650µm		Red	610 nm	Hair removal
0.700 µm		Red	690 nm	Dark skin hair removal

The penetration and impact of light wavelength is shown in the following diagram:



Lux's filters used are top quality dichroic or "interference filters" which selectively pass light of a small range of colours while reflecting other colours. Filtration by reflection rather than absorption ensures that filter do not absorb light energy and overheat. This ensures much longer life than conventional filters and, as the colour is intrinsic in the construction of the filter, colours cannot "bleach out" over the lifetime of the filter.

Filters are made by a specialist suppler with several microscopic layers of metal-based optical coatings, with different refractive indexes, deposited on a glass base. These dichroic filters allow selective multi-band wavelength filtrations. As an example, a dual-band filter opening on the spectral range 500 - 670 nm and then on the spectral range 870 - 1200 nm targets the absorption peaks of oxyhaemoglobin most efficiently.

To ensure optimum efficiency of treatment, Lux offers two optical waveguides of different areas (8.25 and 2.25 cm ²), with up to 7 different filtrations available to operators.

Lux's patented technology includes optical waveguides which are designed to be easily and rapidly interchangeable by the operator allowing him to pass from one treatment wavelength to another with minimal down time. Lux's devices are therefore able to target a wide range of needs in an operator-friendly way.

Lux's unique, patented replaceable lamp cartridge - Easylamp.

As with all electric light sources in continuous use, the flash lamp in Intense Pulsed Light equipment heats up during prolonged treatments. Lux has a developed a unique water-cooled lamp system which not only allows the lamp to operate for hours without interruption, but allows the operator to replace an exhausted lamp cartridge themselves in only ten seconds.

Typically Intense Pulsed Light flash lamps need to be changed after 30,000 to 60,000 flashes (depending on power output), and for competitors' devices, this requires the intervention of a qualified technician, or return to a workshop. As the lifetime of the lamp cannot be predicted exactly this can oblige the clinic to postpone scheduled appointments when the lamp arrives at exhaustion and also to lose operating time during scheduled maintenance.

Lux's innovative Easylamp solution, fully protected by patents, allows continuity of operations for the clinics (and hence higher customer satisfaction and loyalty), and allows Lux to distribute its devices widely without the need to create a lamp maintenance infrastructure.

Other innovative and differentiating product features of Lux devices

The current generation of Lux Intense Pulsed Light devices, models identified by the suffix 3 (indicating the third generation of Lux Intense Pulsed Light devices), combine the latest technological innovations for a consistently better performance:

- Lux devices are designed for optimal efficiency thanks to a power which can reach 80 J/cm² at the cartridge level - to obtain meaningful results, it is necessary to have a significant treatment power: 80 J/cm2 or more than 400 Joules per flash at lamp level, corresponding to 40 J/cm2 maximum in the output of the optical unit.
- Lux devices operate with a balanced sequence of pulses for greater safety - in order to avoid risks of burns and discomfort caused by a long or single flash, all the flashes of Lux systems are emitted using a sequence of pulses.
- Lux devices have a «simmer» capability to deliver powerful and effective pulses - this «simmer» capability allows switching the lamp on before the flash emission and keeping it at tension. The energy level required is reached faster and more effectively than in the other light pulsed systems. The flash energy presents a «square» shape which is more effective.
- Lux devices balance pulse energy for more comfort - this pulse balancing allows the device to generate the same density of energy from the first to the last pulse by broadening the time of each impulsion. This balancing of the sequence of pulses allows treatment of difficult cases with comfort and efficiency.

- Lux device software can be easily updated by operators - software required to drive the Intense Pulsed Light device is loaded on an SD card in the device and hence latest versions or updates of software can be downloaded from a computer via the Internet.
- A USB port on the Lux devices makes it possible to transfer the history of recorded events on the system, allowing the traceability of the treatments performed, or local networking.
- Full colour 6-inch screens ensure easily readability by the device operator
- The Lux operating system can manage up to 5 different users. The administrator can hence control users' authorizations and access applications which may be prohibited or restricted.

Lux's two current Intense Pulsed Light devices are at the forefront of innovation, use high quality components, include exclusive patented advantages, and are completely aligned to the needs of the aesthetic and medical aesthetic markets.

1.3.2.3 Lux's designs and patents are innovative and well-protected

Lux's tight focus on understanding customers needs in the Intense Pulsed Light marketplace, together with the innovative spirit of the founders and excellent support of its technical partners, has allowed Lux to develop unique patented technologies which facilitate the operation of its Intense Pulsed Light devices notably:

- Easy to switch, high specification, optical waveguides which allow the operator to adapt the Intense Pulsed Light device hand-piece to different light wavelengths required for specific treatments, in a very rapid and simple way.
- A replaceable water-cooled Intense Pulsed Light lamp cartridge, which enables the operator to rapidly change burnt-out flash units (these having a limited life depending on number of flashes delivered) without having to call for specialist maintenance technicians. This "Easylamp" technology ensures continuity of service for the Medical or Aesthetic practice, improving use of operator's time and patient satisfaction.

These unique technologies, which are an important part of Lux's unique customer proposition, are protected by patents at the French "Institut National pour la Propriété Industrielle", the World Intellectual Property Organisation and with patent applications lodged with the relevant authorities in USA, Canada and Europe.

Whilst the advantages of these unique technologies to the businesses using Lux's Intense Pulsed Light devices is clear, there is potential to make these Unique Selling Propositions more known to the broader marketplace through targeted customer-benefit focussed communication, and hence to create more effective publicity for Lux's product benefits.

1.3.2.4 Lux's devices create confidence with worldwide approvals and professional image

All Lux devices have been tested and approved to the highest required levels by licensing authorities around the world. This is important for Lux as it is both a proof of the inherent quality of its devices, and a barrier to entry for producers of cheap substitutes in emerging markets.

Mediflash3 - current certifications

- CE - Declaration of Conformity in accordance with ISO/IEC 17050-1 Compliance of the Medical Devices to the European Directives - CE conformity annex II/class IIb
- France afssaps - Agence française de sécurité sanitaire de produits de santé Free sale certificate for exportation in the non-EC Member states for medical devices covered by Directive 93/43/EEC - Class IIb
- Health Canada, Therapeutic Products Directorate, Medical Devices Bureau Medical Device Licence (Device Class 3)
- US Department of Health & Human Services, Food & Drug Administration Approval on Class II of regulations for Laser surgical instrument for use in general and plastic surgery and in dermatology specifically for:
  - Treatment of benign cutaneous vascular lesions
  - Treatment of benign pigmented epidermal and cutaneous lesions
  - Treatment of inflammatory acne
  - Removal of unwanted hair
- Other homologations are in process for the following countries - Iran, Australia, Russia, Indonesia, Thailand, Saudi Arabia, Brazil and India

Estheflash3 - current certifications

- CE - Declaration of Conformity in accordance with ISO/IEC 17050-1 Compliance of the Devices to the European Directives - Electromagnetic compatibility and electric equipment regulations
- France afssaps - Agence française de sécurité sanitaire de produits de santé Free sale certificate for exportation in the non-EC Member states for medical devices covered by Directive 93/43/EEC - Class IIb
- Health Canada, Therapeutic Products Directorate, Medical Devices Bureau Medical Device Licence (Device Class 3)
- US Department of Health & Human Services, Food & Drug Administration Approval on Class II of regulations for Laser surgical instrument for use in general and plastic surgery and in dermatology specifically for removal of unwanted hair
- Other homologations are in process for the following countries - Iran, Australia, Russia, Indonesia, Thailand, Saudi Arabia, Brazil and India

Lux devices are designed to have an attractive, clean, elegant and professional appearance which fits into both medical and aesthetic treatment environments, and creates a feeling of comfort and security in the customer's mind.

Many of Lux's competitors, with technology-driven origins in the laser and medical markets, produce machines which look outdated and unattractive, and would not complement in any way the clean aesthetics of a beauty clinic, spa or medical aesthetics surgery.

While the Medical Aesthetic channel represents only 15% of total devices distributed, Lux's Aesthetic devices gain in credibility by being produced by a company which can meet stringent medical approvals around the world. As seen earlier, the Aesthetic segment of the market is most promising for IPL-only devices, and this is Lux's primary focus, both historically and in the future.

Lux's full Quality Management System has been assessed and registered by Intertek AMTAC Certification Services Limited, granting Lux the authorisation to mark certification to international standards notably including UK, US, EC, Canada, India ... This certification is important for Lux in commercialising its devices in home and export markets, but also ensures the efficient and rigorous operation of the company.

It is unusual in a company of Lux's current size, to see such a comprehensive and well-structured Quality Management System, and this clearly illustrates Lux's ambition and potential to grow significantly in the next few years. Lux's acquirer will benefit from and extraordinarily well-defined organisation where the operational essentials are all in place, allowing the acquirer to focus on developing the business and profit.

1.3.2.5 Lux's products are clinically proven for effectiveness and safety

A clinical report was officially established by GREDECO (Research and evaluation group for dermatology and cosmetology) demonstrating the quality and effectiveness of Lux devices. This study was conducted on 24 subjects at the Pitié Salpêtrière hospital in Paris during 9 months in 2008 and 2009 using the latest third generation device.
The study assessed the performance of several different applications of the Mediflash3 device under normal treatment conditions. The treatments showed excellent results for Rosacea, brown pigmented lesions, hair removal, rejuvenation, as well as satisfactory results for Acne, together with a very high level of patient safety (low incidence of side effects).

1.3.2.6 Estheflash3 - targetting the Aesthetics market

Lux's most popular Intense Pulsed Light device (319 Estheflash3 devices sold by end-July 2011 since introduction in June 2008, in addition to 236 devices of earlier Estheflash1 and Estheflash2 models) is targeted to the Aesthetics market, and is promoted for use in hair removal and skin rejuvenation. Flash power output is from 8 to 20 Joules per cm ², depending on the filtration.
The complete unit includes the Intense Pulsed Light device including generators, capacitors and control systems together with:

- 1 trolley + 2 optical guides (to customers' choice)
- 1 lamp cartridge (lifetime 60 000 flashes maximum)
- Accessories
- Marketing Pack
- Warranty 2 years: parts and labour

1.3.2.7 Mediflash3 - targeting the Medical, and Medical Aesthetics, markets

The Mediflash device targets medical and aesthetic treatments such as hair removal, skin rejuvenation, Acne treatment, and treatment of vascular and pigmented lesions. 49 Mediflash3 devices have been sold by end-July 2011, since introduction in June 2008, in addition to 51 earlier Mediflash1 and Mediflash2 models

Maximum flash output is higher with a corresponding increase in usage, and hence reduction in the typical lifetime, of the lamp cartridge. Flash power output is from 8 to 40 Joules per cm ², depending on the filtration and the optical guide surface.

The complete unit includes the Intense Pulsed Light device including generators, capacitors and control systems together with:

- 1 trolley + 2 optical guides (to customers' choice)
- 1 lamp cartridge (lifetime 30 000 flashes maximum)
- Accessories
- Marketing Pack
- Warranty 2 years: parts and labour

1.3.3 Lux has adapted its pricing models to provide attractive options for its customers

In response to aesthetician market needs and with justified confidence in the profitability of its devices for the operators, Lux proposed till 2010 two principal pricing options - the classic "Premium" model based on outright purchase of the device, and an innovative "Freedom" model based on a lower fixed purchase price with a variable usage element which brings in ongoing revenues to Lux

A third model, "Balance", which is introduced in 2011, provides an intermediate pricing between the two former models giving additional flexibility to customers whilst ensuring robust economic models to Lux. This has ensured that the company has sustained excellent business profitability, even in a morose financial climate where competitors have been less successful in maintaining sales and ongoing revenues.

Prices in €	Device purchase price			Upgrade prices		
	Freedom (Liberté)	Balance (Equilibre)	Premium	Freedom to Balance	Balance to Premium	Freedom to Premium
Estheflash3	€ 5,990	€ 13,990	€19,990	€ 7,990	€ 6,990	€ 13,990
Mediflash3	€ 9,990	€ 24,990	€ 39,990	€ 15,990	€ 16,990	€ 30,990
Flash pack quantities	1,000 to 25,000	3,000 to 50,000	Included	Flash packs are available in various combinations of quantity and utilisation period to meet different customer needs. Per flash costs are lowest when purchasing large quantities, or for short utilisation periods		
Utilisation period	15 to 360 days	60 to 360 days				
Per flash cost - Estheflash3	€ 0.079 to € 0.338	€ 0.049 to € 0.169	None			
Per flash cost - Mediflash3	€ 0.150 to € 0.690	€ 0.096 to € 0.430	None			

1.3.3.1 "Premium" pricing meets the needs of experienced high volume operators

In the Premium pricing model, the customer purchases outright the Intense Pulsed Light or ultrasound device, as defined in section 1.3.2 above, with no additional charges for usage. Subsequent additional charges will only be for replacement lamp cartridges (Intense Pulsed Light), out of warranty maintenance and additional materials and service.

In terms of the overall market, Lux has carried out extensive reviews of competitors' similar devices and considers its prices to be very competitive. While all devices on the market appear to have different features and pricing models, and combination machines (Laser and Intense Pulsed Light) are not uncommon, prices referenced for aesthetics devices in Europe are in the range of € 13,000 to € 30,000. A review in the United States in December 2008 specifically cites "starting prices" from USD 46.500 to USD 89,000 for various different models and suppliers

Some of the very expensive combined Laser/ Intense Pulsed Light devices on the market can cost up to USD 400,000 but these are specialist medical devices which do not address the same market segment as Lux's devices.

1.3.3.2 "Freedom" and "Balance" pricing allows flexibility and lower fixed outlay

The Freedom pricing model was introduced by Lux in late 2008 in response to customer needs to reduce their initial fixed outlay, particularly in the financial climate of the time. Under Freedom pricing the customer purchases the Intense Pulsed Light device, as defined in section 1.3.2 above and including an initial number of flashes, for a lower fixed amount than in the Premium model.

The customer subsequently purchases "packs of flashes" at a variable rate, depending on quantity purchased and on the time period within which the flashes should be used. These flashes are activated by entry of a secure "one-time" code into the Intense Pulsed Light device control unit. The pricing of packs of flashes has been established by Lux to incentivise regular usage of the Intense Pulsed Light device, and hence ensure the overall profitability of the Freedom pricing model, as well as delivering recurring revenues to Lux which stabilise its future cash-flows.

The Freedom pricing was an immediate success, particularly on the Aesthetics market, where it effectively met a strong market need for liquidity in small, cash-flow dependent owner-operated businesses which generally do not have access to significant commercial financing. The fixed element gives an acceptable initial profit to Lux, is a lower initial outlay than low quality cheap imports, and is within typical limits of consumer financing for an owner-operator. In 2009/10 more than 50% of total Intense Pulsed Light devices sold by Lux were under this pricing model.

Continuing their principle of providing innovative and flexible pricing solutions, Lux introduced a new pricing option (Balance) in 2011 which sits between Premium and Freedom models with higher fixed and lower "per flash" pricing.

On the Medical market there is still a strong preference for the Premium model, which is due to the lower cash-flow and financing issues, and to less regular use making "time-limited" packs of flashes less attractive over time.

1.3.3.3 Upgrade is possible from Freedom to Balance to Premium pricing

After a successful initial period of operating their business on a flexible pricing option, customers may see a financial logic in upgrading to another option, and may have generated sufficient cash to buy the upgrade. Lux provides the opportunity to do so for a fair and reasonable fixed fee.

This flexibility creates a good image of Lux in the market and allows customers to limit their financial risk for an initial period while they prove how profitable the treatments made possible by Lux's Intense Pulsed Light devices really are. Early indications are that 25-30% of Freedom contracts may be upgraded to Premium contracts each year.

1.3.4 Lux provides a broad range of accessories and services

1.3.4.1 Lux commercialises both replacement parts and other products required for the Intense Pulsed Light treatment procedures to its device purchasers.

Accessories (additional optical guides, replacement lamp cartridges ...), consumables (gels, goggles ...) and additional marketing packs represent around 10% of total revenue streams for Lux.

As lamp cartridges have a finite life (60,000 flashes for Estheflash models, 30,000 for Mediflash models), and are unique to Lux devices, these represent a significant part of the accessories revenue stream. Although water-cooling improves lamp cartridge life, these would typically be replaced on a yearly basis, and before-tax unit cost is set at € 1,190, which is more economical than most competitors.

New devices are supplied with two optical waveguides selected by the operator according to treatments that expects to deliver. Further waveguides or replacements are also made available to the operator, allowing him to extend the range of treatments offered to his customers.

Other products and accessories required for the treatment process, or business operation are available from Lux:

- De-ionised water
- Cooling gel which is applied to the skin before treatment
- Protective goggles
- Additional Marketing Packs

All accessories may be ordered through the Lux online shop, which facilitates the purchase process both for the device owner and for Lux.

1.3.4.2 Effective training and customer information support is critical to success

Lux has paid particular and close attention over the years to supporting its customers in various ways, providing training, end-user sales supports and medical consent forms for all commercialised equipment:

- Comprehensive training documentation is provided in the form of a two volume training manual covering Theory and Technical elements and Commercial and Practice topics, together with a 30 minute DVD produced by Lux's medico-technical consultants.
- Face-to-face training is proposed to all French device purchasers as a one-day course in Paris. These courses are delivered most often by a specialist doctor contracted by Lux's Training company, but occasionally by other expert members of the Lux team. Additional coaching support can be given on site by members of the sales team. Outside of France it is the local distributor who provides necessary training.
- Lux also provides a Business Guide which provides simple, clear and accurate responses to the most common patient questions, allowing operators to be prepared to inform and reassure current and potential customers and hence win new business
- In order to facilitate processes, provide documented information to patients, and minimise the litigation risk to operators, Lux has established, and provides to purchasers, standard patient quotation forms, clear and transparent patient consent documents and medical history information forms.

Further operator training can be provided and is billed to customers through Lux's Training company which will be available as part of the transaction depending on the acquirers requirement. This entity, which has no employees, was set up separately to allow customers in France to benefit from tax-deductions for training by specialised companies under the French tax code.

Current cost of one-day training in Paris is € 500 for Estheflash and € 1,000 for Mediflash

When customers purchase Lux's devices, they are confident of being well supported and trained to use them correctly, and to develop their business effectively. This is in the interest of Lux as a responsible provider of specialised technical equipment to the Medical and Aesthetic markets, but also in driving sustainable revenues to Lux through positive customer recommendations, repeat purchases and usage-related pricing.

1.3.4.3 After-sales service and maintenance

The Lux devices are relatively new to the market, so obsolescence has not been a factor up to now. Most components of the device are expected to have a life of more than 10 years, with only cooling pumps and other moving parts being potentially more fragile, but replaceable by competent technicians. In Lux's view, the replacement cycle will be dependent more on a perceived need of owners to upgrade to newer models. Introduction of new ranges on a 5 year cycle will probably match an anticipated 10 year device life with owners upgrading equipment every second generation.

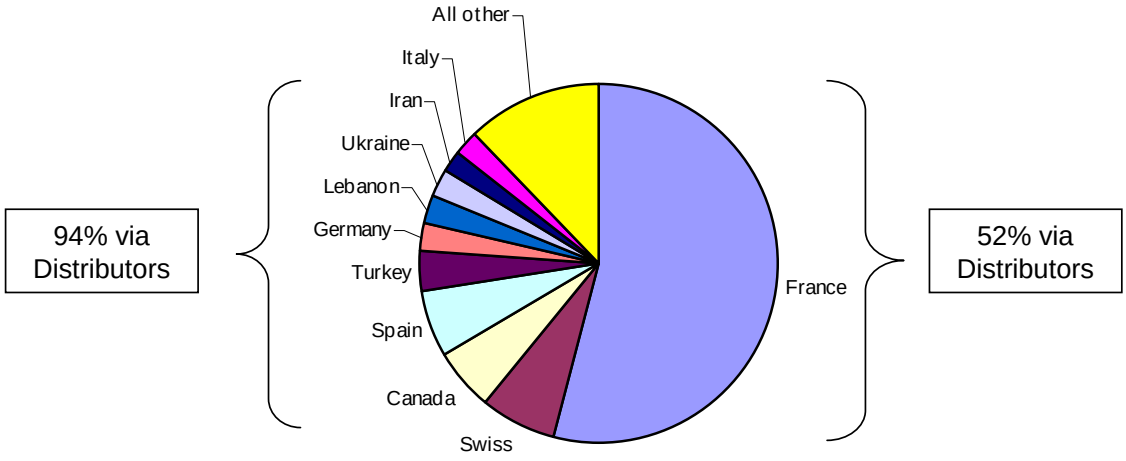
Minor maintenance can be carried out on site, and distributors are trained and equipped to do this, as well as having access to online service manuals. Lux's workshop and sales staff, with multi-lingual skills, are on hand to support distributors by telephone when needed. In the rare case where workshop intervention is required the distributor may temporarily loan his "demonstration" machine, which he is obliged to have, while necessary work is done by the distributor's technicians, or in Paris.

Lux's high quality, attractive and innovative devices, with comprehensive international approvals, supported by competitive and flexible pricing models are ideally positioned to win significant share in the growing aesthetics market. Historical, current and forecast Revenue growth appears to be set at 15% per annum.

1.4 LUX - SALES AND DISTRIBUTION

1.4.1 Overview

Lux's third generation Intense Pulsed Light devices are currently operating in 32 countries and provinces worldwide, some the results of proactive distribution efforts by Lux, and others reacting to customer demand generated by Lux's communication and reputation.
54% of the current installed base of the current generation Estheflash3, Mediflash3 and Cavifast devices are in France with a further 7% in Switzerland. The sales and distribution profile, representing the last 3 years (third generation devices) is summarised on the following chart. In many countries represented in the "all other" category there are less than 3 devices in the whole country, in markets from Australia to Belgium, and from Romania to South Africa.



Whilst there has been a relatively systematic approach to the French market, export development has been opportunistic rather than structured, and targeted focus on specific high potential markets (in Europe or elsewhere) could easily yield the kind of market volumes seen in France. Lux recently recruited sales people to accelerate growth particularly in Arab-speaking Middle East and North Africa and English-speaking countries around the world including UK, Ireland, USA, Canada and Australia.

The lack of results from this sales force led Lux to rapidly dismantle the team, and to focus its efforts on a few major deals. Recently signed distribution deals are expected to start to deliver significant incremental sales from the second half of 2011. Lux plans to build a smaller but more focussed and high quality sales team from 2012 to realise the huge potential of its products in this dynamic market.

1.4.2 Lux is strongly positioned in France with direct sales and some strong distributors

In France current device sales are split equally between sales direct to professionals and sales via distributors. 208 total devices have been sold since the introduction of the third generation technology in October 2008. Direct sales, under the direction and inspiration of Lux's owners, were driven by a dedicated and experienced sales manager from 2005 to 2009 when he retired due to health problems.

One former distributor, now officially retired, still acts as an agent for Lux working with major clients. He notably set up the recent exclusive deal with the new franchise chain.

In early 2011, Lux management decided to reinforce their sales force in France with 3 sales people dedicated to the French market. They participated in relevant trade fairs and exhibitions such as the Mondial Spa et Beauté, responded to incoming calls generated by communication activities and worked prospect lists obtained from trade fair attendees, Yellow Pages (sorted using open source software tools), listings of newly registered beauty salons from commercial registers, and other sources. The sales generated directly by these new sales people was minimal and Lux management took a rapid decision not to renew their temporary contracts after their trial periods, preferring to focus efforts on leveraging existing distributor and franchise deals which promise to deliver rapid growth in the coming years. Lux nevertheless renewed the experiment by hiring new sales people, only to experience failure (for further details, please refer to section 3 of this Memorandum).

On the distributor side there are 21 identified distributors for Lux products and accessories in France, but 4 distributors share almost 90% of Lux's French distribution.

Distributors are typically initiated with a two year fixed term contract which is the equivalent of a "trial period" before longer term distribution deals are signed.

Lux has recently pulled off a major triumph in signing a contract with a fast-growing permanent hair reduction franchise to be its sole supplier of Intense Pulsed Light devices, the core of its service concept. This contract, which is reviewed further in this Memorandum, may potentially double Lux's annual device sales in France from 2012.

1.4.3 Export markets are mainly driven through distributors and representatives

Outside of France, distributors represent almost all sales (94% of total) and 34 different distributors work with Lux. In some cases these are sole distributor in a country as in Turkey or in Iran, but in larger markets there are typically multiple distributors. As such no single distributor has more than 13% of Lux's whole export market, and 90% of Lux's export distribution is shared between 20 distributors in 5 different markets.

A recent deal with a major international player based in Canada allows this company, which is one of the market leaders in permanent hair reduction and aesthetic treatment devices, to sell Lux Esthflash3 devices under its own brand and model name (Apilux SmartPro). This deal, which recognises the unique capabilities of Lux's devices, has already generated 9 Original Equipment Manufacturer unit sales to the company in the 12 months from July 2010 - more than 65% of Lux's device sales to the Canadian market. The agreement includes supply of Lux's patented lamp cartridges and optical waveguides.

In parallel with efforts to drive sales in France, Lux appointed 3 sales people dedicated to Export sales with one person focussing on Middle East and North Africa, one person with a wide English-speaking brief covering UK, USA/Canada, Australia and South Africa, and a further salesman focussing specifically on UK and Ireland. Disappointing results from this new team led Lux management to decide against renewing the temporary contracts of these individuals after a trial period. New focussed commercial resource is planned to be brought on board for 2012, to complement the increase in the number of distribution deals which will deliver major growth from 2012 on.

Although Lux has a number of active distributors in the principal economies of Europe, total sales of current range devices in UK, Germany, Italy and Spain average 11 per market versus the 208 sold in France. There are local competitors in all of these markets, but the opportunity to significantly penetrate the markets with Lux's unique advantages should not be underestimated.

Lux's sales and distribution approach outside France to date has been opportunistic, whilst some competitors have implanted themselves in these markets with strong local structures and affiliations. In many ways the Intense Pulsed Light device market may be represented as a number of "local markets" each with its own national players with undifferentiated products. Lux's "operator simplicity" differentiation may be used to cut across borders and penetrate these markets, and recent efforts have been made to identify high potential markets and to sign appropriate distribution agreements.

1.4.4 Marketing

Lux has a dedicated head of marketing and communications, whose role is to manage the entire media plan including everything from market research and analysis, through product mix to operational marketing. Under the direction of this individual, Lux's product is presented to the market in a variety of ways.

1.4.4.1 Brochures, produced in English and French.

These cover Lux's two Intense Pulsed Light products and focus on the innovative technical advantages of the Lux devices, the Easylamp changeable lamp cartridges, the changeable optical waveguides, and other technical elements. They also communicate Lux's approvals and homologations, as well as the proven results of Intense Pulsed Light treatments.

Brochures produced today are very technology focussed and cover a lot of information in a very intensive way. On this market competitors' sales communications vary from highly technical to highly "aesthetic"/benefit focussed - Lux's brochure is more toward the technical end of the scale, typical of a company which is justifiably proud of its technological edge.

There are opportunities to create stronger simple and focussed messages to appeal to the different market needs of Medical and Aesthetics, and to highlight the owner/operator benefits of Lux's innovations and presentation in a more impactful way. Improved communication pieces would support increased growth and differentiation.

1.4.4.2 Internet site

Lux has put a strong focus on its web presence, especially given the company's ambition to be a global player, reflected in current device installation in 32 countries. Lux employs a full time internet design and graphics specialist to drive site development and optimisation, and the site is currently published in four language versions (English, French, Spanish and German).

Lux invests around €15,000 each year for Google words, targeted at direct potential customers, and interested individuals to the information available on its site. Lux has also reserved over 70 domain names including 5 international domains (.com/.net/.eu/.org and .info) and 8 country domains (.fr/.be/.ch/.es/.it/.co.uk/.nl/.ru) for its principal brand, 37 international and country domains for its product names and variants, and further key strategic domains covering the sector such as "lumiere-pulsee.com", "pulsed-light.com" and "depilation-definitive.com".

The site content currently reflects closely the messages conveyed by the brochures with a strong focus on the company and device homologations, technology, products and treatments. Lux's unique innovations and, most importantly, their benefits to the device owner/operator may be better laid out and explained. Hence the website is currently being redesigned and the new, more impactful, site will be launched in early 2012.

1.4.4.3 Fairs and exhibitions

Lux's principal promotional investment is in its presence at key professional aesthetics salons in France and in influential export markets. Lux, using an owned pop-up display stand and typically showing two or three demonstration devices, is represented directly at 9 to 10 salons per year. Lux products are promoted by its distributors at around 30 further salons.
Key professional salons at which Lux participates regularly are:

▪ Mondial Spa et Beauté	- Paris	-13,000 attendees
▪ Les Nouvelles Esthétiques	- Paris	- 25,000 attendees
▪ Cosmeeting	- Paris	- 20,000 attendees (37% international)
▪ Cosmoprof	- Bologna, Italy	- 15,000 attendees
▪ Cosmoprof	- Las Vegas, USA	- 25,000 attendees
▪ Medica	- Dusseldorf, Germany	- 137,000 attendees (medical)

Presence at these salons allows Lux to promote and communicate its products to visiting aesthetic and medical professionals, to meet current and potential distributors, and to build its list of prospects from salon exhibitors and attendees.

In the last three years, Lux products have been presented by its distributors in a further 16 countries across Europe, Middle East, Asia and North America giving the Lux brand and devices a real global footprint.

1.4.4.4 PR and media

Lux invests around €15,000 per year in advertisements in the professional press in France with the largest element of this dedicated to the magazine "Les Nouvelles Esthétiques Spa" which targets professional aestheticians and has a monthly circulation of 42,000. Lux takes a half page advertising spread each month in this highly regarded professional journal.

Further press advertisements have been taken out in recent years in Spain, Germany, Canada and Switzerland to kick-start development in these markets. The relatively low impact of these compared to aesthetic industry salons, internet promotion and distributor sales efforts in these markets has led Lux management to reduce its effort and outlay in this area over time, focussing its resources on re-developing its internet site, its distributor network, and the central commercial resources needed to drive this.

1.4.5 Online sales channels

Lux has taken advantage of online channels to allow current device owners to order accessories and other supplies. This gives pre-registered customers the facility to order 24/7, and gives Lux an efficient distribution channel for order of "flashes" under the Freedom and Balance pricing models, as well as lamp cartridge, optical waveguides and small resupply items.

1.4.6 Sales support

Sales administration and support is provided by a dedicated resource within the sales and marketing team who manages the online "boutique", verifies distributor conditions and payments, and ensures follow up of orders and delivery.

1.4.7 Distribution review

In the distribution chain for indirect sales, three distinct models exist today:

- Distributor - the most common, where a distribution contract is signed between Lux and a third party organisation which sells (and services for export markets) Lux devices with a fixed commission structure. The distributor takes responsibility for the device at the Lux production site and is responsible for delivery, installation and maintenance.
- Agent - only a small number of these agreements exist. The agent in effect brings the business to Lux, where the sale is subsequently treated as a direct sale. The agent receives a commission on an agreed scale, typically in the range of 10-15%.
- Representative - in new export markets, representative deals may precede distribution deals where initial representation is required to ensure that local approvals and permissions are obtained which will allow Lux's devices to be sold legally on the market. These types of agreement exist currently only in Saudi Arabia and is deemed to be temporary.

With 71% of third generation devices sold by via the distributor channel, Lux is highly dependent on its distributor relationships, particularly outside of France. While most of Lux's distributor contracts are non-exclusive, in some countries such as Iran and Indonesia, exclusive distribution agreements have been signed.

Typical commission structure applied to a non-exclusive distributor is as follows:

- Devices and upgrades sold under Premium pricing: 40 %
- Devices and upgrades sold under Balance pricing: 30 %
- Devices and upgrades sold under Freedom pricing: 25 %
- Packs of Flashes: 25 %

The core obligations on the distributor are:

- To have at least one Lux device for demonstration purposes
- To ensure active promotion of Lux devices in the designated market
- To drive appropriate communication (publicity, salons, …) in the designated market
- To execute sales actions -prospection, demonstration, client and prospect visits, sales
- To ensure after sales service by a duly qualified technician trained by Lux's experts
- To be capable of delivering theoretical and practical training on Lux devices

1.4.8 Market research and analysis shows dynamic growth potential

Market research and forecasts for the aesthetics market indicate a fast growing trend for treatments which make people look better and retard the visual effects of the aging process. This is reflected in a huge and growing cosmetics sector, but also in the growth of treatments which have a more lasting effect such as skin treatments, hair removal and body remodelling.

Growth predictions for the market range from 10% to 20%, even despite a generally morose economic climate. In fact, we could surmise that people may compensate for their economic ills by investing in making themselves look and feel better with aesthetic treatments.

Intense Pulsed Light, a relatively new but proven technology with multiple applications in the aesthetics and medical sectors, is at the forefront of skin treatments and "permanent" unwanted hair removal. Ultrasound cavitation is also at the forefront of "body remodelling" technologies. Devices targeting these applications should ride the wave of aesthetic market trends, and Intense Pulsed Light's superiority over historic laser treatment methods should ensure that it takes an increasing share of the market.

Cynosure's statement that *"the global market for light-based aesthetic lasers has been increasing by 20 percent annually, making it one of today's most dynamic industries"* is extremely credible in this context, and the trend shows no sign of weakening in the next few years.

Lux's high quality, attractive and innovative devices, with comprehensive international approvals, supported by competitive and flexible pricing models are ideally positioned to win significant share in this growing market.

Lux's current commercial development strategy already generates 15% annual Revenue growth, including sustainable Flash Pack Revenue. With new distributors coming on board, reinforcement of Lux's sales team, and increased commercial focus provided by an expert acquirer, Lux should accelerate its market share, particularly in export markets, and easily exceed the general market trend.

Core production and maintenance headcount is two full time technicians plus the workshop foreman. In remote mode, the latter also supports the distributors with their maintenance and installation activity. The technicians divide their time between lamp cartridge assembly, device assembly and testing, and maintenance activities.

1.5 PRODUCTION & DELIVERY

1.5.1 Overview

Lux's production and workshop maintenance facilities are situated together with all sales and administrative offices and pre- and post-production storage, in a single site in a business park in Northern Paris close to the Paris Ring Road (Périphérique) and with easy access to Paris's main Charles de Gaulle airport which is 20 km away.

All major components are produced by sub-contractors, to Lux's protected designs, and are assembled by Lux's qualified technicians according to well-defined, documented procedures in the production site. Individual units are mostly made-to-order after the sales contract is signed and are made available to the customer on an "ex-works" basis.

Quality control is paramount to meet the approval needs for medical and aesthetic devices, and the facility operates to stringent EC and ISO 9001:2008 and ISO 13485:2003 (including CMDCAS) Quality Management Systems for design, manufacture, distribution, service, repairs, sales and after sales services

1.5.2 Production and maintenance operations are well-established and well-documented

Lux's production facility in Paris assembles the range of Lux devices in response to confirmed and paid orders received from customers or distributors. Fabrication of different major components is outsourced to a small number of high quality partners with whom Lux has long standing relationships, and indeed with whom it has partnered in technical development of its innovative technologies. Partners representing significant value of components, assemblies and services purchased (2010 full year figures) include:

Supplier name	Since	Components supplied	purchase value %
"Partner1"	2007	Power assemblies (fully assembled control, capacitor and cooling units), handpieces	55%
La Tôlerie Plastique	2005	Plastic device housings	10%
Excelitas (directly or thru distrib.)	2007	Perkins Elmer lamps	7%
Origin 3D	2008	Industrial design and consultancy, and cartridge production	3%

The intellectual property, related to the engineering studies, and component designs developed by "Partner1" on behalf of Lux are reserved worldwide to Lux for a period of 10 years from December 2007.

In order to reduce dependency on single supplier, "Partner1", for the core components of its devices, Lux has assessed and entered into negotiations with an alternative supplier. Lux has received a formal offer from this supplier to produce units to Lux's design and specifications, at a similar price, and is ready to work with the supplier to set up the necessary processes and knowledge transfer.

Other significant suppliers are expected to join the "leading group", such as EDN for design and manufacturing of electronic boards, and First Light Lamps, a UK lamp manufacturer (as Excelitas will close its UK plant and transfer production to Asia and USA).

Production and assembly processes carried out in-house by Lux's technicians are comprehensively documented, with photographic illustrations, for four main processes:

- Assembly of Intense Pulsed Light devices
- Assembly of lamp cartridges
- Assembly of lamp cartridge seatings
- Assembly of optical waveguides

This documentation ensures that strict quality controls can be maintained and allows easy training of new technicians and apprentices on all main processes and verifications.

The decision by Lux's owners to outsource complex component production to expert providers, keeping final assembly, testing and intellectual property in the Lux company, means that Lux has a lean, flexible and simple central production operation which is scalable, easy to resource and with excellent quality controls.

The 284 sq.m. production floor at Lux's Paris facility, which opened in 2009, has reception and storage areas for components and finished devices, twelve discrete production, testing and maintenance stations, a working office for the production foreman and development resource, and dedicated packaging and dispatch area. Including office space, the physical facilities totalling 430 sq.m. are largely sufficient to allow a substantial increase in production without additional space.

Core production and maintenance headcount is two full time technicians plus the workshop foreman who also supports the distributors (remotely) with their maintenance and installation activity. The technicians divide their time between lamp cartridge assembly, device assembly and testing, and maintenance activities. Three apprentices complete the production and maintenance team, although all are part time and do not add significantly to the productivity of the core team. Again there is capacity to increase production significantly without major resource investment.

1.5.3 Strategy change at its former lamp supplier enabled Lux to become self-sufficient...

Until 2009, lamp cartridges for Lux's third generation devices were supplied exclusively by Perkins-Elmer either directly or through its successor Excelitas. Perkins-Elmer decided in October 2009 to halt production of lamp cartridges, compelling Lux to find an alternative.

Having reviewed the situation and the product, Lux decided that it could actually produce a better, more technologically sound, lamp cartridge in-house and so started development of the new improved lamp cartridge in January 2010. New features of the Lux cartridge included a new multi-layer reflector, new sealing mechanism for the water-cooling circuit and more heat resistant plastics which prolong cartridge life.

... but caused short term issues which are now resolved

During the period up to availability of the new cartridge in October 2010, Lux was dependent on a dwindling stock of Perkins-Elmer cartridges which caused them to slow down commercial efforts and production, with inevitable short-term impacts on commercial results. In fact from June 2010, with no new lamp cartridges available, Lux set up a manual operation to refurbish recovered cartridges, allowing them to meet their customer needs for a short period.

With the new Lux cartridges available from October 2010, Lux is now self-sufficient for its cartridge supply, has patented the improvements which make its cartridges unique and high performance, and is able to propose cartridges at prices which are more economic than its competitors. The "Easylamp" cartridge is officially launched in 2011.

1.5.4 Lux's production planning and purchasing processes ensure effective cost control

As the finished devices are produced on demand and annual production (2010) was in excess of 100 devices (including Mediflash3, Estheflash3 and Cavifast), the production planning and purchasing cycle is managed closely.

Components are ordered on an "open order" basis from selected and trusted suppliers, enabling Lux to control stocks in hand at the same time as having a reliable supply and sufficient stocks to meet current demands. As examples:

- Device power assemblies are supplied by "Partner1" on the basis of 100 units per order, with theoretical delivery in two batches of 50 units. In reality "Partner1" delivers and invoices between 10 and 20 units at a time, which ensures that Lux has sufficient stocks for expected production, and limits the cash it has tied up in inventory.
- In the same way plastic housings, lamps etc. are ordered on open orders, with sufficient available stocks to ensure effective production processes. Inventories are made at each month end and stocks are resupplied as required with short delivery times.

Cycle time for assembly of an ordered device is typically a maximum of two to three days. As Lux's delivery conditions to customers allow for six weeks from payment of their invoice, Lux has little or no risk of defaulting on its delivery engagements to customers.

1.5.5 Lux's comprehensive Quality Management System supports growth

Lux operates its entire organisation with a Quality Management System which meets the norms of EN ISO 9001 Version 2008, EN ISO 13485 Version 2003/AC 2007 and EC Certification to Directive 93/42/EEC for Medical Devices, Annex II (3) without exclusions.
The Quality Management System and its constituent principles and processes cover:

- Management processes including overall company management, resource management, and continuous improvement
- Execution processes such as marketing and sales, conception and development, and production
- Support processes such as purchasing, maintenance of the facilities and equipment, management of measuring instruments, and IT

The Quality Management System is articulated in a comprehensive manual and its supporting documents which fully define the processes to be followed in each of the areas of the company, and by the company's external suppliers in their interactions with Lux.

Lux's full Quality Management System has been assessed and registered by Intertek AMTAC Certification Services Limited, granting Lux the authorisation to mark certification to international standards notably including UK, US, EC, Canada, India ... This certification is important for Lux in commercialising its devices in home and export markets, but also ensures the efficient and rigorous operation of the company.

As finished devices are produced on demand and annual production is in excess of 100 devices, the production planning and purchasing cycle is managed closely.

Components are ordered on an "open order" basis from selected and trusted suppliers, enabling Lux to control stocks in hand at the same time as having a reliable supply and sufficient stocks to meet current demands. As examples:

Device power assemblies are supplied by SPEG Pronergy who delivers between 10 and 20 units at a time, which ensures that Lux has sufficient stocks for expected production, and limits cash tied up in inventory.

It is unusual in a company of Lux's current size, to see such a comprehensive and well-structured Quality Management System, and this clearly illustrates Lux's ambition and potential to grow significantly in the next few years. Lux's acquirer will benefit from and extraordinarily well-defined organisation where the operational essentials are all in place, allowing the acquirer to focus on developing the business and profit.

1.5.6 Delivery of finished products

Lux has taken the decision to leave the delivery and distribution processes to its expert distribution partners. Lux's devices are prepared and packaged in a dedicated area of the Paris facility for pick-up, on forklift pallets, by the distributor or purchaser's chosen transporter on an "ex works" basis.

Packaging of devices pre-shipment uses made-to-measure packaging materials, with robust external and internal protection, produced to international standards and resistant to a one metre drop during transport.

Installation on-site is the responsibility of the sales person, distributor or agent, though Lux will provide telephone support from its technical team, typically the workshop foreman who is effectively bilingual English/French.

1.6 HUMAN RESOURCES AND ORGANISATION

1.6.1 Management team and organisation

The co-founders and owners Pascale Tannous and Christophe Hottinger divide senior management roles between them with Ms. Tannous in overall responsibility as the legal Managing Director (Gérante) of the companies. In terms of functional responsibility Ms. Tannous leads the Commercial effort as well as Finance, Administration and Purchasing, whilst Mr. Hottinger has responsibility for the Research and Development, Production and After-sales, and Quality functions.

Pascale Tannous is a graduate of the Institut Supérieur de Gestion in Paris and New York where her studies led to a Master's degree in Management. Her early professional experience was gained over five years in Servant Soft and ITRACO (raw materials trading) as Commercial Director (including international experience) before launching Lux's first products with partner Christophe Hottinger.

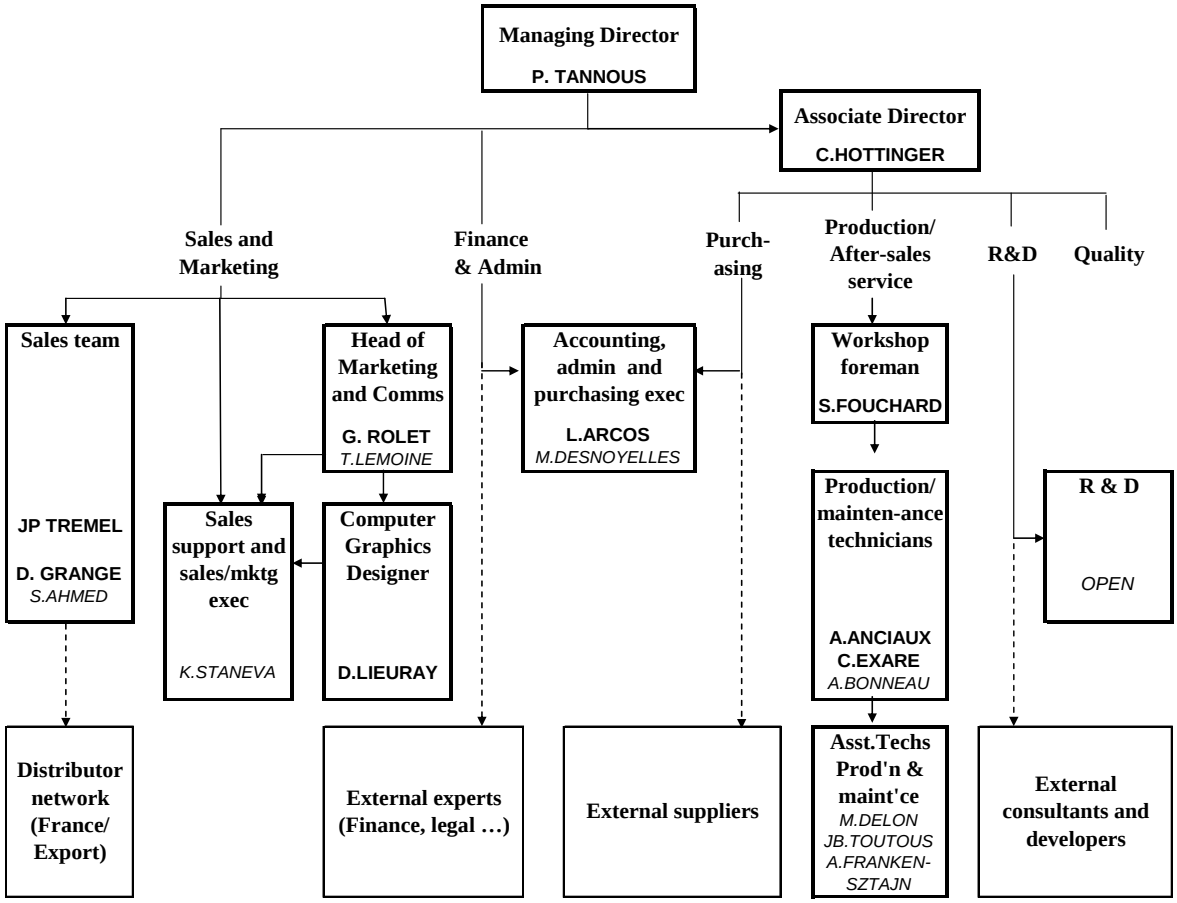
Christophe Hottinger is a graduate of the Ecole Supérieur de Commerce of Tours where he was awarded a Masters degree in Business, Administration and Finance. His early professional experience was gained during twelve years in the Bolloré Group (international logistics) and Aviva (insurance), mainly in the area of information systems, and mostly dealing with international markets. In 2003, when Lux was building its first commercial capabilities, he left Aviva to dedicate himself entirely to the new enterprise.

Together, the owners have combined their skills, experience and entrepreneurial spirit to set Lux up as a robust, well-structured and profitable company with all key elements in place to continue commercial expansion and business success.

With a range of state-of-the-art devices now available from Lux, protected by patents and competitive advantage established for the next few years, Lux now needs to leverage a new set of skills in aggressive commercial development and industrial scale development which can be provided by a new owner. This could potentially be an individual with a strong commercial profile, a company with existing strong distribution and production facilities to leverage, or an international company seeking an established player as a "bridgehead" to this dynamic and growing business segment in Europe.

Ms. Tannous and Mr. Hottinger consider, therefore, that it is an appropriate time to move on to leverage their considerable entrepreneurial skills in a new opportunity. They will, however, support the purchasers during a defined transition phase, and will engage not to compete in the market space currently occupied by Lux's product range or customer base

The current Lux organisation follows a period of testing and transition where several people were taken on to drive sales acceleration. After disappointing results were seen from new sales executives for France and international markets, Lux management took a courageous decision not to renew the temporary contracts of new employees. Several new deals driven directly by Lux management (new distributors, Canadian OEM deal and franchise chain) will drive accelerated growth from 2011/2012, and sales resource should be reinforced from 2012 to realise Lux's market potential.



Notes : Organisation at September 30th, 2011
Employees noted in ITALIC are apprentice/temporary status

Lux's Organisation at September 30th, 2011

1.6.2 Employees

1.6.2.1 Overview

In addition to the owners, at September 30th, 2011, there are 16 other employees and apprentices/trainees and 1 open position who are functionally split between:

	Core team	Trainee/ apprentice	Open position
Sales and Marketing	4	3	
Production, After-sales service and R&D	3	4	1
Finance, Administration and Purchasing	1	1	

The current team has the necessary skills and knowledge to perform their responsibilities effectively, even though the permanent team is quite new with one member of staff who is with the company since 2009, 5 others who joined in 2010, and 2 further staff who joined in 2011. Well-defined processes ensure rapid integration and training of new staff.

In terms of contract status 6 employees currently have long term contracts (CDI), 2 have limited term contracts (CDD) which are often used for new staff until results are seen which justify more permanent contracts, and 8 have Apprentice or Trainee status.

None of the current team except the owners have the legal status of "cadre" (management or executive levels), but key function leaders in marketing, production and commercial areas are mature professionals with significant business experience. All key staff speaks good English which is necessary due to the international nature of Lux's business.

1.6.2.2 Key Employees and associates

Whilst Lux management has a high regard for the competencies and motivation of all core members of its team, there are five key individuals who will be important for the acquirer as they provide continuity and knowledge of Lux's business through the transition period and beyond.

- **Ghislain ROLET** - Head of Marketing and Communications

  Mr.Rolet has been with Lux since November 2010 and is 29 years old. One of the most respected members of the team; he comes to Lux with several years of experience of marketing/communication, store management and marketing projects at PSG Merchandising (attached to the Paris Saint Germain football club).

  At Lux he handles all aspects of Marketing from market research and analysis, through product mix to operational marketing. He is responsible for organisation of Lux's presence at salons, for the execution of the media plan, customer relations and distributor conditions, website concept, competitor reviews, brochures and the entire marketing mix.

  Mr.Rolet is supported in web development by Denis LIEURAY who has a modern art and 3D graphics degree and experience in a communications agency.

- **Stéphane FOUCHARD** - Workshop foreman

  Mr.Fouchard has been with Lux since September 2010. He has BAC/BTS qualifications in electronics, followed by certification as a senior technician in electronics. Having spent 7 years in the UK in customer-facing roles he is fluent in English.

  As well as leading the production and maintenance workshops, ensuring effective production and delivery on a day-to-day basis, he handles customer and distributor contacts for all technical and after-sales questions including authorisation of devices returns when necessary.

  Mr.Fouchard is well-supported by two excellent experienced technicians

  - Mr Christophe EXARE who worked with Lux as a trainee from 2009, before joining the team as a polyvalent technician
  - Miss Amélie ANCIAUX who joined as an apprentice (optics) in 2009 and has since joined the full time team specialising in lamp cartridge production, fitting and refurbishment.

- **Laurent ARCOS** - Accounting, Administration and Purchasing Executive

  Mr.Arcos was recruited on a temporary contract in April 2011, and should normally be confirmed as a permanent employee from December. He has a Masters degree in international business and experience from a large media group as accounting assistant and then export assistant.

- **Dr. Fayçal RAHAL** - Medical Training Specialist

  Dr Rahal is an experienced Medical Doctor trained in aesthetics. He works for Lux in a subcontracting capacity.

- **Jean-Pierre TREMEL - Senior salesman**

  Mr.Tremel is a trained physiotherapist who, as well as having his own clinic for some time, has more than ten years of experience as sales manager including for a sports and leisure company. From professional experience, he knows the ultrasound applications well and has been strongly involved in the new Cavifast project

1.6.3 External expertise

To maintain the "lean" structure of Lux, a number of expertise areas (in addition to component production and supply, and reseller distribution) are outsourced to specialists, working under the direction of Lux's management team and with necessary internal support:

1.6.3.1 Product and process design

Lux has determined its role in the design and innovation process as researching and interpreting market needs, and conceiving solutions. For the more technical aspects of product and process design, Lux has long-standing relationships, in particular with "Partner1" and Origin 3D.

1.6.3.2 Finance

Accounting and legal reporting services are provided by a AF Group, a Paris-based accounting services specialist. A dedicated accountant is available who follows Lux's activity and accounts closely.

1.6.3.3 Legal matters

To ensure that its products and innovations are well-protected, and that distributors meet their legal obligations both to Lux and to the customers who purchase Lux devices, Lux has established a long standing and effective relationships with Me Merand, a Paris-based lawyer. In the few cases where litigation has been necessary to enforce patents or contracts, Lux has consistently been successful in proving its case and protecting its business interests.

1.7 LUX - A ROBUST COMPANY WITH UNIQUE, "IN DEMAND" PRODUCTS

Lux is an already successful provider of state-of-the-art devices for the fast-growing aesthetics market using a recent, but proven and widely accepted, technology which replaces existing medical and aesthetic treatments.

Lux's intellectual property is protected by international patents, and its products, approved to the highest international standards, can be sold in many international markets. With a strong home market base in France and distributors in 31 countries, Lux has access to significant untapped potential for revenue and profit growth

Lux sells its devices at highly competitive prices, but still delivered an EBIT of € 0.6 million from € 1.8 million of revenue generated equally from France and export markets.

Production is well-established and scalable with well-documented processes, reliable component supplier partners and high quality standards. This solid infrastructure, with a complete ISO Quality Management System, can support rapid expansion.

Updating of the current devices and a new, body remodelling, device ensures that Lux has a product range which will meet market needs for the next few years without the need for significant development investment.

With cutting edge products, proven pricing models and robust infrastructure, Lux offers an acquirer with a strong commercial focus, or a complementary range of products with existing distribution channels, the opportunity to drive significant additional value from the business.

2 PERSPECTIVES

The perspectives for Lux may be represented by a build of three levels of opportunity, the first being the "Business as Usual" representing how the company can grow with existing products in the fast-growing Intense Pulsed Light market for Aesthetic and Medical treatment.

The next level of opportunity identifies the potential incremental impact of actions currently under way to accelerate Lux's growth and performance, which when executed effectively should deliver additional organic business growth to confidently achieve an "Organic Business Plan". Within this perimeter would be expansion into the "body remodelling" market using Lux's newly developed Cavifast device, and the impact of recent commercial activity where major distribution, OEM and franchise deals have been signed bringing new sales volumes from 2012 onwards.

The third level of opportunity outlines what may be done an ambitious acquirer of the company bringing new skills in enhancing sales and distribution, particularly in international markets, optimising production, and other initiatives.

2.1 BUSINESS AS USUAL

Rather than factor all new deals and products into the Business as Usual projections, Lux has adopted a conservative approach and anticipates a steady 15% growth in the coming years driven partly by device growth, but also by the accumulating benefit of variable revenues driven by the Liberty and Balance pricing.

2.1.1 The market for Intense Pulsed Light devices is growing strongly

As discussed earlier in this Memorandum, the global aesthetics market is anticipated to grow at 10-20% per year in the next years. We see evidence of this every day in the huge rise of media coverage of beauty and anti-aging products and services and in the relentless promotion of the cult of "looking good" for personal and professional reasons. L'Oréal, which operates exclusively in this market space, even appears on the Fortune 500 list of the world's largest companies. More comforting is the consensus of market research and analysis by reputed research companies around the world that this specialist market will continue to grow at rates far exceeding overall market growth.

Aesthetic treatments which have long-term effects, such as hair-reduction or skin improvement are becoming much more accepted, and indeed demanded, by consumers. The fact that some these treatments are now increasingly free of side-effects and discomfort accelerates acceptance, and Intense Pulsed Light is just such a treatment.

Lux has focussed exclusively on developing the best technological platforms, aesthetics and pricing models in the Intense Pulsed Light device market, delivering best value to operators and patients. Based on this Lux has a high probability of achieving results at, or better, than the market's expected growth. Lux's "Business as Usual" growth projection appears aligned with past performance, and focussed commercial effort, both in the Organic Business Plan and by the successful Acquirer would increase market share and accelerate growth beyond this.

2.1.2 Lux is growing profitably in a post-recession market

During the financial uncertainty of 2008 and 2009, many "luxury" oriented businesses suffered a downturn, and indeed this was the case for some of the US-dependent aesthetic laser manufacturers. Lux also slowed down during the recession, but benefitted from its lean business structure to sustain good levels of profit, unlike some of its major competitors. In 2010 with the market improving Lux picked up strongly, delivering 1,8M Euros of sales, despite having to slow down commercial efforts due to withdrawal of their major lamp cartridge supplier from the market.

2011 sales are confidently expected to grow at around the 15% level, and with Lux ensuring production of its own lamp cartridges to a robust and innovative design there is no identifiable block to future development.

Rather than factor all new deals and products into the Business as Usual projections, Lux has adopted a conservative approach and anticipates a steady 15% growth in the coming years driven partly by device growth, but also by the accumulating benefit of variable revenues driven by the Liberty and Balance pricing.

2.2 ORGANIC BUSINESS PLAN

The Organic Business Plan is based on Business as Usual plus development initiatives aligned with two priorities

- Enhance sales effectiveness
- Launch new body remodelling device

Lux's development initiatives are already under way and they have been modelled in the financial projections:

- Original Equipment Manufacturer deal with Canadian group
- Partnership agreement with growing franchise network
- Major distribution contracts signed in the second half of 2011
- Export sales to high potential markets
- Cavifast commercial launch

2.2.1 Original Equipment Manufacturer deal with leading Canadian group

This deal, signed in 2010, but only starting to deliver results in 2011, has Lux providing white-label Intense Pulsed Light devices to a Canadian aesthetics device specialist. This company then brands the devices under its own brand names and uses its established global distribution networks to sell the devices alongside a broad range of electrolysis, micro-dermoabrasion, radiofrequency, oxygen therapy, luminotherapy, ultrasound therapy, other devices, management software and salon furniture sold to its customer bases of aestheticians, spas and clinics.

The Canadian company, an acknowledged expert in the aesthetic device segment, has clearly seen the significant benefits of Lux's technological development and innovation and wants to benefit from this to develop its own business.

Lux's principal promotional investment is in its presence at key professional aesthetics salons in France and in influential export markets. Lux, using an owned pop-up display stand and typically showing two or three demonstration devices, is represented directly at 9 to 10 salons per year. Lux products are promoted by its distributors at around 30 further salons.

Presence at these salons allows Lux to promote and communicate its products to visiting aesthetic and medical professionals, to meet current and potential distributors, and to build its list of prospects from salon exhibitors and attendees.

2.2.2 Exclusive supply to a growing franchise

A contract has been signed in September 2011 for Lux to be the exclusive supplier for a new and growing franchise chain of permanent hair-reduction salons.

The franchise has been launched by a successful franchise operator who has already developed a chain of 80 health and slimming clinics under brands HyperMinceur, EsthetiqueMinceaur and HyperFitness.

The franchise, launched in 2010 already has 26 franchise salons and 47 in pipeline, and has the ambition to have 500 franchisees in 3 years. Given the success of NoMasVello which has over 1,200 franchises in three years in this segment, this seems to be an achievable target.

2.2.3 Major distribution contracts signed in the second half of 2011

In the last few months Lux has taken strong action to close significant new distribution deals aimed at accelerating export volumes. The full effect of these deals, outlined below, will only be seen from 2012.

2.2.3.1 Saudi Arabia and Gulf distribution

In preparing the Middle Eastern market, Lux has associated itself with the leading company in Saudi Arabia in providing comprehensive range, state-of-the-art technology solutions, and healthcare supplies to the leading hospitals, clinics, and healthcare institutes.

Its Group CEO is a prince of the ruling Al-Faisal family, and the Group is associated with many major brands (including Sony) and has a network of clients which is second-to-none.

Connection with the royal family is a major asset for future development in the country.

As Lux's representative in Saudi Arabia, since July 2011, the Group is currently ensuring approvals for Lux devices to Saudi Arabian FDA standards which will ensure that devices can be marketed in Saudi Arabia. Opening this important market, a leader in the region would be an important step for Lux. Hair removal is in strong demand in Islamic countries where it is linked to religious observance.

A demonstration device has also been purchased by another major Saudi group, so Lux has two potential distributors when approvals are finalised.

2.2.3.2 South-East Asia distribution

In June 2011, distribution agreements were signed by a major Aesthetic Medical equipment distributor based in Singapore with offices in Malaysia, Thailand, Indonesia, Hong Kong and Philippines. The current agreements cover Thailand (non-exclusive) and Indonesia (exclusive).

The distributor's strategy is to provide state-of-the-art solutions to professionals in the aesthetics market.

Its existing range already includes lasers, skin treatment devices, radio frequency, liposuction, fat reduction etc. and Lux's Intense Pulsed Light devices are a welcome addition to the range.

2.2.4 Export sales to high potential markets

2.2.4.1 United States

In the USA, Lux is looking for the appropriate partners to drive sales and distribution in the world's largest aesthetic medicine market. While there are established large competitors, as previously described these companies rarely have the equivalent of Lux's focussed low-cost high-quality Intense Pulsed Light devices.

2.2.4.2 India

Lux has two distributors for India, with one formal contract signed as of 30 September 2011. One of the two distributors has already launched its promotion effort.

2.2.4.3 Russia

Lux has signed a distribution contract with a former public agency who has initiated the Russian certification process.

2.2.4.4 Other markets

Lux is currently receiving expressions of interest from distributors worldwide: Iran, South Africa, etc. None of those opportunities have been included in the company's business plan as discussions only are at preliminary stages and/or represent minor sales potential.

2.2.5 The new "body-remodelling" Cavifast product has proven strong potential

Whilst not directly related to Intense Pulsed Light, ultrasound has a similar tissue heating effect which can also be used for medical applications. Since this is complementary to Lux's expertise and customer channels, Lux has leveraged the opportunity and sourced an ultrasound body remodelling device which has been test marketed since late 2010 under the product name Cavifast. Lux is currently developing its own ultrasound device, which it intends to bring to market in early 2012, giving a further benefit to the acquirer.

The thermal effect of ultrasound causes widening of blood vessels and tissue softening. The Cavifast device may be used for medical therapies - treating oedema, bruising, muscle calcification, tendonitis, bursitis, and sprains. Ultrasound's anti-inflammatory action treats deep or superficial pain, whether acute or chronic, traumatic or rheumatic.

Used in aesthetic applications the Cavifast device targets accumulated fat reduction and body remodelling where excessive localized cellulite is present (typically on arms, abdomen, thighs and buttocks). During treatment the ultrasound produces alternate decompression and compression waves, which progressively increase the tension of the fat cell until it implodes and frees the liquefied fat which is then expelled as waste from the body.

The technique of cavitational lipolysis is proven by medical trials, is non-invasive and allows patients to resume normal activity immediately after treatment, unlike traditional liposuction or other surgical treatments. Liposuction is currently the most "in demand" of cosmetic surgery procedures in the US, according to the International Society of Aesthetic Plastic Surgery's 2010 Global Survey covering 25 world markets. As ultrasound cavitation is the latest and least invasive form of liposuction, this market is set to expand rapidly.

With similar control technologies as Intense Pulsed Light, ultrasound waves are created by transducers which convert electrical energy into ultrasonic mechanical energy. The transducers are placed on the surface of the skin and treat subcutanoeus fat layers without the need to insert suction apparatus (cannula) into the body.

Lux's Cavifast device uses two 50mm diameter transducers, one concave and one flat, to fit to different areas to be treated. Pulsed power emission, developed from Lux's Intense Pulsed Light experience, allows delivery of strong and continuous ultrasound power from the transducers for up to 60 minutes, allowing fast and optimal treatment of large areas.

The Cavifast device, riding a new and timely wave of body remodelling technology, already meets the required EC standards for electro-medical equipment. Lux's Cavifast device, which resembles its current IPL devices with a central control unit and handheld treatment modules applied to the surface of the body, has application to both their current markets in the Aesthetic and Medical areas.

The test marketing of the first Cavifast device, sourced from an Italian manufacturer, since October 2010 has shown that it can already win customers, with 20 devices sold in 13 countries around the world by end-July 2011. Lux is currently developing its own upgraded Cavifast device which will be launched in early 2012. Pricing models will include a Premium (outright purchase) option and a Freedom option with a lower purchase price and recurring revenue streams from purchase of "treatment minutes".

With distribution networks already in place for its Intense Pulsed Light devices, Lux has made some conservative assumptions on demand for Cavifast devices which estimate sales of around € 900,000 by 2015, rising to € 1.9 million by 2018.

2.3 INCREMENTAL OPPORTUNITY FOR THE ACQUIRER

2.3.1 Enhanced Sales and Distribution will drive high contribution business

Lux's initial growth appears to have been driven more by technical value added rather than by aggressive sales tactics. From 2005 to 2010 the direct sales effort was relatively limited with one key sales resource. A comprehensive commercial plan could create major new opportunities based upon more aggressive and experienced commercial leadership driving a more appropriate balance of direct sales, focussing on well-understood high potential markets, and ensuring effective, engaged and incentivised distributors.

Driving additional sales to Lux's production capability can generate significant incremental profit and improve Lux's market position and brand recognition against its global and European competitors. This is a significant opportunity for Lux today, and a great opportunity for an acquirer with strong commercial capability, or an existing distribution network to leverage.

As previously indicated there are opportunities to significantly improve Lux's customer communications to make these more impactful and adapted to the type of customers targeted by the company, who are business and aesthetic focussed rather than technologists.

2.3.1.1 Opportunities in France remain to be exploited

The principal market for Lux's devices today is France. In 2010 direct sales have generated around 50% of this with a further five distributors generating the next 25%. The remaining 25% of sales is generated by 50 distributors with average sales of just over €10,000 each, and as little as €110, so there is opportunity to focus down to fewer motivated distributors who can really represent Lux.

A thorough analysis of the market, of appropriate channels, and rationalisation of the distributor network (including evaluation of how the best distributors achieve up to €230,000 of sales) will enable better targeting, better conversion rates and a more rational distribution structure for the French market.

The French Yellow Pages identify nearly 80 clinics/salons in Paris alone promising permanent hair reduction (all methods) and some of these clinics have up to 20 laser/Intense Pulsed Light devices. It could be estimated that there is a potential market today in France of up to 2,000 devices and, with Intense Pulsed Light becoming the method of choice of a growing market, the potential is huge.

As an example of the expansion of Intense Pulsed Light used for hair reduction, the franchise operator "NoMasVello" cites 500 franchise of its brand in Spain alone since launch in 2007, which indicates over 500 devices in operation for this one company in only one country.

2.3.1.2 Focus on "high potential" markets may yield rapid and effective export growth

Lux's current commercial strategy recognises the broad global demand for Intense Pulsed Light devices and existing sales into 31 export markets is both a credit to the company and a proof that the potential market for Lux's devices is truly global. To open up global markets, Lux has signed up many international distributors but, as in France, many of these distributors are generating very low volumes today. In 20 countries the total number of Lux third generation devices installed is 5 or less.

Of all the export markets, only Switzerland, Canada and Spain represent more than 5% of Lux's global installed device base. Major markets such as UK, Germany, Italy, and neighbour Belgium, have relatively low volumes, while the USA, the BRICs markets (Brazil, Russia, India and China), and the Gulf States generate no sales at all.

Effective and focussed commercial management, together with targeted investment, should open up significant opportunities in relatively untapped major markets. Leveraging existing distribution networks for a corporate acquirer could accelerate this rapidly, while an individual acquirer could establish and drive a more focussed strategy to penetrate selected markets in a prioritised way.

2.3.2 Production Optimisation and Growth

2.3.2.1 Lux's production model is well-defined and scalable

Lux's production processes are simple and very well defined and are based on assembly of components produced and delivered by outsourced suppliers to Lux's designs. The assembly and pre-despatch testing of Lux's devices does not require a high level of technical qualification, currently a high proportion of the assembly operatives are apprentices, hence the upscaling of the operation is relatively simple.

A total of more than 100 Lux devices were assembled and delivered in 2010, and estimated elapsed time for assembly, testing and dispatch of a single device is around one day. With existing physical facility, tools and resources, Lux has a capacity to deliver a significant increase in device volumes per annum. The limiting factor for Lux today is not its production capacity, but its ability to win more business, and hence get more through-put to its production facility at low marginal cost.

2.3.2.2 Outsourcing and off-shoring is not an immediate priority

At the present time, the cost of assembly of Lux's devices is relatively low compared to the cost of major components which are mostly sourced in France. With relatively low production volumes cited above, we see no obvious immediate advantage to outsourcing or off-shoring production, when set in the context of integrated management of commercial development, production and maintenance, and administration in a single business unit.

2.3.2.3 Integration into acquirer's existing production facilities may improve margins

For an acquirer with existing offshore production facilities and/or quality component suppliers, the opportunity and indeed the simplicity of absorbing Lux device production into theses facilities could be an attractive prospect, driving improved margins or the ability to compete with lower market prices. All assembly processes are well-defined in the context of Lux's Quality Management System so these are easily transferable. As only a limited number of current employees are on long-standing and long-term work contracts, integration costs may be relatively low.

2.3.3 Potential vertical integration may provide huge opportunity

The NoMasVello franchise model demonstrates how an attractive and effective business can be created by targeting the end customer opportunity, rather than operating on a purely B2B basis. With the high performance and aesthetic appearance of Lux's devices, and the range extension into body remodelling, there could be an opportunity to create a new high-impact franchise operation which has two sources of incremental value for Lux:

- Rapid market growth in sales of Intense Pulsed Light and ultrasound body remodelling devices to new franchisees in France and around the world
- Creation of a higher communication profile for Intense Pulsed Light and ultrasound body remodelling, and the treatments that they enable, in the global beauty and "anti-aging" market

An ambitious acquirer with the necessary skills to build such a network, or an existing aesthetic salon franchiser, could reap significant benefits.

2.3.4 Franchising/licensing of intellectual property may be an option in some regions

Among the major advantages of Lux's Intense Pulsed Light devices are the innovative elements such as Easylamp, the recharging of flashes using secure codes, pulse sequencing and "simmer" capability, and also the well-defined production processes and Quality Management System. Devices are also fully compliant with the most rigorous device standards worldwide and have the necessary homologations and approvals.

Analysis of global markets show that there is a growing market worldwide for "looking good", particularly "anti-aging", and aesthetic and medical Intense Pulsed Light devices are carried on the crest of this market wave. Lux, from its single relatively small Paris base, may not be able to make the most of the huge potential that will exist on the market, and scale in commercialisation, production and distribution may be important to win market share.

A proven model for global expansion, based on the competitive advantages of the existing product and process (with demonstrable high margins), would be to franchise or license the intellectual property of Lux into selected business areas. This would have the additional advantage in many markets (such as the huge and growing Indian sub-continent) of low cost production and distribution which are required to gain cost-effective penetration of the market, and could eventually give Lux itself an economic off-shoring production solution.

2.4 A COMPANY WITH MAJOR PROFITABLE GROWTH OPPORTUNITIES

In a growing market, Lux is starting to reap the benefits of the right technical choices.

In particular, designing a water-cooled Intense Pulsed Light was a challenge. However, Lux never compromised on the concept on the basis that only powerful devices can be truly effective. Since powerful devices heat up more, they need a more powerful cooling system i.e. they need to be water-cooled.

This very simple technical and strategic principle explains Lux's current growth. In a context of ever-increasing regulation and as end consumers become more demanding, aesthetics and beauty professionals turn to effective and reliable products.

This is also the reason why such a reputable company has signed an original equipment manufacturer deal with Lux: it knows that it can safely put its reputation on the line with Lux's technology.

Conversely, Lux's core technical strength shows the company's limitations in terms of commercial development, particularly in export markets. With the right commercial skills and strategy, Lux's acquirer will be able to leverage the company's technological edge and generate significant acquisition synergies.

Lux's most significant asset is off Balance Sheet.

Lux has installed base of 150 medical devices sold under the "Freedom" pricing model. In order to operate these devices, end customers need to purchase "Flash Packs". For a sensible user, the value of those flash packs should be equivalent to the value of the transfer key between Freedom pricing and Premium pricing i.e. € 13,990.

Historical records show, however, that flash pack sales are approximately 50% higher than what financial optimisation would suggest. Future cash-flows per machine can therefore estimated at an amount comprised between € 14,000 and € 20,000 over a 5-year period. There are no associated costs.

The undiscounted value of Lux's off Balance-Sheet item is therefore comprised between € 2 million and € 3 million.

3 LEGAL AND FINANCIAL REVIEW

3.1 LEGAL STRUCTURE AND TRANSACTION PERIMETER

3.1.1 Lux

Lux was registered as a Société à Responsabilité Limitée (SARL) with the Tribunal de Commerce de Paris in July, 2000 by the two co-founders, each owning half of the total share capital of € 40,000.

Prior to the transaction, Lux will be transformed into a Société Anonyme (S.A.) or into a "Société Anonyme Simplifiée" (SAS).

The current premises of the companies are located in a business park in Northern Paris, close to major road and air connections. They are rented on a nine year lease running from August 2009.

The Transaction Perimeter encompasses all Lux shares. Apart from Real Estate and from licensed 3rd party intellectual property (software, etc.), the company owns all assets, contracts, patents, patent claims and certifications that are necessary for Lux's operations.

It should be noted that the co-founders/ owners, who are currently on the Company payroll will resign from the company on completion of the Transaction but will provide support to the acquirers for a limited time under a separate agreement to be established between the parties.

3.1.2 Lux Training

Customer training is provided through a small dedicated legal entity, referred to as "Lux training", which is Lux's sister company. It is a training company registered with the prefecture which enables Lux's clients to have all or part of their training reimbursed by the semi-public bodies collecting training taxes.

Lux training was registered in 2006. It is a Société à Responsabilité Limitée (SARL) with Share Capital of € 50,000.

Lux training is insignificant in the transaction. At the acquirer's convenience, it can be included in or excluded from the transaction perimeter. If it is included, it shall be valued for the amount of its Equity at Closing (for more details, please refer to the "Balance-Sheet" section of this Memorandum).

3.2 INCOME STATEMENT

3.2.1 Historical performance

High quality products offered at prices generally 10% cheaper than competition enabled Lux to reach Revenue of € 1.9 million in 2007, before the recession hit the health and beauty market.

In response to the economic recession, Lux adapted its business model late 2008 and launched the "Freedom" pricing model. Freedom's objective is to enable cash-strapped beauty salons to purchase Lux's machines at a heavily discounted price, with "pay-as-you-go" solutions for usage.

At the time, Freedom's introduction, and the inherent quality of its products, enabled Lux to weather difficult economic conditions. It remained profitable in the midst of the recession with EBIT greater than 20%.

In 2009, revenue decreased from € 1.8 million to € 1.5 million. Volumes were down to 125 units and large business discounts were necessary in 2009 to retain business in a difficult economic climate. However a significant portion of the 2008-2009 reported revenue reduction comes from Lux's business model change.

In 2009, Lux booked a € 74 K bad debt reserve, with respect to French distributor BMC (discussed in Balance-Sheet section).

Freedom customers buy flash packs over the internet in order to utilise their machine for a predetermined number of flashes, a similar model to prepaid mobile phone sales. Flash pack sales generate higher margins than equipment premium sales. In the middle of the recession, 2009's gross margin increased and has not reduced since.

With the introduction of Freedom sales, Lux's model has moved away from a traditional business model toward a recurring sales model in which flash packs, consumables and services represent a growing portion of Lux's revenue:

	2009	2010	2011 (est.)	
Premium Sales	62%	53%	40%	
Freedom Sales	19%	14%	17%	
Transfer keys	4%	7%	12%	
Cavifast	0%	4%	4%	
Flash packs	3%	7%	10%	28%
Consumables & services	12%	17%	18%	
Total	100%	100%	100%	

Note 1 : Premium and Freedom sales are for Estheflash and Mediflash devices
Note 2 : Transfer keys enable a customer to upgrade from Freedom to Premium
Note 3 : A first Cavifast range was tested in 2010 and 2011. Full commercial launch in 2012.

In 2011, recurring revenue is expected to be 28% of total revenue. As flash packs are based upon the installed base of Freedom devices, recurring revenue is growing faster than other revenue streams, which puts Lux in an enviable position as it can capitalise on past sales efforts and as it gives the company enhanced sales visibility.

With its Freedom pricing, Lux has designed a recession-proof business model and has gained access to a large potential with affordable financing solutions.

3.2.2 Current trading

3.2.2.1 2011 growth in line with 2010

Sales for the first 9 months of the year confirm Lux's steady 15% annual growth rate.

Intense pulsed light is an attractive technology. During its first 10 years of commercial, many concepts have been launched and many devices launched in a market which was still dominated by lasers.

Since the beginning of the economic recession end users have moved away from ineffective devices and/or overpriced product. Customers are focussing on good value for money. Demand for Lux's products is thus increasing, as evidenced by the recent signature of several major distributor contracts.

Organic growth appears to be set à 15%, based on the existing product range and pricing models.

Lux's growth potential can be further improved by:

- new product additions (Cavifast);
- new pricing models (Balance);
- new distribution, franchise and OEM deals.

Lastly, Research & Development expenses increase in 2011, reflecting the development of the new Cavifast product line.

3.2.2.2 Note on Management Accounts

Current trading and growth rates are based upon Management accounts. For the full financial year, management accounts may be slightly different from statutory accounts due to French GAAP specifics (reserve reversals, etc.) and to foreign exchange rates used for export sales in dollars. However, those differences are not expected to be material enough to distort the Company's performance.

3.2.3 2011 Full Year Forecast

Revenue is on track to repeat last year's 15% growth. However, the 2011 forecast has been conservatively set at + 13%. Full year Revenue has therefore been forecast at € 2 million.

Lux's principal weakness lies in the definition and in the execution of its sales strategy. In 2011, Management tried to reinforce the sales force but lost time and money in recruitment followed by instant turnover (resignations after a few weeks, etc.) and bad sales performance. Salespeople were hired in the first 8 months of the year, mostly on fixed term contracts with relatively low fixed salaries but good commission potential. Only one of those new recruits was still employed at the end of September but Lux does not intend to keep this individual.

According to Management, the sales recruitment contribution to additional sales was minimal and, on the contrary, their presence generated additional demands on the Company's two managers.

Lux spent more than € 150 K on sales force (notwithstanding ancillary costs such as sales support material, entertainment expenses, etc.):

€ 82 K	Gross Salaries
€ 38 K	Social contributions (est.)
€ 120 K	Salaries and benefits
€ 20 K	Trade shows (year-on-year increment)
€ 10 K	Travel expenses
€ 150 K	Total 2011 investment in sales force

Unfortunately, the amounts spent on the sales team did not yield any results. Most of the sales people left the company before they could start selling.

In conclusion, Lux's effort to fuel the sales effort ended up in failure in 2011. Management time and € 150 K were wasted in the process. This one-time expense has been reclassified as a non-recurring item in the Memorandum's Financials in order to clarify Lux's on-going business performance.

Overall, staff cost increased from 363 K€ in 2010 to a projected 620 K€ in 2011.

After reclassification of excess / unproductive Sales Force costs, French GAAP Operating Income is forecast in excess of € 0.6 million.

3.3 FINANCIAL PROJECTIONS

3.3.1 Business Plan structure

Lux's Business Plan is based upon 3 layers which have been factored in the financial projections:

- "Business as Usual" — Continuation of the existing company with the same product ranges (Mediflash, Estheflash) and the existing distributors (in France and abroad)
- "IPL Development initiatives" — Intense Pulsed Light projects which are already under way and which will bring significant improvements to Lux's performance(new sales channels, original equipment manufacturer deal etc.)
- "Body Remodelling" — Cavifast launch with existing business model

Lux's financial projections do not include strategic initiatives to be defined / implemented by the acquirer, acquisition synergies, nor fundamental changes to Lux's business model.

3.3.2 "Business as Usual" Scenario

3.3.2.1 Definition

"Business as Usual" reflects Lux's continued business performance based upon Estheflash and Medifash product lines. It includes the introduction of the "Balance" pricing model, alongside "Premium" and "Freedom". It does not include Cavifast which is shown under "Organic Initiatives".

3.3.2.2 Cavifast restatement is necessary to assess 2011-2012 year-on-year growth

The Cavifast market was tested in 2010 and 2011, with 2010 sales standing at € 65 K€ and 2011 sales estimated at 75 K€. These amounts have not been restated in the Business as Usual projections. As a result, sales growth is projected at 10% in 2012. Had it been restated for Cavifast, Business as usual growth would have been 15%.

3.3.2.3 "Business as Usual" unit sales

Sales growth assumptions have been estimated by pricing model rather than by machine type:

15%	Freedom
14%	Balance
14%	Liberty

By nature, business trends are difficult to predict but Lux's sales have been solidly growing at 15% in 2010 and for the first 8 months of 2011. Freedom is expected to grow faster than Premium and Balance.

BaU Units	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales	59	66	75	86	98	111	127	145	165
plus Transfer Keys	12	24	27	31	36	41	46	53	60
Net increase	71	90	103	117	133	152	173	198	225
Inst. Premium base	589	679	782	899	1032	1184	1357	1555	1780
Freedom Sales	50	65	75	86	99	114	131	150	173
less Transfer Keys	-12	-24	-27	-31	-36	-41	-46	-53	-60
Net increase	38	41	47	55	63	73	85	98	113
Inst. Freedom base	104	145	192	247	310	384	468	566	679
Balance Sales		2	2	3	3	3	4	4	5
Inst. Balance base		2	4	7	10	13	17	21	26
IPL unit Sales	109	133	152	175	200	228	262	299	343
Cavifast sales	14	11							
Total devices sold	123	144	152	175	200	228	262	299	343

	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
IPL installed base	693	826	978	1153	1352	1581	1842	2142	2485

Note 1: "IPL" stands for "Intense Pulsed Light"
Note 2: Cavifast's test market units have not been restated and are included in "Business as Usual", with a small distortion impact on 2011-2012 year-on-year growth

3.3.2.4 Sales channels

The respective importance of Lux's current sales channels has been assumed constant in the Business as Usual projections:

% of BaU Revenue	France	Export	Total
Direct	25%	0%	25%
Indirect	25%	50%	75%
Total	50%	50%	100%

3.3.2.5 "Business as Usual" Revenue flows

Business as Usual revenue flows have bee projected using detailed volume and price assumptions.

Projected trends show an increasing share of recurring income flows from the Freedom pricing model:

BaU Revenue flows	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium + transfer keys	59%	58%	60%	59%	58%	58%	57%	57%	56%
Freedom Revenue	23%	23%	25%	26%	28%	29%	30%	31%	32%
Balance Sales	0%	1%	1%	1%	1%	1%	1%	1%	1%
Cavifast	4%	3%	0%	0%	0%	0%	0%	0%	0%
Devices + usage	85%	85%	86%	87%	87%	88%	89%	89%	89%
Consumables + serv.	15%	15%	14%	13%	13%	12%	11%	11%	11%
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%

Flash pack sales have been estimated based upon historical performance. They increase with the device's age as its owner improves the machine's usage. The weighted average number of packs per freedom device thus increases from 3.83 in 2012 to 6.68 in 2018, as the installed base increases and as users take full advantage of their machine.

Consumables and services have been correlated to devices sales, based upon historical numbers. Their reduction as a percentage of Revenue is essentially due to the increasing share of flash pack sales.

3.3.2.6 Recurring Revenue

Consumables such as lamps and replacement cartridges are expected to remain stable. Their reduction as a percentage of total revenue is essentially due to increasing flash pack sales.

	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Consumables	266	308	356	386	421	460	505	564	632
% Consumables Rev.	15%	15%	14%	13%	13%	12%	11%	11%	11%

2011 sales are confidently expected to grow at around the 15% level, and with Lux ensuring production of its own lamp cartridges to a robust and innovative design there is no identifiable block to future development.

Rather than factor all new deals and products into the Business as Usual projections, Lux has adopted a conservative approach and anticipates a steady 15% growth in the coming years driven partly by device growth, but also by the accumulating benefit of variable revenues driven by the Liberty and Balance pricing.

Flash pack sales will increase as a percentage of Revenue, which is an essential factor in Lux's business model and projections. Lux's valuation should therefore not be limited to historical or current financial performance.

Lux's acquirer will gain access to an installed base of "Freedom" machines generating increasing flash pack sales over time, with 100% gross margin.

Based on available historical data, installed Freedom machines generate on average Flash Pack sales of € 1,500 each year, with 100% margin. Installed Freedom machines can therefore be valued using discounted cash-flow methods.

Flash pack sales are projected to reach 20% o total revenue by 2018:

	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Flash pack sales	156	192	265	351	451	567	700	854	1 033
% Flash sales	9%	9%	11%	12%	14%	15%	16%	17%	18%

Lux's recurring revenue combines consumables and flash pack sales. Recurring revenue is projected to increase from 27% in 2011 to 32% by 2018:

	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Recurring Revenue	422	499	620	737	872	1 026	1 205	1 418	1 665
% Recurring Rev.	23%	24%	25%	26%	26%	27%	27%	28%	29%

3.3.2.6 "Business as Usual" projected revenue

BaU Revenue (€000)	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales	957	999	1 218	1 388	1 583	1 804	2 057	2 345	2 673
Transfer keys	120	225	274	312	356	406	463	528	601
Premium + keys	1 077	1 224	1 492	1 701	1 939	2 210	2 520	2 872	3 275
Freedom Sales	255	291	358	411	473	544	625	719	827
Flash pack sales	156	192	265	351	451	567	700	854	1 033
Freedom Revenue	411	482	622	762	924	1 110	1 325	1 573	1 860
Balance Sales	0	21	25	29	33	38	43	49	56
Cavifast	65	71	0	0	0	0	0	0	0
Devices + usage	1 553	1 798	2 139	2 492	2 896	3 358	3 888	4 495	5 190
Lamps + Cartridges	191	218	238	246	256	270	288	309	335
Optical blocks	42	50	64	76	91	110	132	158	190
After sale services	17	24	39	50	61	72	83	94	104
G2 handsets	12	14	12	11	9	5	0	0	0
Carts	2	1	2	2	2	2	2	2	2
Water	0	1	1	1	1	1	1	1	1
Consumables + serv.	266	308	356	386	421	460	505	564	632
Total Revenue	1 818	2 105	2 495	2 878	3 317	3 818	4 393	5 058	5 822

Note 1: Transfer keys have been classified with "Premium" Revenue as they reflect a shift from "Freedom" to the "Premium" pricing model.
Note 2: Cavifast's test market units have not been restated and are included in "Business as Usual", with a small distortion impact on 2011-2012 year-on-year growth

3.3.2.7 Expenses growth assumptions

Expenses have been projected using ratios as opposed to a full bottom-up exercise. Variable costs have been correlated to sales. Structure costs have been assumed semi variable and projected at half the sales growth rate.

These assumptions are very simple and can be easily modified in the acquirer's business plan, particularly in the area of production costs where synergies and/or improvements are possible.

3.3.2.8 Sales force costs

Lux will end the 2011 year with only one sales person, an experienced and solid salesman with added credibility coming from his physiotherapist background. In spite of 2011's bad sales force experience, Lux needs to re-hire one salesperson. The "Business as Usual" scenario is based upon a sales team of two, with total cost of about € 60 K (two salespeople with monthly gross salary of € 3000, plus social charges and sundry ancillary expenses).

Subsequent years are based upon growth ratios applied to 2012's base. Sales force costs have been assumed semi-variable.

3.3.2.9 Management costs

Lux's managers received a combined fully loaded remuneration of € 145,000 in 2010 (€ 96,000 net remuneration), under the "travailleurs non salariés" regime applicable to business owners and directors (with social contributions of approximately 50%). No expense reduction has been assumed in the financial projections as the company will have to bear the cost of a new manager.

3.3.3 Development initiatives

3.3.3.1 Revenue growth

Lux's strategic initiatives focus on revenue growth, with plans already in place at the time of this Memorandum

- Original Equipment Manufacturer deal with Canadian group
- Partnership agreement with franchise network
- Major distribution contracts signed in the second half of 2011
- Export sales to high potential markets
- Cavifast commercial launch

Original Equipment Manufacturer deal with leading Canadian group

The company is a respected Canadian specialist in cosmetics and in aesthetic devices. It sells Lux's Estheflash under its own brand as "Apilux Smart Pro"). Thay have communicated sales forecasts to Lux and sold 11 devices since the product's launch.

Unit selling price to the company is € 13,138. Consumable sales are limited to replacement parts as they will source most of its consumables from North America.

Anticipated sales for Lux through this channel are estimated to be around € 0.6 million in 2015 rising to € 1 million Euros in 2018. Given their strong position in the market, these appear to be conservative assumptions (80 units per annum in 2018), leaving room for significant upsides.

Canada		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	OEM Price	13 138	15	25	36	47	58	69	80
Freedom sales (units)	N/A	1	0	0	0	0	0	0	0
Premium sales (€000)	Set price	0%	197	328	473	617	762	907	1 051
Freedom sales (€000)	N/A	0%	0	0	0	0	0	0	0
% Freedom sales									
Total sales (€000)			197	328	473	617	762	907	1 051

Note: OEM deal . Forecast communicated by the company

Partnership agreement with franchise network

New franchisees have the opportunity but not the obligation to purchase and Estheflash machine at preferential terms.

All sales are Freedom sales made directly to franchisees. Payment is always deferred by several months:

- 3 or 4 payments within 3 months, the maximum authorised under French law. In this case, no additional fees are charged to the franchisee.
- 10 monthly instalments. Not being a bank, Lux is not allowed to charge interest but it may extend 10-month credit terms to its customers. Administration costs of € 1,000 are added to the device's price which increases it to € 7,000. This mechanism is perfectly legal in France.

Extended payment terms to franchisees will increase Lux's Accounts Receivable balance over time. Assuming 100% sales with 10-month credit terms (which come at a cost), the increase would be € 0.6 million in 2018. Although the franchise network's track record is still very recent, initial numbers suggest that Accounts Receivable will only increase by € 0.2-0.3 million by 2018.

Albeit penalised by extended payment terms, Lux will be able to generate significant recurring income from an exclusive installed base estimated at 700 devices by 2018, the equivalent of Lux's total installed base in 2011.

Lux is protected against payments default by two mechanisms:

- A personal guarantee cheque is written by the franchisee prior to delivery
- The franchisor guarantees Lux against payment default (the franchisor is "ducroire" in French law)

The franchisor is committing to working exclusively with Lux. The contract between Lux and the franchisor specifies that the latter will indemnify Lux for an amount equal to a device price every time a competitor's device is purchased by a franchisee.

France: Franchise N/W	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	0	0	0	0	0	0	0
Freedom sales (units)	29	70	80	100	120	140	160
Premium sales (€000)	0	0	0	0	0	0	0
Freedom sales (€000)	200	490	560	700	840	980	1 120
% Freedom sales	100%	100%	100%	100%	100%	100%	100%
Total sales (€000)	200	490	560	700	840	980	1 120

Note : exclusive agreement, 10 devices already sold by Lux, 56 franchisees, 3-year network size target : 500 salons. 100% Freedom pricing. No Premium sales

This is the first deal of this kind signed by Lux with a beauty salon franchisor. Similar deals with other large franchised networks may be possible in other markets.

Major distribution contracts signed in the second half of 2011

Note : for purposes of simplicity, no Transfer Key sales have been assumed concerning new distribution contracts

Saudi Arabia

Lux is entering Saudi Arabia with strong connections as one of its two future distributors, the leading healthcare equipment supplier in the Kingdom with a growing customer-base across the Gulf region, is owned and led by a member of the royal family. This Group is currently handling the Saudi FDA certification process.

Lux's other distributor is, a major transportation real estate and telecom group which is trying to diversify into new growing sectors.

As Lux's products may prove not be strategic in the long run for one of these two very large distributors, projections have been established using only one of the two sets of numbers discussed by Lux with its partners.

Saudi Arabia		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	4	8	11	13	18	22	28
Freedom sales (units)	Public price	6 000	0	1	3	9	20	29	37
Premium sales (€000)	Discount	40%	50	95	135	160	210	268	335
Freedom sales (€000)	Discount	25%	0	5	15	40	90	132	165
% Freedom sales				5%	10%	20%	30%	33%	33%
Total sales (€000)			50	100	150	200	300	400	500

Note : 2 distributor agreements signed with 2 large Saudi groups.. One is owned by a member of the royal family and is driving the Saudi FDA certification.

South East Asia

The CEO and principal shareholder of a major Asian aesthetic equipmnet distributor got acquainted with Lux in 2010 during a trade show. One year later, Lux and this company signed separate distribution agreements for Indonesia and for other markets in South East Asia. The group has wide presence in the region.

In Indonesia, the distributor is supplying hundreds of beauty salons and expects strong sales. It has demanded exclusivity from Lux. Projections are as follows:

Indonesia		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	4	8	11	13	15	17	18
Freedom sales (units)	Public price	6 000	0	1	3	9	17	22	24
Premium sales (€000)	Discount	40%	50	95	135	160	175	201	221
Freedom sales (€000)	Discount	25%	0	5	15	40	75	99	109
% Freedom sales				5%	10%	20%	30%	33%	33%
Total sales (€000)			50	100	150	200	250	300	330

Note : Singapore-based regional distributor figures for Indonesia only - de-risked for purposes of Lux financial projections.

In Thailand and other markets, the distributor has a lower presence:

South-East Asia		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	4	6	8	8	9	9	9
Freedom sales (units)	Public price	6 000	0	1	2	6	10	12	12
Premium sales (€000)	Discount	40%	50	71	90	100	105	114	114
Freedom sales (€000)	Discount	25%	0	4	10	25	45	56	56
% Freedom sales				5%	10%	20%	30%	33%	33%
Total sales (€000)			50	75	100	125	150	170	170

Note : Singapore-based distribution group has non-exclusive distributor deal for Thailand

Although extremely attractive, business opportunities offered by Saudi Arabia and South-East Asia have been significantly de-risked in Lux's financial projections. Sales levels discussed with Lux's new distributors can be disclosed to potential acquirers but shall not be construed as a commitment from Lux to achieve those targets.

<u>Export sales to high potential markets</u>

Note : for purposes of simplicity, no Transfer Key sales have been assumed concerning new export marlets

USA

With its OEM partner pushing sales in Canada, Lux is anticipating sales growth in the USA where its devices would undercut overpriced competition in a market that has become more cost conscious since the recession:

USA		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	0	4	8	10	12	14	17
Freedom sales (units)	Public price	6 000	0	1	2	7	13	18	22
Premium sales (€000)	Discount	40%	0	48	90	120	140	168	201
Freedom sales (€000)	Discount	25%	0	3	10	30	60	83	99
% Freedom sales				5%	10%	20%	30%	33%	33%
Total sales (€000)				50	100	150	200	250	300

No distributor has been identified yet but a search is in progress. This is the reason why the numbers have been kept at a conservative level as Lux's acquirer will take the US opportunity to the next level.

India

Lux has recently formalised a commercial relationship with two Indian distributors. Most Indian sales are expected to be based upon the Freedom pricing model.

India		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	2	1	1	2	2	2	2
Freedom sales (units)	Public price	6 000	0	9	13	18	22	22	22
Premium sales (€000)	Discount	40%	25	10	15	20	25	25	25
Freedom sales (€000)	Discount	25%	0	40	60	80	100	100	100
% Freedom sales				80%	80%	80%	80%	80%	80%
Total sales (€000)			25	50	75	100	125	125	125

Russia

Lux now has a distributor in Russia. The local certification process has been started with documents supplied by Lux.

Russia		Drivers	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium sales (units)	Public price	20 000	1	4	6	7	6	6	6
Freedom sales (units)	Public price	6 000	0	1	2	4	7	7	7
Premium sales (€000)	Discount	40%	13	48	68	80	70	67	67
Freedom sales (€000)	Discount	25%	0	3	8	20	30	33	33
% Freedom sales				5%	10%	20%	30%	33%	33%
Total sales (€000)			13	50	75	100	100	100	100

3.3.3.2 Intense Pulsed Light revenue flows and margins

Revenue flows derived from development initiatives are anticipated to follow the same revenue pattern as "Business as Usual" projections, albeit with variances from market to market.

The Premium, Balance and Freedom pricing models are available in export market with the following distributor discounts / commissions:

- Premium sales 40% Discount to list price
- Freedom sales 25% Discount to list price
- Flash pack sales 25% Commission on Lux's direct sales to end customer

As projections are subject to uncertainty, Lux's financial projections have been kept simple, with recurring revenue growing to as to ensure a constant 75% margin. This is a conservative approach in the context of growing Freedom sales which generate significant flash pack revenue flow. There is therefore an upside to Lux's gross margin assumptions, although it is difficult to quantify.

This upside will become more significant with time. Indeed, non-French distributors will mostly use the Premium pricing model in the first years, thus confirming projected gross margins. They will discover the benefits of the Freedom pricing several years later, with the corresponding increase in gross margin.

3.3.3.3 Operating expenses

In broad terms, the 2011 Income statement has the following structure, excluding the impact of the sales force non-recurring expense:

€ 000	% rev	
2,000	100%	Revenue
-500	-25%	Cost of Goods Sold
1,500	75%	Gross Margin
-700	-35%	Operating Expenses
800	40%	Operating Income

As more than half of operating expenses are fixed and/or structure-related, operating expenses relating to development initiatives are expected to stand around 15% of revenue. They have conservatively been assumed at 20% of revenue, with a judgemental breakdown of detailed expenses.

3.3.3.4 Cavifast commercial launch

Similarities and difference with Intense Pulsed Light

Cavifast addresses similar markets to Intense Pulsed Light. Prices are expected to reduce with time, in particular because production costs are much lower than for Intense Pulsed Light.

The Premium and Freedom pricing models will both be available. Concerning Freedom, usage minutes will be sold in a "pay-as-you-go" model, for a total amount estimated to be equal to the transfer key Freedom and Premium.

No consumable sales have been assumed as replacement part sales are expected to be immaterial

Assumptions

(amounts in €, quantities in units)	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Premium list price	13 990	13 990	10 990	10 990	8 990	8 990	8 990
Freedom List Price	5 990	5 990	4 990	4 990	2 990	2 990	2 990
Estimated Transfer key	8 000	8 000	6 000	6 000	6 000	6 000	6 000
Prod. cost excl. direct labour	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Estimated useful life (years)	6,0	6,0	5,5	5,5	5,0	5,0	5,0
Premium Distributor Discount	40%	40%	40%	40%	40%	40%	40%
Freedom Distributor Discount	25%	25%	25%	25%	25%	25%	25%
Premium Distributor Price	8 394	8 394	6 594	6 594	5 394	5 394	5 394
Freedom Distributor Price	4 493	4 493	3 743	3 743	2 243	2 243	2 243
Distributor Sales - Freedom %	0%	10%	20%	30%	40%	40%	40%
Direct Sales - Freedom %	80%	80%	80%	80%	80%	80%	80%

Projections - quantities

Sales growth will made possible by the product's effectiveness vs. most body remodelling machines, as well as by decreasing selling prices:

(quantities in units)	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Distributor Sales - Premium	8	11	16	20	24	45	60
Distributor Sales - Freedom	0	1	4	8	16	30	40
Distributor Sales - Units	8	12	20	28	40	75	100
Direct Sales - Premium	1	2	3	4	5	7	9
Direct Sales - Freedom	5	8	12	16	22	28	36
Direct Sales - Units	6	10	15	20	27	35	45
Total Sales - Units	20	32	50	68	94	145	190

Cavifast - Projected Freedom installed base

(installed base - in units)	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Freedom base - distributors	0	1	5	13	29	59	99
Freedom base - direct sales	5	13	25	41	63	91	127
Installed Freedom base - total	5	14	30	54	92	150	226

Note : for purposes of simplicity, no Transfer Key sales have been assumed

Revenue projections

Projections - Revenue (€000)	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Distributor Sales - Premium	67	92	106	132	129	243	324
Distributor Sales - Freedom	0	4	15	30	36	67	90
Distributor Sales	67	97	120	162	165	310	413
Direct Sales - Premium	14	28	33	44	45	63	81
Direct Sales - Freedom	36	60	75	100	81	105	135
Direct Sales	50	88	108	144	126	168	215
Total device sales	117	185	228	306	291	478	629
Minute sales - Distributors	0	0	0	1	3	5	9
Minute sales - Direct	7	17	27	45	76	103	137
Total minute sales	7	17	28	46	78	109	146
Total Cavifast Revenue	124	202	256	351	369	586	774

Gross Margin

From an exceptional level in the first years, gross margin drops progressively due to price reductions driven by market pressure:

Projections - Margin (€000)	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Total Cavifast Revenue	124	202	256	351	369	586	774
Cost of Goods sold	-20	-32	-50	-68	-94	-145	-190
Gross Margin	104	170	206	283	275	441	584
Gross Margin	84%	84%	80%	81%	75%	75%	75%

3.3.4 Business Plan

3.3.4.1 Growth

Growth assumptions have been based on actual growth during in period of economic uncertainty. In a context of ongoing market regulation, products with lesser specifications are progressively being eliminated, paving the way for technically advanced devices complying with strict certification requirements.

3.3.4.2 Profitability

As the market moves toward progressive commoditisation of intense pulsed light, the most expensive devices will be subject to intense price pressure. As its products are cheaper than the European average, Lux will be a driving force rather than a victim of price reduction.

Production costs have been assumed to grow in line with sales. In reality, productivity improvements can and will be achieved in future years. They have not been modelled but they represent a significant buffer securing Lux's future margins. Similarly, indirect operating expenses have

3.3.4.3 Recurring revenue

Companies with recurring revenue exceeding 25% are an exception. In 2011, Lux's recurring revenue will account for 27% of total revenue coming from two sources:

- consumable sales
- flash pack sales

Recurring revenue is projected to increase to 32% of total revenue by 2018, an exceptionally favourable situation for a fast-growing company like Lux.

3.3.4.4 "Guaranteed" revenue

The installed base of Freedom machines should be considered as a virtual account receivable corresponding to "guaranteed" flash pack sales without which the devices cannot be used.

It can be valued as follows: number of installed Freedom devices, times the value of the transfer key between Freedom and Premium pricing.

With a projected installed base of 147 units and a Transfer Key currently priced at € 13,990, the Freedom installed base is an asset worth € 2 m as of 31 December 2011.

3.3.4.5 Conclusion

Lux's Business Plan comprises a "Business as Usual" layer, as well as a "Development Initiatives" layer. All development initiatives are in progress under Lux's current Management Team. Further opportunities and/or acquisition synergies are possible but have been left for potential acquirers to assess and include as upsides in their own business plans.

Indeed, Lux's business plan can be further improved with enhanced sales / distribution strategy and with progressive economies of scale on the expenses side.

3.4 BALANCE SHEET

Except for Lux's off Balance-Sheet asset, all comments relate to Lux's Balance-Sheet as of 31 December 2010. No major change since that date has been reported by the Company.

From a financial standpoint, Lux is essentially a cash-flow business. As a result, it has a very small Balance Sheet reflecting the company's agility. This translates in the company's ability to relocate, to expand into more capital intensive activities and to repay acquisition debt.

3.4.1 Off Balance-Sheet asset

Lux's most significant financial asset is actually not recorded in its Balance Sheet but could be securitised.

Lux has installed base of 150 medical devices sold under the "Freedom" pricing model. In order to operate these devices, end customers MUST purchase "Flash Packs". For a sensible user, the value of those flash packs should be equivalent to the value of the transfer key between Freedom pricing and Premium pricing i.e. € 13,990.

Historical records show, however, that flash pack sales are approximately 50% higher than what financial optimisation would suggest. Future cash-flows per machine can therefore estimated at an amount comprised between € 14,000 and € 20,000 over a 5-year period. There are no associated costs.

The undiscounted value of Lux's off Balance-Sheet item is therefore comprised between € 2 million and € 3 million.

3.4.2 Intangibles and trademarks

Intangibles are essentially new product development costs. In 2010, development costs were essentially related to Lux's new cartridge:

Amounts in €000	31/12/2009	2010	31/12/2010
Gross	77	70	147
Acc Depr'n	(35)	(27)	(62)
Net balances	42	43	85

At 31st December 2011, Cavifast's development costs will be capitalised, for an amount expected to be in the region of € 100 K.

3.4.3 Tangible fixed assets

Fixed assets correspond to basic workshop tools, to office furniture and to computers / cabling.

Capital expenditure was less than € 60 K in 2010: € 23 K for workshop equipment and € 34 K for office equipment.

The 284 square metre production floor at Lux's Paris facility, which opened in 2009, has reception and storage areas for components and finished devices, 12 discrete production, testing and maintenance stations, a working office for the production foreman and development resource, as well as dedicated packaging and dispatch area.

On the first floor, office space can be expanded with already defined and landlord-approved mezzanine construction.

The physical facilities are largely sufficient to allow a substantial development without relocation.

The workshop could be reorganised to accommodate much higher production levels. Plans have already been made and agreed with Lux's landlord to expand the office area by creating a mezzanine floor above the workshop, at a total cost of € 60 K. None of those plans have been implemented yet but Lux's growth has been anticipated in terms of Real estate needs.

3.4.4 Inventory

Inventory's balance corresponds essentially to semi-finished devices (fully assembled control, capacitor and cooling units) purchased from "Partner1". The average number of units held is approximately 20. There are no aged items in Lux's inventory.

3.4.5 Trade receivables

3.4.5.1 Payment terms

One of the challenges facing Lux is how to secure sales payment in a market where customers usually do not have a strong financial structure.

Beauty salons are often very small businesses with limited financial resources. As one Esteflash purchase is a significant investment, even with the Freedom pricing model, Beauty Salons demand impeccable after sale service and can be a disproportionate nuisance for Lux's sales administration team.

On rare occasions, distributors can unfortunately have low ethics standard, which can translate in dispute or litigations (exaggerated claims to end customers, non-respect of sales territories, unauthorised export to countries where specific certification is required, etc.). In response, Lux is paying specific attention to its medical claims and to its distributor contracts in order to avoid being dragged into disputes. Overall, Lux's

This situation affects mostly France. Concerning export sales, Lux tries to select reputable companies which will help penetrate new markets.

Excluding Lux's bad debt, the number of sales outstanding was 30 days as of 31st December 2010, a "high" level due to seasonality. During the year trade receivables usually stand around 24 days. In France, Trade Receivables include 19.60% VAT collected from customers.

Lux's sales terms require advance payment for beauty salons and set very tight credit conditions for all customers. Credit risk is therefore minimal, except in the case of fraud.

3.4.5.2 Bad debt reserve

Lux's bad debt reserve was posted in 2009 with respect to French distributor BMC (4B Med Concepts), a one-man company with an "unreliable" track record. BMC was reselling Lux's machines under its own brand with its own claims.

BMC refused to pay Lux on the basis that the devices sold by Lux were faulty. However, some of BMC's end customers contacted Lux directly in order to purchase consumables for devices which were working perfectly.

Lux has already won 4 law suits and is now asking for BMC's liquidation. No payment will ever be collected. BMC's unethical behaviour is fortunately not the norm and Lux's sales terms and conditions are its best protection against bad debt.

3.4.6 Accounts payable

Accounts Payable are a minor fixture on Lux's Balance-Sheet, reflecting the business's high margins.

3.4.7 Net cash position

3.4.7.1 Financial debt

As of 31 December 2010, financial debt was as follows:

€ 330 K	OSEO loan
€ 183 K	Coface advance
€ 513 K	Total financial debt

OSEO's medium term loan was obtained late 2009. Instalments were deferred for the first year. Interest rate is less than 4%. Repayments are made quarterly.

Coface's advance is designed to assisted French medium-sized companies in funding export development. It is not collection insurance and should be solely considered as financial debt.

No additional debt has been contracted in 2011.

3.4.7.2 Cash in hand

At 31 December 2010, cash in hand was € 0.7 million i.e. greater than financial debt. Lux's shareholders intend to distribute all excess cash prior to the Company's sale.

3.4.7.3 Net cash position

Subject to specific agreement with the Sellers, Lux's net cash position should be assumed nil for acquisition purposes as cash in hand should be equivalent to financial debt after excess cash distribution.

3.4.8 Reserves and contingent liabilities

As of 31 December 2010, Lux's Balance Sheet includes risk reserves for an amount of € 112 K split as follows:

€ 39 K	Labour dispute with former employee
€ 73 K	Competitor X litigations
€ 112 K	Risk reserves as of 31 December 2010

3.4.8.1 Labour dispute

Lux's dispute with former employee Adrien Chevalier was won by Lux. However, the court did not award any damages to the company. The provision will be reversed in the 2011 statutory accounts.

On the other hand, some of the salespeople who were hired and fired in 2011 are suing the Company. It is too early to assess the exposure which will be covered in the Reps and Warranties. However, it should be noted that one of the plaintiffs has not been able to sell even one device.

3.4.8.2 Competitor X litigations

The € 73 K reserve relates to litigation with Competitor X, Lux's main competitor in France. Competitor X has a history of litigations with Lux and other parties.

The litigation corresponding to the reserve is a defamation lawsuit brought by Competitor X who is claiming € 350 K. It is based on a Competitor X client letter stating that Lux defamed Competitor X to that particular prospect during a trade show. The case is pending. Lux's lawyers are confident that the lawsuit is without merit.

Lux is counter-suing Competitor X for around € 2 million in damages pertaining to documented defamation campaigns by Competitor X during sales visits. This other case is pending too. Lux's lawyers do not believe that they will obtain the damages claimed but. However, as the latter are documented on a sale by sales basis (detail of sales lost by Lux due to Competitor X's defamation), they believe that Lux's position will prevail.

Competitor X sued Lux for non conformity of its devices with the CE Medical certification. The case is closed and has been won by Lux.

In conclusion, Competitor X's tactics are a nuisance for Lux as it needs to defend itself. However, none of the lawsuits brought by Competitor X has had adverse consequences for Lux. The relationship with Competitor X should be addressed specifically in the Reps and Warranties, particularly concerning cooperation between the Sellers and Lux's acquirer.

3.4.8.3 Perkin-Elmer patent acquired by a competitor

Lux's first device generations used cartridges purchased from Perkin-Elmer, an American company with USD 1.7 Billion Revenue and 2,900 patents, specialised in medical devices and medical parts / consumables.

In October 2009, Perkin-Elmer announced that it was discontinuing the cartridge purchased by Lux, as the corresponding business was insignificant. It provided Lux with all the necessary technical information so that Lux could develop a proprietary replacement solution. Lux immediately proceeded to develop its own cartridge. It used the last cartridge purchased from Perkin-Elmer in June 2010. As Lux's new cartridge was still in its final development stages, refurbished cartridges were still used for a few months. Since then, Lux has only used its new proprietary cartridge.

A competitor recently purchased Perkin-Elmer's patent for the old cartridge used in Lux's devices. The competitor's move appears to be aimed at preventing Lux from using proprietary technology. However, this US patent appears to have limited merits in a European context.

Should the European Patent Office warrant the patent to the competitor, Lux would have to claim that the patent is without merits during the 9-month freeze period which would follow the patent's award to a competitor.

According to Lux's intellectual property counsels, Perkin-Elmer's patent is currently void.

3.4.8.4 Pension liabilities

Lux has not provided for retirement indemnities. Given the company's staff count, average age and turnover, such a provision has been deemed unnecessary.

In France, base pensions are publicly funded through social contributions paid by companies, on their own behalf or on behalf of their employees. Additional pension income can be accrued through additional payroll costs. The principal liability left for the employer when an employee retires is a one-time payment, the amount of which varies depending on collective bargaining but which is usually equal to a few months of salary.

3.4.9 Lux Training

Customer training is provided by Lux's sister company. Its Year End is 30 September. 2009-2010 Revenue was € 25 K and Operating Profit € 7 K. Expenses are essentially fees charged by the Medical Doctor who trains Lux's customers. Balance Sheet as of 30 September 2010 was as follows:

Assets (€000)		Liabilities (€000)	
Cash in hand	82	Equity	70
Other	1	Other	13
Total	83	Total	83

3.4.10 Conclusion

Lux's Balance Sheet is extremely robust with significant excess cash and strong equity. Excluding cash in hand, Balance Sheet size is only 40% of Revenue in 2010. This is a very significant indicator of Lux's agility and resilience to challenging market conditions. In an acquisition context, this is an important success factor with acquisition debt providers.

The most important fixture concerning Lux's assets is actually an off Balance-Sheet item. Lux's installed base of Freedom devices will generate revenue comprised between € 2 million and € 3 million over the next 5 years, with no other expense than web site maintenance. This is perhaps the most unusual and the most significant item in the Lux transaction as Lux's acquirer could securitise future cash flows through structured financing.

4 THE OPPORTUNITY

In challenging economic times, Project Lux represents a rare opportunity to acquire a company with exceptional assets:

- Technological edge
- Recent product range, with current addition of new body remodelling device
- Expanding market
- On-going market regulation progressively eliminating low cost / low quality competitors
- Products based upon Intense Pulsed Light, the fastest growing technology
- 15% "Business as Usual" annual growth, before development initiatives
- Exceptional profitability
- Large unrecorded financial asset corresponding to future cash flows
- ISO certification
- Untapped sales potential
- Medical certifications giving access to significant export potential in more than 30 countries
- Installed base of "Freedom" devices corresponding to significant off Balance-Sheet asset

Appendices

- Income Statement projections
  - Business Plan Incremental build-up
  - Business as Usual
  - Intense Pulsed Light development initiatives
  - Body remodelling launch
  - Business Plan projections

- Balance-Sheet and Cash Flow Statement projections
  - Disclaimer and assumptions
  - Balance-Sheet
  - Cash Flow Statement

Business Plan Incremental build-up

Lux's Business Plan is based upon 3 layers which have been factored in the financial projections:

- **"Business as Usual"**

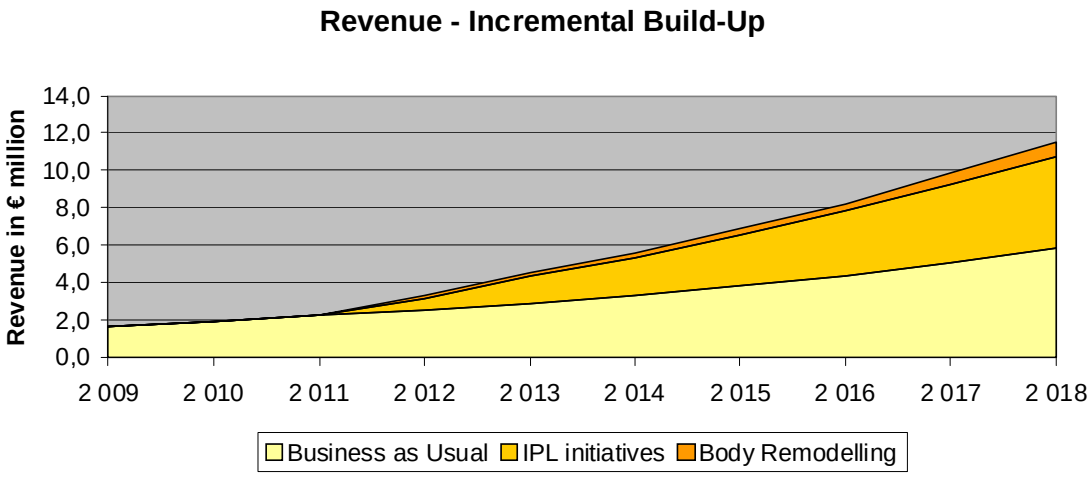
  Continuation of the existing company with the same product ranges (Mediflash, Estheflash) and the existing distributors (in France and abroad)

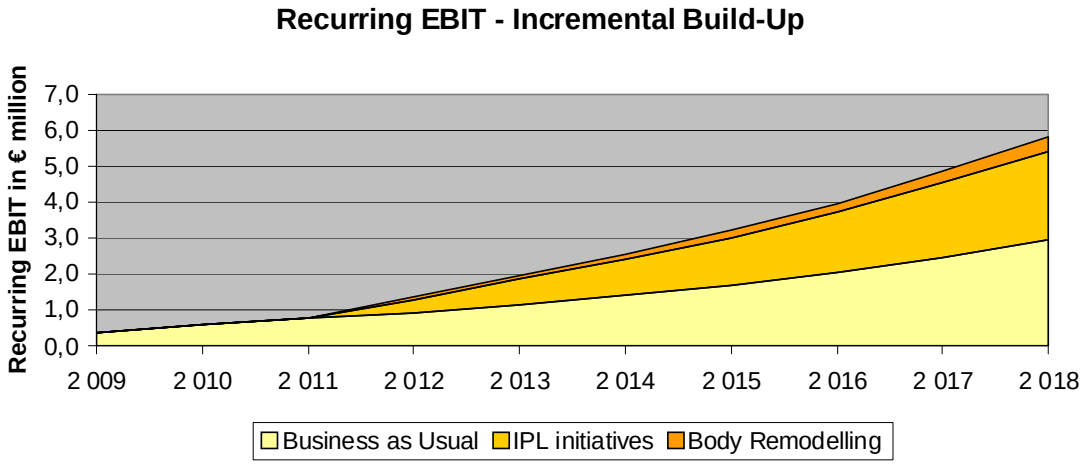
- **"IPL Development initiatives"**

  Intense Pulsed Light projects which are already under way and which will bring significant improvements to Lux's performance(new sales channels, original equipment manufacturer deal, etc.)

- **"Body Remodelling"**

  Cavifast launch with existing business model





Business Plan - Income Statement projections
"Business as Usual" + Intense Pulsed Light initiatives + Body Remodelling Launch

IPL Units	2009 (a)	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales	65	59	66	106	141	178	212	245	284	325
Balance Sales	0	0	2	2	3	3	3	4	4	5
Freedom Sales	60	50	65	103	169	205	266	340	402	458
Total # units sold	125	109	133	211	313	386	481	589	690	788
Transfer Keys	6	12	24	27	31	36	41	46	53	60
Premium inst. base	518	589	679	812	985	1198	1451	1743	2079	2465
Balance inst. base	0	0	2	4	7	10	13	17	21	26
Freedom inst. base	66	104	145	221	359	528	754	1047	1396	1794
Total installed base	584	693	826	1 037	1 351	1 737	2 217	2 806	3 497	4 285

Cavifast Units	2010 (a)	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales	0	14	11	9	13	19	24	29	52	69
Balance Sales	0	0	0	0	0	0	0	0	0	0
Freedom Sales	0	0	0	5	9	16	24	38	58	76
Total # units sold	0	14	11	14	22	35	48	67	110	145
Transfer Keys	0	0	0	0	0	0	0	0	0	0
Premium inst. base	0	14	25	34	47	66	90	119	171	240
Balance inst. base	0	0	0	0	0	0	0	0	0	0
Freedom inst. base	0	0	0	5	14	30	54	92	150	226
Total installed base	0	14	25	39	61	96	144	211	321	466

Income Statement	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Revenue	**1 655**	**1 884**	**2 105**	**3 292**	**4 545**	**5 603**	**6 887**	**8 242**	**9 872**	**11 539**
Cost of Goods Sold	-479	-432	-456	-727	-1 076	-1 332	-1 658	-2 033	-2 410	-2 771
Gross margin	1 176	1 452	1 649	2 564	3 469	4 271	5 229	6 209	7 462	8 768
Margin %	71%	77%	78%	78%	76%	76%	76%	75%	76%	76%
Staff costs	-346	-357	-472	-555	-710	-831	-979	-1 126	-1 308	-1 483
Other opex	-401	-444	-446	-523	-623	-714	-820	-912	-1 044	-1 184
EBITDA	429	651	731	1 487	2 136	2 726	3 431	4 171	5 110	6 101
Depreciation	-52	-64	-80	-100	-120	-140	-160	-180	-200	-220
Recurring EBIT	**377**	**587**	**651**	**1 387**	**2 016**	**2 586**	**3 271**	**3 991**	**4 910**	**5 881**
Pre-Tax profitability %	23%	31%	31%	42%	44%	46%	47%	48%	50%	51%
Non-recurring items	-74	0	-150	0	0	0	0	0	0	0
EBIT	303	587	501	1 387	2 016	2 586	3 271	3 991	4 910	5 881

Business Plan : Business as Usual

IPL Units	2009 (a)	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales	65	59	66	75	86	98	111	127	145	165
Balance Sales			2	2	3	3	3	4	4	5
Freedom Sales	60	50	65	75	86	99	114	131	150	173
Total # units sold	125	109	133	152	175	200	228	262	299	343
Transfer Keys	6	12	24	27	31	36	41	46	53	60
Premium inst. base	518	589	679	782	899	1 032	1 184	1 357	1 555	1 780
Balance inst. base			2	4	7	10	13	17	21	26
Freedom inst. base	66	104	145	192	247	310	384	468	566	679
Total installed base	584	693	826	978	1 153	1 352	1 581	1 842	2 142	2 485

Cavifast Units	2009 (a)	2010 (a)	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales		14	11							
Balance Sales										
Freedom Sales										
Total # units sold	0	14	11	0	0	0	0	0	0	0
Transfer Keys										
Premium inst. base	0	14	25	25	25	25	25	25	25	25
Balance inst. base			0	0	0	0	0	0	0	0
Freedom inst. base			0	0	0	0	0	0	0	0
Total installed base	0	14	25	25	25	25	25	25	25	25

Income Statement	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Revenue	**1 655**	**1 884**	**2 105**	**2 495**	**2 878**	**3 317**	**3 818**	**4 393**	**5 058**	**5 822**
Cost of Goods Sold	-479	-432	-456	-509	-582	-662	-753	-861	-982	-1 124
Gross margin	1 176	1 452	1 649	1 986	2 296	2 655	3 065	3 532	4 076	4 698
Margin %	71%	77%	78%	80%	80%	80%	80%	80%	81%	81%
Staff costs	-346	-357	-472	-440	-470	-503	-538	-576	-616	-660
Other opex	-401	-444	-446	-472	-519	-572	-629	-674	-744	-826
EBITDA	429	651	731	1 074	1 306	1 579	1 898	2 282	2 716	3 213
Depreciation	-52	-64	-80	-100	-120	-140	-160	-180	-200	-220
Recurring EBIT	**377**	**587**	**651**	**974**	**1 186**	**1 439**	**1 738**	**2 102**	**2 516**	**2 993**
Non-recurring items	-74		-150	0	0	0	0	0	0	0
EBIT	303	587	501	974	1 186	1 439	1 738	2 102	2 516	2 993

Business Plan : Intense Pulsed Light development initiatives

IPL Units	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales		31	56	80	100	118	139	160
Balance Sales		0	0	0	0	0	0	0
Freedom Sales		29	83	106	152	209	252	285
Total # units sold	0	59	139	186	253	327	391	445
Transfer Keys		0	0	0	0	0	0	0
Premium inst. base		31	86	167	267	385	525	685
Balance inst. base		0	0	0	0	0	0	0
Freedom inst. base		29	112	218	370	579	831	1115
Total installed base	0	59	198	384	637	964	1 355	1 800

Cavifast Units	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales								
Balance Sales								
Freedom Sales								
Total # units sold	0	0	0	0	0	0	0	0
Transfer Keys								
Premium inst. base	0	0	0	0	0	0	0	0
Balance inst. base	0	0	0	0	0	0	0	0
Freedom inst. base	0	0	0	0	0	0	0	0
Total installed base	0	0	0	0	0	0	0	0

Income Statement	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Revenue		**673**	**1 465**	**2 031**	**2 718**	**3 480**	**4 228**	**4 942**
Cost of Goods Sold		-204	-472	-635	-856	-1 105	-1 318	-1 502
Gross margin	0	469	993	1 395	1 861	2 375	2 910	3 440
Margin %		70%	68%	69%	68%	68%	69%	70%
Staff costs		-94	-205	-284	-380	-487	-592	-692
Other opex		-40	-88	-122	-163	-209	-254	-297
EBITDA	0	334	700	989	1 318	1 679	2 064	2 452
Depreciation		0	0	0	0	0	0	0
Recurring EBIT	**0**	**334**	**700**	**989**	**1 318**	**1 679**	**2 064**	**2 452**
Non-recurring items		0	0	0	0	0	0	0
EBIT	0	334	700	989	1 318	1 679	2 064	2 452

Business Plan : Body Remodelling Launch

IPL Units	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales								
Balance Sales								
Freedom Sales								
Total # units sold	0	0	0	0	0	0	0	0
Transfer Keys								
Premium inst. base								
Balance inst. base								
Freedom inst. base								
Total installed base	0	0	0	0	0	0	0	0

Cavifast Units	2011 (f)	2012	2013	2014	2015	2016	2017	2018
Premium Sales		9	13	19	24	29	52	69
Balance Sales		0	0	0	0	0	0	0
Freedom Sales		5	9	16	24	38	58	76
Total # units sold	0	14	22	35	48	67	110	145
Transfer Keys		0	0	0	0	0	0	0
Premium inst. base	0	9	22	41	65	94	146	215
Balance inst. base	0	0	0	0	0	0	0	0
Freedom inst. base	0	5	14	30	54	92	150	226
Total installed base	0	14	36	71	119	186	296	441

Income Statement	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2 018
Revenue		**124**	**202**	**256**	**351**	**369**	**586**	**774**
Cost of Goods Sold		-14	-22	-35	-48	-67	-110	-145
Gross margin	0	110	180	221	303	302	476	629
Margin %		89%	89%	86%	86%	82%	81%	81%
Staff costs		-21	-34	-44	-60	-63	-100	-132
Other opex		-10	-16	-20	-28	-30	-47	-62
EBITDA	0	79	130	157	216	210	330	436
Depreciation		0	0	0	0	0	0	0
Recurring EBIT	**0**	**79**	**130**	**157**	**216**	**210**	**330**	**436**
Non-recurring items		0	0	0	0	0	0	0
EBIT	0	79	130	157	216	210	330	436

DISCLAIMER, ACCOUNTING PRINCIPLES AND ASSUMPTIONS

1 DISCLAIMER

No representation nor warranty is given as to the achievement or reasonableness of any future projections, estimates, forecasts or statements about the future prospects of the Company.

Only those particular representations and warranties, if any, which may be made to an eventual acquirer in one or more definitive written agreements when and if executed, and subject to such limitations and restrictions as may be specified in such definitive written agreements, shall have any legal effect.

2 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's historical and prospective Financial Statements have been prepared under French GAAP and translated into English and into international format.

For purposes of simplicity and audit trail, no GAAP adjustments have been made the French statutory accounts

A number of assumptions are clarified below.

3 MAIN ASSUMPTIONS

- Accounts Receivable increase progressively to 45 days to reflect innovative payment schemes
- Supplier payment terms are assumed unchanged
- Inventory has been conservatively assumed at 2.5 month, starting 2012
- 2010 other short term assets are a receivable from the French Tax authorities with respect to R&D
- R&D spending has been assumed to grow, albeit at a lesser pace than Revenue
- Future capital expenditure conservatively assumed at the peak of historical capex
- Mezzanine investment : conservatively forecast as a 2012 expenditure
- No reserve reversal / utilisation has been assumed
- Repayment of the 2009 OSEO loan is based upon the OSEO repayment schedule
- Coface advance assumed to grow in line with Revenue
- The 2012 dividend payment reflects the Sellers' intention to distribute all excess cash prior to the transaction
- No dividends have been assumed in subsequent years
- 2011 cash flow assumptions are conservative and will be updated at Year End

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BALANCE-SHEET

Amounts in euros		2008	2009	2010	2011	2012	2013	2014	2015	2016
Current Assets	Cash / (overdraft)	278 857	501 598	692 299	730 417	1 106 943	2 283 767	3 795 885	5 714 811	8 236 791
	Trade Receivables	133 152	86 718	183 963	299 904	377 543	551 028	771 096	1 015 502	1 215 300
	Inventory	108 363	227 022	204 969	235 714	355 221	412 591	454 673	508 262	569 906
	Other current assets	129 996	50 383	142 418	75 000	77 000	81 000	74 000	83 000	97 000
	Total current assets	650 368	865 721	1 223 649	1 341 035	1 916 707	3 328 386	5 095 654	7 321 575	10 118 997
Long Term Assets	Tangible Fixed Assets	61 823	68 083	94 183	101 183	167 183	163 183	148 183	149 661	152 026
	Intangible Fixed Assets	54 423	54 000	97 942	121 942	123 200	126 414	127 834	134 064	135 542
	Financial (stock, deposits)	8 166	14 301	14 347	15 000	16 000	17 000	18 000	19 000	20 000
	Other long term assets	-	-	-	-	-	-	-	-	-
	Total long term assets	124 412	136 384	206 472	238 125	306 383	306 597	294 017	302 725	307 568
Total Assets		774 780	1 002 105	1 430 121	1 579 160	2 223 090	3 634 983	5 389 671	7 624 300	10 426 565
Current Liabilities	Trade Payables	(227 825)	(68 278)	(127 789)	(158 100)	(158 100)	(245 293)	(283 041)	(331 110)	(386 405)
	Accruals	(70 041)	(53 030)	(137 070)	(164 400)	(174 400)	(186 400)	(201 400)	(220 400)	(243 400)
	Other current liabilities	(20 750)	(7 453)	(1 196)	(5 000)	(6 000)	(8 000)	(11 000)	(15 000)	(20 000)
	Total current liabilities	(318 616)	(128 761)	(266 055)	(327 500)	(338 500)	(439 693)	(495 441)	(566 510)	(649 805)
Long Term Liabilities	Reserves	(115 402)	(112 134)	(112 134)	(112 134)	(112 134)	(112 134)	(112 134)	(112 134)	(112 134)
	Financial Debt	(10 885)	(423 318)	(512 856)	(474 450)	(433 450)	(397 450)	(366 450)	(340 450)	(385 450)
	Other long term liabilities	-	-	-	-	-	-	-	-	-
	Total long term liabilities	(126 287)	(535 452)	(624 990)	(586 584)	(545 584)	(509 584)	(478 584)	(452 584)	(497 584)
Stockholders' Equity	Stock	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)
	Retained Earnings	(65 734)	(89 877)	(97 892)	(299 076)	(375 076)	(1 299 006)	(2 645 706)	(4 375 646)	(6 565 206)
	Current Year Earnings	(224 143)	(208 015)	(401 184)	(326 000)	(923 930)	(1 346 700)	(1 729 940)	(2 189 560)	(2 673 970)
	Total Stockholders' Equity	(329 877)	(337 892)	(539 076)	(665 076)	(1 339 006)	(2 685 706)	(4 415 646)	(6 605 206)	(9 279 176)
Total Liabilities		(774 780)	(1 002 105)	(1 430 121)	(1 579 160)	(2 223 090)	(3 634 983)	(5 389 671)	(7 624 300)	(10 426 565)

CASH FLOW STATEMENT

Amounts in euros		2009	2010	2011	2012	2013	2014	2015	2016
Operating	Net Income	208 015	401 184	326 000	923 930	1 346 700	1 729 940	2 189 560	2 673 970
	Depreciation & Amortisation	44 746	62 865	80 000	100 000	120 000	140 000	160 000	180 000
	Capital (gains)/losses	10 830	(5 893)	0	0	0	0	0	0
	Working Capital fluctuations	(305 383)	7 859	(50 418)	(197 146)	(143 662)	(224 402)	(249 926)	(206 147)
	Reserves - cash utilisation	0	0	0	0	0	0	0	0
	Other	119 648	(37 792)	32 595	9 000	10 000	25 000	14 000	14 000
	Net cash flow from operating activities	**77 856**	**428 223**	**388 177**	**835 784**	**1 333 038**	**1 670 538**	**2 113 634**	**2 661 823**
Investing	Tangible fixed assets - capital expenditure	(23 531)	(55 988)	(45 000)	(110 000)	(50 000)	(50 000)	(76 478)	(87 365)
	Tangible fixed assets - proceeds from disposals	(10 830)	5 893	0	0	0	0	0	0
	Intangible fixed assets including capitalised R&D costs	(33 187)	(76 965)	(66 653)	(58 258)	(70 214)	(77 420)	(92 230)	(97 478)
	Long term financial investments	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Net cash flow from investing activities	**(67 548)**	**(127 060)**	**(111 653)**	**(168 258)**	**(120 214)**	**(127 420)**	**(168 708)**	**(184 843)**
Financing	Debt drawdown	412 433	89 538	27 594	25 000	30 000	35 000	40 000	45 000
	Debt repayment	0	0	(66 000)	(66 000)	(66 000)	(66 000)	(66 000)	0
	Capital infusion and other increases in Equity (net)	0	0	0	0	0	0	0	0
	Dividends paid and other reductions in Equity (net)	(200 000)	(200 000)	(200 000)	(250 000)	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Net cash flow from financing activities	**212 433**	**(110 462)**	**(238 406)**	**(291 000)**	**(36 000)**	**(31 000)**	**(26 000)**	**45 000**
Net change in cash position		**222 741**	**190 701**	**38 118**	**376 526**	**1 176 824**	**1 512 118**	**1 918 926**	**2 521 980**
Cash position	Opening	557 714	1 003 196	1 384 598	1 460 833	2 213 886	4 567 534	7 591 770	11 429 622
	Closing	1 003 196	1 384 598	1 460 833	2 213 886	4 567 534	7 591 770	11 429 622	16 473 582
	Net change	445 482	381 402	76 235	753 053	2 353 648	3 024 237	3 837 851	5 043 960