



QUARTELY
FINANCIAL REPORT
AT MARCH 31ST, 2010



EL.EN. S.p.A.

Headquarters in Calenzano (FI), Via Baldanzese, 17

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

Registry of Companies in Florence – C.F. 03137680488

This document has been translated into English for the convenience of readers outside Italy.

The original Italian document should be considered the authoritative version.

CORPORATE BOARDS OF THE PARENT COMPANY

Board of Directors

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Andrea Cangoli

BOARD MEMBERS

Paolo Blasi

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Stefano Modi

Alberto Pecci

Board of statutory auditors

PRESIDENT

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Gino Manfrani

Executive officer in charge of preparing the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

Reconta Ernst & Young S.p.A.

EL.EN. GROUP
INTERIM
MANAGEMENT REPORT
AS OF MARCH 31st 2010

Interim management report

Introduction

This interim management report for the quarter ending March 31st 2010 for the El.En. Group was drawn up in compliance with to Art. 154-ter of Legislative Decree 58/1998 and later modifications as well as the regulations for issuing companies issued by Consob. This document contains the information usually included by the company in the preceding quarterly reports.

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

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

The quarterly results as of March 31st 2010 are shown in comparative form with those for the same quarter last year. All amounts are expressed in thousands of Euros unless otherwise indicated.

Performance indicators

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

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

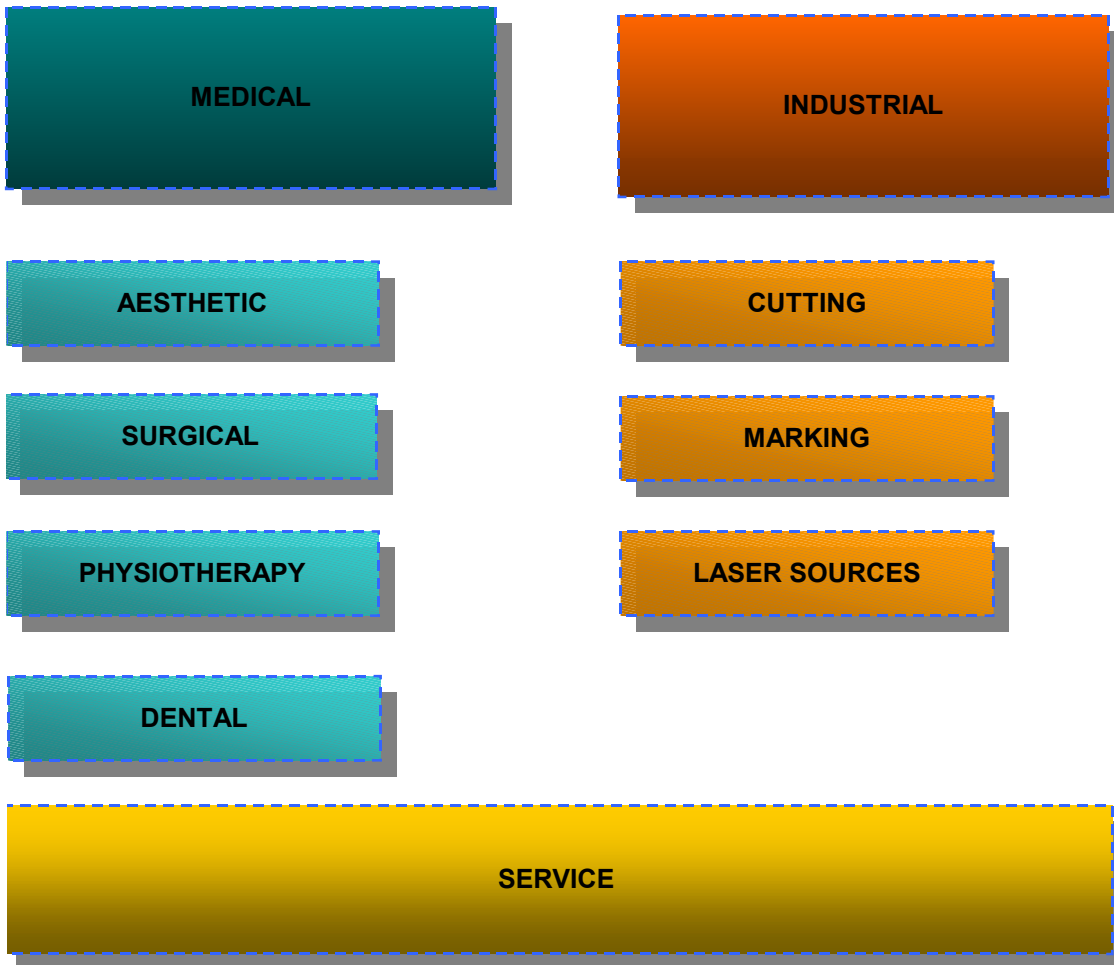
These indicators are illustrated in Profit and Loss Account charts shown and commented further on.

Description of the activities of the Group

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

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

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



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

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

Significant events which occurred during this quarter

On February 9th 2010 El.En. SpA, which holds US patent n. 6.206.873 (also known as patent 873) which deals with the technique of laser-lipolysis, for the removal of subcutaneous fat by means of a laser, and which constitutes the fundamental point of reference for the application performed with the device which is sold under the brand name of Smartlipo™, announced along with its subsidiary and sole licensee for the above mentioned patent, Cynosure Inc., the conclusion of its suit for the violation of the patent rights initiated against CoolTouch Inc. and based on the violation of the intellectual property rights belonging to El.En. by CoolTouch through the selling of the device they called 1320 nm CoolLipo™.

On the basis of the settlement which was reached, CoolTouch will pay a royalty of 9% on the CoolLipo systems sold before the settlement and will reimburse Cynosure Inc. a part of the legal expenses which they incurred. CoolTouch, moreover, will be obliged to pay a royalty of 10% on all the systems which can be used exclusively for lipolysis and 7,5% for the systems which it will sell which can be used for lipolysis and at least one other aesthetic application. CoolTouch has also accepted to recognize in front of a judge their violation of patent 873 and that this patent is completely valid. CoolTouch moreover granted El.En. and Cynosure free of charge the license for patents already obtained and for patents pending which belong to CoolTouch and that are used for the treatment of body fat and/or cellulites.

On the basis of the agreement which regulates the license for the patent granted to Cynosure by El.En., as accessory to the existing distribution contracts for license Smartlipo™, when Cynosure has received the total reimbursement of the legal expenses they sustained for this suit, the sums received from the royalties paid by CoolTouch will be split between El.En. and Cynosure in the proportion of 40% for the former and 60% for the latter.

With the success of this transaction, the El.En. Group has confirmed their technological and market leadership in the segment of laser-lipolysis, in which the standard reference is represented by the Smartlipo™ system distributed in Italy by DEKA M.E.L.A. and in the United States by Cynosure.

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

The list of companies included in the area of consolidation as of March 31st 2010 is shown in attachment "A".

Economic and financial results of the Group

After the disappointing results for 2009, the first quarter of 2010 has confirmed that we are now in a phase of turnaround which has become apparent since the last months of last year. The results are greatly improved over those of last year and the EBIT has even improved over that for the last quarter of 2009.

The climate of profound uncertainty which characterized our markets is slowly dissipating and allows for a situation of cautious optimism which in concrete terms has meant a greater propensity on the part of the clientele to purchase “capital goods” like the laser systems produced by El.En.

The more favourable market conditions have meant that the efforts expended by the Group in cutting expenses and the timely release of new, innovative products on the market met with greater success than in the preceding months and brought about a substantial improvement in the results.

Even though there has been an evident improvement, it should be pointed out that the market conditions are substantially inferior to those registered in 2007 and 2008 which enabled us to register brilliant results; the road of return to those conditions would appear to be both long and uncertain and will require a fairly long period of international economic stability. Situations and episodes like the recent economic crisis in Greece have certainly slowed down the return of confidence necessary so that both our clients and the financial institutions which sustain their investments, can look to our products with greater interest.

The results of the American subsidiary Cynosure are emblematic of the period of transition through which the Group is now passing; from the most outstanding company of the Group and of the entire sector, Cynosure became the company with the heaviest losses: in the first quarter of this year their sales volume showed a marked improvement (+28%) which made it possible to diminish, but not to eliminate, the losses for the quarter and they showed a good performance in particular on the international markets. Even the recovery of the American market, which is by far the most important one in the world, is tangible but not rapid. The cost structure (overhead) has been reduced with respect to last year, but in order to reach financial stability Cynosure will have to count on a market which is slightly more receptive and on the new products which it is about to release and which, for now, are only budget items entered as research and development expenses.

Since they depend less on the US market and have lower overheads, the other companies of the Group were able to benefit to a greater degree from the improved market conditions and, on the whole, registered positive results.

It should be recalled that, since we are convinced of the structural soundness of our markets and of our own potential, we decided not to cut a series of investments that are vital for our competitiveness and our process of expansion: the research and development projects which are conducted in cooperation with the various international teams of the Group were intensified; the launching of commercial structures for the distribution of DEKA brand products in the USA comported considerable expenses which have still not been offset by the results, in part due to the slow recovery of the economy, as mentioned; the constitution of a presidium in the market for aesthetic treatments in Italy absorbed financial and managerial resources with, however, very encouraging results.

In view of the importance of the subsidiary Cynosure on the consolidated results and the considerable quota of the company which is held by third parties (the controlling quota of El.En Spa in fact is, as of March 31st 2010, 23,04%) we will complete this information portion showing both the consolidated data for the Group as well as the consolidated data for the Group excluding Cynosure.

The chart below shows the reclassified consolidated Profit and Loss Account for the first quarter of 2010 shown in comparative form with that for last year.

Profit and loss account	31/03/10	Inc.%	31/03/09	Inc.%	Var.%
Revenues	41.061	100,0%	33.797	100,0%	21,5%
Change in inventory of finished goods and WIP	299	0,7%	113	0,3%	164,5%
Other revenues and income	333	0,8%	270	0,8%	23,1%
Value of production	41.693	101,5%	34.180	101,1%	22,0%
Purchase of raw materials	15.842	38,6%	12.458	36,9%	27,2%
Change in inventory of raw material	(119)	-0,3%	(189)	-0,6%	-36,7%
Other direct services	4.044	9,8%	3.611	10,7%	12,0%
Gross margin	21.927	53,4%	18.300	54,1%	19,8%
Other operating services and charges	9.609	23,4%	11.581	34,3%	-17,0%
Added value	12.317	30,0%	6.719	19,9%	83,3%
For staff costs	10.940	26,6%	11.324	33,5%	-3,4%
EBITDA	1.377	3,4%	(4.605)	-13,6%	
Depreciation, amortization and other accruals	1.869	4,6%	1.986	5,9%	-5,9%
EBIT	(492)	-1,2%	(6.592)	-19,5%	-92,5%
Net financial income (charges)	244	0,6%	714	2,1%	-65,8%
Share of profit of associated companies	(184)	-0,4%	(255)	-0,8%	-28,1%
Other net income (expense)	(2)	-0,0%	(16)	-0,0%	-87,2%
Income before taxes	(433)	-1,1%	(6.149)	-18,2%	-93,0%

The chart below shows the net financial position of the Group.

Net financial position	31/03/2010	31/12/2009
Cash and bank	42.474	49.573
Financial instruments	39.673	29.803
Cash and cash equivalents	82.147	79.376
Short term financial receivables	58	55
Bank short term loan	(5.294)	(4.450)
Part of financial long term liabilities due within 12 months	(1.259)	(1.163)
Financial short term liabilities	(6.553)	(5.613)
Net current financial position	75.653	73.818
Bank long term loan	(1.883)	(2.044)
Other long term financial liabilities	(2.900)	(2.883)
Financial long term liabilities	(4.783)	(4.927)
Net financial position	70.870	68.891

The chart below shows the profit and loss account for the first quarter of 2010 and the net financial position of the Group excluding the subsidiary Cynosure from the area of consolidation.

Profit and loss account	31/03/10	Inc.%	31/03/09	Inc.%	Var.%
Revenues	28.397	100,0%	23.923	100,0%	18,7%
Change in inventory of finished goods and WIP	1.459	5,1%	763	3,2%	91,1%
Other revenues and income	244	0,9%	211	0,9%	15,6%
Value of production	30.099	106,0%	24.898	104,1%	20,9%
Purchase of raw materials	13.025	45,9%	10.743	44,9%	21,2%
Change in inventory of raw material	91	0,3%	43	0,2%	112,7%
Other direct services	2.763	9,7%	2.447	10,2%	12,9%
Gross margin	14.220	50,1%	11.665	48,8%	21,9%
Other operating services and charges	5.712	20,1%	5.455	22,8%	4,7%
Added value	8.509	30,0%	6.209	26,0%	37,0%
For staff costs	6.814	24,0%	6.481	27,1%	5,1%
EBITDA	1.695	6,0%	(271)	-1,1%	
Depreciation, amortization and other accruals	724	2,5%	1.231	5,1%	-41,2%
EBIT	971	3,4%	(1.502)	-6,3%	
Net financial income (charges)	326	1,1%	627	2,6%	-48,0%
Share of profit of associated companies	(184)	-0,6%	(255)	-1,1%	-28,1%
Income before taxes	1.114	3,9%	(1.130)	-4,7%	

Net financial position	31/03/2010	31/12/2009
Cash and bank	15.958	18.477
Financial instruments	368	537
Cash and cash equivalents	16.325	19.013
Short term financial receivables	58	55
Bank short term loan	(5.290)	(4.445)
Part of financial long term liabilities due within 12 months	(1.090)	(985)
Financial short term liabilities	(6.380)	(5.430)
Net current financial position	10.003	13.639
Bank long term loan	(1.866)	(2.028)
Other long term financial liabilities	(2.826)	(2.780)
Financial long term liabilities	(4.692)	(4.809)
Net financial position	5.311	8.830

Comments on the management results

The table below shows the subdivision of the sales volume according to sectors of activity of the Group for the first quarter of 2010 in comparison with the same subdivision for the same period last year.

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Industrial systems and lasers	4.538	11,05%	4.165	12,32%	8,97%
Medical and aesthetic lasers	28.125	68,49%	22.008	65,12%	27,79%
Service	8.399	20,45%	7.624	22,56%	10,16%
Total	41.061	100,00%	33.797	100,00%	21,50%

After one year the plus sign finally reappears in the column showing changes in sales volume; this of course refers to the minimal sales volumes registered at the beginning of last year, but the amount of the increase would tend to indicate a trend which, while not offering any guarantees that the gap can be rapidly filled, at least has started to move in the right direction.

The increase in sales volume in the medical sector is close to 30%; less, but still substantial is the increase in the industrial sector which took off slowly in 2010, but for which we expect gradual progress; the service sector has returned to normal levels.

This last entry reflects the gradual increase in the amount of equipment installed, but also the volume of activity of our clientele, which purchases spare parts and maintenance services.

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

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Italy	7.784	18,96%	7.518	22,25%	3,54%
Europe	11.750	28,62%	9.890	29,26%	18,81%
Rest of the world	21.527	52,43%	16.388	48,49%	31,36%
Total	41.061	100,00%	33.797	100,00%	21,50%

The areas which had shown the greatest decrease are at the same time the ones that, during this quarter, have the sales volumes that have recovered the most rapidly, showing an almost elastic reaction to the effects of the crisis, while Italy, which had better withstood the crisis, showed a growth of minor entity.

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

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Surgical CO2	2.514	8,94%	2.098	9,53%	19,86%
Physiotherapy	1.100	3,91%	1.403	6,37%	-21,57%
Aesthetic	18.592	66,11%	13.663	62,08%	36,08%
Dental	1.017	3,62%	1.121	5,09%	-9,26%
Other medical lasers	3.931	13,98%	2.829	12,85%	38,96%
Accessories	970	3,45%	895	4,07%	8,37%
Total	28.125	100,00%	22.008	100,00%	27,79%

The plus sign is now featured again in the results of the most significant sectors, in particular the principal one of laser systems for aesthetic applications; in this segment, the increase of 36%, even though it is in relation to the minimum levels, is the result of multiple supporting activities and we are comforted by the conviction that within a fairly brief time the segment will represent a solid market because it satisfies a certain type of consumption, that of the care of one's body and looks, that is destined to attract an ever increasing number of clients, and because we are sure that we can offer this market procedures that are innovative, very attractive and effective, and which increase the percentage of sales which, in this sector, are directed towards treatments performed with technological systems.

The range of products we offer in this sector includes a series of laser systems for hair removal, which is the most widely used application for laser technology in aesthetics; the variety of laser types offered in this range has made the Group highly competitive in every context. The Nd:YAG long impulse systems have traditionally been offered by DEKA, which recently extended their range with the innovative Synchro FT; the alexandrite systems, the forte of Cynosure with their Elitee system and the revised Elite MPX, are now offered also by Quanta System and by DEKA respectively with the Light system and the PLA_Y system, the latter of which was extremely successful this quarter; the systems with pulsating light are particularly appreciated by the clients of pure aesthetics; Asclepion, moreover, will be presenting Mediostar, a highly effective diode laser system.

Fat removal and “body shaping” have acquired increasing importance and now represent a significant portion of the sales volume, thanks to the success of the Smartlipo system and of laser-lipolysis, a minimally invasive alternative to traditional lipo-suction and, more recently to the introduction of multi-functional platforms for fat reduction, equipped with laser technology as well as radio-frequency, ultrasound applications and acoustic waves, all of which are technologies that characterize Deka’s Triactive Plus, Asclepion’s Raylife system, and the range for the body offered in Italy by Esthelogue.

The residual sector “Others” also did well; this sector includes, among other things the sale of solid state systems for surgical applications. For this segment there has been an interesting development of the activity of Quanta System, which entered the market thanks to their high powered systems for applications of BPH and lithotripsy; besides some academic recognition of the effectiveness of the new technology (for example the Tullio laser adopted by the University College of London), the device has met with a commercial success which promises well for future developments in the sector.

The sales of CO₂ systems for surgical applications in ORL (otoryhnolaryngology) and gynaecology also showed an increase (+20%) but, during this period, particularly combined with a scanner for aesthetic applications of the type called DOT therapy and featuring the Smartxide system.

A decrease was registered in the physical therapy sector, which had shown a brilliant growth even in 2009 and which, therefore, has its point of reference in the preceding year and consequently a more difficult comparison than the rest of the segment; the dental sector decreased and was practically lifeless both on the international markets and the Italian one; the sector has not yet come out of the turnabout phase in the United States, where the investments are still greater than the revenues received in return.

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

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Cutting	2.348	51,73%	2.085	50,07%	12,58%
Marking	1.593	35,09%	1.412	33,90%	12,81%
Laser sources	560	12,34%	583	13,99%	-3,91%
Welding, other industrial systems	38	0,84%	85	2,04%	-55,37%
Total	4.538	100,00%	4.165	100,00%	8,97%

The industrial sector also showed a return to growth. Although this was slower than that shown in the medical sector as far as our markets are concerned, there were positive signals which lead us to believe that the growth will continue and increase in future months.

In particular, the cutting sector is driver by the growth of the activity in China of Wuhan Penta Chutian, but a period of turnabout can be also perceived in Italy, and is expected to occur in the next few months also for the Brazilian branch.

A renewed interest in marking applications was also registered, in particular for those on large surfaces, as demonstrated by the growth in this segment.

The sale of laser sources was substantially stable, while systems for restoration were in decline; for these segments it will be possible to give a better evaluation by analysing the sales over a longer period of time, at least on a half-yearly basis.

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

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Industrial systems and lasers	4.538	15,98%	4.165	17,41%	8,97%
Medical and aesthetic lasers	18.916	66,61%	15.095	63,10%	25,31%
Service	4.943	17,41%	4.664	19,49%	6,00%
Total	28.397	100,00%	23.923	100,00%	18,70%

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Italy	7.611	26,80%	7.518	31,43%	1,24%
Europe	8.367	29,46%	7.104	29,70%	17,77%
Rest of the world	12.419	43,73%	9.301	38,88%	33,52%
Total	28.397	100,00%	23.923	100,00%	18,70%

	31/03/2010	Inc%	31/03/2009	Inc%	Var%
Surgical CO2	2.486	13,14%	1.794	11,89%	38,55%
Physiotherapy	1.100	5,82%	1.403	9,29%	-21,57%
Aesthetic	10.752	56,84%	8.030	53,20%	33,89%
Dental	1.017	5,38%	1.121	7,42%	-9,26%
Other medical lasers	2.528	13,37%	1.937	12,83%	30,54%
Accessories	1.033	5,46%	811	5,37%	27,35%
Total	18.916	100,00%	15.095	100,00%	25,31%

The recovery of the sales volume by Cynosure was slightly more rapid than that of the rest of the Group, and in this case the medical sector grew by 25% as opposed to the 28% of the overall consolidated. The trends of the single segments are exactly the same as those for the overall consolidated results and this reflects the fact that the dynamics of the markets are quite similar. After-sales service rose by 6% .

It should be recalled that in 2008 and 2009 some sales financed by the clientele with operative leasing, in conformity with IAS/IFRS principles, were considered revenue from multi-year rentals, even though the Group had cashed in the sales price; the effects for this year in any case were of little significance.

The margin of contribution was registered for an amount of 21.927 thousand Euros, an increase of 19,8% with respect to the 18.300 thousand Euros for the same period last year with an incidence on sales volume which decreased from 54,1% on March 31st 2009 to 53,4% for this quarter. There are numerous factors which determine the variations in the margin of contribution: first of all, the level of the sales prices which is usually negatively influenced by the aggressiveness of the competition which is accentuated in periods of crisis, but also positively affected by the capacity for innovation reflected in the offering of new products which bring in a "premium price"; in the sector of the Group, moreover, an important effect is created by the mix of sales between direct channels, which have higher prices and margins, but require greater expenses for marketing and sales, and the distributors, which have smaller margins and lower commercial expenses.

The effect of the increased cost of international distribution on the sales volume of Cynosure reduced its margins, while for the rest of the Group, the cost of direct distribution increased (among others, Esthelogue and the positive trends of the Japanese and French branches), causing a sharp increase on the margins notwithstanding the considerable pressure on the prices that was present on the market.

The costs for operating services and charges were 9.609 thousand euros, showing a decrease of 17% with respect to March 31st 2009, and with an incidence on the sales volume which fell to 23,4% from the 34,3% registered for the same period last year. The decrease in this cost aggregate represents one of the most significant aspects of the Group's return to profits and reveals the attention that the Group has dedicated to this matter, even though it should be noted that there are a few non recurring expenses which have been sustained, in particular by Cynosure during the first quarter of 2009, like those for the lawsuit filed in order to protect its patent rights for the Smartlipo application.

The costs for personnel, registered for 10.940 thousand Euros, also decreased by 3,4% with respect to the 11.324 thousand Euros for the same period last year, and shows a remarkable recovery in productivity with an incidence on the sales volume which fell from 33,5% on March 31st 2009 to 26,6% on March 31st 2010. The reduction in the figurative costs for stock options assigned to staff members, mainly related to the stock options issued by the subsidiary Cynosure Inc. contributed to these savings. On March 31st 2009 these costs were 1.049 thousand Euros, while on March 31st 2010 they had fallen to 575 thousand euros.

On March 31st 2010 the number of persons employed by the Group was 877 with respect to the 874 on December 31st 2009 and the 872 on March 31st 2009. The substantially unvaried amount with respect to March 31st 2009 is due to the fact that the reductions in personnel made by the American and European companies were offset by the hiring of new personnel by the Chinese company Wuhan Penta Chutian, which has been rapidly expanding in 2009 and 2010.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. The grants issued and entered into accounts as of March 31st 2010 were 51 thousand Euros, whereas for the same period last year they amounted to 68 thousand Euros.

On account of the trends in the entries described above, the EBITDA registered a positive result of 1.377 thousand Euros with respect to the negative result of 4.605 thousand Euros for March 31st 2009.

The costs for depreciations, amortizations and accruals were 1.869 thousand Euros, a decrease of 5,9% with respect to March 31st 2009, and therefore registering a decrease in the incidence on the sales volume. This reduction is mainly due to the smaller accrual made during this period for credit risks. It should be recalled that in this category, besides the amortizations and accruals for credit risks, we have also entered accruals for product guarantees.

The EBIT consequently registered a negative amount of 492 thousand Euros, but shows considerable improvement over the negative amount of -6.592 thousand euros shown on March 31st 2009.

The results of the financial management were 244 thousand Euros with respect to the 714 thousand Euros for the same period last year; this amount was influenced by both lower interest rates paid by the banks on deposits and by smaller differences in the currency exchange rates, in particular for the American subsidiary Cynosure which has receivables in Euros and therefore registers losses on the exchange when the dollar becomes stronger.

The negative results shown for the associated companies is mainly due to Elesta Srl, which is still in the phase of initial investment for the development of sophisticated surgical equipment, and to the Spanish company GLI whose activity remains very difficult due to the severity of the economic crisis which, as reported by the media, has hit Spain harder than the rest of Europe.

The items entered in the category of other net income and charges both on March 31st 2009 and March 31st 2010, represent operations and evaluations of limited importance.

The earnings before taxes therefore show a negative amount of 433 thousand Euros with respect to the negative amount of -6.149 thousand Euros on March 31st 2009.

For the sub-consolidated statement without Cynosure, the increase in sales volume, as described above, was smaller (+18,7%); notwithstanding the pressure on the prices, but thanks to a mix of on the sales channels which was heavier on the direct distribution, the sales margins have increased; the cost structure is lighter, with an incidence on the sales volume of overhead and personnel which was about 45% as opposed to the 50% at the consolidated level; consequently, the EBITDA (1.695 thousand Euros) and the EBIT (971 thousand Euros) were positive for this quarter, unlike the negative figures shown for the first quarter of 2009, which confirms that even for a quarter which, from a seasonal point of view is usually less favourable, a positive trend for the closing of this period.

Among the factors that contributed to the improvement of the results, there was the sharp decrease in accruals for credit risks which, in terms of incidence on the sales volume, cut in half the amount for amortizations and accruals.

The results of the financial management were positive; while the associated companies which registered negative results belong exclusively to the sub-consolidated without Cynosure, and show a loss of about 0,6% on the sales volume.

Financial and economic situation

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

The net financial position of the Group remains substantial and is in the black for an amount of 71 million Euros. Most of this amount is held by the Parent Company and by the subsidiary Cynosure Inc.

With respect to December 31st 2009, the net financial position of the company benefits from the sale made by Cynosure of about 2 million dollars (1,4 million Euros) worth of securities entered among the non-current assets. It also benefits, for an amount of 4 million Euros, from the effect of the exchange rate due to the increased value of the US dollar with respect to the Euro and the relative re-evaluation of the considerable amount of cash held by Cynosure.

During this quarter there were no particular investment activities or financial transactions of an extraordinary nature, consequently the absorption of cash during this period can be substantially attributed to an increase in net working capital.

Gross investments made during this quarter

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

	31/03/10	31/03/09
Intangible assets	33	56
Tangible assets	1.434	2.724
Equity investments	170	19
<i>Total</i>	1.637	2.800

The sharp decrease in investments with respect to last year reflects, in the first place, the completion of the work for the enlargement of the factory in Calenzano which last year had characterized both the logistics of the headquarters and the investments.

On the other hand, the investments sustaining the commercial distribution, in particular by Cynosure, through the assignment of demo laser systems to the agents working in their commercial network, continue to be very substantial.

The increments in the financial assets in this quarter refer to the payments effected by the Parent Company El.En. to the associated company Elesta srl in order to cover the losses incurred and the reconstitution of the capital stock to its original amount, as described above.

Comments on Research and Development activities

During the first quarter of 2010 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market. El.En. increased the investments in R&D to face the economic crisis which required even more attractive items for the market through the presentation of new products and applications.

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

The innovative results consist essentially in the creation of new laser applications and the development of suitable equipment for the new applications. In other words, we conduct research in order to understand unresolved or new problems in the fields of medicine and industry and we look for solutions on the basis of our experience and culture in laser systems related, on the one hand, to its generation and level of power and, on the other, its management over time and in the shape of the ray. The research which is aimed at obtaining mid-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centres throughout the world, some of which we collaborate with.

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

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

The Group is the only one in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid with semiconductor, gas) each one with various power versions in some cases, and using various manufacturing technologies. Consequently, research and development activity has been directed to many different instruments and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the various companies have been involved is given below.

Systems and applications for lasers in medicine

Through a major effort involving massive use of both personnel and resources, the parent company, El.En. is developing new equipment and sub-systems for uses in surgery, dentistry, gynaecology and aesthetic medicine. Development of the new "multi-wavelength platform" (Alex+ Nd:YAG+IPL), has continued; this is a matrix device able to sustain the management and interface with the doctor, feeding of electricity and conditioning fluids, ergonomic mechanical support. We have concluded the clinical trials of TRIACTIVE PLUS which is equipped with various peripherals and active generators of radiofrequency, ultrasounds in two frequency bands and mechanical and laser energy, for treating patients in cosmetic surgery. We are now developing a new CO₂ apparatus, the Smartxide 2, with a laser source fed by radio frequency with medium power up to 80w and management through personal computer included in the apparatus. The system is multidisciplinary, and can be used in general surgery, otorhinolaryngology, dermatology, gynaecology, laparoscopic surgery, with scansion heads capable of emitting electromagnetic energy on the skin of the patient for DOT treatment. The Group has also continued working on the development of the instruments and on the clinical experimentation of innovative laser devices (family of devices for the HILT - High Intensity Laser Therapy) for uses in physical therapy and in orthopaedics, and experiments have also begun in the United States, in collaboration with Washington State University, on animal models (horses); we have also continued our collaboration for trials on patients with knee joint pathologies with the Istituti Rizzoli of Bologna, who have been our partners for several years now. Trials on the effects of photo-mechanical stimulation of chondrocytes have also continued.

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

Research continued on a new micro-manipulator for uses in otorhinolaryngology of the CO₂ laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by doctors who are assisting us in the clinical tests.

Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs as part of the activity conducted by the

associated company Elesta created by El.En. and Esaote. Agreements were made for the collaboration with the university clinics in Florence and in Pisa as part of the TRAP project with the contribution of EU funds through the Ministry for economic development of the Region of Tuscany.

The research activity in the public/private laboratory in Naples for the development of innovative technologies for minimally invasive medicine continued. As part of this program, in collaboration with the University of Lecce we are now conducting research on the use of nano-particles with interaction with laser light in order to create images which will be useful for identifying tumours.

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

We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis.

In the laboratories at El.En. research was conducted on new applications in medicine on the interaction between light and biological tissues.

The collaboration between the research and development department for medical lasers of El.En and Cynosure continued for the development of new laser devices for the treatment of adipose layers.

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

At Quanta System they have continued the activity for the development of two types of lasers, one with green emission and the other with Tullio infrared emissions, for the therapy of benign prostate hypertrophies and of a fibre laser with augmented performance.

At Deka M.E.L.A. they are conducting intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynaecological and otorhinolaryngological. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for both academic and professional medical centres in Italy and abroad.

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

Laser systems and applications for industry

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

We have completed the experimental trials on the innovative electronic systems developed at El.En. and based on a system in digital electronics (VOYAGER), for the control and management of marking systems for machines recently created by OTLAS.

As part of the strategy for the development of restoration systems in Tuscany, a project (TEMART) was approved, in which El.En. is responsible for the development of specialized laser equipment for particular types of conservation.

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

For applications related to the cutting of metal materials, we have developed a capacitive sensor for the control of the position of the focal zone of the laser beam with respect to the material; the experimental activity has been concluded.

We are developing laser systems for cutting and welding plastic materials for use as containers for food and chemicals of various types.

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

We have developed new catalyser systems for Compact power lasers.

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

Their research is supported by their own resources and, in some cases, by grants derived from research contracts stipulated with the specific institutions. Trials have now been completed on the structural and functional innovations developed on sealed CO₂ sources produced by El.En. Work has continued on the development of an electronic system for tele-diagnosis and tele-assistance of industrial machines. They have developed new compact cutting systems with superior performance and limited cost, and they have continued the study of new solutions for cutting, in particular for cutting sheet metal. They are developing methods for eliminating most of the optic portions of the CO₂ laser ray with solutions which include mounting the new sources with radio-frequency pumping directly on the portal of the machine.

They are about to conclude the development of the software for the execution with raster scansion of superficial marking of metals and other materials on cutting machines.

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

At OTLAS they have completed the development of a new generation machine for decorating continuous rolls of fabric over large areas and they have developed specific software programs for use with Voyager boards. Moreover, the MX machine has been developed so that it was possible to plan new systems for unrolling and pulling of fabrics to be treated with new SW for the execution of lists. For this same machine, a preliminary study was completed on the 2800 mm version. Following the short and mid-term plan, a software was developed for remote control of the new RF333 radio frequency sources monitoring, now in progress at El.En. We have continued to work at perfecting the algorithms, calculus programs and hardware structures for artificial vision systems to be used in the automation of surface decoration using laser markers, on leather and other materials and for the cutting and marking of other objects which are laid out flat on the work surface; moreover, we have completed the development of the software to apply offset algorithms to closed edges and to reorganize execution files.

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

<i>thousands of euros</i>	31/03/2010	31/03/2009
Costs for staff and general expenses	2.317	2.368
Equipment	37	40
Costs for testing and prototypes	292	460
Consultancy fees	122	152
Other services	130	126
Intangible assets	0	0
Total	2.898	3.146

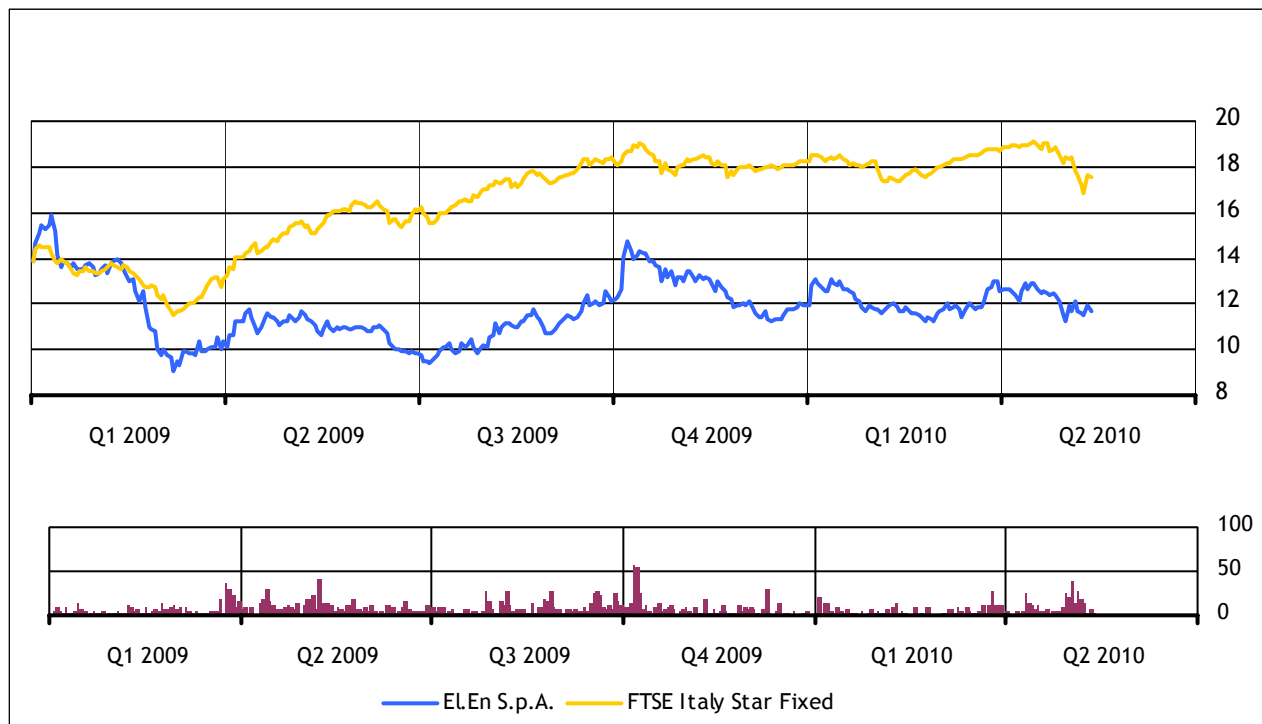
As for the entries of the sales and the revenues, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 1,7 million dollars.

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

The amount of the expenses sustained corresponds to 7% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 1,7 million dollars which represents about 9% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and also represents 9% of its sales volume.

Trend of El.En. stock

The trend of the stock is shown in the chart below



Other significant events which took place during this quarter

No other significant events took place during this quarter.

Other events which took place after the closure of the quarter

The shareholders' assembly of the Parent Company El.En. SpA, which convened on April 30th 2010 approved the financials for the year 2009 and voted to apply the profits to the extraordinary reserve. For the years 2010/2011/2012 the assembly also voted to appoint the new Board of Auditors which is composed of Vincenzo Pilla, President; Paolo Caselli and Gino Manfriani, Acting auditors; Lorenzo Galeotti Flori and Manfredi Bufalini, Supplementary auditors. On April 28th 2010 the Assembly of the shareholders of Electro Optical Innovation srl, a company which is 33,33% owned by Quanta System spa, voted for the liquidation of the company.

Outlook for the financial year now in progress

The first quarter of 2010 showed greatly improved results, growth in sales volume and, for the consolidated statement drawn up excluding Cynosure, a return to operating profits. Also for our markets, we can confirm the presence of positive signals which would tend to indicate a continuation of this phase of recovery. At the same time, it should be noted that the persistence of uncertainties and tensions on the financial markets and the periodical appearance of moments of panic, maintains a high level of instability which does not inspire confidence in the operators on our markets. For the sub-consolidated drawn up without Cynosure, the quarterly results were in line with the company's provisions both for the sales volume and for the EBIT; we believe that this year will see a continued growth in sales volume and a positive EBIT.

For the Board of Directors

Executive board member

Ing. Andrea Cangioli

Annex “A”: List of consolidated companies as of March 31st 2010

Subsidiary companies

Company name:	Headquarters	Percentage held:			Consolidated Percentage
		Direct	Indirect	Total	
Parent company: El.En. SpA	Calenzano (ITA)				
Subsidiary companies: Deka M.E.L.A. Srl	Calenzano (ITA)	70,00%		70,00%	70,00%
Cutlite Penta Srl	Calenzano (ITA)	90,67%		90,67%	90,67%
Esthelogue Srl	Calenzano (ITA)	100,00%		100,00%	100,00%
Deka Technologies Laser Sarl	Lyons (FRA)	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH	Berlin (GER)	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	Carlsbad (USA)	11,78%	80,71%	92,49%	92,49%
Ot-las Srl	Calenzano (ITA)	90,00%		90,00%	90,00%
Lasit SpA	Vico Equense (NA)	52,67%	17,33%	70,00%	68,27%
BRCT Inc.	Branford (USA)	100,00%		100,00%	100,00%
Quanta System SpA	Solbiate Olona (ITA)	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	Jena (GER)	50,00%	50,00%	100,00%	80,00%
Arex Srl	Solbiate Olona (ITA)		51,22%	51,22%	30,73%
AQL Srl	Vimercate (ITA)		100,00%	100,00%	67,58%
ASA Srl	Arcugnano (ITA)		60,00%	60,00%	42,00%
Cynosure Inc.	Westford (USA)	23,04%		23,04%	23,04%
Cynosure GmbH	Langen (GER)		100,00%	100,00%	23,04%
Cynosure Sarl	Paris (FRA)		100,00%	100,00%	23,04%
Cynosure KK	Tokyo (JAP)		100,00%	100,00%	23,04%
Cynosure UK	London (UK)		100,00%	100,00%	23,04%
Suzhou Cynosure Medical Devices Co.	Suzhou (CHINA)		100,00%	100,00%	23,04%
Cynosure Spain	Madrid (SPAIN)		100,00%	100,00%	23,04%
Cynosure Mexico	S. Geronimo Ladice (MEXICO)		100,00%	100,00%	23,04%
Cynosure Korea	Seul (S. KOREA)		100,00%	100,00%	23,04%
With Us Co Ltd	Tokyo (JAP)		51,25%	51,25%	51,25%
Deka Japan Co. Ltd	Tokyo (JAP)	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	Wuhan (CHINA)		55,00%	55,00%	49,87%
Lasit Usa Inc.	Branford (USA)		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda	Blumenau (BRASIL)	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	Branford (USA)		100,00%	100,00%	100,00%
Ratok Srl	Solbiate Olona (ITA)		70,00%	70,00%	42,00%
Raylife Srl	Calenzano (ITA)		100,00%	100,00%	80,00%
Deka Medical Inc	San Francisco (USA)		100,00%	100,00%	100,00%

Associated companies

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

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

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

Calenzano, May 14th 2010

Executive in charge of the financial reports
Enrico Romagnoli