

El.En. Group

COMMENTS OF THE MANAGEMENT ON THE CONSOLIDATED DATA FOR THE QUARTER ENDING March 31st 2009

(Approved by the Board of Directors of the company on May 15th 2009)

Report for the quarter ending on March 31st 2009

Introduction

This report for the quarter ending March 31st 2009 on the consolidated economic and financial data of El.En. SpA was drawn up and divulged in compliance with to Art. 82 of the CONSOB regulations adopted after vote no. 11971 and later modifications. 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.

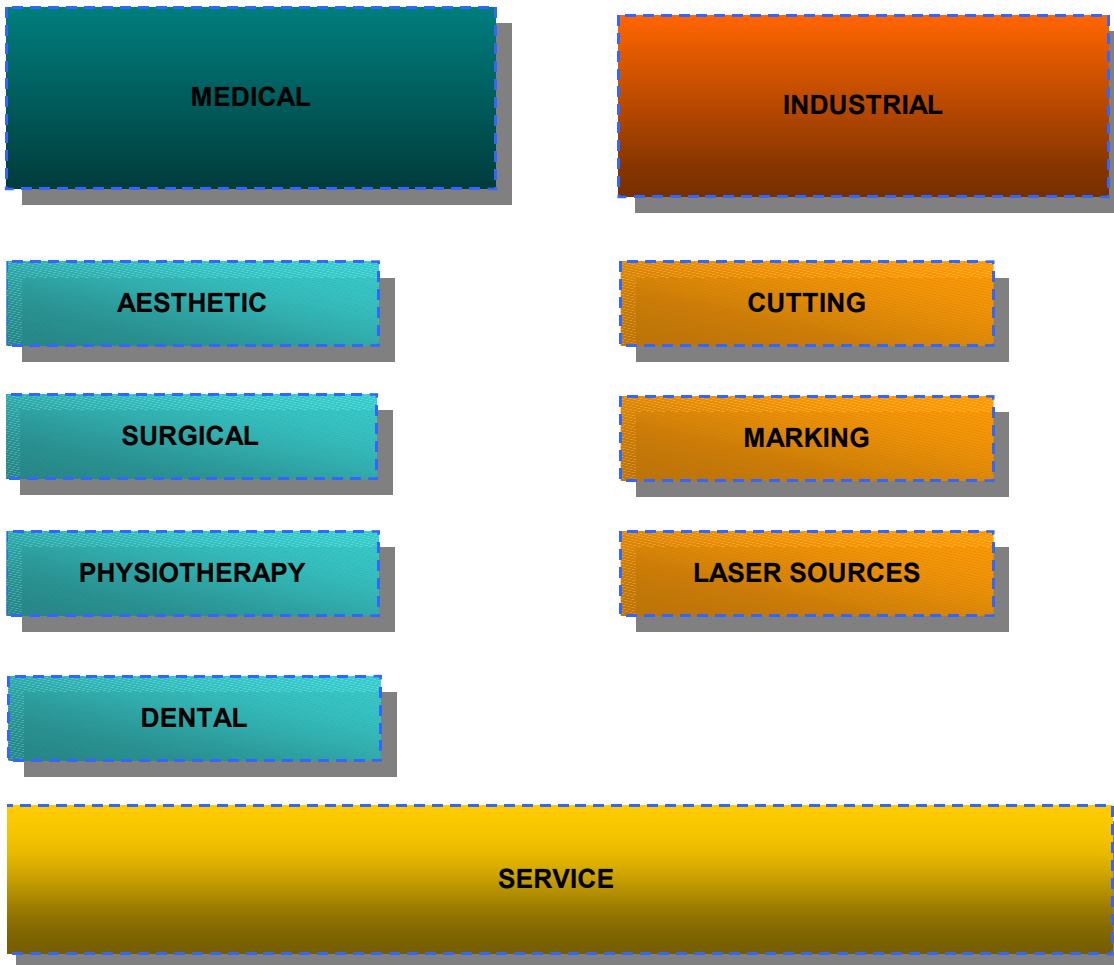
The information which is shown below was drawn up in conformity with the international accounting principles, IAS/IFRS, which have been obligatory since 2005 for drawing up the consolidated statements of companies which are listed on the regulated stock markets.

The results for the quarter ending March 31st 2009 are shown in comparative form with the corresponding data for the same quarter last year. All of the amounts are expressed in thousands of Euros unless otherwise stated.

El.En. SpA controls a group of companies which operate 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 through the founding of new companies and the acquisition of the control of others. Each company has a specific role within the Group which depends on the geographical location of its market, its technological specialty, and its particular position in the merchandise market served by the Group.

Besides the division of the roles among the various companies, the activities of the Group are conducted in two main sectors: the sector of laser systems for medicine and aesthetic purposes, and that of laser systems for industry. In each of these two sectors there are several segments of activity which are heterogeneous on account of the applications required and therefore also for the underlying technology and the type of user. For this reason, the activity of the Group which is generically defined as the manufacture of laser sources and systems, includes a vast range of different types of clients, especially if one considers the global presence of the Group and consequently the need to adapt to the particular characteristics that every area in the world has in the application of our technology.

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 remains substantially based on the simple division of the activities into specific categories which have been defined not only for reporting purposes but, above all, as the basis for a strategic policy, as follows:



Along with the main activity of selling laser systems, the company also operates in the field of after-sales service, an indispensable support for the installation and maintenance on our laser systems, and for which they receive earnings from the sale of spare parts, consumer items, and technical assistance.

In order to facilitate the interpretation of the financial charts shown below, considering the attribution of the amounts of consolidated income to the parent company, it should be noted that, in relation to the area of consolidation and the income which excludes Cynosure (for which in the last few years both the amount of the equity held by El.En. and the amount of the income have changed materially), in the last few years the amount of the EBIT of the parent company has always been registered on an average of 80% of the EBIT of the sub-consolidated.

Significant events which occurred during this quarter

During this quarter we founded Deka Laser Technologies Inc, to help reorganize the distribution activity in the dentistry sector in the United States. The company is owned 100% by the American subsidiary BRCT Inc..

On February 17th the subsidiary Quanta System SpA acquired 19% of the capital stock of T.F.D. Ticino Forniture Dentali Srl. This company supplies various types of equipment to dentistry offices. They have a highly organized sales network which is integrated with the sales of laser equipment for use in dentistry.

Economic and financial results of the Group

During the first quarter of 2009 all areas of activity of the Group were influenced by the overwhelming effects of the international financial crisis, which earlier had hit only a few of the companies and markets of the Group, in particular those in Spain and in the United States.

Above all, as a consequence of the sudden drop in demand, especially in the United States, our main sales market, the sales volume decreased significantly; on most of the other markets there was also a drop in the sales volume, though not of the same entity as in the United States, with an effect which caused an overall decrease in the sales volume of about 38%.

The credit restrictions which characterise this period appear to be the main obstacle to the return to normal operations, both because of the general effect of the slowing down of the economy as well as for the specific effect on the credit of our clients. In general our products allow investors in both the medical and industrial sectors to offer something special to their clients which gives them an advantage over the competition; these products become particularly interesting even in times of crisis precisely because they offer our clients the possibility of changing their business model (or manufacturing process) thanks to our technology. There has never been a moment more difficult than the present one to obtain financing for investment in the innovative technologies offered by our Group. In fact, precisely in the area where in the past the availability of credit had been the most widespread and flexible, now we are facing the most serious problems and the largest number of orders which have been passed but are now suspended due to lack of financing. This situation has also placed some of our distributors in difficulty and slowed down the flow of cash from clients, which in turn has forced us to enter certain receivables unlikely to be cashed in among the devaluation of credits.

As soon as we became aware of the fact that our Group also would be heading for a period of decline in demand, we immediately took measures aimed at reducing the amount of overheads in an attempt to adapt them to the amount of sales volume. The greater flexibility of the regulations in the US allowed Cynosure to almost immediately reduce their staff by about 25% , while the European companies had to take other measures in conformity with the more rigid regulations, and proceed with a minute control of marketing costs, general and staff, and reduce wherever possible the personnel that did not have a contract for an unlimited period of time. Although these measures gave good results, they were not enough to offset the loss in sales volume and margins, consequently the consolidated Profit and Loss Account and that of most of the companies in the Group shows a loss.

One of the areas of cost in which we operated with the greatest caution was that of Research and Development and of innovation, the activities which represent our most important competitive edge. In fact, during this period major new long-term research projects were begun by El.En. SpA as well as by Asclepion GmbH, Cynosure and Quanta System, as well as some short-term projects which, for each of the four companies mentioned, gave rise to new products which will be ready for marketing already during the year now in progress.

Considering the importance of the subsidiary Cynosure in relation to the consolidated results and the substantial quota which is held in the company by third parties (the controlling share held by El.En SpA as of March 31st 2009 was 23,06%), we will complete the information sheet by showing the consolidated data for the whole Group as well as the results for the Group excluding Cynosure from the area of consolidation.

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

Profit and loss account	31/03/09	Inc.%	31/03/08	Inc.%	Var.%
Revenues	33.797	100,0%	54.876	100,0%	-38,4%
Change in inventory of finished goods and WIP	113	0,3%	2.565	4,7%	-95,6%
Other revenues and income	270	0,8%	229	0,4%	18,0%
Value of production	34.180	101,1%	57.670	105,1%	-40,7%
Purchase of raw materials	12.458	36,9%	23.057	42,0%	-46,0%
Change in inventory of raw material	(189)	-0,6%	(1.796)	-3,3%	-89,5%
Other direct services	3.611	10,7%	5.724	10,4%	-36,9%
Gross margin	18.300	54,1%	30.684	55,9%	-40,4%
Other operating services and charges	11.581	34,3%	11.012	20,1%	5,2%
Added value	6.719	19,9%	19.672	35,8%	-65,8%
For staff costs	11.324	33,5%	11.554	21,1%	-2,0%
EBITDA	(4.605)	-13,6%	8.118	14,8%	
Depreciation, amortization and other accruals	1.986	5,9%	1.217	2,2%	63,3%
EBIT	(6.592)	-19,5%	6.901	12,6%	
Net financial income (charges)	714	2,1%	521	0,9%	37,2%
Share of profit of associated companies	(255)	-0,8%	(4)	-0,0%	6975,9%
Other net income (expense)	(16)	-0,0%	(106)	-0,2%	-84,9%
Income before taxes	(6.149)	-18,2%	7.312	13,3%	

A break-down of the net financial position of the Group is shown on the chart below:

Net financial position	31/03/2009	31/12/2008
Cash and bank	54.072	59.114
Financial instruments	18.085	18.044
Cash and cash equivalents	72.157	77.158
Short term financial receivables	2	42
Bank short term loan	(4.971)	(4.461)
Part of financial long term liabilities due within 12 months	(1.109)	(1.087)
Financial short term liabilities	(6.079)	(5.548)
Net current financial position	66.079	71.652
Bank long term loan	(1.846)	(1.920)
Other long term financial liabilities	(1.546)	(1.815)
Financial long term liabilities	(3.392)	(3.735)
Net financial position	62.687	67.918

The chart below shows the Profit and Loss Account for the first quarter of 2009 and the net financial position of the Group excluding Cynosure from the area of consolidation.

Profit and loss account	31/03/09	Inc.%	31/03/08	Inc.%	Var.%
Revenues	23.923	100,0%	33.188	100,0%	-27,9%
Change in inventory of finished goods and WIP	763	3,2%	695	2,1%	9,9%
Other revenues and income	211	0,9%	115	0,3%	82,7%
Value of production	24.898	104,1%	33.998	102,4%	-26,8%
Purchase of raw materials	10.743	44,9%	17.454	52,6%	-38,5%
Change in inventory of raw material	43	0,2%	(1.876)	-5,7%	
Other direct services	2.447	10,2%	3.227	9,7%	-24,2%
Gross margin	11.665	48,8%	15.193	45,8%	-23,2%
Other operating services and charges	5.455	22,8%	5.250	15,8%	3,9%
Added value	6.209	26,0%	9.943	30,0%	-37,5%
For staff costs	6.481	27,1%	6.409	19,3%	1,1%
EBITDA	(271)	-1,1%	3.534	10,6%	
Depreciation, amortization and other accruals	1.231	5,1%	615	1,9%	100,2%
EBIT	(1.502)	-6,3%	2.919	8,8%	
Net financial income (charges)	627	2,6%	(362)	-1,1%	
Share of profit of associated companies	(255)	-1,1%	(4)	0,0%	6975,9%
Other net income (expense)	0	0,0%	0	0,0%	
Income before taxes	(1.130)	-4,7%	2.553	7,7%	

Net financial position	31/03/2009	31/12/2008
Cash and bank	19.913	23.617
Cash and cash equivalents	19.913	23.617
Short term financial receivables	2	42
Bank short term loan	(4.966)	(4.453)
Part of financial long term liabilities due within 12 months	(837)	(809)
Financial short term liabilities	(5.803)	(5.262)
Net current financial position	14.111	18.397
Bank long term loan	(1.846)	(1.920)
Other long term financial liabilities	(1.303)	(1.502)
Financial long term liabilities	(3.148)	(3.422)
Net financial position	10.963	14.976

Comments on the management results

As described in the introduction, the decrease in consolidated sales volume was 38,4%, as a result of the financial crisis and also of the exclusion from the area of consolidation of the Spanish company GLI of which Quanta Systems sold their controlling interest in December of 2008. During the first quarter of 2008, the sales volume of GLI represented approx. 4% of the consolidated sales volume, and approx. 7% of the consolidated sales volume without Cynosure.

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

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Industrial systems and lasers	4.165	12,32%	7.224	13,16%	-42,35%
Medical and aesthetic lasers	22.008	65,12%	40.928	74,58%	-46,23%
Service	7.624	22,56%	6.724	12,25%	13,38%
Total	33.797	100,00%	54.876	100,00%	-38,41%

Sales of systems showed a decrease of over 40% due to the factors analysed above.

Sales volume for technical assistance, spare parts and consumables, however, showed a growth of over 10%, thanks to the increase in the number of installations which is an effect of the growth in sales volume shown in the preceding financial periods; this demonstrates that the end-users have continued to make intense use of our systems. This fact would suggest that the drop in demand for systems should not be attributed to a decrease in the number of end-users, but rather to the climate of uncertainty and lack of cash which have discouraged potential clients from making new investments.

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

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Italy	7.518	22,25%	7.756	14,13%	-3,06%
Europe	9.890	29,26%	16.532	30,13%	-40,18%
Rest of the world	16.388	48,49%	30.588	55,74%	-46,42%
Total	33.797	100,00%	54.876	100,00%	-38,41%

The area that was the hardest hit was the Rest of the World, in which the United States has an overwhelming influence. The Italian market was the least influenced by the crisis and showed only a marginal decrease, while the other European markets show a drop of 40%.

As far as the Italian market is concerned, in the past few years, it was not so brilliant as the others and was also less influenced by the excessive facility in obtaining credit that characterised other countries. During this period, even in a situation in which the clientele was having greater difficulty in finding mid-term financing, it maintained a fair level in the purchase of innovative systems. After a long series of quarterly periods in which the quota of the Group's sales volume on the Italian market continued to decline, on account of the phenomenon described above, the quota for this period is registered at 22%.

The chart below shows the sales, divided according to the various segments, for the medical/aesthetic sector which represents almost 65% of the sales of the Group.

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Surgical CO2	2.098	9,53%	1.612	3,94%	30,18%
Physiotherapy	1.403	6,37%	1.109	2,71%	26,48%
Aesthetic	13.663	62,08%	32.984	80,59%	-58,58%
Dental	1.121	5,09%	1.556	3,80%	-28,00%
Other medical lasers	2.829	12,85%	3.086	7,54%	-8,33%
Accessories	895	4,07%	581	1,42%	54,03%
Total	22.008	100,00%	40.928	100,00%	-46,23%

It is evident that the crisis has hit the most important area in which we operate, the aesthetic segment, and that the drop in sales volume of 58% in this segment necessarily comports a drop in the sector as a whole.

We believe that the Group is present on the market with a complete line of highly innovative and appealing products for the clientele, and that the drop is not due to problems of positioning on the market, but rather to a general decrease in the tendency to purchase that involves the entire sector.

In any case, it should be noted that in some segments, in which the Group offers a product that not only presents innovative technological and application features, but is unique in its kind and affirmed on the market as a leader in the field, the sales volume was even greater than for the corresponding period last year.

This is the case for ASA, the company that offers the technology of the Group for high intensity laser treatments in the field of physical therapy and rehabilitation, which showed an increase in sales volume of close to 30%. It is also the case for the Smartxide DOT system, which utilizes a CO₂ laser system and a scanner which is listed among the "Accessories", a combination which allowed the two segments to register an increase in sales of over 30%, thanks also to the fact that this system and its application were actually launched on the market starting in the second quarter of 2008.

Sales also diminished in the dental sector, mainly due to the drop in sales volume of the American company. For this company in fact, a re-organization program was initiated this quarter, which included changes in management and an ambitious development program on a market which we believe still has room for potential growth.

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.

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Cutting	2.085	50,07%	2.583	35,75%	-19,27%
Marking	1.412	33,90%	2.286	31,64%	-38,23%
Laser sources	583	13,99%	2.356	32,61%	-75,27%
Welding, other industrial systems	85	2,04%	-		100%
Total	4.165	100,00%	7.224	100,00%	-42,35%

The effects of the crisis are also evident in the fall in sales volume in the industrial sector.

In the laser source segment, in the absence of the important order that had positively influenced the results for 2008, the sales volume, which would have decreased in any case, showed a significant drop.

The cutting sector was not as hard hit, but showed a drop of 20%, notwithstanding the fact that in this quarter the Chinese and Brazilian branches, while offering meagre satisfactions, considering the present economic situation, have succeeded in holding their ground. The marking sector, on the other hand, showed a drop of 40% both in the segments of large area and small area marking.

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.

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Industrial systems and lasers	4.165	17,41%	7.224	21,77%	-42,35%
Medical and aesthetic lasers	15.095	63,10%	21.891	65,96%	-31,04%
Service	4.664	19,49%	4.072	12,27%	14,53%
Total	23.923	100,00%	33.188	100,00%	-27,91%

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Italy	7.518	31,43%	7.756	23,37%	-3,06%
Europe	7.104	29,70%	12.281	37,00%	-42,15%
Rest of the world	9.301	38,88%	13.151	39,63%	-29,28%
Total	23.923	100,00%	33.188	100,00%	-27,91%

	31/03/2009	Inc%	31/03/2008	Inc%	Var%
Surgical CO2	1.794	11,89%	1.612	7,36%	11,34%
Physiotherapy	1.403	9,29%	1.109	5,07%	26,48%
Aesthetic	8.030	53,20%	15.218	69,52%	-47,23%
Dental	1.121	7,42%	1.556	7,11%	-28,00%
Other medical lasers	1.937	12,83%	1.815	8,29%	6,71%
Accessories	811	5,37%	581	2,66%	39,54%
Total	15.095	100,00%	21.891	100,00%	-31,04%

In the medical sector, the sales per segment of the consolidated without Cynosure registered a trend which was similar to that of the consolidated, with an overall decrease of 31%, which was particularly acute in the aesthetic sector and with an interesting growth in some of the other segments. The growth of the CO₂ segment and its accessories is less than at the consolidated level because part of the increase in sales volume registered at the consolidated level is due to the use by Cynosure of the Affirm CO₂ system on the American market starting in the fourth quarter of 2008, and therefore with a completely additive impact with respect to the first quarter of 2008.

As far as the geographic distribution of the sales volume is concerned, the tendency is the same as that of the consolidated sales volume in relation to the stable situation in Italy, while the sales volume in Europe decreased on account of the exclusion from the area of consolidation of the Spanish company GLI, as described above.

The margin of contribution was registered for an amount of 18.300 thousand Euros, a decrease of 40,4% with respect to the 30.684 thousand Euros for the same period last year, with an incidence on the sales volume which decreased slightly from 55,9% in 2008 to 54,1% in 2009.

It should be pointed out that, in relation to some sales which were financed by the clientele by means of so-called operative leasing, although the Group received in payment the price of the goods, in conformity with IAS/IFRS principles, they have been considered as revenue from multi-year rentals, which however had little effect on the results of the quarter.

The costs for operating services and charges were 11.581 thousand Euros, an increase of 5,2% with respect to March 31st 2008 with an incidence on the sales volume which rose from 20,1% on March 31st 2008 to 34,3% on March 31st 2009.

The rigidity of the this cost aggregate in relation to the drop in sales volume is the main reason for the negative result registered for this quarter. In comparison to the first quarter of 2008 there was a growth in the overall value of structural costs (overhead) and therefore substantial incidence on the margins generated by the sales.

These effects were felt even though immediate action had already been taken in the final months of 2008 to reduce these costs; the starting levels for the costs, however, were those of a Group operating at an annual growth rate of 30%,

which, even though subject to careful control of the various cost entries, had made the necessary increments to sustain the growth of the sales volume. In the face of the sudden drop in the volume of business which struck Cynosure in October of 2008 and the other companies in January of 2009, the action that had been taken made it possible to reduce the costs with respect to the levels of the fourth quarter 2008, but not with respect to the first quarter of 2008.

In this quarter, moreover, the huge expenses, for an amount of about 800 thousand dollars, sustained by Cynosure Inc. for a legal suit which was initiated in order to protect their intellectual property rights on the laser-lipolysis applications for which it is El.En.'s sole license holder in the United States, had a particularly negative impact.

The cost for personnel was 11.324 thousand Euros with respect to the 11.554 thousand Euros for the same period last year, showing a decrease of 2%, with a drop in productivity of this cost aggregate which rose in its incidence on the sales volume from 21,1% to 33,5% in the first quarter of 2009.

The calculated costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. In the first quarter of 2008 these costs were 1.333 thousand Euros, and they dropped to 1.049 thousand Euros during the first quarter of 2009; these costs are mostly related to the stock option issued by the subsidiary Cynosure Inc.

For the personnel costs, which decreased in overall value only because of the exclusion from the area of consolidation of GLL, the same considerations are valid as those referring to the costs for operating services and charges. It is evident that this cost entry has a degree of rigidity which is greater than that of other services. Nevertheless, the American subsidiary Cynosure was able to reduce their personnel by 25% with respect to September of 2008, while the other companies in the Group, and in particular the Italian ones, though they did not take any extraordinary action, had as their objective the optimization of the management of the existing personnel and the reduction of all non-essential costs. The American branch for the distribution of lasers for dentistry and the Chinese company, Wuhan Penta Chutian, which produces laser systems for cutting in the manufacturing sector, both increased the number of employees during this quarter.

As of March 31st 2009 the number of employees working for the Group was 872 with respect to the 876 on December 31st 2008 and the 899 on March 31st 2008.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. These grants make it possible to broaden the range of research by limiting the economic impact. The amount of the grants issued in the past few years has undergone a gradual decrease on account of both national and EU policies, which envisage other means for sustaining research, in particular tax benefits (which among other things has been made uncertain by recent legislative decrees). The grants issued as of March 31st 2009 were for an amount of 68 thousand Euros, while there were no grants issued in the first quarter of 2008.

On account of the trends in the entries described above, the EBITDA registered a negative result of 4.605 thousand Euros, in comparison to the positive result of 8.118 thousand Euros on March 31st 2008.

The costs for depreciations, amortizations and accruals were 1.986 thousand Euros, an increase of 63,3% with respect to the same period last year, and with an increase in the incidence on the sales volume which went from 2,2% to 5,9%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation; these latter include some accruals of an extraordinary nature created to represent the doubtful likelihood of cashing in on some of the receivables.

The EBIT therefore registered a negative amount of 6.592 thousand Euros with respect to the positive result of 6.901 thousand Euros registered for March 31st 2008.

The result of the financial management which was 714 thousand Euros, (521 thousand Euros for the same period last year) has improved as a consequence of greater positive differences in the exchange rates during the quarter and a decrease in interest owed on overdrafts of bank accounts.

The entries made under the heading of other net income and charges both for March 31st 2008 and for March 31st 2009 represent operations and evaluations of limited entity.

The earnings before taxes therefore show a negative amount of 6.149 thousand Euros with respect to the 7.312 thousand euros registered for March 31st 2008.

For the sub-consolidated statement without Cynosure, there is a smaller reduction in sales volume and less incidence of the overhead costs.

An interesting note on the positive side is the incidence of the margin of contribution of the sales on the sales volume which shows an increase from 45,8% on March 31st 2008 to 48,8% on March 31st 2009. Among the determining

factors in this increase is the improved sales margin on the sales in the United States and Japan caused by the strengthening of the US dollar and the Japanese Yen which occurred during the quarter, even though it was in relation to a business volume which was reduced with respect to the preceding quarters.

Unfortunately the other cost entries show an increase in the incidence on the sales volume, since it was not possible to adjust them rapidly to the new situation, in particular the expenses for personnel, as described above. For this reason a negative EBITDA has been registered, which, in turn has resulted in a negative EBIT of about 1,5 million Euros, also due to the effect of some extraordinary accruals made for the devaluation of receivables for an amount of about 600 thousand Euros.

The financial management has registered positive results thanks to the strengthening during this quarter of some of the currencies in which substantial receivables of the Group are expressed. 1,1 million Euros was registered as the amount of loss before taxes, since this entry was also penalized by the entering into accounts of the quotas of the negative results of some of the associated companies.

Comments on the net financial position of the Group

The amount of cash held by the Group is still sizeable and is registered for an amount of 63 million Euros.

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

The drop of approx. 5 million Euros in the consolidated financial position reflects the loss before taxes, even though it benefited from the effects of the exchange rate which increased the value in Euros of the receivables and payables in dollars. Excluding Cynosure, the decrease in the net financial position is about 4 million, of which 1,3 represents cash paid for the enlargement of the factory in Calenzano, and the rest the increase in net working capital.

Financial receivables from associated companies and other minority equities are excluded from the net financial position for an amount of 83 thousand Euros because they are related to the Group's policy of financial support of the Group companies. In continuation of past policy, we felt it opportune to not include these financings in the net financial position described above.

Gross investments made during this quarter

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

<i>Progressive</i>	31/03/09	31/03/08
Intangible assets	56	133
Tangible assets	2.724	3.831
Equity investments	19	0
<i>Total</i>	2.800	3.964

The investments made during this quarter were particularly substantial.

Real estate activity has represented a particularly important investment, for an amount of 2 million Euros spent on construction and service plants. This amount refers mostly to the enlargement of the factory in Calenzano, headquarters of the parent company El.En.

Substantial investments were also made in equipment, especially by Cynosure, which continues their policy of investing in equipment for demonstrations.

The increases in equity investments refer to the purchase of 19% of the T.F.D. company by the subsidiary Quanta System, as described at the beginning of this report.

Comments on Research and Development activities

During the first quarter of 2009 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market.

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

The innovative results consist essentially in the creation of new laser applications and the development of the suitable equipment. In other words, research is conducted in order to arrive at an understanding of new or unsolved problems in medicine and industry and an attempt is made to find solutions on the basis of our experience and background in the field of laser light, its generation and level of power, and control of the laser light in terms of time and the shape of the beam.

Research projects which are conducted in order to obtain results according to a mid-term schedule are characterized by the fact that they are oriented towards higher risk subjects inspired by intuitions which arise within the company and by prospects indicated by the scientific work in laboratories and in advanced research centres around the world, some of which we collaborate with.

Research which is dedicated to achieving results according to a short-term schedule 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, generally related to long and mid-term activities. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University Instruction and Research (MIUR) and the European Union, as well as directly with the Research Institutions or Regional structures.

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

Systems and applications for lasers in medicine.

Through a major effort involving massive use of both personnel and resources, the parent company, El.En. has developed new equipment and sub-systems for surgical uses in otorhinolaryngology, gynecology and aesthetic medicine. On one hand, they have created a new series of equipment based on the "platform" concept (for example the Alex+Nd:YAG+IPL), that is, a mother device able to sustain the management and interface with the doctor, feeding of electricity and conditioning fluids, ergonomic mechanical support, various peripherals and active generators of radiofrequency and mechanical and laser energy, for treating patients in cosmetic surgery. The following devices are in the category of the new active peripherals: the FT hand piece, Sheer Wave, the LIPOSHOC, the laser head NdYAG 7x15, the three-phase RF hand piece, Krypton.

Research has been completed for the development of single pieces of specialized equipment like the second generation Triactive for aesthetics, Smartlipo REX and MPX , the Nd for veterinary use, the DOT 1540, the Smartxide family, Synchro HP, Excilite micro, Laser EOS for restoration, with specialized peripherals like the miniscan, the fine spot micro-manipulator (Easyspot).

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

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

As part of this program, the development of a compact radio-frequency CO₂ source for surgical applications also continued and we completed a prototype device with increased power features with respect to our earlier products and improved modular characteristics in the time of the power released.

In collaboration with the CSO we completed research on a new instrument for retinal coagulation associated with a fissure light as part of a grant from the EU issued by 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.

Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver and thyroid, as part of the activity conducted by the associated company Elesta created by El.En. and Esaote. As part of this project, we have developed a new multiple source for the simultaneous ablative treatment with four fibres each with adjustable independent power. For this purpose a public/private laboratory for the development of innovative technologies for minimally invasive medicine was opened in Naples. As part of this program, at the University of Lecce research is now in progress on the use of nano-particles with interaction with the laser light to create images useful for the identification of tumours.

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

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

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

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

Following the research activity conducted by the associated company Actis Active Sensors, in collaboration with IFAC of the CNR, with EU grants issued through the council for economic development of the Region of Tuscany, at the prestigious American optometry clinic Bascon Palmer of Miami, we are now conducting tests in order to obtain FDA approval for "in vivo" operations, first on animals and subsequently on patients, using lasers for gluing the cornea without stitches.

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 and use of more than one wave length.

At Quanta we have continued activities for the development of lasers for the therapy of prostate hypertrophy and of a fibre laser with augmented performance.

At DEKA M.E.L.A. they carried on an intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynecological and otorhinolaryngological. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for Italian and foreign medical centres.

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

Laser systems and applications for industry

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

We are now running experimental trials on a new CO₂ with increased power respect to the ultra-compact radio-frequency pumped CO₂ laser source with intermediate power developed earlier .

Research activity supported by a grant from the Ministry for Research and the University as part of a project for a solid state high power laser source with active material in an amorphous ceramic support is now being completed.

The project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices is now in the final phases.

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

The data from the development of new laser equipment for use in diagnosing and documenting the condition of art objects was elaborated. As part of this same project we ran trials consisting in the insertion, into the special crates used for transporting important works of art, of equipment for the referenced acquisition and memorisation over time and space of the data of three-dimensional sensors of acceleration, temperature, pressure, humidity and light exposure on the various bands from infra-red to ultra-violet. Research strategy activity has been conducted with an aim to the intervention sustaining the restoration system in Tuscany.

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

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

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

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

We have developed new catalyser systems for Compact power lasers.

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

We have continued to work at perfecting the algorithms, calculus programs and hardware structures for artificial vision systems to be used in the automation of surface decoration using laser markers, on leather and other materials and for the cutting and marking of other objects which are laid out flat on the work surface; moreover, we have completed the development of the software to apply offset algorithms to closed edges and to reorganize execution files. The WAY machine, following these developments, is now in the version equipped with laser RF333 and 1000W laser.

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

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

Their research is supported by their own resources and, in some cases by grants derived from research contracts stipulated with the specific institutions. Trials have now been completed on the structural and functional innovations developed on sealed 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.

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

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

<i>thousands of euros</i>	31/03/2009	31/03/2008
Costs for staff and general expenses	2.368	2.254
Equipment	40	20
Costs for testing and prototypes	460	327
Consultancy fees	152	100
Other services	126	115
Intangible assets	0	24
<i>Total</i>	3.146	2.840

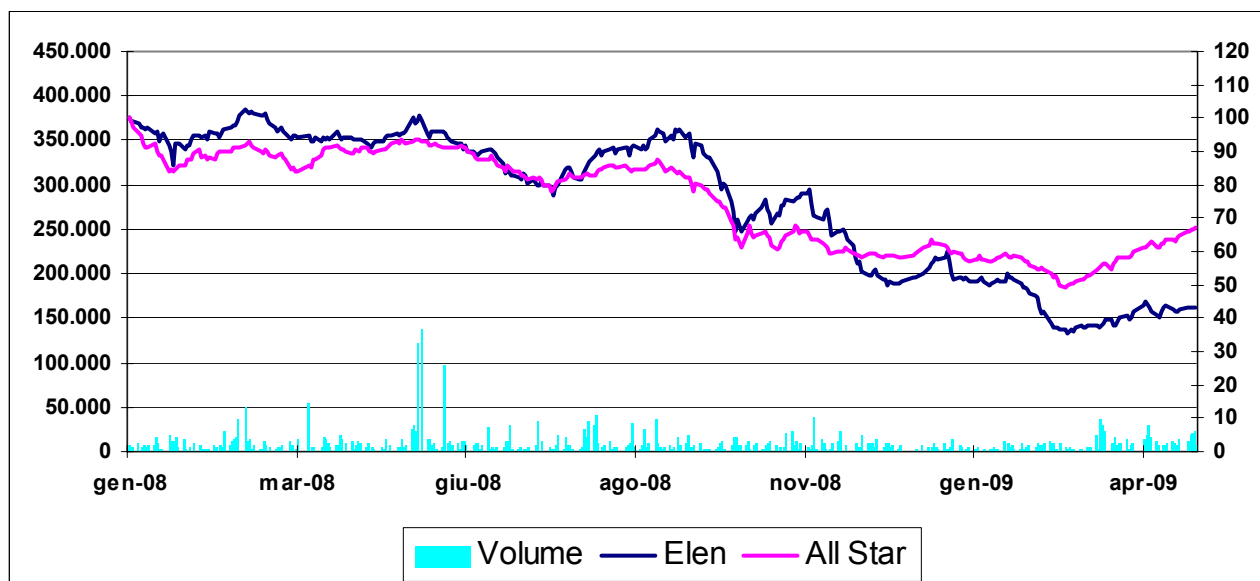
As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 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 9% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 1,7 million dollars which represents about 12% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 11% of its sales volume.

Trend of the El.En stock

The trend of the El.En. stock is shown on the graph below, starting on January 2nd, 2008 when it was quoted at 26,53 Euros.



Other significant events which occurred during this quarter

No other significant events occurred during this quarter.

Other events which took place after the quarter was closed

No other significant events took place after the end of the quarter.

Current outlook

Results for the first quarter, both for the consolidated of the Group and for the sub-consolidated excluding Cynosure are below expectations.

In relation to the results forecast for 2009 for the consolidated statement without Cynosure, a drop in sales volume of between 15% and 20% with respect to 2008 was predicted, and a profitability of about 4% on the sales volume. In any case, it was expected that, due to the amount of inventory held in our marketing channels, the drop in sales and the results for the first quarter would be worse than those predicted for the rest of the year, but not to this extent.

There are some positive, though very weak signals which have been received both at the level of the economy in general, as well as specifically related to our companies, which convince us that, at least for now we should not rush to revise the outlook for this financial year. At this time, we can only recognize that there is a delay in achieving our objectives which, in any case, remain a realistic goal for the management activities.

ANNEX A:

DECLARATION IN CONFORMITY WITH ART. 154BIS, COMMA 2, D.LGS. N.58 / 1998

The undersigned, Enrico Romagnoli, acting as executive responsible for drawing up the corporate accounting documents of El.En. S.p.A. declares that in conformity with comma 2° of art. 154-bis of the Legislative Decree n. 58 February 24th 1998, that this Quarterly Report corresponds to the information reported in the documents, accounting books and accounting entries.

Calenzano, May 15th 2009.

Executive in charge of the financial reports

Enrico Romagnoli