

El.En. Group

COMMENTS OF THE MANAGEMENT ON THE CONSOLIDATED DATA FOR THE QUARTER ENDING December 31st 2007

(Approved by the Board of Directors of the company on February 14th 2008)

Report for the quarter ending on December 31st 2007

Introduction

This report for the quarter ending December 31st 2007 on the consolidated economic and financial data of El.En. SpA was drawn up and divulged in compliance with Art. IA 2.17.2 of the Instruction for the Regulations of the Markets (*Istruzioni al Regolamento dei Mercati*) and 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.

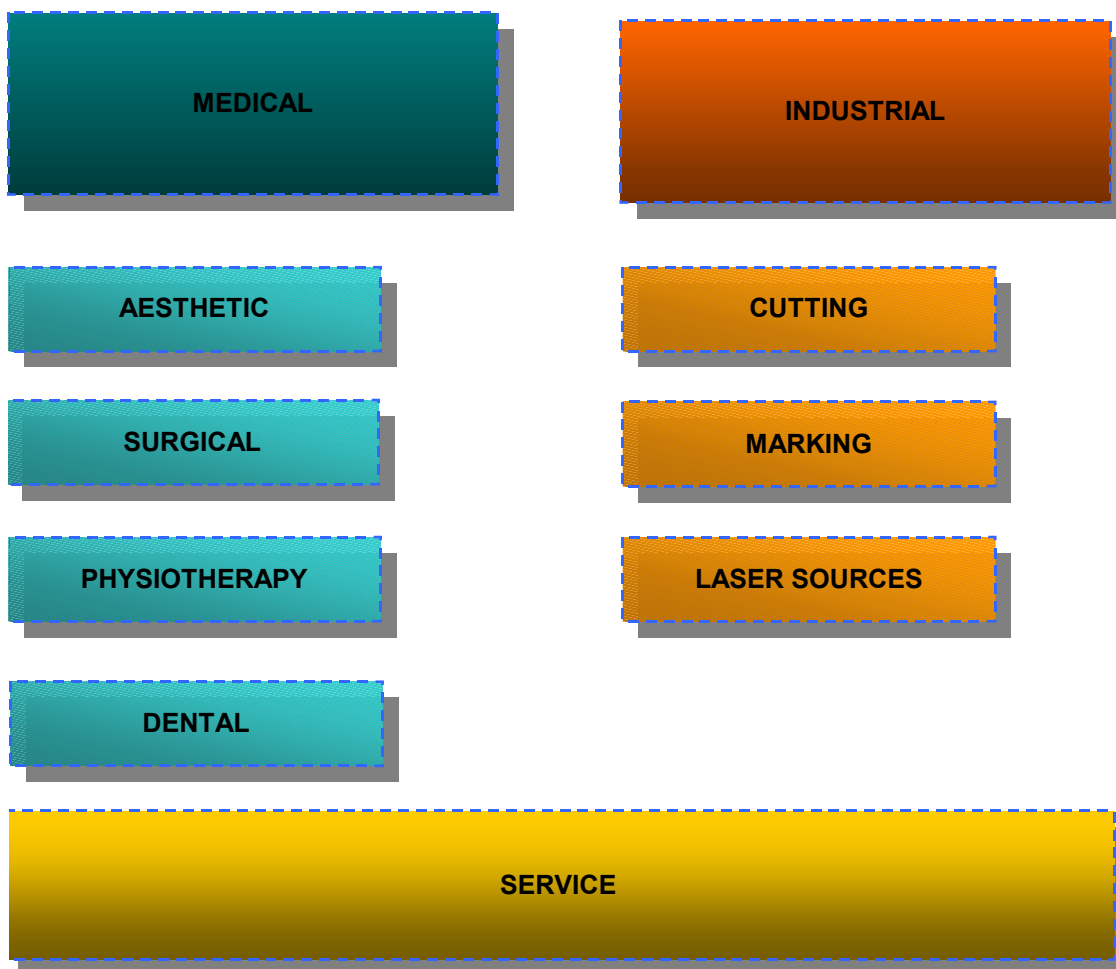
The information which is shown below was organized in conformity with the international accounting principles, IAS/IFRS, which have been obligatory since 2005 for drawing up the consolidated statements of companies which are listed on the regulated stock markets.

The results for the quarter ending December 31st 2007 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, for which they receive earnings from the sale of spare parts, consumer items, and technical assistance.

From a purely financial point of view and considering the attribution of the amounts of income to the parent company, it should be noted that, in relation to the area of consolidation and the calculation of 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 at around 75% of the EBIT of the sub-consolidated.

Significant events which occurred during this quarter

On October 23rd 2007 the parent company, El.En. SpA increased the amount of its equity in DEKA M.E.L.A. Srl, by purchasing 10% of the shares owned by one of the minority shareholders for a price of 600 thousand Euros. This important operation brings to 70% the equity held by El. En. in one of the companies of the Group whose traditional activity has consisted in the distribution of medical laser products manufactured by El. En. SpA.

On November 8th 2007 El.En. SpA announced that it had sold a block of 950.000 shares of their subsidiary Cynosure Inc. (NASDAQ:CYNO), at a price of 32,65 US dollars per share which corresponds to a total amount of approx. 31 million dollars.

Even after this sale El.En. is still the majority shareholder of Cynosure Inc. with approx. 2,9 million class B shares, which represent 23,61% of the shares as of December 31st 2007; consequently, by retaining more than 20% of the shares, they retain the statutory right to appoint and remove most of the members of the Board of Directors. El.En. intends to continue to wholly consolidate the results of this subsidiary.

The consolidated gross capital gains derived from the sale were equivalent to 15 million Euros.

On December 18th 2007, El.En. SpA acquired from their subsidiary Valfive Italia Srl the equity held by this latter (10%) in Cutlite Penta Srl at a price of 375 thousand Euros.

Economic and financial results of the Group.

Results for the financial period ending December 31st 2007 show a growth in sales volume of 20,2% on a quarterly basis, which brings the growth rate for the year up to 25,4%. With both sales volume and profits well over expectations, a year of great development and great satisfaction comes to an end.

This year the Group came very close to the threshold of a 200 million Euro sales volume, a goal which certainly will be reached next year, and attained the goal of a 20 million Euro EBIT. The Group without Cynosure reached the threshold of a 100 million Euro sales volume and came close to a 10 million Euro EBIT.

These excellent results were obtained thanks to a particularly favourable moment for laser systems for aesthetic applications, the diffusion of which increased all over the world this year, especially in the United States. Along with the popularity that these systems have with consumers and, consequently also with the professional market that we deal with, the Group was not only able to offer a product line capable of satisfying the present requirements of the clientele, but was also able to identify new ones, thanks to the great technical and applicative innovations developed by our research teams.

This exceptional versatility in coming up with innovative solutions for problems and processes which traditionally have been solved in different ways has brought about the gradual spread of laser systems over the past few years: from the cutting and engraving of materials like wood and metals to the possibility of performing surgical operations in the field of dermatology for instance, but also in other disciplines.

The introduction in the 1990s of laser systems for hair removal initiated a long series of extremely interesting innovations in the field of aesthetic treatments. The introduction of the Smartlipo system and procedure for laser-lipolysis, a minimally invasive alternative to liposuction, opened new markets for the Group and, particularly in the United States, offered the possibility of taking advantage of their competitive edge as “first mover”, for which the positive results have since become evident both in terms of earnings and growth of the sales volume.

Smartlipo, distributed exclusively by Cynosure (Nasdaq : CYNO) on the American market, together with other highly successful products, has made the brilliant results of the American company possible; the company saw a growth of over 50% this year (data in US currency) and was first in both growth and earnings among the leading companies operating in this sector. Although the sales volume results are severely penalized by the conversion into Euros on account of the exchange rates at the end of the year 2007, the growth of Cynosure was so important that it turned out to be decisive even after the negative impact of the exchange rate which went from an average of 1,26 in 2006 to 1,37 in 2007, and comported a decrease of approx. 8% on the sales volume expressed in dollars.

Overall results for the other activities of the medical sector were good; during 2007, they were able to consolidate their position on the Japanese market and our brands asserted themselves worldwide with the exception of some difficulties encountered in certain geographical areas.

The industrial sector, which is now in a relaunching phase, was not able to increase the sales volume registered for the preceding financial period, both on account of the freezing of all Lasercut activities as well as for the delays caused by

bureaucratic and negotiating factors for the start up of activities in China and Brazil, which have produced results below expectations during this period which the good results in the marking segment were not totally able to counteract.

Besides the excellent trend in the operating activities, the financial year benefited considerably from the capital gains earned with the sale of a large number of Cynosure shares; this operation earned El.En SpA about twenty million Euros before taxes and the benefits of the transaction on the net consolidated financial position are evident.

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 interest held by El.En SpA as of December 31st 2007 was 23,61%), 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 fourth quarter 2007 displayed in comparative form with those for the same quarter last year.

Profit and loss account - 3 months	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	56.905	100,0%	47.361	100,0%	20,2%
Change in inventory of finished goods and WIP	(1.199)	-2,1%	(116)	-0,2%	935,3%
Other revenues and income	755	1,3%	486	1,0%	55,3%
Value of production	56.462	99,2%	47.731	100,8%	18,3%
Purchase of raw materials	19.628	34,5%	15.235	32,2%	28,8%
Change in inventory of raw material	(579)	-1,0%	1.583	3,3%	
Other direct services	6.159	10,8%	5.467	11,5%	12,7%
Gross margin	31.254	54,9%	25.447	53,7%	22,8%
Other operating services and charges	10.809	19,0%	8.876	18,7%	21,8%
Added value	20.445	35,9%	16.571	35,0%	23,4%
For staff costs	11.058	19,4%	9.166	19,4%	20,6%
EBITDA	9.387	16,5%	7.405	15,6%	26,8%
Depreciation, amortization and other accruals	1.403	2,5%	1.756	3,7%	-20,1%
EBIT	7.984	14,0%	5.649	11,9%	41,3%
Net financial income (charges)	(358)	-0,6%	435	0,9%	
Share of profit of associated companies	(14)	-0,0%	(14)	-0,0%	-0,2%
Other Income (expense) net	14.867	26,1%	(70)	-0,1%	
Income before taxes	22.478	39,5%	6.000	12,7%	274,7%

The chart below shows the results of the Profit and Loss Account for the year 2007 displayed in comparative form with those of last year.

Profit and loss account	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	193.638	100,0%	154.372	100,0%	25,4%
Change in inventory of finished goods and WIP	6.671	3,4%	6.547	4,2%	1,9%
Other revenues and income	1.917	1,0%	1.837	1,2%	4,4%
Value of production	202.226	104,4%	162.757	105,4%	24,3%
Purchase of raw materials	76.948	39,7%	64.959	42,1%	18,5%
Change in inventory of raw material	(3.081)	-1,6%	(1.121)	-0,7%	174,8%
Other direct services	20.118	10,4%	16.571	10,7%	21,4%
Gross margin	108.240	55,9%	82.348	53,3%	31,4%
Other operating services and charges	38.910	20,1%	38.600	25,0%	0,8%
Added value	69.330	35,8%	43.748	28,3%	58,5%
For staff costs	41.293	21,3%	33.072	21,4%	24,9%
EBITDA	28.037	14,5%	10.676	6,9%	162,6%
Depreciation, amortization and other accruals	4.988	2,6%	5.214	3,4%	-4,3%
EBIT	23.049	11,9%	5.461	3,5%	322,0%
Net financial income (charges)	455	0,2%	2.126	1,4%	-78,6%
Share of profit of associated companies	(55)	-0,0%	(31)	-0,0%	79,3%
Other net income (expense)	13.448	6,9%	(214)	-0,1%	
Income before taxes	36.897	19,1%	7.343	4,8%	402,5%

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

Net financial position	31/12/2007	30/09/2007	31/12/2006
Cash and bank	61.500	32.928	24.361
Financial instruments held for sale	32.044	34.899	34.011
Cash and cash equivalents	93.545	67.827	58.372
Short term financial receivables	0	235	0
Bank short term loan	(2.111)	(2.333)	(621)
Part of financial long term liabilities due within 12 months	(668)	(737)	(680)
Other short term financial liabilities	0	0	0
Financial short term liabilities	(2.779)	(3.069)	(1.301)
Net current financial position	90.766	64.993	57.071
Bank long term loan	(1.530)	0	(13)
Bonds	0	0	0
Other long term financial liabilities	(1.915)	(3.172)	(1.918)
Financial long term liabilities	(3.445)	(3.172)	(1.930)
Net financial position	87.321	61.820	55.141

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

Profit and loss account	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	110.548	100,0%	95.450	100,0%	15,8%
Change in inventory of finished goods and WIP	3.488	3,2%	3.224	3,4%	8,2%
Other revenues and income	1.530	1,4%	1.508	1,6%	1,5%
Value of production	115.566	104,5%	100.182	105,0%	15,4%
Purchase of raw materials	56.140	50,8%	46.301	48,5%	21,2%
Change in inventory of raw material	(3.406)	-3,1%	(1.704)	-1,8%	99,9%
Other direct services	10.658	9,6%	10.250	10,7%	4,0%
Gross margin	52.174	47,2%	45.335	47,5%	15,1%
Other operating services and charges	18.452	16,7%	14.823	15,5%	24,5%
Added value	33.723	30,5%	30.512	32,0%	10,5%
For staff costs	21.617	19,6%	18.671	19,6%	15,8%
EBITDA	12.106	11,0%	11.840	12,4%	2,2%
Depreciation, amortization and other accruals	2.674	2,4%	2.841	3,0%	-5,9%
EBIT	9.432	8,5%	8.999	9,4%	4,8%
Net financial income (charges)	(567)	-0,5%	(557)	-0,6%	1,7%
Share of profit of associated companies	(55)	0,0%	(31)	0,0%	79,3%
Other net income (expense)	18.074	16,3%	(62)	-0,1%	
Income before taxes	26.884	24,3%	8.350	8,7%	222,0%

Net financial position	31/12/2007	30/09/2007	31/12/2006
Cash and bank	35.000	13.490	13.964
Financial instruments held for sale	58	58	939
Cash and cash equivalents	35.058	13.548	14.903
Short term financial receivables	0	235	0
Bank short term loan	(2.100)	(2.317)	(466)
Part of financial long term liabilities due within 12 months	(350)	(424)	(375)
Other short term financial liabilities	0	0	0
Financial short term liabilities	(2.449)	(2.741)	(841)
Net current financial position	32.609	11.041	14.062
Bank long term loan	(1.530)	0	(13)
Bonds	0	0	0
Other long term financial liabilities	(1.377)	(2.588)	(1.106)
Financial long term liabilities	(2.907)	(2.588)	(1.118)
Net financial position	29.702	8.453	12.944

Comments on the management results

As previously mentioned, the growth of the consolidated sales volume in 2007 was about 25,4% and was well above forecasts made at the beginning of the year. The consolidated EBIT was also above expectations.

The table below shows the subdivision of the sales volume according to sectors of activity of the Group for the year 2007 in comparison with the same subdivision for last year.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Industrial systems and lasers	22.776	11,76%	22.932	14,85%	-0,68%
Medical and aesthetic lasers	145.818	75,30%	113.267	73,37%	28,74%
Service	25.044	12,93%	18.173	11,77%	37,81%
Total	193.638	100,00%	154.372	100,00%	25,44%

The customer assistance service and spare parts sales shows an increase of just under 40% which was achieved not only because of the natural increase in the amount of equipment installed, but also thanks to the sale of consumer items which are required for some of the medical and aesthetic applications. Moreover, the insertion into the area of consolidation of the With Us company, which is directly involved in technical assistance service in Japan was fundamental and brought into the area of consolidation of the Group the technical assistance and spare parts sales for hundreds of pieces of equipment installed in Japan.

In the medical sector there was still a high growth rate, which reached almost 30% and was well above that shown by the main competitors and the market in general.

The industrial sector showed no increase in sales volume in this year of transition characterized by the start up of new activities and by the sizing-down of others, as mentioned earlier, but the foundation for a significant growth has been set for 2008.

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

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Italy	30.522	15,76%	29.051	18,82%	5,06%
Europe	56.237	29,04%	49.767	32,24%	13,00%
Rest of the world	106.879	55,20%	75.555	48,94%	41,46%
Total	193.638	100,00%	154.372	100,00%	25,44%

Sales outside of Europe accounted for over 50% of the total and demonstrate the global nature of our operations. Sales volume in Italy and the rest of Europe expanded, and this fact demonstrates the general vitality of the Group in all of its geographic areas, even those where the macro-economic climate is not particularly favourable.

The chart below shows the sales, divided according to the various categories, for the medical/aesthetic sector which represents almost 75% of the sales of the Group.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Surgical CO2	3.757	2,58%	2.589	2,29%	45,08%
Physiotherapy	3.837	2,63%	4.381	3,87%	-12,41%
Aesthetic	116.724	80,05%	86.213	76,11%	35,39%
Dental	8.803	6,04%	8.673	7,66%	1,49%
Other medical lasers	11.616	7,97%	10.699	9,45%	8,56%
Accessories	1.082	0,74%	711	0,63%	52,17%
Total	145.818	100,00%	113.267	100,00%	28,74%

Results for the fourth quarter are not significantly different from those registered for the first three quarters of the year which showed a strong and widespread growth in all segments, with the sole exception of physical therapy which, in 2006, had benefited from some unique, non-repeatable sales.

The aesthetic sector is by far the most important and maintains a lively growth rate which is exceeded only by that of the CO₂ laser sector and its accessories; this latter is now going through a particularly dynamic phase thanks to an application which includes the use of the “DOT” scanner as an accessory which broadens the field of applications for CO₂ surgical lasers by making them usable for special resurfacing applications.

The recent American AAD symposium held this year in San Antonio, Texas, which is the prime event for dermatological and aesthetic applications, confirmed that the products for the removal of fat, fractional devices for “skin tightening” and “resurfacing” are those of major interest to the clientele: with the Affirm, SmartLipo, CO₂ “DOT” and Matisse systems offered in this segment by the various companies of the Group we are now in a position to dominate the market.

The CO₂ “DOT” type laser used together with a special scanner which permits the specific dot type treatment belongs to this category and driver the sales volume for CO₂ sector up to an important level, of over 40%.

Growth in the dental sector is slight but interesting and in this regard it should be noted that the sales volume of the subsidiary DEKA Laser Technologies, active in the American market, is penalized by the Euro-dollar exchange rate, as mentioned and quantified earlier.

In the sector denominated “Others” the sales volume for the Dye equipment remains interesting. Cynosure is one of the main manufacturers in the world of this type of equipment and has developed the innovative “Multiplex” procedure, a technological tour-de-force which is particularly useful for some vascular treatments.

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.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Cutting	9.222	40,49%	9.869	43,04%	-6,56%
Marking	8.875	38,97%	8.526	37,18%	4,10%
Laser sources	4.390	19,28%	4.078	17,78%	7,67%
Welding, other industrial systems	288	1,27%	459	2,00%	-37,20%
Total	22.776	100,00%	22.932	100,00%	-0,68%

Although considerable gains were made during the fourth quarter, it was still not possible to make up the difference in sales with respect to last year, and therefore the sales volume for this year remains slightly below that of 2006.

As mentioned earlier, the drop in the cutting segment determined the final result in this sector because of the re-organization of Lasercut and the initial acceleration phase of the activities in China and Brazil. The start-up of the manufacture of some products with innovative characteristics and with a positive cost/benefit ratio has put the companies of the sector into a favourable position for the start of 2008.

The core sector of laser sources showed a growth of over 5%; innovations in the product and stable commercial relations have determined the positive trend of the sales volume in this quarter and create the basis for good prospects for future development.

The marking sector also showed an increase which is the result of the start up of a new distribution activity in the United States by Lasit which facilitated the increase in sales volume.

The welding and restoration sector, which has always been marginal in importance with respect to the others, shows a decrease in revenue.

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.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Industrial systems and lasers	22.776	20,60%	22.932	24,02%	-0,68%
Medical and aesthetic lasers	72.027	65,15%	62.031	64,99%	16,11%
Consulting and Research	-		-		
Service	15.745	14,24%	10.488	10,99%	50,13%
Total	110.548	100,00%	95.450	100,00%	15,82%

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Italy	30.181	27,30%	28.704	30,07%	5,15%
Europe	39.174	35,44%	35.579	37,27%	10,10%
Rest of the world	41.194	37,26%	31.168	32,65%	32,17%
Total	110.548	100,00%	95.450	100,00%	15,82%

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Surgical CO2	3.757	5,22%	2.568	4,14%	46,28%
Physiotherapy	3.837	5,33%	4.381	7,06%	-12,41%
Aesthetic	49.213	68,33%	41.208	66,43%	19,43%
Dental	8.803	12,22%	8.673	13,98%	1,49%
Other medical lasers	5.336	7,41%	4.485	7,23%	18,97%
Accessories	1.082	1,50%	716	1,15%	51,21%
Total	72.027	100,00%	62.031	100,00%	16,11%

As already occurred in the first half of 2007 the growth of Cynosure in the medical sector is greater than the average of the Group as a whole, which, in any case, is over 15%, thanks to the service and medical sectors. As far as the development of the sales volume in the various segments of the medical sector is concerned, the considerations previously made also apply, with the exception of the greater relative importance of the Laser CO₂ and Accessories segments which showed a very strong growth.

As far as the geographic distribution of the sales volume is concerned, the tendency is the same as that for the consolidated sales volume.

The margin of contribution was registered for an amount of 108.240 thousand Euros, an increase of 31,4% with respect to the 82.348 thousand Euros for the preceding financial period, with an incidence on the sales volume which rises from 53,3% to 55,9% on an annual basis. Cynosure contributed decisively to this excellent result and improved its margins notwithstanding the payment of royalties to Palomar in accordance with the contract signed in 2006, and, to a lesser degree, so did the other activities of the Group.

The costs for operating services and charges were 38.910 thousand Euros, a slight increase with respect to December 31st 2006 and with an incidence on the sales volume which fell to 20,1% from the 25% for the preceding financial period. It should be mentioned that as of December 31st 2006 these aggregate costs included the one-time charge of 7,9 million Euros paid by Cynosure for the concession of licenses on some of the patents for hair removal devices and this cost heavily influenced all of the profit margins of the company and of the Group. Net of this one-time charge, the costs for operating services and charges would have been just 30.636 thousand Euros and the costs for 2007 would have registered an increase of 27%.

The costs for personnel was 41.293 thousand Euros, an increase of 24,9% with respect to the 33.072 thousand Euros for last year, with a slight decrease in terms of the incidence on the sales volume which went from 21,4% in 2006 to 21,3% in 2007. The calculated costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. In 2006 these costs amounted to 2.414 thousand Euros, and in 2007 they rose to 4.456 thousand Euros; of these, 4.217 thousand Euros refer to the stock options issued by the subsidiary Cynosure Inc.

As a consequence of the reform in the severance pay (TFR) policy, the accounting method used for calculating the amount in accordance with IAS 19 has changed. The different evaluation of the TFR fund which matured on December 31st 2006 with respect to the evaluation made according to the old rules, must be treated as a “curtailment” and consequently entered into the Profit and Loss Account, including the actuarial profits and losses which had not been previously entered into accounts in application of the so-called “corridor method”. This change generated a lower liability of about 200 thousand Euros which is reflected in a decreased cost for personnel of the same entity.

As of December 31st 2007 there were 795 employees in the Group, 82 of which were brought in by the newly acquired companies With US, Cutlite do Brasil and Wuhan-Chutian Penta, thus maintaining the tendency to increase with respect to the 635 employees registered for the end of the year 2006.

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. Grants entered into accounts during this year amounted to 915 thousand Euros.

The EBITDA was registered for an amount of 28.037 thousand Euros with respect to the 10.676 thousand Euros for 2006 showing an increase of 162,6% with an incidence on the sales volume which rises from 6,9% to 14,5%. Again in this case, the effects of the one-time charge of 7.9 million Euros should be mentioned, without which the EBITDA for 2006 would have been 18.640 thousand Euros, or 12,1% of the sales volume for the financial period.

The costs for depreciations, amortizations and accruals were 4.988 thousand Euros, representing a drop of 4,3% with respect to last year and with a decrease in the incidence on the sales volume which passes from 3,4% to 2,6%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation.

The EBIT, as mentioned, was over 20 million, reaching 23.049 thousand Euros (5.461 thousand Euros on December 31st 2006, 13.426 net of the “Palomar” charges) and showed an incidence on the sales volume of approx. 11,9% .

The result of the financial management which was 455 thousand Euros compared to the 2,126 thousand Euros for last year, was influenced by the reduction in interest earned on bank deposits as well as the negative exchange rate difference which was a result of the weakness of the US dollar in relation to the Euro

Other net income and charges, registered for an amount of 13.448 thousand Euros, were influenced by the capital gains which were earned as a result of the sale described earlier of the shares of the subsidiary Cynosure for an amount of approx. 15 million Euros; were influenced by the rectification of consolidation which derived from the increase in capital of Cynosure for the assignment of stock options at a price which was below the charging price of the stock in consolidation (they were, in fact, options assigned mostly before the IPO of 2005 with an option price of less than five dollars per share) with the consequent reduction of the percentage of El.En.’s ownership in Cynosure.

The earnings before taxes therefore were 36.897 thousand Euros, a considerable increase with respect to the 7.343 thousand Euros for December 31st 2006, and even considering the amount of 15.307 thousand Euros, which it would be without the Palomar charges.

In relation to the results of the Group excluding Cynosure, it should be noted that the growth in sales was around 16%, with a level of profits for the sales substantially constant with respect to last year. Considering that manufacture takes place within the Euro area, sustaining constant margins of profit for an activity with a high percentage of exports in the face of a such a negative Euro-Dollar exchange rate is, in any case, an indicator of the Group’s high level of competitiveness on the markets.

Notwithstanding a slight worsening of the incidence of set structural costs, in terms of both operating costs and costs for personnel, the increase in the volume of business still made it possible to register an increase in the overall value of the earnings before interest and taxes. It should be pointed out that the costs sustained for the reorganization of some of the companies as well as the start-up of others had a negative influence on the earnings for the year.

The other net income and charges which were registered for an amount of 18.074 thousand Euros, were clearly influenced by the capital gains entered into accounts after the sale of the stock of the subsidiary Cynosure and by the extraordinary net costs related to the creation of the Cutlite do Brasil company for which El.En SpA allowed the minority partners to enter the partnership structure free of charge, thus recognizing on their behalf a goodwill which was entered into accounts for this financial period.

On account of this latter entry the earnings before taxes shows a significant increase with respect to last year.

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 87 million Euros.

Of this amount, the majority is held by the parent company El.En. SpA as a result of the sale of the Cynosure stock which occurred at the end of the year and by the subsidiary Cynosure Inc., as a result of the IPO of December 2005 which is detained in US dollars; after that time Cynosure has not made any investments of particular importance but has used the cash available to finance its own operations and in this endeavour has been extremely successful in generating both revenue and cash.

The value of the Euros in cash held by Cynosure Inc. during 2007 decreased, solely on account of the exchange rate, by 6,7 million Euros.

Besides the absorption of the Euros in cash which was a consequence of the increase in the volume of business of the Group, there were many cash payments of an extraordinary nature, in particular the payment by El.En. for the equity in Deka M.E.L.A. Srl acquired from a third party, the real estate activity which included the enlargement by El.En of their premises in Calenzano, and the payment of the remaining amount due for the building in Torre Annunziata which was purchased in order to house the activities of the subsidiary Lasit SpA, as well as for Asclepion which is building a new factory in Jena, Germany, and lastly, the payment of dividends to third parties for approx. 1.800 thousand Euros. As described in the paragraph below, the volume of investments during 2007 has greatly increased with respect to last year.

Gross investments made during this quarter

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

<i>Progressive</i>	31/12/07	31/12/06
Intangible assets	760	337
Tangible assets	9.641	5.917
Equity investments	51	0
<i>Total</i>	10.452	6.254

<i>3 Months</i>	31/12/07	31/12/06
Intangible assets	264	233
Tangible assets	3.114	3.162
Equity investments	0	0
<i>Total</i>	3.378	3.395

Continuing the trend reported for the quarter ending on September 30th 2007, the investments made in the last quarter of this year continue to be of a particular entity.

Several operations of an extraordinary nature are the reason for these investments. Asclepion is continuing the construction project at Jena for the new factory for which 2 million Euros have already been entered into accounts, 750 thousand Euros of which during this quarter. This investment will be benefited by a contribution from the Turingia Region authority. Cynosure has continued in its policy of investing in demonstration equipment. El.En. SpA has entered 1,7 million as assets now in progress since the beginning of the year, of which 850 thousand Euros during this quarter, related to the enlargement of their buildings in Calenzano.

Generally speaking, the activities of the Group do not involve the purchase of single technical assets of great value, but rather they require various typologies of equipment and instruments for research, development and production. Among the investments in tangible fixed assets, the most significant is in equipment, and in particular laser systems made available for use for sales demonstrations and clinical experimentation. Cynosure in particular assigns to most of its sales agents in the US one or more pieces of equipment to use as demos; this is an major investment but has given excellent results in facilitating sales.

Comments on Research and Development activities

During 2007 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.

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

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

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.

A brief summary of the main research projects conducted by the Group during this period is shown below.

Systems and applications for lasers in medicine.

We have continued the activity aimed at developing equipment and laser devices for the cure of skin ulcers.

We have concluded the project on laser micro-surgery which was conducted as part of the New Medical Engineering sector of the FIRB (Basic Research Investment Fund) program, financed in part by MIUR (Ministero Istruzione Università e Ricerca).

The verification phases of the experimental studies on the determination of the doses for cutting and ablation processes on soft tissue and cauterization of small blood vessels have now been completed and we have completed the formulation of the specifications for a compact CO₂ source which will be especially designed for this application.

We have now concluded the manufacture of prototypes for a directable laser micro-tweezer.

We are continuing the research activity aimed at identifying the manufacturing technology required for new optical-acoustic and acoustical-optical micro-probes for minimally invasive diagnostics. These probes will be used for early detection of the malignant nature of small lesions; we are now examining the results of trials on the prototypes of optical-acoustic transmitters and acoustical-optical receivers using different technologies.

We are also involved in trials for the purpose of obtaining FDA approval at a prestigious eye clinic in the USA (Bascon Palmer of Miami) for performing operations first on animals and subsequently on human patients, using lasers to glue the cornea to the eye without the use of stitches. This activity is a result of the research projects conducted with IFAC of the CNR by the associated company, Actis Active Sensors.

In collaboration with the IFAC institute of the CNR we are now conducting an important research project involving the creation of a technique and the related equipment for the laser assisted anastomosis of blood vessels.

In collaboration with the CSO we have begun research on a new instrument for retinal coagulation associated with a fissure light.

We continued to work on the development of instruments and the clinical experiments for innovative laser equipment for uses in physical therapy and orthopaedics, and the experiments have now been extended also to the USA in collaboration with the Rizzoli Institute of Bologna which has been a partner of ours for several years now.

With the University of Aquila, we are now conducting research on some laser biological tissue interactions in the dermatological and in the future, cardiologic field.

A new research project has been initiated involving new methods for the characterisation of cellulitis by means of ultrasound.

Research has also begun on new devices for aesthetic medicine, in particular for the stimulation of the regeneration of collagen in the derma layers of the face.

Research is also in progress on a new micro-manipulator for uses in otorhinolaryngology of the CO₂ laser.

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 consortium company IALT (Image Aided Laser Therapy) created by El.En. and Esaotele.

A project financed by the European Union on new methods of diagnosis using nano-particles and laser systems with ultrasound inter-agents 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.

The research activity aimed at developing a diode laser for neurosurgery applications with minimally invasive techniques was continued.

With a grant from the European Union, a research program on mecha-tronic and micro-technological applications for the biomedical industry is now being concluded.

We have started tests to determine the effects of photo-mechanic stimulation of Chondrocytes.

At Cynosure they have concluded the development of refractive lenses for laser rejuvenation of the skin have been developed and a patent has been deposited for the device.

Activities for the completion of the laser lipolysis experiments were continued at Cynosure.

At Quanta we have continued activities for the development of lasers for the therapy of prostate hypertrophy.

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

Laser systems and applications for industry

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

Experimental trials on the electronics based on a "Digital Signal Processor" for on-line setting and numerical control of the galvanometers for scanning heads have been conducted.

Feasibility studies were conducted for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.

A research project was conducted on the evolution of position sensors of galvanometers with characteristics of high stability over long periods of time.

We continued studies for determining the algorithms, calculus programs and hardware structures for artificial vision systems to be employed for the automation of surface decorations using laser marking on leather and other materials and for the cutting and marking of objects spread out on the work surface.

We are about to complete experimental trials on a new ultra-compact radio-frequency pumped CO₂ laser source.

Research activity as part of a project for a solid state high power laser source with active material in an amorphous ceramic support is now in progress.

The development of new laser equipment for use in diagnosing and documenting the condition of art objects was completed. 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.

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.

At OTLAS they have completed the development and production of a system with a pyro-electric matrix for centering the laser ray on the basis of the recording of the shape of the ray in various portions of the cross-section.

At OTLAS they have conducted research on a means of perfecting the laser cutting process of tiles of composite materials as a light-weight support for marble slabs.

At Cutlite Penta they continued work on the development of an electronic system for tele-diagnosis and tele-assistance of industrial machines. In the future it may be possible to develop applications of them for uses in medicine.

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

<i>thousands of euros</i>	31/12/2007	31/12/2006
Costs for staff and general expenses	9.097	7.684
Equipment	132	222
Costs for testing and prototypes	1.563	1.157
Consultancy fees	381	490
Other services	348	91
Intangible assets	3	4
Total	11.523	9.648

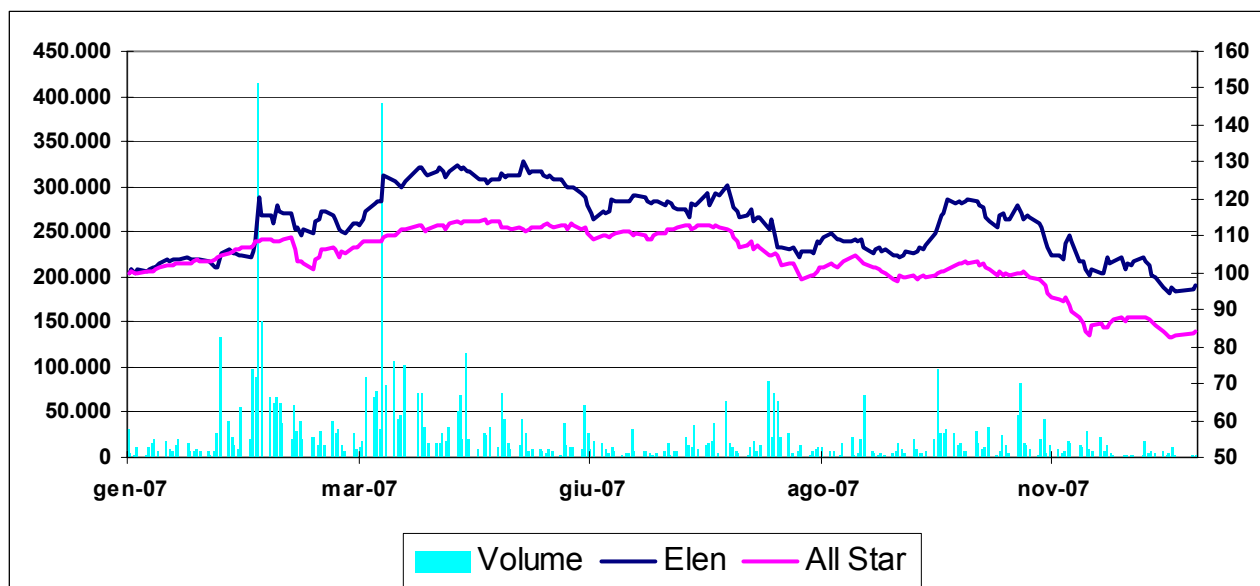
As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 6,8 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 6% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 6,8 million dollars which represents about 6% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 8% of its sales volume

Trend of the El.En stock

The trend of the El.En. stock is shown in the graph below with reference to the quotation on January 2nd 2007 for an amount of 27,67 Euros.



Analysis of the trend of the Cynosure stock is also interesting: thanks to the excellent results of the company, in October the stock reached its historic maximum of 45 dollars per share. After this and notwithstanding the excellent results, the stock was heavily influenced by the uncertainty of the financial markets in general which followed the crisis of the so-called Subprime, and a general decline which occurred among the companies in this sector, with the result that the stock is now quoted at less than 25 dollars per share.

Other significant events which occurred during this quarter

No significant events occurred during this quarter.

Other events which took place after the quarter was closed

On January 10th Cynosure, with the support of El.En., whose patent it has exclusive rights for in the United States, initiated a lawsuit against Cool Touch Inc, in order to defend their own rights on the intellectual property related to the application of laser-lipolysis which is made possible by the technology and the system of Smartlipo. This legal action became necessary because Cool Touch was selling a product for which the Group retains the competitive advantages mentioned above, and for which they believe it necessary to protect the uniqueness.

On January 24th 2008 El.En. SpA voted to call an assembly in order to obtain the approval of the shareholders for the authorization of the purchase of treasury stock. The purchase of treasury stock, if authorized, would be effected for the following concurring or alternative purposes: to stabilize the stock, for the assigning to employees and/or collaborators, and for the exchange of equities during purchases of companies.

The authorization of the purchase will be requested for a maximum expenditure amounting to 15,000,000.00 (fifteen million) Euros in one or more portions consisting of a number of ordinary shares in the company which, in any case, cannot exceed one-tenth of the capital stock. At this time 10% of the capital underwritten and paid out by El.En. is equivalent to 482.436 shares. The authorization will be requested for the maximum period of time allowed by law which is 18 months from the date of the vote by the assembly.

The purchase will take place on the regulated markets for a price which is not more than 20% less nor more than 10% more than the official negotiating price registered on the day preceding the acquisition.

The board will also ask to be authorized to sell the shares acquired at a price which is not less than 95% of the average of the official prices registered for negotiations during the five days preceding the sale.

On February 8th 2008 the subsidiary Quanta System SpA completed the closure of the acquisition of 51% of Grupo Laser Idoseme SL, its Spanish distributor for the aesthetic sector. The company has its headquarters in Donostia - San Sebastian and distributes in Spain the laser equipment produced by Quanta System, as well as other high technology equipment for medical and aesthetic applications. In 2007 the sales volume of the company was approx. € 16 million with an EBIT of approx. € 1,5 million (unaudited). The net financial position is essentially null. The minority shares remain in the hands of the founders who, as far as the governance of the Group is concerned, will retain the operational management of the company. According to the contract, approx. 3,8 million Euros will be expended in several separate payments subject in part to earn out clauses. Upon closure of the deal the first portion was paid, for an amount of € 765 thousand.

Short term evolution foreseen for the financial period now in progress

Although we are in the presence of a world macro-economic and financial situation which is very tense, as reported every day by the mass media, with the impending threat of a recession, our markets of reference and our own position within them, allow for some optimism about the possibility of continuing to grow and improve our revenue results.

Unlike the policy we have used in the past at the start of each year, and also following the policy of Cynosure Inc., which does not release any guidance on their expected results, the management has decided to issue in this report forecasts which regard only the sub-consolidation which excludes Cynosure. Thanks also to the acquisition of the GLI company mentioned earlier, our goal is to reach 140 million in sales volume for 2008 (+27%) and to come close to an EBIT of 14 million. As stated earlier, the average amount of the Group's quota of the EBIT in the past few years has been around 75% to 80%.

For the Board of Directors

Deputy Board Member
Ing. Andrea Cangioli

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, to his knowledge, the Quarterly Report dated December 31st 2007 for the El.En. Group corresponds to the information reported in the documents, accounting books and accounting entries.

Calenzano, February 14th 2008.

Executive in charge of the financial reports
Enrico Romagnoli