

El.En. Group

COMMENTS OF THE MANAGEMENT ON THE CONSOLIDATED DATA FOR THE QUARTER ENDING March 31th 2008

(Approved by the Board of Directors of the company on May 15th 2008)

Report for the quarter ending on March 31st 2008

Introduction

This report for the quarter ending March 31st 2008 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.

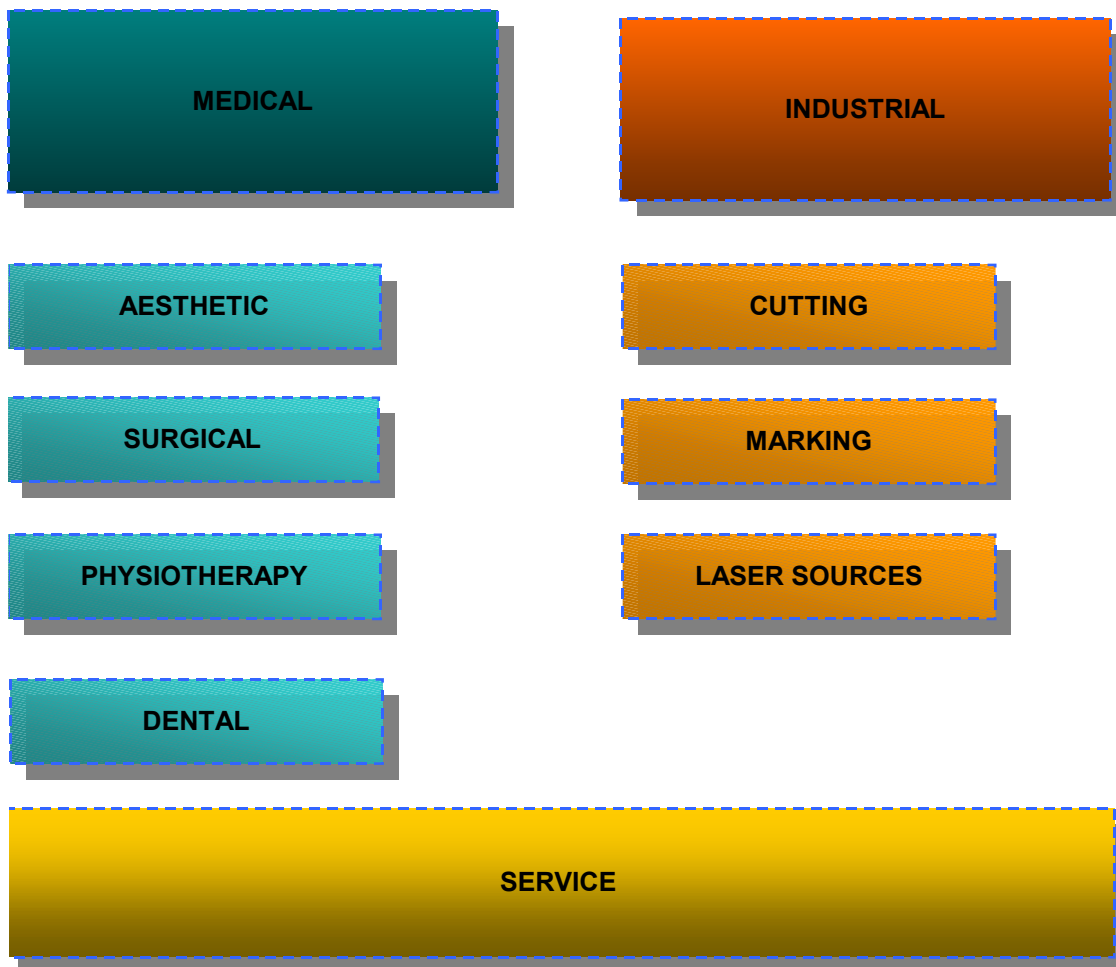
The information which is shown below was drawn up in conformity with the international accounting principles, IAS/IFRS, which have been obligatory since 2005 for drawing up the consolidated statements of companies which are listed on the regulated stock markets.

The results for the quarter ending March 31st 2008 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.

From a purely financial point of view and 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 at around 75% of the EBIT of the sub-consolidated.

Significant events which occurred during this quarter

On January 10th Cynosure, with the support of El.En. for whose patent they have exclusive rights in the United States, initiated a legal suit against Cool Touch Inc, in order to defend its intellectual property rights on the application of laser lipolysis which is made possible by the Smartlipo technique and system. This legal action was necessary because Cool Touch had started selling a product for which the Group had the competitive advantages mentioned above and for which they deem it necessary to defend the uniqueness. Not only has Cool Touch defended their position and resolutely denied any responsibility, they have initiated a counter-suit against Cynosure for violating some of the patent rights held by Cool Touch.

On February 8th 2008 the subsidiary Quanta System SpA concluded the deal for the acquisition of 51% of Grupo Laser Idoseme SL, its Spanish distributor in 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 types of high-tech equipment for medical and aesthetic applications. In 2007 the sales volume of the company was € 16 million with an EBIT of approx. € 1,7 million. The founders of the company are still the minority shareholders and in accordance with the governance policy of the Group they will maintain the operational management of the company. According to the contract approx. 3,8 million Euros will be paid in several instalments partially subject to earn-out clauses. When the deal was closed the first instalment of € 765 thousand was paid.

On March 3rd 2008 the shareholders' assembly of El.En. SpA voted to authorize the Board of directors to acquire treasury stock. This purchase was made for the following concurrent or alternative purposes: to stabilize the stock, to have shares to assign to employees and/or collaborators, to have shares for exchanges of equities during company acquisitions.

The authorization was given for the purchase, upon payment of a maximum amount of 15.000.000,00 (fifteen million) Euros, in one or more instalments, of a number of ordinary shares which in any case must not exceed one tenth of the capital stock. At this time 10% of the capital underwritten and paid out by El.En. is equal to 482.436 shares. The duration of the authorization is the maximum allowed by law, i.e., 18 months from the approval by the assembly.

The purchase must be made on the regulated stock market for a price which is not over 20% lower or over 10% higher than the official price for the negotiations registered the day before the purchase. The sale of the stock which is purchased must be made at a price which is not less than 95% of the average prices for the negotiations registered during the five days preceding the sale.

On the date that this report was closed the company had acquired 28.630 shares of treasury stock at the average price of 25,13 Euros for an overall total of 719.360 Euros.

On March 13th 2008 El.En. increased its equity in Cutlite Penta Srl, by buying 8% of the quota of one of the minority partners for the price of 224.000 Euros, which brings the amount of their equity in the company to 90,67%.

Lastly, the subsidiary Quanta System founded Ratok Srl, a company in which it holds 70% of the capital stock. Ratok Srl will be involved in the planning, installation, organization and management, also in franchising, of specialised medical centers and manufacture and distribution of medical equipment. The company is not active yet.

Economic and financial results of the Group

Continuing the accelerated growth rate that has been shown steadily for the past few years, the results as of March 31st 2008 registered an increase in sales volume of 27,6% over the same period last year.

Results were in line with those which had been predicted for the sub-consolidated which excludes Cynosure (the only one for which predictions were published), and were above expectations both in sales volume and EBIT well ahead of the schedule which had been set for achieving these goals. The results also show an overall improvement with respect to the same period last year, which demonstrates the great vitality and the excellent state of health of the Group.

We are quite satisfied with the way that our strategies for development have been followed during the first months of the year, and how the positions acquired and re-enforced in the various sectors allow us to plan further growth in our market.

In the industrial sector, for which we had expected a significant growth during this year, we are finally achieving the first results of the start-up of activities in China and Brazil, and we are benefiting from the success of some products, particularly in the field of laser sources. We are sure that in both of these factors we will be able to achieve middle and long term benefits.

In the medical and aesthetic sectors we have been able to achieve an excellent growth rate which is higher than that registered by our principal competitors at a global level.

In this sector, Cynosure has become the most dynamic American company and has now reached the dimensions of the market leader, Candela, thanks to an overwhelming and continuous acceleration in its revenues and profits. Cynosure owes its success to the extraordinary capacity of its management to create value through its vast distribution network and to take the maximum advantage of the products made available to them by their research and development team, like Apogee Elite for hair removal and vascular treatments, and the products which their belonging to the Group has made it possible to place on the American market, like SmartlipoTM for laser-lipolysis. This latter is now the most popular product in the sector of lasers for aesthetic treatments; it was developed by El.En. and distributed by DEKA. Cynosure was granted exclusive distribution rights for North America. This product opened up to laser treatments the important sector of fat removal which up to that time had been done by traditional lipo-suction, and offered an effective and minimally invasive alternative which has been extremely successful.

The other companies of the Group which operate in the medical and aesthetic sector also showed great vitality; they registered a sales volume which was above predictions and consolidated the overall position of leadership in the market which is held by the Group including Cynosure.

Our position as the most important Group in the sector is sustained by the innovative products which our research and development teams have been able to offer to our vast and ramified distribution network which operates on a global level. Besides the above mentioned SmartlipoTM and Elite, the group offers dozens of technological solutions for hair removal, photo-rejuvenation, physical therapy, oral surgery and dermatology.

One of the most interesting of these is a revival of a technique that was extensively experimented in the 1990s and involved the stimulation of collagen by a dotting treatment effected by a CO₂ laser. Now, with a much larger and more receptive market, the new "DOT" technique offers this treatment to the aesthetic-dermatological market and our CO₂ Smartxide laser, which is used together with a scanner manufactured by us, has met with remarkable success.

Up to now therefore the Group has been able to successfully meet the challenges presented by the weakness of the dollar and the general expectation of a recession.

In 2008 we continued to expand the operating structures of the various companies in order to meet the requirements of a sustained and continuous growth: the headquarters of Lasit SpA, Cutlite Penta Srl, El.En. SpA, Asclepion GmbH and Quanta System SpA are now being enlarged. The new headquarters of Asclepion has just been inaugurated in Jena (D) and the mixture of German solidity and Italian design which it features represent a summary of two of the most distinctive characteristics of the production of this company located in the cradle of the electro-optical industry.

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 March 31st 2008 was 23,44%), 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 2008 displayed in comparative form with those for the same quarter last year.

Profit and loss account	31/03/08	Inc.%	31/03/07	Inc.%	Var.%
Revenues	54.876	100,0%	43.000	100,0%	27,6%
Change in inventory of finished goods and WIP	2.565	4,7%	3.288	7,6%	-22,0%
Other revenues and income	232	0,4%	312	0,7%	-25,7%
Value of production	57.673	105,1%	46.601	108,4%	23,8%
Purchase of raw materials	23.057	42,0%	19.204	44,7%	20,1%
Change in inventory of raw material	(1.796)	-3,3%	(876)	-2,0%	105,0%
Other direct services	5.724	10,4%	4.215	9,8%	35,8%
Gross margin	30.687	55,9%	24.058	55,9%	27,6%
Other operating services and charges	11.012	20,1%	8.839	20,6%	24,6%
Added value	19.675	35,9%	15.218	35,4%	29,3%
For staff costs	11.554	21,1%	10.578	24,6%	9,2%
EBITDA	8.121	14,8%	4.640	10,8%	75,0%
Depreciation, amortization and other accruals	1.220	2,2%	1.188	2,8%	2,7%
EBIT	6.901	12,6%	3.452	8,0%	99,9%
Net financial income (charges)	521	0,9%	246	0,6%	111,7%
Share of profit of associated companies	(4)	-0,0%	(1)	-0,0%	144,5%
Other net income (expense)	(106)	-0,2%	(598)	-1,4%	-82,3%
Income before taxes	7.312	13,3%	3.099	7,2%	136,0%

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

Net financial position	31/03/2008	31/12/2007
Cash and bank	57.340	61.512
Financial instruments held for sale	14.134	32.044
Cash and cash equivalents	71.474	93.556
Bank short term loan	(6.996)	(2.127)
Part of financial long term liabilities due within 12 months	(3.853)	(679)
Financial short term liabilities	(10.848)	(2.807)
Net current financial position	60.625	90.749
Bank long term loan	(2.107)	(1.530)
Other long term financial liabilities	(2.206)	(1.911)
Financial long term liabilities	(4.312)	(3.441)
Net financial position	56.313	87.308

The chart below shows the Profit and Loss Account for the first quarter of 2008 and the net financial position of the Group excluding Cynosure from the area of consolidation.

Profit and loss account	31/03/08	Inc.%	31/03/07	Inc.%	Var.%
Revenues	33.188	100,0%	24.760	100,0%	34,0%
Change in inventory of finished goods and WIP	695	2,1%	1.578	6,4%	-56,0%
Other revenues and income	119	0,4%	227	0,9%	-47,7%
Value of production	34.001	102,5%	26.565	107,3%	28,0%
Purchase of raw materials	17.454	52,6%	13.844	55,9%	26,1%
Change in inventory of raw material	(1.876)	-5,7%	(1.233)	-5,0%	52,2%
Other direct services	3.227	9,7%	2.384	9,6%	35,4%
Gross margin	15.196	45,8%	11.570	46,7%	31,3%
Other operating services and charges	5.250	15,8%	3.901	15,8%	34,6%
Added value	9.946	30,0%	7.669	31,0%	29,7%
For staff costs	6.409	19,3%	5.381	21,7%	19,1%
EBITDA	3.537	10,7%	2.288	9,2%	54,6%
Depreciation, amortization and other accruals	618	1,9%	591	2,4%	4,4%
EBIT	2.919	8,8%	1.696	6,9%	72,1%
Net financial income (charges)	(362)	-1,1%	(91)	-0,4%	299,3%
Share of profit of associated companies	(4)	0,0%	(1)	0,0%	144,5%
Other net income (expense)	0	0,0%	0	0,0%	
Income before taxes	2.553	7,7%	1.604	6,5%	59,2%

Net financial position	31/03/2008	31/12/2007
Cash and bank	32.579	35.012
Financial instruments held for sale	58	58
Cash and cash equivalents	32.637	35.070
Bank short term loan	(6.987)	(2.116)
Part of financial long term liabilities due within 12 months	(3.563)	(361)
Financial short term liabilities	(10.550)	(2.478)
Net current financial position	22.087	32.592
Bank long term loan	(2.107)	(1.530)
Other long term financial liabilities	(1.770)	(1.372)
Financial long term liabilities	(3.876)	(2.902)
Net financial position	18.211	29.690

Comments on the management results

As previously mentioned, the growth of the consolidated sales volume for the quarter was about 27,6%, well above the average growth rate expected for the year, and got the year off to a good start. The EBIT was also ahead of schedule with respect to the annual forecast. In any case, it should be noted that the companies belonging to the Group usually operate with a portfolio of orders capable of covering less than two-months activity, and therefore any extrapolations of the quarterly results on an annual basis is based mainly on market forecasts and not on orders already in hand.

The table below shows the subdivision of the sales volume according to sectors of activity of the Group for the first quarter of 2008 in comparison with the same subdivision for the same period last year.

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Industrial systems and lasers	7.224	13,16%	5.525	12,85%	30,76%
Medical and aesthetic lasers	40.928	74,58%	31.608	73,51%	29,49%
Service	6.724	12,25%	5.867	13,64%	14,60%
Total	54.876	100,00%	43.000	100,00%	27,62%

The industrial sector showed the fastest expansion rate, +30%, just slightly above the result for the medical sector, and reached a growth level which it had never even come close to in the preceding years.

With over forty million Euros in sales volume just for systems in the first quarter, the Group has confirmed its position as leader in the sector, since the largest American company operating in this sector, Candela, did not reach forty million dollars in sales volume, including assistance. The management of the Group is making every effort to maintain and re-enforce this position by working with great determination in all areas of activity that determine the success of the business, from research and development to marketing, to the management of the selling network, and the organizational and financial coordination of the different elements that compose the Group.

The after-sales service and sale of spare parts registered an increase of just under 15%, which is a result that corresponds with the natural development of the activity in proportion to the increase in the amount of equipment installed.

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

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Italy	7.756	14,13%	6.477	15,06%	19,74%
Europe	16.532	30,13%	13.294	30,92%	24,36%
Rest of the world	30.588	55,74%	23.230	54,02%	31,68%
Total	54.876	100,00%	43.000	100,00%	27,62%

The first quarter of 2008 also confirmed the progressive internationalization of the Group, with foreign sales increasing more than those in Italy, notwithstanding the fact that the latter showed a very respectable increase of about +20%. Not even the acquisition of GLI, whose business is conducted entirely in Spain, allowed the European sales volume to achieve the growth rates which the excellent results of countries like the USA and Japan registered for the non-European markets.

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

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Surgical CO2	1.612	3,94%	624	1,97%	158,21%
Physiotherapy	1.109	2,71%	1.099	3,48%	0,93%
Aesthetic	32.984	80,59%	25.262	79,92%	30,57%
Dental	1.556	3,80%	1.551	4,91%	0,33%
Other medical lasers	3.086	7,54%	2.878	9,11%	7,21%
Accessories	581	1,42%	194	0,61%	199,89%
Total	40.928	100,00%	31.608	100,00%	29,49%

The aesthetic sector which, again in this quarter grew at a rate which was higher than the average for the medical sector, re-enforces its dominance and now represents 80% of the sales volume in this sector. The extraordinary growth of the CO₂ segment and that of accessories is mainly due to the aesthetic applications which can be performed with great effectiveness using the most classic laser technology for medicine, i.e., the CO₂ laser, thanks to the deflection of the laser ray by means of a special scanner (listed with the accessories).

The following are the laser systems that have attracted most of our clientele in the aesthetic sector: the Smartlipo™ system, the original and innovative laser-lipolysis system which is an alternative to traditional lipo-suction; the Smartxide DOT system, which is the above mentioned CO₂ laser with a scanner which is highly effective for resurfacing applications; the Synchro, Synchro HP, Elite and Mediostar and Photosilk systems for hair removal; the Triactive system for removing the defects created by cellulitis, the Affirm, the Matisse and the DOT 1540, this latter just recently introduced on the market.

Growth registered in the other segments is fractional, however, a respectable 7% is reached for the residual category "Others" which includes mainly surgical and dermatological lasers.

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.

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Cutting	2.583	35,75%	2.345	42,45%	10,14%
Marking	2.286	31,64%	2.170	39,28%	5,32%
Laser sources	2.356	32,61%	987	17,87%	138,57%
Welding, other industrial systems	-		22	0,40%	-100,00%
Total	7.224	100,00%	5.525	100,00%	30,76%

The accelerated growth of the industrial sector which was over 30%, corresponded to predictions made on an annual basis.

The original segment of laser power sources more than doubled in sales volume, thus demonstrating the solidity of the Group in the activities related to the innovation of the basic technologies in their business; stable commercial relations have made it possible to register a record production and sales volume for this segment.

Growth in the application markets of cutting and marking was minor in comparison but still substantial. The new distribution and manufacturing activities in newly emerging countries like China and Brazil have begun to sustain the growth of the Group in these segments, as had been planned during the investment programs conducted in 2007.

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.

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Industrial systems and lasers	7.224	21,77%	5.525	22,31%	30,76%
Medical and aesthetic lasers	21.891	65,96%	15.539	62,76%	40,88%
Service	4.072	12,27%	3.696	14,93%	10,16%
Total	33.188	100,00%	24.760	100,00%	34,04%

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Italy	7.756	23,37%	6.390	25,81%	21,38%
Europe	12.281	37,00%	9.117	36,82%	34,70%
Rest of the world	13.151	39,63%	9.253	37,37%	42,13%
Total	33.188	100,00%	24.760	100,00%	34,04%

	31/03/2008	Inc%	31/03/2007	Inc%	Var%
Surgical CO2	1.612	7,36%	624	4,02%	158,21%
Physiotherapy	1.109	5,07%	1.099	7,07%	0,93%
Aesthetic	15.218	69,52%	11.070	71,24%	37,47%
Dental	1.556	7,11%	1.551	9,98%	0,33%
Other medical lasers	1.815	8,29%	1.001	6,44%	81,38%
Accessories	581	2,66%	194	1,25%	199,89%
Total	21.891	100,00%	15.539	100,00%	40,88%

In the medical sector the group without Cynosure showed a growth that was greater than that of Cynosure itself, partly on account of the acquisition of the Spanish company GLI, which, in any case was not a determining factor in reaching the threshold of a 30% increase in growth.

Growth was shown in all segments, although in different amounts. The CO₂ DOT, technology which is held by El.En. and DEKA, launched the segment at three figure growth rates and created, after SmartlipoTM, another area of absolute excellence and brand recognition for our products on the medical and aesthetic-medical market.

From the point of view of geographic distribution of the sales volume, there is a tendency which is similar to that of the consolidated sales volume.

The margin of contribution was registered for an amount of 30.687 thousand Euros, an increase of 27,6% with respect to the 24.058 for the same period last year, with an incidence on the sales volume which was unchanged with respect to the first quarter of 2007. The sub-consolidated without Cynosure showed a slight drop in the incidence, in part due to the effect of the dollar which, all other conditions being equal, compressed the margins of exporters from the Euro countries; for the same reason, but seen from the other side of the Atlantic Ocean, Cynosure further increased their percentage margins with the effect of equilibrium at the consolidated level.

The costs for operating services and charges were 11.012 thousand Euros, an increase of 24,6% with respect to March 31st 2007 and, again in this case, with an incidence on the sales volume substantially unchanged with respect to the same period last year, (20,6% in 2007 as opposed to 20,1% in 2008).

The cost for personnel was 11.554 thousand Euros which, with respect to the 10.578 thousand Euros for the first quarter of 2007 showed an increase of 9,2%, with the increase in the productivity of this aggregate cost which in its incidence on the sales volume falls from 24,6% to 21,1% in the first quarter of 2008. 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 2007 these costs were 1.517 thousand Euros, and they dropped to 1.333 thousand Euros during the first quarter of 2008; these costs are entirely related to the stock option issued by the subsidiary Cynosure Inc. because the stock option plan of the parent company El.En. Spa had already been concluded in 2007.

In conformity with accounting principles IAS/IFRS, the criteria for the accelerated distribution of charges for the stock options of Cynosure Inc. was followed, with the result that there was a rectification of the personnel costs for the first quarter of 2007 for an amount of 377 thousand Euros.

As of March 31st 2008 the number of employees working for the Group was 899, of which 47 belonging to the newly acquired Grupo Laser Idoseme; the tendency to increase the number of employees continues: at the end of 2007 the number of employees was 796 with respect to the 692 employees registered on March 31st 2007.

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; for the first quarter of 2008 no grants were entered into accounts, whereas in 2007 grants for an amount of 68 thousand Euros were entered.

The EBITDA was registered for an amount of 8.121 thousand Euros compared with 4.640 thousand Euros for the first quarter of 2007, showing an increase of 75% with an incidence on the sales volume which rose from 10,8% to 14,8%.

The costs for depreciations, amortizations and accruals were 1.220 thousand Euros, an increase of 2,7% with respect to the same period last year, and with a decrease in the incidence on the sales volume which went from 2,8% to 2,2%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation.

The EBIT was 6.901 thousand Euros with respect to the 3.452 thousand Euros registered for March 31st 2007 and was therefore almost doubled. It showed an incidence on the sales volume which rose from 8% on March 31st 2007 to 12,6% for the quarter being reported here.

The result of the financial management which was 521 thousand Euros, (246 thousand Euros for the same period last year) has improved as a consequence of higher interest earned on bank deposits.

Other net income and charges, registered for a negative amount of 106 thousand Euros, were influenced by the rectification of the consolidation 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 7.312 thousand Euros, a substantial increase with respect to the 3.099 thousand Euros registered for March 31st 2007.

Concerning the results of the Group excluding Cynosure, the sales volume grew 34%, which is an excellent result. As mentioned earlier, profits from sales fell slightly, however this should be evaluated as an indication of the capacity to compete even, and above all, with means other than pricing in a period in which the stress imposed on the international prices by the competition with costs in dollars has reached levels which were previously unthinkable.

The incidence of the set structural costs (overhead) remains unchanged, while the lower incidence in personnel costs and of the amortizations, depreciations and accruals determined an improvement percentage-wise in the EBIT; thanks also to the effects of the increase in the volume of business, the EBIT came close to 3 million Euros.

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 56 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.

The decrease registered for the net financial position with respect to December 31st 2007 is essentially due to the reclassification made by the subsidiary Cynosure which entered among the non-current assets approx. 16 million Euros in stocks which had been registered up until last year among the “financial assets available for sale”. These are Auction Rate Securities (ARS), i.e., stocks with a long term maturity date and occasional negotiation auctions. On February 13th 2008 Cynosure was not able to sell any of these stocks and, considering the current market conditions, the same thing occurred in the auctions which followed. Since the intention of Cynosure is, in any case, to keep the stocks until they can sell them at auction at least at their nominal value, and since it is likely that this will not be possible for a quite a long time, it was necessary to reclassify them as non-current assets.

Cynosure has not made any investments of particular importance but has used the cash available to finance its own company operations.

Among the operations which absorbed cash during this quarter, besides the increase in net circulating capital, of particular note are: the real estate activity which involved the parent company El.En. and Asclepion, and the purchase of treasury stock by El.En. Spa for an amount of 719.360 Euros. Other payments involved the acquisition from minority shareholders of 8% of Cutlite Penta Srl by El.En. S.p.A. for 224 thousand Euros and the purchase of 51% of GLI by Quanta System S.p.A. with the payment of 765 thousand Euros at closing, and the entering of a financial debt for the amount of 3,1 million Euros for the remainder.

Gross investments made during this quarter

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

<i>Progressive</i>	31/03/08	31/03/07
Intangible assets	133	93
Tangible assets	3.831	1.723
<i>Total</i>	3.964	1.816

The value of the investments in tangible assets showed a substantial increase in comparison to the first quarter of 2007.

Several operations of an extraordinary nature are the reason for these investments. The amount, in fact, includes the investments made by Asclepion to finish the construction in Jena of their new 3500 square meter factory; this investment will also benefit from a grant from the Turingia region; the expenses sustained by Cynosure which has continued in its policy of investing in equipment for sales demonstrations, and the investments made by El.En. SpA, again for the expansion of their factory 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 a major investment but has given excellent results in facilitating sales.

Comments on Research and Development activities

During the first quarter of 2008 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.

Essentially, the results consist in the development of new applications for lasers and the creation of suitable equipment. 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 continued the development of a compact CO₂ laser source for surgical uses.

We are continuing the research activity on 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 research project is now in progress to find new methods for the characterisation of cellulitis by means of ultrasound.

The first results have been obtained on research related to new devices for aesthetic medicine, in particular for the stimulation of the regeneration of collagen in the derma layers of the face.

Research has also continued 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 Esaote.

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.

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

At Cynosure they have concluded the development of diffractive 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 they 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.

We have begun to install a company laboratory for research on the interaction between laser light and biological tissue.

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 continued for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.

We have continued the study of the algorithms, calculus programs and "hardware" structure for artificial vision systems to be used for the automation of surface decorations, using laser marking, for leather and other materials, and for the cutting and marking of objects that are spread out on flat working surfaces.

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

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.

A research project on a new generation machine for decorating large areas of textiles is now in progress.

We ran experiments involving 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>	31/03/2008	31/03/2007
Costs for staff and general expenses	2.254	2.150
Equipment	20	34
Costs for testing and prototypes	327	394
Consultancy fees	100	173
Other services	115	21
Intangible assets	24	1
Total	2.840	2.774

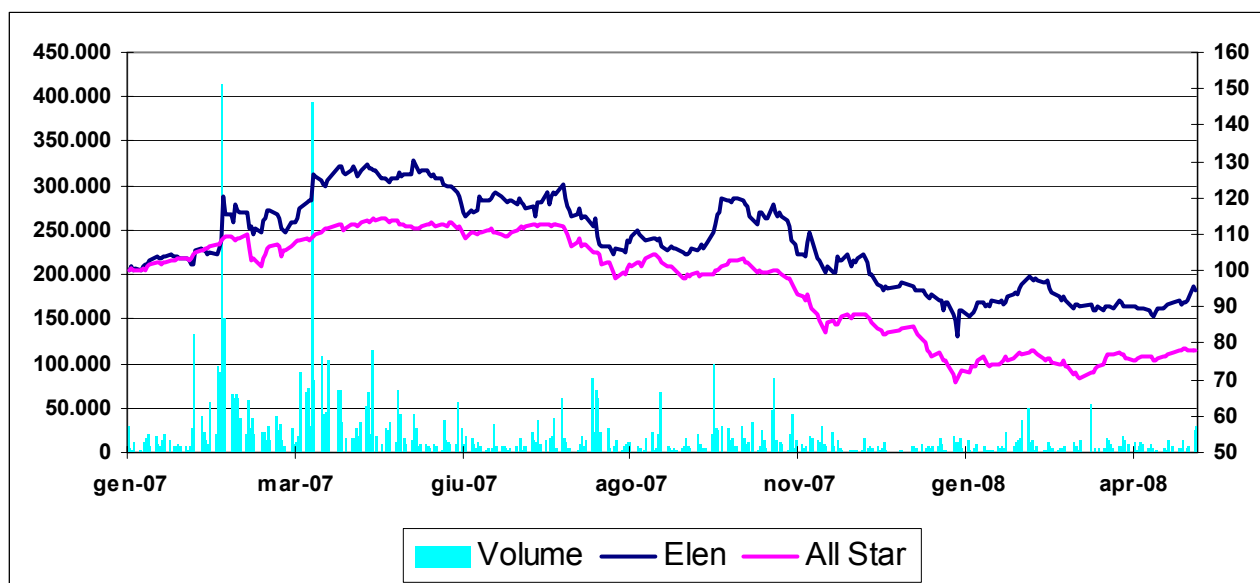
As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 1,8 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 5% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 1,8 million dollars which represents about 5% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 7% 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 or an amount of 27,67 Euros.



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

Today the shareholders' assembly of El.En., which convened to discuss and deliberate an agenda which also included the approval of the annual results for 2007 and the deliberation of the dividends, approved the distribution of a dividend of 1,10 Euros per share in circulation on the date for payment of the coupon which is set for May 19th 2008.

Short term evolution foreseen for the financial period now in progress

In the presence of a global macro-economic and financial situation which seems to be moving toward a recession, our own position in the markets of reference has confirmed its ability to obtain good results in terms of both growth and profits.

Although the quarterly results which were registered were better than those foreseen by the management as part of their annual goals (27% growth of the sales volume at 140 million Euros and EBIT approx. 14 million Euros), and although we are confident that the Group will be able to maintain a high growth rate for their activities, we believe that the present economic conditions and the general mistrust that have accompanied them, require considerable caution in making any predictions for the rest of the year, the tendencies for which are confirmed in this report.

For the Board of Directors

Executive Director
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 the best of his knowledge, the Quarterly Report dated March 31st 2008 for the El.En. Group corresponds to the information reported in the documents, accounting books and accounting entries.

Calenzano, May 15th 2008.

Executive in charge of the financial reports
Enrico Romagnoli