EL.EN. GROUP

CONSOLIDATED STATEMENT AS OF DECEMBER 31st 2007

OFFICERS OF THE PARENT COMPANY

Board of Directors

PRESIDENT
Gabriele Clementi

BOARD MEMBERS AND DIRECTORS
Barbara Bazzocchi
Andrea Cangioli

BOARD MEMBERS
Paolo Blasi
Angelo Ercole Ferrario
Michele Legnaioli
Stefano Modi
Alberto Pecci

Board of Auditors

PRESIDENT
Vincenzo Pilla

ACTING AUDITORS
Paolo Caselli
Giovanni Pacini

Executive in charge of financial reports in conformity with Law 262/05

Enrico Romagnoli

Auditing Company

Reconta Ernst & Young S.p.A.

EL.EN. GROUP

MANAGEMENT REPORT 2007

Management Report for the financial year ending on December 31st 2007

To our shareholders,

The financial year ending on December 31st 2007 closed with a net income of the Group of 17.653 thousand Euros after taxes for an amount of 10.460 thousand Euros.

Again in 2007 the activities of the El.En Group showed a rapid growth accompanied by a profit level which exceeded forecasts. Moreover, the overall earnings benefited substantially from the important extraordinary operation which, while maintaining the controlling interest in Cynosure Inc., comported a sizeable capital gains derived from the sale of a parcel of shares in the American company.

2007 therefore ended with record results for the Group and consequently we look forward with optimism to the growth opportunities which the technological and market positions of the companies of the Group continue to offer.

Adoption of international accounting principles

The consolidated Annual Report closed on December 31st 2007 was drawn up in conformity with the International Financial Reporting Standard (IFRS) issued by the *International Accounting Standard Board* (IASB) and approved by the European Union, including among these, the *International Accounting Standards* (IAS)which are still in force, as well as all of the interpretative documents issued by the *International Financial Reporting Interpretation Committee* (IFRIC), previously known as the *Standing Interpretations Committee* (SIC).
The El.En. Group adopted the IFRS starting on January 1st 2005, after the European Regulation 1606 of July 19th 2002 came into force. The information sheet required by the IFRS 1 – First use of IFRS, relative to the effects of the transition to the IFRS was included in "Appendix 1" of the consolidated statement on December 31st 2005, which should be referred to for details.
Moreover, in relation to the regulations described in Legislative Decree n. 38/2005, starting with the financial year 2006, the Parent company El.En. S.p.A. is also required to draw up an individual report in conformity with International Accounting Principles (IFRS).

The accounting principles and evaluation criteria used for this document have not undergone any changes with respect to those used for the previous consolidated annual report closed on December 31st 2006, with the exception of the application of a criteria of accelerated distribution of the charges for the stock options of Cynosure, Inc. which made it necessary to rectify the costs for personnel also for the financial year 2006.

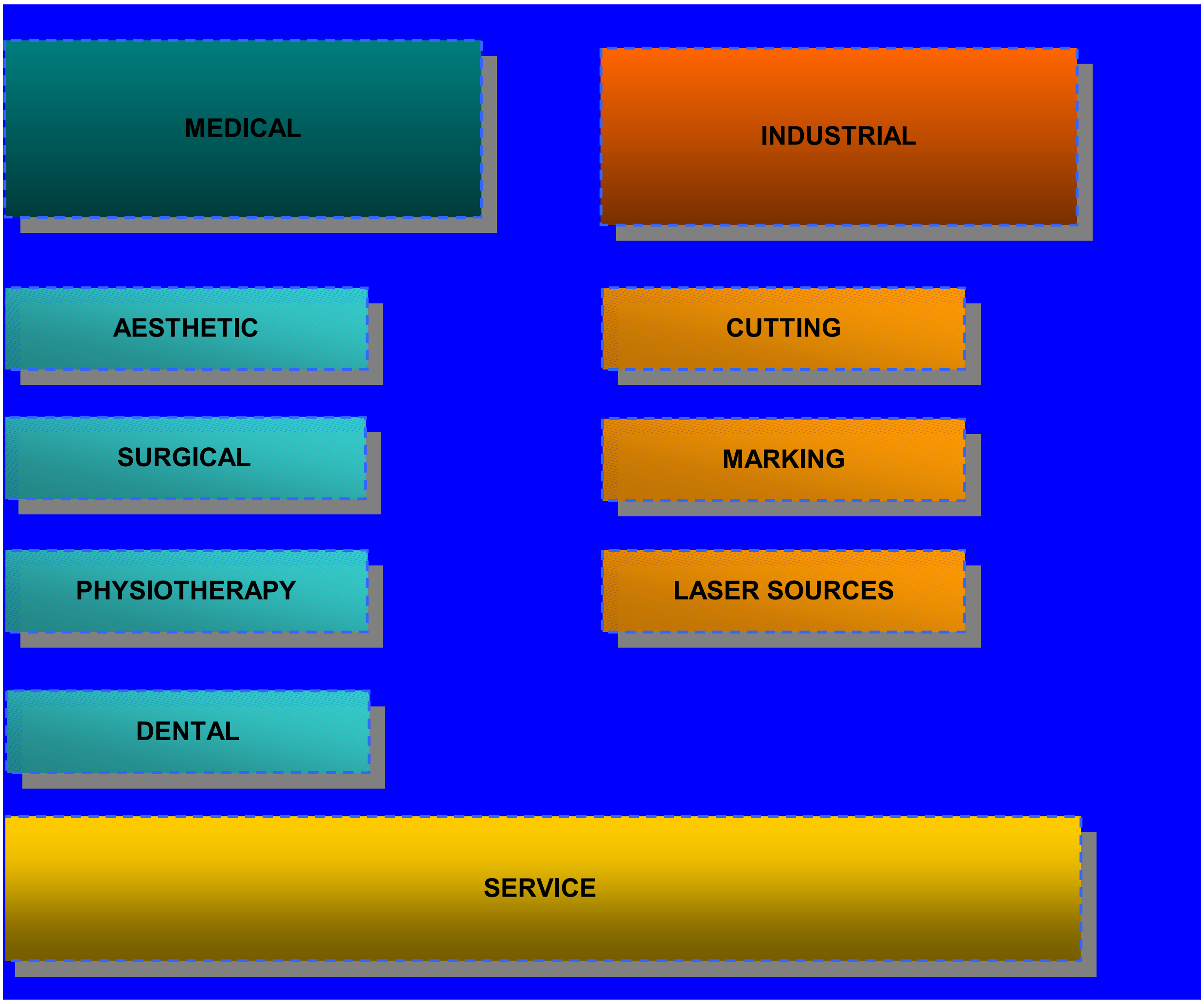
All amounts are shown in thousands of Euros unless otherwise indicated.

Description of the activities of the Group

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

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

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



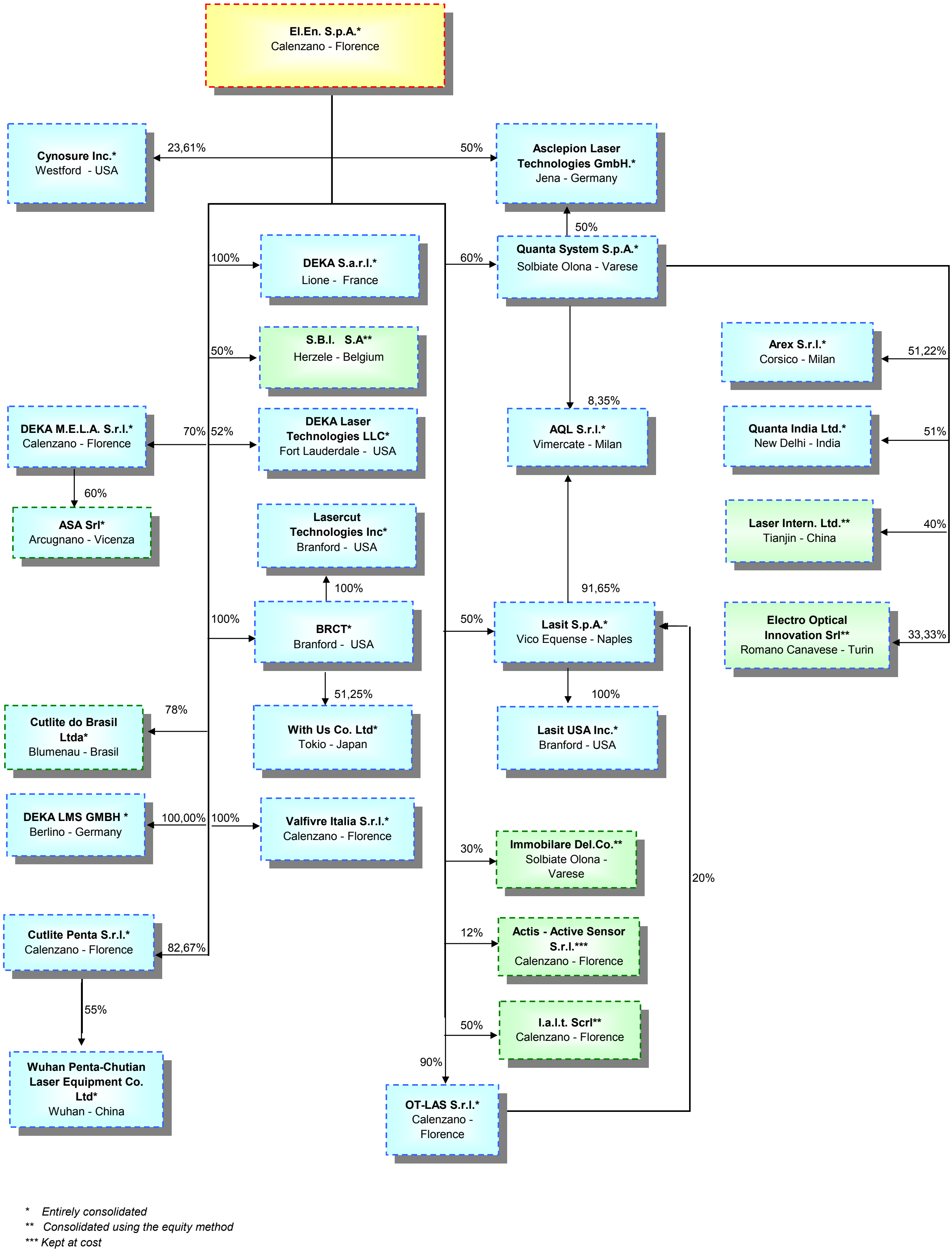
Description of the Group

Each of these companies carries out a specific role which depends on the market segment and geographical area in which it operates: Cynosure Inc. and Asclepion Laser Technologies GmbH develop, manufacture, and distribute medical laser systems, Quanta System SpA develops, manufactures and distributes laser systems for medicine, industry and scientific research; ASA Srl produces laser equipment for physical therapy; Deka M.E.L.A. Srl, Deka Sarl, Deka Lms GmbH, Deka Laser Technologies LLC distribute medical laser equipment, Cutlite Penta Srl, Cutlite do Brasil and Wuhan Penta Chutian are involved in the manufacture of laser systems for flat cutting, Ot-Las Srl for marking of large surfaces, Lasit SpA with AQL Srl and Lasit USA Inc. for the marking of small surfaces, Lasercut Technologies Inc. conducts customer service operations in the United States and Arex is involved in the management of a medical center.

As of December 31^{st} 2007 El.En. SpA holds equities in several companies like Immobiliare Del.Co. Srl, I.A.L.T. Scrl and SBI – Smartbleach International SA, directly and Laser International Ltd, indirectly, without however controlling them; for this reason the earnings of these companies are not wholly consolidated in the financial statements of the Group, but are consolidated using the shareholders' equity method.

During the period to which this report refers, no changes occurred in the activities of the companies of the El.En. Group.

As of December 31st 2007, the structure of the Group is as follows:



Cynosure Inc., a company quoted on the American stock market Nasdaq (NASDAQ:CYNO) controls in turn six companies which distribute their products, and which they own 100% in Germany, France, Great Britain, Spain, Japan and China.

Main economic and financial data

Revenue was registered for the financial year 2007 for an amount of 193 million Euros, well in excess of forecasts (185 million Euros) and showing an increase of approx. 25% over last year, thus representing a financial year of great development and satisfaction.

During the year the Group came close to reaching the threshold of 200 million in sales volume, a goal which would seem easily obtainable by next year, while they have surpassed the threshold of 20 million in earnings before interest and taxes. The sales volume of the Group without Cynosure was over 100 million, and came close to an EBIT of 10 million Euros.

These excellent results were obtained mainly thanks to the favourable market conditions for laser systems for aesthetic purposes, the diffusion of which grew considerably this year all over the world and in particular in the United States. Along with the popularity of these devices among the consumers and, consequently, with the professionals with whom we deal, the Group was able to combine not only a range of products capable of satisfying the needs of the clients but also to develop new ones, thanks to the extraordinary innovations in technique and applications of the systems which have been developed by our research teams.

The versatility which has made it possible to create innovative solutions for problems and procedures which traditionally were performed using other methods has been responsible for the increasingly widespread use of laser systems: from cutting and engraving materials like wood and metal to performing surgical operations in dermatology, for example, but also in many other fields. The introduction in the 1990s of laser systems for hair removal was followed by a 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 form of liposuction, opened a completely new market for the Group and, particularly in the United States, allowed them to take advantage of their competitive position as “first mover”, the benefits of which have been evident both in terms of revenue and growth of sales volume.

Smartlipo, which is distributed exclusively by Cynosure (Nasdaq : CYNO) on the US market, together with other highly successful products, contributed to the brilliant results of this American company, which increased by more than 50% this year (data in US currency)), making it the number one company for both growth and revenue among those operating in this sector. Although the results in terms of sales volume are heavily penalized by the exchange rate in Euros, the growth of Cynosure has been so significant that it has been decisive even after the slack caused by the average exchange rate which rose from 1,26 in 2006 to 1,37 in 2007, with a decrease of approx. 9% on the sales volume in US dollars expressed in Euros.

The other activities in the medical sector also performed well on the whole; during 2007 there was a consolidation of the Group’s position on the Japanese market and of the Group’s brands throughout the world, although some difficulties were encountered in some geographical areas.

The industrial sector, which is now in the re-launching phase, was unable to improve on the sales volume registered for the preceding year, both on account of the freezing of the activities of Lasercut and for the delays caused by negotiation and bureaucratic difficulties related to the start up of operations in China and Brazil, which produced results below expectations that the positive results in the marking sector were unable to completely counteract.

Besides the excellent results of the operating activities, this year benefited obviously from the capital gains produced by the sale of a major parcel of Cynosure shares which brought into El.En.SpA. approx. twenty million Euros, before taxes. The benefits of this transaction on the consolidated net financial position are evident.

In consideration of the significance that the subsidiary Cynosure has on the consolidated results and the considerable quota in the company held by third parties (the controlling quota held by El.En. SpA, in fact, as of December 31st 2007, is 23,61%), we will conclude this information sheet by showing both the consolidated results of the Group as well as the results for the Group excluding Cynosure from the area of consolidation.

The chart below shows the sub-division of the sales volume by sectors of activity of the Group during 2007, in comparison with the same subdivision for the same period last year

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Industrial systems and lasers	22.798	11,79%	22.932	14,85%	-0,58%
Medical and aesthetic lasers	145.597	75,27%	113.267	73,37%	28,54%
Service	25.042	12,95%	18.173	11,77%	37,80%
Total	**193.437**	**100,00%**	**154.372**	**100,00%**	**25,31%**

Customer assistance services and spare parts sales showed an increase of just under 40%, which follows the natural increase in the number of units installed, but is also derived from the sale of consumable material required for some of the medical and aesthetic applications. For this segment the inclusion into the area of consolidation of With Us, which directly conducts customer assistance services in Japan adding to the sales volume for technical assistance and spare parts sales on the hundreds of units installed in that country, has been fundamental.

The medical sector is still showing a very rapid growth - close to 30% - which is greater than that registered by the main competition and by the overall market.

The industrial sector has not registered any growth in sales volume in this year of transition characterized, as mentioned earlier, by the start up of new activities and the down-sizing of others, which constitutes the base for a significant growth expected in 2008.

The results for this year based on the geographic distribution of sales are shown in the chart below.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Italy	30.534	15,78%	29.051	18,82%	5,10%
Europe	56.245	29,08%	49.767	32,24%	13,02%
Rest of the world	106.657	55,14%	75.555	48,94%	41,17%
Total	**193.437**	**100,00%**	**154.372**	**100,00%**	**25,31%**

Sales volume outside of Europe is over 50% of the total, and demonstrates the global nature of our business. The sales volume in Italy and the rest of Europe is also expanding, and this shows the widespread vitality of the Group in all the geographical areas where it operates, including those where the macro-economic conditions are not particularly favourable.

Within the medical-aesthetic sector, which represents more than 75% of the sales of the group, the sales results in the various segments are shown on the chart below:

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Surgical CO2	3.757	2,58%	2.589	2,29%	45,08%
Physiotherapy	3.837	2,64%	4.381	3,87%	-12,41%
Aesthetic	116.503	80,02%	86.213	76,11%	35,13%
Dental	8.803	6,05%	8.673	7,66%	1,49%
Other medical lasers	11.616	7,98%	10.699	9,45%	8,56%
Accessories	1.082	0,74%	711	0,63%	52,17%
Total	**145.597**	**100,00%**	**113.267**	**100,00%**	**28,54%**

The sales volume registered a solid growth in all segments, with the sole exception of physical therapy, which, among other things, had benefited from a non-repeatable sale in 2006.

The aesthetic sector is by far the most important and maintains an intense growth rate. In terms of growth, this sector is surpassed only by the segments of CO_2 lasers and accessories, which are now going though a phase of particular interest thanks to an application which requires the use of an accessory, the “DOT” scanner, which amplifies the range of applications of CO_2 surgical lasers so that it can be used in some special resurfacing applications.

The recent AAD convention, held this year in San Antonio, Texas, which is the key event in the U.S. for dermatological and aesthetic applications, confirmed that the products for the removal of fat and those for “skin tightening” and “resurfacing” are now at the center of the clientele’s attention, in particular the Affirm, SmartLipo, CO_2 “DOT” and Matisse systems offered in this field by the various companies of the Group place us in a highly advantageous position.
The CO_2 “DOT” laser used together with a special scanner which performs the special dotting treatment is part of this latter category; sales of this device drive the sales volume of the CO_2 sector up to a growth level which is over 40%.

Growth in the dental sector is slight but still interesting; it should be noted in fact that the sales volume of the subsidiary DEKA Laser Technologies, which is active on the US market, is penalized by the conversion rate in Euros, as mentioned earlier.
In the sector titled “Others” the sales volume for the Dye equipment, of which Cynosure is one of the two major manufacturers in the world and for which they developed the innovative “Multiplex” technique, a technological tour de force, used for certain types of vascular treatments, is still of considerable significance.

The table below illustrates in detail the sales volume for the industrial applications sector, divided according to the market segments in which the Group operates.

	31/12/2007	**Inc%**	**31/12/2006**	**Inc%**	**Var%**
Cutting	9.224	40,46%	9.869	43,04%	-6,53%
Marking	8.875	38,93%	8.526	37,18%	4,10%
Laser sources	4.410	19,34%	4.078	17,78%	8,15%
Welding, other industrial systems	288	1,27%	459	2,00%	-37,20%
Total	**22.798**	**100,00%**	**22.932**	**100,00%**	**-0,58%**

Although it registered a considerable increase in the fourth quarter, sales volume in this sector remained slightly below that of 2006.

As mentioned above, the drop in the sales volume of the cutting segment determined the final result in this sector on account of the crisis at Lasercut and the initial start up phases of operations in China and Brazil. However, start up of manufacture of some products with innovative characteristics and with interesting cost-benefit ratios prepared the sector for a positive beginning for the year 2008.
The core segment of laser sources for which product innovation and stable commercial relations brought about a positive trend in sales volume this year and good prospects for development, ended the financial year with a growth rate of over 8%.
The marking sector also showed an increase which was due among other things to the start up of distribution by Lasit in the United State, which facilitated the considerable increase in sales volume.
The welding and restoration sector, which is marginal as far as its overall importance is concerned, showed a drop in revenue.

The tables below show the composition of the sales volume for the sub-consolidation which excludes Cynosure; the chart showing details of the industrial sector is not shown since Cynosure does not operate in this sector.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Industrial systems and lasers	22.798	20,66%	22.932	24,02%	-0,58%
Medical and aesthetic lasers	71.806	65,07%	62.031	64,99%	15,76%
Service	15.744	14,27%	10.488	10,99%	50,12%
Total	**110.347**	**100,00%**	**95.450**	**100,00%**	**15,61%**

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Italy	30.192	27,36%	28.704	30,07%	5,19%
Europe	39.183	35,51%	35.579	37,27%	10,13%
Rest of the world	40.972	37,13%	31.168	32,65%	31,46%
Total	**110.347**	**100,00%**	**95.450**	**100,00%**	**15,61%**

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Surgical CO2	3.757	5,23%	2.568	4,14%	46,28%
Physiotherapy	3.837	5,34%	4.381	7,06%	-12,41%
Aesthetic	48.992	68,23%	41.208	66,43%	18,89%
Dental	8.803	12,26%	8.673	13,98%	1,49%
Other medical lasers	5.336	7,43%	4.485	7,23%	18,97%
Accessories	1.082	1,51%	716	1,15%	51,21%
Total	**71.806**	**100,00%**	**62.031**	**100,00%**	**15,76%**

As occurred in the first quarter of 2007, the growth of Cynosure in the medical sector was above the average of the Group, which, in any case, is over 15%, thanks to the service sector and the medical sector. For the sales volume in the various segments of the medical sector, refer to the considerations made earlier, except for the greater relative importance of the segments of Laser CO_2 and accessories which are now in a phase of intense growth.
As far as the geographic distribution of the sales volume is concerned, the tendency is the same as that of the consolidated sales volume.

Reclassified consolidated Profit and Loss Account as of December 31st 2007

The chart below shows the reclassified consolidated Profit and Loss Account closed on December 31st 2007 compared with that for 2006.

Profit and loss account	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	193.437	100,0%	154.372	100,0%	25,3%
Change in inventory of finished goods and WIP	6.726	3,5%	6.547	4,2%	2,7%
Other revenues and income	1.923	1,0%	1.837	1,2%	4,7%
Value of production	**202.086**	**104,5%**	**162.757**	**105,4%**	**24,2%**
Purchase of raw materials	76.847	39,7%	64.959	42,1%	18,3%
Change in inventory of raw material	(3.052)	-1,6%	(1.121)	-0,7%	172,1%
Other direct services	20.140	10,4%	16.571	10,7%	21,5%
Gross margin	**108.150**	**55,9%**	**82.348**	**53,3%**	**31,3%**
Other operating services and charges	38.613	20,0%	38.600	25,0%	0,0%
Added value	**69.537**	**35,9%**	**43.748**	**28,3%**	**59,0%**
For staff costs	43.200	22,3%	34.314	22,2%	25,9%
EBITDA	**26.338**	**13,6%**	**9.433**	**6,1%**	**179,2%**
Depreciation, amortization and other accruals	5.036	2,6%	5.214	3,4%	-3,4%
EBIT	**21.301**	**11,0%**	**4.219**	**2,7%**	**404,9%**
Net financial income (charges)	703	0,4%	2.126	1,4%	-66,9%
Share of profit of associated companies	(55)	-0,0%	(31)	-0,0%	79,3%
Other net income (expense)	13.449	7,0%	(214)	-0,1%	
Income before taxes	**35.399**	**18,3%**	**6.101**	**4,0%**	**480,3%**
Income taxes	10.460	5,4%	4.702	3,0%	122,5%
Income for the financial period	**24.938**	**12,9%**	**1.399**	**0,9%**	**1682,8%**
Minority interest	7.286	3,8%	191	0,1%	3707,1%
Net income	**17.653**	**9,1%**	**1.207**	**0,8%**	**1361,9%**

The gross margin is registered for an amount of 108.150 thousand Euros, an increase of 31,3% with respect to the 82.348 of last year, with an incidence on the sales volume which rises from 53,3% to 55,9%. In particular, the American subsidiary Cynosure contributed to this result and improved its margins notwithstanding the royalties paid to Palomar in accordance with the licensing contract underwritten in 2006, and so, to a lesser degree, did the other activities of the Group.

Costs for operating services and charges were registered for an amount of 38.613 thousand Euros, slightly above the amount entered in 2006 and with an incidence on the sales volume which decreases from the 25% shown for last year to 20% this year. It should be noted that as of December 31st 2006 this aggregate cost included the non-repeatable charge of 7,9 million Euros paid by Cynosure in relation to some patents on hair removal devices and that this cost had strongly influenced the revenue margins of the company and of the Group. If we exclude this one-time charge, the costs for services and operating charges would have been 30.636 thousand Euros, and therefore the costs for 2007 represent an increase of 26%.

The costs for staff were 43.200 thousand Euros with respect to the 34.314 thousand Euros for 2006 showing an increase of 25,9% and with an incidence on the sales volume which is substantially unchanged. The figurative costs entered into accounts in relation to the stock options assigned to employees are considered part of staff costs. In 2006 these costs were 3.656 thousand Euros, and they rose to 6.334 thousand Euros in 2007; of these, 6.094 thousand Euros are related directly to Cynosure Inc.

After the reform of the severance indemnity fund (TFR) the method used for the actuarial calculation on the basis of IAS Principle 19 was changed. The different evaluation of the severance indemnity 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 included among the actuarial profits and losses previously not entered when the so-called "corridor method" was in use. This adaptation has generated a smaller amount of liabilities for the amount of about 200 thousand Euros which is reflected in a reduction in the costs for personnel for the same amount.

In conformity with the IAS/IFRS principles, a criteria for accelerated distribution of the stock option charges of Cynosure Inc. has been applied, and this has comported an increase in costs of 1.877 thousand Euros for the year 2007. Due to the application of this criteria, we have made a rectification of the personnel costs for the year 2006 for the amount of 1.242 thousand Euros.

As of December 31st 2007 the number of employees in the Group was 796, of which 82 were brought in by the newly acquired With US, Cutlite do Brasil and Wuhan Penta Chutian. The number of employees at the end of 2006 was 635, thus the tendency to increase continues.

A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. These grants make it possible to amplify the range of research activity since they limit their economic impact; the grants entered into accounts during this year were for an amount of 916 thousand Euros.

The EBITDA was 26.338 thousand Euros, as opposed to the 9.433 thousand Euros for 2006, representing an increase of 179,2% with an incidence on the sales volume which rises from 6,1% to 13,6%. Again in this case, the effects of the one-time charge of 7,9 million; excluding this charge the EBITDA for 2006 would have been 17.397 thousand Euros, equal to 11,3% of the sales volume for that period.

The costs for depreciations, amortizations and accruals were 5.036 thousand Euros, , representing a drop of 3,4% 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 was 21.301 thousand Euros with respect to the 4.219 thousand Euros on December 31st 2006 (12.183 thousand Euros excluding the Palomar charges), with an incidence on the sales volume which rises from 2,7% to11%.

The result of the financial management was 703 thousand Euros with respect to the 2.126 thousand Euros for last year; the amount 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.

The other income and charges which show an amount of 13.449 thousand Euros, are influenced by the capital gains entered after the sale of 950.00 shares of the subsidiary Cynosure for an amount of approx. 15 million Euros; this entry is also influenced by the charges related to the rectification of the consolidation derived from the increase in capital of Cynosure for the picking up of the stock options, and of the subsequent dilution of the percentage held by El.En in Cynosure which occurred at a lower price than the charge value of the shares in the consolidated statement (most of them are, in fact, pick-up of stock options assigned before the IPO of 2005, with a pick-up price lower than 5 US dollars per share).

Earnings before taxes were registered for an amount of 35.399 thousand Euros, a considerable increase with respect to the 6.101 thousand Euros shown on December 31st 2006, even considering it net of the Palomar charges, that is, 14.065 thousand Euros.

The tax rate for this year has benefited obviously from the partial exemption regime "PEX" to which the capital gains earned with the sale of the Cynosure shares is subject. The comparison with last year is particularly favourable since the fiscal non-deductibility of several important cost categories had registered brought about a high tax rate. There have also been other tax benefits, the overall impact of which is minor compared to that of the capital gains exemption.

The taxes for this year amounted to 10.460 thousand Euros, and the tax rate dropped from 77,07% for last year to 29,55% for this year.

Consolidated balance sheet and net financial position as of December 31st 2007

The reclassified balance sheet below shows a comparison between this years results and those of last year.

	31/12/2007	31/12/2006	Var.
Balance Sheet			
Intangible assets	6.592	7.192	-600
Tangible assets	19.755	13.696	6.058
Equity investments	519	505	13
Deferred tax assets	5.633	4.140	1.492
Other non current assets	158	239	-80
Total non current assets	**32.657**	**25.773**	**6.884**
Inventories	46.568	38.573	7.995
Accounts receivables	42.313	36.711	5.603
Tax receivables	5.214	6.566	-1.352
Other receivables	5.248	3.848	1.400
Financial instruments	32.044	34.011	-1.967
Cash and cash equivalents	61.512	24.361	37.151
Total current assets	**192.899**	**144.069**	**48.830**
TOTAL ASSETS	**225.555**	**169.841**	**55.714**
Common stock	2.509	2.443	66
Additional paid in capital	38.594	35.607	2.987
Other reserves	11.023	12.960	-1.937
Retained earnings / (deficit)	23.803	19.835	3.969
Net income / (loss)	17.653	1.207	16.445
Parent stockholders' equity	**93.581**	**72.052**	**21.529**
Minority interests in consolidated subsidiaries	68.986	47.680	21.306
Total equity	**162.567**	**119.732**	**42.835**
Severance indemnity	2.485	2.582	-98
Deferred tax liabilities	321	617	-295
Other accruals	4.774	4.189	585
Financial liabilities	3.441	1.930	1.510
Non current liabilities	**11.021**	**9.318**	**1.703**
Financial liabilities	2.807	1.301	1.506
Accounts payables	28.610	23.606	5.004
Income tax payables	2.316	1.748	568
Other payables	18.235	14.136	4.099
Current liabilities	**51.967**	**40.791**	**11.176**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**225.555**	**169.841**	**55.714**

Net financial position		
	31/12/2007	**31/12/2006**
Cash and bank	61.512	24.361
Financial instruments held for sale	32.044	34.011
Cash and cash equivalents	**93.556**	**58.372**
Bank short term loan	(2.127)	(621)
Part of financial long term liabilities due within 12 months	(679)	(680)
Financial short term liabilities	**(2.807)**	**(1.301)**
Net current financial position	**90.749**	**57.071**
Bank long term loan	(1.530)	(13)
Other long term financial liabilities	(1.911)	(1.918)
Financial long term liabilities	**(3.441)**	**(1.930)**
Net financial position	**87.308**	**55.141**

The chart below shows the profit and loss account for this year and the net financial position of the Group, excluding the subsidiary Cynosure from the area of consolidation.

Profit and loss account	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	110.347	100,0%	95.450	100,0%	15,6%
Change in inventory of finished goods and WIP	3.543	3,2%	3.224	3,4%	9,9%
Other revenues and income	1.536	1,4%	1.508	1,6%	1,9%
Value of production	**115.427**	**104,6%**	**100.182**	**105,0%**	**15,2%**
Purchase of raw materials	56.038	50,8%	46.301	48,5%	21,0%
Change in inventory of raw material	(3.377)	-3,1%	(1.704)	-1,8%	98,2%
Other direct services	10.681	9,7%	10.250	10,7%	4,2%
Gross margin	**52.085**	**47,2%**	**45.335**	**47,5%**	**14,9%**
Other operating services and charges	18.154	16,5%	14.823	15,5%	22,5%
Added value	**33.930**	**30,7%**	**30.512**	**32,0%**	**11,2%**
For staff costs	21.647	19,6%	18.671	19,6%	15,9%
EBITDA	**12.284**	**11,1%**	**11.840**	**12,4%**	**3,7%**
Depreciation, amortization and other accruals	2.722	2,5%	2.841	3,0%	-4,2%
EBIT	**9.561**	**8,7%**	**8.999**	**9,4%**	**6,2%**
Net financial income (charges)	(319)	-0,3%	(557)	-0,6%	-42,8%
Share of profit of associated companies	(55)	0,0%	(31)	0,0%	79,3%
Other net income (expense)	18.075	16,4%	(62)	-0,1%	
Income before taxes	**27.263**	**24,7%**	**8.350**	**8,7%**	**226,5%**
Income taxes	4.630	4,2%	4.927	5,2%	-6,0%
Income for the financial period	**22.633**	**20,5%**	**3.423**	**3,6%**	**561,2%**
Minority interest	1.049	1,0%	1.306	1,4%	-19,7%
Net income	**21.585**	**19,6%**	**2.117**	**2,2%**	**919,5%**

Net financial position		
	31/12/2007	**31/12/2006**
Cash and bank	35.012	13.964
Financial instruments held for sale	58	939
Cash and cash equivalents	**35.070**	**14.903**
Bank short term loan	(2.116)	(466)
Part of financial long term liabilities due within 12 months	(361)	(375)
Financial short term liabilities	**(2.478)**	**(841)**
Net current financial position	**32.592**	**14.062**
Bank long term loan	(1.530)	(13)
Other long term financial liabilities	(1.372)	(1.106)
Financial long term liabilities	**(2.902)**	**(1.118)**
Net financial position	**29.690**	**12.944**

As far as the results of the Group excluding Cynosure are concerned, it should be mentioned that the growth in sales is about 16%, with a profit on the sales which is slightly lower than last year in part due to the impact, direct and indirect, that the weakness of the US dollar has had on the sales prices and on the margins. In any case, we believe that the stability of the price level that the Group is able to maintain on the markets is satisfactory and that this is due to their capacity to differentiate their products through innovation and therefore remain in a position to create value notwithstanding the devaluation of the currency being used for international transactions outside of the European Union.

The slight increase in the incidence of the fixed structural costs in terms of operating costs and the increase in the sales volume in any case have contributed to the increase in the absolute value of the EBIT. It should be pointed out that the costs sustained for the down-sizing of certain activities as well as the start up of others which are not yet fully operational, had a negative influence on the results for this year precisely in the increase of the structural costs.

The other net income and charges which show a result for 18.075 thousand Euros are clearly influenced by the capital gains entered after the sale of the shares of the subsidiary Cynosure; they are also influenced by an extraordinary net charge related to the founding of Cutlite do Brasil, for which El.En. has granted the possibility to the minority partners to enter among the group of shareholders free of charge, thus recognizing to them a goodwill which will be entered into accounts during the period.

Earnings before taxes, considering the good trend of the EBIT and the capital gains described above, shows a considerable increase with respect to the same period last year.

Again in this sub-consolidation, the fiscal benefits of the regime of partial exemption (PEX), to which the capital gains from the sale of the Cynosure shares is subject, are evident, bringing the tax rate down from 59% last year to 17% for this year.

Chart showing reconciliation between the annual report of the Parent company and the consolidated annual report

	Profit and loss account 31/12/2007	Capital and reserves 31/12/2007	Profit and loss account 31/12/2006	Capital and reserves 31/12/2006
Balance as per statement of the parent company El.En.	**20.465.195**	**75.080.552**	**624.283**	**52.744.882**
Elimination of investments in companies entirely consolidated				
- Net income (group quota)	6.057.138		591.913	
- other (charges) and income	-7.255.925		402.940	
Total contribution of the subsidiaries companies	**-1.198.787**	**20.966.596**	**994.853**	**20.505.547**
Elimination of investments in companies consolidated with the shareholders' equity method	**11.089**	**-17.279**	**-25.407**	**-42.231**
Elimination of dividends	**-543.453**		**-238.404**	
Elimination of intercompany profits on inventory (*)	**-1.054.162**	**-2.411.963**	**-156.788**	**-1.146.739**
Elimination of intercompany profits from sales of fixed assets (*)	**-27.332**	**-36.784**	**8.947**	**-9.452**
Balance as per consolidated statement – Group quota	**17.652.550**	**93.581.122**	**1.207.484**	**72.052.007**
Balance as per consolidated statement – Third party quota	**7.285.692**	**68.985.905**	**191.373**	**47.680.061**
Balance as per consolidated statement	**24.938.242**	**162.567.027**	**1.398.857**	**119.732.068**

(*) net of relative fiscal effects

Results of the Subsidiary companies

El.En. SpA controls a Group of companies which operate in the same overall area of lasers, and to each of which a special application niche and particular function on the market has been assigned.

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the financial year 2007.

	Net Turnover 31-dic-07	Net Turnover 31-dic-06	Var. %	EBIT 31-dic-07	EBIT 31-dic-06	Net income 31-dic-07	Net income 31-dic-06
Cynosure (*)	90.312	62.107	45,41%	12.453	-4.709	8.724	-1.762
Deka Mela Srl	19.526	18.655	4,67%	1.356	596	1.123	428
Cutlite Penta Srl	9.398	9.380	0,20%	365	350	297	1.013
Valfivre Italia Srl	254	387	-34,37%	22	-20	14	-15
Deka Sarl	1.236	1.053	17,40%	-258	-275	-260	-277
Deka Lms GmbH	891	1.651	-46,02%	-872	-143	-920	-308
Deka Laser Technologies LLC	2.617	2.571	1,76%	83	181	44	151
Quanta System SpA	16.046	14.343	11,87%	1.707	1.503	881	584
Asclepion Laser Technologies GmbH	17.275	17.093	1,07%	1.575	2.306	932	1.451
Quanta India Ltd	8	58	-86,17%	-37	15	-36	9
Asa Srl	4.177	4.657	-10,30%	449	789	284	418
Arex Srl	949	843	12,54%	123	94	59	43
AQL Srl	1.019	1.392	-26,77%	7	-71	9	-74
Ot-Las Srl	3.798	4.165	-8,81%	238	489	246	325
Lasit Spa	5.558	3.889	42,91%	178	18	33	-142
CL Tech Inc	1.388	2.811	-50,62%	-352	-932	-399	-1.083
Lasercut Technologies Inc.	152			-42		-42	
BRCT Inc.	0	0		-63	-7	-22	15
With Us Co LTD (**)	10.290	0		-26	0	-146	0
Wuhan Penta Chutian Laser Equipment Co LTD	540	0		-151	0	-150	0
Lasit Usa INC	322	0		-72	0	-72	0
Cutlite do Brasil Ltda	18	0		-269	0	-269	0
Neuma Laser Srl	157	268	-41,44%	88	48	57	40

(*) consolidated data
(**) consolidated since February 2007

Cynosure Inc.
This company operates in the field of design, manufacture and sales of laser systems for medical and aesthetic applications, and in the last few years has been concentrating on laser applications for aesthetics. Cynosure is one of the world leaders in the field of medical and aesthetic lasers and has achieved this position thanks to the superior performance and high quality of its products, in particular the DYE laser with colouring agents for vascular applications, the alexandrite lasers for hair removal, and, this year, the Smartlipo System for laser-lipolysis.

Thanks to their research and development work, the innovation of the range of products offered includes both traditional products for hair removal and vascular treatments as well as newer ones like the above mentioned Smartlipo for fat removal and the Affirm System for skin tightening.
The company manages directly its own sales and marketing activities on the US market and on international markets through its own subsidiaries and its distribution network. The vast and efficient network for direct distribution in the USA is the strong point which has driven the extremely rapid growth of this company. Manufacture and research and development are conducted at Westford, Massachusetts.
Cynosure Inc. controls its own network for world distribution also through subsidiary companies of which it has 100% control and which have been specifically created for this purpose in France, Great Britain, Germany, Spain, Japan and China.
For Cynosure 2007 was a year of tremendous growth, with a sales volume which was well over 100 million US dollars, which places the Cynosure among the first three American companies in the sector. The revenue results were particularly favourable and represent a record for the company.

Cynosure has been quoted on Nasdaq since 2005; during 2007 the Cynosure stock hit its maximum level at about 45 dollars per share; the price later fell off on account of the general condition of the financial markets and also due to the expectations for the specific segment, so that it was penalized above all for the poor performance of its peer group.

Deka M.E.L.A. Srl
The company conducts activity in Italy and abroad related to the distribution of medical laser equipment manufactured by El.En. SpA, particularly in the fields of dermatology, aesthetics, and the surgery sector, where it operates directly, and it has established profitable relations of collaboration in the dental sector in Italy (Anthos Impianti). For the physical therapy segment, Deka has assigned management of the sector to ASA Srl of which it has 60% control, obtaining good results in terms of both sales volume and earnings.

The competitive context in which Deka moved in 2007 confirmed a general state of growth for the aesthetic sector , and, at an international level, manifested a state of discomfort on the part of the European manufacturers like Deka, in dealing with the American competition which has the advantage of an exchange rate which is increasingly favourable for American exporters.
In order to better operate in this situation, Deka first began re-establishing its position on the Japanese market, on which it was able to return to a competitive position thanks to the With US company, exclusive distributor in Japan of the Deka brand of products. The activities of With US were financed by El.En, which in this way has rapidly put Deka in the position of again being able to count on a good sales volume in the area.
The operating revenue has therefore shown an increase with respect to last year, and the net income even more so thanks to the payment of dividends by ASA Srl, which were greater than those for last year. The outlook for activity in 2008 remains good.

Cutlite Penta Srl
This company is active in the manufacture of laser systems for industrial cutting applications and installs the laser power sources produced by El. En. SpA on movements controlled by CNC.
During 2007 sales volume remained practically unchanged but, thanks to a slight increase in sales margins, operating revenue improved with respect to 2006.
From a strategic point of view, the investment in the joint venture in China, which creates the base for an effective penetration of the Chinese market, thanks also to the local manufacture of systems for some cutting applications, was extremely important. Competitive pressure from local manufacturers and from those that locally integrate sources produced in Europe and the USA, make it necessary to utilize local manufacturing structures in order to place on the market products which, although they include technology typical of Cutlite Penta and El.En products, still maintain the cost parameters consistent with the requirements of the local market.

Valfivre Italia Srl
As during last year, this company conducted manufacturing activity and provided technical assistance for special laser systems for industrial applications besides service activity for the companies of the Group. However, the integration activity has been greatly reduced and the business volume has fallen off, although results actually improved slightly. At the end of 2007 all operating activity was ceased and the company is inactive at this time.

Deka Sarl
In France Deka Sarl distributes the medical-aesthetic laser equipment and relative accessories manufactured by El.En. and provides after-sales service for medical and aesthetic lasers.
The management of the company was re-organized in 2006, but no benefits in terms of sales volume or earnings were derived from it for most of 2007. Only towards the end of the year, thanks to the replacement with new partners of some of the older connections in the commercial distribution network, did the sales volume show a significant increase and the fourth quarter closed with a positive result. This result, however, was unable to make up for the losses accumulated at the beginning of the year, but offers a positive outlook for the near future for the possibility of consistent operations on the French market with an effective contribution to the revenue of the Group.

Deka Lms GmbH
Deka Lms GmbH is the company which distributes the medical and aesthetic laser devices produced by El.En in Germany. A series of events combined to make 2007 a year of disastrous results for the company, even worse than the negative ones shown for 2006, and of a nature to put into discussion the very existence of the company. Along with the ordinary operating results, which were already negative, during this year there were, in addition, the costs related to the severance indemnity paid to the management which had been replaced, the heavy charges for the cancellation of some agency contracts, and the devaluation of some of the inventory and of some receivables.
The drastic reduction in operating charges, although of course they will comport a reduced potential in revenue, will make it possible to conduct business in 2008 with a much more balanced profit and loss account.

Deka Laser Technologies LLC
In the United States this company distributes laser systems produced by El.En. SpA for the dentistry market, through a highly efficient distribution network that has been gradually expanded.
During 2007 the company showed a further growth in sales volume, although the revenue showed a slight drop, in part due to the expenses sustained towards the expansion of the organizational and distribution structure of the company.

Quanta System SpA
Quanta System became part of the area of consolidation of the Group in 2004 and represents a level of excellence at a global level for its innovation and technological research in the laser sector.
In the past few years the medical/ aesthetic sector has represented the main driver of growth for this company, partially overshadowing the scientific sector, in which the company was born, and the industrial sector. The major growth which it has shown in the medical sector has allowed the company to obtain increasing revenues which have been reinvested in order to consolidate their position: at the end of 2007 the initiation of the procedures which were concluded in February 2008, for the acquisition of the control of GLI, its distributor in Spain (approx. 15 million in sales volume in 2007) represents the most important in a series of company operations through which Quanta System has invested in technology and distribution.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the "jewels in the crown" of the Group, thanks to its geographical location in the global cradle of the electro-optical industry and its capacity to associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world.
Notwithstanding the sharp drop in sales volume registered in the United States on account of the phase of transition which its distributor is going through, Asclepion was able to make up for the lack of sales with an intense marketing activity and repositioning which produced excellent results on the international markets. During the medical fair held in Duesseldorf in November 2007, Asclepion presented a renewed range of integrated laser systems which will be available for sale starting in the next few weeks, and on which the growth expectations of the company are based for the current year.
For 2008 an intense expense program has been planned for the differentiation of their range in terms of products and the distribution network; this ambitious plan, which is aimed at future development, will comport a reduction in profits for 2008.

Quanta India Ltd
This company, which was founded in India by Quanta System, conducts activity as an intermediary and supplies technical assistance in order to facilitate the penetration in specific segments of the local market of some laser systems for industrial applications produced by Quanta System.

ASA Srl
This company in Vicenza, a subsidiary of Deka M.E.L.A. Srl, operates in the physical therapy sector. The activities of ASA continue in a positive manner; revenue is reduced with respect to last year, but not net of the important non-repeatable commissions that it had received in 2006. The net income also felt the lack of this major sale, but in any case remained at an excellent level. Along with its traditional production of diode and magneto-therapy lasers for physical therapy, Asa, using a large part of their management staff, has successfully included the distribution of HIRO and HILT products which represent the finest in technological developments created by El.En in the sector of lasers for physical therapy.

Arex Srl
The company became part of the Group in April of 2004, and is involved in the management of a medical center in Milan; it has obtained good results thanks to the increase in revenue from the services it offers.

Lasit SpA
The company designs and manufactures laser marking systems complete with controls and software which can be used for marking not only metals, but also wood, glass, leather, and fabrics.
The company has dedicated considerable resources to the development of new generation technologies and is now able to offer the market a range which includes the high level of technology of the optical and software sub-components developed by their research and development team with an effective and versatile structure for the customization of the product.
During the second quarter of the year, the company was able to achieve the results which they had pursued with great determination, showing an increase in sales volume of 42% on an annual basis, and a significant improvement in the EBIT and net income.
Following up the improvements which had been registered, with the prospect of transferring the production headquarters to the factory which had been purchased for this purpose by the Parent Company, and with the satisfaction

of the completion of the important industrialization project which has led to the purchase of major pieces of equipment and instruments, the company counts on being able to show a significant growth rate again in 2008.
Another significant initiative was the creation of Lasit USA Inc., for the distribution of the products of Lasit SpA in the USA. With this company, the activity initially begun through the Group company, Lasercut Inc. has continued.

Lasit USA
This company was created this year to act as distributor for Lasit SpA in the USA. Starting in the first months of operations it has succeeded in achieving a good sales volume despite the fact that it was operating under the pressure of the difficulties created by the exchange rate with the US dollar, the continued decline of which obviously affected the results for the financial year. The outlook for 2008 is good, and it is hoped that they will obtain a growth in sales volume, sufficient to break-even.

AQL Srl
AQL Srl is a company which has operated for three year in the sector of industrial laser marking; the company was re-organized for the purpose of obtaining greater efficiency in its operations. During this year the losses entered into accounts were compensated for by the intervention of one of the two partners, Lasit SpA, which in this way took over absolute majority partner in AQL and manages their activity after having appointed a general manager. Sales volume decreased during this year, showing a result which substantially broke even. For 2008, the company expects to see the results of their new organization and of a closer coordination of their activities with those of Lasit SpA.

Ot-Las Srl
Ot-Las designs and manufactures special laser systems for CO_2 laser marking of large surfaces, a field where it operates by offering the advanced technological solutions thanks to its close technical collaboration with the parent company, El.En. for the development of strategic components.
The sales volume for 2007 decreased with respect to last year, notwithstanding the efforts and expenditures sustained for the commercial promotion and development of new products, on account of the difficult comparison with the exceptional second quarter of 2006. The outlook for 2008 foresees that the company will maintain the position of 2007, notwithstanding the unfavourable economic situation.

Lasercut Inc.
This American company with headquarters in Branford (CT), acquired in the month of April, 2003, was forced to accept the impossibility of continuing its activity of manufacturing and distributing in the USA laser systems produced by the Group. In Fall of 2007 the company sold its residual activities to a company that was able to conduct after-sales services, and changed its name to CL Tech Inc.; ultimately, the company ceased its activity and, upon closure of operations, brought their account books to court for the initiation of legal procedures.

BRCT Inc.
BRCT Inc. holds the real state property located in Branford, Connecticut, which was formerly owned by El.En. SpA, and which houses all the operations of the subsidiary Lasercut Technologies Inc..
BRCT also holds equities in the Japanese company, With US, acquired in January 2007 for the distribution in Japan of the medical and aesthetic systems produced by El.En. SpA under the DEKA brand, and the equity in Lasercut Technologies Inc. which conducts after-sales assistance in the premises installed by Lasercut Inc.

Neuma Laser Srl
In December of 2006 this company was liquidated because the two partners had decided to conduct the activities of Neuma on their own, also in consideration of the development plans of the company and the Group in South America and in China. The liquidation of the company became effective in December of 2007 with the depositing of the final financial statement of liquidation, the allotment plan and the cancellation request.

With Us
This company picks up where its predecessor, the distributor in Japan for DEKA M.E.L.A., left off and for the Group represents an essential point of reference in one of their most important markets. During their second year of activity, which is the first within the Group which acquired control in January 2007, the company has already registered a sales volume of over 10 million Euros. Even though they are operating in a market which has been made complex due to the growing competition and the legal limitations, With Us has obtained a well defined and significant position on the market and manages a vast network of installations of DEKA systems. The company looks very promising for the development of a growing sales volume in Japan.

Wuhan Penta Chutian
This joint venture was constituted by Cutlite Penta together with the Wuhan Chutian Group of Wuhan, in the Hubei region in Central China.
The company is supposed to produce laser cutting systems for the local market and organized its logistic and manufacturing structure during 2007, producing and selling the first systems and registering a loss in their accounts, as is expected during the start-up phase of an activity. For the year 2008, it is expected that they will achieve an increase in their production volume and therefore also in the sales volume, which is aimed at the consolidation of the structure and of the competitive position on the market that has the highest growth rate in the world.

Cutlite do Brasil Ltda
During the first half of 2007 the Parent Company El.En. founded Cutlite do Brasil Alta tecnologia a laser Ltda., for the distribution and production in Brazil of industrial laser systems, with headquarters in Blumenau in the state of Santa Catalina.
The procedures for the formal start-up of operations, with the relative permits and licenses, as well as some facilitations granted by the local government were quite long and laborious and delayed the actual start up of activity to the end of the year. Having shown a negligible sales volume for 2007, the company will have its first effective year of production in 2008, during which it can act fully as distributor of the laser systems manufactured by Cutlite Penta and by Otlas and, above all, begin local production.

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).
We have completed the verification phases for determining the doses and the techniques for cutting and ablation procedures of soft tissues and the cauterization of small vessel using an endoscopic laser tweezer.
We have started research on a compact CO_2 laser source for this type of 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 CO_2 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.
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 Condrocites.
At Cynosure they have concluded the development of defractive 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.

<u>Laser systems and applications for industry</u>

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 scansion 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 CO_2 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 thin 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:

thousands of euros	**31/12/2007**	**31/12/2006**
Costs for staff and general expenses	9.408	7.684
Equipment	132	222
Costs for testing and prototypes	1.628	1.157
Consultancy fees	397	490
Other services	348	91
Intangible assets	3	4
Total	**11.915**	**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.

Equities held by administrators, auditors and general mangers

In conformity with art. 79 of the Consob regulations approved with vote no. 11971 of May 14th 1999, the equities held in the company or in its subsidiaries by the administrators, auditors and their relatives even through subsidiaries are shown on the chart below.

Name	*Company*	*No. of shares on 31-Dec-2006*	*No. of shares acquired*	*No. of shares sold*	*No. of shares on 31-Dec-2007*
Andrea Cangioli	El.En. S.p.A.	624.460			624.460
Barbara Bazzocchi	El.En. S.p.A.	494.824			494.824
Gabriele Clementi	El.En. S.p.A.	495.650	10.000		505.650
Immobiliare del Ciliegio Srl (*)	El.En. S.p.A.	312.412			312.412
Lucia Roselli	El.En. S.p.A.	350			350
Paolo Caselli	El.En. S.p.A.	300			300
Vincenzo Pilla	El.En. S.p.A.	300			300
Michele Legnaioli	El.En. S.p.A.	160			160
Stefano Modi	El.En. S.p.A.	1.200	1.000		2.200
Laserfin Srl (**)	El.En. S.p.A.		4.294		4.294
Laserfin Srl (**)	Cynosure Inc.	65.000			65.000
Paola Salvadori	El.En. S.p.A.	300			300
Alberto Pecci	El.En. S.p.A.	400.252	1.200		401.452

(*) Immobiliare del Ciliegio Srl is a company with headquarters in Prato, with a capital stock of 2.553.776 Euros. Andrea Cangioli is the outright owner with a quota of 25% of the capital stock.
(**) Laserfinis a company with headquarters in Milan and a capital stock of 10.500. thousand Euros. Angelo Ercole Ferrario holds an equity in the company of 21,78%

The ordinary shares in circulation on December 31st 2007 are 4.824.368. The nominal value of each share is 0,52 Euros.

Procedures for the management of financial risks

For an analysis of the procedures used for management of financial risks, please refer to the specific paragraph in the comments on the consolidated annual report.

Information in conformity with art. 149-duodiecies of the Consob Issuers Regulations

The chart below was drawn up in conformity with art. 149-*duodiecies* of the Regolamento Emittenti Consob, and shows the respective amounts received during the year 2007 for auditing services and for services other than auditing rendered by the Ernst & Young company to the Parent Company and some of the Italian and foreign subsidiaries.

Recipient of the service	**Audit of individual, consolidated annual report and occasional audits**	**Audit of half-yearly report**	**Underwriting of tax forms**	**Other services (*)**
	Amount paid in 2007 (€)	**Amount paid in 2007 (€)**	**Amount paid in 2007 (€)**	**Amount paid in 2007 (€)**
Parent company El.En. SpA	40.400,00	25.600,00	4.000,00	5.000,00
Italian subsidiaries (**)	40.000,00		10.000,00	
Foreign subsidiaries	457.228,00			
Totale	**537.628,00**	**25.600,00**	**14.000,00**	**5.000,00**

(*) This is the preliminary analysis of the control activity ex Law 262/05
(**) The Italian subsidiaries which are subject to auditing are Deka Mela Srl, Cutlite Penta Srl, Ot-Las Srl, Quanta System SpA and Lasit SpA.
(***) The foreign subsidiaries subject to auditing are Cynosure Inc and Asclepion Laser Technologies GmbH.

The honorariums shown on the chart which are related to Italian companies, are subject every year to an adaptation on the basis of the ISTAT index and are shown net of the expenses sustained and the overseeing fee paid to Consob.

Events of importance which occurred after the closing of the financial year

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. Cool Touch has firmly denied any such responsibility and, moreover, has initiated a lawsuit against Cynosure for violating some of the patent rights held by Cool Touch.

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 Donostìa - 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.

On March 3rd 2008 the El.En. Spa shareholders' assembly voted to authorize the Board of Directors to purchase treasury stock. This purchase is made with the following concurrent or alternative objectives: to stabilize the stock, to assign to employees and/or collaborators, to exchange for equities on the occasion of company acquisitions.
Authorization was given for the purchase for an maximum amount of 15.000.000,00 (fifteen million) Euros paid in one or more instalments for a a quantity of ordinary shares in the company which, in any case, must not exceed one-tenth of the capital stock. At this time 10% of the capital stock underwritten and deposited in El.En. is equal to 482.436 shares. The duration of the authorization will be for the maximum permitted by law which is 18 months from the date of approval by the assembly.

The purchase must take place on the regulated stock markets for a price which is not more than 20% under or 10 % over the official price negotiated the day preceding the purchase. Sale of the shares acquired must take place at a price which is not less than 95% of the average of the official prices for the negotiations registered during the five days preceding the sale.
On the closing date for this report the amount of treasury stock acquired by the company was 28.630 shares.

Lastly, on March 13th 2008, El.En. also increased the amount of its equity in Cutlite Penta Srl, by buying 8% of the shares held by one of the minority partners for the price of 224.000 Euros thus bringing the amount of its equity to 90,67%.

Predictable trends for the financial year now in progress

Although we are now passing through a global macro-economic and financial phase of great tension, as reported every day by the mass media, with an increasing threat of recession, the markets we serve and our position inside of them, still offer great promise for the possibility of continuing to grow and improve the revenue results.
In consideration of the policy followed by Cynosure Inc. which does not publish any guidance related to their expected results, for 2008 the management prefers to limit their forecast evaluations to the sub-consolidated excluding Cynosure: thanks also to the purchase of GLI, mentioned above, our objective is to reach 140 million in sales volume for 2008 (+27%) and to come as close as possible to 14 million in EBIT. The average value of the EBIT of the Parent Company in the last few years has been between 75% and 80%.

For the Board of Directors
The Managing Director– Ing. Andrea Cangioli

EL.EN. GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Consolidated balance sheet

	Notes	31/12/2007		31/12/2006	
Balance Sheet					
Intangible assets	1		6.592.138		7.191.856
Tangible assets	2		19.754.761		13.696.330
Equity investments:	3				
- in associates		405.581		443.779	
- other investments		113.017		61.714	
Total equity investments			518.598		505.493
Deferred tax assets	4		5.632.921		4.140.446
Other non current assets	4		158.242		238.503
Total non current assets			**32.656.660**		**25.772.628**
Inventories	5		46.567.687		38.572.805
Accounts receivables:	6				
- from third parties		42.072.252		36.513.198	
- from associates		241.068		197.432	
Total accounts receivables:			42.313.320		36.710.630
Tax receivables	7		5.213.943		6.565.631
Other receivables:	7				
- from third parties		4.968.883		3.737.007	
- from associates		278.991		110.523	
Total other receivables			5.247.874		3.847.530
Financial instruments	8		32.044.110		34.011.333
Cash and cash equivalents	9		61.511.786		24.360.779
Total current assets			**192.898.720**		**144.068.708**
TOTAL ASSETS			**225.555.380**		**169.841.336**
Common stock	10		2.508.671		2.443.170
Additional paid in capital	11		38.593.618		35.607.012
Other reserves	12		11.023.101		12.959.672
Retained earnings / (deficit)	13		23.803.182		19.834.669
Net income / (loss)			17.652.550		1.207.484
Parent stockholders' equity			**93.581.122**		**72.052.007**
Minority interests in consolidated subsidiaries			68.985.905		47.680.060
Total equity			**162.567.027**		**119.732.067**
Severance indemnity	14		2.484.721		2.582.226
Deferred tax liabilities	15		321.467		616.814
Other accruals	16		4.774.034		4.188.955
Financial liabilities:	17				
- to third parties		3.440.763		1.930.395	
Total financial liabilities			3.440.763		1.930.395
Non current liabilities			**11.020.985**		**9.318.390**
Financial liabilities:	18				
- to third parties		2.806.657		1.300.795	
Total financial liabilities			2.806.657		1.300.795
Accounts payables:	19				
- to third parties		28.581.360		23.473.550	
- to associates		28.419		132.552	
Total accounts payables			28.609.779		23.606.102
Income Tax payables	20		2.316.225		1.747.935
Other payables:	20				
- to third parties		18.234.707		14.136.047	
Total other payables			18.234.707		14.136.047
Current liabilities			**51.967.368**		**40.790.879**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY			**225.555.380**		**169.841.336**

Consolidated Profit and Loss Account

Profit and loss account	**Note**		**31/12/2007**		**31/12/2006**
Revenues:	21				
- from third parties		193.073.391		154.192.996	
- from associates		363.331		179.469	
Total revenues			193.436.722		154.372.465
Other revenues and income:	22				
- from third parties		1.917.941		1.831.835	
- from associates		5.080		4.800	
Total other revenues and income			1.923.021		1.836.635
Total revenues and income			**195.359.743**		**156.209.100**
Purchase of raw materials:	23				
- to third parties		76.757.816		64.894.355	
- to associates		89.021		64.310	
Total purchase of raw materials			76.846.839		64.958.664
Change in inventory of finished goods and WIP			(6.726.404)		(6.547.478)
Change in inventory of raw material			(3.051.532)		(1.121.376)
Other direct services:	24				
- to third parties		20.140.384		16.543.715	
- to associates		111		27.600	
Total other direct services			20.140.495		16.571.315
Other operating services and charges:	24				
- to third parties		38.149.063		38.524.776	
- to associates		463.822		75.354	
Total other operating services and charges (*)			38.612.885		38.600.130
For staff costs	25		43.199.946		34.314.499
Depreciation, amortization and other accruals	26		5.036.469		5.214.280
EBIT			**21.301.045**		**4.219.066**
Financial charges:	27				
- to third parties		(3.240.980)		(1.215.942)	
Total financial charges (*)			(3.240.980)		(1.215.942)
Financial income	27				
- from third parties		3.940.295		3.340.373	
- from associates		3.866		2.000	
Total financial income			3.944.161		3.342.373
Share of profit of associated companies			(54.940)		(30.636)
Other net expenses	28		(1.490.610)		(309.174)
Other net income (*)	28		14.939.941		94.868
Income before taxes			**35.398.617**		**6.100.555**
Income taxes	29		10.460.375		4.701.698
Income for the financial period			**24.938.242**		**1.398.857**
Minority interest			7.285.692		191.373
Net income			**17.652.550**		**1.207.484**

Basic net (loss) income per share		3,69	0,26
Diluted net (loss) income per share		3,66	0,25
Basic weighted average common shares outstanding	31	4.781.959	4.688.540
Diluted weighted average common shares outstanding		43.459	137.928

(*) In accordance with Delibera Consob 15519 of 27th July 2006, the amounts related to significant non-recurring events are listed in note (32). In particular, for the financial year 2006, in the "Costs for operating services and charges" non-recurring costs have been entered for an amount of 7.965 thousand Euros; for the financial year 2007, non-recurring income was entered into the "Other net income" for an amount of 14.940 thousand Euros and non-recurring charges for an amount of 980 thousand Euros were entered into the "Financial charges".

Attention should be called to the fact that the amount related to personnel costs as of December 31st 2006 has been increased with respect to the amount shown in the financial statement for last year, by 1.242 thousand Euros, on account of the effect of the application of the accelerated criteria for the temporal subdivision of the charges for the Cynosure stock option between US GAAP and IAS. As a consequence of this rectification the profit for each share has also been modified and for 2006 changes from 0,35 Euros to 0,26 Euros per share.

Consolidated financial statement (cash flow)

Financial statement (cash flow)	31/12/2007	31/12/2006
Cash flow generated by operating activity:		
Profit (loss) for the financial period	17.652.550	1.207.484
Amortizations and depreciations (26)	3.743.143	3.352.569
Devaluations of equity investments		62.634
Stock Options	6.333.644	3.656.189
Change of employee severance indemnity (14)	-97.505	408.796
Change of provisions for risks and charges (16)	585.079	142.720
Change of provisions for deferred income taxes	-1.787.822	-780.442
Stocks (5)	-7.274.012	-5.775.667
Receivables (6)	-4.531.005	-6.123.561
Tax receivables (7)	1.369.656	-3.602.283
Other receivables	-1.285.366	-1.713.398
Payables (19)	3.329.922	3.354.963
Income Tax payables (20)	185.128	-658.471
Other payables (20)	3.958.592	3.140.495
	4.529.454	-4.535.456
Cash flow generated by operating activity	22.182.004	-3.327.972
Cash flow generated by investment activity:		
(Increase) decrease in tangible assets	-9.225.306	-5.432.677
(Increase) decrease in intangible assets	292.028	-132.208
(Increase) decrease in equity investments and non current assets	67.156	160.472
Increase (decrease) in financial receivables (7)	-195.468	-257.666
(Increase) decrease investments which are not permanent (8)	1.967.223	-33.544.100
Cash flow generated by investment activity	-7.094.367	-39.206.179
Cash flow from financing activity:		
Increase (decrease) in non current financial liabilities (17)	1.510.368	-30.575
Increase (decrease) in current financial liabilities (18)	1.505.862	-891.375
Change in Capital and Reserves	4.038.696	-1.723.139
Change in Capital and Reserves of third parties	16.429.474	-4.953.797
Dividends distributed (30)	-1.421.030	-2.577.558
Cash flow from financing activity	22.063.370	-10.176.444
Increase (decrease) in cash and cash equivalents	37.151.007	-52.710.595
Cash and cash equivalents at the beginning of the financial period	24.360.779	77.071.374
Cash and cash equivalents at the end of the financial period	61.511.786	24.360.779

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned during this financial period on bank deposits amounts to about 2.191 thousand Euros.

Current taxes for this financial year were 12,4 million Euros.

The devaluation of the American dollar during 2007 produced a negative effect on the net financial position relative to the Cynosure Group for an amount of 6,8 million Euros.

Table of Variations in the Stockholders' Equity

STOCKHOLDERS' EQUITY:	**Balance 31/12/2005**	**Net income allocation**	**Dividends distributed**	**Adjustments**	**Other operations**	**Balance 31/12/2006**
Common stock	2.436.963				6.207	2.443.170
Additional paid-in capital	35.324.009				283.003	35.607.012
Legal reserve	537.302					537.302
Others reserves:						
Extraordinary reserves	6.339.051	6.988.600				13.327.651
Reserve for contribution on capital account	426.657					426.657
Reserve for conversion adjustments	339.471				-2.484.224	-2.144.753
Other reserves	355.861	13.392			443.562	812.815
Retained earnings	3.274.815	17.702.222	-2.577.558		1.435.190	19.834.669
Profits (loss) of the year	24.704.214	-24.704.214			1.207.484	1.207.484
Parent company's stockholders' equity	73.738.343	0	-2.577.558	0	891.222	72.052.007
Capital and reserves of third parties	48.976.010	1.408.535	-301.441		-2.594.417	47.488.687
Profit (loss) of third parties	1.408.535	-1.408.535			191.373	191.373
Minority interests	50.384.545	0	-301.441	0	-2.403.044	47.680.060
Total Stockholders' equity	124.122.888	0	-2.878.999	0	-1.511.822	119.732.067

STOCKHOLDERS' EQUITY:	**Balance 31/12/2006**	**Net income allocation**	**Dividends distributed**	**Adjustments**	**Other operations**	**Balance 31/12/2007**
Common stock	2.443.170				65.501	2.508.671
Additional paid-in capital	35.607.012				2.986.606	38.593.618
Legal reserve	537.302					537.302
Others reserves:						
Extraordinary reserves	13.327.651		-796.747			12.530.904
Reserve for contribution on capital account	426.657					426.657
Reserve for conversion adjustments	-2.144.753				-1.379.226	-3.523.979
Other reserves	812.815				239.402	1.052.217
Retained earnings	19.834.669	1.207.484	-624.283		3.385.312	23.803.182
Profits (loss) of the year	1.207.484	-1.207.484			17.652.550	17.652.550
Parent company's stockholders' equity	72.052.007	0	-1.421.030	0	22.950.145	93.581.122
Capital and reserves of third parties	47.488.687	191.373	-388.171		14.408.324	61.700.213
Profit (loss) of third parties	191.373	-191.373			7.285.692	7.285.692
Minority interests	47.680.060	0	-388.171	0	21.694.016	68.985.905
Total Stockholders' equity	119.732.067	0	-1.809.201	0	44.644.161	162.567.027

Other operations in the stock holders' equity of the Group refer to:
the increase in capital following the underwriting of 125.964 shares for the picking up of stock options by the employees, as part of the "2006/2007 incentive plan" which is explained in detail in the chapter dealing with the increases in capital;
the negative change which involved the conversion reserve, in particular on account of the devaluation of the US dollar during the financial period;
to the change in the reserve "for stock options" (other reserves) which includes the equivalent of the costs determined in accordance with the IFRS 2 of the Stock Option Plans assigned by El.En. SpA, for the quota which matured on December 31st 2007;
to the changes in the undivided earnings which, among other things, summarizes the increase in the shareholders' equity registered for Cynosure as a consequence of the stock option plans now in force.

EXPLANATORY NOTES ON THE FINANCIAL TABLES

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTAX which is managed by Borsa Italiana SpA.
The Consolidated Statement for the El.En. Group was examined and approved by the Board of Directors on March 31st 2008.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

CRITERIA USED FOR DRAWING UP THE STATEMENT

The consolidated statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*
This consolidated statement for the financial year ending December 31st 2007 has been drawn up in conformity with the International Accounting Principles promulgated by the International Accounting Standard Board (IASB) and approved by the European Union, including all the international principles which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the preceding Standing Interpretations Committee (SIC), the following IFRIC and the revised principles which came into force this year. The adoption of these revised principles and interpretations had no significant effect on the financial statements of the Group, as shown below.

IFRS 7 Financial instruments: additional information
Requires an information sheet which enables those using the statement to evaluate the impact of the financial instruments of the Group and the type of risks associated with these financial instruments.

Amendment to IAS 1 Presentation of the statement: information on the capital.
This modification requires the Group to supply new information which enables the users of the statement to evaluate the objectives, the policies and the procedures of the Group with reference to the management of the capital. The required information sheet has been included with the explanatory notes.

IFRIC 7 Application of the redetermination method in accordance with IAS 29 "Accounting information in hyperinflated economies"
The principle is not applicable to the activities of the Group.

IFRIC 8 Purpose of the IFRS 2
The interpretation clarifies some aspects of the IFRS 2 (payments based on shares).

IFRIC 9 Re-evaluation of the implicit derivatives
L'IFRIC 9 states that the date for evaluating the existence of an implicit derivative is the date in which the entity becomes the compensation of the contract, with a re-evaluation possible only if a modification of the conditions of the contract has significant effects on the financial flows. Since the Group does not hold derivative instruments, the application of IFRIC 9 had no impact on the financial position or the performance of the Group.

IFRIC 10 Intermediate statements and long-lasting reductions in value
L'IFRIC 10 requires that an entity not reinstate a loss in value registered in a preceding intermediate period in relation to goodwill or to an investment made either in a capital instrument classified as available for sale or in financial activities entered into accounts at cost. Since the Group has not reinstated losses in value which were previously registered, this interpretation has not had any impact on the financial position or the performance of the Group.

IFRS and IFRIC interpretations not yet in force

The Group has not applied the IFRS, the IFRIC Interpretations and the following amendments which have been published but are not yet in force:

IFRS 8 Operating segment
Requires additional information which will enable the users of the statement to better understand the management reports. The Group does not plan any major changes in the present information sheet.

IAS 23 Revised – Financial charges
The revised IAS 23 requires the capitalization of the financial charges when these latter refer to costs related to activities which justify their capitalization (qualifying assets). An asset which justifies capitalization is an asset which requires a significant period of time before it is ready for use or for sale. This standard is applicable starting with the financial year beginning January 1st 2009. The Group is still evaluating the effects of this interpretation and is not yet ready to evaluate the effects of the new principle on its financial statements.

IFRIC 11 IFRS 2 – Operations on treasury stock of the Group
IFRIC 11 requires the entering into accounts of all agreements which grant employees rights on capital instruments of the entity, like plans with share regulations, even when the entity purchases these instruments from a third party, or when the shareholders supply the necessary capital instruments. This interpretation must be applied starting on March 1st of 2007. The Group is evaluating the effects that the use of this standard, which will start on January 1st 2008, may have on its financial statement.

IFRIC 12 Contracts and agreements for the rendering of services
IFRIC 12 supplies indications on the ways in which operators must enter into accounts the agreements for the rendering of services by public institutions to private entities. The principal is not applicable to the activities of the Group.

IFRIC 13 Client fidelity programs
IFRIC 13 supplies accounting guidelines for companies which offer fidelity awards (like points or travel miles) to clients who purchase their goods or services. This interpretation is applicable for companies starting on July 1st 2008, but does not regard the Group.

IFRIC 14 IAS 19 – Limitations on the activities of Defined Benefit Plans, minimum financing requirements and their interaction.
IFRIC 14 supplies information about how to determine the limit in the capital gains which can be registered as assets in Defined Benefit Plans, in accordance with IAS 19 – Benefits to employees. The minimum amount of financing can cause effects on the assets and liabilities derived from pension plans. This interpretation is applicable after January 1st 2008. The Group is evaluating the effect that this interpretation will have on the consolidated financial statement of the Group after its application starting on January 1st 2008.

IFRS 3R Company aggregates and IAS 27/R Consolidated and individual statement
The two revised principles were approved in January 2008 and will enter into force during the first financial period after July 1st 2009. The IFRS 3R introduces several changes related to the entering into accounts of business combinations which will have an effect on the amount of goodwill registered, on the results for the financial period during which the purchase is made, and on the results for the financial periods which follow it. IAS 27R requires that a change in the amount of the equity held in a subsidiary be entered into accounts like a capital transaction. Consequently, this change will not have an effect on the goodwill, and will not give rise either to profits or losses. Moreover, the revised principles introduce changes in the entering into accounts of a loss suffered by a subsidiary, as well as the loss of control of the subsidiary. The changes introduced by principles IFRS 3R and IAS 27R must be applied in prospect and will have an impact on future acquisitions and transactions with minority shareholders.

IAS 1 Revised- Presentation of the statement
The revised principle IAS 1 Presentation of the financial statement, was approved in September of 2007 and will come into force during the first financial period after January 1st 2009. The principle separates the changes which occurred in the shareholders' equity into shareholders and non-shareholders. The table of variations in the shareholders' equity will include only the details of the transactions with shareholders, while all the transactions with non-shareholders will be presented on a single line. Moreover, the principle introduces the "comprehensive income" chart: this chart contains all of the items of revenue and cost related to the period which are registered in the profit and loss account, and, in addition, all other items registered for revenue and cost. The "comprehensive income" chart can be presented as a single chart or as two related charts. The Group is now deciding whether to use one or two charts.

Modifications of IAS 32 and IAS 1 Financial instruments "for sale"
The modifications of IAS 32 and IAS 1 were approved in February and will enter into force during the first financial period after January 1st 2009. The change in IAS 32 requires that some financial instruments "for sale" and liabilities that arise at the time of payment be classified as capital instruments if they meet certain conditions. The change in IAS

1 requires that certain information related to options “for sale” classified as capital be supplied in the explanatory comments. The Group does not expect that these modifications will have an impact on their financial statements.

No exceptions to the application of the International Accounting principles have been applied in drawing up the present consolidated financial statement.

This consolidated Annual Report consists of:

- the Balance Sheet,
- the Profit and Loss Account,
- the Financial Statement (Cash Flow)
- the Table of Variations in the Stockholders’ Equity,
- the following Explanatory Notes.

The economic information which is provided here is related to the financial years 2007 and 2006. The financial information, however, is supplied with reference to December 31st 2007 and December 31st 2006.

As far as the kind of financial charts are concerned, the Company decided to present the following types:

Consolidated Balance Sheet
The consolidated balance sheet is presented in comparative sections with separate indications of Assets, Liabilities and Shareholders’ Equity.
The Assets and Liabilities in turn are displayed in the consolidated accounting situation on the basis of their classification as current or non-current.

Consolidated Profit and Loss Account
The consolidated Profit and Loss Account is presented as a classification by type. It shows the EBIT, which includes all the components of the income and costs, independent of the number of times they are repeated or of their being or not being characteristic of the management, with the sole exception of the components of the financial management entered between the EBIT and Income before taxes.
Moreover, the components of the income and expenses which are derived from activities which will soon be interrupted or cease, including any capital gains or capital losses net of fiscal effects, have all been entered under a specific heading which precedes the Profits which are to be attributed to the stockholders of the Parent Company and the minority stockholders.

Consolidated Financial Statement (Cash Flow)
The financial statement (cash flow) is presented in sections divided according to the area of formation of the cash flow. The type of table used by the El.En Group for the financial statement (cash flow) has been drawn up applying the indirect method for cash flow generated by operating activities. Cash in hand included in the financial statement includes the financial balances for this item on this date. Income and expenses related to interests, dividends received and income taxes are included in the cash flow generated by the operating management.

Consolidated Table of Variations in the Stockholders’ Equity
This prospectus shows the variations in the consolidated stockholders’ equity in accordance with International Accounting Principles, showing separately income for the financial period, all profits and earnings, charges and expenses which were not listed in the Profit and Loss Account, but directly involved in the consolidated stockholders’ equity according to the specific accounting principles of the IAS/IFRS.

The parent company, El.En. SpA has engaged the auditing firm of Reconta Ernst & Young SpA to audit the consolidated financial statement dated December 31st 2007.

RECTIFICATION OF THE FINANCIAL STATEMENT FOR 2006

In accordance with the requirements of IAS 8, attention is called to the accounting effects on the consolidated financial statement dated December 31st 2006 related to the rectification made on the financial statement of the subsidiary Cynosure Inc. for the correct entry of the stock options in the Profit and Loss Account. This correction was made on the basis of the principle according to which the distribution of the cost for the various financial periods is made following a linear criteria for every period of maturation. It should be noted, in any case, that the overall effects of this rectification during the period of maturation of the stock option plans are null. In fact, we are dealing here simply with a different distribution over time of the total charge with an increased concentration in the first years of the life of the plan.

The effects on the Profit and Loss Account refer mainly to the increase in the cost for personnel for the amount of 1.242 thousand Euros and to the corresponding decrease in net income for the financial year 2006. The effect of this rectification on the net income for the year 2006 pertaining to the Group is about 431 thousand Euros. As shown on the charts that follow, the rectification in question did not produce any effect on the consolidated shareholders' equity and the shareholders' equity of the Group as of December 31st 2006 on the basis of the accounting criteria of the stock options (IFRS 2). As a consequence of this rectification the profit for each share has been modified and, for 2006, decreases from 0,35 to 0,26 Euros per share.
Independently from the rectification mentioned above, a re-classification of the taxes related to the preceding financial years from the entry "Other net charges" to the entry "Income taxes" was made for an amount of 160 thousand Euros.

		Rectified on 31/12/2006		31/12/2006	Var.
Balance Sheet					
Intangible assets		7.191.856		7.191.856	
Tangible assets		13.696.330		13.696.330	
Equity investments:					
- in associates	443.779		443.779		
- other investments	61.714		61.714		
Total equity investments		505.493		505.493	
Deferred tax assets		4.140.446		4.140.446	
Other non current assets		238.503		238.503	
Total non current assets		**25.772.628**		**25.772.628**	
Inventories		38.572.805		38.572.805	
Accounts receivables:					
- from third parties	36.513.198		36.513.198		
- from associates	197.432		197.432		
Total accounts receivables:		36.710.630		36.710.630	
Tax receivables		6.565.631		6.565.631	
Other receivables:					
- from third parties	3.737.007		3.737.007		
- from associates	110.523		110.523		
Total other receivables		3.847.530		3.847.530	
Financial instruments		34.011.333		34.011.333	
Cash and cash equivalents		24.360.779		24.360.779	
Total current assets		**144.068.708**		**144.068.708**	
TOTAL ASSETS		**169.841.336**		**169.841.336**	
Common stock		2.443.170		2.443.170	
Additional paid in capital		35.607.012		35.607.012	
Other reserves		12.959.672		12.939.594	20.078
Retained earnings / (deficit)		19.834.669		19.423.763	410.906
Net income / (loss)		1.207.484		1.638.467	-430.983
Parent stockholders' equity		**72.052.007**		**72.052.007**	

Minority interests in consolidated subsidiaries		47.680.060		47.680.060	
Total equity		**119.732.067**		**119.732.067**	
Severance indemnity		2.582.226		2.582.226	
Deferred tax liabilities		616.814		616.814	
Other accruals		4.188.955		4.188.955	
Financial liabilities:					
- to third parties	1.930.395		1.930.395		
Total financial liabilities		1.930.395		1.930.395	
Non current liabilities		**9.318.390**		**9.318.390**	
Financial liabilities:					
- to third parties	1.300.795		1.300.795		
Total financial liabilities		1.300.795		1.300.795	
Accounts payables:					
- to third parties	23.473.550		23.473.550		
- to associates	132.552		132.552		
Total accounts payables		23.606.102		23.606.102	
Income Tax payables		1.747.935		3.087.500	-1.339.565
Other payables:					
- to third parties	14.136.047		12.796.482		
Total other payables		14.136.047		12.796.482	1.339.565
Current liabilities		**40.790.879**		**40.790.879**	
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY		**169.841.336**		**169.841.336**	

		Rectified on			
Profit and loss account		**31/12/2006**		**31/12/2006**	**Var.**
Revenues:					
- from third parties	154.192.996		154.192.996		
- from associates	179.469		179.469		
Total revenues		154.372.465		154.372.465	
Other revenues and income:					
- from third parties	1.831.835		1.831.835		
- from associates	4.800		4.800		
Total other revenues and income		1.836.635		1.836.635	
Total revenues and income		**156.209.100**		**156.209.100**	
Purchase of raw materials:					
- to third parties	64.894.355		64.894.355		
- to associates	64.310		64.310		
Total purchase of raw materials		64.958.664		64.958.664	
Change in inventory of finished goods and WIP		(6.547.478)		(6.547.478)	
Change in inventory of raw material		(1.121.376)		(1.121.376)	
Other direct services:					
- to third parties	16.543.715		16.543.715		
- to associates	27.600		27.600		
Total other direct services		16.571.315		16.571.315	
Other operating services and charges:					
- to third parties	38.524.776		38.524.776		
- to associates	75.354		75.354		
Total other operating services and charges		38.600.130		38.600.130	
For staff costs		34.314.499		33.072.115	1.242.384
Depreciation, amortization and other accruals		5.214.280		5.214.280	
EBIT		**4.219.066**		**5.461.450**	**(1.242.384)**
Financial charges:					
- to third parties	(1.215.942)		(1.215.942)		
Total financial charges		(1.215.942)		(1.215.942)	
Financial income					
- from third parties	3.340.373		3.340.373		
- from associates	2.000		2.000		
Total financial income		3.342.373		3.342.373	
Share of profit of associated companies		(30.636)		(30.636)	
Other net expenses		(309.174)		(469.777)	160.603
Other net income		94.868		94.868	
Income before taxes		**6.100.555**		**7.182.336**	**(1.081.781)**
Income taxes		4.701.698		4.541.095	160.603
Income for the financial period		**1.398.857**		**2.641.241**	**(1.242.384)**
Minority interest		191.373		1.002.774	(811.401)
Net income		**1.207.484**		**1.638.467**	**(430.983)**

AREA OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated statement of the El.En Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. controls directly or indirectly through a majority of votes in the ordinary assembly, or, in the case of Cynosure Inc., where they have the power to appoint and to remove the majority of members of the Board of Directors. The companies that are currently included in the area of consolidation are shown on the chart below.

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr. capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:								
El.En. SpA		Calenzano (I)	EURO	2.508.671				
Subsidiary companies:								
Deka M.E.L.A. Srl		Calenzano (I)	EURO	40.560	70,00%		70,00%	70,00%
Cutlite Penta Srl	1	Calenzano (I)	EURO	103.480	82,67%		82,67%	82,67%
Valfivre Italia Srl		Calenzano (I)	EURO	47.840	100,00%		100,00%	100,00%
Deka Sarl		Vienne (F)	EURO	76.250	100,00%		100,00%	100,00%
Deka Lms GmbH		Berlin (D)	EURO	51.129	100,00%		100,00%	100,00%
Quanta India Ltd	2	New Delhi (INDIA)	INR	100.000		51,00%	51,00%	30,60%
Deka Laser Technologies LLC		Fort Lauderdale (USA)	USD	1.000	52,00%		52,00%	52,00%
Ot-las Srl	3	Calenzano (I)	EURO	57.200	90,00%		90,00%	90,00%
Lasit SpA	4	Vico Equense (I)	EURO	1.000.000	50,00%	20,00%	70,00%	68,00%
CL Tech Inc.		Branford (USA)	USD	1.000	100,00%		100,00%	100,00%
BRCT Inc.		Branford (USA)	USD	no par value	100,00%		100,00%	100,00%
Quanta System SpA		Solbiate Olona (I)	EURO	1.500.000	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	5	Jena (D)	EURO	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl	6	Corsico (I)	EURO	20.500		51,22%	51,22%	30,73%
AQL Srl	7	Solbiate Olona (I)	EURO	50.000		100,00%	100,00%	67,33%
ASA Srl	8	Arcugnano (I)	EURO	46.800		60,00%	60,00%	42,00%
Cynosure Inc.		Westford (USA)	USD	12.448	23,61%		23,61%	23,61%
Cynosure GmbH	9	Langen (D)	EURO	25.565		100,00%	100,00%	23,61%
Cynosure Sarl	9	Paris (F)	EURO	114.336		100,00%	100,00%	23,61%
Cynosure KK	9	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,61%
Cynosure UK	9	London (UK)	GBP	1		100,00%	100,00%	23,61%
Suzhou Cynosure Medical Devices Co.	9	Suzhou (CHINA)	YUAN	no par value		100,00%	100,00%	23,61%
Cynosure Spain	9	Madrid (Spain)	EURO	864.952		100,00%	100,00%	23,61%
With Us Co Ltd	10	Tokyo (JAP)	YEN	100.000.000		51,25%	51,25%	51,25%
Wuhan Penta Chutian Laser Equipment Co Ltd	11	Wuhan (CHINA)	YUAN	10.311.957		55,00%	55,00%	45,47%
Lasit Usa Inc.	12	Branford (USA)	USD	30.000		100,00%	100,00%	68,00%
Cutlite do Brasil Ltda	13	Blumenau (BRASIL)	REAL	1.404.000	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	14	Branford (USA)	USD	no par value		100,00%	100,00%	100,00%

(1) owned by Elen SpA (82,67%)
(2) owned by Quanta System SpA
(3) owned by Elen SpA (90%)
(4) owned by Elen Spa (50%) and Ot-las (20%)
(5) owned by Elen SpA (50%) and Quanta System SpA (50%)
(6) owned by Quanta System SpA
(7) owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)
(8) owned by Deka Mela Srl
(9) owned by Cynosure Inc.
(10) owned by BRCT (51,25%)
(11) owned by Cutlite Penta Srl (55%)

(12) owned by Lasit SpA (100%)
(13) owned by Elen SpA (78%)
(14) owned by BRCT (100%)

On February 2nd 2007 the Group concluded the purchase made through the subsidiary BRCT Inc. of the controlling share (51,25%) of With US Co., a Japanese company involved in the local distribution of laser systems for medical and aesthetic applications and related accessories.

The balance sheet for the Japanese company on the date of acquisition is shown below (amounts shown in Yen; the exchange rate Yen/ Euro on the date of acquisition was 157,27):

	31/01/2007
Balance sheet	
Intangible assets	1.351.531
Tangible assets	40.887.669
Total non current assets	**42.239.200**
Inventories	113.371.002
Accounts receivables	168.543.704
Tax receivables	2.825.832
Other receivables	17.195.157
Cash and cash equivalents	201.403.346
Total current assets	**503.339.041**
TOTAL ASSETS	**545.578.241**
Common stock	100.000.000
Retained earnings / (deficit)	68.249.894
Net income / (loss)	1.955.135
Total equity	**170.205.029**
Non current liabilities	
Accounts payables	263.231.049
Tax payables	60.259.800
Other payables	51.882.362
Current liabilities	**375.373.211**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**545.578.241**

The amounts entered in the accounts on the date of acquisition are approximately those of "fair value". If the company had been consolidated starting in January of 2007, increased revenue for an amount of about 500 thousand Euros would have been registered, while the impact on the results of the profit and loss account would have been limited.

On February 27th 2007 the Group announced that they had founded, in China, through their subsidiary Cutlite Penta Srl, the Wuhan Penta Chutian Laser Equipment Co Ltd., for the distribution and production of laser systems for industrial applications. The company obtained their business licence in Wuhan, in central China, the most important area in China for electro-optical technologies, where they can benefit from facilitations derived from their location in the so called "Optics Valley of China" as well as the Wuhan East Lake Hi-tech Development Zone.
The other partner is the Wuhan Chutian Industrial Laser Equipment Co Ltd.,a company belonging to the Wuhan Chutian group, leader on the Chinese market for the production of laser welding and marking systems, as well as medical laser systems and the manufacture for third parties of laser systems. For the past two years the Chutian group has acted as distributor for the El.En. Group for industrial laser systems and to the company they bring their particular competence for organizing an efficient manufacturing structure and widespread distribution network covering all of China. Cutlite Penta Srl holds 55% of the capital of the company, which has a corresponding value of about 960 thousand Euros. In the initial phase both partners paid out half of their relative quotas of capital, for an overall capitalization of the company of 500 thousand Euros, meaning a payment by the El.En. Group of 275 thousand Euros.. During the month of July 2007, the second half of their equity was paid. No payments of capital in kind are considered.

In the month of April 2007, during the assembly of the AQL srl company, after voting for the reduction of the capital stock in order to cover the losses which had emerged from the balance sheet of December 31st 2006, the partner, Lasit SpA intervened to reconstitute the capital stock of the associated company in order to reach the amount of 50 thousand Euros.

In the month of May, in Brazil, El.En. SpA founded the company Cutlite do Brasil Alta Tecnologia a Laser Ltda, for the distribution and production of laser systems for industrial applications. The company was created in the city of

Blumenau in the state of Santa Catalina, in center of the area of major industrial development in Brazil. El.En. SpA holds 78% of the company.
Moreover, during the first half of this financial year, in the United States, Lasit SpA founded the company Lasit USA, Inc., wich will manage the distribution activities in the USA.
Also during the first half of 2007 Cynosure Inc. created the company Cynosure Spain of which it posseses 100%.
By BRCT Inc. which holds a 100% interest in it, the company Lasercut Technologies Inc. was founded. In September of 2007 the company acquired the residual assets of Lasercut Inc..
On the 23rd of October 2007 El.En. SpA increased the amount of its equity in DEKA M.E.L.A. Srl, by acquiring 10% of the equity held by a minority shareholder for a price of 600 thousand Euros. This important transaction brings to 70% the amount of the equity held by El.En. in the Group company whose traditional activity has been that of distributing medical lasers produced by El.En. SpA.
On November 8th 2007 El.En. SpA announced that they had sold a parcel of 950.000 shares of the subsidiary Cynosure Inc. (NASDAQ:CYNO), at the price of 32,65 US dollars per share, for a total amount of about 31 million dollars.
Notwithstanding this sale, El.En. is still the majority shareholder of Cynosure Inc. with approx. 2,9 million Class B type shares, which represent 23,61% of the shares as of December 31st 2007; therefore, with more than 20% of the shares, it retains the statutory right to appoint and remove the majority members of the Board of Directors. El.En. will continue to wholly consolidate the results of this subsidiary.
The gross consolidated capital gains registered for the sale amounts to approx. 15 million Euros.
The company has commented on this operation calling attention to the fact that, while it has procured a sizeable amount of cash for the Parent Company, with this sale they do not intend to loosen the important strategic hold which exists between El.En. SpA and Cynosure Inc, which is the basis, among other things, for the success of several products like Smartlipo. The collaboration with Cynosure, which represents the direct presence of the Group in the United States, remains at the center of the attention of the management, which intends to keep the significant operating advantages offered by this partnership, independently of the amount of the equity held by El.En.
On the 18th of December 2007 El.En. SpA acquired from its subsidiary Valfivre Italia Srl the equity held by this latter (10%) of Cutlite Penta Srl at the price of 375 thousand Euros.
On December 26th 2007 Lasercut Inc., which in the mean time had been named CL Tech., Inc, was declared bankrupt by the courts of New Haven (Connecticut, USA).
Finally, again in the month of December 2007 El.En. SpA acquired from the minority shareholder the equity in Deka Lms at the price of 5 thousand Euros which brought the amount of their equity in the company to 100%.

ASSOCIATED COMPANIES

El.En. SpA holds equities directly and indirectly in several companies, which, however it does not control. These companies are evaluated according to the stockholders' equity method. Equities in associated companies are shown in the chart below.

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**percentage**
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	24.000	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	10.200	12,00%		12,00%	12,00%
SBI S.A.	Herzele (BELG)	300.000	50,00%		50,00%	50,00%
Laser International Ltd	Tianjin (CHINA)	1.552.396		40,00%	40,00%	24,00%
IALT Scrl	Calenzano (ITA)	10.000	50,00%		50,00%	50,00%
Electro Optical Innovation Srl	Torino (ITA)	12.000		33,33%	33,33%	20,00%

Capital stock is expressed in Euros with the exception of Laser International Ltd expressed in Yuan.

During the month of May 2007, the subsidiary Quanta System SpA, founded the company Electro Optical Innovation Srl, of which it possesses 33,33%. This company will be involved in various aspects from the engineering to the sale, of high technology products.

The statement amounts of the equities in associated companies are respectively:
Immobiliare Del.Co. Srl: 271 thousand Euros
Actis Srl: 2 thousand Euros
SBI S.A.: 87 thousand Euros
Laser International Ltd: 48 thousand Euros
IALT Scrl: 5 thousand Euros
Electro Optical Innovation Srl: -7

PRINCIPLES OF CONSOLIDATION

The statements used for the consolidation of the annual reports are those of the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting principles and IFRS evaluation criteria selected by the Parent Company.
In drawing up the consolidated financial statement the assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included. We have not included the payables and receivables, income and charges, profits and losses which have been generated by transactions made between the consolidated companies.
The book value of the equity in each of the subsidiaries is eliminated in the place of the corresponding portion of the stockholders' equity of each of the subsidiaries including the final adaptation at fair value on the date of purchase; the difference which emerges, if it is in the black (positive), is treated as goodwill, and as such is entered into accounts, in accordance with IFRS 3, as illustrated below. If it is in the red (negative) it is entered directly into the Profit and Loss Account.
The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the stockholders' equity titled "Capital and Reserves of third parties"; the portion of the consolidated economic result which corresponds to the equities of third parties is entered into accounts under the heading "Profit (loss) this year pertaining to third parties".

CONVERSION OF AMOUNTS IN FOREIGN CURRENCY

The accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

For the purposes of the Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Profit and Loss Account, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the stockholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Profit and Loss Account at the time that the subsidiary is sold.

The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.

The dollar/ Euro exchange rate used for the conversion of the statements of Cynosure, CL Tech (ex Lasercut Inc), Lasercut Technologies, Deka Laser Technologies, BRCT and Lasit Usa are: final rate: 1,4721; average rate: 1,3705.
The rupee/ Euro exchange rate used for the conversion of the statements of Quanta India are: final rate: 58,02; average rate: 56,57.
The Yen/ Euro exchange rate used for the conversion of the With Us statements are: final rate: 164,93, average rate: 161,25.
The Yuan/ Euro exchange rate used for the conversion of the statements of Wuhan Penta Chutian Laser Equipment Co Ltd and of Laser International are: final rate: 10,75, average rate: 10,42.
The Real/ Euro exchange rate used for the conversion of the statements of Cutlite do Brasil Ltda are: final rate: 2,61, average rate: 2,66.

SECTORIAL INFORMATION

A sector is a distinctly identifiable part of the Group which supplies a set of products and services of the same type (activity sectors) or supplies products and services in a specific economic area (geographic sector). In the El.En. Group two primary areas of activity can be identified i) medical and ii) industrial and a third residual area iii) others. On a secondary level, the division of the geographical area has constituted the basis on which the net sales revenue is divided according to the geographical location of the clients.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated Annual Report requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Profit and Loss Account. Goodwill is annually subjected to an impairment test in order to determine any loss in value.

SEASONAL VARIATIONS

Generally speaking the business activity of the Group is not subject to seasonal variations during the financial year, except for an increased concentration of sales volume in the last quarter.

EVALUATION CRITERIA

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The Group has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.

The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Profit and Loss Account in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.

Goodwill and other activities which have an indefinitive life are not subject to systematic amortization but to an annual impairment test.

Goodwill

All acquisitions are entered into accounts applying the "*purchase method*".

Goodwill derived from the acquisition of subsidiary or associated companies or *joint ventures,* represents the excess in the purchase price with respect to the *fair value* of the activities acquired, net of the current and potential liabilities taken on and it is placed in each of the *"cash generating units"* (CGU) which has been identified. The identification of the CGU coincides with each juridical subject. After the first entry, the goodwill is not amortized and is reduced in anticipation of possible reductions in value, which are determined according to the methods described below. Goodwill which is related to equities in associated companies is included in the charge value of each company. Should a negative goodwill arise, this is immediately entered in the Profit and Loss Account.

Goodwill which derives from the acquisitions made before January 1st 2004, is entered at the value registered under this heading in the last consolidated statement drawn up using the earlier accounting principles (December 31st 2003).

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of amortization. Ordinary maintenance expenses have been entirely entered in the Profit and Loss Account. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item**.**

The Group uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such principles, the value of land and of the buildings constructed on it is separated and only the building is amortized.

The aliquots used for amortization are shown on the chart below:

Description	*Amortization percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Profit and Loss Account at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Profit and Loss Account wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

Financial assets which consist of equities in associated companies are evaluated according to the stockholders' equity method, that is to say, for an amount equal to the corresponding fraction of the stockholders' equity shown in the last financial statement of the companies, after having subtracted the dividends and after having made the rectifications required by the accounting principles used for drawing up the consolidated statement in conformity with the IFRS to make them compatible with the accounting principles used by the Parent Company.

Joint-venture companies are evaluated in the consolidated statement with the stockholders' equity method, starting on the date in which the joint-venture is initiated up to the date on which it ceases to exist.

F) FINANCIAL INSTRUMENTS

Equities in other companies

The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) are classified at the time of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the Profit and Loss Account with the current or non-current assets. Changes in the value of equities that are classified as available for sale are entered into a reserve of the stockholders' equity which will be entered into the Profit and Loss Account at the time of sale. Changes in the value of the equities classified as assets evaluated at fair value through the Profit and Loss Account are entered directly into the Profit and Loss Account. These equities are evaluated at cost according to IAS 39.

Financial instruments

The financial assets other than equity investments classified among the current assets are included in the category " held for negotiation" and estimated at fair value by means of the Profit and Loss Account.

Commercial receivables

The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets

Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.

Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Profit and Loss Account under the heading "Financial Revenue (Charges)" or in a special reserve of the Stockholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents

This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock

Treasury stock is entered against stockholders' equity. No profit/loss is shown in the Profit and Loss Account for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables

Commercial payables, the due date of which falls within the normal commercial terms, are not discounted and are entered at cost (identified as their nominal value).

Financial liabilities

Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method.

G) INVENTORY

Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labour and the indirect costs of production (variable and fixed). Devaluation funds are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.

Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY.

Severance indemnity may be classified as a "post-employment benefit" of the "defined benefit plan" type, the amount of which already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently analysed, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate the current service cost which defines the amount of rights matured during the financial year by employees is entered under the "labour costs" heading of the Profit and Loss Account and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial Revenue (Charges)".
The actuarial profits and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, are entered pro-quota in the Profit and Loss Account for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeds the value of the liability by 10% (so-called corridor method).
After the reform of the TFR (severance indemnity fund) the method used for the actuarial calculation in conformity with IAS principle 19 was changed. The different evaluation of the severance indemnity fund maturing on December 31st 2006 with respect to the evaluation made according to the old rules, is treated as a "curtailment" and consequently is entered into the Profit and Loss Accounts along with the actuarial earnings and losses which had previously not been entered when the so-called "corridor method" was being applied.

STOCK OPTION PLANS

The costs of staff labour remunerated by means of a *stock option plan* is determined on the basis of the fair value of the options granted to the employees at the date of assignment.
The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Profit and Loss Account during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In conformity with the IFRS 1, the said principle has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Group has shown the funds for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Group will have to use its resources to honour such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Profit and Loss Account for the financial year in which the variation takes place**.**

L) RECOGNITION OF REVENUE

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped. Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate.

M) GRANTS IN CAPITAL ACCOUNT AND IN OPERATING ACCOUNT

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Profit and Loss Account at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Profit and Loss Account in relation to the period of amortization of the assets they refer to.
Grants in operating account are shown entirely in the Profit and Loss Account at the moment in which the conditions for entering them are satisfied.

N) FINANCIAL LEASING

Financial leasing operations are entered into accounts using the financial methodology which stipulates that the fixed asset acquired and its relative financing be entered into accounts. The relative amounts of depreciation and financial charges are entered in the Profit and Loss Account.

O) TAXES

Current taxes on income for the financial year have been entered according to the regulations currently in force on the basis of a realistic estimate of taxable income.
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference.
Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets.
The possibility of recuperating assets for deferred tax assets is re-examined at the closing of each financial year.
On the labour costs shown with regard to the retribution plan in the form of equity in the capital of the Parent company El.En., no fiscal effects have been registered inasmuch as the shares which will be assigned to employees will derive from the increase of capital.

P) EARNINGS PER SHARE

The basic earnings per ordinary share are calculated by dividing the portion of the Group's net profit attributable to ordinary shares by the weighted average of the ordinary shares in circulation during the financial year, excluding treasury stock. For the purposes of calculating the diluted earnings per share, the weighted average of the shares in circulation is modified by assuming the subscription of all the potential shares deriving from the conversion of stock options having a diluting effect. The net result of the Group is also adjusted to take into account the effect of such operations, net of tax.

STOCK OPTION PLANS

Stock option plans were implemented within the company with the aim of providing the Group with an instrument for encouraging employee incentive and loyalty.

El.En. SpA

The chart below shows the key elements of the Stock option plan for El.En shares in existence during this financial year and ending on July 16th 2007.

	Max. expiration date	Existing options 01.01.07	Options issued 01.01.07 - 16.07.07	Options cancelled 01.01.07 - 16.07.07	Options picked up 01.01.07 - 16.07.07	Expired options not picked up 01.01.07 - 16.07.07	Existing options 16.07.07	Options which can be picked up 16.07.07	Pick up price
Plan 2006/2007	July, 16th 2007	128.064	0	0	125.964	2.100	0	0	€ 24,23
		128.064	0	0	125.964	2.100	0	0	

For the 2006/2007 stock option plan purposes of determining the fair value using the “Black & Scholes” pricing model the following hypotheses were formulated :

- Market interest rate for risk free investments: 2,5%
- Historic volatility: 26,20%
- Time interval used for calculating volatility: 1 year prior to the date of issue

The overall fair value of the stock option is 1.038 thousand Euros.

During 2007 the average price registered for the El.En. S.p.A. stock was approx. 31 Euros.

With regard to the characteristics of the individual stock option plans adopted by El.En. S.p.A, as well as the increases of capital decided on to implement it, please refer to the description contained in chapter on the composition of the capital.

Cynosure Inc.

The chart below shows a summary of the main elements of the Cynosure stock option plan during 2007.

Existing options 01.01.07	Options issued 01.01.07 - 31.12.07	Options cancelled 01.01.07 -31.12.07	Options picked up 01.01.07 -31.12.07	Expired options which were not picked up 01.01.07 - 31.12.07	Existing options 31.12.07	Options which can be picked up 31.12.07
2.154.662	588.050	149.084	1.237.831		1.355.797	277.694

The chart below shows the average pick-up price and the average lifespan of the options in circulation on December 31st 2007.

Pick up price Average	Existing Options 31.12.07	Options which can be picked up 31.12.07	lifespan Average
$17,33	1.355.797		8,31
$14,17		277.694	8,03
	1.355.797	277.694	

Comments on the Main Assets

Non-current assets

Intangible fixed assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	**Balance 31/12/06**	**Variation**	**Revaluation (Devaluation)**	**Other Operations**	**(Amortizations)**	**Conversion Adjustments**	**Balance 31/12/07**
Goodwill	6.237.313	-990.218				-8.298	5.238.797
Costs of research, development	8.400				-8.400		
Patents and rights to use patents of others	205.119				-57.063	-16.902	131.154
Concessions, licences, trade marks and similar rights	615.352	324.977		8.462	-241.914	-24.674	682.203
Other	11.777	8.133		-1	-8.907	11	11.013
Intangible assets in progress and payments on account	113.895	427.076				-12.000	528.971
Total	**7.191.856**	**-230.032**		**8.461**	**-316.284**	**-61.863**	**6.592.138**

The amount entered under the heading of "goodwill" includes:
a) the amount which resulted from the purchase during the financial year 2002, by the Parent Company, of 60% of Cynosure Inc.. This amount was later rectified for the sale of 2,5% of the capital stock of Cynosure made by El.En SpA as part of the operations for the purchase of Quanta System SpA; it also includes the effects of the increase in the equity which was a consequence of the operations on the capital conducted at the end of 2004, and the effects of the later sale of part of the shares to the management of the company and to subjects close to the management and the subsequent sale of 1.000.000 shares; these operations were described in detail in the explanatory comments which accompanied the financial statement closed on December 31st 2005. During the financial year 2007, moreover, the amount was further rectified as a consequence of the diluting of the value of the equity in Cynosure Inc. following the increase in the capital for use in the stock option plans in favour of third parties and after the sale of 950.000 shares. The value of the goodwill as of December 31st 2007 is therefore equal to approx. 2.177 thousand Euros.
b)the amount entered by Cynosure as goodwill for the purchase made in 2006 of 100% of the Chinese subsidiary for 70 thousand Euros (equal to about 104 thousand dollars);
c) the amount which was the result of the acquisition of 30% of the shares of Quanta System SpA made during 2004 by the Parent Company. The amount entered on December 31st 2007 was approx. 2.079 thousand euros;
d) the amount paid as goodwill by the subsidiary Asclepion Laser Technologies GmbH for the purchase of the activities related to the dermatological and odontological business owned by Carl Zeiss Meditec. The amount entered on December 31st 2007 was approx. 73 thousand Euros;
e) the amount which was the result of the purchase of two branches of the company operating in the same sector of the Arex Srl company made during 2005. The amount entered on December 31st 2007 was 55 thousand Euros;
f) the amount which was the result of the purchase made by the Parent company, El.En. SpA during 2005 of 15% of Ot-Las Srl. The amount entered on December 31st 2007 was approx. 7 thousand Euros;
g) the amount which was the result of the purchase of ASA Srl by the subsidiary Deka MELA Srl. The amount entered on December 31st 2007 was approx. 439 thousand Euros.
h) the amount which was the result of the purchase made during 2006 by the Parent company El.En. SpA of 19,17% of Cutlite Penta Srl from third parties and during 2007, of 10% by Valfivre Italia Srl of Cutlite Penta Srl. The amount entered on December 31st 2007 was approx. 307 thousand Euros.
i) the amount which was a result of the acquisition by the Parent Company El.En. SpA during 2007 of 10% of Deka MELA Srl from third partners. The amount entered into accounts on December 31st 2007 was approx. 32 thousand Euros.

At least once a year the estimate of the recoverable value of the goodwill entered into accounts is made on the basis of the Discounted Cash Flow model which, in determining the utility value of an asset, is calculated on an estimate of the future cash flow and the application of an appropriate actualization rate. In this particular case the rate used (WACC) was 8,6% and the explicit temporal term of reference was 5 years. In the model, a further period of 5 years is contemplated (for a total of 10 years), during which the growth rate of the revenue and the margins hypothetically remain constant.

The "Industrial patents and the rights to use patents of others" are related to the capitalization of the costs sustained over the last years by Cynosure Inc., Deka Laser Technologies, ASA Srl, and Arex Srl for patents and licence agreements.

The heading of "concessions, licence, trade marks and similar rights" includes, among other things, the overall costs sustained by the subsidiary Cynosure and the subsidiary Asclepion for new management software. Moreover, trade marks for a residual amount of 158 thousand Euros have been entered by the subsidiary ASA Srl. The column headed "Other operations" includes the amounts entered after the inclusion of the With US company into the area of consolidation.

The residual heading "Other" includes the entry of the costs sustained in particular by the Parent Company for the purchase of new software.

The increase in the heading "Intangible assets in progress" also refers to the costs sustained by the subsidiary Cynosure for the development of their new Internet site.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets during the period is shown on the chart below:

Cost	Balance 31/12/06	Increments	Revaluations and devaluations	Other operations	(Disposals)	Conversion Adjustments	Balance 31/12/07
Lands	1.797.168	377.656		20.269		-17.954	2.177.139
Buildings	4.061.629	21.905		-20.269		-50.045	4.013.220
Plants and machinery	1.444.808	899.980		-26.254	-10.324	-12.212	2.295.998
Industrial and commercial equipment	11.356.294	3.600.349	-39.607	138.109	-426.880	-736.558	13.891.707
Other goods	7.817.867	998.873		77.312	-253.147	-329.297	8.311.608
Tangible assets under construction	501.367	4.152.276		-111.078		-14.446	4.528.119
Total	**26.979.133**	**10.051.039**	**-39.607**	**78.089**	**-690.351**	**-1.160.512**	**35.217.791**

Amortisation provisions	Balance 31/12/06	Amortizations amount	Devaluations	Other operations	(Disposals)	Conversion Adjustments	Balance 31/12/07
Lands							
Buildings	574.557	104.139		1		-3.372	675.325
Plants and machinery	687.741	190.374		-1.663	-5.492	-5.807	865.153
Industrial and commercial equipment	7.355.351	2.018.930		-158.647	-88.214	-564.354	8.563.066
Other goods	4.665.154	1.113.416		-21.402	-189.423	-208.259	5.359.486
Tangible assets under construction							
Total	**13.282.803**	**3.426.859**		**-181.711**	**-283.129**	**-781.792**	**15.463.030**

Net value	Balance 31/12/06	Increments	Revaluations and other operations	(Amortizations and devaluations)	(Disposals)	Conversion Adjustments	Balance 31/12/07
Lands	1.797.168	377.656	20.269			-17.954	2.177.139
Buildings	3.487.072	21.905	-20.270	-104.139		-46.673	3.337.895
Plants and machinery	757.067	899.980	-24.591	-190.374	-4.832	-6.405	1.430.845
Industrial and commercial equipment	4.000.943	3.600.349	296.756	-2.058.537	-338.666	-172.204	5.328.641
Other goods	3.152.713	998.873	98.714	-1.113.416	-63.724	-121.038	2.952.122
Tangible assets under construction	501.367	4.152.276	-111.078			-14.446	4.528.119
Total	**13.696.330**	**10.051.039**	**259.800**	**-3.466.466**	**-407.222**	**-378.720**	**19.754.761**

In accordance with the current accounting principles, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands as of December 31st 2007 was 2.177 thousand Euros. In the column headed "Increments" among other things we have entered the purchase value of new land acquired by the subsidiary Asclepion for approx. 370 thousand Euros for the construction of a new production unit also located in Jena.

The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (FI), where the company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta and Valfivre Italia and the buildings located in Branford, Connecticut, which the subsidiary BRCT possesses after the transferral of title by the Parent company in 2005 and where Lasercut Technologies Inc. operates and the new property located in the city of Torre Annunziata, purchased in 2006 and intended for use as a research, development and production facility for the subsidiary Lasit SpA, whose encouraging outlook for growth is in this way sustained by El.En.
The increases in the “Plants and machinery” category are related in particular to the investments made by Lasit SpA which were necessary in order to complete its manufacturing structure in the expectation of future growth, for an overall amount of about 694 thousand Euros as part of an industrialization project for which, among other things, grants have been provided. The capitalization of the costs sustained by Lasit related to the development of a multi-material precision LASER marking system for uneven surfaces for an amount of approx. 62 thousand Euros is also part of this project. For this project the company has received a grant for a total of 95 thousand Euros, of which 28 thousand refer to the prototype and are entered into account as a reduction in value of the prototype and the remaining 67 thousand Euros entered into the Profit and Loss Account among the Other Income.
The equipment which the subsidiary Cynosure assigns to most of their sales agents working in the US for sales demonstrations and the commercial vehicles used by the sales network of Cynosure continue to play an important role. Among the increases under the heading of “Industrial and commercial equipment” we also find the costs sustained by the subsidiary Lasit SpA for the reasons explained in the preceding paragraph.
The column headed “Others” in the categories titled “ Industrial and commercial equipment” and “Other” includes, among other things, the amounts entered after the inclusion of the With Us Company into the area of consolidation, respectively for an amount of 173 thousand Euros for equipment and 119 thousand Euros for other goods.
Under the heading of “Tangible assets under construction” we have entered, among other things, the costs sustained by the Parent Company El.En. SpA related to the architectural and structural planning, the charges for the licence, as well as the charges related to the various stages of construction for the enlargement of the buildings located in Calenzano; this heading also includes the down payments made by the Parent Company for another building, also located in the city of Calenzano, the purchase of which will be concluded during the financial year 2008, as well as the down payments made by the subsidiary Asclepion for the construction of a new building.

The tangible assets held in leasing amount to 1,4 million Euros and are mostly entered among the industrial and commercial equipment and other goods.

Equity investments (note 3)

The chart below provides information on the equity investments:

	31-dic-07	31-dic-06	Variation	Var. %
Equity investments in:				
associated companies	405.581	443.779	-38.198	-8,61%
other companies	113.017	61.714	51.303	83,13%
Total	518.598	505.493	13.105	2,59%

The associated companies Immobiliare Del.Co. Srl, SBI SA, IALT Scrl, JV Laser International LTD and Electro Optical Innovation Srl are consolidated using the shareholders’ equity method.

The chart below shows a summary of the data related to the associated companies.

	Assets	Liabilities	Profit(+)/Loss(-)	Revenue and income	Costs and Charges
Immobiliare Del.Co. Srl	235.252	125.894	-4.221	57.968	62.189
S.B.I. SA	292.026	116.971	-89.563	230.052	319.615
Actis Active Sensors Srl (*)	194.527	182.190	-30.378	115.037	145.415
IALT Scrl	889.064	879.064	0	-767.088	-767.088
JV Laser International Ltd	160.354	39.703	5.191	82.902	77.711
Electro Optical Innovation Srl	59.098	80.207	-33.109	6	33.115

(*) data as of December 31st 2006

Among the “Other companies”, the equity in RTM SpA, entered at cost, was increased as a consequence of the underwriting of 47.593 shares as part of the operations which followed the approval for the paying off of the past losses and the reconstituting of the capital stock, which had already been initiated at the end of last year.

Deferred tax assets/Other non-current assets (note 4)

Other non current assets	**31/12/2007**	**31/12/2006**	**Variation**	**Var. %**
Deferred tax assets	5.632.921	4.140.446	1.492.475	36,05%
Other non current assets	158.242	238.503	-80.261	-33,65%
Total	5.791.163	4.378.949	1.412.214	32,25%

For an analysis of the item “Deferred tax assets”, please refer to the paragraph in the next chapter titled “Deferred tax assets and liabilities”.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Stocks:	31-dic-07	31-dic-06	Variation	Var. %
Raw materials and consumables	17.488.077	14.621.108	2.866.969	19,61%
Work in progress and semi finished products	8.396.886	7.033.296	1.363.590	19,39%
Finished products and goods for sale	20.682.724	16.918.401	3.764.323	22,25%
Total	46.567.687	38.572.805	7.994.882	20,73%

A comparison between the final inventories shows the increase in their quantity which is an effect of the considerable increase in the manufacturing volume. In particular, the increase in finished products is a result of the desire to increase the number of products made available to the sales network for trial sales demonstrations.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	31-dic-07	31-dic-06	Variation	Var. %
Trade debtors	42.072.252	36.513.198	5.559.054	15,22%
Associated debtors	241.068	197.432	43.636	22,10%
Total	42.313.320	36.710.630	5.602.690	15,26%

Trade debtors:	31/12/2007	31/12/2006	Variation	Var. %
Italy	14.149.558	11.738.370	2.411.188	20,54%
European Community	13.809.068	10.883.539	2.925.529	26,88%
Outside of European Community	16.281.637	15.817.463	464.174	2,93%
minus: devaluation provision for debtors	-2.168.011	-1.926.174	-241.837	12,56%
Total	42.072.252	36.513.198	5.559.054	15,22%

The growth in sales volume of the Group has caused the rise in the amount of receivables as shown on the chart above. In particular the excellent sales volume registered during the month of December had an obvious influence on the dynamics of the receivables from clients. The accrual in the devaluation fund was 377 thousand Euros; the fund was used for an amount of 135 thousand Euros.

For a detailed analysis of the commercial and financial receivables from associated companies (shown in note 7 below), please refer to the paragraph in the next chapter titled “Related parties”.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables:

	31/12/2007	31/12/2006	Variation	Variation %
Tax debtors				
VAT credits	2.910.525	3.310.658	-400.133	-12,09%
Income tax credits	2.303.418	3.254.973	-951.555	-29,23%
Total tax debtors	5.213.943	6.565.631	-1.351.688	-20,59%

Financial credits				
Financial credits v. third parts	77.000	239.825	-162.825	-67,89%
Financial credits v. associated companies	278.991	110.523	168.468	152,43%
Total	355.991	350.348	5.643	1,61%
Other credits				
Security deposits	382.821	223.908	158.913	70,97%
Down payments	1.401.841	1.105.920	295.921	26,76%
Other credits	3.107.221	2.167.354	939.867	43,36%
Total	4.891.883	3.497.182	1.394.701	39,88%
Total financial and other credits	5.247.874	3.847.530	1.400.344	36,40%

For a detailed analysis of the financial credits towards associated companies, please refer to the following chapter regarding “Related parties”.

The financial year closed with a VAT credit of over 3 million Euros which was mostly a result of the intense export activity of the Group. The income tax credits are essentially a result of the difference between the pre-existing tax credit/ down payments made and the tax debt which had matured by the date of this financial statement.

Financial instruments (note 8)

Investments which are not permanent:	31/12/2007	31/12/2006	Variation	Var. %
Other investments	32.044.110	34.011.333	-1.967.223	-5,78%
Total	32.044.110	34.011.333	-1.967.223	-5,78%

The amount entered under the heading of “Other investments” consists of temporary uses of cash. The heading includes:

a) financial instruments belonging to the category “Financial assets available for sale” which refer to the investments held by the subsidiary Cynosure, and prevalently made up of treasury bonds or similar, made for an amount corresponding to about 32 million Euros (equal to about 47 million dollars), using part of the cash obtained from the IPO of 2005. These investments include, for an amount of approx. 29,3 million dollars, Auction Rate Securities (ARS), bonds with a long-term maturity and periodic negotiation auctions. On February 13th 2008 Cynosure was unable to sell some of these securities, and, considering the present condition of the market, it is probable that the situation will be repeated at the next auction, with the consequent possibility of impairment of these securities. The American company however wishes to hold the securities until an auction with positive outcome allows them to sell them at least at their nominal value. If this situation does not occur within a brief period of time, either a devaluation of the securities or a reclassification among non-current assets may become necessary.

b) financial instruments belonging to the category “Financial assets at fair value” related to investments in monetary funds made by the subsidiary Lasit SpA for about 58 thousand Euros. As required by the accounting principle IAS 39 “other investments” are measured at fair value. The “fair value” is the market value. The effect of the “fair value” evaluation on the financial instruments is not very significant.

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2007	31/12/2006	Variation	Var. %
bank and postal current accounts	61.459.147	24.306.208	37.152.939	152,85%
cash in hand	52.639	54.571	-1.932	-3,54%
Total	61.511.786	24.360.779	37.151.007	152,50%

For an analysis of the variations in cash at bank and on hand, please refer to the Financial statement (cash flow) chart.

Net financial position as of December 31st 2007

The net financial position of the Group as of December 31st 2007 was as follows:

Net financial position		
	31/12/2007	**31/12/2006**
Cash and bank	61.512	24.361
Financial instruments held for sale	32.044	34.011
Cash and cash equivalents	**93.556**	**58.372**
Bank short term loan	(2.127)	(621)
Part of financial long term liabilities due within 12 months	(679)	(680)
Financial short term liabilities	**(2.807)**	**(1.301)**
Net current financial position	**90.749**	**57.071**
Bank long term loan	(1.530)	(13)
Other long term financial liabilities	(1.911)	(1.918)
Financial long term liabilities	**(3.441)**	**(1.930)**
Net financial position	**87.308**	**55.141**

The net financial position of the Group remains substantial and is registered for an amount of 87 million Euros.
Most of this amount is held by the Parent Company El.En. SpA, which increased its net financial position after the sale of Cynosure stock at the end of the year, and by the subsidiary Cynosure Inc. as a consequence of the IPO of December 2005, this latter effected in US dollars. Cynosure has not made single investments of a particular entity, and has used the cash available in order to finance the internal growth of the company, with excellent results both in profits and in terms of generating additional cash.
The value in Euros of the cash held by Cynosure during 2007 suffered a loss of approx. 6,7 million Euros solely for the effects of the exchange rate.
Besides the absorption of cash determined by the increase in the sales volume of the Group, there were also many uses of cash of an extraordinary nature, in particular the payment by El.En. SpA, for the quota of the equity in Deka M.E.L.A. Srl acquired from a third party, the construction activity at El.En., which is enlarging its premises in Calenzano, and the final payment for the property in Torre Annunziata which was purchased in order to house the manufacturing and development activities of the subsidiary Lasit SpA, as well as Asclepion which is building a new factory in Jena in Germany, and, lastly, the payment of dividends to third parties for the amount of approx. 1.800 thousand Euros.

Comments on the main liabilities

Capital and Reserves

The main components of the stockholders' equity are shown below:

Capital stock (note 10)

As of December 31st 2007, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorised	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	***0,52***

Categories	**31/12/2006**	**Increase.**	**(Decrease.)**	**31/12/2007**
No. of Ordinary Shares	4.698.404	125.964		4.824.368
Total	**4.698.404**	**125.964**		**4.824.368**

The increase in the number of shares with respect to December 31st 2006, is a result of the underwriting of the capital stock following the picking up of the stock options by the employees, as part of the 2006/2007 Incentive Plan, which is described in detail in the chapter dedicated to the increase in capital.

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increase in capital for use in the stock option plan
The special assembly of El.En. SpA held on July 16th 2002 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 124,800 Euros through the issue of a maximum of 240,000 ordinary shares with a nominal value of euro 0.52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, equal to the greater of the following:
a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical mean of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options; d) the arithmetical mean of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the period of time before the assignment of the options decided by the Board of Directors in the regulations of the incentive plans.

On September 6th 2002 the Board of Directors of the parent company voted to implement in part the decision of the Shareholders' assembly of July 16th 2002 to increase the share capital by 31,817.76 Euros for use in the 2003/2004 stock-option plan and approved the relative regulations.

The option rights were assigned exclusively to the Group's Executives, Managers and White collars workers who at the time of the assignment were employed by the Group in a subordinate position. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 30,600 shares, was exercisable by the assignees from November 18th to December 31st 2003, from August 15th to the September 30th 2004 and from November 18th to the December 31st 2004; the second phase, for a maximum of 30,588 shares was exercisable by the assignees from August 15th to the September 30th 2004 and from November 18th to the December 31st 2004.
With reference to this vote, as of December 31st 2004 (the deadline for the exercising of such rights) of the 61,188 option rights assigned, all of them were picked up.
Moreover, on November 13th 2003, the Board of Directors voted to partially implement the decision of the shareholders' assembly convened on July 16th 2002 to increase the share capital by euro 13,145.60 to be used for the 2004/2005 stock-options plan and approved the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and White collars workers who at the moment of assignment were employed by the Group in a subordinate position. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 12,640 shares, exercisable by the assignees from November 18th to December 31st 2004, from August 15th to the September 30th 2005 and from November 18th to December 31st 2005; the second phase, for a maximum of 12,640 shares was exercisable by the assignees from August 15th to the September 30th 2005 and from November 18th to December 31st 2005.
With reference to this vote, as of December 31st 2005 (the deadline for picking up the options) of the 25.280 option rights assigned, all of them were picked up.

Lastly, on May 13th 2005, and later modification made on March 30th 2006, the Board of Directors voted to partially implement the vote of the Shareholders' assembly convened on July 16th 2002, to increase the Capital stock to 72.800 Euros for use in the stock-option plan of 2006/2007 and to approve the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and employees who at the moment of assignment were employed by the Group in a subordinate position. The above mentioned plan was divided into two phases, one for each year. The first phase, for a maximum of 70.000 shares, was exercisable by the assignees from May 16th 2006 to the date of approval of annual report, and from May 29th 2007 to July 16th 2007; the second phase, for a maximum of 70.000 shares was exercisable by the assignees from May 29th 2007 to July 16th 2007.
With reference to this decision, on July 16th 2007 (last day for picking up the options) 137.900 options were picked up out of the 140.000 options assigned.

Additional paid in capital (note 11)

On December 31st 2007 the share premium reserve, coinciding wth that of the Parent Company, amounted to 38.594 thousand Euros, an increase with respect to December 31st 2006, as shown in the Shareholders' equity chart in the column titled "Other operations", on account of the effects of the increase in capital stock which followed the picking up the stock options, as described in Note 10, above.

Other reserves (note 12)

Other reserves	31/12/2007	31/12/2006	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	12.530.904	13.327.651	-796.747	-5,98%
Reserve for conversion adjustments	-3.523.979	-2.144.753	-1.379.226	64,31%
Stock options reserve fund	1.038.825	799.423	239.402	29,95%
DIFF3 contribution on capital account	150.659	150.659		0,00%
CESVIT contribution on capital account	3.099	3.099		0,00%
CCIAA contribution on capital account	3.892	3.892		0,00%
EU contribution on capital account	269.007	269.007		0,00%
Other reserves	13.392	13.392		0,00%
Total	11.023.101	12.959.672	-1.936.571	-14,94%

On December 31st 2007, the "extraordinary reserve" amounted to 12.531 thousand Euros; the decrease which occurred during the financial year is related to the use of the funds for the payment of dividends, as per the decision of the shareholders' assembly on May 15th 2007.
The reserve "for stock options" includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA, for the quota which matured on December 31st 2007. The change of 239 thousand

Euros, with respect to December 31st 2006 is entered in the chart of the stockholders' equity in the "Other operations" column.

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. As of December 31st 2007 the value can be attributed essentially to the devaluation of the dollar. The effects for the year 2007 are shown in the column "Other operations" in the stockholders' equity chart.

The amount entered in "Other reserves" is related to the accrual in the "reserve of assets and liabilities in foreign currency ex art. 2426 c.c. b. 8-bis".

In conformity with fiscal regulations, in the past the Parent Company has taken advantage of the possibility of suspending contributions on capital account, either entirely or for 50%, in a reserve of the stockholders' equity. Since 1998 these have been entirely entered into the Profit and Loss Account. The relative reserves can be considered reserves of profits.

Profits/losses brought forward (note 13)

This category includes a synthesis of the contribution of all the consolidated companies to the stockholders' equity of the Group. During this financial year the variation is due to the clearance account of the profits from last year, the payment of dividends and the entering into accounts of the Cynosure stock options according to IFRS 2 regulations as shown in the "Other operations" column of the Shareholders' Equity chart.

Non-current liabilities

Severance indemnity fund (note 14)

The chart below shows the operations which have taken place during this financial period.

Balance 31/12/2006	Provision	Utilization	Other	Balance 31/12/2007
2.582.226	598.655	-259.278	-436.882	2.484.721

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment»; this is an obligation of the "defined benefit " type which entails entering a liability similar to that entered for defined benefit pension plans.

Following the reform of the TFR (severance indemnity) the method used for actuarial calculating in accordance with IAS principle 19 has changed. The different evaluation of the severance indemnity fund which matured on December 31st 2006 with respect to the evaluation made using 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 were previously not entered into accounts when applying the so-called "corridor method". This adaptation has generated a decrease in liabilities of about 200 thousand Euros, which is reflected for the same amount in the decrease in personnel costs.

It should be remembered that the company has used the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not shown until it exceeds in absolute terms 10% of the current value of the liabilities. December 31st 2007 the net value accumulated of actuarial profits and losses not registered was 211 thousand Euros. The present value of the liabilities as of December 31st 2007 is 2.238 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below.

Financial hypotheses	**Year 2006**	**Year 2007**
Annual implementation rate	4,25%	4,85%
Annual inflation rate	2,00%	2,00%
Annual growth rate of severance indemnity	3,00%	3,00%
Annual increase rate of salaries (including inflation)	Executives 4,50% White collar workers 3,00% Blue collar workers 3,00%	Executives 4,50% White collar workers3,00% Blue collar workers3,00%

The amount entered in the column "Other" of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds in accordance with the choices made by the employees during the financial year, with particular reference to the Parent Company El.En and the subsidiary Quanta System.

Analysis of deferred tax assets and liabilities (note 4) (note 15)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The analysis is as follows:

	Balance 31/12/2006	**Provision**	**(Utilization)**	**Other**	**Conversion Adjustments**	**Balance 31/12/2007**
Deferred tax assets on stock devaluations	1.094.577	190.617	-19.811		-40.761	1.224.622
Deferred tax assets for provisions on guarantee products	790.980	158.849	-8.948	8.671	-77.165	872.387
Deferred tax assets on credit devaluation	499.926	140.225	-71.891		-37.928	530.332
Deferred tax assets on loss brought forward from the previous years	5.574	5.888	-5.574			5.888
Deferred tax assets on intercompany profits	686.345	434.512	-125.292	125.290		1.120.855
Deferred tax assets on actualization of severance indemnity accruals	10.126	-9.910	-49.267			-49.051
Other deferred tax assets	1.052.918	1.111.321	-38.035	-31.766	-166.550	1.927.888
Total	4.140.446	2.031.502	-318.818	102.195	-322.404	5.632.921
Deferred tax liabilities on advanced amortizations	371.270	5.776	-327.664			49.382
Other deferred tax liabilities	245.544	62.247	-38.689	3.759	-776	272.085
Total	616.814	68.023	-366.353	3.759	-776	321.467
Net amount	3.523.632	1.963.479	47.535	98.436	-321.628	5.311.454

Deferred tax assets amount to about 5.633 thousand Euros. Among the main variations which have occurred during this year, attention should be called to the increase in deferred taxes calculated on the inventory devaluation and on the elimination of inter-Group profits effected during consolidation. Among the decreases, attention is called to the deferred taxes assets calculated on the devaluation of receivables and those related to the adaptation of the Severance Indemnity Fund following the curtailment in accordance with IAS 19 described above. The other operations mostly refer to the entry of the With US company into the area of consolidation.

Deferred taxes liabilities are registered for 321 thousand Euros. A considerable decrease is shown for deferred taxes liabilities related to anticipated amortizations made for fiscal purposes. The variations in the other deferred taxes liabilities refer, among other things, to the evaluation for fiscal purposes of the LIFO inventory and differences in the exchange rate which were not realized.

Other accruals (note 16)

The chart below shows the operations made with other accruals:

	Balance 31/12/2006	**Provision**	**(Utilisation)**	**Other**	**Conversion Adjustments**	**Balance 31/12/2007**
Reserve for pension costs and similar	258.604	63.266	-19.499	224		302.595
Others:						
Reserve for guarantee on the products	2.575.706	465.067	-64.128	21.220	-243.632	2.754.233
Reserve for risks and charges	1.339.045	382.273	-45.712			1.675.606
Other minor reserves	15.600	26.000				41.600
Total other reserves	3.930.351	873.340	-109.840	21.220	-243.632	4.471.439
Total	4.188.955	936.606	-129.339	21.444	-243.632	4.774.034

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on December 31st 2007, amounted to 271 thousand Euros as opposed to 265 thousand Euros on December 31st 2006.

According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	**Year 2006**	**Year 2007**
Annual rate of implementation	3,00%	4,50%
Annual rate of inflation	2,00%	2,00%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

On February 28th 2008, after the conclusion of a general audit conducted in relation to the year 2005 by the regional branch of the internal revenue service (Direzione Regionale delle Entrate per la Toscana), an offence report (Processo Verbale di Constatazione) was formulated against El.En. SpA. In this report the Agency, besides listing some minor violations in the reporting of income and Value Added Tax (IVA), refused to recognize the tax exempt status on some capital gains derived from a sale of shares made by El.En SpA in 2005. The company, on the other hand, is convinced that in this case they had acted in complete compliance with the tax regulations in force at that time, and considers the offence report illegal and unsubstantiated. Consequently, the company, as a cautionary measure and with the support of its consultants, has created an accrual to provide for any charges that might derive from the issuance of assessments, only in relation to the minor violations, for an amount of 26.000 Euros, including fines.

Other potential debts and liabilities

All of the companies belonging to the Group are subject to the risk of disputes and legal actions which may emerge during their normal operations. The subsidiary Cynosure, as part of their own 10-K related to the financial year 2007, has provided information concerning some of the disputes now in progress, in particular, a lawsuit related to the unsolicited use of faxes without the prior permission of the receiving party, a series of disputes with franchise managers of centers of Sona International, which was once a subsidiary and later became a client, and which is now also involved in a lawsuit with Cynosure after the cash crisis of March 2006.
Moreover, on January 10th 2008, Cynosure, with the support of El.En. for whose patent it retains the exclusive licence in the United States, has initiated a lawsuit against Cool Touch Inc, in order to defend its rights to the intellectual property related to the application of laser-lipolysis which was made possible by the technique of the Smartlipo system. This suit became necessary because Cool Touch has started to commercialize a product for which the Group has the competitive advantages mentioned above and therefore they deem it opportune to protect the uniqueness of their product. Cool Touch, on the other hand, has opposed this accusation and denied any such responsibility, and in addition, has initiated a suit against Cynosure for violating some of the patent rights that Cool Touch retains.
In all of the cases described above, Cynosure has firmly refused to meet the requests of the opposing party and, in any case, has declared that they are unable to determine the outcome and the entity of the costs involved should they lose the suits.

Amounts owed and financial liabilities (note 17)

Financial m/l term debts	31/12/2007	31/12/2006	Variation	Var. %
Amounts owed to banks	1.530.014	12.614	1.517.400	12029,49%
Amounts owed to other financiers	1.910.749	1.917.781	-7.032	-0,37%
Total	3.440.763	1.930.395	1.510.368	78,24%

The medium/ long term debts owed to banks as of December 31st 2007 represent the quotas which are not payable within the year of the bank financing which was granted to Asclepion Gmbh for the construction of a new building; this financing was paid in several instalments starting in 2007.

The non-current "Amounts owed and financial liabilities" includes amounts owed to other financers consisting, among other things, in the quotas which are not payable within the year for:

a) Facilitated financing MPS for applied research, reference TRL01granted to the Parent company El.En. S.p.A. for an amount of 681.103 Euros at a fixed annual rate of' 2% , last instalment July 1st 2012.

b) Facilitated financing IMI for applied research granted to the subsidiary company Quanta System SpA. for an amount of 929.157 Euros at a fixed annual rate of' 2% ,payable in 16 semi-annual deferred instalments starting on July 1st 2003.

c) Facilitated financing for applied research, issued by MIUR, also to Quanta System SpA, for an amount of 260.380 Euros at the annual interest rate of 0,25%, payable in 14 semi-annual deferred instalments, starting on January 1st 2009.

d) Centrobanca facilitated financing for applied research, granted to the subsidiary Lasit for 231.060 Euros at the annual interest rate of 0,96% last instalment August 5th 2014.

e) Debts toward leasing companies for 713 thousand Euros (950 thousand Euros as of December 31st 2006).

Debts guaranteed by real estate property

The property located in Via Baldanzese, 17 at Calenzano was bound by a mortgage, now being cancelled, which was used as a guarantee for the ten-year loan issued by the Cassa di Risparmio di Firenze and extinguished on December 31st 2006.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	**31/12/2007**	**31/12/2006**	**Variation**	**Var. %**
Amounts owed to banks	2.127.217	620.584	1.506.633	242,78%
Amounts owed to other financiers	679.440	680.211	-771	-0,11%
Total	2.806.657	1.300.795	1.505.862	115,76%

The entry "Amounts owed to banks" refers both to the short term loans for the financing obtained by Asclepion described in the note above, as well as to overdrafts on checking accounts granted by credit institutions to subsidiary companies. The increase with respect to 2006 is mainly due to the amounts owed to banks by the newly acquired company, With US.

The entry "Amounts owed to other financers" includes the short term loans for the financings described in the note above and the last amount payable by the end of this year for the facilitated IMI financing for applied research, reference DIFF 3, granted to the parent company El.En.SpA for the amount of 487.095 at the fixed annual rate of 3,70% last instalment on July 1st 2008.

This entry also includes the short-term amounts owed to leasing companies for 396 thousand Euros (356 thousand euros as of December 31st 2006).

The Group presents a positive net financial position. Financial debts are subject to the changes in interest rates since no coverage operations have been effected.

Amounts owed for supplies (note 19)

Trade debts:	31/12/2007	31/12/2006	Variation	Var. %
Amounts owed to suppliers	28.581.360	23.473.550	5.107.810	21,76%
Amounts owed to associated companies	28.419	132.552	-104.133	-78,56%
Total	28.609.779	23.606.102	5.003.677	21,20%

Income tax debts /Other short term debts (note 20)

The "Debts for income taxes" which have matured on some of the companies of the Group as of December 31st 2007 amount to 2.316.225 Euros and are entered net of any down payments or deductions.

The break-down of Other debts is as follows:

	31/12/2007	31/12/2006	Variation	Variation %
Social security debts				
Debts owed to INPS	1.098.021	985.604	112.417	11,41%
Debts owed to INAIL	138.766	111.864	26.902	24,05%
Debts owed to other Social Security Institutions	116.095	61.302	54.793	89,38%
Total	1.352.882	1.158.770	194.112	16,75%
Other debts				
Debts owed to tax administration for VAT	593.261	488.479	104.782	21,45%
Debts owed to tax administration for deductions	948.066	845.808	102.258	12,09%
Other tax debts	6.993	5.278	1.715	32,49%
Owed to staff for wages and salaries	5.322.998	4.125.920	1.197.078	29,01%
Down payments	2.676.749	1.864.754	811.995	43,54%
Other debts	7.333.758	5.647.038	1.686.720	29,87%
Total	16.881.825	12.977.277	3.904.548	30,09%
Total Social security debts and other debts	18.234.707	14.136.047	4.098.660	28,99%

The "Debts owed to staff for wages and salaries" includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2007.
The entry "Down payments" represents down payments received from clients.
The entry "Other debts" includes, among other things, the anticipated revenue related to the subsidiary Cynosure for customer assistance contracts entered with the revenue in proportion to the duration of the contracts.

SECTORIAL INFORMATION

Primary information

31/12/07		Total	Medical	Industrial	Other
Revenues		193.437	166.507	26.767	162
Other revenues and income		1.923	635	256	1.032
Gross Margin		108.150	95.870	11.428	852
	Inc.%	*55%*	*57%*	*42%*	*71%*
Margin		33.216	30.723	1.640	853
	Inc.%	*17%*	*18%*	*6%*	*71%*
Not assigned charges		11.915			
EBIT		21.301			
Net financial income (charges)		703			
Share of profit of associated companies		(55)	(45)	(9)	(1)
Other Income (expense) net		13.449			
Income before taxes		35.399			
Income taxes		10.460			
Income for the financial period		24.938			
Minority interest		7.286			
Net income		17.653			

31/12/06		Total	Medical	Industrial	Other
Revenues		154.372	127.669	26.687	16
Other revenues and income		1.837	663	247	926
Gross Margin		82.348	70.595	10.980	773
	Inc.%	*53%*	*55%*	*41%*	*82%*
Margin		13.867	12.107	987	773
	Inc.%	*9%*	*9%*	*4%*	*82%*
Not assigned charges		9.648			
EBIT		4.219			
Net financial income (charges)		2.126			
Share of profit of associated companies		(31)	(18)	(13)	0
Other Income (expense) net		(214)			
Income before taxes		6.101			
Income taxes		4.702			
Income for the financial period		1.399			
Minority interest		191			
Net income		1.207			

The margin of contribution is calculated as follows: [Revenue + Income] – [Purchases ± Variations in inventory + Direct costs of manufacture and sale].

31/12/2007	Total	Medical	Industrial	Other
Assets assigned	186.522	157.551	28.971	
Equity investments	247	92	155	
Assets not assigned	38.786			
Total assets	225.555	157.643	29.126	0
Liabilities assigned	39.826	32.019	7.807	
Liabilities not assigned	23.162			
Total liabilities	62.988	32.019	7.807	0

31/12/2006	Total	Medical	Industrial	Other
Assets assigned	150.948	127.460	23.488	
Equity investments	248	137	111	
Assets not assigned	18.645			
Total assets	169.841	127.597	23.599	0
Liabilities assigned	31.877	25.087	6.790	
Liabilities not assigned	18.232			
Total liabilities	50.109	25.087	6.790	0

31/12/2007	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	5.289	2.529	2.760	0
- not assigned	170			
Total	5.459	2.529	2.760	0

31/12/2006	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	760	742	18	0
- not assigned	1.453			
Total	2.212	742	18	0

Secondary information

31/12/07	Total	Italy	Europe	Row
Revenues	193.437	30.534	56.245	106.657

31/12/06	Total	Italy	Europe	Row
Revenues	154.372	29.051	49.767	75.555

31/12/2007	Total	Italy	Europe	Row
Assets assigned	225.036	101.224	12.348	111.464
Equity investments	519	519		
Assets not assigned	0			
Total assets	225.555	101.743	12.348	111.464
Liabilities assigned	62.988	33.650	6.778	22.560
Liabilities not assigned	0			
Total liabilities	62.988	33.650	6.778	22.560

31/12/2006	Total	Italy	Europe	Row
Assets assigned	169.336	72.745	9.946	86.645
Equity investments	505	505		
Assets not assigned	0			
Total assets	169.841	73.250	9.946	86.645
Liabilities assigned	50.109	27.634	4.766	17.709
Liabilities not assigned	0			
Total liabilities	50.109	27.634	4.766	17.709

31/12/2007	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	5.459	1.940	2.768	751
- not assigned	(0)			
Total	5.459	1.940	2.768	751

31/12/2006	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	2.212	1.501	(4)	715
- not assigned	0			
Total	2.212	1.501	(4)	715

COMMENTS ON THE MAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

Revenue (note 21)

Growth in the sales volume of the Group continues at an intense rate and exceeded 193 million Euros, with an increase of 25% with respect to last year, an important result which demonstrates the ability of the Group to reach the growth objectives which they had set (185 million Euros).

	31/12/2007	31/12/2006	Variation	Var. %
Sales of industrial laser systems	22.797.766	22.931.743	-133.977	-0,58%
Sales of medical laser systems	145.596.944	113.267.324	32.329.620	28,54%
Service and sales of spare parts	25.042.012	18.173.398	6.868.614	37,79%
Total	193.436.722	154.372.465	39.064.257	25,31%

Customer assistance services and spare parts sales showed an increase of just under 40%, as a natural result of the increase in the number of installations, but also due to the sales of the consumable materials required for some of the medical and aesthetic applications. The inclusion into the area of consolidation of the With US company, which conducts customer assistance services directly in Japan has been fundamental for this sector and has brought in the sales volume for technical assistance and spare parts for the hundreds of pieces of equipment installed in Japan.
In the medical sector, growth is still very intense and has reached almost 30%, a result which is well over that achieved by the main competition and by the market in general.
The industrial sector has not shown increases in sales volume in this year of transition characterized by the start up of new activities and the down-sizing of others, all of which has prepared the foundations for the significant growth forecast for 2008.

With regard to the seasonal nature of our business, no particular oscillations occur during the course of the year, except for the fact that there is usually a concentration of business volume in the fourth quarter.

Other revenue and income (note 22)

The analysis of the other income is as follows:

	31/12/2007	31/12/2006	Variation	Var. %
Recovery for accidents and insurance reimbursements	9.126	24.850	-15.724	-63,28%
Expense recovery	771.183	708.348	62.835	8,87%
Capital gains on disposal of fixed assets	105.605	126.946	-21.341	-16,81%
Other income	1.029.486	975.591	53.895	5,52%
Contribution on fiscal year account and on capital account	7.621	900	6.721	746,78%
Total	1.923.021	1.836.635	86.386	4,70%

The entry “Expense recovery” refers mostly to expenses for shipment.
The entry “Other income” consists for the most part of grants for research projects which have been entered into accounts. The most significant amounts have been entered by the Parent Company El.En. SpA for a total of 486 thousand Euros, by the subsidiary Ot-Las Srl for 140 thousand Euros and by the subsidiary Quanta System SpA for approx. 183 thousand Euros.

Costs for the purchase of goods (note 23)

The analysis is shown on the following table:

	31/12/2007	31/12/2006	Variation	Var. %
Purchase of raw materials and finished products	75.204.939	63.528.424	11.676.515	18,38%
Purchase of packaging	543.670	454.267	89.403	19,68%
Shipment of purchases	574.710	617.931	-43.221	-6,99%
Other purchase expenses	182.287	138.306	43.981	31,80%
Other purchases	341.233	219.736	121.497	55,29%
Total	76.846.839	64.958.664	11.888.175	18,30%

The increase in purchases is a direct consequence of the increase in the business volume and is also reflected in the increase in final inventory registered at the end of the year.

Other direct services/ operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	31/12/2007	31/12/2006	Variation	Var. %
Direct services				
Expenses for work in progress at third parties'	4.420.865	4.397.490	23.375	0,53%
Technical services	1.417.075	1.325.963	91.112	6,87%
Shipment on sales	1.347.159	1.204.539	142.620	11,84%
Commissions	10.628.656	7.977.810	2.650.846	33,23%
Royalties	110.174	143.727	-33.553	-23,34%
Travel expenses	1.575.446	1.248.308	327.138	26,21%
Other direct services	641.120	273.478	367.642	134,43%
Total	*20.140.495*	*16.571.315*	*3.569.180*	*21,54%*
Operating services and charges				
Maintenance and technical assistance on equipments	1.094.427	758.108	336.319	44,36%
Services and commercial consulting	1.336.567	1.714.922	-378.355	-22,06%
Legal and administrative services	1.466.982	1.646.297	-179.315	-10,89%
Auditing charges	772.402	767.362	5.040	0,66%
Insurances	1.538.448	1.285.823	252.625	19,65%
Travel and overnight expenses	3.683.380	2.731.762	951.618	34,84%
Promotional and advertising expenses	8.753.288	5.552.587	3.200.701	57,64%
Building charges	1.790.095	1.524.283	265.812	17,44%
Other taxes	216.384	341.233	-124.849	-36,59%
Expenses for vehicles	791.598	714.281	77.317	10,82%
Office supplies	550.698	330.550	220.148	66,60%
Hardware and Software assistance	474.997	249.773	225.224	90,17%
Bank charges	514.900	399.118	115.782	29,01%
Rent	3.547.180	3.046.547	500.633	16,43%
Other operating services and charges	12.081.539	17.537.484	-5.455.945	-31,11%
Total	*38.612.885*	*38.600.130*	*12.755*	*0,03%*

The most significant amounts entered under the heading of "Other operating services and charges" is represented by the salaries paid to members of the Board of Directors and the Board of Auditors, for an amount of approx 1.941 thousand Euros; costs for technical and scientific consultations, studies and research for an amount of approx. 2.001 thousand Euros. For the activities and the costs related to Research and Development, please refer to the management report.

Personnel costs (note 25)

The chart below shows the costs for staff.

For staff costs	31/12/2007	31/12/2006	Variation	Var. %
Wages and salaries	30.822.360	25.498.416	5.323.944	20,88%
Social security costs	5.536.935	4.585.170	951.765	20,76%
Accruals for severance indemnity	497.907	574.724	-76.817	-13,37%
Stock options	6.333.644	3.656.189	2.677.455	73,23%
Other costs	9.100		9.100	100,00%
Total	43.199.946	34.314.499	8.885.447	25,89%

The costs for personnel was 43.199.946 Euros, compared with 34.314.499 Euros for 2006, showing an increase of 25,9% and with an incidence on the sales volume which substantially unchanged. The figurative costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. In 2006 these costs were 3.656 thousand euros, and in 2007 they rose to 6.334 thousand Euros; of these, 6.094 thousand Euros refer just to Cynosure Inc.

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2007	31/12/2006	Variation	Var. %
Amortization of intangible assets	316.284	294.525	21.759	7,39%
Depreciation of tangible assets	3.426.859	3.058.044	368.815	12,06%
Devaluations of fixed assets	39.607	340.803	-301.196	-88,38%
Accrual for risk on receivables	376.979	329.122	47.857	14,54%
Other accruals for risks and charges	876.740	1.191.786	-315.046	-26,43%
Total	5.036.469	5.214.280	-177.811	-3,41%

The accruals for risks and charges is also related to product guarantees.

Financial income and charges (note 27)

The breakdown of the category is as follows:

	31/12/2007	31/12/2006	Variation	Var.%
Financial income:				
Interests from banks	2.190.783	2.399.583	-208.800	-8,70%
Interests from associated company	3.866	2.000	1.866	93,30%
Interests on investments	7.872	11.618	-3.746	-32,24%
Income from negotiations	2.128	40.481	-38.353	-94,74%
Foreign exchange gain	1.464.601	794.994	669.607	84,23%
Other financial incomes	274.911	93.696	181.215	193,41%
Total	3.944.161	3.342.373	601.788	18,00%
Financial charges:				
Interest on debenture loans		-60.425	60.425	-100,00%
Interest on bank debts for account overdraft	-215.417	-115.814	-99.603	86,00%
Interest on bank debts for medium and long - term loans	-30.104	-36.690	6.586	-17,95%
losses from negotiation-investments	-1.198	-456	-742	162,72%
Foreign exchange loss	-2.872.417	-888.890	-1.983.527	223,15%
other financial charges	-121.844	-113.667	-8.177	7,19%
Total	-3.240.980	-1.215.942	-2.025.038	166,54%

The entry “Interest from banks” is still benefiting from the cash held by Cynosure as a result of the IPO of 2005. Interest and profits from the negotiations related to temporary investments of the cash at hand are entered.
“Interest on bank debts for account overdrafts” refers mainly to overdrafts allowed by Credit Institutions to subsidiary companies, the interest payable to banks for mortgages and for medium and long term loans refers, among other things, to the facilitated financing granted to the Parent company El.En. SpA by MIUR (formerly MURST) and issued by IMI and by MPS.

The entry “Other financial charges” includes, for an amount of approx.101 thousand euros, the financial charges which are derived from the application of the IAS 19 accounting principle to the severance indemnity.

Other net income and charges (note 28)

	31/12/2007	31/12/2006	Variation	Var. %
Other charges				
Loss on equity investments	-1.490.610	-246.540	-1.244.070	504,61%
Devaluation of equity investments		-62.634	62.634	-100,00%
Total	**-1.490.610**	**-309.174**	**-1.181.436**	**382,13%**
Other income				
Profit on equity investments	14.939.941	94.868	14.845.073	15648,14%
Total	**14.939.941**	**94.868**	**14.845.073**	**15648,14%**

The entry under “Loss on equity investments” quantifies the effects of the dilution of the value of the equity in Cynosure Inc. following the increase in capital for use in the stock option plans in favour of third parties for the amount of 1.367 thousand Euros, as well as the extraordinary charge of 124 thousand Euros registered for the founding of the Cutlite do Brasil company, for which the parent company El.En. SpA has allowed the minority partners to enter into the group of shareholders free of charge, thus recognizing to them a goodwill which will be entered into accounts during the period.

The entry “Profit on equity investments” includes the capital gains registered at the end of the year by El.En. SpA after the sale of 950.000 shares of the subsidiary Cynosure.

Income taxes (note 29)

Description:	31/12/2007	31/12/2006	Variation	Var. %
IRES and other foreign income taxes	11.762.635	4.633.760	7.128.875	153,85%
IRAP	975.377	957.297	18.080	1,89%
IRES and other foreign income taxes - Deferred (Advanced)	-1.955.588	-1.051.918	-903.670	85,91%
IRAP - Deferred (Advanced)	-55.426	1.956	-57.382	-2933,64%
Receivable for income tax	-333.838	-	-333.838	100,00%
Taxes related to the previous years	67.215	160.603	-93.388	-58,15%
Total income taxes	10.460.375	4.701.698	5.758.677	122,48%

Italian companies which conduct research and development activities have tax credits entered for these costs on the basis of the fiscal facilitations in force at the time.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES) and similar.

	2007	2006
Profit/loss before taxes	35.398.617	6.100.555
Theoretical IRES Aliquot	33%	33%
Theoretical IRES	11.681.544	2.013.183
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	954.307	1.047.407
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	(5.579.289)	555.227
Higher (lower) fiscal incidence due to the effects of consolidation	2.750.485	(33.976)
Actual IRES	9.807.047	3.581.842
Actual IRES aliquot	28%	59%

The tax load for this period benefited from the partial exemption of the capital gains earned by El.En. S.p.A for the sale of Cynosure stock as described above. The tax rate for the period however is negatively influenced by the entering into the Cynosure accounts of approx. 702 thousand dollars (approx. 520 thousand Euros) in taxes calculated on the devaluation of credits deducted in the preceding years and now disputed by the Internal Revenue Service after an audit. The rectifications related to the equities in subsidiary companies made during consolidation have also been determined to be non-deductible.

Dividends distributed (note 30)

The shareholders' assembly held on May 9th 2006 voted to distribute 2.577.557,40 Euros as dividends paying 0,55 Euros a share for each of the 4.686.468 ordinary shares.

The shareholders' assembly held on May 15th 2007 voted to distribute 1.421.030,40 Euros as dividends to the shareholders, paying 0,30 Euros for each of the 4.736.768 ordinary shares.

The dividend proposed by the Board of Directors, subject to the approval of the shareholders' assembly which will approve the annual report for 2007 is 1,1 Euro for each share in circulation at the date of payment of the dividend.

Profits per share (note 31)

The chart below illustrates the method used to calculate the weighted average number of shares in circulation.

Shares	**31/1/07**	**28/2/07**	**31/3/07**	**31/5/07**	**30/6/07**	**31/7/07**	**31/10/07**	**30/11/07**	**31/12/07**
Variation number of shares	2.400	26.814	9.150	16.882	28.037	42.681			
Shares	4.700.804	4.727.618	4.736.768	4.753.650	4.781.687	4.824.368	4.824.368	4.824.368	4.824.368
Average weighted shares	**4.700.804**	**4.714.211**	**4.721.730**	**4.731.122**	**4.739.549**	**4.751.666**	**4.773.477**	**4.778.103**	**4.781.959**

In order to establish the diluted profit for each share, the value of the diluting effect of the options in circulation was added to the average weighted number of shares in circulation.

Non-recurring significant events and operations (note 32)

The chart below shows the effects of significant non-recurring operations which took place in 2006 and 2007:

Non-recurring significant events and operations 2007	**Net financial income (charges)**		**Other net income**		**Net income**		**Net income (group quota)**		**Consolidated stockholders' equity**		**Parent stockholders' equity**	
	Amount €/000	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**
Book value	703		14.940		24.938		17.652		162.567		93.581	
Effect of sale of Cynosure shares	(980)	-139%	14.940	100%	(12.971)	-52%	(12.709)	-72%	(12.971)	-8%	(12.709)	-14%
Book value without the sale of Cynosure shares	1.683		(0)		11.967		4.943		149.596		80.872	

The sale made at the end of 2007 of 950.000 shares of the subsidiary Cynosure by the Parent Company El.En. gave rise to the entering into accounts of capital gains for approx. 15 million Euros and a partial transfer to the profit and loss account of the conversion reserve which had been previously accumulated.

The positive effect on the net financial position as of December 31st 2007 was therefore approx. 20 million Euros.

Non-recurring significant events and operations 2006	**Other operating services and charges**		**Net income**		**Net income (group quota)**		**Consolidated stockholders' equity**		**Parent stockholders' equity**	
	Amount €/000	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**	**Amount €/000**	**%**
Book value	38.600		1.399		1.207		119.731		72.052	
Effect of the Palomar operation	(7.965)	-21%	5.177	370%	1.796	149%	5.177	4%	1.796	2%
Book value without teh Palomar operation	30.636		6.576		3.003		124.908		73.848	

The agreement between Cynosure Inc. and Palomar for the granting of licenses on some patents for laser hair removal devices comported the entry in the consolidated statement of a non-repeatable cost of 10 million US dollars (at the exchange rate used for the annual Profit and Loss Account, equivalent to 7,9 million Euros or 5,1% of the annual consolidated sales volume) and will comport the payment by Cynosure to Palomar of a royalty on all the laser systems for hair removal sold starting October 1st 2006.

The negative effect on the net financial position as of December 31st 2006 was 7,9 million Euros.

Information about related parties

In accordance with the IAS 24 the following subjects are considered related parties:
- the subsidiary and associated companies as shown in this document;
- the members of the Board of Directors and Board of Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by one of the Parent company shareholders belonging to the voting syndicate, by a member of the Board of Directors of the Parent company, by a member of the Board of Auditors, by any other of the executives with strategic responsibilities.

One of the deputy board members, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.

All the transactions with related parties took place at normal market conditions.

In particular, the table below shows important information about the related parties.

The Members of the Board of Directors and the Board of Auditors and other strategic executives

The Members of the Board of Directors and the Board of Auditors of the Parent company receive the salaries indicated below:

Person	***Appointment description***		***Salary***			
Name	*Position*	*Term duration*	*Perquisites*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
Gabriele Clementi	President of the Board of Directors	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		79.642	6.500
Barbara Bazzocchi	Deputy member	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		29.023	6.500
Andrea Cangioli	Deputy member	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		39.821	6.500
Michele Legnaioli	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Paolo Blasi	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Angelo Ercole Ferrario	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Alberto Pecci	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Stefano Modi	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000		28.882	
Vincenzo Pilla	President of the Board of Statutory Auditors	Until the date of the assembly for the approval of the financials for 31.12.09	23.819			
Giovanni Pacini	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	16.524			
Paolo Caselli	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	16.522			

In the column headed “Bonus and other incentives” we have entered the remuneration assigned to some of the members of the Board of Directors on the basis of the objectives set by this same administrative body, of which 150 thousand voted by the shareholders’ assembly on May 15th 2007, and the remainder subject to the approval of the shareholders’ assembly which will approve the annual report on December 31st 2007.

Board member Stefano Modi during 2007, as an employee of the company, received a salary of approx. 107 thousand Euros. The salaries of the administrators of the parent company, for their functions in other companies included in the area of consolidation, are as follows:

Barbara Bazzocchi, as sole administrator of Cutlite Penta Srl received from that company a salary of 12.000 Euros; Gabriele Clementi as sole administrator of Valfivre Italia Srl received from that company a salary of 12.000 Euros and, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen; Andrea Cangioli, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen; Angelo E. Ferrario as President of the Board of Directors of Quanta System SpA received a salary from that company of 108.000 Euros and as a board member of Arex Srl he received a salary from that company of 10.000 Euros.

The salaries of members of the Board of Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Auditors of Deka Mela Srl and Lasit SpA and actual Auditor of Cutlite Penta Srl received from these companies a total salary of 28.106 Euros; Giovanni Pacini, as actual Auditor of Deka Mela Srl and Cutlite Penta Srl received from these companies a total salary of 16.314 Euros; Paolo Caselli as President of the Board of Auditors of Cutlite Penta Srl and actual Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of 24.591 Euros; Manfredi Bufalini as actual Auditor of Quanta System SpA received from this company a salary of 7.200 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 7.600 Euros besides an incentive remuneration of 21.893 Euros.

The Parent Company does not have a General Director.

Legal bodies in which the members of the Board of Directors, the Board of Auditors and other strategic administrators have equities

The members of the Board of Directors and the Board of Auditors possess the equities shown in the management report.

Physical persons possessing an equity in El.En. SpA

Besides the members of the Board of Directors, the Board of Auditors and the President of the Technical-Scientific Committee, partners Carlo Raffini and Pio Burlamacchi also received salaries, as follows:

a) Mr. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks, received an annual salary of 30.555 Euros;

b) Prof. Pio Burlamacchi, who, on the basis of a specific contract, is the owner of an industrial right consisting of a patent pending for the invention of a "Support of an optical cavity for lasers with regulation of the alignment of the ray" received a salary of 6 thousand Euros.

Associated companies

All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during 2007 are clearly shown in detail.

The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.

The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial receivables		**Commercial receivables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
SBI SA			22	
Actis Srl	100		7	
Immobiliare Del.Co. Srl	14			
IALT Scrl	165		212	
Total	**279**		**241**	

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
IALT Scrl			3	
Actis Srl			19	
SBI SA			6	
Total			**28**	

Associated companies:	Sales	Service	Total
Actis Srl	12		12
SBI S.A.	122		122
IALT Scrl	230		230
Total	363	-	363

Associated companies:	Other revenues
IALT Scrl	2
Actis Srl	2
Total	4

Associated companies:	Purchase of raw materials	Services	Total
Actis Srl	53	32	84
SBI S.A.	29		29
IALT Scrl	7	374	382
Immobiliare Delco Srl		58	58
Total	**89**	**464**	**553**

The amounts shown in the tables above refer to operations which are inherent to the characteristic management of the company.

The table below shows the incidence which transactions with related parties has had on the economic and financial situation of the Group.

Impact of related party transactions	Total	Amount	%
a) Impact of related party transactions on the balance sheet			
Equity investments	518.598		0,00%
Accounts receivables	42.313.320	241.068	0,57%
Other receivables	5.247.874	278.991	5,32%
Non current financial liabilities	3.440.763		0,00%
Current financial liabilities	2.806.657		0,00%
Accounts payables	28.609.779	28.419	0,10%
Other payables	18.234.707		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	193.436.722	363.331	0,19%
Other revenues and income	1.923.021	5.080	0,26%
Purchases of raw materials	76.846.839	89.021	0,12%
Other direct services	20.140.495	111	0,00%
Other operating services and charges	38.612.885	463.822	1,20%
Financial charges	-3.240.980		0,00%
Financial income	3.944.161	3.866	0,10%

Procedures for the management of financial risks

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing and financial instruments. Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
Again in 2007, approx. 50% of consolidated sales were made in markets outside of the European Union; most of the transactions were conducted in US dollars. It should be pointed out that the presence of stable structures in the United States, in particular Cynosure, make it possible to have a partial coverage of these risks since both the costs and the revenue are in the same kind of currency.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The primary objective of the management of the capital of the Group is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Group, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

Financial Instruments

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value 31/12/2007	Book value 31/12/2006	Fair value 31/12/2007	Fair value 31/12/2006
Financial assets				
Financial mid and long term receivables				
Financial receivables within 12 months	355.991	350.348	355.991	350.348
Financial instruments	32.044.110	34.011.333	32.044.110	34.011.333
Cash and cash equivalents	61.511.786	24.360.779	61.511.786	24.360.779
Financial liabilities				
Financial mid and long term debts	3.440.763	1.930.395	3.440.763	1.930.395
Financial liabilities due within 12 months	2.806.657	1.300.795	2.806.657	1.300.795

Other information

Average number of employees divided by category

	Average 2007	31/12/2007	Average 2006	31/12/2006	Variation	Var. %
Total	715,5	796	591,5	635	161	25,35%

The increase in the number of employees in the Group reflects the increase in the volume of business.

For the Board of Directors

Managing Directors – Ing. Andrea Cangioli

Declaration of the consolidated financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive in charge of financial reports of El.En. S.p.A., in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during 2007.

We also declare that the consolidated financial statement dated December 31st 2007:

- corresponds to the figures in the ledgers and accounting books;
- is drawn up in conformity with the International Financial Reporting Standards used by the European Union, as well as the regulations issued for the implementation of art. 9 of the D. Lgs n.38/2005 and, to the best of our knowledge, is suitable to supply a true and correct representation of the capital, economic and financial situation of the El.En. and of the other companies included in the area of consolidation.

Calenzano, March 31st 2008

Managing Director — Executive in charge of the company financial reports

Ing. Andrea Cangioli — Dott. Enrico Romagnoli

EL.EN. SpA

INDIVIDUAL FINANCIAL STATEMENT AS OF DECEMBER 31ST 2007

EL.EN. SpA

MANAGEMENT REPORT

El.En. S.p.A.
Management Report for the financial year ending on December 31st 2007

To our shareholders:

The financial year closed on December 31st 2007 with net income of 20.465 thousand Euros, net of income taxes for an amount of 2.178 thousand Euros.
This represents the highest amount of earnings ever obtained by the company and is the result of a considerable increase in operating revenue combined with an exceptional capital gains registered for the sale of a parcel of 950.000 shares of the subsidiary Cynosure, of wich El.En., in any case, holds control.
The operating activity of El.En. S.p.A. consists of the development, engineering, manufacture and sale of laser sources and systems for use in two principal markets, medical aesthetic and industrial; it also includes a series of accessory activities, supplying post-sales services, spare parts and consulting. In pursuing an incisive policy of expansion on the markets, over time El.En. has acquired a series of companies that operate in specific sectors and geographic areas; the activities of these companies are coordinated by relationships in buying and selling, selection and control of the management, partnerships in the development and in financing.

The importance of this coordinating activity is very apparent since most of the sales volume of El.En. is absorbed by the companies belonging to the Group, and also the financial management of the equities, with the allocation of the resources acquired with the IPO on the New Market in 2000, and with the cash flow generated by the various activities, assumes a major role both in the use of managerial resources and in the impact on the financial and economic results of the company.

Adoption of international accounting principles

After the European Regulations 1606 of July 19th 2002 came in to force, on January 1st 2005 the El.En. Group adopted the International Accounting Principles (IFRS) which had been issued by the International Accounting Standards Board (IASB) and approved by the EU for drawing up the consolidated financial statement.

Moreover, in conformity with the regulations of the executive Legislative Decree n. 38/2005, starting with the financial year 2006 El.En. S.p.A. drew up its own individual annual report in accordance with the international accounting principles (IFRS).

The accounting principles and the evaluation criteria used for drawing up this document have not undergone any changes with respect to those used for the individual statement for the financial year ending on December 31st 2006.

All amounts are shown in thousands of Euros unless otherwise indicated.

Main economic and financial data

As in previous years, the activities of El.En. were conducted from the headquarters in Calenzano (Florence) and in the local branch at Castellammare di Stabia (Naples).

In 2007 the area in which the company operates did not undergo any changes; El.En. in fact continued to operate in three main sectors: that of medical/aesthetic laser equipment, of power sources for industrial applications and that of after-sales technical assistance and sale of spare parts to their clientele. Besides these activities, the company also registered income in relation to their research and development activity.
El.En. SpA, moreover, dedicates operative and financial resources to the control of the Group, in order to obtain the maximum synergy in coordinating the various activities.

The chart below shows the results for sales in the various sectors described above, shown in comparative form with the results from last year.

	31/12/2007	Inc%	31/12/2006	Inc%	Var%
Industrial systems and lasers	8.414	18,24%	7.931	20,60%	6,09%
Medical and aesthetic lasers	31.586	68,47%	25.752	66,88%	22,65%
Consulting and Research	-		-		
Service	6.133	13,29%	4.822	12,52%	27,18%
Total	**46.133**	**100,00%**	**38.505**	**100,00%**	**19,81%**

The medical/aesthetic sector again shows a rapid growth with an increase in sales volume of approx. 23% with respect to last year. The sales volume registered for the aesthetic sector, which continues to be in a favourable phase, contributed significantly to this increase.

The growth in the industrial sector was registered for 6% and would appear to be very promising for developments in future months, thanks to increasingly evident signs of recovery in the specific market.

For after-sales service, the sales volume increased due to the growing number of installations which require servicing. The sector is of fundamental strategic importance since a punctual, efficient and economical post-sales service has a profound influence on the client's perception of the quality of the "extended product" that the company offers and consequently characterizes its position on the market.

Concerning the heading "Consulting and research", it should be pointed out that the revenue related to research has been entered into accounts under the heading "Other revenue and income" for an amount of 486 thousand Euros derived from cash received in relation to research projects.

Reclassified Profit and Loss Account as of December 31st 2007

Profit and loss account	31/12/07	Inc.%	31/12/06	Inc.%	Var.%
Revenues	46.133	100,0%	38.505	100,0%	19,8%
Change in inventory of finished goods and WIP	1.359	2,9%	2.585	6,7%	-47,4%
Other revenues and income	999	2,2%	1.253	3,3%	-20,3%
Value of production	**48.491**	**105,1%**	**42.343**	**110,0%**	**14,5%**
Purchase of raw materials	25.516	55,3%	21.358	55,5%	19,5%
Change in inventory of raw material	(2.293)	-5,0%	(777)	-2,0%	195,0%
Other direct services	5.089	11,0%	4.245	11,0%	19,9%
Gross margin	**20.179**	**43,7%**	**17.518**	**45,5%**	**15,2%**
Other operating services and charges	8.560	18,6%	5.101	13,2%	67,8%
Added value	**11.618**	**25,2%**	**12.417**	**32,2%**	**-6,4%**
For staff costs	7.506	16,3%	7.059	18,3%	6,3%
EBITDA	**4.112**	**8,9%**	**5.358**	**13,9%**	**-23,2%**
Depreciation, amortization and other accruals	811	1,8%	857	2,2%	-5,4%
EBIT	**3.302**	**7,2%**	**4.501**	**11,7%**	**-26,6%**
Net financial income (charges)	(290)	-0,6%	(224)	-0,6%	29,8%
Other net income (expense)	19.631	42,6%	(1.542)	-4,0%	
Income before taxes	**22.643**	**49,1%**	**2.736**	**7,1%**	**727,7%**
Income taxes	2.178	4,7%	2.111	5,5%	3,1%
Income for the financial period	**20.465**	**44,4%**	**624**	**1,6%**	**3178,2%**

The gross margin rose to 20.179 thousand Euros this year as opposed to the 17.518 thousand Euros registered on December 31st 2006, showing a growth of 15% with respect to last year, although there is a slight drop in the incidence on the sales volume which went from 45,5% in 2006 to 43,7% in 2007. The weakness of the US dollar is one off the main causes of this decrease, as a direct effect on the sales in dollars and as an indirect effect derived from the reference of the market to the prices in dollars, with the consequent pressure for the reduction of the prices in Euros.

The costs for operating services and charges was 8.560 thousand Euros, showing an increase of 67,8%: this result was sharply influenced by the loss of 2.897 thousand Euros on the receivables from the subsidiary CL Tech (ex Lasercut Inc.) which was declared bankrupt at the end of 2007. Net of this extraordinary charge, the increase with respect to last year would have been approx.11% with a slight decrease in terms of incidence on the sales volume, which would have fallen from 13,2% in 2006 to 12,3% for this year.

The costs for personnel was 7.506 thousand Euros, an increase of 6,3%, but with a reduction in the incidence on the sales volume which fell from 18,3% for last year to 16,3% for 2007, which indicates an overall increase in the productivity of the personnel.
After the reform of the severance indemnity fund (TFR) the method used for the actuarial calculation on the basis of IAS Principle 19 was changed. The different evaluation of the severance indemnity 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 included among the actuarial profits and losses previously not entered when the so-called “corridor method” was in use. This adaptation has generated a smaller amount of liabilities for the amount of about 144 thousand Euros which is reflected in a reduction in the costs for personnel for the same amount.

The number of staff members in the company rose from 148 persons on December 31st 2006 to 161 on December 31st 2007; new hiring was related in particular to the manufacturing section.

The EBITDA was 4.112 thousand Euros, a decrease of 23,2% approx. with respect to the 5.358 thousand Euros for last year, and with an incidence on the sales volume of 8,9% . Net of the extraordinary losses mentioned above on the receivables from Lasercut, this figure would have shown an increase of 30,8% over 2006, with an incidence on the sales volume of 15,2% with respect to 13,9% for last year.

Amortizations, depreciations and accruals showed a slight drop, falling from 857 thousand Euros for last year to 811 thousand Euros for 2007,with an incidence on the sales volume of 1,8%.

The EBIT decreased from 4.501 thousand Euros in 2006 to 3.302 thousand Euros in 2007, showing a decrease of 26,6% and with an incidence on the sales volume of 7,2%. Again in this case it should be pointed out that the EBIT would have increased by 37,7% if it had not been penalized by the above mention losses on the receivables.

The net financial losses amounted to 290 thousand Euros. This result is due mainly to the negative differences generated on the assets held in US dollars and by the weakness of the dollar which, at the end of 2007, was exchanged at the rate of 1,4721 dollars per Euro as opposed to the 1,3170 dollars per Euro at the beginning of 2007.

The other net income and charges which, in 2006 showed a negative figure of 1.542 thousand Euros due mainly to the devaluations of the equities held in RTM, Deka LMS, Deka Sarl and Lasercut, in 2007 show a positive result for the amount of 19.631 thousand Euros. This result was obtained thanks to the capital gains for the amount of approx. 18,2 million Euros which was earned with the sale of 950.000 shares of the subsidiary Cynosure. Moreover, since the company has declared bankruptcy, the fund for losses accrued for the subsidiary Lasercut was released for the amount of 2.766 thousand Euros because it is no longer necessary. This substantially neutralizes, as far as the earnings before taxes are concerned, the impact of the losses on receivables described above. We have also entered into accounts the costs for the devaluation made on the equities in Deka Sarl, Deka Lms and SBI SA for a total of 1.209 thousand Euros and the costs inherent to the founding of Cutlite do Brasil for which El.En. has granted to the minority partners entry into the group of shareholders free of charge, thus recognizing to them a goodwill of 124 thousand Euros which was entered into accounts during this period.

Earnings before taxes were 22.643 thousand Euros with respect to the 2.736 thousand Euros for last year.

The tax cost for this year was a 2.178 thousand Euros as opposed to the 2.111 thousand Euros for last year, showing a marked decrease in the tax rate which falls from 77,16% to 9,62%, on account of the partial exemption “PEX” to which the capital gains on the sale of the Cynosure stock are subject, as well as other tax benefits which, in any case, limited the tax espenses for this year.

Reclassified balance sheet and net financial position as of December 31st 2007

	31/12/2007	31/12/2006	Var.
Balance Sheet			
Intangible assets	10	26	-16
Tangible assets	8.237	6.399	1.838
Equity investments	18.299	20.100	-1.801
Deferred tax assets	805	793	12
Other non current assets	3	3	
Total non current assets	**27.354**	**27.321**	**33**
Inventories	18.623	15.192	3.431
Accounts receivables	20.114	15.581	4.533
Tax receivables	1.582	2.327	-745
Other receivables	2.237	4.490	-2.253
Cash and cash equivalents	25.072	4.435	20.638
Total current assets	**67.629**	**42.025**	**25.604**
TOTAL ASSETS	**94.983**	**69.346**	**25.637**
Common stock	2.509	2.443	66
Additional paid in capital	38.594	35.607	2.987
Other reserves	14.547	15.104	-557
Retained earnings / (deficit)	-1.034	-1.034	
Net income / (loss)	20.465	624	19.841
Total equity	**75.081**	**52.745**	**22.336**
Severance indemnity	1.071	1.227	-156
Deferred tax liabilities	213	509	-296
Other accruals	2.015	3.558	-1.543
Financial liabilities	311	429	-118
Non current liabilities	**3.610**	**5.724**	**-2.114**
Financial liabilities	118	148	-30
Accounts payables	12.769	8.372	4.397
Income tax payables	581		581
Other payables	2.824	2.357	467
Current liabilities	**16.292**	**10.877**	**5.415**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**94.983**	**69.346**	**25.637**

Net financial position		
	31/12/2007	**31/12/2006**
Cash and bank	25.072	4.435
Cash and cash equivalents	**25.072**	**4.435**
Part of financial long term liabilities due within 12 months	(118)	(148)
Financial short term liabilities	**(118)**	**(148)**
Net current financial position	**24.954**	**4.287**
Other long term financial liabilities	(311)	(429)
Financial long term liabilities	**(311)**	**(429)**
Net financial position	**24.643**	**3.858**

For an analysis of the net financial position, please refer to the Explanatory notes included with the report.

Results of the subsidiary companies

El.En. SpA controls a Group of companies, all of which operate in the same general field of lasers, and to each of which a special application niche and particular function on the market has been assigned.

The chart below shows a summary of the results achieved by the companies of the Group included in the area of consolidation. After the chart there are brief explanatory notes on the activities of the individual companies and comments on their results for 2007.

	Net turnover 31-dic-07	Net turnover 31-dic-06	Var. %	EBIT 31-dic-07	EBIT 31-dic-06	Net income 31-dic-07	Net income 31-dic-06
Cynosure (*)	90.312	62.107	45,41%	12.453	-4.709	8.724	-1.762
Deka Mela Srl	19.526	18.655	4,67%	1.356	596	1.123	428
Cutlite Penta Srl	9.398	9.380	0,20%	365	350	297	1.013
Valfivre Italia Srl	254	387	-34,37%	22	-20	14	-15
Deka Sarl	1.236	1.053	17,40%	-258	-275	-260	-277
Deka Lms GmbH	891	1.651	-46,02%	-872	-143	-920	-308
Deka Laser Technologies LLC	2.617	2.571	1,76%	83	181	44	151
Quanta System SpA	16.046	14.343	11,87%	1.707	1.503	881	584
Asclepion Laser Technologies GmbH	17.275	17.093	1,07%	1.575	2.306	932	1.451
Quanta India Ltd	8	58	-86,17%	-37	15	-36	9
Asa Srl	4.177	4.657	-10,30%	449	789	284	418
Arex Srl	949	843	12,54%	123	94	59	43
AQL Srl	1.019	1.392	-26,77%	7	-71	9	-74
Ot-Las Srl	3.798	4.165	-8,81%	238	489	246	325
Lasit Spa	5.558	3.889	42,91%	178	18	33	-142
CL Tech Inc	1.388	2.811	-50,62%	-352	-932	-399	-1.083
Lasercut Technologies Inc.	152	0	0	-42	0	-42	0
BRCT Inc.	0	0	0	-63	-7	-22	15
With Us Co LTD (**)	10.290	0	0	-26	0	-146	0
Wuhan Penta Chutian Laser Equipment Co LTD	540	0	0	-151	0	-150	0
Lasit Usa INC	322	0	0	-72	0	-72	0
Cutlite do Brasil Ltda	18	0	0	-269	0	-269	0
Neuma Laser Srl	157	268	-41,44%	88	48	57	40

(*) consolidated data
(**) consolidated since February 2007

Cynosure Inc.
This company operates in the field of design, manufacture and sales of laser systems for medical and aesthetic applications, and in the last few years has been concentrating on laser applications for aesthetics. Cynosure is one of the world leaders in the field of medical lasers and has achieved this position thanks to the superior performance and high quality of its products, in particular the DYE laser with colouring agents for vascular applications, the alexandrite lasers for hair removal, and, this year, the Smartlipo System for laser-lipolysis.
Thanks to their research and development work, the innovation of the range of products offered includes both traditional products for hair removal and vascular treatments as well as newer ones like the above mentioned Smartlipo for fat removal and the Affirm System for skin tightening.
The company manages directly its own sales and marketing activities on the US market and on international markets through its own subsidiaries and its distribution network. The vast and efficient network for direct distribution in the USA is the strong point which has driven the extremely rapid growth of this company. Manufacture and research and development are conducted at Westford, Massachusetts.
Cynosure Inc. controls its own network for world distribution also through subsidiary companies of which it has 100% control and which have been specifically created for this purpose in France, Great Britain, Germany, Spain, Japan and China.
For Cynosure 2007 was a year of tremendous growth, with a sales volume which was well over 100 million US dollars, which places the Cynosure among the first three American companies in the sector. The revenue results were particularly favourable and represent a record for the company.

Cynosure has been quoted on Nasdaq since 2005; during 2007 the Cynosure stock hit its maximum level at about 45 dollars per share; the price later fell off on account of the general condition of the financial markets and also due to the expectations for the specific segment, so that it was penalized above all for the poor performance of its peer group.

Deka M.E.L.A. Srl

The company conducts activity in Italy and abroad related to the distribution of medical laser equipment manufactured by El.En. SpA, particularly in the fields of dermatology, aesthetics, and the surgery sector, where it operates directly, and it has established profitable relations of collaboration in the dental sector in Italy (Anthos Impianti). For the physical therapy segment, Deka has assigned management of the sector to ASA Srl of which it has 60% control, obtaining good results in terms of both sales volume and earnings.

The competitive context in which Deka moved in 2007 confirmed a general state of growth for the aesthetic sector, and, at an international level, manifested a state of discomfort on the part of the European manufacturers like Deka, in dealing with the American competition which has the advantage of an exchange rate which is increasingly favourable for American exporters.

In order to better operate in this situation, Deka first began re-establishing its position on the Japanese market, on which it was able to return to a competitive position thanks to the With US company, exclusive distributor in Japan of the Deka brand of products. The activities of With US were financed by El.En, which in this way has rapidly put Deka in the position of again being able to count on a good sales volume in the area.

The operating revenue has therefore shown an increase with respect to last year, and the net income even more so thanks to the payment of dividends by ASA Srl, which were greater than those for last year. The outlook for activity in 2008 remains good.

Cutlite Penta Srl

This company is active in the manufacture of laser systems for industrial cutting applications and installs the laser power sources produced by El. En. SpA on movements controlled by CNC.

During 2007 sales volume remained practically unchanged but, thanks to a slight increase in sales margins, operating revenue improved with respect to 2006.

From a strategic point of view, the investment in the joint venture in China, which creates the base for an effective penetration of the Chinese market, thanks also to the local manufacture of systems for some cutting applications, was extremely important. Competitive pressure from local manufacturers and from those that locally integrate sources produced in Europe and the USA, make it necessary to utilize local manufacturing structures in order to place on the market products which, although they include technology typical of Cutlite Penta and El.En products, still maintain the cost parameters consistent with the requirements of the local market.

Valfivre Italia Srl

As during last year, this company conducted manufacturing activity and provided technical assistance for special laser systems for industrial applications besides service activity for the companies of the Group. However, the integration activity has been greatly reduced and the business volume has fallen off, although results actually improved slightly. At the end of 2007 all operating activity was ceased and the company is inactive at this time.

Deka Sarl

In France Deka Sarl distributes the medical-aesthetic laser equipment and relative accessories manufactured by El.En. and provides after-sales service for medical and aesthetic lasers.

The management of the company was re-organized in 2006, but no benefits in terms of sales volume or earnings were derived from it for most of 2007. Only towards the end of the year, thanks to the replacement with new partners of some of the older connections in the commercial distribution network, did the sales volume show a significant increase and the fourth quarter closed with a positive result. This result, however, was unable to make up for the losses accumulated at the beginning of the year, but offers a positive outlook for the near future for the possibility of consistent operations on the French market with an effective contribution to the revenue of the Group.

Deka Lms GmbH

Deka Lms GmbH is the company which distributes the medical and aesthetic laser devices produced by El.En in Germany. A series of events combined to make 2007 a year of disastrous results for the company, even worse than the negative ones shown for 2006, and of a nature to put into discussion the very existence of the company. Along with the ordinary operating results, which were already negative, during this year there were, in addition, the costs related to the severance indemnity paid to the management which had been replaced, the heavy charges for the cancellation of some agency contracts, and the devaluation of some of the inventory and of some receivables.

The drastic reduction in operating charges, although of course they will comport a reduced potential in revenue, will make it possible to conduct business in 2008 with a much more balanced profit and loss account.

Deka Laser Technologies LLC
In the United States this company distributes laser systems produced by El.En. SpA for the dentistry market, through a highly efficient distribution network that has been gradually expanded.
During 2007 the company showed a further growth in sales volume, although the revenue showed a slight drop, in part due to the expenses sustained towards the expansion of the organizational and distribution structure of the company.

Quanta System SpA
Quanta System became part of the area of consolidation of the Group in 2004 and represents a level of excellence at a global level for its innovation and technological research in the laser sector.
In the past few years the medical/ aesthetic sector has represented the main driver of growth for this company, partially overshadowing the scientific sector, in which the company was born, and the industrial sector. The major growth which it has shown in the medical sector has allowed the company to obtain increasing revenues which have been reinvested in order to consolidate their position: at the end of 2007 the initiation of the procedures which were concluded in February 2008, for the acquisition of the control of GLI, its distributor in Spain (approx. 15 million in sales volume in 2007) represents the most important in a series of company operations through which Quanta System has invested in technology and distribution.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the "jewels in the crown" of the Group, thanks to its geographical location in the global cradle of the electro-optical industry and its capacity to associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world.
Notwithstanding the sharp drop in sales volume registered in the United States on account of the phase of transition which its distributor is going through, Asclepion was able to make up for the lack of sales with an intense marketing activity and repositioning which produced excellent results on the international markets. During the medical fair held in Duesseldorf in November 2007, Asclepion presented a renewed range of integrated laser systems which will be available for sale starting in the next few weeks, and on which the growth expectations of the company are based for the current year.
For 2008 an intense expense program has been planned for the differentiation of their range in terms of products and the distribution network; this ambitious plan, which is aimed at future development, will comport a reduction in profits for 2008.

Quanta India Ltd
This company, which was founded in India by Quanta System, conducts activity as an intermediary and supplies technical assistance in order to facilitate the penetration in specific segments of the local market of some laser systems for industrial applications produced by Quanta System.

ASA Srl
This company in Vicenza, a subsidiary of Deka M.E.L.A. Srl, operates in the physical therapy sector. The activities of ASA continue in a positive manner; revenue is reduced with respect to last year, but not net of the important non-repeatable commissions that it had received in 2006. The net income also felt the lack of this major sale, but in any case remained at an excellent level. Along with its traditional production of diode and magneto-therapy lasers for physical therapy, Asa, using a large part of their management staff, has successfully included the distribution of HIRO and HILT products which represent the finest in technological developments created by El.En in the sector of lasers for physical therapy.

Arex Srl
The company became part of the Group in April of 2004, and is involved in the management of a medical center in Milan; it has obtained good results thanks to the increase in revenue from the services it offers.

Lasit SpA
The company designs and manufactures laser marking systems complete with controls and software which can be used for marking not only metals, but also wood, glass, leather, and fabrics.
The company has dedicated considerable resources to the development of new generation technologies and is now able to offer the market a range which includes the high level of technology of the optical and software sub-components developed by their research and development team with an effective and versatile structure for the customization of the product.
During the second quarter of the year, the company was able to achieve the results which they had pursued with great determination, showing an increase in sales volume of 42% on an annual basis, and a significant improvement in the EBIT and net income.
Following up the improvements which had been registered, with the prospect of transferring the production headquarters to the factory which had been purchased for this purpose by the Parent Company, and with the satisfaction of the

completion of the important industrialization project which has led to the purchase of major pieces of equipment and instruments, the company counts on being able to show a significant growth rate again in 2008.
Another significant initiative was the creation of Lasit USA Inc., for the distribution of the products of Lasit SpA in the USA. With this company, the activity initially begun through the Group company, Lasercut Inc. has continued.

Lasit USA
This company was created this year to act as distributor for Lasit SpA in the USA. Starting in the first months of operations it has succeeded in achieving a good sales volume despite the fact that it was operating under the pressure of the difficulties created by the exchange rate with the US dollar, the continued decline of which obviously affected the results for the financial year. The outlook for 2008 is good, and it is hoped that they will obtain a growth in sales volume, sufficient to break-even.

AQL Srl
AQL Srl is a company which has operated for three year in the sector of industrial laser marking; the company was re-organized for the purpose of obtaining greater efficiency in its operations. During this year the losses entered into accounts were compensated for by the intervention of one of the two partners, Lasit SpA, which in this way took over the absolute majority partner in AQL and manages their activity after having appointed a general manager. Sales volume decreased during this year, showing a result which substantially broke even. For 2008, the company expects to see the results of their new organization and of a closer coordination of their activities with those of Lasit SpA.

Ot-Las Srl
Ot-Las designs and manufactures special laser systems for CO_2 laser marking of large surfaces, a field where it operates by offering the advanced technological solutions thanks to its close technical collaboration with the parent company, El.En. for the development of strategic components.
The sales volume for 2007 decreased with respect to last year, notwithstanding the efforts and the expenditures sustained for the commercial promotion and development of new products, on account of the difficult comparison with the exceptional second quarter of 2006. The outlook for 2008 foresees that the company will maintain the position of 2007, notwithstanding the unfavourable economic situation.

Lasercut Inc.
This American company with headquarters in Branford (CT), acquired in the month of April, 2003, was forced to accept the impossibility of continuing its activity of manufacturing and distributing in the USA laser systems produced by the Group. In Fall of 2007 the company sold its residual activities to a company that was able to conduct after-sales services, and changed its name to CL Tech Inc.; ultimately, the company ceased its activity and, upon closure of operations, brought their account books to court for the initiation of legal procedures.

BRCT Inc.
BRCT Inc. holds the real state property located in Branford, Connecticut, which was formerly owned by El.En. SpA, and which houses all the operations of the subsidiary Lasercut Technologies Inc..
BRCT also holds equities in the Japanese company, With US, acquired in January 2007 for the distribution in Japan of the medical and aesthetic systems produced by El.En. SpA under the DEKA brand, and the equity in Lasercut Technologies Inc. which conducts after-sales assistance in the premises installed by Lasercut Inc.

Neuma Laser Srl
In December of 2006 this company was liquidated because the two partners had decided to conduct the activities of Neuma on their own, also in consideration of the development plans of the company and the Group in South America and in China. The liquidation of the company became effective in December of 2007 with the depositing of the final financial statement of liquidation, the allotment plan and the cancellation request.

With Us
This company picks up where its predecessor, the distributor in Japan for DEKA M.E.L.A., left off and for the Group represents an essential point of reference in one of their most important markets. During their second year of activity, which is the first within the Group which acquired control in January 2007, the company has already registered a sales volume of over 10 million Euros. Even though they are operating in a market which has been made complex due to the growing competition and the legal limitations, With Us has obtained a well defined and significant position on the market and manages a vast network of installations of DEKA systems. The company looks very promising for the development of a growing sales volume in Japan.

Wuhan Penta Chutian
This joint venture was constituted by Cutlite Penta together with the Wuhan Chutian Group of Wuhan, in the Hubei region in Central China.

The company is supposed to produce laser cutting systems for the local market and organized its logistic and manufacturing structure during 2007, producing and selling the first systems and registering a loss in their accounts, as is expected during the start-up phase of an activity. For the year 2008, it is expected that they will achieve an increase in their production volume and therefore also in the sales volume, which is aimed at the consolidation of the structure and of the competitive position on the market that has the highest growth rate in the world.

Cutlite do Brasil Ltda

During the first half of 2007 the Parent Company El.En. founded Cutlite do Brasil Alta tecnologia a laser Ltda., for the distribution and production in Brazil of industrial laser systems, with headquarters in Blumenau in the state of Santa Catalina.

The procedures for the formal start-up of operations, with the relative permits and licenses, as well as some facilitations granted by the local government were quite long and laborious and delayed the actual start up of activity to the end of the year. Having shown a negligible sales volume for 2007, the company will have its first effective year of production in 2008, during which it can act fully as distributor of the laser systems manufactured by Cutlite Penta and by Otlas and, above all, begin local production.

Research and Development activities

During 2007 the El.En.SpA 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 description of the main research projects conducted by the company this year is given 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).

We have completed the verification phases for determining the doses and the techniques for cutting and ablation procedures of soft tissues and the cauterization of small vessel using an endoscopic laser tweezer.
We have started research on a compact CO_2 laser source for this type of 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 CO_2 laser.

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 Condrocites.

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 scansion 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 CO_2 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.

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

migliaia di euro	**31/12/2007**	**31/12/2006**
Personale e spese generali	3.133	3.629
Strumentazioni	36	139
Materiali per prove e realizzazione prototipi	273	315
Consulenze	126	147
Prestazioni di terzi	85	91
Beni immateriali	3	4
Totale	**3.656**	**4.325**

In relation to the "Costs for personnel and general expenses", the amount shown above corresponds to the expenses for staff involved in Research and Development sustained during 2007 augmented by 60% as a lump-sum entry for the general expenses for research activity. The percentage used for augmenting this entry is that recognized by the institutions which finance the research and development activities which allow, as part of the research projects that they are financing, the lump-sum reimbursement of the general expenses which have been quantified using this method.

The amount of expenses sustained corresponds to 8% of the sales volume; this is a significant percentage which, despite the impact it has on the Profit and Loss Account, guarantees a continuous renewal of the range of products as well as new technologies that are important for manufacture. To meet these expenses the company has entered into accounts income in the form of grants for an amount of 486 thousand Euros.

Equities held by administrators, auditors and general managers

In conformity with art. 79 of the Consob regulations approved with vote no. 11971 of May 14th 1999, the equities held in the company or in its subsidiaries by the administrators, auditors and their relatives even through subsidiaries are shown on the chart below.

Name	***Company***	***No. of shares on 31/12/2006***	***No. of shares acquired***	***No. of shares sold***	***No. of shares on 31/12/2007***
Andrea Cangioli	El.En. S.p.A.	624.460			624.460
Barbara Bazzocchi	El.En. S.p.A.	494.824			494.824
Gabriele Clementi	El.En. S.p.A.	495.650	10.000		505.650
Immobiliare del Ciliegio Srl (*)	El.En. S.p.A.	312.412			312.412
Lucia Roselli	El.En. S.p.A.	350			350
Paolo Caselli	El.En. S.p.A.	300			300
Vincenzo Pilla	El.En. S.p.A.	300			300
Michele Legnaioli	El.En. S.p.A.	160			160
Stefano Modi	El.En. S.p.A.	1.200	1.000		2.200
Laserfin Srl (**)	El.En. S.p.A.		4.294		4.294
Laserfin Srl (**)	Cynosure Inc.	65.000			65.000
Paola Salvadori	El.En. S.p.A.	300			300
Alberto Pecci	El.En. S.p.A.	400.252	1.200		401.452

(*)Immobiliare del Ciliegio Srl is a company with headquarters in Prato, with a capital stock of 2.553.776 Euros. Andrea Cangioli is the outright owner with a quota of 25% of the capital stock.
(**) Laserfin is a company with headquarters in Milan and a capital stock of 10.500 Euros. Angelo Ercole Ferrario holds an equity in the company for 21,78%.

As of December 31st 2007 the ordinary shares in circulation were 4.824.368. The nominal value of each share was 0,52 Euros.

Stock options offered to administrators and employees

During the extraordinary assembly of El.En. SpA held on the 16th of July 2002, in compliance with Art. 2443 of the Civil Code, the Board of Directors voted to increase the capital stock of the company through one or more payments, and for a maximum period of five years after the date of approval, for a maximum amount of 124.800 nominal Euros, by issuing a maximum of 240.000 ordinary shares with a nominal value of 0,52 Euros each with maturity the same as that of the ordinary shares of the company at the date of the underwriting, to be released with the payment of a price determined by the Board of Directors in accordance with the regulations contained in Art. 2441, comma VI, c.c. – that is, on the basis of the shareholders' equity and in consideration of the trend of the quotation on the stock market during the last quarter– and for a unit value, including share premium equal to the greater of the following: a) the value per share determined on the basis of the consolidated net capital and reserves of El. En. Group on December 31st of the year preceding the date of issue of the options; b) the arithmetical average of the official prices registered by the ordinary shares of the company on the Nuovo Mercato, organized and managed by the Italian stock market (Borsa Italiana SpA) in the 6 months preceding assignment of the options; c) the arithmetical average of the official prices registered by the ordinary shares of the company on the Nuovo Mercato, organized and managed by the Italian stock market (Borsa Italiana SpA) in the 30 days preceding assignment of the options; d) the arithmetical average of the official prices registered by the ordinary shares of the company on the Nuovo Mercato, organized and managed by the Italian stock market (Borsa Italiana SpA) in the period of time preceding the assignment of the options established by the Board of Directors in the regulations of the incentive plan.
On September 6th 2002, the Board of Directors voted to partially implement the proposal of the shareholders' assembly of July 16th 2002 and voted for an increase in capital stock of 31.817,76 Euros to be used for the stock option plan of 2003/2004 and approved the relative regulations. Option rights were assigned exclusively to the category of management, executives and white collar workers of the Group who at the time of assignment of the options were employed in a subordinate position. The above mentioned plan was broken down into two phases, one for each year; the first phase, for a maximum of 30.600 shares could be picked up by those having the right from November 18th to December 31st 2003, from August 15th to September 30th 2004, and from November 18th to December 31st 2004; the second phase, for a maximum of 30.588 shares could be picked up by the assignees from August 15th to September 30th 2004 and from November 18th to December 31st 2004.
In reference to this plan, as of December 31st 2004 (the last day the option could be picked up) of the 61.188 option rights assigned, all of them were picked up.

The Board of Directors, on November 13th 2003 voted to partially implement the approval of the shareholders' assembly of July 16th 2002 by voting to increase the capital stock by 13.145,60 Euros for use in the stock option plan of 2004/2005 and approved the relative regulations. The option rights were assigned exclusively to the category of management, executives and white collar workers of the Group who, at the time of assignment of the options, were employed in a subordinate position. The above mentioned plan was broken down into two phases, one for each year; the first phase for a maximum of 12.640 shares could be picked up by those having the right from November 18th to December 31st 2004, from August 15th to September 30th 2005 and from November 18th to December 31st 2005; the second phase, for a maximum of 12.640 shares could be picked up from August 15th to September 30th 2005 and from November 18th to December 31st 2005.
In reference to this plan, as of December 31st 2005 (the last day the option could be picked up) of the 25.280 option rights assigned, all of them were picked up.

In conclusion, the Board of Directors, with the vote given on May 13th 2005 and the later modification of March 30th 2006, partially implemented the decision made by the Shareholders' assembly of July 16th 2002 to increase the Capital stock by 72.800 Euros to be used for the implementation of the stock option plan for 2006/2007 and approved the relative regulations. The option rights were assigned exclusively to the category of Management, executives and white-collar workers who at the time of assignment of the options were employed in a subordinate position. The above mentioned plan was broken down into two phases, one for each year; the first phase, for a maximum of 70.000 shares could be picked up by those having the right from May 16th 2006 until the date on which the annual report for 2006 is approved and from May 29th 2007 to July 16th 2007; the second phase, for a maximum of 70.000 shares could be picked up by the assignees from May 16th 2007 to July 16th 2007.
In reference to this plan, as of July 16th 2007 (the last day the option could be picked up) of the 140.000 option assigned 137.900 of them were picked up.

Procedures for the management of financial risks

For an analysis of the procedures used for management of financial risks, please refer to the specific paragraph in the comments on the annual report.

Report on Corporate Governance

The report on the system of Corporate Governance of the company and the comparison with the regulations container in the self-disciplining code (Codice di Autodisciplina) for companies quoted on the stock market which was elaborated by the committee for Corporate Governance of the Italian stock market (Borsa Italiana SpA) has been drawn up and is published as a separate document which accompanies this management report.

Adoption of measures for the safeguard and protection of personal data

In conformity with the current legislation in this area, the company declares that, in reference to the formation of those responsible, they have up-dated the Document on the Safety Program (*Documento Programmatico sulla Sicurezza*) which was previously used.

Information in conformity with art. 149-duodiecies of the Consob Issuers Regulations

The chart below was drawn up in conformity with art. 149-*duodiecies* of the Regolamento Emittenti Consob, and shows the respective amounts received during the year 2007 for auditing services and for services other than auditing rendered by the Reconta Ernst & Young to the company.

Recipient of the service	Audit of individual, consolidated annual report and occasional audits	Audit of half-yearly report	Underwriting of tax forms	Other services (*)
	Amount paid in 2007 (€)	Amount paid in 2007 (€)	Amount paid in 2007 (€)	Amount paid in 2007 (€)
El.En. SpA	40.400,00	25.600,00	4.000,00	5.000,00

(*) This is the preliminary analysis of the control activity ex Law 262/05

The honorariums shown on the chart are subject every year to an adaptation on the basis of the ISTAT index and are shown net of the expenses sustained and the overseeing fee paid to Consob.

Events of importance which occurred after the closing of the financial year

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. Cool Touch has firmly denied any such responsibility and, moreover, has initiated a lawsuit against Cynosure for violating some of the patent rights held by Cool Touch.

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 Donostìa - 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.

On March 3rd 2008 the El.En. Spa shareholders' assembly voted to authorize the Board of Directors to purchase treasury stock. This purchase is made with the following concurrent or alternative objectives: to stabilize the stock, to assign to employees and/or collaborators, to exchange for equities on the occasion of company acquisitions.

Authorization was given for the purchase for an maximum amount of 15.000.000,00 (fifteen million) Euros paid in one or more instalments for a a quantity of ordinary shares in the company which, in any case, must not exceed one-tenth of the capital stock. At this time 10% of the capital stock underwritten and deposited in El.En. is equal to 482.436 shares. The duration of the authorization will be for the maximum permitted by law which is 18 months from the date of approval by the assembly. The purchase must take place on the regulated stock markets for a price which is not more than 20% under or 10 % over the official price negotiated the day preceding the purchase. Sale of the shares acquired must take place at a price which is not less than 95% of the average of the official prices for the negotiations registered during the five days preceding the sale.
On the closing date for this report the amount of treasury stock acquired by the company was 28.630 shares.

Lastly, on March 13th 2008, El.En. also increased the amount of its equity in Cutlite Penta Srl, by buying 8% of the shares held by one of the minority partners for the price of 224.000 Euros thus bringing the amount of its equity to 90,67%.

Predictable trends for the financial year now in progress

While publishing the annual forecasts for the consolidated results, the management is also presenting those related to the operating activity of the company, which foresees a further growth in the sales volume and the operating revenue. As far as the net income are concerned, the extraordinary capital gains entered for 2007 makes it improbable that this result will be improved on in 2008 since no transactions of a similar size or impact are planned during that period.

Destination of the net income

To our shareholders:
While submitting for your approval the individual financial statement for El.En. SpA as of December 31st 2007, we propose to assign the net income from this period, for the amount of 20.465.195 Euros, as follows:
15.158.390,20 Euros for the extraordinary reserve and 5.306.804,80 Euros for dividends which will be paid in the amount of a 1,10 Euros per share in circulation on the date of the payment of coupon no. 8 on May 19th 2008. The amount of the dividend which is residual because it is assigned to the treasury stock held by the company on the date that the dividends are paid will be entered as retained earnings.
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For the Board of Directors
The Managing Director– Ing. Andrea Cangioli

REPORT ON THE SYSTEM OF CORPORATE GOVERNANCE OF EL.EN. CORPORATION AND COMPARISON WITH THE REGULATIONS CONTAINED IN THE SELF-DISCIPLINING CODE FOR COMPANIES QUOTED ON THE STOCK MARKET

In conformity with the regulations set forth in Articles 124-*bis* of the Legislative Decree, of February 24th 1998, n. 58 ("TUF"), and modifications by Law 262 as of December 28th 2005, and later modifications ("Laws on Saving"), 89-bis Regolamento Emittenti n. 11971 issued by Consob on May 14th 1999 and later modifications (Regolamento Emittenti) and IA.2.6 of the Instructions on the Regulation of the Markets organized and managed by Borsa Italiana SpA with this document we intend to give information on the system of corporate governance and on the adhesion to the Self-disciplining Code elaborated by the Corporate Governance Commission of the companies quoted on the market (hitherto referred to as the Code).

Premise;

Since December 11th 2000, with the admission of its ordinary stock to the MTAX (formerly Nuovo Mercato) organized and managed by Borsa Italiana SpA – it has always been the intention of El.En. ("the Company"), apart from any legal obligations and/or regulations, to follow, maintain and perfect the alignment of its own system of corporate governance in conformity with the suggestions and recommendations of the Code - both in the original version of 1999, revised in 2002, and in the current edition of March 2006, and identified as the best practice, since it represents a unique opportunity to increase their reliability and reputation in relation to the market. The company has been part of the Techstar segment since the founding of the segment in 2004 and has been quoted in the Star segment since 2005.

In the paragraphs which follow, El.En. describes, in the first section, the system of company governance which is currently in use and, in the second section, makes a comparison between its own system of corporate governance and the model of Corporate Governance suggested by the Code in the version published in March of 2006 which indicated the numbers of the articles of the Code related to each specific subject and, where necessary, the reasons for the lack of conformity to the recommendations, as of this writing.

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I – GENERAL INFORMATION ON CORPORATE GOVERNANCE

The corporate governance of El.En. consists of an administrative body, a managing body and an assembly.

During the phase of adaptation to the regulations set forth by Legislative Decree n. 6 of January 17th 2003, and the later amendments and modifications, the shareholders of El.En. voted to keep the traditional system of administration and management.

Consequently, the company is currently administered by a Board of Directors which is regulated, in all of its aspects (composition, functions, salaries, powers, representation of the company), by Articles 19 to 23 of the company by-laws and is subject to the control and surveillance of a Board of Auditors which is governed in every aspect by Art. 25 of the by-laws.

Board of Directors

The Board of Directors holds full powers for the ordinary and extraordinary administration of the activities related to the pursuit of the aims of the company. The current Board of Directors is constituted by eight members.

The Board Members were elected by the shareholders' assembly held on May 9th 2006 and, after the vote of approval of the Board of Directors on May 15th 2006, is made up of executive and non-executive members organized so as to carry out consulting and executive functions in support of the Board, in three committees: for internal control, for remuneration, and for appointments. Two of the Board members were elected since they possessed the independence requirements as per art. 148-ter TUF.

As of December 31st 2007 the Board of Directors was composed as follows:

Name	Position	Expiration date of term	Place and date of birth
Gabriele Clementi	President and executive member	Upon approval of the financials for 2008	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Executive member	Upon approval of the financials for 2008	Forlì, 17 June 1940
Andrea Cangioli	Executive member	Upon approval of the financials for 2008	Firenze, 30 December 1965
Stefano Modi	Member	Upon approval of the financials for 2008	Borgo San Lorenzo (FI), 16 January 1961
Paolo Blasi*	Member	Upon approval of the financials for 2008	Firenze, 11 February 1940
Michele Legnaioli*	Member	Upon approval of the financials for 2008	Firenze, 19 December 1964
Angelo Ercole Ferrario	Member	Upon approval of the financials for 2008	Busto Arsizio, 20 June 1941
Alberto Pecci	Member	Upon approval of the financials for 2008	Pistoia, 18 September 1943

* Independent administrators in conformity with article 147-ter TUF and art. 3 of the Code

Board members have their legal domicile at El.En. company headquarters in Calenzano (FI), Via Baldanzese 17.
The executive Board Members retain, in accordance with the vote of the Board of Directors held on May 15th 2006, separately from each other and with independent signature, all of the ordinary and extraordinary administrative powers for achieving all of the aims included in the company purpose, excluding only the attributions which are prohibited from being object of proxy in conformity with art. 2381 of the civil code and the company by-laws.
As of September 5th 2000 the Board has instituted amongst its members the following committees which are composed for the most part, of non-executive members who have the following tasks:

a) *Nominations Committee for the appointment of the administrator*, which currently has the task of nominating candidates, receiving proposed nominations from the shareholders, and verifying that the procedure for the selection of candidates respects the company by-laws.
b) *Remuneration Committee*, which has the task of formulating proposals for the amount of remuneration to be paid to the executive Board Members and to those that have particular responsibilities, and, in response to the indications given by the delegated commissions, to

determine the criteria for the remuneration of the top executive officials of the company;

c) *Internal Control Committee*, which has consulting, executive and sustaining functions for the Board of Directors in the realization and the surveillance of the internal control systems and of the evaluations of the proposals of the auditing companies.

These committees are regulated in their composition, role and functions by a special set of regulations, the first version of which was approved on September 5th 2000, revised in December 2003 in conformity with the 2002 version of the Code, and finally, they were further revised by the Board of Directors on March 30th 2007.
On this last occasion, the Board proceeded with an adaptation of the functions and tasks in conformity with Code 2006; a detailed description of the present structure, functions, and duties is given in the second section which contains the comparison between the individual sections of the Code.

On September 5th 2000 the Board also appointed a provost for internal control.

The Board of Directors convenes at least once every quarter in order to guarantee adequate information for the Board of Auditors related to the activities and the most important transactions conducted by the Company and its subsidiaries.

The administrators of the Company participate as members of the administrative organs of the subsidiary companies or else have the position of sole administrator, otherwise the administrative organ of the subsidiary companies supply complete detailed information required for the organization of the activities of the Group and the accounting statements necessary for conformity with the relative legislation; normally, the usual policy in the past has been for the subsidiary companies to supply all of the information necessary for the preparation of the consolidated financial and economic reports before the end of the month following the closing of the quarter.

As of December 31st 2007, the following members of the Board of Directors were part of the administrative commissions for the following subsidiary companies:

Name	Activities
Gabriele Clementi	- Sole administrator of Valfivre Italia Srl (company in which El.En. SpA holds a 100% equity.) - Board member of Quanta System SpA (company in which El.En. Spa holds an equity of 60%) - Board member of With us Ltd (company controlled with 51,25% by the subsidiary BRCT Inc.) - Member of the Board of I.A.L.T. Scrl (consortium company in which El.En. Spa holds an equity of 50%.)
Barbara Bazzocchi	- Sole administrator of Cutlite Penta Srl (company in which El.En. Spa holds an equity of 82,67%) - President of the Board of Directors of Actis – Active Sensor Srl (company in which El.En. Spa holds an equity of 12,00%)
Andrea Cangioli	- Liquidator of Neuma Laser Srl (a company controlled indirectly through Cutlite Penta Srl and Ot-Las Srl)* - Executive Board Member of Quanta System SpA (company in which El.En. Spa holds an equity of 60%) - Board Member of Cynosure Inc. (company in which El.En. Spa holds an equity of 23,61%) - Board Member of Ot-las Srl (company in which El.En. Spa holds an equity of 90%) - Board Member of A.S.A. Srl (company in which the subsidiary Deka M.E.L.A. Srl holds an equity of 60%) - Sole administrator of Deka Lms GmbH (company which El.En. SpA controls 100%) - Board Member of Lasercut Technologies Inc. (which is controlled 100% by the subsidiary BRCT Inc.) - Board member of With Us Ltd (which is controlled 51,25% by the subsidiary BRCT Inc.) - President of the Board of Directors of S.B.I. SA (a company which is controlled 50% by El.En.

	SpA)
Stefano Modi	- Board member of I.A.L.T. soc. cons. a r.l. (a consortium company which is controlled 50% by El.En. SpA).
Angelo E. Ferrario	- President of the Board of Directors of Quanta System SpA (company in which El.En. Spa holds an equity of 60%) - President of the Board of Directors of Electro Optical Innovation Srl (a company in which the subsidiary Quanta System SpA has an equity of 33,33%) - Member of the Board of AREX Srl (company controlled 51,22% through the subsidiary Quanta System SpA)

* The Neuma Laser s.r.l. company was dissolved after the liquidation procedure entered at the company registration office in Florence on December 18th 2007.

The company by-laws concerning the appointment of administrators, the composition of the Board and their related areas of competency – specifically articles 19, 21 and 22 – were ultimately modified by the assembly which was held on May 15th 2007 for the purpose of adapting them to the extent required and not already included, to the new TUF and to the Code.

For a detailed description, please refer to the specific paragraphs contained in the part of this report related to information on the adhesion to the Code.
In relation to the expectation at the level of primary source of the obligatory presence of the so-called independent board members, the Company has proceeded with the insertion into the by-laws, as part of the rules on appointment and composition of the Board, this requirement, which has been, in any case, in conformity with the discipline of the Code, a regular policy since 2000, year that the company was quoted on the stock market.

The Board of Auditors

The Board of Auditors is entrusted with the surveillance of conformity to the laws and company by-laws, the respect of the principles of correct administration, of the adequacy of the company organizational set-up related to the specific tasks, systems of internal control and accounting administration system used by the company and its concrete functioning.
This Board is also entrusted with the supervision of the adequacy of the instructions given to the subsidiary companies so that they supply all the information necessary in order to be in compliance with the communication obligations required by law.

The present Board of Auditors, elected by the assembly on May 15th 007, and expiring upon approval of the financials for the year on December 31st 2009, is composed of three acting auditors and two supplementary auditors:

Name	Position	Residence	Place and date of birth
Vincenzo Pilla	President	Firenze, Via Crispi, 6	S. Croce di Magliano (CB), 19 May 1961
Paolo Caselli	Acting auditor	Pistoia, Via Galvani, 15	Firenze, 14 April 1966
Giovanni Pacini	Acting auditor	Firenze, Via Crispi, 6	Firenze, 10 December 1950
Lorenzo Galeotti Flori	Supplementary auditor	Firenze, Borgo Pinti, 80	Firenze, 9 December 1966
Manfredi Bufalini	Supplementary auditor	Firenze, Piazza S. Firenze, 2	Firenze, 24 August 1966

Company by-laws establish a limit in the accumulation of assignments, in conformity with 148-bis TUF, so that the appointment of a candidate or auditor who already functions as acting auditor in more than five listed companies is considered ineligible or invalid, as well those who are in a situation of incompatibility or that exceed the maximum limit as per the Regolamento Emittenti (artt. 144-*duodecies* and following).

On December 31st 2007 the members of the Board of Auditors of the Company also participated in the controlling organs of the following subsidiary companies:

Name	Activities
Vincenzo Pilla	- President of the Board of Auditors of Lasit SpA since December 3rd 2003 (ex acting auditor) - President of the Board of Auditors of Deka M.E.L.A. Srl - Acting auditor of Cutlite Penta Srl
Paolo Caselli	- Presidentof the Board of Auditors of Cutlite Penta Srl - Acting auditor of Deka M.E.L.A. Srl - Acting auditor of Lasit SpA
Giovanni Pacini	- Acting auditor of Cutlite Penta Srl - Acting auditor of Deka M.E.L.A. Srl

After the modification of the by-laws approved by the assembly on May 15th 2007, it was specified in Art. 25 of the statutes, which already included election with a voting list, that the acting auditor drawn from the minority list which came in first be elected president of the Board of Auditors.

Auditing of Accounts

Auditing of accounts, in conformity with Art. 155 ss. TUF is entrusted to an auditing company: the assembly held on May 9th 2006 conferred this task of auditing the annual report and the consolidated annual report of the company for the financial years 2006-2011, in conformity art. 159 TUF to RECONTA ERNST & YOUNG SpA.

Other information

On February 24th 2006, the original shareholders who had adhered to the pact stipulated in 2000 and later renewed in 2003, decided unanimously to terminate the Pact in advance with effect to take place immediately.

Internal dealing

Up until March 30th 2006, for the relevant definable subjects in accordance with and in conformity with articles 2.6.3 and 2.6.4. of the "*Regolamento dei Mercati organizzati e gestiti da Borsa Italiana SpA*" starting on January 1st 2003 there had been in force an "Ethics Code" which, with reference to operations made by those subjects, regulated the obligations of information and the types of behaviour to be observed with an aim to guaranteeing the maximum transparency and informational homogeneity in relation to the market.

On account of the modifications determined by the TUF of the EU law 2004 (L. April 18th 2005, n. 62), in consideration of the EU directives concerning market abuse, and of the later regulating activity in conformity with the CONSOB, since April 1st 2006 the company is required to conform to the regulations on the subject of internal dealing in particular to articles 114, comma 7, *Testo Unico sulla Finanza* and from 152-sexies to 152-octies of the *Regolamento Emittenti*.

Since April 1st, therefore, it has become obligatory to communicate to the public all the operations made on the financial instruments of the company by relevant persons or persons closely connected to them and, consequently, the laws regarding internal dealing contained in the Market Regulations (*Regolamento dei Mercati*) organized and managed by Borsa Italiana SpA, have been abrogated.

As a consequence of this, the Ethics Code adopted in 2003 by the Company was replaced by another document, adopted on March 31st 2006 and later modified on November 13th 2006, which, besides describing in detail the legal obligations, also specifies the time limits or prohibitions for the operations made by the above mentioned subjects.

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II – INFORMATION ON THE ADHESION TO THE SELF-DISCLIPLINING CODE

Role and composition of the Board of Directors (articles 1-3 of the Code)

1) Role of the Board of Directors (art. 1)

In conformity with Art. 21 of the Company by-laws, the Board of Directors is the organ which holds the most extensive ordinary and extraordinary administrative powers involved in the management of the company.

In conformity with the principles described in 1.P.1. and 1.P.2, and with article 20B of the company statutes, the Board of Directors convenes at least once each quarter in order to receive information from the delegate organs and also to inform the Board of Auditors on the activities which have been conducted in carrying out its delegated duties and on the operations of major economic and financial significance made by the company or by the subsidiary companies, as well as referring on operations which might represent a potential conflict of interest, on those of the related counterparts, and on those that are atypical or unusual in regards to the normal management of the company.

The regularity with which the Board meets has the purpose of assuring the capacity of the Board of Directors to operate with all the necessary information as well as that of guaranteeing the intervention of the Board of Directors in relation to all the necessary activities required for the strategic direction and verification of the powers delegated them in relation to the subsidiary companies, which need to have their activities directed and coordinated and which include among the members of their controlling organs, one of the executive Board Members, and in some case the president of the parent company or the president of the technical-scientific commission.

The regular board meetings also have the function of supplying the non-executive members with the elements necessary for an evaluation of the organizational, administrative and accounting set-up of both the company and the main subsidiaries which have been administered in their concrete activities by the executive members. (1.C.1. lett. b).

On the other hand, the requirement for the incumbent head of the executive members to refer to the Board of Directors and to the Board of Auditors, at least once every quarter on the activities conducted in carrying out their responsibilities, on the general trend of the management, and on its foreseeable evolution, as well as, possibly in advance, but, in any case, before the next meeting of the board, on the economic and financial operations of major importance made by the company or by its subsidiaries, not only is required by law, in conformity with art. 150 TUF, but is also part of the policy of creating all the conditions necessary so that the Board can evaluate the general trend of the management and periodically compare the results actually achieved with those that were programmed (1.C.1 lett. e) as well as evaluate the concrete management of the situations of potential conflict of interest (1.C.1. lett. b). In particular, the executive members are required, in conformity with the above mentioned art. 20 E cit., to reveal in advance any operations comporting potential conflict of interest, those with related counterparts, and those that are atypical or unusual with respect to the normal management policy of the company.

During the fiancial year 2007 the Board of Directors of El.En. met on the following dates:

1. February 14th 2007
2. March 30th 2007 (absent: Blasi)
3. May 15th 2007 (absent: Blasi and Ferrario)
4. August 7th 2007 (absent: Pecci)
5. September 28th 2007 (absent: Blasi)
6. November 14th 2007 (absent: Modi and Ferrario)

During the financial year 2008, the Board of Directors of El.En. has already met on the following dates:

1. January 24th
2. February 14th
3. March 31st

and on the 14th of November 2007 set the following schedule of reunions in order to fulfil the institutional requirements:

4. May 15th 2008 – Quarterly report – First quarter 2008
5. August 8th 2008 – Quarterly report – Second quarter 2008
6. September 30th 2008 – Half Yearly Report
7. November 14th 2008 – Quarterly report –Third quarter 2008

Naturally, to this schedule additional meeting dates may be added if other meetings of the Board of Directors become necessary.

At the time of the writing of this report, the calendar for the meetings is being revised in accordance with the modifications made by the Borsa Italiana SpA related to the timing for fulfilling the institutional requirements.

Concerning the documentation and the information to be furnished to the Board of Directors so that they can act fully informed and with full awareness on the subjects involved, art. 20 A of the company by-laws establishes that the president must do everything in his power to provide, reasonably in advance of the date of the meeting (except in cases of necessity and emergency) all of the documentation and information necessary related to the various subjects which will be presented for their examination and approval. In reality, an e-mail is sent to all of the non-executive Board Members and the members of the Board of Auditors containing all the documentation regarding the subjects which will be dealt with according to the schedule of the next meeting.

Concerning the presence of the single components at the meetings of the Board of Directors, it should be noted that the three executive administrators must attend unless there is a serious impediment (presence at one of the foreign subsidiaries, illness, funeral) which prevents their attending. The same is true of the independent administrators who usually attend the board meetings and participate actively.
The exact percentage of attendance for each Board Member is shown on Chart 1 in the Appendix of this report.

Powers-of-attorney, reserved powers and functions -

The principal expression of the duties of the Board consists in organizing themselves so as to guarantee an efficient performance of their own functions (1.P.1.), in conformity with the applicative criteria 1.C.1. lett. c) of the Code, as established by art. 20 E of the company statutes concerning the powers held by the Board of Directors to delegate their functions, within the limits allowed by law, to an executive committee or to one or more components and defining the contents of the powers-of-attorney, the limits and modes in which it can be exercised. The composition and the mode of functioning of an executive committee are established by the Board of Directors at the time in which it is instituted.

In conformity with art. 20 E cit. in its integrated version proposed by the Board of directors to the shareholders in order to conform to the recommendations expressed in the new version of the Code – as well as the new regulations and standards – and approved by the shareholders assembly on May 15th 2008, besides the attributes which by law cannot be delegated, and are part of their specific duties and functions, the following activities are reserved to the exclusive competence of the Board of Directors:

- the determination of the general management policies and the supervision of the general trend in the management, with particular attention to situations which might involve conflict of interest;

- the examination and approval of the strategic industrial and financial plans of the Company and of the company structure of the Group of which it is the head. (1.C.1. lett.a);
- the attribution and revocation of the delegation of powers to Board Members or to the executive committee with the definition of the contents, the limits and terms for exercising these powers (1.C.1. lett. c), as well as the use of methods intended to avoid the excessive concentration of power and responsibility in the management of the company (2.P.4);
- the determination of the remuneration for the delegated organs, of the president and Board Members who hold particular positions, and, in the case that the assembly has not already provided for it, the subdivision of the overall remuneration to be paid to the single components of the Board of Directors and of the executive committee(1.C.1. lett. d);
- the creation of commissions and committees and the determination of their purpose, their attributes and the ways in which they function, for the purpose of forming a type of company governance according to the rules established by the Self-governing codes of listed companies (5.P.1);
- the approval of the operations which have significant economic, patrimonial and financial importance, with particular reference to transactions with related parties , to those in which a board member carries his own interest or that of a third party, or that are unusual or atypical (1.C.1 lett. f);
- the verification of the adequacy of the general structural, administrative, and accounting organization for the type and size of the company as arranged by the delegated organs (1.C.1 lett. b);
- the appointment of general directors and determination of their duties and powers;
- the appointment of provosts for single acts or categories of acts.
- the appointment, after approval of the Board of Auditors, or the removal of the executive appointed to draw up the financial documents of the company (art. 154-*bis* T.U.F.)

In accordance with 11.P.2 art. 20 F of the company statutes, the by-laws require that the Board of Directors refer all the management activities conducted by the administrative organ to the shareholders' assembly.

Currently, the Board of Directors which was last elected by the shareholders' assembly which convened on May 9th 2006, deliberated on May 15th 2007 to designate from among its members, three executive Board Members, one of which was also to be the President. To these Board Members were delegated, separately from each other, and with free signature, all of the ordinary and extraordinary administrative powers to conduct all the activities which are part of the company purpose, with the exclusion of those the delegation of which is specifically prohibited in conformity with art. 2381, comma 3, c.c. and the company statutes.
Both the by-laws cited above as well as the daily efforts of the executive members of the Board of Directors are based on principles of absolute transparency and completeness of information towards the company regarding the actions that have been taken.
The executive members, moreover, make every effort to assure that the Board is kept informed of the main changes in legislation and regulation related to the company and the company organs. In reality, this occurs through the presence at the Board meetings of the provost for internal control and of a legal advisor who provides a brief summary on the matter at hand.

Concerning any concurrent activities of the Board Members and the evaluation (criteria 1.C.4) reserved to the Board in the case that the Assembly authorizes in a general or preventive manner an exception to the prohibition of concurrency, the Board proposed to the Shareholders' Assembly, which approved it on May 15th 2007, to insert a rule into the Statutes, at Art. 19 lst comma, to the effect that no act of authorization or evaluation is necessary as long as the concurrent activity is conducted because the member has taken on the role of component of an administrative organ in one of the subsidiaries. It is evident that the evaluation will take place each time that the individual member informs the Board that he/she has accepted the appointment in a subsidiary company or the existence of significant changes.

Moreover, in relation to the duties of the Board (criteria 1.C.3) to express their own opinion regarding the maximum number of positions that an administrator or an auditor can accumulate, the Board is evaluating the content of the position to be expressed on the occasion of the next inter-annual accounting report. As far as the Board of Auditors is concerned, however, the Board proceeded, after the approval of the shareholders' assembly, with the insertion into Art. 25 of the by-laws, utilizing the technique of regulation citing – along with the existing limit of five appointments as acting auditor in listed companies, the additional limits which were introduced with art. 144-*duodecies* ss. Of the *Regolamento Emittenti* issued by the Consob in implementation of art. 148-*bis* TUF.

2) Composition of the Board of Directors

- Board members: components and numbers -

Art. 19 of the by-laws states that the Board of Directors must be composed of a minimum of 3 and a maximum of 15 members nominated, even among those who are not shareholders, by the assembly, which will on each separate occasion determine their number.

The term served by each Board Member is three (3) financial years, that is, the minimum period determined at each session of the assembly, in conformity with art. 2383, comma 2, c.c. and they can be re-elected; if, during the year, one or more members come to be missing, the other members will see to it that they are replaced in conformity with art. 2386 c.c.

In conformity with art. 2 of the Code (principle 1.P.1.), the present Board of Directors of El.En. is composed of executive administrators (including the President) in conformity with applicative criteria 2.C. 1. and non-executive members: Of the eight current members of the Board, three administrators, including the President, are officially executives: (Clementi, Cangioli and Bazzocchi) since they are deputies, and five (Blasi, Legnaioli, Ferrario, Pecci, Modi) are officially non-executive members.
It should be noted that Ing. Modi, who acts as an executive in the medical research and development sector of the company, and is therefore cannot qualify as an executive board member in conformity with Art. 2381, comma 2, c.c. should be considered an "executive" on the basis of the applicative criteria as per 2.C.1. and 7.C.1.

(2.P.4) As has been stated, broad powers have been granted to the executive members of the Board. The reason for this is essentially related to the long tradition of the concrete exercising of delegated powers according to a model which was based on the daily presence of the three executive Board Members in carrying out their activities in pursuit of the company objectives, on one hand, each one conducting autonomously and independently only those tasks related to minor daily management questions, each one in the area of his specific competence, and on the other hand, discussing and coordinating every operation that could have even the most minor significance or importance.

Consequently, in reality, there is never an actual concentration of company positions in one person in conformity with principle 2.P.4, but rather anyone could potentially achieve this; actually, even though they have acted as executive administrators for many years, it can be said that none of the three executive Board Members, including the president, has ever become the sole or principal administrator responsible for the management of the company.

For this reason, at this time the Board has decided to further evaluate the possibility of designating a *lead independent director* in conformity with applicative criteria 2.C.3., that is to say, to adopt different delegating criteria.

On the other hand, in order to have greater maneuvering space in order to conform, where necessary, to the recommendations contained in the applicative criteria 2.C.3, the company has deemed it opportune to include among the modifications in the by-laws, in the part related to the competencies assigned to the Board by art. 20 E of the by-laws, of the power/duty to proceed, at the time of the attribution of the powers to the Board Members, to the adoption of the measures designed to concretely avoid a concentration of excessive power and responsibility in the management of the company.
(2.P.2 e 2.P.3) Concerning the non-executive administrators, considering that, abstractly, the recommendations contained in principle 2.P.2, which require that the executive Board Members have specific and qualified areas of competence, would appear to be almost in contradiction with those contained in principle 2.P.3 which, on the contrary, requires that a certain amount of time be dedicated to acquiring a significant role in the deliberations of the Company, it is evident that the more the person has matured experience in analogous or more complex contexts, the more he will be qualified in his competency.

Although the Board members of El.En., are persons of a certain level and experience, they dedicate enough time and personal effort to their activity as Board Member to have a consistently active role in the meetings and discussions of the Board and the activities of the committees of which they are members. This is particularly true regarding the time and effort expended by the two independent administrators.

The chart below shows the positions held in other companies by the non-executive administrators:

Name	**Position held and name of company**	**Number of companies listed on regulated markets (including foreign ones) or of large size**
Michele Legnaioli	• Sole administrator of Valmarina s.r.l. • President of the Board of Directors of Aeroporto di Firenze SpA • Board Member of Parcheggi Peretola srl • Board Member of Firenze Convention Bureau S.c.r.l.	
Paolo Blasi	• Superior Board Member of Banca d'Italia • Member of the Board of Directors of Cassa di Risparmio di Firenze	
Angelo Ercole Ferrario	• Executive board member of LASERFIN s.r.l.	
Alberto Pecci	• President of the Pecci textile Group • Board member of the following listed companies: KME and Alleanza Assicurazioni	

- The President – (2.P.5)

In conformity with the comments in art. 2 of the Code, art. 20 A of the El.En. Statutes assigns the President the power/duty to organize the work of the Board by proceeding with the convocation of meetings, scheduling the Order of the Day, coordinating the activities of the Board, directing the conduction of the meetings, and making sure that the Board members receive information in a timely manner so that that they can decide and act in an informed and autonomous way.

Art. 23 of the Statutes reserves the representation of El.En. to the President of the Board of Directors without limitation and to the members of the Board of Directors within the limits of the powers which have been assigned to them.

Concretely, because of the limited size of the company and the strongly vertical structure it has, as mentioned above, delegating powers have also been conferred to the President of the Company, Gabriele Clementi, which are analogous in content and in extension to those conferred to the other executive administrators; in fact, like the other two executive administrators he conducts on a daily basis concrete activity in the service of the company.

He has, moreover, the custom, during the board meetings, of rendering the non-executive members participatory and active in the realization of the company activities, in the Group strategies and their long-term prospects.

As already described in relation to the delegation of powers, the Board is still evaluating the possibility of designating one of the two independent administrators as lead independent director alongside the president, in order to further re-enforce the connection between the executive and non-executive administrators.

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Independent administrators

In conformity with Art. 3 of the Code, and as mentioned earlier in the chart shown in the first part, two of the non-executive administrators can be qualified as "independent".

In consideration also of the current content of Art. 147-*ter*, comma 4, TUF in relation to the percentage of components of the Board who must possess the prerequisites of independence established for the auditors by Art. 148, comma 3 TUF as well as the later, specific ones included in the Code with explicit reference to the Statutes, the company decided to insert among the modifications of the by-laws, the proviso that, in the election of the members, among the candidates that are proposed there must be elected a number, congruous in conformity with the law, of Board Members who possess the prerequisites of independence established for the auditors by Art. 148, comma 3, D. Lgs. February 24th 1998, n. 58 and by Art. 3 of the Code.

Art.19 of the by-laws, moreover, states expressly as a cause of expiration, introduced with reference to the requirements of ex- art. 148, comma 3 TUF, of Art. 3, comma 13, D.Lgs. 29 December 2006, n. 303 –the total loss of the requirements of independence, including obviously those in *ex*-Art. 3 of the Code.

Moreover, up until the year 2000, the Company had its own Board of two members who do not find themselves in any of the situations described in applicative criteria 3.C.1: in fact, they do not have now, nor have they ever had directly, indirectly or on behalf of third parties, economic relations with El.En Spa or other companies of the Group or with majority shareholders, that are significant or not, other than the remuneration (for 2007, 12.000,00 Euros annually) paid to them for their work, and which is the same as that paid to all of the other non-executive Board Members.

They are not, moreover, owners, directly, indirectly or on behalf of third parties, of equity shares in the company of a nature that would allow them to exert control or significant influence on El.En. SpA, nor do they participate in the company pacts for control of the company. They are not now and never have been important exponents of the Company or of its subsidiaries and they are not relatives of executive administrators or persons who have now, or have had in the past economic relations or any kind of relations with El.En. SpA. The independent administrators are Paolo Blasi e Michele Legnaioli.

Prof. Paolo Blasi was deemed by the shareholders' assembly that elected him, capable of carrying out the role of independent administrator since he possesses the prerequisites for independence and because of his indisputable, universally recognized academic and professional experience.

Besides being a full professor in the Physics Department of the University of Florence, Prof. Blasi has the chair in the "Physics Laboratory" department and for many years has held high administrative positions in the university, in public institutions and on government commissions. Prof. Blasi is considered one of the most eminent authorities on lasers, especially in consideration of his research activity, most of it of an experimental nature. He has also been awarded numerous honours, including the title of *Commendatore della Repubblica* by the President of Italy in 1992, of *Chevalièr de l'Ordre Natiònal de la Legion d'Honneur* by the President of France in 2000 and in the same year he received the *Sir Acton Award from* New York University; in 2003 the University of Arizona conferred upon him the honorific title of *Doctor of Humanae Litterae*.

Mr. Michele Legnaioli, also has had considerable experience and, among other positions he has held, he has been president of Fiorentinagas SpA and Fiorentinagas Clienti SpA, of the Young Industrialists Group of Florence (*Gruppo Giovani Industriali di Firenze*), national Vice President of the Young Entrepreneurs (*Giovani Imprenditori)* of the Confindustria; since May 2003 member of the *Giunta* of the Confindustria, and currently, since April 28th 2004, president of the Aeroporto di Firenze SpA, he was deemed capable of carrying out the role of independent administrator by the shareholders' assembly that appointed him on account of his undisputed entrepreneurial experience.

The presence of non-executive independent administrators in the administrative organ of El.En. is predetermined and numerically adequate to guarantee the most complete tutelage of the good governance of the company, to be implemented through dialog and discussion among the various administrators (3.C.3).
The concrete and constant contribution of the independent administrators allows the Board of Directors to make sure that all the potential cases of conflict of interest of El.En. and the controlling shareholders are evaluated with sufficient impartiality.

Moreover, both independent administrators are active members of all three committees (internal control, nominating and remunerations) which have been set up within the Board.

The independence of the administrators is evaluated annually during the meeting for the approval of the financials using information provided by the administrators themselves (3.C.4). The policy is, in fact, for the company to send to the two independent administrators a questionnaire containing declarations about the controlling, economic and personal relations with the company and the subsidiaries and the executives of these latter.

It should also be mentioned in this regard that, during the meeting for the approval of the financials for the financial year 2007, the Board of Directors, in the presence of the Board of Auditors, after examining the information supplied by the independent members, determined that no variations had occurred in relation to the conditions and prerequisites for independence in conformity with the law and the Code.

As far as applicative criteria 3.C.6. is concerned, the independent Board Members, all of which participate in the three committees instituted by the Board, during 2006 had not deemed it necessary to convoke formal meetings in the absence of the other administrators since, during the meetings of the various committees, especially that for internal control, they had had sufficient opportunity to discuss matters and to have direct access to the company management.

* * *

<u>Treatment of company information (Art. 4 of the Code)</u>

In conformity with Art. 4 of the Code, confidential information is handled by the executive Board Members in such a way as to guarantee either its privacy or its dissemination in conformity with the laws in force. Information that is not publicly known, but which, if rendered public could significantly influence the price of the financial instruments, are divulged only following specific instructions by the executive Board Members, according to the rules of art. 114 D.Lgs. 58/98, so as to guarantee the impartiality, rapidity and completeness of the information.
In particular, all information related to El.En. is carefully evaluated by the executive administrators, together with the

employees and collaborators who elaborate the various data and are aware of the information regarding the company, firstly, in relation to its nature, i.e., whether or not it is confidential – and secondly, as to the best and most correct method to divulge it.

Among other things, on March 30th 2007 the Board of Directors approved, on the basis of a proposal by the executive board members, a special procedure called "*Regulations for the handling of the company information of El.En. SpA*" which, besides including the above mentioned policy of transparency, is supposed to codify in a form which is fluid but at the same time safe and confidential, the internal mangement of the information and knowledge that are of specific importance for company operations and functional for their implementation, and, for the purposes of preventing abuses and in fulfilling the legal reqirements now in force for listed companies, in a correct dissemination of all the information which might be of interest for the stock market, i.e., so-called price sensitive.

This regulation therefore, is directed, on one hand, to prevent the uncontrolled dissemination of information that could compromise the legitimate interests of the company and of its shareholders, and on the other hand, to guarantee a correct, rapid, and impartial communication to the market of the significant specific information which could, as described in art. 181 TUF, significantly influence the price of the financial instruments issued by the Company –which are related to El.En itself or to the companies it controls.
As a result of the inclusion in Italian legislation of the European regulations concerning *market abuse*, this document also includes the rules for the institution and handling of the registry of persons who have access to confidential information, as described in art. 115 TUF and the relative CONSOB disciplining regulations implementing them.

Moreover, as mentioned in section I, in conformity with the rules set forth in articles 2.6.3 and 2.6.4 of the Regulations of the markets organized and managed by Borsa Italiana SpA in force at the time, from 2003 until March 31st 2006, the company acquired an ethics code for the Group in relation to internal dealing.

After the modifications introduced in the TUF by the "Law on Saving" and the regulations issued by CONSOB to implement them came into force, the obligation to communicate all operations made by relevant persons as described in the ethics code became law, and the monetary limit for the operations which must be communicated was lowered to 5.000,00 Euros: for this reason it was necessary to adopt a new text for the internal rules which describe the current obligations.

In accepting the recommendations of Borsa Italiana, El.En. has also included in the new ethics code, called "*Codice di comportamento per operazioni compiute su strumenti finanziari di El.En. SpA da persone rilevanti*" which was adopted by the Board of Directors by vote on March 31st 2006, and later modified by vote on November 13th 2006, the requirement for all relevant persons and for those connected with them, as defined by Art. *152-sexies* Regolamento Consob 11971/1999, to observe *blackout periods* of 15 days before the Board of Directors approves the financials and the quarterly report.

The Board of Directors, moreover, has the faculty, in the case of extraordinary operations, to impose further time limitations *ad personam* for the negotiation of company stock, that is to say, in certain motivated cases, to make exceptions to the blackout periods.

The acts relating to the exercising of stock option rights, option rights related to financial instruments, and, exclusively for the shares derived from stock option plans, the consequent selling operations, on the condition that they are performed during pick-up, are not subject to the limitations and prohibitions described in the ethics code.

* * *

Internal committees of the Board of Directors (Art. 5 Code)

Since the year 2000 the Board of Directors has constituted from among its members, three commissions with advisory and consulting functions.

In conformity with the rules established by criteria 5.C.1 these commissions:

a) are all composed of three members, two of which are independent;

b) are regulated by rules which define their purpose and functions which are approved by the Board of Directors and are periodically also up-dated by Board, as occurred recently, on March 30th 2007, during the approval of the financials for the year ending on December 31st 2006;

c) have a composition which reflects the recommendations expressed by the Code, and most recently their members were revised on March 30th 2007;

d) each have rules that state that the minutes for the meetings of the committee must be registered in special books;

e) have regulations, as they were modified on March 30th 2007, which state that, in carrying out their functions, the commission has the faculty of gaining access to the information and the company functions necessary for them to complete their task; they may also make use of external consultants and of the financial resources put at their disposal by the Company in an appropriate amount for carrying out the tasks at hand;

f) have regulations which state that they may invite to their meetings outside persons whose presence may be helpful in carrying out the functions of the commission.

* * *

Appointment of the administrators (Art. 6 of the Code)

Following the modifications made by the shareholders' assembly on May 15th 2007, Art. 19 of the by-laws states that for the appointment of the members of the board, the mechanism for the election must be based on a list of candidates with the ulterior specifications required by law related to the minimum equity quota in the capital stock necessary for the presentation of the lists and to the necessity of drawing at least one of the persons elected from the minority list not connected to the winning one.

Moreover, it was also decided to anticipate the term for the presentation of the lists in order to satisfy the interest of most of the shareholders to know in advance the personal and professional characteristics of the candidates so that they can vote knowledgeably (6.C.1.).

In conformity with art. 6.P.2. of the Code, the Board of Directors usually nominates from among its members a nominating committee for the appointment as administrator composed prevalently of non-executive administrators.

This is what occurred both for the Board of Directors appointed on September 5th 2000, which, on that same day constituted the nominating committee and designated its members as: President, Gabriele Clementi and two non-executive administrators in the persons of Paolo Blasi and Michele Legnaioli.

Similarly, on November 13th 2003, the Board which had been elected on November 6th 2003 created the nominating committee and designated as its members: the executive Board Member Barbara Bazzocchi and two non-executive independent administrators, Paolo Blasi and Michele Legnaioli.

Lastly, the current Board, which had been elected on May 9th 2006, voted on May 15th 2006 to reconfirm the members of the nominating committee that had been appointed by the previous Board.
The duties and the means of functioning of the above mentioned committee were originally described in the regulations approved *ad hoc* by the Board of Directors which convened on September 5th 2000, in order to conform with the contents of the Code that was in force at the time (1999). On November 13th 2003, the regulations were modified in order to adapt them to the contents of the Code in the updated version of July 2002; similarly, on March 30th 2007, a further revision of the regulation was made in conformity with Code 2006 criteria 6.C.2.
The committee never met during 2006, but the executive Board Member who is part of the committee verified the respect and correctness of the procedure followed for the appointment of the current Board.

* * *

<u>Remuneration (Art. 7 of the Code)</u>

The current art. 21 of the company statutes states that the members of the Board of Directors will receive a reimbursement of expenses sustained in carrying out the duties of their office, and that the assembly can assign to them remunerations, profit sharing, the right to underwrite at a set price shares to be issued in the future, end-of-term bonus, and also stipulate in their favour integrative policies for the duration of their term.

The shareholders' assembly, during the election of the current Board, established an annual salary of 12.000,00 (twelve thousand Euros) each for all of the members, and set aside for the president and executive members the overall annual amount of 234.000 (two hundred and thirty four thousand Euros) which were then subdivided by the Board upon the attribution of the powers to the President and to the Board Members, Cangioli and Bazzocchi, in equal parts. The Board and the assembly believe that, despite the dimensions of the company, the remuneration established, especially that of the executive members, and above all in consideration of the fact that they are important shareholders in the company, is enough and adequate to motivate their professionality and dedication to the management activities of the company (7.P.1).
Remuneration of non-executive Board Members is considered commensurate with the effort required and actually expended in conducting their activities (criteria 7.C.2).

The Board, in the belief that the professional qualities and dedication shown by the executive members represent, if necessary, a condition sufficient to align their personal interest with the pursual of the priority objectives for the creation

of value for the shareholders in a mid- to long-term period (7.P.2), before 2007 had never conditioned, even in part, the remuneration of the executive Board Members to the achievement of specific objectives.
However, for the purpose of maintaining the classification of Star for the Company, since it is obligatory that a significant part of the remuneration to the executive administrators be conditioned by the performance of the Company (applicative criteria 7.C.1), on May 15th 2007, it was decided integrate the text of Art. 21 of the statutes which states, on one hand, that the total remuneration of the executive administrators must be structured in such a way that a significant part of it depends on the earnings of the Company and/or the achievement of certain specific objectives which have been indicated in advance by the Board of Directors.
The same assembly which approved the statutory modification also set aside for the year 2007, the amount of 150.000,00 Euros for use as an incentive remuneration for the president and the two executive board members. The Board later approved a remuneration plan for the president and the executive board members. The content of this plan was prepared by the Remuneration committee which, in conformity with principle 7.C.1 (formerly Art. 8.1. of Code 2002) of the Code, the Board of Directors of El.En., had already created in 2000 for the purpose of guaranteeing the most complete information and transparency, on the salaries paid to the administrators.

As of December 31st 2006 the commission was still composed of two non-executive independent administrators (Paolo Blasi and Michele Legnaioli) and the President, in conformity with Art. 7, principle 7.P.3.; on March 30th 2007 the Board of Directors replaced the president with the non-executive Board Member, Dr. Alberto Pecci.

The remuneration committee has the functions and duties described in the regulations approved *ad hoc* by the Board of Directors convened on September 5th 2000, which had adopted the contents of the Code in force at the time (1999); on November 13th 2003, the regulation was modified in order to adapt it to the contents of the Code in the version updated in July 2002. On the 30th of March, 2007 a similar revision of the regulation was made in conformity with Code 2006 applicative criteria 7.C.3.

It should be understood that the remuneration committee has only advisory functions and that, in conformity with Art. 2389, comma 3, c.c. and art. 20 E of the company statutes, only the Board of Directors has the power to determine the remuneration of the delegated organs, the president, and the Board Members who hold special positions.

During 2004 the committee did not meet since the salaries of the current Board had been updated in 2003.

In 2005 the committee met on November 14th 2005 in order to establish a special remuneration for two of the administrators.
In 2006 the committee did not meet since the Board had decided not to propose to the shareholders' assembly any variations in the salaries previously determined.
In 2007 the remuneration committee met on March 30th 2007, on July 16th 2007 and again on December 19th 2007, always for the purpose of defining the remuneration plan for 2007 and for verifying the results achieved in pursuing the objectives which had been set and for outlining the plan for 2008.

The Board also decided that they should assign an incentive bonus to the president of the technical-scientific committee, who is considered an element of great strategic importance in the characterization of the company as a firm based on research.

Concerning the remuneration of the directors with strategic responsibilities, the Board of Directors of El.En. decided that it was incentive enough to assign to the managers of the company with strategic responsibilities and a few employees deemed by the Board particularly worthy and useful for the company a set number of options on shares issued as a consequence of the increase in capital reserved in conformity with Art. 2441, comma 8, c.c..
The conditions for assignment of stock options, the regulations regarding the related rights of the assignees, as well as the period in which the assignees must proceed with the purchase of the shares, are the subject of special plans each of which is approved by the Board.

* * *

Internal control system (Art. 8 of the Code)

In conformity with Art. 9.1. of Code 1999-2002, in the year 2000 the executive administrators conducted an internal evaluation of the internal control system, from it emerged that the El.En. Group is an organization set up in conformity with a certain vision and values, on the strengthening of the autonomy and the contents of the different positions of work and minimum utilization of hierarchical powers.

On September 5th 2000, the Board of Directors instituted a committee for internal control, the independent components of which were confirmed upon renewal of the mandate on November 13th 2003 and on May 9th 2006 and, recently renewed as for the third member, again a non-executive, by the vote of the May 15th 2006, with the appointment of Dr. Alberto Pecci.

Since the year 2000, moreover, the Board has appointed a provost for internal control to whom the executive Board Members have given instructions for the definition of a work schedule suitable and adapted to the company requirements of El.En., who, besides the chief function of verification of the respect of the procedure contained in the "Manual of Managerial Administrative Procedures " of El.En. and of the Group, and the updating of the same, intended to guarantee the transparency of company operations and their conformity to current regulations, also absolves function of assistance in the evaluation of risks.
In concrete, in pursuing the objective of transparency in relations and the tutelage of the company capital, as of December 31st 2007, the internal control system of El.En. is implemented through the monitoring and verification on behalf of the various company figures involved, of the existence and the respect of:

- Mechanisms which assure a rapid and correct transmission of information and communication within the company and, above all, a full and continuous flow of information such as to allow the company management and top executives to constantly monitor the company situation in all of its aspects.
- a. control procedures checking the quality and safety of the manufacturing process both in relation to the product and to the employees and collaborators.
  b. procedures which assure the conformity of the finished product to the regulations now in force on safety and responsibility of the manufacturer .

- a. procedures intended to guarantee a publicity that is true and correct and which is disseminated through decorous means and with an effective impact on the potential client;
b. procedures intended to guarantee that the use of images, information and data on third parties is preceded by the formal consent of the person involved for the specific use;
- a. procedures which assure the existence for every relationship, both internal and external, of a juridically acceptable documentary support which is suitable for initiating and regulating the relationship;
b. procedures which guarantee the conformity of the documents mentioned in point a) to the laws in force at the time for this subject
- a. procedures intended to select qualified personnel and collaborators;
b. correct procedures for the management of relations with staff and collaborators;
- procedures directed at the coordinating of research projects which have received financing or public grants;
- a. procedures intended to create an administration and a formulation of the financials which is in conformity with regulations and of superior quality;
b. computer procedures which are suitable to meet the requirements of the administrative department and to reach the objectives as stated in point a) above.
- Procedures which assure the selection of qualified personnel and effective tools for promotion, sales and customer assistance services.
- Procedures which guarantee to the parent company an efficient means of monitoring the activities of the subsidiaries, coordinating, correct and rapid flow of accounting data;
- Procedures which guarantee the respect of regulations related to companies listed on the stock market.

The provost appointed to internal control carries out a role of assistance to the Board of Directors in the planning and management of the system of internal control, schedules the internal auditing operations, and verifies that the procedures adopted for the management of the most significant risks are respected.

The provost, moreover, must verify, by means of interviews, the existence of situations which comport a conflict of interest in relation to the administrators, auditors and directors, and during the formulation of the half-yearly and yearly reports, including the consolidated ones act in conformity with chapter 8.9 of the manual. He must also identify the related parties in accordance with IAS 24 and monitor their relationships in conformity with the rules outlined in chapter 8.9 of the manual;

The provost also conducts a continuous investigation intended to identify the functional areas and the company sectors which may constitute a source of risk.
During the financial year 2004, on September 15th there occurred a substitution of the person appointed to internal control on account of the resignation of the outgoing provost who had been appointed to a company position in an operative role which would have been incompatible with his functions for internal control.

The internal control committee is currently composed of non-executive administrators (Paolo Blasi, Alberto Pecci, Michele Legnaioli), two of which are independent, who have the task and the functions that are regulated by a specific act which was approved by the Board, first on September 5th 2000, which was in conformity with the Code in force at the time, and again on November 13th 2003 in conformity with the version of the Code updated to July 2002.

Currently the internal control system of El.En is undergoing a complete and substantial revision for the purpose of adapting it as far as possible and compatibly to the contents of art. 8 of the Code in the most recent version of March 2006.

To this purpose, on March 30th 2007 we started revising the contents of the regulations of the committee by redefining its duties in the light of applicative criteria 8.C.3 and the next designation of the executive assigned to the formulation of the accounting documents.

Moreover, on May 15th 2007 Andrea Cangioli as executive board memebr responsible for supervision, in the name of the Board of Directors, was designated as head of internal controls, with the tasks and responsbilities in conformity with the Code, and in particular, the identification and submission to the inspection of the Board of the main company risks, baring in mind the characteristics fo the activity conducted by the cmpany and its subsidiaries; the creation of guidelines defined by the Board of directors, for the planning, execution, and management of a an internal controls system, with constant verification of its overall adequacy, effectiveness and efficiency; the conduction of the adaptation of his system to the dynamics of the operating conditions and the legislative and regulative situation; the proposal to the Board of Directors of the appointment, removal and remuneration of one or more provost for internal controls.

The committee always meets before the approval by the Board of Directors of the financials and the half-yearly report, and the approval of the nomination of auditor, as well as each time that one of its members or the provost for internal control requests a meeting.

During 2004 the committee met on two occasions, on March 24th and on September 15th, in order to fulfill its duties and schedule its activities.

During 2005 the committee met on January 12th to examine and approve the work scedule proposed by the new provost, and on March 24th , September 29th and December 12th to fulfil its duties.

During 2006 the committee met on March 29th, and June 29th to fulfil its duties.

During 2007 the committee met on March 30th, September 28th and December 19th to fulfil its duties.

Usually one of the acting auditors, Dr. Paolo Caselli, who has an active role in the work of the provost and of the committee itself, participates in the meetings of the committee.

The provost for internal control interacts daily with the executive Board Members, and with the president of the Board of Directors and refers to them each time that it is necessary to intervene. He interacts with the Board of Auditors when necessary and refers what he has done as well as on any dysfunctions in the system that he has found at least once every three months during the control operations of the Board of Auditors. He also provides a written report at least every six months to the Board of Directors, the internal control commission, and the Board of Auditors, on the occasion of the approval of the financials and the half-yearly report.

During 2007 the activity of the provost was directed mainly to the sector defining the administrative and accounting procedures for drawing up the individual and consolidated financial statements in conformity with Art. 154-*bis* TUF as well as the organizational and control model in conformity with D.Lgs. 231/2001.

Moreover, during the meeting held on March 31st 2008, the Board of Directors approved the organizational model in conformity with D.Lgs. 231/2001 and appointed the relative control organism as a board. The controlling provost is also a member of this organism.

* * *

Interests of the administrators and operations with related parties (art. 9 of the Code)

With reference to the operations in which one of the administrators has an interest, or the operations with related parties, which are those defined on the basis of IAS 24, on May 15th 2007 the Board of Directors made a modification in the by-laws, specifically to art. 20, where it states that the approval of the Board must be received in advance in relation to operations having a significant influence – (including a strategic influence after the modification)- of an economic, patrimonial and financial nature, with particular reference to operations with related parties, to those in which the Board Member has his own personal interest or those of a third party, or are unusual or atypical.

Moreover, on March 30th 2007 a special procedure called "El.En. Spa Regulations for the Disciplining of Operations with related parties" ("*Regolamento per la disciplina delle operazioni con parti correlate di El.En. SpA*") which consists of a mechanism intended to guarantee that the conduction of operations with related parties (this definition includes the operations in which the correlation exists with interest of the administrator or of the auditor for himself or for a third party) takes place respecting all criteria for transparency and correctness both in substance and in procedure.

It is obvious, moreover, that the company and the administrators must act in conformity with the laws on the subject contained in the Civil Code (Arts. 2391 e 2391-*bis*).

The manual for administrative and managerial procedure includes a special procedure for control of the relations with related parties and the existence of conflict of interest which involve the administrative or controlling organs.

According to this procedure, the provost for internal control every six months must proceed with a verification by conducting interviews with persons who are members of the Board of Directors or the Board of Auditors, in order to identify additional related parties as well as the existence of potential situations of conflict of interest.

Concretely, this verification takes place by means of a written interview consisting in a questionnaire that it is filled out and signed by the above mentioned persons and kept in the files of the provost for internal control.

* * *

Auditors (Art. 10 of the Code)

In conformity with Art. 10 of the Code, principle 10.P.1. and applicative criteria 10.C.1, art. 25 of the company statutes requires that the shareholders who intend to nominate candidates for appointment as auditor, at least 15 (fifteen) days (20 days according to the modified text of the by-laws) before the day set for the first convocation of the ordinary assembly must deposit the following:

a) a list containing the names shown in numerical order and divided into two sections: 1) the candidates for acting auditor and 2) the candidates for supplementary auditor.

b) a detailed description of the professional qualifications of the person nominated for the position, with an explanation of the reasons for the nomination and the *curriculum vitae* for each candidate.

c) together with the list, a declaration in which each candidate accepts his nomination and declares under his own responsibility, the non-existence of any reasons for his ineligibility or incompatibility, as well as the existence of the requirements stated in the applicable regulations and by the by-laws for the specific position.

The lists must include an identifying list of the partners or the name of the partner, that presented the list, complete with personal data, and the percentage of capital held individually or overall.
Each shareholder may present singly or with other, only one list, and each candidate must be present in just one list, otherwise he will be considered inelibible.
The shareholders who, alone or with other partners, represent the quota of equity in capital stock established by Art. 147-*ter* TUF, or in the greater quota established by Consob in implementing this rule, have the right to present voting lists.
According to specific paragraphs of the company statutes, the auditors must possess the prerequisites stated by law, and therefore also the prerequisites of independence in conformity with art. 148 TUF.
The auditors, of course, act with autonomy and independence even in relation to the shareholders who elected them (10.P.2.): the present Board is derived from a single list presented by Andrea Cangioli, since no others were presented at the moment of the election which took place on May 15th 2007.
The company constantly tries to make available to the Board of Auditors any of its own staff and resources that the Board deems useful for the purposes of carrying out their functions as described in the current version of art. 25 of the statutes.
As mentioned above, in order to conform with applicative criteria 10.C.7, one of the auditors, Dr . Paolo Caselli participates constantly and actively in the meetings and activities of the internal control commission and collaborates with the provost for internal control. Moreover, in conformity with the decision of the Board on March 31st 2008, the part of the supervising organism, *ex* D.Lgs. 231/2001.

* * *

Relations with the shareholders (Art. 11 of the Code)

In respect of the principle established in Art. 11 of the Code, the Board makes an effort to encourage the participation of the shareholders at the assemblies and facilitate the exercising of the rights of the partners by establishing a continuous dialog with them. The Board of Directors facilitates the setting of the date, time and place – usually company headquarters – for the meetings and the fulfilment of all the legal requirements related to the procedure for convocation and communication that convocation has taken place, and participation of the shareholders at the assembly.
In conformity with the Code, all of the administrators normally participate in the assemblies and on this occasion they communicate to the shareholders all of the information and news related to El.En., in observance, of course, of the regulations regarding price sensitive information.
The president of the Board of Directors and the Executive Board Members have unanimously agreed on the appointment of one of the employees, Dr. Enrico Romagnoli, as the manager in charge of relations with the institutional investors and the other shareholders. The Investor Relations manager is part of the company structure which is composed of employees in charge of the elaboration of accounting and administrative documents and information. (11.C.2).
In conformity with the procedure for communicating documents and information regarding El.En., the Investor Relations manager has the job of creating a dialog with the shareholders and the institutional investors in part by means of a special section in the internet site of the company and by making the appropriate documents available to them, always with an awareness of the necessity of tutelage and in respect of the law and the "*Regolamento sul trattamento della informazione societaria"*, especially in relation to confidential information.

Concerning the right to vote in the assemblies, since the year 2000 El.En. has included in its company statutes the possibility for its shareholders to vote by mail; this method of voting is announced in each letter of convocation along with detailed instructions on how to proceed (11.C.1 e 11.C.3).

The announcements of convocation for the assemblies and the related communications regarding the actual date of the meeting are published on the internet site of the company and in a national newspaper.

The president of the Board of Directors, who usually presides over the assembly, proceeds with a detailed description of the proposals and the items on the Order of the Day of the shareholders' assembly (11.C.4) and guarantees that the assembly is conducted in an orderly and functional manner. In this regard, the shareholders assembly held on May 15th 2007 approved the assembly regulations prepared by the Board. (11.C.5).

* * *

For the Board of Directors
The President
Ing. Gabriele Clementi

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors as of December 31st 2007							Internal control committee		Remuneration committee		Nominating committee	
Position	Members	Executive	Non-Executive	Independent	Percentage of attendance at meetings	Number of other positions held	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings
President and deputy administrator	Gabriele Clementi	X			100%					- -		
Deputy administrator	Andrea Cangioli	X			100%							
Deputy administrator	Barbara Bazzocchi	X			100%						X	- -
Administrator	Paolo Blasi		X	X	50%		X	100%	X	- -	X	- -
Administrator	Michele Legnaioli		X	X	100%		X	100%	X	- -	X	- -
Administrator	Alberto Pecci		X		100%		X	100%	X			
Administrator	Stefano Modi		X		100%							
Administrator	Angelo Ercole Ferrario		X		66%							
Number of meetings held during 2007				Board of Directors: 6 (six)	Internal control committee: 3 (three)			Remuneration committee: 3 (three)			Nominating committee: 0 (zero)	

TABLE 2: BOARD OF AUDITORS

Position	Members	Percentage of attendance at meetings of the Board of Auditors	Number of other positions held in companies listed on the regulated Italian stock markets
President	**Vincenzo Pilla**	**100%**	0
Acting Auditor	**Paolo Caselli**	**100%**	0
Acting Auditor	**Giovanni Pacini**	**80%**	0
Supplementary Auditor	**Lorenzo Galeotti Flori**	/	0
Supplementary Auditor	**Manfredi Bufalini**	/	0
Number of meetings held in the solar year of 2007: 5 (five)			
Indicate the *quorum* required for the presentation of the lists by the minority shareholders for the election of one or more acting members (art. 25 company statute); 1/40 of the capital stock or the amount which is greater as determined by Consob in actuation of art.147-ter TUF.			

TABLE 3: OTHER CONDITIONS IN THE SELF-DISCIPLINING CODE

Subject	YES	NO	Summary of the reasons why it is different from the Code
System of powers-of-attorney and operations with related parties			
The BoD attributed appointments defining their:	X		
a) limits		X	**Already defined in the statute**
b) modes of exercising them		X	**Already defined in the statute**
c) frequency of information		X	**Already defined in the statute**
The BoD reserves the right to examine and approve operations having a particular economic, patrimonial and financial significance, (including operations with related parties)		X	**Already defined in the statute**
Did the BoD define the guidelines and criteria for identifying "significant" operations ?		X	**It is the usual policy for the executives to bring to the attention of the Board any operation of an extraordinary nature or, in any case, of a certain consequence**
Are the guidelines and criteria mentioned above described in the report ?		X	**This is the usual policy, but it has never been formalized in writing**
Has the BoD defined special procedures for the inspection and approval of operations with related parties ?	X		
Are the procedures for the operations with related parties described in this report ?		X	**Please refer to the procedure approved by the BoD.**

Procedures of the most recent appointments of administrators (May 9th 2006) and auditors (May 15th 2007)			
Were the names of the candidates for the position of administrator deposited at least 10 days in advance ?	X		
Were the names of the candidates for the position of administrator accompanied by complete information ?	X		
Were the names of the candidates for independent admnistrators accompaied by indications of their suitability to qualify as independent ?	X		
Were the names of the candidates for the position of auditor deposited at least 10 days in advance ?	X		
Were the names of the candidates for the position of auditor accompanied by complete information ?	X		
Assemblies			
Did the company approve an assembly regulation?	X		
Internal Controls			
Did the company appoint a provost for internal controls ?	X		
Are the provosts for internal controls independent of the hierarchy of the directors of the area which they are assigned to control ?	X		
Organizational unit assigned to internal controls			**Internal controls function**
Investor Relations			
Did the company appoint an executive responsible for investor relations?	X		
Organizational units and references: (address/telephone/fax/e-mail) of the i*nvestor relations executive*			**UFFICIO BILANCI – Dott. Enrico Romagnoli** **E-MAIL finance@elen.it** **TEL 0558826807** **TELEFAX 0558832884**

EL.EN. S.p.A.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Balance Sheet

	Notes		31/12/2007		31/12/2006
Balance Sheet					
Intangible assets	1		9.809		26.122
Tangible assets	2		8.237.120		6.398.770
Equity investments:	3				
- in subsidiaries		17.859.052		19.645.136	
- in associates		367.968		430.440	
- other investments		71.853		24.260	
Total equity investments			18.298.873		20.099.836
Deferred tax assets	4		805.200		793.296
Other non current assets	4		3.108		3.108
Total non current assets			**27.354.110**		**27.321.132**
Inventories	5		18.623.188		15.191.733
Accounts receivables:	6				
- from third parties		6.311.831		5.556.196	
- from subsidiaries		13.570.714		9.827.075	
- from associates		230.968		197.432	
Total accounts receivables:			20.113.513		15.580.703
Tax receivables	7		1.582.232		2.327.205
Other receivables:	7				
- from third parties		848.213		921.541	
- from subsidiaries		1.109.968		3.458.185	
- from associates		278.991		110.523	
Total other receivables			2.237.172		4.490.249
Cash and cash equivalents	8		25.072.457		4.434.786
Total current assets			**67.628.562**		**42.024.676**
Non current assets held for sale					
TOTAL ASSETS			**94.982.672**		**69.345.808**
Common stock	9		2.508.671		2.443.170
Additional paid in capital	10		38.593.618		35.607.012
Other reserves	11		14.547.075		15.104.424
Retained earnings / (deficit)	12		-1.034.007		-1.034.007
Net income / (loss)			20.465.195		624.283
Total equity			**75.080.552**		**52.744.882**
Severance indemnity	13		1.070.670		1.226.929
Deferred tax liabilities	14		212.549		508.898
Other accruals	15		2.015.387		3.558.476
Financial liabilities:	16				
- to third parties		311.363		429.457	
Total financial liabilities			311.363		429.457
Non current liabilities			**3.609.969**		**5.723.760**
Financial liabilities:	17				
- to third parties		118.093		147.672	
Total financial liabilities			118.093		147.672
Accounts payables:	18				
- to third parties		11.840.680		7.279.713	
- to subsidiaries		902.735		992.531	
- to associates		25.333		99.904	
Total accounts payables			12.768.748		8.372.148
Income Tax payables	19		580.945		
Other payables:	19				
- to third parties		2.824.365		2.357.346	
Total other payables			2.824.365		2.357.346
Current liabilities			**16.292.151**		**10.877.166**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY			**94.982.672**		**69.345.808**

Profit and Loss Account

Profit and loss account	Note		31/12/2007		31/12/2006
Revenues:	20				
- from third parties		17.044.066		13.746.929	
- from subsidiaries		28.757.366		24.578.872	
- from associates		331.343		179.469	
Total revenues			46.132.775		38.505.270
Other revenues and income:	21				
- from third parties		704.374		999.924	
- from subsidiaries		289.390		248.574	
- from associates		5.080		4.800	
Total other revenues and income			998.844		1.253.298
Total revenues and income			**47.131.619**		**39.758.568**
Purchase of raw materials:	22				
- to third parties		22.910.848		19.607.451	
- to subsidiaries		2.543.797		1.720.506	
- to associates		61.655		30.150	
Total purchase of raw materials			25.516.300		21.358.107
Change in inventory of finished goods and WIP			(1.358.920)		(2.584.876)
Change in inventory of raw material			(2.292.975)		(777.326)
Other direct services:	23				
- to third parties		4.953.811		4.124.801	
- to subsidiaries		134.784		92.728	
- to associates		111		27.600	
Total other direct services			5.088.706		4.245.129
Other operating services and charges:	23				
- to third parties		8.057.649		4.874.489	
- to subsidiaries		96.870		150.781	
- to associates		405.866		75.354	
Total other operating services and charges			8.560.385		5.100.624
For staff costs	24		7.505.700		7.058.965
Depreciation, amortization and other accruals	25		810.623		857.259
EBIT			**3.301.800**		**4.500.686**
Financial charges:	26				
- to third parties		(1.234.784)		(880.898)	
Total financial charges			(1.234.784)		(880.898)
Financial income	26				
- from third parties		861.389		499.565	
- from subsidiaries		79.377		155.762	
- from associates		3.866		2.000	
Total financial income			944.632		657.327

Other net expenses	27	(1.334.109)	(1.542.569)
Other net income	27	20.965.399	1.036
Income before taxes		**22.642.938**	**2.735.582**
Income taxes	28	2.177.743	2.111.299
Income for the financial period		**20.465.195**	**624.283**

(*)In accordance with Delibera Consob 15519 of 27th July 2006, the amounts related to significant non-recurring events are listed in note (30). In particular for the year 2007, we have entered among the "Other net income" non-recurring income for 18,2 million Euros.

Financial statement (cash flow)

Financial statement (cash flow)	**31/12/2007**	**31/12/2006**
Cash flow generated by operating activity:		
Profit (loss) for the financial period	20.465.195	624.283
Amortizations and depreciations (25)	662.468	671.703
Devaluations of equity investments	67.623	429.140
Stock Options	239.402	443.562
Change of employee severance indemnity	-156.259	201.404
Change of provisions for risks and charges (15)	-1.543.089	747.579
Change of provisions for deferred income taxes	-308.253	-9.423
Stocks (5)	-3.431.455	-3.170.779
Receivables (6)	-4.532.810	-1.026.046
Tax receivables (7)	744.973	-1.603.714
Other receivables	76.950	-277.160
Payables (18)	4.396.600	393.641
Income Tax payables (19)	580.945	-1.095.591
Other payables (19)	467.019	131.127
	-2.735.886	-4.164.557
Cash flow generated by operating activity	17.729.309	-3.540.274
Cash flow generated by investment activity:		
(Increase) decrease in tangible assets	-2.479.916	-2.198.763
(Increase) decrease in intangible assets	-4.589	-20.233
(Increase) decrease in equity investments and non current assets	1.733.340	-1.566.753
Increase (decrease) in financial receivables (7)	2.176.127	-50.056
(Increase) decrease investments which are not permanent		
Cash flow from purchase of subsidiary companies		
Cash flow generated by investment activity	1.424.962	-3.835.805
Cash flow from financing activity:		
Increase (decrease) in non current financial liabilities (16)	-118.094	-147.674
Increase (decrease) in current financial liabilities (17)	-29.579	-864.557
Change in Capital and Reserves	3.052.103	289.209
Change in Capital and Reserves of third parties		
Dividends distributed (29)	-1.421.030	-2.577.558
Cash flow from financing activity	1.483.400	-3.300.580
Increase (decrease) in cash and cash equivalents	20.637.671	-10.676.659
Cash and cash equivalents at the beginning of the financial period	4.434.786	15.111.445
Cash and cash equivalents at the end of the financial period	25.072.457	4.434.786

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned during this financial period amounts to 370 thousand Euros.

Current income taxes for this financial year were 2.493 thousand Euros.

Table of Variations in the Stockholders' Equity

STOCKHOLDERS' EQUITY:	Balance 31/12/2005	Net income allocation	Dividends distributed	Adjustments	Other operations	Balance 31/12/2006
Common stock	2.436.963				6.207	2.443.170
Additional paid-in capital	35.324.009				283.003	35.607.012
Legal reserve	537.302					537.302
Others reserves:						
Extraordinary reserves	6.339.051	6.988.600				13.327.651
Reserve for contribution on capital account	426.657					426.657
Other reserves	355.861	13.392			443.561	812.814
Retained earnings	356.673	1.186.878	-2.577.558			-1.034.007
Profits (loss) of the year	8.188.870	-8.188.870			624.283	624.283
Total Stockholders' equity	53.965.386	0	-2.577.558	0	1.357.054	52.744.882

STOCKHOLDERS' EQUITY:	Balance 31/12/2006	Net income allocation	Dividends distributed	Adjustments	Other operations	Balance 31/12/2007
Common stock	2.443.170				65.501	2.508.671
Additional paid-in capital	35.607.012				2.986.606	38.593.618
Legal reserve	537.302					537.302
Others reserves:						
Extraordinary reserves	13.327.651		-796.747			12.530.904
Reserve for contribution on capital account	426.657					426.657
Other reserves	812.814				239.398	1.052.217
Retained earnings	-1.034.007	624.283	-624.283			-1.034.007
Profits (loss) of the year	624.283	-624.283			20.465.195	20.465.195
Total Stockholders' equity	52.744.882	0	-1.421.030	0	23.756.700	75.080.552

EXPLANATORY NOTES ON THE FINANCIAL TABLES

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTAX which is managed by Borsa Italiana SpA.
The El.En. Statement was examined and approved by the Board of Directors on March 31st 2008.
This statement and the relative comments are presented in Euros unless other wise indicated.

CRITERIA USED FOR DRAWING UP THE STATEMENT

The individual statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*
This individual statement for the financial year ending December 31st 2007 has been drawn up in conformity with the International Accounting Principles promulgated by the International Accounting Standard Board (IASB) and approved by the European Union, including all the international principles which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the preceding Standing Interpretations Committee (SIC), the following IFRIC and the revised principles which came into force this year. The adoption of these revised principles and interpretations had no significant effect on the financial statements of the company, as shown below.

IFRS 7 Financial instruments: additional information
Requires an information sheet which enables those using the statement to evaluate the impact of the financial instruments of the company and the type of risks associated with these financial instruments

Amendment to IAS 1 Presentation of the statement: information on the capital.
This modification requires the company to supply new information which enables the users of the statement to evaluate the objectives, the policies and the procedures of the company with reference to the management of the capital. The required information sheet has been included with the explanatory notes.

IFRIC 7 Application of the redetermination method in accordance with IAS 29 "Accounting information in hyperinflated economies"
The principle is not applicable to the activities of the company.

IFRIC 8 Purpose of the IFRS 2
The interpretation clarifies some aspects of the IFRS 2 (payments based on shares).

IFRIC 9 Re-evaluation of the implicit derivatives
L'IFRIC 9 states that the date for evaluating the existence of an implicit derivative is the date in which the entity becomes the compensation of the contract, with a re-evaluation possible only if a modification of the conditions of the contract has significant effects on the financial flows. Since the company does not hold derivative instruments, the application of IFRIC 9 had no impact on the financial position or the performance of the company.

IFRIC 10 Intermediate statements and long-lasting reductions in value
L'IFRIC 10 requires that an entity not reinstate a loss in value registered in a preceding intermediate period in relation to goodwill or to an investment made either in a capital instrument classified as available for sale or in financial activities entered into accounts at cost. Since the company has not reinstated losses in value which were previously registered, this interpretation has not had any impact on the financial position or the performance of the company.

IFRS and IFRIC interpretations not yet in force

The company has not applied the IFRS, the IFRIC Interpretations and the following amendments which have been published but are not yet in force:

IFRS 8 Operating segment
Requires additional information which will enable the users of the statement to better understand the management reports. The company does not plan any major changes in the present information sheet.

IAS 23 Revised – Financial charges
The revised IAS 23 requires the capitalization of the financial charges when these latter refer to costs related to activities which justify their capitalization (qualifying assets). An asset which justifies capitalization is an asset which requires a significant period of time before it is ready for use or for sale. This standard is applicable starting with the financial year beginning January 1st 2009. The company is still evaluating the effects of this interpretation and is not yet ready to evaluate the effects of the new principle on its financial statements.

IFRIC 11 IFRS 2 – Operations on treasury stock of the company
IFRIC 11 requires the entering into accounts of all agreements which grant employees rights on capital instruments of the entity, like plans with share regulations, even when the entity purchases these instruments from a third party, or when the shareholders supply the necessary capital instruments. This interpretation must be applied starting on March 1st of 2007. The company is evaluating the effects that the use of this standard, which will start on January 1st 2008, may have on its financial statement.

IFRIC 12 Contracts and agreements for the rendering of services
IFRIC 12 supplies indications on the ways in which operators must enter into accounts the agreements for the rendering of services by public institutions to private entities. The principal is not applicable to the activities of the company.

IFRIC 13 Client fidelity programs
IFRIC 13 supplies accounting guidelines for companies which offer fidelity awards (like points or travel miles) to clients who purchase their goods or services. This interpretation is applicable for companies starting on July 1st 2008, but does not regard the company.

IFRIC 14 IAS 19 – Limitations on the activities of Defined Benefit Plans, minimum financing requirements and their interaction.
IFRIC 14 supplies information about how to determine the limit in the capital gains which can be registered as assets in Defined Benefit Plans, in accordance with IAS 19 – Benefits to employees. The minimum amount of financing can cause effects on the assets and liabilities derived from pension plans. This interpretation is applicable after January 1st 2008. The company is evaluating the effect that this interpretation will have on the individual financial statement of the company after its application starting on January 1st 2008.

IFRS 3R Company aggregates and IAS 27/R Consolidated and individual statement
The two revised principles were approved in January 2008 and will enter into force during the first financial period after July 1st 2009. The IFRS 3R introduces several changes related to the entering into accounts of business combinations which will have an effect on the amount of goodwill registered, on the results for the financial period during which the purchase is made, and on the results for the financial periods which follow it. IAS 27R requires that a change in the amount of the equity held in a subsidiary be entered into accounts like a capital transaction. Consequently, this change will not have an effect on the goodwill, and will not give rise either to profits or losses. Moreover, the revised principles introduce changes in the entering into accounts of a loss suffered by a subsidiary, as well as the loss of control of the subsidiary. The changes introduced by principles IFRS 3R and IAS 27R must be applied in prospect and will have an impact on future acquisitions and transactions with minority shareholders.

IAS 1 Revised- Presentation of the statement
The revised principle IAS 1 Presentation of the financial statement, was approved in September of 2007 and will come into force during the first financial period after January 1st 2009. The principle separates the changes which occurred in the shareholders' equity into shareholders and non-shareholders. The table of variations in the shareholders' equity will include only the details of the transactions with shareholders, while all the transactions with non-shareholders will be presented on a single line. Moreover, the principle introduces the "comprehensive income" chart: this chart contains all of the items of revenue and cost related to the period which are registered in the profit and loss account, and, in addition, all other items registered for revenue and cost. The "comprehensive income" chart can be presented as a single chart or as two related charts. The company is now deciding whether to use one or two charts.

Modifications of IAS 32 and IAS 1 Financial instruments "for sale"
The modifications of IAS 32 and IAS 1 were approved in February and will enter into force during the first financial period after January 1st 2009. The change in IAS 32 requires that some financial instruments "for sale" and liabilities that arise at the time of payment be classified as capital instruments if they meet certain conditions. The change in IAS 1 requires that certain information related to options "for sale" classified as capital be supplied in the explanatory comments. The company does not expect that these modifications will have an impact on its financial statements.

This individual Annual Report consists of:

- the Balance Sheet,
- the Profit and Loss Account,
- the Financial Statement (Cash Flow)
- the Table of Variations in the Stockholders' Equity,
- the following Explanatory Notes.

The economic information which is provided here is related to the financial years 2007 and 2006. The financial information, however, is supplied with reference to December 31st 2007 and December 31st 2006.

As far as the kind of financial charts are concerned, the Company decided to present the following types:

Balance Sheet
The balance sheet is presented in comparative sections with separate indications of Assets, Liabilities and Shareholders' Equity. The Assets and Liabilities in turn are displayed in the accounting situation on the basis of their classification as current or non-current.

Profit and Loss Account
The Profit and Loss Account is presented as a classification by type. It shows the EBIT, which includes all the components of the income and costs, independent of the number of times they are repeated or of their being or not being characteristic of the management, with the sole exception of the components of the financial management entered between the EBIT and Income before taxes.
Moreover, the components of the income and expenses which are derived from activities which will soon be interrupted or cease, including any capital gains or capital losses net of fiscal effects, have all been entered under a specific heading which precedes the Income for the Financial Period.

Financial Statement (Cash Flow)
The financial statement (cash flow) is presented in sections divided according to the area of formation of the cash flow. The type of table used for the financial statement (cash flow) has been drawn up applying the indirect method. Cash in hand included in the financial statement includes the financial balances for this item on this date. Income and expenses related to interests, dividends received and income taxes are included in the cash flow generated by the operating management.

Table of Variations in the Stockholders' Equity
This prospectus shows the variations in the stockholders' equity in accordance with international accounting principles, showing separately income for the financial period, all profits and earnings, charges and expenses which were not listed in the profit and loss account, but directly involved in the stockholders' equity according to the specific accounting principles IAS/IFRS.

For all information related to the type of activity of the company, to the events of importance which occurred after the end of the financial year, please refer to the contents of the management report.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the individual Annual Report requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization, depreciations, devaluation of assets, stock options, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Profit and Loss Account.

EVALUATION CRITERIA

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE
Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial

years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.
The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Profit and Loss Account in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.
Goodwill and other activities which have an indefinitive life are not subject to systematic amortization but to an annual impairment test.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of amortization. Ordinary maintenance expenses have been entirely entered in the Profit and Loss Account. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item.

The company uses the method of original cost as opposed as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such principles, the value of land and of the buildings constructed on it is separated and only the building is amortized.

The aliquots used for amortization are shown on the chart below:

Description	*Amortization percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	50.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	40.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Profit and Loss Account at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.
The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Profit and Loss Account wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

According to IAS 27, the equities in subsidiary companies, in entities with joint control and in associated companies not classified as possessed for sale (IFRS 5) must be entered into accounts at cost or in conformity with IAS 39. In the individual El.En. SpA statement, the cost criteria has been used. Since the conditions for it exist, a consolidated statement has been drawn up.

Equities in companies other than those which are subsidiaries or associated (generally with a percentage of less than 20%)are classified, at the moment of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the profit and loss account" with either the current or non-current assets. The variations in the value of the equities classified as available for sale are entered into a reserve of the shareholders' equity which will be entered into the profit and loss account at the moment of the sale. The variations in the value of the equities classified as assets evaluated at fair value through the profit and loss account are entered directly into the profit and loss account. The equities described above are evaluated at cost in conformity with IAS 39.

F) FINANCIAL INSTRUMENTS

Commercial receivables

The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets

Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.
Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Profit and Loss Account under the heading "Financial Revenue (Charges)" or in a special reserve of the Stockholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents

This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock

Treasury stock is entered against stockholders' equity. No profit/loss is shown in the profit and loss account for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables

Commercial payables, the due date of which falls within the normal commercial terms, are not discounted and are entered at cost (identified as their nominal value).

Financial liabilities

Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method

G) INVENTORY

Stocks of raw materials and finished products are evaluated at the cost or market value whichever is less; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the direct costs of the raw materials and the labour and the indirect costs of production (variable and fixed). Devaluation funds are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.
Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY.

Severance indemnity may be classified as a "post-employment benefit" of the "defined benefit plan" type, the amount of which already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently analysed, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate the current service cost which defines the amount of rights matured during the financial year by employees is entered under the "labour costs" heading of the Profit and Loss Account and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial Revenue (Charges)".

The actuarial profits and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, are entered pro-quota in the Profit and Loss Account for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeds the value of the liability by 10% (so-called corridor method).
After the reform of the severance indemnity fund (TFR), the methodology used for the actuarial calculation in conformity with Principle IAS 19 was changed. The different evaluation of the TFR fund maturing on December 31st 2006 with respect to the evaluation made according to the old rules, is treated as a curtailment, and consequently entered into the profit and loss account, including the actuarial profits and losses not entered earlier when the "corridor method" was being used.

STOCK OPTION PLANS

The costs of staff labour remunerated by means of a *stock option plan* is determined on the basis of the fair value of the options granted to the employees at the date of assignment.
The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Profit and Loss Account during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In keeping with the provisions of IFRS 1, the said principle has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) FUNDS FOR LIABILITIES AND CONTINGENCIES

The company has shown the funds for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Group will have to use its resources to honour such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Profit and Loss Account for the financial year in which the variation takes place**.**

L) RECOGNITION OF REVENUE

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped. Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate. Dividends from equities are entered according to the cash principle.

M) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The assets and liabilities in foreign currency, with the exception of the tangible assets, are entered at the exchange rate that is in use at the date of closure of the financial period and relative profits and losses on the exchange rates are entered into the profit and loss account.

N) GRANTS IN CAPITAL ACCOUNT AND IN OPERATING ACCOUNT

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Profit and Loss Account at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Profit and Loss Account in relation to the period of amortization of the assets they refer to.
Grants in operating account are shown entirely in the Profit and Loss Account at the moment in which the conditions for entering them are satisfied.

O) TAXES

Current taxes on income for the financial year have been entered according to the regulations currently in force on the basis of a realistic estimate of taxable income and bearing in mind possible exemptions. The liabilities towards the tax authorities for these taxes are entered among the tax debts net of any down payments.

Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference.

Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets.

The possibility of recuperating assets for deferred taxes is re-examined at the closing of each financial year.

On the labour costs shown with regard to the retribution plan in the form of equity in the capital of the El.En. SpA, no fiscal effects have been shown inasmuch as the shares which will be assigned to employees will derive from the increase of capital.

STOCK OPTION PLANS

The chart below shows information related to the stock option plan which was implemented this year and ended on July 16th 2007, with the aim of providing the company with an instrument for encouraging employee incentive and loyalty.

	Max. expiration date	Existing options 01.01.07	Options issued 01.01.07 - 16.07.07	Options cancelled 01.01.07 - 16.07.07	Options picked up 01.01.07 - 16.07.07	Expired options not picked up 01.01.07 - 16.07.07	Existing options 16.07.07	Options which can be picked up 16.07.07	Pick up price
Plan 2006/2007	July, 16th 2007	128.064	0	0	125.964	2.100	0	0	€ 24,23
		128.064	0	0	125.964	2.100	0	0	

For the 2006/2007 stock option plan purposes of determining the fair value using the "Black & Scholes" pricing model the following hypotheses were formulated :

Market interest rate for risk free investments: 2,5%
volatility: 26,20%
time interval used for calculating volatility: 1 year prior to the date of issue

The overall fair value of the stock option is 1.038 thousand Euros.

During 2007 the average price registered for the El.En. S.p.A. stock was approx. 31 Euros.

With regard to the characteristics of the individual stock option plans adopted by El.En. S.p.A, as well as the increases of capital decided on to implement it, please refer to the description contained in chapter in the management report.

Comments on the Main Assets

Non-current assets

Intangible fixed assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	Balance 31/12/06	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Balance 31/12/07
Concessions, licences, trade marks and similar rights	16.379	4.589			-14.661	6.307
Other	9.743				-6.241	3.502
Total	**26.122**	**4.589**			**-20.902**	**9.809**

Among the intangible assets, the costs sustained for the implementation of new management software and the purchase of some software licenses have been entered.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets during the period is shown on the chart below:

Cost	Balance 31/12/06	Increments	Revaluations and devaluations	Other operations	(Disposals)	Balance 31/12/07
Lands	1.626.758	7.500		20.269		1.654.527
Buildings	3.586.634	21.905		-20.269		3.588.270
Plants and machinery	569.488	26.574			-4.370	591.692
Industrial and commercial equipment	2.644.031	361.178		-919	-131.734	2.872.556
Other goods	1.167.238	78.059			-27.603	1.217.694
Tangible assets under construction	311.957	2.075.682				2.387.639
Total	**9.906.106**	**2.570.898**		**-919**	**-163.707**	**12.312.378**

Amortisation provisions	Balance 31/12/06	Amortizations amount	Devaluations	Other operations	(Disposals)	Balance 31/12/07
Lands						
Buildings	550.218	92.435		1		642.654
Plants and machinery	238.203	54.313			-1.966	290.550
Industrial and commercial equipment	1.857.953	352.958		-456	-44.388	2.166.067
Other goods	860.962	141.860			-26.835	975.987
Tangible assets under construction						
Total	**3.507.336**	**641.566**		**-455**	**-73.189**	**4.075.258**

Net value	Balance 31/12/06	Increments	Revaluations and other operations	(Amortizations and devaluations)	(Disposals)	Balance 31/12/07
Lands	1.626.758	7.500	20.269			1.654.527
Buildings	3.036.416	21.905	-20.270	-92.435		2.945.616
Plants and machinery	331.285	26.574		-54.313	-2.404	301.142
Industrial and commercial equipment	786.078	361.178	-463	-352.958	-87.346	706.489
Other goods	306.276	78.059		-141.860	-768	241.707
Tangible assets under construction	311.957	2.075.682				2.387.639
Total	**6.398.770**	**2.570.898**	**-464**	**-641.566**	**-90.518**	**8.237.120**

In accordance with the current accounting principles, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands owned as of December 31st 2007 was 1.654 thousand Euros.
The entry "Buildings" includes the building complex in Via Baldanzese a Calenzano (FI), where the company and three of its subsidiaries, Deka M.E.L.A., Cutlite Penta and Valfivre Italia operate and the new building located in the municipality of Torre Annunziata, acquired in 2006, and used for the research, development and manufacturing activities of the subsidiary Lasit SpA, for whom El.En. SpA in this way sustains the promising outlook for future growth.

Investments consisted mainly of equipment to be used for sales demonstrations and clinical experimentation for the medical-aesthetic sector.
Under the heading of "Tangible assets under construction" we have entered, among other things, the costs sustained related to the architectural and structural planning, the charges for the licence, as well as the charges related to the various stages of construction for the enlargement of the buildings located in Via Baldanzese in Calenzano; this heading also includes the down payments for another building, also located in the city of Calenzano, the purchase of which will be concluded during the financial year 2008.

Equity investments (note 3)

The chart below provides information on the equity investments held by the company:

Equities in subsidiary companies

Company name:	Headquarters	% owned	Value of charge	Capital and reserves on 31-Dec-2007	Result 31-Dec-2007	Fraction account C.R.	Difference
Cynosure	Westford (USA)	23,61%	9.928.028	82.126.548	8.724.380	19.390.078	9.462.050
Deka M.E.L.A. Srl	Calenzano	70,00%	629.520	5.959.063	1.123.228	4.171.344	3.541.824
Cutlite Penta Srl	Calenzano	82,67%	805.473	1.552.483	296.814	1.283.438	477.965
Valfivre Italia Srl	Calenzano	100,00%	49.583	93.839	13.895	93.839	44.256
Quanta System Spa	Solbiate Olona (VA)	60,00%	2.859.710	3.772.341	880.833	2.263.405	-596.305
Ot-Las Srl	Calenzano	90,00%	1.481.000	2.004.087	246.263	1.803.678	322.678
Lasit SpA	Vico Equense (NA)	50,00%	485.814	1.320.864	32.999	660.432	174.618
Deka Sarl	Vienne (F)	100,00%		-808.107	-259.597	-808.107	-808.107
Deka Lms GmbH	Freising (G)	100,00%		-882.510	-919.785	-882.510	-882.510
Asclepion Laser Technologies GmbH	Jena (G)	50,00%	525.879	4.053.786	932.045	2.026.893	1.501.014
BRCT	New York (USA)	100,00%	652.591	1.280.920	-21.902	1.280.920	628.329
Deka Laser Technologies LLC	Fort Lauderdale (USA)	52,00%	485	382.446	43.943	198.872	198.387
CL Tech Inc.	Branford (USA)	100%		-3.056.157	-398.699	-3.056.157	-3.056.157
Cutlite do Brasil Ltda	Blumenau (Brasile)	78,00%	440.969	262.911	-269.393	205.071	-235.898
Total			17.859.052	98.062.514	10.425.024	28.631.195	10.772.143

For Quanta System the difference between the amount shown in the statement and the corresponding fraction of the shareholders' equity is due to the goodwill paid at the time of purchase. The amount of this goodwill is justified, among other things, by an analysis of the expected revenues of the company made using the DCF method.

In relation to the equities in the subsidiaries Deka Sarl and Deka Lms, which were already subjected to both direct and indirect devaluation on account of the losses incurred in the preceding financial years considering the losses shown by these company also during this year, a further accrual of 260 thousand Euros for Deka Sarl and of 882 thousand euros for Deka Lms was made. Moreover, with reference to Deka Lms, it should be pointed out that during the month of December El.En. SpA acquired from the minority partner the residual quota of the equity for the price of 5 thousand Euros, bringing to 100% the overall amount it possesses. This equity was, in any case, the subject of direct devaluation.

In the month of May, 2007, in Brazil, the company founded Cutlite do Brasil Alta Tecnologia a Laser Ltda, for the distribution and production of laser systems for industrial applications. The company was founded in the city of Blumenau in the state of Santa Catalina, in the center of the area of major industrial development in Brazil.. El.En. SpA holds an interest of 78%. The difference between the amount shown in accounts and the corresponding fraction of the shareholders' equity can be attributed to the negative result obtained this year which was related to the difficulties in the start-up phase which delayed the actual start-up of operations until the end of 2007.

On October 23rd 2007, El.En. SpA increased the amount of its equity in DEKA M.E.L.A. Srl, by purchasing 10% of the quotas held by one of the minority shareholders at the price of 600thousand Euros. This operation brings to 70% the quota held by El.En. in the Group company whose traditional activity has been the distribution of medical lasers produced by El.En. SpA.

On November 8th 2007 El.En. SpA announced that they had sold a parcel of 950.000 shares of the subsidiary Cynosure Inc. (NASDAQ:CYNO), at the price of 32,65 US dollars per share, for a total amount of about 31 million dollars.
Notwithstanding this sale, El.En. is still the majority shareholder of Cynosure Inc. with approx. 2,9 million Class B type shares, which represent 23,61% of the shares as of December 31st 2007; therefore, with more than 20% of the shares, it retains the statutory right to appoint and remove the majority members of the Board of Directors. El.En. will continue to wholly consolidate the earnings of this subsidiary. The capital gains earned for the sale amounted to 18 million Euros.

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

Finally, again in the month of December 2007 El.En. SpA acquired from the minority shareholder the equity in Deka Lms at the price of 5 thousand Euros which brought the amount of their equity in the company to 100%. In any case, this equity was subjected to the devaluation described above.

Equities in associated companies

Company Name:	Headquarters	% owned	Value of charge	Capital and reserves on 31-Dec-2007	Result 31-Dec-2007	Fraction account C.R.	Difference
Actis Srl (*)	Calenzano	12,00%	1.240	12.337	-30.378	1.480	240
IALT Scrl	Calenzano	50,00%	5.000	9.998		4.999	-1
Immobiliare Del.Co. Srl	Solbiate Olona	30,00%	274.200	109.358	-4.221	32.807	-241.393
S.B.I. SA	Herzele (B)	50,00%	87.528	175.055	-89.563	87.528	
Total			367.968	306.748	-124.162	126.814	-241.154

The data related to the associted company “Immobiliare Del.Co. Srl”, which owns a building which is leased to Quanta System SpA, shows a differece between the purchase price and the corresponding amount of the shareholders’ equty which is due the greater value implicit in the lands and buildings that they own, as recorded in the estimate that was originally drawn up for the evaluation of the company itself.

In relation to the associated company SBI SA, on account of the losses registered during 2007, through direct devaluation, the value of the equity was adjusted to the corresponding fraction of the shareholders’ equity.

The chart below shows a summary of information related to the associated companies.

	Assets	Liabilities	Proftis(+)/Losses (-)	Revenue and income	Costs and charges
Immobiliare Del.Co. Srl	235.252	125.894	-4.221	57.968	62.189
S.B.I. SA	292.026	116.971	-89.563	230.052	319.615
Actis Active Sensors Srl (*)	194.527	182.190	-30.378	115.037	145.415
IALT Scrl	889.064	879.064	0	-767.088	-767.088

(*) Data as of December 31st 2006

Equities in other companies

The equity in RTM SpA, entered at cost, was increased by the effect of the underwriting of. 47.593 shares as part of the operations which followed the authorization to compensate the earlier losses and the reconstitution of the capital stock, which had already been begun last year.

Composition of equity investments

	31/12/06						31/12/07		
Company name:	**Cost**	**Reval. (Deval.)**	**Balance 31/12/06**	**Changes**	**Revaluations (devaluations)**	**Other movements**	**Balance 31/12/07**	**Reval. (Deval.)**	**Cost**
Subsidiary companies:									
Deka M.E.L.A. Srl	24.170	0	24.170	605.350	0	0	629.520	0	629.520
Cutlite Penta Srl	428.343	0	428.343	377.130	0	0	805.473	0	805.473
Valfivre Italia Srl	49.583	0	49.583	0	0	0	49.583	0	49.583
Deka Sarl	1.523	-1.523	0	0	0	0	0	0	0
Deka Lms GmbH	369.674	-369.674	0	5.151	-5.151	0	0	-5.151	5.151
Ot-las Srl	1.481.000	0	1.481.000	0	0	0	1.481.000	0	1.481.000
Lasit SpA	485.814	0	485.814	0	0	0	485.814	0	485.814
Quanta System SpA	2.859.710	0	2.859.710	0	0	0	2.859.710	0	2.859.710
Cynosure	13.137.561	0	13.137.561	-3.209.533	0	0	9.928.028	0	9.928.028
Deka Laser Technologies LLC	485	0	485	0	0	0	485	0	485
CL Tech Inc.	0	0	0	0	0	0	0	0	0
BRCT	652.591	0	652.591	0	0	0	652.591	0	652.591
Asclepion Laser T. GmbH	525.879	0	525.879	0	0	0	525.879	0	525.879
Cutlite do Brasil Ltda	0	0	0	440.969	0	0	440.969	0	440.969
Total	20.016.333	-371.197	19.645.136	-1.780.933	-5.151	0	17.859.052	-5.151	17.864.203
Associated companies:									
Actis Srl	1.240	0	1.240	0	0	0	1.240	0	1.240
Ialt Scrl	5.000	0	5.000	0	0	0	5.000	0	5.000
Immobiliare Del.Co.	274.200	0	274.200	0	0	0	274.200	0	274.200
Sbi International	150.000	0	150.000	0	-62.472	0	87.528	-62.472	150.000
Total	430.440	0	430.440	0	-62.472	0	367.968	-62.472	430.440
Other companies:									
CALEF	5.125	0	5.125	0	0	0	5.125	0	5.125
R&S	516	0	516	0	0	0	516	0	516
RTM	76.562	-57.943	18.619	47.593	0	0	66.212	0	66.212
Total	82.203	-57.943	24.260	47.593	0	0	71.853	0	71.853
Other investments:									
Total	0	0	0	0	0	0	0	0	0
Total	20.528.976	-429.140	20.099.836	-1.733.340	-67.623	0	18.298.873	-67.623	18.366.496

Financial charges entered this year among assets

No financial charges were entered this year among the assets.

Deferred tax assets/ Other non-current assets (note 4)

Other non current assets	**31/12/2007**	**31/12/2006**	**Variation**	**Var. %**
Deferred tax assets	805.200	793.296	11.904	1,50%
Other non current assets	3.108	3.108	0	0,00%
Total	808.308	796.404	11.904	1,49%

For the analysis of the entry “Deferred tax assets”, see the next chapter related to the analysis of deferred tax assets and liabilities.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Stocks:	31-dic-07	31-dic-06	Variation	Var. %
Raw materials and consumables	9.787.982	7.495.007	2.292.975	30,59%
Work in progress and semi finished products	6.522.900	5.419.322	1.103.578	20,36%
Finished products and goods for sale	2.312.306	2.277.404	34.902	1,53%
Total	18.623.188	15.191.733	3.431.455	22,59%

The increase in final inventory registered for the year is slightly over the increase in sales volume and is related in particular to the raw materials, subsidiary and consumables. The increase in this latter category is related to the stocking up of raw materials in view of the increase in production volume foreseen for the first months of 2008.
It should also be pointed out that the values they are expressed in the chart are shown net of the devaluation fund for the amount of about 1.998 thousand Euros (about 1.665 thousand Euros as of December 31st 2006).

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	31-dic-07	31-dic-06	Variation	Var. %
Trade debtors	6.311.831	5.556.196	755.635	13,60%
Subsidiary debtors	13.570.714	9.827.075	3.743.639	38,10%
Associated debtors	230.968	197.432	33.536	16,99%
Total	20.113.513	15.580.703	4.532.810	29,09%

Trade debtors:	31/12/2007	31/12/2006	Variation	Var. %
Italy	2.498.905	2.618.859	-119.954	-4,58%
European Community	3.376.875	2.547.750	829.125	32,54%
Outside of European Community	753.481	720.005	33.476	4,65%
minus: devaluation provision for debtors	-317.430	-330.418	12.988	-3,93%
Total	6.311.831	5.556.196	755.635	13,60%

The commercial receivables towards subsidiary and associated companies are inherent to characteristic management operations.
The decrease in absolute value of the entry “Devaluation provision for debtors” is justified by some uses of the fund made during this year; the accrual of this fund amounts to 72 thousand Euros.
For a detailed analysis of the commercial receivables from subsidiary and associate companies, refer to the chapter containing information on related parties.

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables:

	31/12/2007	31/12/2006	Variation	Variation %
Tax debtors				
VAT credits	1.380.681	1.537.523	-156.842	-10,20%
Income tax credits	201.551	789.682	-588.131	-74,48%
Total tax debtors	1.582.232	2.327.205	-744.973	-32,01%

Financial credits				
Financial credits v. subsidiary companies	1.109.968	3.454.563	-2.344.595	-67,87%
Financial credits v. associated companies	278.991	110.523	168.468	152,43%
Total	1.388.959	3.565.086	-2.176.127	-61,04%
Other credits				
Security deposits	54.158	18.270	35.888	196,43%
Down payments	483.834	632.314	-148.480	-23,48%
Other credits	310.221	274.579	35.642	12,98%
Total	848.213	925.163	-76.950	-8,32%
Total financial and other credits	2.237.172	4.490.249	-2.253.077	-50,18%

The amount entered among the “tax credits” related to Value Added Tax (IVA) is the natural effect of the large amount of exports which characterize the sales volume of the company.
Credits for income tax include the tax credit derived from the fiscal facilitation in conformity with the present regulations on Research and Development activities.

The financial receivables are related to financing issued to subsidiary and associated companies in order to provide for normal operational activities. Among these, we have entered the financing granted to Lasit SpA for 350 thousand Euros remunerated at the annual BCE rate + 1%, and 154 thousand Euros without interest, to Deka Lms GmbH for 385 thousand Euros remunerated at the BCE rate of +2%, to Deka Laser Technologies for 185 thousand dollars remunerated at the annual rate of 5%, to Deka Sarl for 50 thousand Euros remunerated at the annual BCE rate of + 1% (the financing was reimbursed on January 1st 2008), and to Actis for 100 thousand Euros at the annual rate of 5%. For further details on the financial receivables towards subsidiaries and associated companies, please see the next chapter, regarding related parties.
The decrease in financial receivables towards subsidiary companies is related to the transfer to the profit and loss account of the financing granted to the subsidiary CL Tech Inc. (ex Lasercut) after the declaration of bankruptcy in December of 2007.

Cash at Bank and on Hand (note 8)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2007	31/12/2006	Variation	Var. %
bank and postal current accounts	25.065.599	4.425.005	20.640.594	466,45%
cash in hand	6.858	9.781	-2.923	-29,88%
Total	25.072.457	4.434.786	20.637.671	465,36%

For an analysis of the variations in available cash, please refer to the Financial statement (cash flow) chart; in any case it should be noted that the bank deposits are not binding.

Net financial position as of December 31st 2007

Net financial position		
	31/12/2007	**31/12/2006**
Cash and bank	25.072	4.435
Cash and cash equivalents	**25.072**	**4.435**
Part of financial long term liabilities due within 12 months	(118)	(148)
Financial short term liabilities	**(118)**	**(148)**
Net current financial position	**24.954**	**4.287**
Other long term financial liabilities	(311)	(429)
Financial long term liabilities	**(311)**	**(429)**
Net financial position	**24.643**	**3.858**

The net financial position of the company is positive for an amount of over 24,6 million Euros.

The operation which had the most direct effect on the net financial position was represented by the sale of the Cynosure stock which took place at the end of the year, as described above.
Besides the absorption of cash due to the increase in the volume of business of the company, there have been many other exceptional uses of cash; in particular the payment, by the company, of the quota for the equity in Deka M.E.L.A. Srl acquired by a third party, the real estate activity, with the enlarging of the premises in Cadenzano, final payment for the building in Torre Annunziata purchase in order to house the research, development and production activities of the subsidiary Lasit SpA, and the down payments made for the future purchase of a building, also located in Calenzano, and, lastly, the payment of dividends for approx. 1.421 thousand Euros

Comments on the main liabilities

Capital and Reserves

The main components of the stockholders' equity are shown on the chart below:

Capital stock (note 9)

As of December 31st 2007, the capital stock of El.En. was as follows

Authorised	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	Euros	***0,52***

Categories	**31/12/2006**	**Increase.**	**(Decrease.)**	**31/12/2007**
No. of Ordinary Shares	4.698.404	125.964		4.824.368
Total	**4.698.404**	**125.964**		**4.824.368**

The shareholders' assembly held on May 15th 2007 voted to distribute a dividend of 0,30 Euros per share and therefore for a total amount of 1.421.030,40 Euros, utilizing 624.283 Euros the net income from the financial year 2006 and, for the residual amount, the extraordinary reserve (for the amount of 0,30 Euros per share).

The increase in the number of shares with respect to December 31st 2006, is a result of the underwriting of the capital stock following the picking up of the stock options by the employees, as part of the 2006/2007 Incentive Plan, which is described in detail in the chapter dedicated to the increase in capital.

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net operating income of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases in capital for use in the stock option plan
The special assembly of El.En. SpA held on July 16th 2002 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 124,800 Euros through the issue of a maximum of 240,000 ordinary shares with a nominal value of euro 0.52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, equal to the greater of the following:
a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical mean of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options; d) the arithmetical mean of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the period of time before the assignment of the options decided by the Board of Directors in the regulations of the incentive plans.

On September 6th 2002 the Board of Directors of the parent company voted to implement in part the decision of the Shareholders' assembly of July 16th 2002 to increase the share capital by 31,817.76 Euros for use in the 2003/2004 stock-option plan and approved the relative regulations.
The option rights were assigned exclusively to the Group's Executives, Managers and White collars workers who at the time of the assignment were employed by the Group in a subordinate position. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 30,600 shares, was exercisable by the assignees from November 18th to December 31st 2003, from August 15th to the September 30th 2004 and from November 18th to the December 31st 2004; the second phase, for a maximum of 30,588 shares was exercisable by the assignees from August 15th to the September 30th 2004 and from November 18th to the December 31st 2004.
With reference to this vote, as of December 31st 2004 (the deadline for the exercising of such rights) of the 61,188 option rights assigned, all of them were picked up.
Moreover, on November 13th 2003, the Board of Directors voted to partially implement the decision of the shareholders' assembly convened on July 16th 2002 to increase the share capital by euro 13,145.60 to be used for the 2004/2005 stock-options plan and approved the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and White collars workers who at the moment of assignment were employed by the Group in a subordinate position. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 12,640 shares, exercisable by the assignees from November 18th to December 31st 2004, from August 15th to the September 30th 2005 and from November 18th to December 31st 2005; the second phase, for a maximum of 12,640 shares was exercisable by the assignees from August 15th to the September 30th 2005 and from November 18th to December 31st 2005.
With reference to this vote, as of December 31st 2005 (the deadline for picking up the options) of the 25.280 option rights assigned, all of them were picked up.

Lastly, on May 13th 2005, and later modification made on March 30th 2006, the Board of Directors voted to partially implement the vote of the Shareholders' assembly convened on July 16th 2002, to increase the Capital stock to 72.800 Euros for use in the stock-option plan of 2006/2007 and to approve the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and employees who at the moment of assignment were employed by the Group in a subordinate position. The above mentioned plan was divided into two phases, one for each year. The first phase, for a maximum of 70.000 shares, was exercisable by the assignees from May 16th 2006 to the date of approval of annual report, and from May 29th 2007 to July 16th 2007; the second phase, for a maximum of 70.000 shares was exercisable by the assignees from May 29th 2007 to July 16th 2007.
With reference to this decision, on July 16th 2007 (last day for picking up the options) 137.900 options were picked up out of the 140.000 options assigned.

Additional paid in capital (note 10)

On December 31st 2007 the share premium reserve amounted to 38.594 thousand Euros, an increase with respect to December 31st 2006, as shown in the Shareholders' equity chart in the column titled "Other operations", on account of the effects of the increase in capital stock which followed the picking up the stock options, as described in the Note above.

Other reserves (note 11)

Other reserves	31/12/2007	31/12/2006	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	12.530.904	13.327.651	-796.747	-5,98%
Stock options reserve fund	1.038.825	799.423	239.402	29,95%
DIFF3 contribution on capital account	150.659	150.659		0,00%
CESVIT contribution on capital account	3.099	3.099		0,00%
CCIAA contribution on capital account	3.892	3.892		0,00%
EU contribution on capital account	269.007	269.007		0,00%
Other reserves	13.387	13.391	-4	0,00%
Total	14.547.075	15.104.424	-557.349	-3,69%

On December 31st 2007, the "extraordinary reserve" amounted to 12.531 thousand Euros; the decrease which occurred during the financial year is related to the use of the reserve for the payment of dividends, as per the decision of the shareholders' assembly on May 15th 2007.

The reserve "for stock options" includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA, for the quota which matured on December 31st 2007. The change of 239 thousand Euros, with respect to December 31st 2006 is entered in the chart of the stockholders' equity in the "Other operations" column.

The amount entered in "Other reserves" is related to the accrual in the "reserve of assets and liabilities in foreign currency ex art. 2426 c.c. b. 8-bis".

In conformity with fiscal regulations, in the past El.En SpA has taken advantage of the possibility of suspending contributions on capital account, either entirely or for 50%, in a reserve of the stockholders' equity. Since 1998 these have been entirely entered into the Profit and Loss Account. The relative reserves can be considered reserves of profits.

Profits/losses brought forward (note 12)

As last year, the entry includes the rectifications of the shareholders' equity made necessary by the adoption of the International Accounting Principles; it also includes the entry of capital gains earned by the sale of treasury stock in February 2005.

Availability and possibility of utilization of the reserves

NET CAPITAL AND RESERVES:	**Balance 31/12/2007**	**Possibility of utilisation**	**Portion available**	**Utilised in the previous two periods for covering losses**	**Utilised in the previous two period for other purposes**
Subscribed capital	2.508.671				
Additional paid in capital	38.593.618	ABC	38.593.618		
Legal reserve	537.302	B			
Other reserves:					
Extraordinary reserves	12.530.904	ABC	12.530.904		
Reserve for contribution on capital account	426.657	ABC	426.657		
Profits (loss) brought forward	-1.034.007	ABC	-1.034.007		
Other reserves	1.052.212	ABC	1.052.212		
			51.569.384	**0**	**0**
Portion not distributable					
Portion distributable			**51.569.384**		

Key: A) capital increase; B) to cover losses; C) for distribution to shareholders

Non-current liabilities

Severance indemnity fund (note 13)

The chart below shows the operations which have taken place during this financial period.

Balance 31/12/2006	Provision	Utilization	Other	Balance 31/12/2007
1.226.929	238.896	-113.616	-281.539	1.070.670

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit " type which entails entering a liability similar to that entered for defined benefit pension plans.

Following the reform of the TFR (severance indemnity) the method used for actuarial calculating in accordance with IAS principle 19 has changed. The different evaluation of the severance indemnity fund which matured on December 31st 2006 with respect to the evaluation made using 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 were previously not entered into accounts when applying the so-called "corridor method". This adaptation has generated a decrease in liabilities of about 144 thousand Euros, which is reflected for the same amount in the decrease in personnel costs.

It should be remembered that the company has used the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not shown until it exceeds in absolute terms 10% of the current value of the liabilities. On December 31st 2007 the net value accumulated of actuarial profits and losses not registered was 72 thousand Euros. The present value of the liabilities as of December 31st 2007 is 885 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below.

Financial hypotheses	Year 2006	Year 2007
Annual implementation rate	4,25%	4,85%
Annual inflation rate	2,00%	2,00%
Annual growth rate of severance indemnity	3,00%	3,00%
Annual increase rate of salaries (including inflation)	Executives 4,50% White collar workers 3,00% Blue collar workers 3,00%	Executives 4,50% White collar workers3,00% Blue collar workers3,00%

The amount entered in the column "Others" of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds in accordance with the choices made by the employees during the financial year.

Analysis of deferred tax assets and liabilities (note 4) (note 14)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The analysis is as follows:

	Balance 31/12/2006	Provision	(Utilization)	Other	Balance 31/12/2007
Deferred tax assets on stock devaluations	604.492	5.383			609.875
Deferred tax assets for provisions on guarantee products	81.951	2.829			84.780
Deferred tax assets on credit devaluation	82.785		-23.585		59.200
Deferred tax assets on actualization of severance indemnity accruals	12.480		-35.599		-23.119
Other deferred tax assets	11.588	73.169	-10.293		74.464
Total	793.296	81.381	-69.477	0	805.200
Deferred tax liabilities on advanced amortizations	327.264		-289.127		38.137
Other deferred tax liabilities	181.634	13.926	-21.148		174.412
Total	508.898	13.926	-310.275	0	212.549
Net amount	284.398	67.455	240.798	0	592.651

Deferred tax assets amount to about 805 thousand Euros. Among the main variations which have occurred during this year, attention should be called to the increase in the deferred tax assets calculated on the inventory devaluation and for accruals related to product guarantees. Another increase is related to the deferred taxes calculated on the bonuses received by some members of the Board of Directors and the president of the scientific committee, the fiscal deductibility of which follows the cash criteria.

Among the decrease which should be pointed out, there is the one related to the activity for deferred taxes calculated on the fund for the devaluation of receivables after its utilization and the actualisation of the severance indemnity fund.

Deferred taxes liabilities amount to 213 thousand euros. The use of the deferred tax fund is mainly due to the cancellation of the temporary differences between the fiscal and civil values of the fixed assets through the payment of a substitute tax.

Other accruals (note 15)

The chart below shows the operations made with other accruals:

	Balance 31/12/2006	Provision	(Utilisation)	Other	Balance 31/12/2007
Reserve for pension costs and similar	8.528	24.137	-19.500		13.165
Others:					
Reserve for guarantee on the products	220.001	50.000			270.001
Reserve for risks and charges					
Other minor reserves	3.329.947	1.168.110	-2.765.836		1.732.221
Total other reserves	3.549.948	1.218.110	-2.765.836	-	2.002.222
Total	3.558.476	1.242.247	-2.785.336	-	2.015.387

In the entry "reserve for pension costs and similar" the clients' agents fund and the TFM (severance indemnity fund for the administrators) are included.
According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	**Year 2006**	**Year 2007**
Annual rate of implementation	3,00%	4,50%
Annual rate of inflation	2,00%	2,00%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

For the entry "other minor reserves" the amount shown in the column "utilization" is related to the release of funds accrued up until last year for the losses of the subsidiary company Lasercut Inc; after the declaration of bankruptcy which occurred this year, this fund is no longer necessary.

The amount shown in the column headed "accruals" is related, for 1.142 thousand Euros, to the losses registered by the subsidiaries Deka Sarl and Deka Lms, as described above.

On February 28th 2008, after the conclusion of a general audit conducted in relation to the year 2005, the regional branch of the internal revenue service (Direzione Regionale delle Entrate per la Toscana), an offence report (Processo Verbale di Constatazione) was formulated against El.En. SpA. In this report the Agency, besides listing some minor violations in the reporting of income and Value Added Tax (IVA), refused to recognize the tax exempt status on some capital gains derived from a sale of shares made by El.En SpA in 2005. The company, on the other hand, is convinced that in this case they had acted in complete compliance with the tax regulations in force at that time, and considers the offence report illegal and unsubstantiated. Consequently, the company, as a cautionary measure and with the support of its consultants, has created an accrual to provide for any charges that might derive from the issuance of assessments, only in relation to the minor violations, for an amount of 26.000 Euros, including fines.

Amounts owed and financial liabilities (note 16)

Breakdown of debts and liabilities is shown below:

Financial m/l term debts	**31/12/2007**	**31/12/2006**	**Variation**	**Var. %**
Amounts owed to other financiers	311.363	429.457	-118.094	-27,50%
Total	311.363	429.457	-118.094	-27,50%

Among the non-current amounts owed and financial liabilities we have entered debts towards other financers for the quotas which do not have to be paid before the end of the year for a facilitated financing MPS for applied research, reference TRL01, granted for 681.103 Euros at the annual rate of 2% , last instalment July 1st 2012.

Current liabilities

Financial debts (note 17)

Below, a breakdown of the financial debts is given

Financial short term debts	31/12/2007	31/12/2006	Variation	Var. %
Amounts owed to other financiers	118.093	147.672	-29.579	-20,03%
Total	118.093	147.672	-29.579	-20,03%

The entry "Amounts owed to other financers" includes the short term loans for the financings described in the note above and the last amount payable by the end of this year for the facilitated IMI financing for applied research, reference DIFF 3, granted for the amount of 487.095 at the fixed annual rate of 3,70% last instalment on July 1st 2008.

Analysis of debts on the basis of their due dates

	31/12/2007			31/12/2006		
	Within 1 year	From 1 to 5 year	Beyond 5 year	Within 1 year	From 1 to 5 year	Beyond 5 year
amounts owed to other financiers	118.093	311.363		147.672	383.638	45.819
advances	298.802			344.600		
amounts owed to suppliers	11.840.680			7.279.713		
amounts owed to subsidiary companies	902.735			992.531		
amounts owed to associated companies	25.333			99.904		
amounts owed to tax administration	978.298			395.845		
amounts owed to social security institutions	651.825			553.636		
other creditor	1.451.509			1.051.183		
Total	16.267.275	311.363	0	10.865.084	383.638	45.819

The chart below summarizes the information given above ,also showing the due dates according to which the capital amounts of the debts must be paid.

	Expiration	Rate	Balance	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Financing IMI DIFF3	01/07/2008	3,70%	33.045	33.045		
Financing MPS TRL 01	01/07/2012	2,00%	396.411	85.048	311.363	
Total			429.456	118.093	311.363	0

The amount entered in the column "amount within 1 year" consists of the amount of the short term instalments relative to the mid-term financings received.

Long term financial operations

During this financial year the following long-term financial movements occurred. The balances include the short term capital amounts but do not include debts for interests.

	Balance 31/12/2006	Increase	Reimbursement	Other	Balance 31/12/2007
Financing IMI DIFF3	97.345		-64.300		33.045
Financing MPS TRL 01	479.784		-83.373		396.411
Total	577.129	-	-147.673	-	429.456

Debts assisted by real estate guarantees

The factory in Via Baldanzese, 17 in Calenzano has a mortgage which is now being cancelled, which was used to guarantee a ten-year loan issued by the Cassa di Risparmio di Firenze and extinguished during 2006.

Amounts owed for supplies (note 18)

Trade debts:	31/12/2007	31/12/2006	Variation	Var. %
Amounts owed to suppliers	11.840.680	7.279.713	4.560.967	62,65%
Amounts owed to subsidiary companies	902.735	992.531	-89.796	-9,05%
Amounts owed to associated companies	25.333	99.904	-74.571	-74,64%
Total	12.768.748	8.372.148	4.396.600	52,51%

For a detailed analysis of the debts to suppliers to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

Tax debts/Other short term debts (note 19)

The tax debts as of December 31st 2007 amount to 580.945 Euros and are entered net of any down payments or deductions.

Break-down of all the other debts is as follows:

	31/12/2007	31/12/2006	Variation	Variation %
Social security debts				
Debts owed to INPS	534.557	480.453	54.104	11,26%
Debts owed to INAIL	73.404	53.717	19.687	36,65%
Debts owed to other Social Security Institutions	43.864	19.466	24.398	125,34%
Total	651.825	553.636	98.189	17,74%
Other debts				
Debts owed to tax administration for VAT	870	1.741	-871	-50,03%
Debts owed to tax administration for deductions	396.483	394.104	2.379	0,60%
Owed to staff for wages and salaries	886.467	816.134	70.333	8,62%
Down payments	298.802	344.600	-45.798	-13,29%
Other debts	589.918	247.131	342.787	138,71%
Total	2.172.540	1.803.710	368.830	20,45%
Total Social security debts and other debts	2.824.365	2.357.346	467.019	19,81%

The “Debts owed to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2007.
The entry “Down payments” represents down payments received from clients.

COMMENTS ON THE MAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

Revenue (note 20)

The sales volume for the year is over 46 milion Euros, representing an increase of 20% with respect to last year.

	31/12/2007	31/12/2006	Variation	Var. %
Sales of industrial laser systems	8.414.435	7.931.373	483.062	6,09%
Sales of medical laser systems	31.585.709	25.751.883	5.833.826	22,65%
Consulting and research			0	0,00%
Service and sales of spare parts	6.132.631	4.822.014	1.310.617	27,18%
Total	46.132.775	38.505.270	7.627.505	19,81%

The medical/aesthetic sector shows an increase in sales volume of 23%, thus confirming its position as the most important sector again in 2007. The sales volume developed in the aesthetic sector contributed to this increase and continues to go through in an extremely favourable phase.
The industrial sector has also shown some growth (+6%) and thanks to an increasingly noticeable recovery of some of the specific markets, shows good prospects for development even in the next few months.
As far as after-sales services are concerned, the sales volume increased due to the growing number of installations now being serviced. This sector is of fundamental strategic importance since a punctual, efficient and economical after-sales assistance has a determining influence on the client’s perception of the quality of the “extended product” which the company is offering and which determines its position on the market.
With reference to the “consulting and research” entry, it should be noted that the income for research are entered into accounts under the heading of “Other revenue and income” for an amount of 486 thousand Euros for the money received as grants on research projects.

Subdivision of revenue by geographical area

	31/12/07	31/12/06	Variation	Var. %
Sales in Italy	24.149.474	23.033.751	1.115.723	4,84%
Sales other EC countries	12.183.369	9.864.535	2.318.834	23,51%
Sales outside EC	9.799.932	5.606.984	4.192.948	74,78%
Total	46.132.775	38.505.270	7.627.505	19,81%

The Italian market, constituted for the most part by the Italian companies belonging to the Group, remains prevalent, as in earlier years, although it should be pointed out that more than half of the production invoiced to the Italian companies of the Group is then distributed abroad. The vitality of the company on the European markets is reflected in the increase in the sales volume registered for this area, which is made possible by the sales made to the subsidiary companies involved in the distribution of medical products and the good performance of some of the distributors. However, the best performances in terms of increased sales volume with respect to 2006 are those shown outside of the European Union; this is mainly due to the sales made to the subsidiaries operating on these markets, in particular Deka Laser Technologies, Wuhan Penta-Chutian, but above all, Cynosure Inc.

Other revenue and income (note 21)

Analysis of the other income is as follows:

	31/12/2007	31/12/2006	Variation	Var. %
Recovery for accidents and insurance reimbursements	3.558	10.552	-6.994	-66,28%
Expense recovery	100.511	72.611	27.900	38,42%
Capital gains on disposal of fixed assets	111.175	90.048	21.127	23,46%
Other income	783.525	1.079.187	-295.662	-27,40%
Contribution on fiscal year account and on capital account	75	900	-825	-91,67%
Total	998.844	1.253.298	-254.454	-20,30%

In the entry “Other income”, approx. 486 thousand Euros has been entered for grants received on research projects.

Costs for the purchase of goods (note 22)

The analysis is shown on the following table:

	31/12/2007	31/12/2006	Variation	Var. %
Purchase of raw materials and finished products	24.798.346	20.758.008	4.040.338	19,46%
Purchase of packaging	274.389	202.269	72.120	35,66%
Shipment of purchases	241.619	223.169	18.450	8,27%
Other purchase expenses	127.521	97.405	30.116	30,92%
Other purchases	74.425	77.256	-2.831	-3,66%
Total	25.516.300	21.358.107	4.158.193	19,47%

The increase in purchases is a direct consequence of the increase in the business volume and is also reflected in the increase in final inventory registered at the end of the year.

Other direct services/ operating services and charges (note 23)

Breakdown of this category is shown on the chart below:

	31/12/2007	31/12/2006	Variation	Var. %
Direct services				
Expenses for work in progress at third parties'	3.484.437	3.241.752	242.685	7,49%
Technical services	197.964	122.793	75.171	61,22%
Shipment on sales	410.957	354.085	56.872	16,06%
Commissions	333.650	260.936	72.714	27,87%
Royalties	32.550	61.200	-28.650	-46,81%
Travel expenses	145.970	124.016	21.954	17,70%
Other direct services	483.178	80.347	402.831	501,36%
Total	*5.088.706*	*4.245.129*	*843.577*	*19,87%*
Operating services and charges				
Maintenance and technical assistance on equipments	113.223	102.644	10.579	10,31%
Services and commercial consulting	341.129	226.246	114.883	50,78%
Legal and administrative services	220.193	236.898	-16.705	-7,05%
Auditing charges	88.738	95.750	-7.012	-7,32%
Insurances	208.470	153.550	54.920	35,77%
Travel and overnight expenses	325.241	397.814	-72.573	-18,24%
Promotional and advertising expenses	621.408	554.074	67.334	12,15%
Building charges	487.566	457.272	30.294	6,62%
Other taxes	-40.525	33.734	-74.259	-220,13%
Expenses for vehicles	135.536	134.019	1.517	1,13%
Office supplies	44.930	52.672	-7.742	-14,70%
Hardware and Software assistance	158.161	81.586	76.575	93,86%
Bank charges	37.782	43.157	-5.375	-12,45%
Rent	66.810	49.924	16.886	33,82%
Other operating services and charges	5.751.723	2.481.284	3.270.439	131,80%
Total	*8.560.385*	*5.100.624*	*3.459.761*	*67,83%*

The most significant amounts entered under the heading of "Other operating services and charges" is represented by the salaries paid to members of the Board of Directors and the Board of Auditors, costs for technical and scientific consultations, studies and research for an amount of approx 605 thousand Euros, and by losses on receivables registered after the bankruptcy of CL Tech Inc.(ex-Lasercut Inc.) for a total of 2.897 thousand Euros.

For the activities and the costs related to Research and Development, please refer to the management report.

Personnel costs (note 24)

The chart below shows the costs for staff.

For staff costs	31/12/2007	31/12/2006	Variation	Var. %
Wages and salaries	5.420.192	4.914.092	506.100	10,30%
Social security costs	1.702.313	1.534.308	168.005	10,95%
Accruals for severance indemnity	192.870	257.933	-65.063	-25,22%
Stock options	190.325	352.632	-162.307	-46,03%
Total	7.505.700	7.058.965	446.735	6,33%

Depreciation, amortization and other accruals (note 25)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2007	31/12/2006	Variation	Var. %
Amortization of intangible assets	20.902	36.764	-15.862	-43,15%
Depreciation of tangible assets	641.566	634.939	6.627	1,04%
Accrual for risk on receivables	72.155	130.556	-58.401	-44,73%
Other accruals for risks and charges	76.000	55.000	21.000	38,18%
Total	810.623	857.259	-46.636	-5,44%

Financial income and charges (note 26)

The breakdown of the category is as follows:

	31/12/2007	31/12/2006	Variation	Var.%
Financial income:				
Interests from banks	273.150	215.832	57.318	26,56%
Dividends	234.000	182.249	51.751	28,40%
Interests from subsidiary company	79.377	155.762	-76.385	-49,04%
Interests from associated company	3.866	2.000	1.866	93,30%
Income from negotiations		39.151	-39.151	-100,00%
Foreign exchange gain	340.331	61.863	278.468	450,14%
Other financial incomes	13.908	470	13.438	2859,15%
Total	944.632	657.327	287.305	43,71%
Financial charges:				
Interest on debenture loans		-60.425	60.425	-100,00%
Interest on bank debts for account overdraft	-8.939	-1	-8.938	893800,00%
Interest on bank debts for medium and long - term loans	-12.193	-20.184	7.991	-39,59%
Foreign exchange loss	-1.167.608	-751.820	-415.788	55,30%
other financial charges	-46.044	-48.468	2.424	-5,00%
Total	-1.234.784	-880.898	-353.886	40,17%

During this year, among the "dividends" we have entered 90 thousand Euros distributed by the subsidiary Deka M.E.L.A. Srl and 144 thousand Euros distributed by the subsidiary Ot-Las Srl.

Interest due to banks for loans and on mid- and long-term financing refer to facilitated financing issued by IMI and by Monte Paschi Merchant.

The heading "Other financial charges" includes 46 thousand Euros approx. for the entry of the interest deriving from the application of accounting principle IAS 19 to the severance indemnity.

Other net income and charges (note 27)

	31/12/2007	31/12/2006	Variation	Var. %
Other charges				
Loss on equity investments	-124.376		-124.376	100,00%
Accrual for losses in group companies	-1.142.110	-1.113.429	-28.681	2,58%
Devaluation of equity investments	-67.623	-429.140	361.517	-84,24%
Total	**-1.334.109**	**-1.542.569**	**208.460**	**-13,51%**
Other income				
Use of funds for losses in equity investments	2.765.836		2.765.836	100,00%
Profit on equity investments	18.199.563	1.036	18.198.527	1756614,58%
Total	**20.965.399**	**1.036**	**20.964.363**	**2023587,16%**

The entry “Losses on equity investments” includes an extraordinary charge registered for the founding of the Cutlite do Brasil company, for which the parent company El.En. SpA has allowed the minority partners to enter into the group of shareholders free of charge, thus recognizing to them a goodwill which will be entered into accounts during the period.
With reference to the subsidiaries Deka Sarl and Deka Lms an indirect devaluation was effected with the accrual in the “Fund for losses in equity investments” for a total of 1.142 thousand, which is entered under the heading of “Accruals for losses in group companies”.

Again in relation to the subsidiary Deka Lms a direct devaluation of the equity was made for approx. 5 thousand Euros related to the additional quota acquired during this year. A devaluation was also made of the equity in the associated company SBI for 62 thousand Euros on account of the losses incurred this year. These amounts compose the entry “Devaluations of equity investments”.

In relation to the entry “Other net income” the amount entered under the heading of “Use of funds for losses in equity investments” includes the release of funds accrued in preceding years for the subsidiary Lasercut Inc., which are no longer necessary after the declaration of bankruptcy of the company in December 2007.

The entry “Profit on equity investments” includes the capital gains registered after the sale of the shares of the subsidiary Cynosure at the end of the year.

Income Taxes (note 28)

Description:	31/12/2007	31/12/2006	Variation	Var. %
IRES	2.190.622	1.678.018	512.604	30,55%
IRAP	503.448	437.456	65.992	15,09%
IRES Deferred (Advanced)	-267.126	-23.332	-243.794	1044,89%
IRAP Deferred (Advanced)	-41.127	13.909	-55.036	-395,69%
Receivable for income tax	-201.551		-201.551	100,00%
Taxes related to the previous years	-6.523	5.248	-11.771	-224,29%
Total income taxes	2.177.743	2.111.299	66.444	3,15%

The fiscal costs related to this financial year amount to 2.177.743 Euros as opposed to 2.111.299 Euros last year and decrease in terms of the tax rate, which fell from 77,16% to 9,62%, thanks to the partial exemption (PEX) to which the capital gains for the sale of the Cynosure stock is subject, and also to other minor tax benefits which, in any case, reduced the fiscal costs for the year.
On the basis of the fiscal facilitations now in force, the company registered a tax credit on the costs of research and development sustained during the year.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2007	2006
Profit/loss before taxes	22.642.938	2.735.582
Theoretical IRES Aliquot	33%	33%
Theoretical IRES	7.472.170	902.742
Maggiore (minore) incidenza fiscale rispetto all'aliquota teorica	(5.548.674)	751.944
Actual IRES	1.923.496	1.654.686
Actual IRES aliquot	8%	60%

The breakdown of the composition of deferred tax assets and liabilities is shown in the analysis of the accruals for risks and charges. The heading "Income taxes" includes the balance related to this financial year.

Dividends distributed (note 29)

The shareholders' assembly held on May 9th 2006 voted to distribute 2.577.557,40 Euros as dividends paying 0,55 Euros for each of the 4.686.468 ordinary shares.

The shareholders' assembly held on May 15th 2007 voted to distribute 1.421.030,40 Euros as dividends to the shareholders, paying 0,30 Euros for each of the 4.736.768 ordinary shares

The dividend proposed by the Board of Directors, subject to the approval of the shareholders' assembly which will approve the annual report for 2007 is 1,1 Euro for each share in circulation at the date of payment of the dividend.

Non-recurring significant events and operations (note 30)

The chart below shows the effects of significant non-recurring operations which took place in 2007:

Non-recurring significant events and operations 2007	Other net income		Net income		Stockholders' equity
	Amount €/000	%	Amount €/0000	%	Amount €/000
Book value	20.965		20.465		75.081
Effect of sale of Cynosure shares	18.200	87%	(17.211)	-84%	(17.211)
Book value without the sale of Cynosure shares	2.765		3.254		57.870

The sale made at the end of 2007 of 950.000 shares of the subsidiary Cynosure by the company determined the entering into accounts of capital gains for approx. 18,2 million Euros

The positive effect on the net financial position as of December 31st 2007 was therefore approx. 20 million Euros.

No significant non-recurring events took place in 2006.

Information about related parties

In accordance with the IAS 24 the following subjects are considered related parties of El.En. SpA:
- the subsidiary and associated companies as shown in this document;
- the members of the Board of Directors and Board of Auditors and the other executive directors with strategic responsibilities;
- the individuals holding shares in El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of El.En SpA, by one of the El.En. shareholders belonging to the voting syndicate, by a member of the Board of Directors, by a member of the Board of Auditors, by any other of the executives with strategic responsibilities.

In particular the following should be noted:

Subsidiary and associated companies
El.En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.
The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Cutlite Penta Srl, Valfivre Italia Srl, Ot-Las Srl and Lasit SpA. Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Cynosure, to Deka M.E.L.A. Srl, to Deka Sarl, to Deka Lms GmbH, to ASA Srl and to Asclepion Laser Technologies GmbH which organize their distribution.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The inter-Group transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.
It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

The tables below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales and commercial and financial payables and receivables.

	Financial receivables		**Commercial receivables**	
Subsidiary companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Cynosure			1.570	
Asclepion Laser Technologies GmbH			100	
Deka MELA Srl			3.241	
Cutlite Penta Srl			2.847	
Valfivre Italia Srl			68	
Deka Sarl	50		1.599	
Deka Lms GmbH		385	1.921	
Deka Laser Technologies LLC		126	113	
Lasit SpA	504		364	
Ot-Las Srl			608	
Quanta System SpA			37	
AQL Srl			2	
ASA Srl			481	
Lasercut Technologies Inc.	46		174	
Wuhan Penta-Chutian Ltd			444	
Total	**600**	**510**	**13.571**	

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			22	
Actis Srl	100		7	
Immobiliare Del.Co. Srl	14			
IALT Scrl	165		202	

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Cynosure			5	
Asclepion Laser Technologies GmbH			216	
Deka MELA Srl			19	
Cutlite Penta Srl			13	
Deka Sarl			28	
Deka Lms GmbH			186	
Deka Laser Technologies Llc			2	
Lasit SpA			53	
Ot-Las Srl			72	
Quanta System SpA			310	
Total			**903**	

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Actis Srl			19	
SBI SA			6	
Total			**25**	

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Cynosure	25	1		26
Deka MELA Srl	83	30		113
Cutlite Penta Srl	112	17		128
Valfivre Italia Srl	1	6		7
Deka Sarl	15	18		33
Deka Lms GmbH	105	78		183
Lasit SpA	112			112
Ot-Las Srl	13	50		62
Deka Laser Technologies LLC	41	2		43
Quanta System SpA	805	5		810
Asclepion Laser Technolohies GmbH	1.086	4		1.090
ASA Srl	1			1
CL Tech Inc.	147	21		167
Total	2.544	232		2.775

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl	50	32		82
SBI S.A.	12			12
IALT Scrl		374		374
Total	**62**	**406**		**468**

Subsidiary companies:	Sales	Services	Total
Cynosure	5.878	22	5.900
Deka MELA Srl	13.854	351	14.205
Cutlite Penta Srl	2.225	442	2.666
Valfivre Italia Srl	156		156
Deka Sarl	579	22	601
Deka Lms GmbH	418		418
Lasit SpA	176		176
Ot-Las Srl	1.407	92	1.499
Neuma Laser Srl	2		2
Deka Laser Technologies LLC	880		880
Asclepion Laser Technologies GmbH	205	112	317
Quanta System SpA	99	1	100
ASA Srl	1.185		1.185
Wuhan Penta-Chutian Ltd	521		521
With Us Co Ltd	120		120
CL Tech Inc.	10		10
Lasercut Technologies Inc.	1		1
Total	**27.714**	**1.043**	**28.757**

Associated companies:	Sales	Service	Total
Actis Srl	12		12
SBI S.A.	122		122
IALT Scrl	198		198
Total	331	-	331

Subsidiary companies:	Other revenues
Cynosure	1
Deka MELA Srl	91
Cutlite Penta Srl	83
Deka Sarl	2
Deka Lms GmbH	5
Lasit SpA	32
Ot-Las Srl	3
Deka Laser Technologies LLC	53
AQL Srl	2
ASA Srl	11
Wuhan Penta-Chutian Ltd	4
With Us Co Ltd	2
Lasercut Technologies Inc.	1
Total	**289**

Associated companies:	Other revenues
IALT Scrl	2
Actis Srl	2
Total	4

The amounts shown on the charts above refer to operations which are inherent to the characteristic management of the company.
The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl and to Cutlite Penta Srl for the portions of the buildings in Calenzano which they occupy.

Moreover, we have entered into accounts approx. 79 thousand Euros in interests earned on the financing granted to subsidiary companies, as well as 4 thousand Euros in interests earned on the financing of 100 thousand Euros granted to Actis Srl.

Members of the Board of Directors, the Board of Auditors and other strategic executives

Members of the Board of Directors and the Board of Auditors receive the salaries indicated in the chart below.

Person	***Appointment description***	***Salary***				
Name	*Position*	*Term duration*	*Perquisites*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
Gabriele Clementi	President of the Board of Directors	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		79.642	6.500
Barbara Bazzocchi	Deputy member	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		29.023	6.500
Andrea Cangioli	Deputy member	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		39.821	6.500
Michele Legnaioli	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Paolo Blasi	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Angelo Ercole Ferrario	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Alberto Pecci	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Stefano Modi	Member	Until the date of the assembly for the approval of the financials for 31.12.08	12.000		28.882	
Vincenzo Pilla	President of the Board of Statutory Auditors	Until the date of the assembly for the approval of the financials for 31.12.09	23.819			
Giovanni Pacini	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	16.524			
Paolo Caselli	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	16.522			

In the column headed "Bonus and other incentives" we have entered the remuneration assigned to some of the members of the Board of Directors on the basis of the objectives set by this same administrative body, of which 150 thousand voted by the shareholders' assembly on May 15th 2007, and the remainder subject to the approval of the shareholders' assembly which will approve the annual report on December 31st 2007.

Board member Stefano Modi during 2007, as an employee of the company, received a salary of approx. 107 thousand Euros. The salaries of the administrators of the parent company, for their functions in other companies included in the area of consolidation, are as follows:
Barbara Bazzocchi, as sole administrator of Cutlite Penta Srl received from that company a salary of 12.000 Euros; Gabriele Clementi as sole administrator of Valfivre Italia Srl received from that company a salary of 12.000 Euros and, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen; Andrea Cangioli, as member of the Board of Directors of With Us, received a remuneration from that company of 1.500 thousand Yen; Angelo E. Ferrario as President of the Board of Directors of Quanta System SpA received a salary from that company of 108.000 thousand Euros and as a board member of Arex Srl he received a salary from that company of 10.000 Euros.

The salaries of members of the Board of Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Auditors of Deka Mela Srl and Lasit SpA and actual Auditor of Cutlite Penta Srl received from these companies a total salary of 28.106 Euros; Giovanni Pacini, as actual Auditor of Deka Mela Srl and Cutlite Penta Srl received from these companies a total salary of 16.314 Euros; Paolo Caselli as President of the Board of Auditors of Cutlite Penta Srl and actual Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of 24.591 Euros; Manfredi Bufalini as actual Auditor of Quanta System Spa received from this company a salary of 7.200 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 7.600 Euros besides an incentive remuneration of 21.893 Euros.

The company does not have a General Director.

Physical persons possessing an equity in El.En. SpA

Besides the members of the Board of Directors, the Board of Auditors and the President of the Technical-Scientific Committee, partners Carlo Raffini and Pio Burlamacchi also received salaries, as follows:

a) Sig. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks, received an annual salary of 30.555 Euros;

b) Prof. Pio Burlamacchi, who, on the basis of a specific contract, is the owner of an industrial right consisting of a patent pending for the invention of a “Support of an optical cavity for lasers with regulation of the alignment of the ray” received a salary of 6 thousand Euros.

The table below shows the impact that transactions with related parties have had on the profit and loss account and on the balance sheet of the company.

Impact of related party transactions	**Total**	**Amount**	**%**
a) Impact of related party transactions on the balance sheet			
Equity investments	18.298.873	375.000	2,05%
Accounts receivables	20.113.513	13.801.682	68,62%
Other receivables	2.237.172	1.388.959	62,09%
Non current financial liabilities	311.363		0,00%
Current financial liabilities	118.093		0,00%
Accounts payables	12.768.748	928.068	7,27%
Other payables	2.824.365		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	46.132.775	29.088.709	63,05%
Other revenues and income	998.844	294.470	29,48%
Purchases of raw materials	25.516.300	2.605.452	10,21%
Other direct services	5.088.706	134.895	2,65%
Other operating services and charges	8.560.385	502.736	5,87%
Financial charges	-1.234.784		0,00%
Financial income	944.632	83.243	8,81%

With reference to the entry “Equities”, it should be recalled that the amount of 375 thousand Euros is referred to the purchase price of a 10% equity in Cutlite Penta Srl, by the subsidiary Valfivre Italia Srl.

Procedures for the management of financial risks

The main financial instruments of the company include checking accounts and short-term deposits, short and long-term financial liabilities. Besides these, the company also has payables and receivables derived from its activity.
The main financial risks to which the company is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
The company is exposed to the risk of the fluctuations in the exchange rates of the currencies in which some of the commercial and financial transactions are expressed. These risks are monitored by the management in such a way as to adapt the measures required for limiting this risk.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance.

Cash and interest rate risks
As far as the exposure of the company to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the company has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The primary objective of the management of the capital of the company is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the company, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

Financial Instruments

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the company.

	Book value	Book value	Fair value	Fair value
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
Financial assets				
Financial receivables within 12 months	1.388.959	3.565.086	1.388.959	3.565.086
Cash and cash equivalents	25.072.457	4.434.786	25.072.457	4.434.786
Financial liabilities				
Financial mid and long term debts	311.363	429.457	311.363	429.457
Financial liabilities due within 12 months	118.093	147.672	118.093	147.672

Other information

Salaries to administrators and auditors

	31/12/2007	31/12/2006	Variation	Var.%
Salaries to Administrators	507.368	331.874	175.494	52,88%
Salaries to Auditors	56.865	39.863	17.002	42,65%
Total	564.233	371.737	192.496	51,78%

Average number of employees divided by category

	Average 2007	31/12/2007	Average 2006	31/12/2006	Variation	Var. %
Executives	9,5	12	6,5	7	5	71,43%
Management	5,0	4	6,0	6	-2	-33,33%
White collar	84,5	87	79,0	82	5	6,10%
Blue collar	55,5	58	48,5	53	5	9,43%
Total	154,5	161	140,0	148	13	8,78%

For the Board of Directors

Managing Director – Ing. Andrea Cangioli

Declaration of the individual financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive in charge of financial reports of El.En. S.p.A., in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the individual financial statement, during 2007.

We also declare that the individual financial statement dated December 31st 2007:

- corresponds to the figures in the ledgers and accounting books;
- is drawn up in conformity with the International Financial Reporting Standards used by the European Union, as well as the regulations issued for the implementation of art. 9 of the D. Lgs n.38/2005 and, to the best of our knowledge, is suitable to supply a true and correct representation of the capital, economic and financial situation of the company.

Calenzano, March 31st 2008

Managing Director — Executive in charge of the company financial reports

Ing. Andrea Cangioli — Dott. Enrico Romagnoli