EL.EN. GROUP

CONSOLIDATED STATEMENT
AS OF DECEMBER 31st 2008

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 2008

Management Report for the financial year ending on December 31st 2008

To our shareholders,

The financial year ending on December 31st 2008 closed with a net income of the Group of 8.329 thousand Euros after taxes for an amount of 7.868 thousand Euros.

The financial year 2008 ended with positive results, since the Group reached their sales volume and revenue objectives notwithstanding the presence of market conditions which continued to deteriorate during the year, especially in the last three months.

Adoption of international accounting principles

The consolidated Annual Report closed on December 31st 2008 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 the evaluation criteria used to create this document have not changed with respect to those used for the consolidated financial statement for the year ending on December 31st 2007.

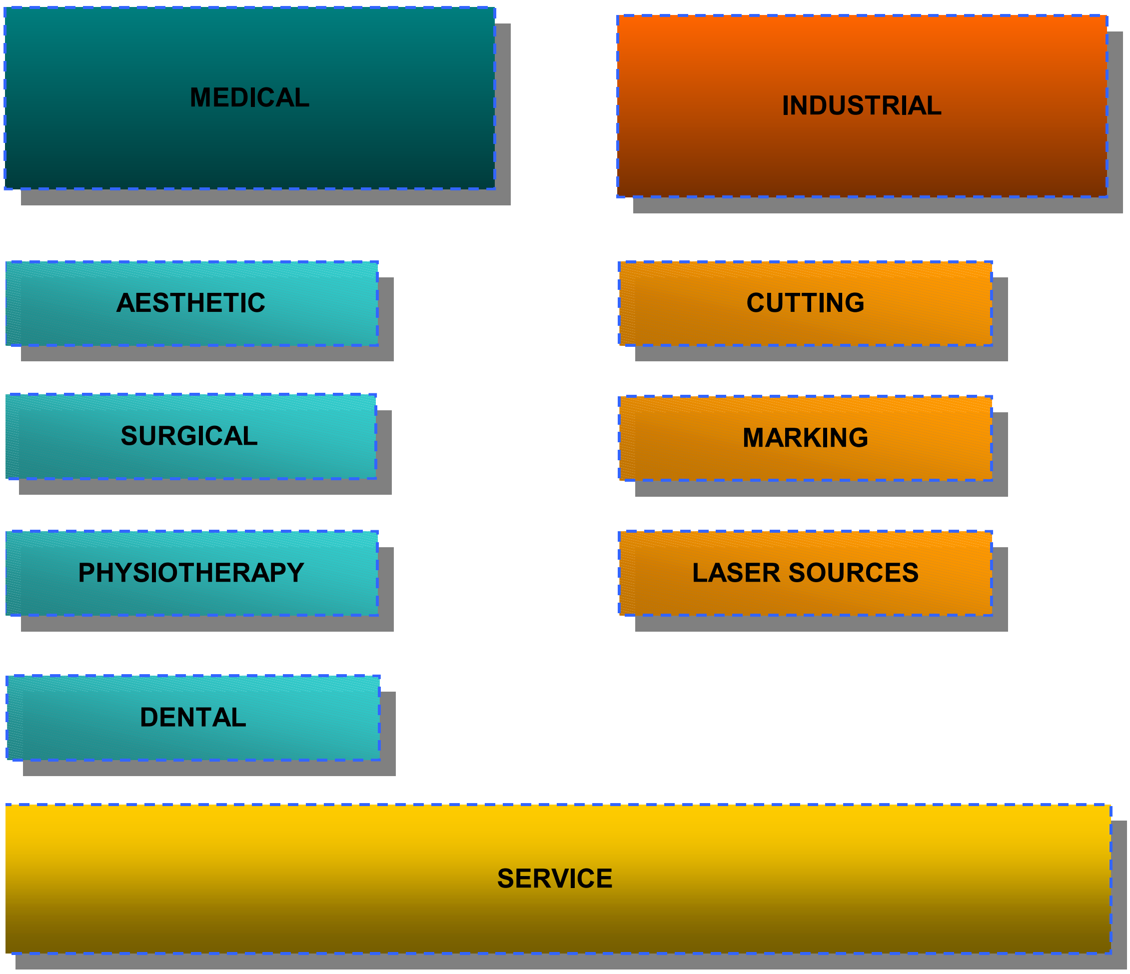
All of the amounts are expressed in Euros unless otherwise indicated.

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 for reporting purposes, but, above all, for strategic purposes, as follows:



Along with their main activity of selling systems, the Group offers after-sales service which is not only the indispensable support for the installation and maintenance of our laser systems but also a source of revenue from the spare parts, consumables, and technical assistance.

In order to facilitate the financial interpretation of the charts which follow, in relation to the attribution to the parent company of the consolidated revenue, in reference to the area of consolidation and to the revenues which exclude Cynosure Inc. (for which both the percentage of the equity held by El.En and the amount of the income have materially changed in the last few years), it should be noted that in recent years the quota of the EBIT pertaining to the Parent Company has been about 80% of the EBIT of the sub-consolidated.

Description of the Group

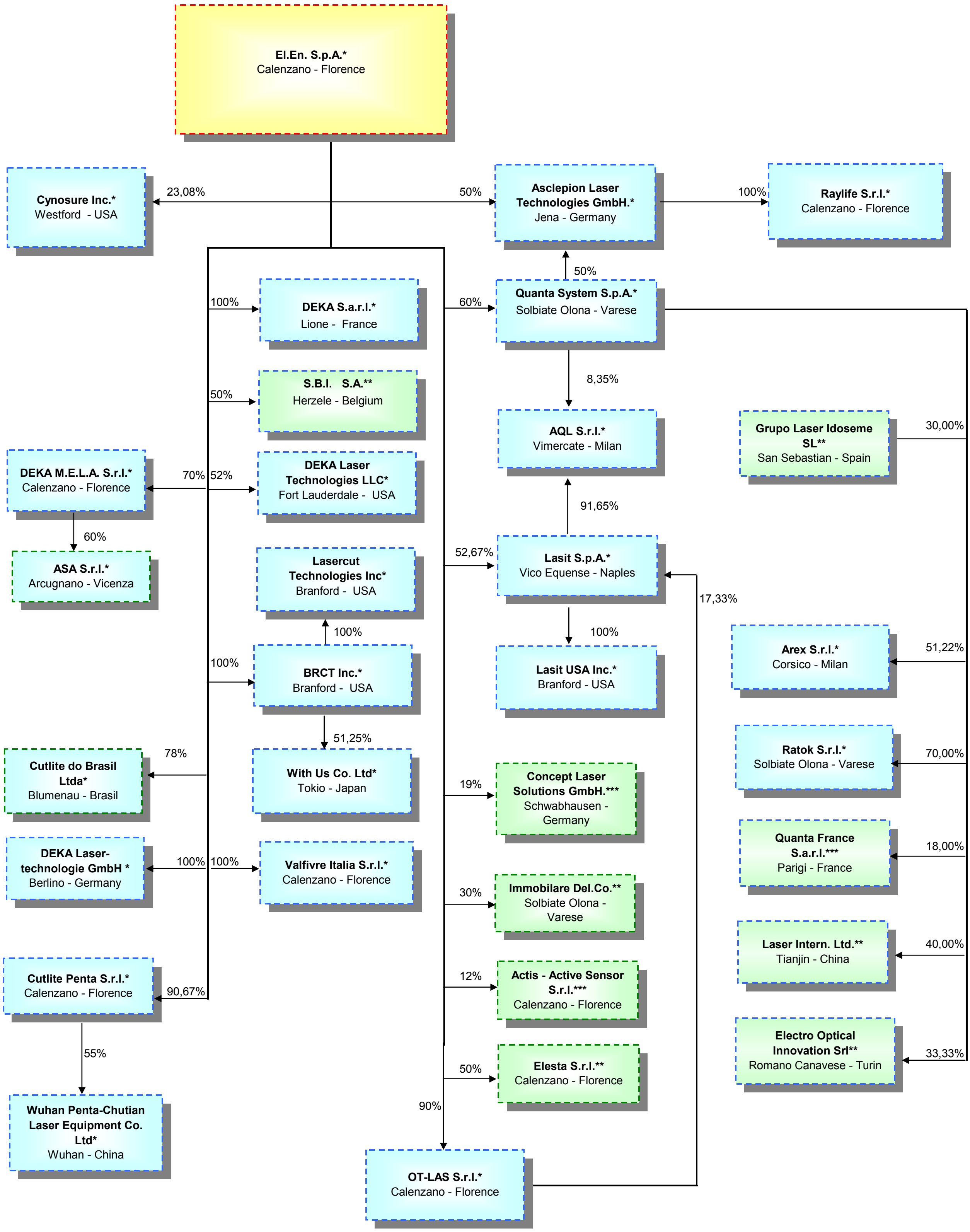
As mentioned above, each of these companies carries out a specific role which depends on the market segment and geographical area in which it operates: Cynosure Inc. and Asclepion Laser Technologies GmbH develop, manufacture, and distribute medical laser systems, Quanta System SpA develops, manufactures 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 Lasertechnologie 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 31st 2008 El.En. SpA holds equities in several companies like Immobiliare Del.Co. Srl, Elesta Srl (ex I.A.L.T. Scrl) and SBI – Smartbleach International SA, directly and Laser International Ltd. and Electro Optical Innovation Srl 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.

On December 31st 2008, GLI was no longer part of the subsidiary companies and therefore wholly consolidated. However, since control had been held in the company for 11 months during the financial year 2008, the profit and loss account was wholly consolidated for that period, while the shareholders' equities in the company were consolidated according to 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.

On December 31st 2008 the structure of the Group was as shown below::



* *Entirely consolidated*
** *Consolidated using the equity method*
*** *Kept at cost*

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.

PERFORMANCE INDICATORS

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

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

These indicators are shown in the Profit and Loss Account chart which is shown below and commented on later in this report.

Moreover, the following performance indicators have been selected for the purpose of supplying additional information concerning the capital, financial and revenue structure of the Group:

	31/12/08	31/12/07
Profitability ratios:		
ROE (Net income (quota group)/ Own Capital)	9,4%	23,2%
ROI (EBIT / Total assets)	8,1%	9,4%
ROS (EBIT/ Turnover)	9,3%	11,0%
Structure ratios:		
(Current assets/ Total assets)	0,77	0,85
Leverage ((Equity + Financial liabilities) / Equity)	1,05	1,04
Current Ratio (Current assets/ Current liabilities)	3,26	3,71
(Current receivables + Cash and cash equivalents/ Current liabilities)	2,29	2,81
Quick ratio (Cash and cash equivalents / Current liabilities)	1,30	1,80
Turnover ratios:		
Total assets turnover (Revenues / Total assets)	0,88	0,86
Current assets turnover (Revenues / Current assets)	1,15	1,00
Inventory turnover (COGS / Inventory)	1,29	1,44
Days sales of inventory (Inventory / COGS) *365	282	253
Days sales outstanding (Account receivables / Revenues)*365	78	80

In order to facilitate comprehension of the chart above, and in consideration of the regulations concerning alternative performance indicators, below we are giving the definitions of some terms used in the charts of the financial statement:

- Own Capital = shareholders' equity of the Group – net income
- Cost of good sold = purchases ± change in the inventory

Macroeconomic context

During 2007 signs of weakness in some sectors of the economy determined a state of growing uncertainty on the financial markets which produced the so-called crisis of the subprime mortgages; the impact of the amplified reverberations of this crisis on all of the financial markets was slowly but inevitably manifested on the real economy. During 2008 we first observed the slowing down of the world economies, in particular the American one, with a progressive deterioration of the situation notwithstanding the determined efforts of the monetary authorities which, in the United States, reduced the interest rates and took steps in order to stem the cash crisis.

In September of 2008 the financial crisis caused the collapse of some of the most important financial institutions, and with the bankruptcy of Lehman Brothers the effects of the mistrust and the drying-up of credit spread to the real economy all over the globe.
All of the main European countries showed a decrease in their gross national product in the last quarter of the year, and in the fourth quarter the American and Japanese economies registered the worst performance, showing a reduction in their GNP of 6,2% and of 3,3% respectively, thus in effect entering into a period of deep recession and dragging the rest of the world down with them. Even the emerging economies like the Chinese one, were forced to deal with the macro-economic conditions and considerably reduce their growth rate which, in China fell to below 10% for the first time in the last five years.
The Italian economy, which is in the lower portion of the European average in the reduction of its GNP, was no exception.
The economists forecasts that the crisis now in progress is not a transitory phenomenon, and they predict that it will last for all of 2009; the International Monetary Fund predicts that for 2009 there will be a decrease in the GNP of Europe, Japan and the United States, although there will be a slight increase at the world level.

The markets on which we sell our products have all felt the effects of this macro-economic situation in varying degrees. In particular, it has been observed that the countries where the economic growth and the availability of credit had been the most brilliant were the hardest hit by the crisis: Spain, already at the beginning of 2008, and the United States starting in September of 2008. In other countries the fall in demand was registered after September 2008, to a lesser degree than in the U.S. but with a uniform impact in the various countries. This situation is still in progress as of the writing of this document.

The reduction in demand is not only due to the diminished inclination to make investments on the part of our clientele (manufacturers for the industrial sector, doctors and clinics in the medical sector), but also to the drastic reduction of credit granted by banks and leasing companies, which have prevented many people from concluding investment projects on which they were willing to risk, but for which they were unable to find sources of financing.

Main economic and financial data

The financial year 2008 concluded in a positive manner and the Group achieved the sales volume and profit objectives which they had set for the sub-consolidated without Cynosure, even in the presence of market conditions which, as described above, gradually deteriorated as the year progressed, particularly in the last three months.

The Group registered a growth in the consolidated sales volume of approx. 15% on an annual basis, however, the sub-consolidated which excludes the American subsidiary Cynosure Inc. reached 26%.

The EBIT of the sub-consolidated without Cynosure grew almost 50% and reached the level which had been predicted; the consolidated EBIT however felt the impact of the sharp decrease in the revenue and the loss registered by Cynosure in the fourth quarter and thus remains substantially unchanged since last year.

In the first months of the year the activity of the Group had not yet felt the effects of the global financial and economic crisis and, except for a few cases that were in difficulty, in particular the Spanish market, good growth rates were maintained for both the sales volume and the revenue; this result distinguished us from our main competitors, who were actually showing a drop in sales volume and losing portions of the market to our Group.

The positive trend of the year is due mainly to the range of products that the Group offers on its specific markets, and to their great appeal because of the highly innovative characteristics they present, which, especially in the medical-aesthetic market, offers the clientele the possibility to making a very profitable investment. In the industrial sector, the solid and innovative range of our products has met with success thanks, among other things, to several large orders which accounted for the excellent performance of this sector in 2008.

As the financial crisis deepened and the "credit crunch" worsened, our technological proposals for the medical-aesthetic sector were forced to face two different of problems: the end-users were less inclined to undergo aesthetic treatments and this reduced the potential market for our clients, but, above all, even those who were willing to face this period of crisis by purchasing innovative instruments that represented a different offering to their clients, encountered insurmountable difficulties in obtaining the necessary financing for the purchase of our equipment.

The fall in demand which was the effect of the phenomenon described above was particularly acute in those countries where the credit and the economic situation were the most extensive, in particular in the United States of America, and before that, in Spain. Other countries, where the financial markets were less expansive and volatile, like Germany and Italy, maintained a situation of greater stability.

The great acceleration which occurred during 2008, the innovative characteristics of our range of products, the stable financial position, the great diversification of the products and the geographical markets are all factors which allow us to look to the future with confidence for a mid-term development of our activities, for which we expect a scenario in 2009 which is completely different from that we are describing here for 2008, and which involves a situation in which there will be a drop in demand on account of the crisis.

At the end of 2008 with a sales volume of 165 million in medical systems, the Group is easily the world leader in the market for medical and aesthetic lasers. With a sales volume of 140 million dollars, Cynosure Inc. (Nasdaq CYNO) is the most important single company in the sector, while the rest of the medical sector of the El.En Group together is equivalent to Cynosure.

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 2008, is 23,08%), 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.
It should be noted that El.En. holds the control of Cynosure on account of a clause in the by-laws which assigns them the right to appoint the members of the Board and this clause is valid as long as El.En. detains 20% of the shares of the company.

The chart below shows the sub-division of the sales volume by sectors of activity of the Group during 2008, in comparison with the same subdivision for the same period last year.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Industrial systems and lasers	28.180	12,71%	22.798	11,79%	23,61%
Medical and aesthetic lasers	164.568	74,24%	145.597	75,27%	13,03%
Service	28.922	13,05%	25.042	12,95%	15,49%
Total	**221.670**	**100,00%**	**193.437**	**100,00%**	**14,60%**

It was the industrial sector that showed the most rapid growth, en excellent +23,6% which represents the result of a series of investments both in product research and in the internationalization of the activities which brought the sales volume for systems close to 30 million Euros.

With a sales volume of over 164 million Euros as of December 31st 2008, the Group is confirmed as the global leader in the sector of medical and aesthetic lasers, and its two-figure growth in 2008 meant an increase in its market share. The management of the Group is making every effort in relation to all aspects and activities that determine the success of our business, from research and development to marketing, from the organization of the sales networks to the coordinating of the organizational and financial aspects of the different entities which compose the Group, and they are working with great determination to maintain and re-enforce this position.
Customer assistance services and spare parts sales showed an increase of about 15%, a good result which is a natural consequence of the increase in the number of installations.

The chart below shows the geographical distribution of the sales volume for this year.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Italy	31.496	14,21%	30.534	15,78%	3,15%
Europe	68.015	30,68%	56.245	29,08%	20,93%
Rest of the world	122.159	55,11%	106.657	55,14%	14,53%
Total	**221.670**	**100,00%**	**193.437**	**100,00%**	**14,60%**

As expected, at the end of 2008 the Group further re-enforced its global nature and grew in all areas of its specific markets, although to a greater extent outside of Italy. The most important market for the Group is the United States, in particular on account of its strongest element, the distribution network directed by Cynosure.

For the medical –aesthetic sector, which represents 74% of the sales of the Group, the results of the sales in the various segments is shown on the chart below.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Surgical CO2	9.048	5,50%	3.757	2,58%	140,86%
Physiotherapy	4.340	2,64%	3.837	2,64%	13,12%
Aesthetic	127.736	77,62%	116.503	80,02%	9,64%
Dental	7.767	4,72%	8.803	6,05%	-11,77%
Other medical lasers	12.281	7,46%	11.616	7,98%	5,73%
Accessories	3.396	2,06%	1.082	0,74%	213,80%
Total	**164.568**	**100,00%**	**145.597**	**100,00%**	**13,03%**

During 2008 there was a real revival of the use of CO_2 laser systems for aesthetic applications, thanks to the combination of the traditional a CO_2 technology with a ray deflection system, the scanner which is used for the so-called “Dot Therapy”; the sales volume for this application is registered in the CO_2 and Accessories segments which show a three-figure growth rate. Towards the end of the year along with DEKA’s Smartxide system, for this application they added the Affirm CO_2 system which had been introduced on the American market by Cynosure.

The other segments also showed good results, in particular the aesthetic segment which remains the main segment and shows a growth rate of almost 10%, and the therapy segment, where the activity of ASA, the Group company which celebrated 25 years of activity in November, is increasingly important. Only the dental sector did not show any growth, mainly due to the decrease in sales in the United States.

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

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Cutting	11.629	41,27%	9.224	40,46%	26,07%
Marking	8.471	30,06%	8.875	38,93%	-4,56%
Laser sources	7.719	27,39%	4.410	19,34%	75,04%
Welding, other industrial systems	362	1,28%	288	1,27%	25,41%
Total	**28.180**	**100,00%**	**22.798**	**100,00%**	**23,61%**

This year there were several important and repeat orders for laser system integrators so that the laser source segment showed a growth of 75%. This result represents an element of particular satisfaction since this technology is one that has accompanied the growth of El.En since its founding.

The cutting sector also did well thanks, among other things, to the stabilization of the activity in China; the marking sector showed a slight decrease, and the restoration sector did well although the amounts of the sales volume are limited.

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.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Industrial systems and lasers	28.180	20,13%	22.798	20,66%	23,61%
Medical and aesthetic lasers	93.809	67,01%	71.806	65,07%	30,64%
Service	17.999	12,86%	15.744	14,27%	14,32%
Total	**139.988**	**100,00%**	**110.347**	**100,00%**	**26,86%**

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Italy	31.155	22,26%	30.192	27,36%	3,19%
Europe	52.115	37,23%	39.183	35,51%	33,00%
Rest of the world	56.718	40,52%	40.972	37,13%	38,43%
Total	**139.988**	**100,00%**	**110.347**	**100,00%**	**26,86%**

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Surgical CO2	8.669	9,24%	3.757	5,23%	130,77%
Physiotherapy	4.340	4,63%	3.837	5,34%	13,12%
Aesthetic	62.415	66,53%	48.992	68,23%	27,40%
Dental	7.767	8,28%	8.803	12,26%	-11,77%
Other medical lasers	7.460	7,95%	5.336	7,43%	39,82%
Accessories	3.158	3,37%	1.082	1,51%	191,77%
Total	**93.809**	**100,00%**	**71.806**	**100,00%**	**30,64%**

The 30% grow in the medical sector represents an excellent result which was obtained, as shown on the chart, due to the CO_2 applications mentioned above, but also sustained by a constant development in the aesthetic sector. The segment called “Others” showed above average growth thanks to the introduction of new surgical systems with solid state technology.

As far as the geographic distribution of the sales volume is concerned, the tendency is the same as that of the consolidated sales volume, with a growth in the revenue from other European countries and from non-European countries which is greater than that for Italy.

Consolidated Profit and Loss Account as of December 31st 2008

The chart below shows the reclassified consolidated Profit and Loss Account closed on December 31st 2008 compared with that for 2007.

Profit and loss account	**31/12/08**	**Inc.%**	**31/12/07**	**Inc.%**	**Var.%**
Revenues	221.670	100,0%	193.437	100,0%	14,6%
Change in inventory of finished goods and WIP	5.358	2,4%	6.726	3,5%	-20,3%
Other revenues and income	1.818	0,8%	1.923	1,0%	-5,4%
Value of production	**228.847**	**103,2%**	**202.086**	**104,5%**	**13,2%**
Purchase of raw materials	85.679	38,7%	76.847	39,7%	11,5%
Change in inventory of raw material	(6.029)	-2,7%	(3.052)	-1,6%	97,6%
Other direct services	22.866	10,3%	20.140	10,4%	13,5%
Gross margin	**126.330**	**57,0%**	**108.150**	**55,9%**	**16,8%**
Other operating services and charges	51.379	23,2%	38.613	20,0%	33,1%
Added value	**74.951**	**33,8%**	**69.537**	**35,9%**	**7,8%**
For staff costs	46.140	20,8%	43.200	22,3%	6,8%
EBITDA	**28.812**	**13,0%**	**26.338**	**13,6%**	**9,4%**
Depreciation, amortization and other accruals	8.260	3,7%	5.036	2,6%	64,0%
EBIT	**20.551**	**9,3%**	**21.301**	**11,0%**	**-3,5%**
Net financial income (charges)	1.629	0,7%	703	0,4%	131,7%
Share of profit of associated companies	(130)	-0,1%	(55)	-0,0%	136,3%
Other net income (expense)	36	0,0%	13.449	7,0%	-99,7%
Income before taxes	**22.087**	**10,0%**	**35.399**	**18,3%**	**-37,6%**
Income taxes	7.868	3,5%	10.460	5,4%	-24,8%
Income for the financial period	**14.218**	**6,4%**	**24.938**	**12,9%**	**-43,0%**
Minority interest	5.890	2,7%	7.286	3,8%	-19,2%
Net income	**8.329**	**3,8%**	**17.653**	**9,1%**	**-52,8%**

The gross margin is registered for the amount of 126.330 thousand Euros, an increase of 16,8% with respect to the 108.150 thousand Euros for last year, with an incidence on the sales volume which rose from 55,9% in 2007 to 57% in 2008. This increase is chiefly due to the ability of the Group to maintain a high margin on sales thanks to the innovative features of their products.

It should be noted that, although the Group cashed in the sale price during this year, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals, which comported for the year a reduction of 797 thousand Euros, and for the consolidated EBIT, 404 thousand Euros. This form of financing is particularly favourable for the clients who purchase our medical systems, so that it is likely that, over time, there will be an increase in this type of entry adjusting the revenue.

Costs for operating services and charges were registered for an amount of 51.379 thousand Euros, an increase of 33,1% with respect to December 31st 2007, with an incidence on the sales volume which rose from 20% on December 31st

2007 to 23,2% on December 31st 2008. The increase in the incidence on the sales volume is also due to the intensification of commercial and marketing activity and their relative costs, and, to a lesser degree, to the legal expenses initiated in the United States in order to protect our intellectual property; it is also due to the sudden drop in sales registered by Cynosure in the fourth quarter, and the impossibility to adjust the structure of fixed costs equally rapidly.

The costs for staff was 46.140 thousand Euros which, with respect to the 43.200 thousand Euros for the same period last year registers an increase of 6,8%, with an increase in productivity of this cost aggregate which, in the incidence on the sales volume, fell from 22,3% to 20,8% on December 31st 2008. The figurative costs entered into accounts in relation to the stock options assigned to employees are considered part of staff costs. On December 31st 2007, these costs were 6.334 thousand Euros; they decreased to 5.009 thousand Euros as of December 31st 2008. These costs are mostly related to the stock options issued by the subsidiary Cynosure Inc.

On December 31st 2008 the number of employees in the Group was 876, which represents an increase with respect to the 796 at the end of 2007; the tendency to increase in the number of employees as well as the increase in sales volume remained constant for the first nine months of the year, and then in the last quarter this tendency was reversed starting in the month of November, on account of Cynosure's reduction in personnel.

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. In the past few years the amounts paid out for this type of grant have gradually been reduced on account of national and EU policies which have determined that other instruments, in particular tax benefits (which, however, have become uncertain due to recent legislative changes), were the best means of support for research. The grants entered into accounts as of December 31st 2008 amounted to 785 thousand Euros as opposed to the 916 thousand Euros registered on December 31st 2007.

The EBITDA amounted to 28.812 thousand Euros as opposed to the 26.338 thousand Euros on December 31st 2007 showing an increase of 9,4% with an incidence on the sales volume which decreases from13,6% to 13%.

The costs for depreciations, amortizations and accruals were 8.260 thousand Euros, representing an increase of 64% with respect to last year and with an increase in the incidence on the sales volume which rose from 2,6% to 3,7%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation.

The EBIT was 20.551 thousand Euros, with respect to the 21.301 thousand Euros registered on December 31st 2007 showing a decrease of approx. 3,5% and an incidence on the sales volume which fell from 11% on December 31st 2007 to 9,3% for this year.

Results of the financial management were 1.629 thousand Euros, (703 thousand Euros for last year) showing an improvement as a consequence of the increase in interest earned on bank deposits and the positive difference in the exchange rate registered for this period.

The other net income and charges show a decrease, since in 2007 in this category we entered the capital gains of approx. 15 million Euros which was a result of the sale of 950.000 shares of the subsidiary Cynosure, while the entries for 2008 represent operations and evaluations of a limited entity.

Earnings before income taxes therefore were 22.087 thousand Euros, a decrease with respect to the 35.399 thousand Euros registered on December 31st 2007.

During this financial year, none of the conditions were present in order to be able to benefit from the considerable tax exemptions derived from the application of the PEX to the capital gains on the sale of stock, as occurred in 2007; the tax rate for this year rose from 30% to 36%, with an amount due for taxes for this financial year amounting to 7.868 thousand Euros.

Consolidated balance sheet and net financial position as of December 31st 2008

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

	31/12/2008	31/12/2007	Var.
Balance Sheet			
Intangible assets	6.407	6.592	-185
Tangible assets	26.258	19.755	6.504
Equity investments	1.692	519	1.173
Deferred tax assets	9.414	5.633	3.781
Other non current assets	15.408	258	15.149
Total non current assets	**59.179**	**32.757**	**26.422**
Inventories	57.423	46.568	10.855
Accounts receivables	47.310	42.313	4.997
Tax receivables	5.609	5.214	395
Other receivables	5.512	5.148	364
Financial instruments	18.044	32.044	-14.000
Cash and cash equivalents	59.114	61.512	-2.398
Total current assets	**193.012**	**192.799**	**213**
TOTAL ASSETS	**252.191**	**225.555**	**26.635**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	27.373	11.023	16.350
Treasury stock	-2.576		-2.576
Retained earnings / (deficit)	22.459	23.803	-1.344
Net income / (loss)	8.329	17.653	-9.324
Parent stockholders' equity	**96.688**	**93.581**	**3.106**
Minority interests in consolidated subsidiaries	84.310	68.986	15.324
Total equity	**180.997**	**162.567**	**18.430**
Severance indemnity	2.469	2.485	-16
Deferred tax liabilities	328	321	7
Other accruals	5.428	4.774	654
Financial liabilities	3.735	3.441	294
Non current liabilities	**11.960**	**11.021**	**939**
Financial liabilities	5.548	2.807	2.741
Accounts payables	31.118	28.610	2.508
Income tax payables	2.979	2.316	663
Other payables	19.589	18.235	1.354
Current liabilities	**59.234**	**51.967**	**7.266**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**252.191**	**225.555**	**26.635**

Net financial position		
	31/12/2008	**31/12/2007**
Cash and bank	59.114	61.512
Financial instruments	18.044	32.044
Cash and cash equivalents	**77.158**	**93.556**
Short term financial receivables	**42**	**0**
Bank short term loan	(4.461)	(2.127)
Part of financial long term liabilities due within 12 months	(1.087)	(679)
Financial short term liabilities	**(5.548)**	**(2.807)**
Net current financial position	**71.652**	**90.749**
Bank long term loan	(1.920)	(1.530)
Other long term financial liabilities	(1.815)	(1.911)
Financial long term liabilities	**(3.735)**	**(3.441)**
Net financial position	**67.918**	**87.308**

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	**31/12/08**	**Inc.%**	**31/12/07**	**Inc.%**	**Var.%**
Revenues	139.988	100,0%	110.347	100,0%	26,9%
Change in inventory of finished goods and WIP	3.200	2,3%	3.543	3,2%	-9,7%
Other revenues and income	1.381	1,0%	1.536	1,4%	-10,1%
Value of production	**144.569**	**103,3%**	**115.427**	**104,6%**	**25,2%**
Purchase of raw materials	65.275	46,6%	56.038	50,8%	16,5%
Change in inventory of raw material	(4.476)	-3,2%	(3.377)	-3,1%	32,6%
Other direct services	13.608	9,7%	10.681	9,7%	27,4%
Gross margin	**70.163**	**50,1%**	**52.085**	**47,2%**	**34,7%**
Other operating services and charges	25.430	18,2%	18.154	16,5%	40,1%
Added value	**44.733**	**32,0%**	**33.930**	**30,7%**	**31,8%**
For staff costs	26.282	18,8%	21.647	19,6%	21,4%
EBITDA	**18.452**	**13,2%**	**12.284**	**11,1%**	**50,2%**
Depreciation, amortization and other accruals	4.615	3,3%	2.722	2,5%	69,5%
EBIT	**13.836**	**9,9%**	**9.561**	**8,7%**	**44,7%**
Net financial income (charges)	(176)	-0,1%	(319)	-0,3%	-44,7%
Share of profit of associated companies	(130)	-0,1%	(55)	0,0%	136,3%
Other net income (expense)	253	0,2%	18.075	16,4%	-98,6%
Income before taxes	**13.783**	**9,8%**	**27.263**	**24,7%**	**-49,4%**
Income taxes	5.131	3,7%	4.630	4,2%	10,8%
Income for the financial period	**8.652**	**6,2%**	**22.633**	**20,5%**	**-61,8%**
Minority interest	550	0,4%	1.049	1,0%	-47,5%
Net income	**8.102**	**5,8%**	**21.585**	**19,6%**	**-62,5%**

Net financial position		
	31/12/2008	**31/12/2007**
Cash and bank	23.617	35.012
Financial instruments	0	58
Cash and cash equivalents	**23.617**	**35.070**
Short term financial receivables	**42**	**0**
Bank short term loan	(4.453)	(2.116)
Part of financial long term liabilities due within 12 months	(809)	(361)
Financial short term liabilities	**(5.262)**	**(2.478)**
Net current financial position	**18.397**	**32.592**
Bank long term loan	(1.920)	(1.530)
Other long term financial liabilities	(1.502)	(1.372)
Financial long term liabilities	**(3.422)**	**(2.902)**
Net financial position	**14.976**	**29.690**

As mentioned earlier in this report, the consolidated results show the impact of the deterioration of the situation of Cynosure during the fourth quarter; the sub-consolidated results, with the exclusion of Cynosure, in comparison with the results which the Company had predicted for 2008, show results aligned with the predictions and, in terms of the EBIT, improve by approx. 45% the results of the preceding year.

As far as the results of the Group excluding Cynosure are concerned, it should be noted that there was an excellent growth in sales, above 25%, and that the sales margin increased with respect to last year. The stability of the price level that the Group was able to maintain on the markets is therefore more than satisfactory, and this was due to their capacity to offer, through innovation, a variety of products and therefore, to create a value notwithstanding the fact that the weakness of the US dollar, in particular in mid-year, had made the international transactions that use the US dollar as their point of reference less profitable.

The incidence of operating costs on the sales volume increased slightly, while the incidence of the costs for personnel decreased, which indicated an increase in productivity. Consequently, there was an increase in the gross operating margin both in terms of percentage (+2,1%) and in overall terms (+50%). The entry under depreciations, amortizations and accruals includes some devaluations made for precautionary reasons on some receivables which are being paid very slowly on account of the credit crisis which has limited the cash available to companies in general and to some of our partners in particular. These accruals however, do not prevent the EBIT for the year from reaching close to 14 million Euros, which was the revenue target set for this financial year, and for 10% of the sales volume.

The financial management, the rectifications of value of the associated companies and the other net income and charges do not have any significant effect on the earnings before taxes, which basically represents the EBIT; this situation is unlike that which occurred in 2007, when the capital gains for the amount of approx. 18 million Euros registered in the extraordinary operation of the sale of the stock of the subsidiary Cynosure contributed in a decisive manner to the result.

Since there were no particular exemptions this year, the tax rates increased (from 17% to 37%) as well as the taxes for this year (from 4,63 million Euros to 5,13 million Euros).

The quota pertaining to third parties of the net income is approx. 550 thousand Euros and the net income of the Group is therefore 8.102 thousand Euros, equivalent to 94% of the net income for the year, while for 2007 it was 95%.

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

	Profit and loss account 31/12/2008	**Capital and reserves 31/12/2008**	**Profit and loss account 31/12/2007**	**Capital and reserves 31/12/2007**
Balance as per statement of the parent company El.En.	**7.029.759**	**74.426.988**	**20.465.195**	**75.080.552**
Elimination of investments in companies entirely consolidated:				
- Net income (group quota)	2.156.865		6.057.138	
- other (charges) and income	559.114		-7.255.925	
Total contribution of the subsidiaries companies	**2.715.979**	**26.124.300**	**-1.198.787**	**20.966.596**
Elimination of investments in companies consolidated with the shareholders' equity method	**-30.375**	**-49.262**	**11.089**	**-17.279**
Elimination of dividends	**-208.231**		**-543.453**	
Elimination of intercompany profits on inventory (*)	**-1.046.773**	**-3.645.866**	**-1.054.162**	**-2.411.963**
Elimination of intercompany profits from sales of fixed assets (*)	**-131.833**	**-168.617**	**-27.332**	**-36.784**
Balance as per consolidated statement – Group quota	**8.328.526**	**96.687.543**	**17.652.550**	**93.581.122**
Balance as per consolidated statement – Third party quota	**5.889.776**	**84.309.795**	**7.285.692**	**68.985.905**
Balance as per consolidated statement	**14.218.302**	**180.997.338**	**24.938.242**	**162.567.027**

(*) 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 2008.

	Net Turnover 31-dic-08	Net Turnover 31-dic-07	Var. %	EBIT 31-dic-08	EBIT 31-dic-07	Net income 31-dic-08	Net income 31-dic-07
Cynosure (*)	94.515	90.312	4,65%	8.505	12.453	6.941	8.724
Deka Mela Srl	23.102	19.526	18,32%	1.157	1.356	895	1.123
Cutlite Penta Srl	9.095	9.398	-3,23%	22	365	37	297
Valfivre Italia Srl	0	254	-100,00%	-13	22	5	14
Deka Sarl	2.034	1.236	64,62%	53	-258	54	-260
Deka Lasertechnologie GmbH	881	891	-1,09%	-248	-872	-267	-920
Deka Laser Technologies LLC	4.057	2.617	55,06%	-76	83	-82	44
Quanta System SpA	13.863	16.046	-13,61%	373	1.707	-283	881
Asclepion Laser Technologies GmbH	21.357	17.275	23,63%	1.333	1.575	752	932
Quanta India Ltd (**)	19	8	138,47%	27	-37	23	-36
Asa Srl	4.588	4.177	9,83%	644	449	385	284
Arex Srl	1.016	949	7,08%	75	123	26	59
AQL Srl	259	1.019	-74,54%	-9	7	-9	9
Ot-Las Srl	2.660	3.798	-29,97%	-82	238	-30	246
Lasit SpA	5.845	5.558	5,16%	205	178	-223	33
CL Tech Inc	0	1.388	-100,00%	0	-352	0	-399
Lasercut Technologies Inc.	476	152	213,16%	-20	-42	-25	-42
BRCT Inc.	0	0		12	-63	32	-22
With Us Co LTD (***)	13.363	10.290	29,87%	887	-26	170	-146
Wuhan Penta Chutian Laser Equipment Co LTD	2.524	540	367,03%	61	-151	182	-150
Lasit Usa INC	709	322	120,31%	-147	-72	-148	-72
Cutlite do Brasil Ltda	2.949	18	16486,10%	-42	-269	-198	-269
Grupo Laser Idoseme SL (****)	12.375	0		-10	0	-320	0
Raylife Srl	2.433	0		95	0	58	0
Ratok Srl	13	0		-10	0	-11	0
Neuma Laser Srl	0	157	-100,00%	0	88	0	57

(*) consolidated data
(**) consolidated up until June 2008
(***) consolidated since February 2007
(****) consolidated since February 2008

Cynosure Inc.
This company, listed on Nasdaq (CYNO), 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, with excellent results which, in 2008, established it as the largest company in this sector in terms of sales volume. These results have been achieved thanks to the superior performance and the high quality of its products, in particular the alexandrite laser for hair removal and the Smartlipo System for laser-lipolysis.
The research and development team in Westford has helped the continual innovation of the range of products offered by the company, in particular with the introduction of the Affirm system for “skin tightening”, and the continuous improvement of the “Elite” system for hair removal and vascular treatments. Of particular significance has been the collaboration with the Parent Company, which supplies Cynosure, with exclusive rights for distribution in the United States, the Smartlipo system for laser-lipolysis, and which, as part of a joint development program, supplies Cynosure with the innovative Smartlipo MPX system which combines the Smartlipo platform with the Multiplex technology, thus making a highly qualified product for minimally invasive fat removal available to all the international markets.
Cynosure organizes the commercial and marketing activities for its products directly on the American and international markets, using its own subsidiaries in France, Great Britain, Germany, Spain, Japan, and China, and a network of distributors. At the end of 2008 direct distributors were added also in South Korea and in Mexico. The distribution

network in the United States is particularly important and efficient and is the main driver in the rapid growth of the company. Manufacture, research and development are conducted in Westford, Massachusetts.
During the first nine months of 2008, the sales volume and profits continued to grow at an unprecedented rate among the main companies in the sector. This extraordinary growth phase was interrupted by the impact of the global financial crisis, in particular after the events of September 2008, which undermined the confidence of the American consumers, introduced severe restrictions on the availability of credit and basically initiated a period of crisis and recession which is still in progress. For this reason, even though the company registered a significant increase in revenue, they still had to deal with the losses incurred during the fourth quarter and therefore a drop in operating and net income for 2008 in comparison to 2007.

The company was still able to follow its strategy for growth using the cash they had received from the IPO of December 2005; the amount of this cash has continued to increase thanks to the cash generated by the operating activity, and which at the end of 2008 consisted in uses of cash and mid-term financial for an amount of approx. 94 million dollars.
Even before the effects of the crisis comported a worsening of the company results, the financial market had penalized the trend of the stock which, from the maximum of 45 US dollars shown in the summer of 2007, has now fallen to approx. 6 US dollars per share. It should be pointed out that the capitalization of the stock market is presently lower than the company's cash on hand.
The company does not make official predictions, but the economic situation, particularly in the United States, is such that the analyst who have studied the company are unanimous in their forecast of a drop in sales and a significant decrease in profits.

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.
During 2008 DEKA was able to consolidate their position on all the markets in which it operates: the Italian market, which is served through a direct distribution network, and, above all, the international markets, where the company brand is now well known as a point of reference for this sector.
In 2008 the sales volume registered was 23 million (+18%); however, the accruals that the company had to make in order to cover risks which might arise from the non-payment of some receivables created a situation in which the EBIT and the net income showed a decrease, in comparison to last year, of approx. 15% and 20% respectively, with a net income of approx. 900 thousand Euros.
The outlook for this year, influenced by the general climate of uncertainty and the economic crisis, at present, does not foresee a further expansion of the activities nor an improvement in the earnings, in particular on account of the drop in demand shown by the international markets.

ASA Srl
This company in Vicenza, a subsidiary of Deka M.E.L.A. Srl, operates in the physical therapy sector. In its 25th year of activity, notwithstanding the difficult economic situation, the company was able to register an increase in sales volume of 10% and in net profits of 35%. The determining factor in this growth was the increase in sales volume for power laser equipment, and the reorganization of the manufacturing process as part of the strategy which envisages the company as increasingly important, dynamic and active in the physical therapy sector within the Group.

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.
The sales volume for 2008 showed a slight drop with respect to last year; maintenance of their position in a market suffering from a general crisis comported a reduction in the profits on sales, the effects of which were transmitted to the operating and net income, both of which have been falling since 2007. The financial year therefore closed with a net income of approx. 37 thousand Euros.
Although the company serves a clientele, the manufacturing sector, which has been hard hit by the economic crisis, the company has been able to maintain its positions in its specific segments. The creation of a new series of systems called "Plus" contributes at this time to making their products particularly appealing and we therefore believe that for the year in progress a situation of substantial stability can be predicted with respect to last year.

Wuhan Penta Chutian
This Joint Venture was founded by Cutlite Penta together with Wuhan Chutian Group of Wuhan, in the Hubei region of central China.
The company is involved in the manufacture of laser cutting systems for the local market and has organized their own logistic and production structure; in 2007 they produced and sold their first systems and registered a loss, as is normal, in any case, during the start-up period of operations. During 2008 the company registered, as expected, an increase in production volume and, consequently, in sales volume, with an aim to the consolidation of their structures and their competitive position on the market which has the fastest growth rate in the world. The sales volume of 2,5 million Euros corresponds to expectations and in 2008 made it possible to achieve a positive EBIT. The prospects and the growth trend have been partially slowed down by the economic crisis, however work on the re-enforcement of the operative, technical and logistic structure is planned so as to be best equipped to offer products which are competitive in every way both for the local market and, in the future, for export.

Valfivre Italia Srl
At the end of 2007 the company ceased all activity and is now inactive.

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.
After the structural and managerial re-organization which occurred in 2006 and 2007, in 2008 the company achieved a positive result thanks to the substantial increase in the sales volume (+65%, over two million Euros) and the profitability of sales which rose from 40% to 48%.
The support and the coordination that the Group offered to the local management was decisive for the turnaround of the company, as well as the quality of the DEKA brand products and their suitability to the present market requirements which represented an indispensable factor in the expansion of our position in France.

Deka Lasertechnologie GmbH
Deka Lasertechnologie GmbH distributes in Germany medical and aesthetic laser equipment manufactured by El.En. SpA.
Even though they had reduced their structural dimensions and costs, the company was still unable to achieve the sales volume that was expected and registered a loss which, although it is less than last year is still excessive and inadequate in response to expectations on what is the largest market in Europe in terms of the population being served.
The managerial support of the Parent Company has been intensified and, with an aim to further reducing the overhead, the headquarters have been moved from Berlin to the area around Munich.
Although the budget shows that the company has basically broken even, the activity level in the first months which are traditionally the slowest, is still far from breaking even. In any case, we believe that the result can be improved on with respect to last year.

Deka Laser Technologies LLC
In the United States this company distributes laser systems produced by El.En. SpA for the dentistry market.
In 2008 the distribution structure lost the brilliance it had shown previously, mainly due to the economic crisis but also to a business model which needs to be modified.
The company registered a slight loss notwithstanding a sales volume which showed a general increase, but a drop in the dentistry segment. The earnings however fell sharply in the final months of 2008. For this reason a restructuring of the company, which is still in progress, was initiated in which the operative management was replaced and a new company, Deka Laser Technologies Inc., was founded, in which the operations of LLC have been absorbed.
In our opinion, the dentistry sector offers interesting opportunities for growth, as shown by the presence on the market of companies that have been able to develop sales volumes for tens of millions of dollars in the United States alone.

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.
After many years of growth in sales volume and net income, in 2008 the company registered a reduction in sales volume and a net loss. This decrease is due to two main factors; first, the drop in global demand which, starting in the second quarter involved all of Quanta's clientele, both domestic and international; secondly, the effects of the purchase of the majority quota of the Spanish distributor GLI, on which the company's plans for expansion were based and this operation did not produce the results that had been hoped for.

In early 2008 the Spanish market suddenly ran out of the steam that had propelled it as one of the most important markets in Europe in the medical-aesthetic sector, which suddenly came to a halt. The plans of GLI were profoundly influenced by the crisis, both in the reduction of sales and in the worsening of the financial conditions as the length of time for payment of receivables became longer .

Quanta System decided to protect an investment which they believe is strategic for their development, by sustaining the company and giving up their control, by paying, as an increase in the capital stock, the amount established for the purchase of the quotas of the minority shareholders, while maintaining a quota of 30%. They obtained, moreover, a call option which gives them the possibility of re-purchasing the majority share at predetermined conditions in 2012.
As far as the results for the year were concerned, the situation with GLI caused a fall in sales for Quanta on the main distribution channel, and a loss for the devaluation of the equity according to IAS principles on account of the pessimistic outlook for the future economy of Spain and GLI.
As far as the net financial position of Quanta is concerned, the company freed itself of the mid-term debt for the payment of the GLI quotas and from the consolidation of the debtor's position of GLI, for which, in any case, it guarantees an overdraft of 675 thousand Euros.
Lastly, it should be pointed out that, apart from the financial and company events described above, Quanta System has placed at the disposal of GLI its new range of surgical products, a range of solid state lasers for applications in various disciplines including urology and that this represents a technological basis, following the policy of the Group, for a relaunching of the company.

Arex Srl
The company became part of the Group in April of 2004, and is involved in the management of a medical centre in Milan. The activity of the company covers a variety of therapeutic treatments but their specialty is the treatment of psoriasis and vitiligo. In 2008 the company again showed an increase in revenue but the increase in staff and operating costs comported a decrease in the earnings for the year.

Ratok Srl
This company was founded in the first half of 2008 and is involved, among other things, in the study, installation, organization and management, even as franchises, of specialized medical centres, and in the manufacture and distribution of medical equipment, with the objective of using the business model of Arex on a broader scale and in a larger size.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the main activities 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. In the last few years, Asclepion has maintained en enviable growth rate. During 2008 the company transferred its headquarters to a new building which had been constructed in record time thanks also to financing obtained from the Turingia region.
Through the launching of a new range of products called "Effect" the company achieved a further upgrade of quality in their sales which were for an amount of over 21 million (+23%), but they registered a decrease in margins which comported a drop in the EBIT and net income, which, however, were still substantial at 752 thousand Euros, equal to 3,5% of the sales volume.
The company created a new specialized division for the aesthetic market and developed the "Raylife" brand and a range of specific products which will be the focus of their development plans in the next few years.
At present, the company is facing the difficult international situation which has forced it to lower its expectations for 2009 in the various segments of its activities, in particular its plans to expand in the United States.

Raylife Srl
This company was founded by Asclepion Laser Technologies GmbH, which owns it 100%, in the first half of 2008, and will market in Italy the aesthetic equipment manufactured by Asclepion and, as described in the preceding paragraph, produced under the brand of Raylife, with which it will cooperate for the distribution of other products for the same aesthetic market. During 2008 there was a rapid rise in sales and a positive result thanks to the inclusion in the distribution, along with the products of the Raylife line, of an important internationally know product in the aesthetic sector. Since they will no longer be distributing this product, the hopes for 2009 are based exclusively on the distribution of Raylife brand products, and therefore the company expects a decrease in sales volume and, as far as their net income is concerned, to break even.

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 2008 the company moved its headquarters to the building in Torre Annunziata which the Parent Company El.En. had acquired for the purpose of creating a base for the further development of the activities of Lasit. This move makes it possible for the company to operate in a context which is more suited to its ambitions, and coincided with the expansion, sustained by a PIA project, of the equipment and plants used for manufacturing and of the research and development laboratory.
The sales volume registered an increase of 5%, and the EBIT showed an increase of 15%, but the profits were negligible due to the entering into accounts of the loss of the subsidiary Lasit USA which was owned 100%.

Lasit USA
The company was founded in 2007 for the purpose of acting as distributor for Lasit SpA in the United States and consolidated their activity in 2008 but were unable to reach a level of sales volume necessary to break even, and as mentioned in the preceding paragraph, showed a loss.

AQL Srl
AQL Srl, a subsidiary of Lasit SpA, operates in the sector of industrial laser marking; its activity diminished after it was reorganized in 2007.

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.
Notwithstanding the efforts and expenditures sustained for the development of new marking system in the textile sector, equipped with the most recent innovations in terms of laser sources and handling of the textile, in 2008 Ot-las registered a drop in sales volume and showed a loss.
As the volume of their activity fell, Ot-las, in any case, avoided an underutilization of their resources by providing services to other companies in the Group.
Particular attention has been paid to the cost items for the year now in progress, along with an activity aimed at relaunching of the use of laser technologies for marking in certain sectors, in order to deal with the prospects for 2009, which, however, at this time do not leave much room for optimism.

BRCT Inc.
BRCT Inc. owns 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 continues in its role as a financial holding company for the Group and possesses 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 on the machinery installed by Lasercut Inc.

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. Notwithstanding the extreme difficulty of the economic and regulatory situation, in 2008 With Us reached a sales volume of 13 million Euros (with an average exchange rate of the yen at 152); this is an excellent result and contributed substantially to the success of El.En. and of DEKA this year. The EBIT also showed considerable improvement. The net income however were penalized by a major loss on forward exchange contracts in order to cover the exchange rate risk; this loss occurred in the final months of 2008 as a result of the increased value of the Yen. In any case, the entity of the forward exchange contracts is such that the benefits from the strengthening of the Yen next year will greatly outweigh the loss entered in 2008.
Although the budget for 2009 is basically aligned with that for 2008, due to the effects of the exchange rate, both an increase in sales volume and in earnings in Euros are expected for 2009.

Lasercut Technologies Inc.
At the end of 2007 this American company purchased the residual activities of CL Tech Inc. (ex Lasercut Inc.); they conduct after-sales service for industrial systems in the United States.

Cutlite do Brasil Ltda
Cutlite do Brasil Ltda. was founded during the first half of 2007 for the distribution and production in Brazil of industrial laser systems, with headquarters in Blumenau in the state of Santa Catalina.
After the start-up phase of the company was concluded in 2007, in 2008 Cutlite began to operate full time in its marketing activities and achieved results that exceeded expectations; with a sales volume of 3 million Euros they managed to break even in their EBIT. The substantial differences in the exchange rate registered by the weakness of the Real during 2008 determined a loss that cancelled the excellent operating results.
In 2009 the company will also start producing laser systems full time and this will increase the profit margins of the company and limit their vulnerability to imports and to oscillations in the exchange rate.

Research and Development activities

During 2008 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market.

For highly technological products in particular, the global market requires that the competition be met by continually placing on the market completely new products and innovative versions of old products which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid-term schedules.
The innovative results consist essentially in the creation of new laser applications and the development of the suitable equipment.
Research projects which are conducted in order to obtain results according to a mid-term schedule are characterized by the fact that they are oriented towards higher risk subjects inspired by intuitions which arise within the company and by prospects indicated by the scientific work in laboratories and in advanced research centres around the world, some of which we collaborate with.

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

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

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

Systems and applications for lasers in medicine.

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

On the other hand, research has been directed towards the development of single pieces of specialized equipment like the second generation Triactive for aesthetics, Smartlipo REX and MPX , the Nd for veterinary use, the DOT 1540, the Smartxide family, Synchro HP, Excilite micro, Laser EOS for restoration, with specialized peripherals like the miniscan, the fine spot micro-manipulator (Easyspot).
The Group has also continued working on the development of the instruments and on the clinical experimentation of innovative laser devices (family of devices for the HILT - High Intensity Laser Therapy) for uses in physical therapy and in orthopaedics, and experiments have also begun in the United States, in collaboration with Washington State University, on animal models (horses); we have also continued our collaboration for trials on patients with knee joint pathologies with the Istituti Rizzoli of Bologna, who have been our partners for several years now. Trials on the effects of photo-mechanical stimulation of Condrocites have also continued.

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

As part of this program, the development of a compact CO_2 source for surgical applications also continued and we completed a prototype device with increased power features with respect to our earlier products and improved modular characteristics in the time of the power released.

Opto-acoustic and acousto-optical probes for minimally invasive diagnosis. These probes are used for early diagnosis of the potentially malign nature of small sized lesions; collaboration agreements with the Ultrasound and non-destructive testing laboratories of the University of Florence for the creation of prototypes of optical-acoustical transmitters and acoustical-optical receivers made with different technologies derived from those used for the manufacture of electronic semi-conductor devices.
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 are continuing research on a new instrument for retinal coagulation associated with a fissure light as part of a grant from the EU issued by the Region of Tuscany.

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

A research project involving new methods for the characterisation of cellulitis by means of ultrasound is now in progress.
The first results have been obtained on the research on new devices for aesthetic medicine, in particular for the stimulation of the regeneration of collagen in the derma layers of the face.

Research continued on a new micro-manipulator for uses in otorhinolaryngology of the CO_2 laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by doctors.
Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver and thyroid, as part of the activity conducted by the associated company Elesta created by El.En. and Esaote. As part of this project, we have developed a new multiple source for the simultaneous ablative treatment with four fibres each with adjustable independent power. For this purpose a public/private laboratory for the development of innovative technologies for minimally invasive medicine was opened.

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

At the same time, active clinical experimentation has continued in Italy and in qualified European and American centres in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology and aesthetics.
Research for the development of a diode laser for applications in neuro-surgery with minimally invasive techniques was continued.
We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis.

A research laboratory has been set up at the El.En headquarters and is available also for the coordinated activity conducted by other companies in the Group, studying the interaction between the laser light and biological tissue.

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

At Cynosure they have concluded the development of defractive lenses for laser rejuvenation of the skin and a patent has been deposited for the device.
At Cynosure, they have continued experiments on laser-lipolysis using a new instrument with innovative characteristics in terms of the power level, control of the power emitted through retroactive systems and use of more than one wave length.

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

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

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

Laser systems and applications for industry

At El.En. feasibility studies were conducted for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.
We are 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 and is supported by a grant from the Ministry for Research and the University.
The project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices is now in the final phases.
Experimental trials on the electronics based on a "Digital Signal Processor" recently created for on-line setting and numerical control of the galvanometers for scansion heads have been completed.
The data from the development of new laser equipment for use in diagnosing and documenting the condition of art objects was elaborated. As part of this same project we ran trials consisting in the insertion, into the special crates used for transporting important works of art, of equipment for the referenced acquisition and memorisation over time and space of the data of three-dimensional sensors of acceleration, temperature, pressure, humidity and light exposure on the various bands from infra-red to ultra-violet. Research strategy activity has been conducted with an aim to the intervention sustaining the restoration system in Tuscany.

A new system for representing thermal transistors for the study of the state of conservation of works of art and of industrial products in the start-up in the manufacturing process is now in the experimentation phase.
Work on the development of a new diagnostic system using lasers on the paper of antique books has continued and recently been granted a patent.
For applications related to the cutting of metal materials, we are now completing the development of a capacitive sensor for the control of the position of the focal zone of the laser beam with respect to the material.

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

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

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

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

Cutlite Penta operates in high intensity technological market and maintains their competitive edge by renewing and amplifying their range of products both by proposing newly designed systems and renovating the technical solutions in systems that are already in production.
Their research is supported by their own resources and, in some cases by grants derived from research contracts stipulated with the specific institutions. In particular, during this year, they received 65 thousand Euros towards a

project that was co-financed by the Tuscany Region using EU funds. Trials have now been completed on the structural and functional innovations developed on sealed CO_2 sources produced by El.En. Work has continued on the development of an electronic system for tele-diagnosis and tele-assistance of industrial machines.

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

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

thousands of euros	**31/12/2008**	**31/12/2007**
Costs for staff and general expenses	9.012	9.408
Equipment	269	132
Costs for testing and prototypes	1.651	1.628
Consultancy fees	1.239	397
Other services	279	348
Intangible assets	0	3
Total	**12.450**	**11.915**

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. 7,5 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 7,5 million dollars which represents about 5% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 7% of its sales volume.

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 31/12/2007*	*No. of shares acquired*	*No. of shares sold*	*No. of shares on 31/12/2008*
Andrea Cangioli	El.En. SpA	624.460	22.200		646.660
Barbara Bazzocchi	El.En. SpA	494.824	10.000		504.824
Gabriele Clementi	El.En. SpA	505.650	11.972		517.622
Immobiliare del Ciliegio Srl (*)	El.En. SpA	312.412	50.000		362.412
Lucia Roselli	El.En. SpA	350			350
Paolo Caselli	El.En. SpA	300			300
Vincenzo Pilla	El.En. SpA	300			300
Michele Legnaioli	El.En. SpA	160			160
Stefano Modi	El.En. SpA	2.200			2.200
Stefano Modi	Cynosure Inc.	1.000			1.000
Laserfin Srl (**)	El.En. SpA	4.294	7.700		11.994
Laserfin Srl (**)	Cynosure Inc.	65.000		65.000	0
Paola Salvadori	El.En. SpA	300			300
Alberto Pecci	El.En. SpA	401.452	11.864	202	413.114

(*) 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 thousand Euros. Angelo Ercole Ferrario holds an equity in the company of 21,78%.

The ordinary shares in circulation on December 31st 2008 are 4.721.220. The nominal value of each share is 0,52 Euros.

Risk factors and Procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

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 2008, 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.
Some of the companies in the Group (in particular With Us and Cutlite do Brasil) have activated operations intended to cover currency risks, as already described in the chapter on the subsidiary companies in the Management Report.

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. The devaluation fund which is accrued at the end of the year represent about 9% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in note (6) of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies. For these financings no devaluation has been necessary.

In relation to guarantees granted to others, it should be noted that the subsidiary ASA issued a bank guarantee in favour of the renter for 10 thousand Euros which becomes due on August 31st 2009, and that the subsidiary Quanta System issued a bank guarantee in favour of some credit institutes of the associated company Grupo Laser Idoseme for a total of 675 thousand euros which becomes due on February 28th 2010.

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 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.

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

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 2008 (€)	Amount paid in 2008 (€)	Amount paid in 2008 (€)	Amount paid in 2008 (€)
Parent company El.En. SpA	40.400,00	25.600,00	4.000,00	40.000,00
Italian subsidiaries (*)	40.000,00	-	10.000,00	10.000,00
Foreign subsidiaries (**)	294.573,66	17.900,00	-	87.778,02
Total	**374.973,66**	**43.500,00**	**14.000,00**	**137.778,02**

(*) 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.

Compliance in conformity with art. 36 and following of the CONSOB regulations concerning markets

In relation to the present regulations concerning the conditions for the quotation of companies controlling companies founded and regulated in countries which do not belong to the European Union and that have significant importance in the consolidated statement, we declare that:

- On December 31st 2008, among the companies controlled by El.En. SpA the following are part of the category of those regulated by the rules: Cynosure Inc. (NASDAQ:CYNO) e With Us Co. Ltd.
- Suitable procedures have been adopted to assure complete compliance with the regulations.

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

The only significant event occurring after the closure of this financial year which is worthy of note is the founding of Deka Laser Technologies Inc, as a preparation for the re-organization of the distribution in the dentistry sector in the United States of America.

Current outlook

In the introductory section we have described the effects which the international financial and economic crisis has already had on our markets and our companies: the drop in orders which already had occurred starting in October did not have evident effects on the positive results registered for 2008 but comported a generalized reduction in sales volume starting at the beginning of 2009.
We are still quite confident of the potential for mid-term development of our specific markets, and , above all, of our capacity to identify, develop and perfect products which meet with success on these markets; we are however facing a particularly critical situation as we are continually reminded by statistical indicators, their echo in the mass media, and even the daily relations with economic entities that are in great difficulty.
Consequently, it has never been more difficult than the present to make reliable predictions, in particular concerning the duration of this period of recession with its negative impact on our markets. We have therefore taken measures aimed at protecting the profits and capital of the Group, even in the presence of a drop in revenue.

For 2009 again our predictions are related only to the consolidated without Cynosure. In 2009 we expect to show a drop in sales volume of 15% to 20% with respect to 2008, and to maintain an EBIT level of around 4% of the sales volume. We expect that the effect of the reduction of the sales volume and of the earnings will be more significant in the first months of the year as a consequence of the amount of stock stored with various clients among our distributors, who, when faced with the decrease in demand, will dispose of their inventory before making further purchases.

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

EL.EN. GROUP
CONSOLIDATED FINANCIAL STATEMENT AND EXPLANATORY NOTES

Consolidated balance sheet

	Notes		31/12/2008		31/12/2007
Balance Sheet					
Intangible assets	1		6.407.466		6.592.138
Tangible assets	2		26.258.356		19.754.761
Equity investments:	3				
- in associates		1.557.875		405.581	
- other investments		133.817		113.017	
Total equity investments			1.691.692		518.598
Deferred tax assets	4		9.413.820		5.632.921
Other non current assets	4		15.407.516		258.242
Total non current assets			**59.178.850**		**32.756.660**
Inventories	5		57.422.948		46.567.687
Accounts receivables:	6				
- from third parties		46.052.282		42.072.252	
- from associates		1.258.028		241.068	
Total accounts receivables:			47.310.310		42.313.320
Tax receivables	7		5.609.107		5.213.943
Other receivables:	7				
- from third parties		5.173.371		4.941.883	
- from associates		338.667		205.991	
Total other receivables			5.512.038		5.147.874
Financial instruments	8		18.044.112		32.044.110
Cash and cash equivalents	9		59.113.513		61.511.786
Total current assets			**193.012.028**		**192.798.720**
TOTAL ASSETS			**252.190.878**		**225.555.380**
Common stock	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		27.373.361		11.023.101
Treasury stock	13		-2.575.611		
Retained earnings / (deficit)	14		22.458.978		23.803.182
Net income / (loss)			8.328.526		17.652.550
Parent stockholders' equity			**96.687.543**		**93.581.122**
Minority interests in consolidated subsidiaries			84.309.795		68.985.905
Total equity			**180.997.338**		**162.567.027**
Severance indemnity	15		2.469.118		2.484.721
Deferred tax liabilities	16		328.086		321.467
Other accruals	17		5.428.166		4.774.034
Financial liabilities:	18				
- to third parties		3.734.531		3.440.763	
Total financial liabilities			3.734.531		3.440.763
Non current liabilities			**11.959.901**		**11.020.985**
Financial liabilities:	19				
- to third parties		5.547.589		2.806.657	
Total financial liabilities			5.547.589		2.806.657
Accounts payables:	20				
- to third parties		30.475.082		28.581.360	
- to associates		642.554		28.419	
Total accounts payables			31.117.636		28.609.779
Income Tax payables	21		2.979.276		2.316.225
Other payables:	21				
- to third parties		19.589.138		18.234.707	
Total other payables			19.589.138		18.234.707
Current liabilities			**59.233.639**		**51.967.368**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY			**252.190.878**		**225.555.380**

Consolidated Profit and Loss Account

Profit and loss account	**Note**		**31/12/2008**		**31/12/2007**
Revenues:	22				
- from third parties		221.050.851		193.073.391	
- from associates		619.511		363.331	
Total revenues			221.670.362		193.436.722
Other revenues and income:	23				
- from third parties		1.814.322		1.917.941	
- from associates		4.080		5.080	
Total other revenues and income			1.818.402		1.923.021
Total revenues and income			**223.488.764**		**195.359.743**
Purchase of raw materials:	24				
- to third parties		85.548.084		76.757.816	
- to associates		131.413		89.021	
Total purchase of raw materials			85.679.497		76.846.839
Change in inventory of finished goods and WIP			(5.357.892)		(6.726.404)
Change in inventory of raw material			(6.029.175)		(3.051.532)
Other direct services:	25				
- to third parties		22.861.251		20.140.384	
- to associates		4.979		111	
Total other direct services			22.866.230		20.140.495
Other operating services and charges:	25				
- to third parties		51.069.970		38.149.063	
- to associates		308.924		463.822	
Total other operating services and charges			51.378.894		38.612.885
For staff costs	26		46.139.584		43.199.946
Depreciation, amortization and other accruals	27		8.260.164		5.036.469
EBIT			**20.551.462**		**21.301.045**
Financial charges:	28				
- to third parties		(2.578.880)		(3.240.980)	
Total financial charges (*)			(2.578.880)		(3.240.980)
Financial income	28				
- from third parties		4.203.250		3.940.295	
- from associates		4.874		3.866	
Total financial income			4.208.124		3.944.161
Share of profit of associated companies			(129.831)		(54.940)
Other net expenses	29		(222.953)		(1.490.610)
Other net income (*)	29		258.679		14.939.941
Income before taxes			**22.086.601**		**35.398.617**
Income taxes	30		7.868.299		10.460.375
Income for the financial period			**14.218.302**		**24.938.242**
Minority interest			5.889.776		7.285.692
Net income			**8.328.526**		**17.652.550**

Basic net (loss) income per share		1,76	3,69
Diluted net (loss) income per share		1.76	3,66
Basic weighted average common shares outstanding	31	4.744.621	4.781.959
Diluted weighted average common shares outstanding			43.459

(*) In accordance with Delibera Consob 15519 of 27th July 2006, the amounts related to significant non-recurring events are listed in note (33). In particular, 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".

Consolidated financial statement (cash flow)

Financial statement (cash flow)	31/12/2008	31/12/2007
Cash flow generated by operating activity:		
Profit (loss) for the financial period – group quota	8.328.526	17.652.550
Amortizations and depreciations (27)	5.065.918	3.743.143
Devaluations of equity investments		
Stock Options	5.106.171	6.333.644
Change of employee severance indemnity (15)	-15.603	-97.505
Change of provisions for risks and charges (17)	654.132	585.079
Change of provisions for deferred income taxes	-3.774.280	-1.787.822
Stocks (5)	-10.855.261	-7.274.012
Receivables (6)	-4.996.990	-4.531.005
Tax receivables (7)	-395.164	1.369.656
Other receivables	-189.345	-1.285.366
Payables (20)	2.507.857	3.329.922
Income Tax payables (21)	663.051	185.128
Other payables (21)	1.354.431	3.958.592
	-4.875.083	4.529.454
Cash flow generated by operating activity	3.453.443	22.182.004
Cash flow generated by investment activity:		
(Increase) decrease in tangible assets	-11.154.906	-9.225.306
(Increase) decrease in intangible assets	-229.935	292.028
(Increase) decrease in equity investments and non current assets	-16.322.368	7.156
Increase (decrease) in financial receivables (7)	-174.819	-135.468
(Increase) decrease investments which are not permanent (8)	13.999.998	1.967.223
Cash flow generated by investment activity	-13.882.030	-7.094.367
Cash flow from financing activity:		
Increase (decrease) in non current financial liabilities (18)	293.768	1.510.368
Increase (decrease) in current financial liabilities (19)	2.740.932	1.505.862
Change in Capital and Reserves	2.546.848	4.038.696
Change in Capital and Reserves of third parties	10.217.719	16.429.474
Change in Treasury Stock	-2.575.611	
Dividends distributed (31)	-5.193.342	-1.421.030
Cash flow from financing activity	8.030.314	22.063.370
Increase (decrease) in cash and cash equivalents	-2.398.273	37.151.007
Cash and cash equivalents at the beginning of the financial period	61.511.786	24.360.779
Cash and cash equivalents at the end of the financial period	59.113.513	61.511.786

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 on bank deposits amounts to about 2.578 thousand Euros.

Current income taxes for this financial year were 11,6 million Euros.

The recovery of the US dollar at the end of 2008 had a positive effect on the net financial position which can be referred to the cash held by Cynosure for an amount of 2,9 million Euros.

Table of Variations in the Stockholders' Equity

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

STOCKHOLDERS' EQUITY:	Balance 31/12/2007	Net income allocation	Dividends distributed	Adjustments	Other operations	Balance 31/12/2008
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares					-2.575.611	-2.575.611
Others reserves:						
Extraordinary reserves	12.530.904	15.158.390				27.689.294
Reserve for contribution on capital account	426.657					426.657
Reserve for conversion adjustments	-3.523.979				1.106.243	-2.417.736
Other reserves	1.052.217				85.627	1.137.844
Retained earnings	23.803.182	2.494.160	-5.193.342		1.354.978	22.458.978
Profits (loss) of the year	17.652.550	-17.652.550			8.328.526	8.328.526
Parent company's stockholders' equity	93.581.122	0	-5.193.342	0	8.299.763	96.687.543
Capital and reserves of third parties	61.700.213	7.285.692	-240.412		9.674.526	78.420.019
Profit (loss) of third parties	7.285.692	-7.285.692			5.889.776	5.889.776
Minority interests	68.985.905	0	-240.412	0	15.564.302	84.309.795
Total Stockholders' equity	162.567.027	0	-5.433.754	0	23.864.065	180.997.338

Other operations in the stock holders' equity of the Group refer to:

- the purchase of treasury shares by the parent company, El.En SpA for the amount of 2.576 thousand Euros;
- the positive change related to the conversion reserve, in particular due to the increase in the value of the US dollar during this financial year;
- the variation in the reserve for stock options (other reserves) which includes the counterpart of the costs determined in conformity with the IFRS 2 stock option plan assigned by El.En. for the quota which reached maturity on December 31st 2008;
- 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 2009.
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 2008 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:

IFRIC 11 IFRS 2 – Operations on treasury stock of the Group
IFRIC 11 requires the entering into accounts of the agreements which grant rights to employees on capital instruments of the entity, like plans with stock regulations, even if the entity purchases these instruments from a third party, or in the case that it is the shareholders that supply the capital instruments necessary. The application of this standard, starting in January 2008, did not have any impact on the financial position or on the performance of the Group, since the company does not make use this type of operation.

IFRIC 12 Contracts and agreements for the rendering of services
IFRIC 12 supplies information about the methods that operators must use in order to enter into accounts agreements for services rendered by public institutions to private companies. None of the companies belonging to the Group operates according to this type of contract, therefore the interpretation has no effect on the Group.

IFRIC 14 IAS 19 – Limitations on the assets of Defined Benefit Plans: minimum financing requirements and their interaction.
IFRIC 14 supplies information on how to determine the limits of the capital gains which can be received as an asset in a Defined Benefit Plan, in conformity with IAS 19 – Benefits to employee. The minimum financing requirement may have an effect on the assets and liabilities derived from pension plans. This interpretation, which has been applied since January 2008, has not had any effect on the consolidated statement of the Group.

On October 13th 2008, IASB issued an amendment to the IAS 39 – Financial instruments: Identification and Evaluation and to the IFRS 7 – Financial Instruments: additional information which makes it possible, under certain circumstances, to re-classify certain financial assets which are different from derivatives, from the accounting category "evaluated at fair value through the profit and loss account". The amendment also makes it possible to transfer loans and receivables from the category "available for sale" to the category "held until maturity" if the company has the intention and the capacity to hold these financial instruments until a determined period in the future. The amendment was applicable starting in July 2008, however, its application did not have any effect on this financial statement since the Group did not apply any of the re-classifications that it allows.

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 company is still evaluating the effects of these interpretations and the relative impact on the financials of the Group.

IFRS 3R Business combinations 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.

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 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 15 – Contracts for the construction of real estate (which must be applied after January 1st 2009 but has not yet been approved by the European Union).
The Group believes that at this time the new principle does not produce any significant effects.

IFRIC 16 – Hedging of an equity in a foreign company, with which the possibility of applying a hedge accounting has been eliminated for the operations covering the difference in the exchange rate between the working currency of the subsidized foreign company and the currency used for the presentation of the consolidated statement. This interpretation must be applied after January 1st 2009. On the date of this statement the competent organs of the European Union had not yet concluded the authorization procedures required for its application. The Group believes that the modification will not cause any change in their financial statements.

On January 17th 2008 the IASB issued an amendment to the IFRS 2 – Conditions for maturity and cancellation - on the basis of which, for the purpose of evaluating the instruments of remuneration based on stocks, only the conditions of service and the conditions of performance can be considered maturity conditions for the plans. The Group believes that application of this amendment will not have any effect.

On May 22nd 2008 the IASB issued a set of modifications to the IFRS ("improvement"). The Group has not yet applied the following modifications and believes that they will not have any significant impact on the financials:
- IFRS 5 – Non-current assets for sale and operating activities which have been terminated: the modification, which must be applied prospectively starting on January 1st 2010, states that, if a company is involved in a selling plan that comports the loss of control of one of the subsidiaries, all of the assets and liabilities of the subsidiary must be re-classified among the assets for sale, even if after the sale the company still holds a minority share of the subsidiary.

- IAS 1 – Presentation of the statement (revised in 2007): the modification, which must be applied starting on January 1st 2009 prospectively, requires that the assets and liabilities derived from derivatives which are not held for purposes of negotiation be classified in the statement distinguishing between current and non-current assets and liabilities. The application of this modification will not comport any effect on the value of the amounts in the statement.

- IAS 16 – Real estate, plants and machinery: the modification must be applied retroactively after January 1st 2009 and establishes that the companies whose typical business is renting must re-classify the goods in their warehouses that are no longer rented and are available for sale and, consequently, the sums derived from their sale must be recognized as revenue. The amounts paid to build or to acquire goods to rent to others as well as the sums received for the subsequent sale of these goods, for the purposes of cash flow statement, represent cash flow derived from operating activities (and not from investment activities). The application of this modification will not have any effect on the value of the amounts in the statement.

- IAS 19 – Benefits to Employees: starting on January 1st 2009, the amendment, which must be applied prospectively to the variations in benefits which have occurred after that date clarifies the definition of cost/profits related to past performance of work and establishes that, in the case of the reduction of a plan, the effect to be attributed immediately to the profit and loss account must include only the reduction of benefits related to future periods, while the effect derived from any reductions related to periods of past service must be considered a negative cost related to the performance of work in the past.
The Board, moreover, has revised the definition of short-term benefits and long-term benefits and has modified the definition of performance of activities, establishing that this item must be entered net of any administrative charges that are not already included in the value of the instrument.
- IAS 20 – Entering into accounts and information sheets on public grants: the modification, which must be applied prospectively starting on January 1st 2009, establishes that the benefits derived from state sponsored loans granted at a rate of interest that is lower than the market rate, must be treated as public grants and therefore are subject to the rules of recognition established by IAS 20. The modification will not have any significant effects on the statement of the Group.
- IAS 23 – Financial charges: the modification, which must be applied starting January 1st 2009, revises the definition of financial charges.
- IAS 28 – Equities in associated companies: the modification which must be applied (even only prospectively) starting on January 1st 2009, establishes that, in the case of equities that are evaluated according to the shareholders equity method, any loss in value must not be allocated to a single activity (and in particular to "goodwill") which are part of the charges of the equity, but to the overall value of the company in which the equity is held. Therefore, in the presence of conditions which permit a subsequent resetting of the value, this resetting must be recognized in full.
- IAS 36 – Loss in the value of assets: the modification, which must be applied starting on January 1st 2009, states that additional information must be supplied in the case that the company determines the recoverable value of the cash generating units (CGU) utilizing the method of actualization of cash flow.
- IAS 38 – Intangible assets: the modification must be applied retroactively starting on January 1st 2009 and establishes the recognition in the profit and loss account of promotional and advertising expenses; moreover, the principle has been modified in order to allow companies to use the method of units produced in order to determine the amortization of intangible assets with a defined useful life. At the time that this report was issued, the Group was still evaluating the effects derived from the application of this amendment.
- IAS 39 – Financial instruments: identification and evaluation. The amendment, which must be applied retroactively starting on January 1st 2009, clarifies how to calculate the new actual yield rate of a financial instrument upon conclusion of a covering report of the fair value; it also clarifies that the rule which prohibits re-classification in the category of financial instruments with adjustment of the fair value in the profit and loss account should not be applied to derivatives which cannot be qualified as hedging instruments or, instead, which become covering. Moreover, in order to avoid conflict with the new IFRS 8 – Operative segments, it eliminates references to the designation of a covering instrument in the sector. At the time that this report was issued, the Group did not believe that there had been any effects derived from the application of the amendment.

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 2008 and 2007. The financial information, however, is supplied with reference to December 31st 2008 and December 31st 2007.

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 2008.

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.

Company name:	Notes	Headquarters	Currency	Subscr. capital	Percentage held: Direct	Indirect	Total	Consolidated 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	90,67%		90,67%	90,67%
Valfivre Italia Srl		Calenzano (I)	EURO	47.840	100,00%		100,00%	100,00%
Deka Sarl		Lione (F)	EURO	76.250	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH		Berlin (D)	EURO	51.129	100,00%		100,00%	100,00%
Deka Laser Technologies LLC		Fort Lauderdale (USA)	USD	1.000	52,00%		52,00%	52,00%
Ot-las Srl	2	Calenzano (I)	EURO	57.200	90,00%		90,00%	90,00%
Lasit SpA	3	Vico Equense (I)	EURO	1.154.000	52,67%	17,33%	70,00%	68,27%
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	4	Jena (D)	EURO	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl	5	Corsico (I)	EURO	20.500		51,22%	51,22%	30,73%
AQL Srl	6	Vimercate (I)	EURO	50.000		100,00%	100,00%	67,58%
ASA Srl	7	Arcugnano (I)	EURO	46.800		60,00%	60,00%	42,00%
Cynosure Inc.		Westford (USA)	USD	12.734	23,08%		23,08%	23,08%
Cynosure GmbH	8	Langen (D)	EURO	25.565		100,00%	100,00%	23,08%
Cynosure Sarl	8	Paris (F)	EURO	970.000		100,00%	100,00%	23,08%
Cynosure KK	8	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,08%
Cynosure UK	8	London (UK)	GBP	1		100,00%	100,00%	23,08%
Suzhou Cynosure Medical Devices Co.	8	Suzhou (China)	YUAN	no par value		100,00%	100,00%	23,08%
Cynosure Spain	8	Madrid (Spain)	EURO	864.952		100,00%	100,00%	23,08%
With Us Co Ltd	9	Tokyo (JAP)	YEN	100.000.000		51,25%	51,25%	51,25%
Wuhan Penta Chutian Laser Equipment Co Ltd	10	Wuhan (China)	YUAN	10.311.957		55,00%	55,00%	49,87%
Lasit Usa Inc.	11	Branford (USA)	USD	30.000		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda	12	Blumenau (Brasil)	REAL	1.404.000	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	13	Branford (USA)	USD	50.000		100,00%	100,00%	100,00%
Ratok Srl	14	Solbiate Olona (I)	EURO	20.000		70,00%	70,00%	42,00%
Raylife Srl	15	Calenzano (I)	EURO	110.000		100,00%	100,00%	80,00%

(1) owned by Elen SpA (90,67%)
(2) owned by Elen SpA (90%)
(3) owned by Elen Spa (52,67%) and Ot-las (17,33%)
(4) owned by Elen SpA (50%) and Quanta System SpA (50%)
(5) owned by Quanta System SpA
(6) owned by Quanta System SpA (8,35%) and Lasit Srl (91,65%)
(7) owned by Deka Mela Srl
(8) owned by Cynosure Inc.
(9) owned by BRCT (51,25%)
(10) owned by Cutlite Penta Srl (55%)
(11) owned by Lasit SpA (100%)
(12) owned by Elen SpA (78%)

(13) owned by BRCT (100%)
(14) owned by Quanta System Spa (70%)
(15) owned by Asclepion (100%)

PURCHASES

On March 13th 2008 El.En. further increased the amount of their equity in Cutlite Penta Srl, by purchasing 8% of the shares from one of the minority shareholders, at the price of 224.000 Euros, this bringing the amount of their equity to a total of 90,67%.

The subsidiary Quanta System, founded the Ratok Srl company of which it holds 70% of the capital stock. Ratok Srl will be involved in the planning, installation, organization and management, including franchises, of specialized medical centres, and the manufacture and distribution of medical equipment. The company is not yet in operation.

On April 15th 2008, the subsidiary Asclepion, founded the Raylife Srl company, of which it possesses 100% of the capital stock. Raylife Srl will be involved in the sale of aesthetic and medical equipment in Italy and in supplying the relative technical assistance.

SALES

On July 4th , the subsidiary Quanta System SpA sold to a minority shareholder their controlling share (51%) in Quanta Laser System India, at the price of 950 Euros. As a consequence of this sale, Quanta Laser System India is no longer in the area of consolidation.

OTHER OPERATIONS

On July 22nd 2008 an increase in the paid-in capital stock of the subsidiary Lasit SpA was approved for the amount of 154.000 Euros. This increase was underwritten by the minority shareholders and by the parent company El.En., by this latter also for the share pertaining to one of the other partners of Lasit SpA, the subsidiary Ot-las Srl. As a consequence of this decision, the percentages of ownership in the equity in Lasit SpA by the parent company and by Ot-las are, respectively, 52,67% and 17,33%.

TREASURY STOCK

On March 3rd 2008 the shareholders' meeting of El.En. SpA voted in favour of authorizing the Board of Directors to purchase treasury stock. This purchase was made for the following concurrent and alternative purposes: to stabilize the stock, to assign the stock to employees and/or collaborators, to exchange the stock for equities upon the occasion of company purchases.
The authorization was granted for the purchase in exchange for a payment of 15 million Euros in one or more instalments, for a quantity of shares in the company which, in any case, should not be in excess of one-tenth of the capital stock. Presently, 10% of the capital underwritten and paid out by El.En. is equivalent to 482.436 shares. The duration of the authorization is for the maximum period allowed by law, that is, 18 months from the date of approval by the assembly.
Purchase must be made on the regular stock market for a price which is not more than 20% less or 10% more than the official exchange price registered on the day preceding the purchase. The sale of the shares purchased must be made at a price which is not less than 95% of the average of the official negotiated prices registered during the five days preceding the sale.
On the day that this document was concluded, the treasury stock purchased by the company was 103.148 shares at the average price of 24,97 Euros for a total value of 2.575.611 Euros.

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.

Company name:	Headquarters	Subscr.capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Immobiliare Del.Co. Srl	Solbiate Olona (I)	24.000	30,00%		30,00%	30,00%
Actis Srl	Calenzano (I)	10.200	12,00%		12,00%	12,00%
SBI S.A.	Herzele (B)	300.000	50,00%		50,00%	50,00%
Laser International Ltd	Tianjin (CHINA)	1.552.396		40,00%	40,00%	24,00%
Elesta Srl	Calenzano (I)	110.000	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL	San Sebastian (Spain)	1.045.280		30,00%	30,00%	18,00%
Electro Optical Innovation Srl	Torino (I)	12.000		33,33%	33,33%	20,00%

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

On March 13th 2008, the assembly of the associated company IALT Soc. *consortium a r.l.* voted, among other things, to transform the company into company of limited responsibility (s.r.l.) and to change the name to ELESTA Srl. This decision took effect in the month of May 2008, that is, 60 days after the last public notice was given in accordance with art. 2500 c.c.

On February 8th 2008 the subsidiary Quanta System SpA concluded negotiations for the purchase of 51% of Grupo Laser Idoseme SL, its Spanish distributor in the aesthetic sector. This company has its headquarters at Donostìa - San Sebastian and distributes in Spain the laser equipment manufactured by Quanta System, as well as other high technology equipment for medical and aesthetic applications.
However, on December 24th, the subsidiary Quanta System SpA cancelled the contract for the purchase of 51% of the shares of Grupo Laser Idoseme SL and concluded the contract limited to a quota of only 10%; they later paid out an increase in capital stock which brought their equity in the company to 30%. Moreover, they obtained an option valid in 2112 for the repurchase of the majority share of GLI.
At the time of purchase, 51% of the company was worth approx. 3,8 million Euros, of which 765 thousand Euros were paid on closing, and the remaining 3 million was to be paid in instalments which were subjected to earn-out clauses. When the contract was cancelled, the payment that had been made was considered as payment of a quota of 10%, while the debt for the purchase of the remaining 41% was cancelled. Subsequently, Quanta System and the other partners proceeded with a re-capitalization of the company for the amount of 1,5 million Euros, underwritten for the amount of one million by Quanta System (500 thousand euros in cash and 500 thousand Euros in conversion of receivables), and 500 thousand Euros from other partners through conversion of receivables.
In mid-2012 Quanta System can use their option for the purchase 21% of the company at a price to be established between 1 and 1,5 million Euros depending on the performance of GLI in 2010 and 2011.

The amounts shown in the statement of the equities in associated companies are as follow:
Immobiliare Del.Co. Srl: 226 thousand Euros
Actis Srl: 2 thousand Euros
SBI S.A.: 27 thousand Euros
Laser International Ltd: 80 thousand Euros
Elesta Srl 24 thousand Euros
Grupo Laser Idoseme SL: 1.220 thousand Euros
Electro Optical Innovation Srl: -21 thousand Euros

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.

For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

Currency	Final rate 31/12/2007	Average rate 31/12/2008	Final rate 31/12/2008
US Dollar	1,4721	1,4708	1,3917
Rupee(India)	58,02	63,73	67,64
Yen (Japan)	164,93	152,45	126,14
Yuan (China)	10,75	10,22	9,50
Real (Brazil)	2,61	2,67	3,24

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.

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 indefinite 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.

Stocks – financial assets available for sale
The financial assets that are available for sale are evaluated at fair value, with effect on the shareholders equity with the exception of the losses due to reduction in value, until the financial asset is eliminated; at this time the total entered earlier in the shareholder's equity must be entered in 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).

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) REVENUE RECOGNITION

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) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency , with the exception of tangible assets, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses 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) 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.

P) TAXES

Income taxes include the current and deferred taxes calculated on the taxable income of the companies of the Group. Current income taxes for the financial year have been entered according to the regulations currently in force on the basis of a realistic estimate of taxable income for the period. This estimate is determined by applying the annual weighted average of the fiscal aliquots expected for the entire year.

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.

Q) 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

El.En.SpA

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

	Max. expiration date	Existing options	Options issued	Options cancelled	Options picked up	Expired option not picked up	Existing options	Options which can be picked up	Pick up price
		01.01.08	01.01.08 - 31.12.08	01.01.08 - 31.12.08	01.01.08 - 31.12.08	01.01.08 - 31.12.08	31.12.08	31.12.08	
Plan 2008/2013	May, 15 2013	0	160.000	0	0	0	160.000	0	€ 24,75
		0	160.000	0	0	0	160.000	0	0

For the stock option plan, the fair value was determined following the "Black & Scholes" pricing model using the following hypotheses:

- Market interest rate for risk free investments: 4,8%
- Historical volatility: 26,11%
- Time interval used for calculating volatility: 3 years prior to the date of issue

The overall fair value of the stock options is 786 thousand Euros.

During the financial year 2008, the average price registered for the El.En. stock was approx. 23 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 note (10) of this report.

Cynosure Inc.

The chart below shows a summary of the main elements of the Cynosure stock option plan during 2008

Existing options	Options issued	Options cancelled	Options picked up	Expired options which were not picked up	Existing options	Options which can be picked up
01.01.08	01.01.08 - 31.12.08	01.01.08 -31.12.08	01.01.08 -31.12.08	01.01.08 - 31.12.08	31.12.08	31.12.08
1.355.797	372.090	91.565	286.075	0	1.350.247	702.588

The chart below shows the average pick-up price and the average lifespan of the options in circulation on December 31st 2008.

Average pick-up price	Existing Options 31.12.08	Options which can be picked up 31.12.08	Average life
$20,48	1.350.247		7,89
$17,75		702.588	7,36
	1.350.247	702.588	

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 31/12/07	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Conversion Adjustments	Balance 31/12/08
Goodwill	5.238.797	-22.040				-192.781	5.023.976
Costs of research, development							
Patents and rights to use patents of others	131.154	10.221			-43.096	5.131	103.410
Concessions, licences, trade marks and similar rights	682.203	309.255		555.294	-346.208	14.849	1.215.393
Other	11.013	78.000		809	-25.303	168	64.687
Intangible assets in progress and payments on account	528.971			-548.835		19.864	
Total	**6.592.138**	**375.436**		**7.268**	**-414.607**	**-152.769**	**6.407.466**

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 2007 the amount was rectified after the sale of 950.000 shares. In 2008 the amount was rectified again as a consequence of the dilution in the value of the equity in Cynosure after the increase in capital to be used in the stock option plans in favour of third parties and again due to the effect of the conversion of the goodwill into currency in conformity with IAS 21.47. The amount of the goodwill as of December 31st 2008 is therefore approx. 1.931 thousand Euros.
b) the amount which resulted from the acquisition of 30% of the shares of Quanta System SpA by the parent company during 2004. The amount entered on December 31st 2008 was for approx. 2.079 thousand Euros;
c) 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 2008 was for approx. 73 thousand Euros.
d) 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 2008 is 55 thousand Euros.
e) 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 2008 is approx. 7 thousand Euros.
f) the amount which was the result of the purchase of ASA Srl by the subsidiary Deka MELA Srl. The amount entered on December 31st 2008 was approx 439 thousand Euros.
g) the amount which was the result of the purchase made during 2006 by the Parent company El.En. SpA of 19,17% from third parties, during 2007, of 10% from Valfivre Italia Srl and, in 2008, of 8% of the subsidiary Cutlite Penta from third parties. The total amount entered into accounts on December 31st 2008 was approx. 408 thousand Euros.
h) 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 2008 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 10% and the future cash flow has been defined on the basis of the forecasts approved by the management which cover a time span of 3 years. In the model, a further period of 7 years is contemplated (for a total of 10 years), during which the growth rate of the revenue and the margins hypothetically remain constant (growth rate "g" equivalent to 3%). In the evaluation model, we felt it was opportune to consider a further 7 years since we believe it is more representative of the value of the CGU evaluated, considering the development plans of the Group. We have also considered the cash flow derived from the cessation of the cash generating unit at the end of the specific period. This amount has been taken at the same present value of the perpetual yield of the flow generated during the last year for which there were explicit forecasts.

We also conducted an analysis of the sensitivity of the results: the amounts in use remain higher than the amounts in accounting , assuming the following hypotheses:
- growth rate "g" equal to 1,7% and WACC constant;
- growth rate "g" equal to 0,7% and WACC equal to 8,9%.

The hypothesis of sensitivity which might put into evidence amounts in use lower than accounting amounts are not considered acceptable in consideration of the prospects for growth inserted with precaution in the company plans and for development that the Group believes it is reasonable to expect for the CGU analyzed above.

The "Industrial patents and the rights to use patents of others" are related to the capitalization of the costs sustained 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 for new management software, classified on December 31st 2007 among intangible assets in progress. Moreover, trade marks for a residual amount of 80 thousand Euros have been entered by the subsidiary ASA Srl.

The residual heading "Others" includes the costs sustained, in particular by Quanta Systems for the creation of their new web 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 31/12/07**	**Increments**	**Revaluations and devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/08**
Lands	2.177.139	227.250		746		8.808	2.413.943
Buildings	4.013.220	2.784.642		3.860.804		24.550	10.683.216
Plants and machinery	2.295.998	1.175.819		-84.646	-72.171	-1.514	3.313.486
Industrial and commercial equipment	13.891.707	4.618.549		-251.331	-925.801	546.784	17.879.908
Other goods	8.311.608	1.582.319		-111.331	-433.653	228.694	9.577.637
Tangible assets under construction	4.528.119	1.832.010		-4.078.566		670	2.282.233
Total	**35.217.791**	**12.220.589**		**-664.324**	**-1.431.625**	**807.992**	**46.150.423**

Amortisation provisions	**Balance 31/12/07**	**Amortizations amount**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/08**
Lands							
Buildings	675.325	231.632		1.079		2.507	910.543
Plants and machinery	865.153	302.943		-14.481	-29.781	2.675	1.126.509
Industrial and commercial equipment	8.563.066	2.843.093		-65.297	-452.164	448.656	11.337.354
Other goods	5.359.486	1.273.643		-85.737	-196.930	167.199	6.517.661
Tangible assets under construction							
Total	**15.463.030**	**4.651.311**		**-164.436**	**-678.875**	**621.037**	**19.892.067**

Net value	**Balance 31/12/07**	**Increments**	**Revaluations and other operations**	**(Amortizations and devaluations)**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/08**
Lands	2.177.139	227.250	746			8.808	2.413.943
Buildings	3.337.895	2.784.642	3.859.725	-231.632		22.043	9.772.673
Plants and machinery	1.430.845	1.175.819	-70.165	-302.943	-42.390	-4.189	2.186.977
Industrial and commercial equipment	5.328.641	4.618.549	-186.034	-2.843.093	-473.637	98.128	6.542.554
Other goods	2.952.122	1.582.319	-25.594	-1.273.643	-236.723	61.495	3.059.976
Tangible assets under construction	4.528.119	1.832.010	-4.078.566			670	2.282.233
Total	**19.754.761**	**12.220.589**	**-499.888**	**-4.651.311**	**-752.750**	**186.955**	**26.258.356**

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 on December 31st 2008 was 2.414 thousand Euros. The amount entered in the column headed "Increments" is related to the purchase of the land where the new building complex in Calenzano bought by the parent company, El.En in 2008 is located.
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, the new building complex in Via Dante Alighieri also in Calenzano, purchase in 2008, the building in the city of Torre Annunziata purchase in 2006 for the research, development and production activities of the subsidiary Lasit SpA, whose encouraging outlook for growth is in this way sustained by El.En., the building 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 building of the subsidiary Asclepion.
The amounts entered in the columns Increments and Other Operations are related mainly to the costs sustained by Asclepion for the construction of their new building where, since May 2008, the operations of this subsidiary are conducted. The initial costs of this building were classified in 2007 among the intangible assets in progress; the expenses sustained for the remodelling of the building located in Torre Annunziata, the purchase of a new building complex in Calenzano, the costs sustained for the completion of the enlargement of the factory in Calenzano, which, last year, were reclassified among the "Tangible assets under construction".

The increases in the category "Plants and machinery" are chiefly related to investments made by the parent company El.En. SpA and by Asclepion.

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. The other increases in the "Equipment" category are related to the parent company and to the subsidiary Deka Mela; for this latter as a consequence of the different treatment of the sales financed by the clientele with the so-called operative leasing, considered in conformity with the IAS/IFRS principles, as revenue from multi-year rentals. The cost of this machinery therefore has been capitalized.
It should be noted that the column "Other Operations" in the "Plants and Equipment" category, includes, among other things, the grant received by the subsidiary Lasit SpA for approx. 738 thousand Euros, as part of the industrialization project already begun last year. This grant has been subtracted from the value capitalized for the relative goods.

Under the heading of" Intangible assets under construction" we have entered, among other things, the costs sustained by the parent company El.En. up until December 31st 2008 related to the work in progress for the enlargement of another section of the factory located in Via Baldanzese at Calenzano, Firenze.

The tangible assets held in leasing amount to 1,1 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-08	31-dic-07	Variation	Var. %
Equity investments in:				
associated companies	1.557.875	405.581	1.152.294	284,11%
other companies	133.817	113.017	20.800	18,40%
Total	1.691.692	518.598	1.173.094	226,20%

The variation in the amount of the equities in associated companies is due mainly to the insertion of the value of the equity in Grupo Laser Idoseme SL, acquired this year for 30% by the subsidiary Quanta System SpA, as described above in the chapter related to the associated companies.

The amounts of the equities in associated companies registered in the statement are, respectively:
Immobiliare Del.Co. Srl: 226 thousand Euros
Actis Srl: 2 thousand Euros
SBI S.A.: 27 thousand Euros
Laser International Ltd: 80 thousand Euros
Elesta Srl: 24 thousand Euros

Grupo Laser Idoseme SL: 1.220 thousand Euros
Electro Optical Innovation Srl: -21 thousand Euros

The associated companies Immobiliare Del.Co. Srl, SBI SA, Elesta Srl (ex-IALT Scrl), JV Laser International LTD and Electro Optical Innovation Srl are consolidated using the shareholders' equity method.
On December 31st 2008, GLI was no longer a subsidiary and was therefore wholly consolidated. Since control had been held in the company for 11 months during 2008, the profit and loss account has been wholly consolidated for that period, while the financial value of the company has been considered synthetically according to the shareholders' equity method.

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

	Assets	Liabilities	Profit(+) or Loss (-)	Revenues and income	Costs and Charges
Immobiliare Del.Co. Srl	484.760	526.980	-151.579	59.142	210.721
S.B.I. SA	331.644	275.978	-106.426	273.347	379.773
Actis Actice Sensors Srl (*)	311.490	234.888	64.266	295.503	231.237
Elesta Srl (ex IALT Scrl)	1.961.816	1.914.181	-62.366	1.024.092	1.086.458
JV Laser International Ltd	262.959	61.500	64.838	642.836	577.998
Electro Optical Inovation Srl	217.475	278.191	-72.715	128.874	201.589
Grupo Laser Idoseme SL	14.119.304	11.786.410	-319.965	14.328.631	14.648.596

(*) Data as of December 31st 2007

The increases shown in the equities in other companies are due to the following events:
- on October 21st El.En. SpA participated in the founding of the Concept Laser Solutions GmbH company by underwriting a share of 19% of the capital stock, amounting to 100 thousand Euros. The German company will be involved mainly in the distribution or industrial laser sources in Germany and central Europe.
- on December 29th the subsidiary Quanta System SpA founded the Quanta France Sarl company, by underwriting a share of 18% of the capital stock, amounting to 10 thousand Euros. The new company will be involved in the distribution in France of medical and aesthetic systems that are part of the range of Quanta System products.

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

Other non current assets	**31/12/2008**	**31/12/2007**	**Variation**	**Var. %**
Financial receivables vs associated	100.000	100.000	0	0,00%
Securities	15.148.529		15.148.529	100,00%
Deferred tax assets	9.413.820	5.632.921	3.780.899	67,12%
Other non current assets	158.987	158.242	745	0,47%
Total	24.821.336	5.891.163	18.930.173	321,33%

The financial receivables from associated companies are represented by the financing granted by the parent company El.En. SpA to the associated company Actis for 100 thousand Euros, to be paid at the annual rate of BCE + 1%.

For the increases under the heading of "Securities", please refer to the comments in the note below (8).

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Stocks:	31-dic-08	31-dic-07	Variation	Var. %
Raw materials and consumables	22.373.204	17.488.077	4.885.127	27,93%
Work in progress and semi finished products	10.210.588	8.396.886	1.813.702	21,60%
Finished products and goods for sale	24.839.156	20.682.724	4.156.432	20,10%
Total	57.422.948	46.567.687	10.855.261	23,31%

The overall increase in the final inventory shows a growth that is greater than the sales volume. This situation is due mainly to the sudden drop in demand, in particular in the United States, which made it impossible to dispose of the stock that had been accumulated in order to meet the demand of the fourth quarter which is usually the most important in the year for sales volume.

The chart below shows the breakdown of the total inventory, distinguishing between the amount of obsolete stock from the gross amount for the year 2008:

Inventory:	31/12/2008
Gross amount	63.369.628
minus: devaluation provision	-5.946.680
Total	57.422.948

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	31-dic-08	31-dic-07	Variation	Var. %
Trade debtors	46.052.282	42.072.252	3.980.030	9,46%
Associated debtors	1.258.028	241.068	1.016.960	421,86%
Total	47.310.310	42.313.320	4.996.990	11,81%

Trade debtors:	31/12/2008	31/12/2007	Variation	Var. %
Italy	14.362.257	14.149.558	212.699	1,50%
European Community	13.748.111	13.809.068	-60.957	-0,44%
Outside of European Community	22.729.390	16.281.637	6.447.753	39,60%
minus: bad debts reserve	-4.787.476	-2.168.011	-2.619.465	120,82%
Total	46.052.282	42.072.252	3.980.030	9,46%

The growth in sales volume of the Group has caused the rise in the amount of receivables as shown on the chart above.

The entry of Grupo Laser Idoseme into the Group produced an increase in the receivables from associated companies for an amount of approx. 890 thousand Euros.

The chart below shows the operations which took place this year in fund for devaluation of receivables.

Bad debts reserve:	**2008**
At Jan, 1	2.168.011
Charge for the year	2.726.688
Utilised	-241.132
Unused amounts reversed	-16.351
Other operations	1.570
Conversion adjustment	148.690
At the end of the period	**4.787.476**

Breakdown of trade receivables from third parties not devaluated in 2008 are shown below:

Account receivables from third parties:	**31/12/2008**
To expire	14.994.649
Expired:	
30 days	13.229.241
60 days	4.878.874
90 days	2.177.578
180 days	4.026.392
over 180 days	6.745.548
Total	46.052.282

The chart below shows the trade receivables from third parties for 2008 listed by type of currency.

Account receivables in:	**31/12/2008**
Euro	28.031.750
USD	13.189.101
Other currencies	4.831.431
Total	46.052.282

The value in Euro shown in the chart for the receivables originally expressed in US dollars or other currency, represents the amount in currency converted at the exchange rate in force on December 31st 2008.

For a detailed analysis of the trade and financial receivables from associated companies, please refer to the paragraph in the chapter titled “Related parties”.

Tax receivables/Other receivables (note 7)

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

	31/12/2008	31/12/2007	Variation	Variation %
Tax debtors				
VAT credits	3.614.172	2.910.525	703.647	24,18%
Income tax credits	1.994.935	2.303.418	-308.483	-13,39%
Total tax debtors	5.609.107	5.213.943	395.164	7,58%

Financial credits				
Financial credits v. third parts	92.143	50.000	42.143	84,29%
Financial credits v. associated companies	338.667	205.991	132.676	64,41%
Total	430.810	255.991	174.819	68,29%
Other credits				
Security deposits	1.188.337	382.821	805.516	210,42%
Down payments	922.755	1.401.841	-479.086	-34,18%
Other credits	2.970.136	3.107.221	-137.085	-4,41%
Total	5.081.228	4.891.883	189.345	3,87%
Total financial and other credits	5.512.038	5.147.874	364.164	7,07%

The financial year closed with a VAT credit of over 3,6 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.

Among the financial receivables from associated companies, there is a forward exchange contract with which the subsidiary Curlite do Brasil operated a coverage against the Euro for an amount of 300 thousand Euros, the effects of which have been registered in the profit and loss account.

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

Financial instruments (note 8)

Investments which are not permanent:	31/12/2008	31/12/2007	Variation	Var. %
Other investments	18.044.112	32.044.110	-13.999.998	-43,69%
Total	18.044.112	32.044.110	-13.999.998	-43,69%

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

The heading includes securities belonging to the category of “Financial assets available for sale” which refer to the stock held by the subsidiary Cynosure, and are mainly composed of investments in bonds or similar securities, for an amount of approx. 18 million Euros (about 25 million US dollars), using part of the cash derived from the IPO in 2005.
The effects of the evaluation at fair value of the other securities are not significant.
On December 31st 2007 included among these securities, there were about 29,3 million dollars worth of Auction Rate Securities (ARS), which are securities with a long-term maturity and periodic negotiation auctions, still guaranteed, for which, however, the financial crisis has caused the lack of the secondary market which, up until April guaranteed their cashing-in value.
For this reason the company decided to reclassify these securities among the non-current assets (as explained in note 4) for an amount of 21 million dollars. At the same time, the subsidiary Cynosure showed a loss due to the reduction in value caused by the impairment test conducted according to the financial model, bearing in mind the risk of the

counterpart and the actualization of the amount which could be recovered. The loss registered by the subsidiary company was compensated for by an agreement stipulated between Cynosure and the financial institution which guaranteed reimbursement in July 2010 for an amount equal to the nominal value of the securities, thus in effect cancelling the risk of devaluation. Cynosure, therefore, has entered into accounts the amount involved sustained by the estimates made by independent third parties. These financial assets also belong to the category of "financial assets available for sale".
The amount of this financial investment, which necessarily became long-term, has diminished over time, since the company has succeeded in selling some of the securities on the stock market without showing any capital loss.

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2008	31/12/2007	Variation	Var. %
bank and postal current accounts	59.068.950	61.459.147	-2.390.197	-3,89%
cash in hand	44.563	52.639	-8.076	-15,34%
Total	59.113.513	61.511.786	-2.398.273	-3,90%

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 2008

The net financial position of the Group as of December 31st 2008 was as follows:

Net financial position		
	31/12/2008	**31/12/2007**
Cash and bank	59.114	61.512
Financial instruments	18.044	32.044
Cash and cash equivalents	**77.158**	**93.556**
Short term financial receivables	**42**	**0**
Bank short term loan	(4.461)	(2.127)
Part of financial long term liabilities due within 12 months	(1.087)	(679)
Financial short term liabilities	**(5.548)**	**(2.807)**
Net current financial position	**71.652**	**90.749**
Bank long term loan	(1.920)	(1.530)
Other long term financial liabilities	(1.815)	(1.911)
Financial long term liabilities	**(3.735)**	**(3.441)**
Net financial position	**67.918**	**87.308**

The net financial position of the Group remains substantial and is registered for an amount of 68 million Euros.

Most of this amount is held by the Parent Company El.En. SpA,, and by the subsidiary Cynosure Inc. as a consequence of the IPO of December 2005, and the increase in cash which this generated.
The decrease shown in the net financial position with respect to December 31st 2007 is influenced, among other things, by the reclassification made by the subsidiary Cynosure which entered among their non-current assets approx. 21 million US dollars in securities which up until last year had been entered among the current assets, as explained in note (8).
Cynosure did not make any single investment of a particular entity and used the cash available to finance their own manufacturing activities.

The main use of cash was required by the increase in net working capital (+ 15,8 million Euros), with an increase in this aggregate which was above that of the growth in sales volume. The investments in tangible assets were also considerable and involved mainly the real estate activity of the parent company El.En. and Asclepion. The financial investments were also considerable, and included the purchase of treasury stock by El.En. SpA for an amount equivalent to approx. 2.576 thousand Euros, the purchase from minority shareholders of 8% of Cutlite Penta Srl by El.En. SpA for 224 thousand Euros and the operation with which Quanta System initially bought a majority share of the Spanish company GLI, entering the debt of 3,1 million Euros for the payment in instalments and assuming the financial debts of the company. Later, they closed the operation by buying 30% of the capital of GLI with payment in cash, thus freeing the consolidated statement from the debt for the payment of the quota and from the financial debts of the company. Moreover, dividends to third parties were paid for an amount of 5.434 thousand Euros.

The financial receivables from associated companies and other minor equities for an amount of 389 thousand Euros are excluded from the net financial position since they are connected to the Group's policies of financial support of the companies. In continuation of past policy, we felt it opportune not to include this type of financing in the net financial position displayed above.

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 2008, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorised	Euros	2.591.871
Underwritten and deposited	Euros	2.508.671

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

Categories	**31/12/2007**	**Increase.**	**(Decrease.)**	**31/12/2008**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

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 May 15th 2008 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 83.200,00 Euros through the issue of a maximum of 160.000 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, not less than the greatest of the following:
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;

a) 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;
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 30 days prior to the assigning of the options.

On July 15th 2008 the Board of Directors of the parent company voted to implement in full the decision of the Shareholders' meeting of May 15th 2008 to increase the share capital by 83.200,00 Euros for use in the 2008/2013 stock-option plan and approved the relative regulations.

The option rights were assigned exclusively to the employees of El.En. SpA and the other companies of the Group who at the time of the assignment were employed by the Group in a subordinate position; this plan is divided into two equal phases, each of which can be implemented in accordance with the following rules:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:
- if the shareholders' meeting, during the approval of the annual report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the company report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting votes in favour of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the company report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.
Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by The Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.
b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the company report for the year 2012 by the Board of Directors.
Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of the company report for 2013, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Additional paid in capital (note 11)

On December 31st 2008 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2007.

Other reserves (note 12)

Other reserves	31/12/2008	31/12/2007	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	27.689.294	12.530.904	15.158.390	120,97%
Reserve for conversion adjustments	-2.417.736	-3.523.979	1.106.243	-31,39%
Stock options reserve fund	1.124.452	1.038.825	85.627	8,24%
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	27.373.361	11.023.101	16.350.260	148,33%

On December 31st 2008, the "extraordinary reserve" amounted to 27.689 thousand Euros; the increase which has occurred since December 31st 2007 is due to the addition to the reserve of part of the profit of 2007, as approved by the shareholders' meeting on May 15th 2008.

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.

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. As of December 31st 2008 the value can be attributed essentially to the devaluation of the dollar. The effects for the year 2008 are shown in the column “Other operations” in the stockholders’ equity chart.

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.

Treasury Stock (note 13)

As described in detail in the paragraph related to the area of consolidation, at the date of closing of this document, the treasury stock purchased by the company amounted to a total of 103.148 shares at the average price of 24,97 Euros per share for a total amount of 2.575.611 Euros.

Profits/losses brought forward (note 14)

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 15)

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

Balance 31/12/2007	Provision	Utilization	Other	Balance 31/12/2008
2.484.721	808.615	-269.162	-555.056	2.469.118

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

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.

After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity matured on January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited by the latter.

It should be recalled that the company uses the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not registered until it exceeds in absolute terms 10% of the current value of the liabilities. On December 31st 2008 the net accumulated value of the actuarial profits not registered was equal to 85 thousand Euros. The present value of the liabilities as of December 31st 2008 was 2.348 thousand Euros.

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

Financial hypotheses	Year 2007	Year 2008
Annual implementation rate	4,85%	4,75%
Annual inflation rate	2,00%	2,50%
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 5% White collar workers 3,50% Blue collar workers 3,50%

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 or to the treasury Fund managed by INPS, 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 16)

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 breakdown is as follows:

	Balance 31/12/2007	Provision	(Utilization)	Other	Conversion Adjustments	Balance 31/12/2008
Deferred tax assets on stock devaluations	1.224.622	356.497	-838		23.758	1.604.039
Deferred tax assets for provisions on guarantee products	872.387	71.356	-3.578		55.461	995.626
Deferred tax assets on credit devaluation	530.332	604.693	-1.729		40.181	1.173.477
Deferred tax assets on loss brought forward from the previous years	5.888	184.165		181.797	9.455	381.305
Deferred tax assets on intercompany profits	1.120.855	638.566		-80.639		1.678.782
Deferred tax assets on actualization of severance indemnity accruals	-49.051	11.365				-37.686
Other deferred tax assets	1.927.888	1.898.619	-70.527	-342.248	204.545	3.618.277
Total	5.632.921	3.765.261	-76.672	-241.090	333.400	9.413.820
Deferred tax liabilities on advanced amortizations	49.382	39.964	-7.432			81.914
Other deferred tax liabilities	272.085	63.258	-96.289		7.118	246.172
Total	321.467	103.222	-103.721	0	7.118	328.086
Net amount	5.311.454	3.662.039	27.049	-241.090	326.282	9.085.734

Deferred tax assets amount to about 9.414 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 devaluation of inventory and receivables and on the elimination of inter-Group profits effected during consolidation. The variations related to other deferred tax assets refer mainly to the receivable registered by Cynosure on the remuneration in shares entered into accounts this year.

Deferred taxes liabilities are registered for 328 thousand Euros. 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 17)

The chart below shows the operations made with other accruals:

	Balance 31/12/2007	Provision	(Utilisation)	Other	Conversion Adjustments	Balance 31/12/2008
Reserve for pension costs and similar	302.595	74.203	-19.500	-5.760		351.538
Others:						
Reserve for guarantee on the products	2.754.233	218.299	-28.903	-1	163.326	3.106.954
Reserve for risks and charges	1.675.606	251.927	-39.859			1.887.674
Other minor reserves	41.600	40.400				82.000
Total other reserves	4.471.439	510.626	-68.762	-1	163.326	5.076.628
Total	4.774.034	584.829	-88.262	-5.761	163.326	5.428.166

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on December 31st 2008, amounted to 315 thousand Euros as opposed to 271 thousand Euros on December 31st 2007.
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 2007	Year 2008
Annual rate of implementation	4,50%	4,25%
Annual rate of inflation	2,00%	2,50%

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, in 2007 the company, as a cautionary measure and with the support of its consultants, created an accrual under the heading of “Other minor funds” 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. At the time that this document was issued the situation was substantially unchanged.

Other debts and potential 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 2008, 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.
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.

On January 10th 2008, moreover, Cynosure,with the support of El.En. for which it has exclusively patent rights in the United States, initiated a legal suit against Cool Touch Inc, in defence of its rights to the intellectual property on an application of laser-lipolysis made possible by the Smartlipo technique and system. This suit was initiated after Cool Touch started marketing a product which uses the technology that the Group had protected with specific patents with an aim to safeguarding the unique characteristics of the product. Cool Touch, on the other hand, has denied the accusation, denied any responsibility in this regard, and has, in turn, initiated a suit against Cynosure for violation of some of their own patents. Since the suit is still in the initial phases, the company has declared that at this time they are unable to determine the entity, if any, of the costs which might emerge should they lose the suit.

Amounts owed and financial liabilities (note 18)

Financial m/l term debts	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to banks	1.920.028	1.530.014	390.014	25,49%
Amounts owed for leasing	559.526	712.566	-153.040	-21,48%
Amounts owed to other financers	1.254.977	1.198.183	56.794	4,74%
Total	3.734.531	3.440.763	293.768	8,54%

The medium/ long term debts owed to banks as of December 31st 2008 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 in 2007 and in the first quarter of 2008.

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 TRL01 granted 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, granted in several instalments, for an amount of 552.171 Euros at the annual interest rate of 0,50%, 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.

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 19)

Below, a breakdown of the financial debts is given:

Financial short term debts	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to banks	4.460.889	2.127.217	2.333.672	109,71%
Amount owed for leasing	399.170	395.844	3.326	0,84%
Liabilities	467.221		467.221	100,00%
Amounts owed to other financiers	220.309	283.596	-63.287	-22,32%
Total	5.547.589	2.806.657	2.740.932	97,66%

The entry "Amounts owed to banks" is related to the short-term financing contracted by Asclepion and described in the preceding note, as well as to overdrafts on the checking accounts which were granted by credit institutions to subsidiary companies, in particular, Quanta System SpA and With Us.

The entry "amounts owed to other financiers" includes he short-term financings described in the note above.

The liabilities for forward exchange contracts refer to the subsidiary With Us. The evaluation was made at fair value and the effects were registered in the profit and loss account.

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 20)

Trade debts:	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to suppliers	30.475.082	28.581.360	1.893.722	6,63%
Amounts owed to associated companies	642.554	28.419	614.135	2161,00%
Total	31.117.636	28.609.779	2.507.857	8,77%

The chart shows a growth in trade debts which is lower than that registered in the receivables from clients, thus causing an expansion of the net working capital and an increase in the relative financial requirements related to the net working capital.

The chart below shows the trade debts toward third parties for 2008 divided according to the currency.

Account payables in:	**31/12/2008**
Euro	21.325.958
USD	6.521.615
Other currencies	2.627.509
Total	30.475.082

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2008.

Income tax debts /Other short term debts (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2008 amounted to 2.979.276 Euros and are entered net of the down payments and deductions.

The breakdown of the other short term debts is the following:

	31/12/2008	31/12/2007	Variation	Variation %
Social security debts				
Debts owed to INPS	1.193.503	1.098.021	95.482	8,70%
Debts owed to INAIL	192.688	138.766	53.922	38,86%
Debts owed to other Social Security Institutions	134.518	116.095	18.423	15,87%
Total	1.520.709	1.352.882	167.827	12,41%
Other debts				
Debts owed to tax administration for VAT	421.290	593.261	-171.971	-28,99%
Debts owed to tax administration for deductions	983.446	948.066	35.380	3,73%
Other tax debts	9.952	6.993	2.959	42,31%
Owed to staff for wages and salaries	5.599.789	5.322.998	276.791	5,20%
Down payments	1.955.883	2.676.749	-720.866	-26,93%
Other debts	9.098.069	7.333.758	1.764.311	24,06%
Total	18.068.429	16.881.825	1.186.604	7,03%
Total Social security debts and other debts	19.589.138	18.234.707	1.354.431	7,43%

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 2008.
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.

Analysis of debts according to due date

	31/12/2008		
	Within 1 year	From 1 to 5 years	More than 5 years
Amounts owed to banks	4.460.889	1.920.028	
Amounts owed to leasing company	399.170	559.526	
Liabilities (forward exchange contracts)	467.221		
Amounts owed to other financiers	220.309	1.043.005	211.972
Amounts owed to suppliers	30.475.082		
Amounts owed to associated companies	642.554		
Income taxes debts	2.979.276		
Amounts owed to social security institutions	1.520.709		
Other liabilities	18.068.429		
Total	59.233.639	3.522.559	211.972

SECTORIAL INFORMATION

31/12/08		Total	Medical	Industrial	Other
Revenues		221.670	188.552	32.719	400
Other revenues and income		1.818	786	94	938
Gross Margin		126.330	110.639	14.489	1.202
	Inc.%	*57%*	*58%*	*44%*	*90%*
Margin		33.002	28.848	3.124	1.029
	Inc.%	*15%*	*15%*	*10%*	*77%*
Not assigned charges		12.450			
EBIT		20.551			
Net financial income (charges)		1.629			
Share of profit of associated companies		(130)	(84)	24	(70)
Other Income (expense) net		36			
Income before taxes		22.087			
Income taxes		7.868			
Income for the financial period		14.218			
Minority interest		5.890			
Net income		8.329			

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			

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

31/12/2008	Total	Medical	Industrial	Other
Assets assigned	224.138	192.454	31.684	
Equity investments	1.466	1.274	192	
Assets not assigned	26.587			
Total assets	252.191	193.728	31.876	0
Liabilities assigned	46.941	39.660	7.281	
Liabilities not assigned	24.253			
Total liabilities	71.194	39.660	7.281	0

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

31/12/2008	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	5.584	4.156	1.428	0
- not assigned	734			
Total	6.319	4.156	1.428	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

Secondary information

31/12/08	Total	Italy	Europe	Row
Revenues	221.670	31.496	68.015	122.159

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

31/12/2008	Total	Italy	Europe	Row
Assets assigned	250.499	95.636	16.245	138.619
Equity investments	1.692	1.692		
Assets not assigned	0			
Total assets	252.191	97.328	16.245	138.619
Liabilities assigned	71.194	36.177	9.433	25.584
Liabilities not assigned	0			
Total liabilities	71.194	36.177	9.433	25.584

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

31/12/2008	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	6.319	2.787	2.320	1.211
- not assigned	0			
Total	6.319	2.787	2.320	1.211

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

COMMENTS ON THE MAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

Revenue (note 22)

The financial year 2008 ended with positive results, since the Group reached their sales volume and revenue objectives for the sub-consolidated without Cynosure, notwithstanding the presence of market conditions which continued to deteriorate during the year, especially in the last three months.

	31/12/2008	31/12/2007	Variation	Var. %
Sales of industrial laser systems	28.180.254	22.797.766	5.382.488	23,61%
Sales of medical laser systems	164.568.427	145.596.944	18.971.483	13,03%
Service and sales of spare parts	28.921.681	25.042.012	3.879.669	15,49%
Total	221.670.362	193.436.722	28.233.640	14,60%

Once more it was the industrial sector that showed the most rapid growth, an outstanding +23,6% which represents the result of a series of investments both in product research and in the internationalization of the activities which brought the sales volume for systems close to 30 million Euros.

With a sales volume of over 164 million Euros as of December 31st 2008, the Group is confirmed as the global leader in the sector of medical and aesthetic lasers, and its two-figure growth in 2008 meant an increase in its market share. The management of the Group is making every effort in relation to all aspects and activities that determine the success of our business, from research and development to marketing, from the organization of the sales networks to the coordinating of the organizational and financial aspects of the different entities which compose the Group, and they are working with great determination to maintain and re-enforce this position.

Customer assistance services and spare parts sales showed an increase of about 15%, a good result which is a natural consequence of the increase in the number of installations.

With regard to the seasonal nature of our business, no particular oscillations occur during the course of the year. In any case, it should be noted that during the first semester, there is usually a slight drop in sales in the month of January since this period is negatively influenced by the corresponding increase in sales which occurs in December of the preceding year. Moreover, with reference to the second half, there is usually a drop in sales volume in the month of August, especially in Italy and in Europe in general.

Other revenue and income (note 23)

The analysis of the other income is as follows:

	31/12/2008	31/12/2007	Variation	Var. %
Recovery for accidents and insurance reimbursements	22.811	9.126	13.685	149,96%
Expense recovery	813.659	771.183	42.476	5,51%
Capital gains on disposal of fixed assets	18.213	105.605	-87.392	-82,75%
Other income	963.719	1.029.486	-65.767	-6,39%
Contribution on fiscal year account and on capital account		7.621	-7.621	-100,00%
Total	1.818.402	1.923.021	-104.619	-5,44%

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 sizeable amounts were entered by the Parent Company, El.En. SpA for the amount of approx. 447 thousand Euros, by the subsidiary Asclepion GmbH for 129 thousand Euros, and by the subsidiary Quanta System SpA for approx. 144 thousand Euros.

Costs for the purchase of goods (note 24)

The analysis is shown on the following table:

	31/12/2008	31/12/2007	Variation	Var. %
Purchase of raw materials and finished products	83.247.151	75.204.939	8.042.212	10,69%
Purchase of packaging	706.880	543.670	163.210	30,02%
Shipment of purchases	1.061.301	574.710	486.591	84,67%
Other purchase expenses	280.650	182.287	98.363	53,96%
Other purchases	383.515	341.233	42.282	12,39%
Total	85.679.497	76.846.839	8.832.658	11,49%

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 25)

Breakdown of this category is shown on the chart below:

	31/12/2008	31/12/2007	Variation	Var. %
Direct services				
Expenses for work in progress at third parties'	5.777.565	4.420.865	1.356.700	30,69%
Technical services	1.992.277	1.417.075	575.202	40,59%
Shipment on sales	1.687.477	1.347.159	340.318	25,26%
Commissions	10.928.389	10.628.656	299.733	2,82%
Royalties	79.695	110.174	-30.479	-27,66%
Travel expenses	1.810.207	1.575.446	234.761	14,90%
Other direct services	590.620	641.120	-50.500	-7,88%
Total	*22.866.230*	*20.140.495*	*2.725.735*	*13,53%*
Operating services and charges				
Maintenance and technical assistance on equipments	1.274.068	1.094.427	179.641	16,41%
Services and commercial consulting	3.651.664	1.336.567	2.315.097	173,21%
Legal and administrative services	2.769.288	1.466.982	1.302.306	88,77%
Auditing charges	732.242	772.402	-40.160	-5,20%
Insurances	1.851.747	1.538.448	313.299	20,36%
Travel and overnight expenses	4.539.401	3.683.380	856.021	23,24%
Promotional and advertising expenses	12.726.934	8.753.288	3.973.646	45,40%
Building charges	2.276.175	1.790.095	486.080	27,15%
Other taxes	373.327	216.384	156.943	72,53%
Expenses for vehicles	990.664	791.598	199.066	25,15%
Office supplies	558.465	550.698	7.767	1,41%
Hardware and Software assistance	527.063	474.997	52.066	10,96%
Bank charges	616.322	514.900	101.422	19,70%
Rent	4.369.406	3.547.180	822.226	23,18%
Other operating services and charges	14.122.128	12.081.539	2.040.589	16,89%
Total	*51.378.894*	*38.612.885*	*12.766.009*	*33,06%*

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 2.023 thousand Euros; costs for technical and scientific consultations, studies and research for an amount of approx. 2.178 thousand Euros. For the activities and the costs related to Research and Development, please refer to the management report.

Future obligations for use of goods belonging to others

The chart below shows a summary of the obligations that the Group will have for the use of goods belonging to others.

Operating lease commitments:	31/12/2008
Within one year	1.853.284
After 1 year but not more than 5 years	4.266.772
More than five years	221.548
Total	**6.341.604**

Personnel costs (note 26)

The chart below shows the costs for staff.

For staff costs	31/12/2008	31/12/2007	Variation	Var. %
Wages and salaries	33.693.823	30.822.360	2.871.463	9,32%
Social security costs	6.710.976	5.536.935	1.174.041	21,20%
Accruals for severance indemnity	700.096	497.907	202.189	40,61%
Stock options	5.008.772	6.333.644	-1.324.872	-20,92%
Other costs	25.917	9.100	16.817	184,80%
Total	46.139.584	43.199.946	2.939.638	6,80%

The costs for personnel was 46.139.584 Euros, compared with 43.199.946 Euros for 2007, showing an increase of 6,8% and with an incidence on the sales volume which is slightly lower. The figurative costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. In 2007 these costs were 6.334 thousand Euros, and in 2008 they fell to 5.009 thousand Euros; of these, 4.923 thousand Euros refer just to Cynosure Inc.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2008	31/12/2007	Variation	Var. %
Amortization of intangible assets	414.607	316.284	98.323	31,09%
Depreciation of tangible assets	4.651.311	3.426.859	1.224.452	35,73%
Devaluations of fixed assets		39.607	-39.607	-100,00%
Accrual for risk on receivables	2.683.620	376.979	2.306.641	611,88%
Other accruals for risks and charges	510.626	876.740	-366.114	-41,76%
Total	8.260.164	5.036.469	3.223.695	64,01%

The category “ Depreciations, Amortizations and other accruals” includes some devaluations effected for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general and to some of our commercial partners in particular.

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

Financial income and charges (note 28)

The breakdown of the category is as follows:

	31/12/2008	31/12/2007	Variation	Var.%
Financial incomes:				
Interests from banks	2.578.548	2.190.783	387.765	17,70%
Interests from associated company	4.874	3.866	1.008	26,07%
Interests on investments		7.872	-7.872	-100,00%
Income from negotiations	4.194	2.128	2.066	97,09%
Foreign exchange gain	1.419.636	1.464.601	-44.965	-3,07%
Other financial incomes	200.872	274.911	-74.039	-26,93%
Total	4.208.124	3.944.161	263.963	6,69%
Financial charges:				
Interest on bank debts for account overdraft	-1.206.780	-215.417	-991.363	460,21%
Interest on bank debts for medium and long - term loans	-22.701	-30.104	7.403	-24,59%
losses from negotiation-investments		-1.198	1.198	-100,00%
Foreign exchange loss	-1.157.860	-2.872.417	1.714.557	-59,69%
other financial charges	-191.539	-121.844	-69.695	57,20%
Total	-2.578.880	-3.240.980	662.100	-20,43%

The entry “Interest from banks” is still benefiting from the cash held by Cynosure as a result of the IPO of 2005 and by the parent company ElEn. SpA after the sale of Cynosure stock during 2007. 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; in particular, the costs related to the GLI company is approx. 480 thousand Euros. The category of “Other financial charges” includes approx. 109 thousand Euros for the entering of interest charges derived from the application of accounting principle IAS 19 to the severance indemnity.

Other net income and charges(note 29)

	31/12/2008	31/12/2007	Variation	Var. %
<u>*Other charges*</u>				
Loss on equity investments	-222.953	-1.490.610	1.267.657	-85,04%
Total	**-222.953**	**-1.490.610**	**1.267.657**	**-85,04%**
<u>*Other income*</u>				
Profit on equity investments	258.679	14.939.941	-14.681.262	-98,27%
Total	**258.679**	**14.939.941**	**-14.681.262**	**-98,27%**

The entry under “loss on equity investments” quantifies the effects of the dilution of the value of the equity in Cynosure Inc. after the increase in capital for use in the stock option plan in favour of third parties.

The entry under “capital gains on equity investments” includes the effects of the de-consolidation of companies which were no longer subsidiaries on December 31st 2008.

Income taxes (note 30)

Description:	31/12/2008	31/12/2007	Variazione	Variazione %
IRES and other foreign income taxes	10.569.793	11.762.635	-1.192.842	-10,14%
IRAP	1.076.821	975.377	101.444	10,40%
IRES and other foreign income taxes - Deferred (Advanced)	-3.634.445	-1.955.588	-1.678.857	85,85%
IRAP - Deferred (Advanced)	-54.643	-55.426	783	-1,41%
Receivable for income tax	-	-333.838	333.838	-100,00%
Taxes related to the previous years	-89.227	67.215	-156.442	-232,75%
Total income taxes	7.868.299	10.460.375	-2.592.076	-24,78%

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

	2008	2007
Profit/loss before taxes	22.086.601	35.398.617
Theoretical IRES Aliquot	27,50%	33,00%
Theoretical IRES	6.073.815	11.681.544
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	685.708	954.307
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	425.926	(5.579.289)
Higher (lower) fiscal incidence due to the effects of consolidation	(250.101)	2.750.485
Actual IRES	6.935.348	9.807.047
Actual IRES aliquot	31%	28%

The tax load for last year was positively influenced by the partial exemption of the capital gains made by El.En.SpA for the sale of Cynosure stock, and negatively influenced by the entering into the Cynosure accounts of approx. 702 thousand dollars (about 520 thousand Euros) in taxes calculated on the devaluation of receivables deducted during the preceding years and, after a tax audit, contested by the Revenue Service Audit.

The current tax load is mainly influenced by the non-deductibility of the rectifications of amounts made on consolidated companies.

Dividends distributed (note 31)

The shareholders' meeting 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 shareholders' meeting held on May 15th 2008 voted to distribute a dividend of 1,1 Euros for each share in circulation on the maturity date. The amount of the dividend paid was 5.193.342 Euros.

The dividend proposed by the Bard of Directors, subject to the approval by the shareholders' meeting which will approve the report for 2008, amounts to 0,30 Euros per share, in compliance with art. 2357-*ter* c.c.

Profits per share (note 32)

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

Shares	**31/12/07**	**31/3/08**	**30/4/08**	**31/5/08**	**30/6/08**	**31/7/08**	**31/8/08**	**30/9/08**	**31/10/08**	**30/11/08**	**31/12/08**
Shares	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368
Treasury shares (-)	-	-28.630	-103.148	-103.148	-103.148	-103.148	-103.148	-103.148	-103.148	-103.148	-103.148
Net shares	4.824.368	4.795.738	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220
Average weighted shares		**4.814.825**	**4.791.424**	**4.777.383**	**4.768.022**	**4.761.336**	**4.756.322**	**4.752.422**	**4.749.301**	**4.746.749**	**4.744.621**

Non-recurring significant events and operations (note 33)

During 2008 no significant non-recurring operations took place.

The chart below shows the effects of significant non-recurring operations which took place in 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.

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 Executive Directors, 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.

<u>The Members of the Board of Directors and the Board of Auditors and other strategic executives</u>

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 meeting for the approval of the financials for 31.12.08	90.000		81.641	6.500
Barbara Bazzocchi	Executive Director	Until the date of the meeting for the approval of the financials for 31.12.08	90.000		29.639	6.500
Andrea Cangioli	Executive Director	Until the date of the meeting for the approval of the financials for 31.12.08	90.000		40.821	6.500
Michele Legnaioli	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000			
Paolo Blasi	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000			
Angelo Ercole Ferrario	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000			
Alberto Pecci	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000			
Stefano Modi	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000		29.317	
Vincenzo Pilla	President of the Board of Statutory Auditors	Until the date of the meeting for the approval of the financials for 31.12.09	26.036			
Giovanni Pacini	Statutory Auditor	Until the date of the meeting for the approval of the financials for 31.12.09	18.002			
Paolo Caselli	Statutory Auditor	Until the date of the meeting for the approval of the financials for 31.12.09	18.000			

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, voted by the shareholders' meeting on May 15th 2008, which, while approving the remuneration for the Board of Directors, established that the maximum amount for incentive bonus should be 250 thousand Euros.

Director Stefano Modi during 2008, as an employee of the company, received a salary of approx. 109 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 90.000 Euros and as director 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 28.057 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 24.589 Euros; Manfredi Bufalini as actual Auditor of Quanta System SpA received from this company a salary of 7.306 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 7.600 Euros besides an incentive remuneration of 26.363 Euros.

The Parent 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) Mr. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks, received an annual salary of 42.777 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 2008 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			117	
Actis Srl		100	8	
Immobiliare Del.Co. Srl	14			
Elesta Srl	255		241	
Electro Optical Innovation Srl	70		4	
Grupo Laser Idoseme SL			889	
Total	**339**	**100**	**1.258**	

	Financial	**payables**	**Commercial**	**payables**
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl			500	
Immobiliare Del.Co. Srl			36	
Actis Srl			66	
SBI SA			10	
Electro Optical Innovation srl			30	
Total			**643**	

Associated companies:	Sales	Service	Total
Actis Srl	8		8
SBI S.A.	134		134
Elesta Srl	452		452
Electro Optical Innovation Srl	26		26
Total	620	-	620

Associated companies:	Other revenues
Elesta Srl	1
Actis Srl	2
Total	3

Associated companies:	Purchase of raw materials	Services	Total
Actis Srl	47	45	91
SBI S.A.	10		10
Elesta Srl	26	210	236
Immobiliare Delco Srl		59	59
JV Laser International Ltd	24		24
Electro Optical Innovation Srl	25		25
Total	**131**	**314**	**445**

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

Approx. 5 thousand Euros in interest earned on the financing of 100 thousand Euros granted to the associated company Actis Srl, have been entered into accounts.

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	1.691.692		0,00%
Accounts receivables	47.310.310	1.258.028	2,66%
Other receivables	5.512.038	338.667	6,14%
Non current financial liabilities	3.734.531		0,00%
Current financial liabilities	5.547.589		0,00%
Accounts payables	31.117.636	642.554	2,06%
Other payables	19.589.138		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	221.670.362	619.511	0,28%
Other revenues and income	1.818.402	4.080	0,22%
Purchases of raw materials	85.679.497	131.413	0,15%
Other direct services	22.866.230	4.979	0,02%
Other operating services and charges	51.378.894	308.924	0,60%
Financial charges	-2.578.880		0,00%
Financial income	4.208.124	4.874	0,12%

Risk factors and Procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research , they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residua risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

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 2008, 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.
Some of the companies in the Group (in particular With Us and Cutlite do Brasil) have activated operations intended to cover currency risks, as already described in the charter on the subsidiary companies in the Management Report.
In relation to the other currencies used by the Group, the most opportune and specific measures required in order to cover exchange risks are evaluated individually at the time and may consist chiefly in short-term coverage.

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. The devaluation fund which is accrued at the end of the year represents about 9% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in note (6) of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies. For these financings no devaluation has been necessary.

In relation to guarantees granted to others, it should be noted that the subsidiary ASA issued a bank guarantee in favour of the renter for 10 thousand Euros which becomes due on August 31st 2009, and that the subsidiary Quanta System issued a bank guarantee in favour of some credit institutes of the associated company Grupo Laser Idoseme for a total of 675 thousand euros which becomes due on February 28th 2010.

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.

As shown in the debt chart divided by the due dates which is shown above, the fluctuations in the interest rate would not produce significant effects in the results of the Group.

Management of the capital

The 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 31/12/2008	Book value 31/12/2007	Fair value 31/12/2008	Fair value 31/12/2007
Financial assets				
Financial mid and long term receivables	100.000	100.000	100.000	100.000
Financial receivables within 12 months	430.810	255.991	430.810	255.991
Financial instruments	18.044.112	32.044.110	18.044.112	32.044.110
Cash and cash equivalents	59.113.513	61.511.786	59.113.513	61.511.786
Financial liabilities				
Financial mid and long term debts	3.734.531	3.440.763	3.734.531	3.440.763
Financial liabilities due within 12 months	5.547.589	2.806.657	5.547.589	2.806.657

Other information

Average number of employees divided by category

	Average 2008	31/12/2008	Average 2007	31/12/2007	Variation	Var. %
Total	836	876	715,5	796	80	10,05%

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

For the Board of Directors

Executive Director – 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 2008.

We also declare that the consolidated financial statement dated December 31st 2008:

- 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.
- the management report contains a reliable analysis of the trends and results of the management as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties which they are exposed.

Calenzano, March 31st 2009

Executive 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 2008

EL.EN. SpA

MANAGEMENT REPORT

Management Report for the financial year ending on December 31st 2008

To our shareholders,

The financial year concluded on December 31st 2008 with a net income of 7.030 thousand Euros, net of income taxes for an amount of 3.825 thousand Euros.
During 2008 the sales volume of the Company was over 57 million Euros with an increase of 24% over last year, and the EBIT, which was equal to 17,5% of the sales volume, was over 10 million Euros, thus setting a record for this revenue indicator. The net income did not increase with respect to last year because of the substantial capital gains of an extraordinary nature registered in 2007.

The operating activity of El.En. S.p.A. consists of the development, design, 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 coordinated activity is obvious since most of the sales volume of the El.En. is absorbed by the companies of the Group; also, the financial management of the equities, with the distribution of the resources acquired from the IPO on the New Market in 2000 and with cash flow generated by the various activities, take on a major role both in the use of managerial resources as well as in the impact on the economic and financial 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 these documents have not undergone any changes with respect to those used for the individual statement for the financial year ending on December 31st 2007.

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

PERFORMANCE INDICATORS

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

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

These indicators are shown in the Profit and Loss Account chart which is shown below and commented on later in this report.

Moreover, the following performance indicators have been selected for the purpose of supplying additional information concerning the capital, financial and revenue structure of the Company:

	31/12/08	31/12/07
Profitability ratios:		
ROE (Net income (quota group)/ Own Capital)	10,4%	37,5%
ROI (EBIT / Total assets)	10,4%	3,5%
ROS (EBIT/ Turnover)	17,5%	7,2%
Structure ratios:		
(Current assets/ Total assets)	0,67	0,71
Leverage	1,00	1,01
Current Ratio (Current assets/ Current liabilities)	3,53	4,11
(Current receivables + Cash and cash equivalents/ Current liabilities)	2,37	2,97
Quick ratio (Cash and cash equivalents / Current liabilities)	0,63	1,54
Turnover ratios:		
Total assets turnover (Revenues / Total assets)	0,59	0,49
Current assets turnover (Revenues / Current assets)	0,89	0,69
Inventory turnover (COGS / Inventory)	1,18	1,17
Days sales of inventory (Inventory / COGS) *365	310	311
Days sales outstanding (Account receivables / Revenues)*365	162	159

In order to facilitate comprehension of the chart above, and in consideration of the regulations concerning alternative performance indicators, below we are giving the definitions of some terms used in the charts of the financial statement:

- Own Capital = shareholders' equity – net income
- Cost of good sold = purchases ± change in the inventory

MACROECONOMIC CONTEXT

During 2007 signs of weakness in some sectors of the economy determined a state of growing uncertainty on the financial markets which produced the so-called crisis of the subprime mortgages; the impact of the amplified reverberations of this crisis on all of the financial markets was slowly but inevitably manifested on the real economy. During 2008 we first observed the slowing down of the world economies, in particular the American one, with a progressive deterioration of the situation notwithstanding the determined efforts of the monetary authorities which, in the United States, reduced the interest rates and took steps in order to stem the cash crisis.

In September of 2008 the financial crisis caused the collapse of some of the most important financial institutions, and with the bankruptcy of Lehman Brothers the effects of the mistrust and the drying-up of credit spread to the real economy all over the globe.
All of the main European countries showed a decrease in their gross national product in the last quarter of the year, and in the fourth quarter the American and Japanese economies registered the worst performance, showing a reduction in their GNP of 6,2% and of 3,3% respectively, thus in effect entering into a period of deep recession and dragging the rest of the world down with them. Even the emerging economies like the Chinese one, were forced to deal with the macro-economic conditions and considerably reduce their growth rate which, in China fell to below 10% for the first time in the last five years.
The Italian economy, which is in the lower portion of the European average in the reduction of its GNP, was no exception.
The economists forecasts that the crisis now in progress is not a transitory phenomenon, and they predict that it will last for all of 2009; the International Monetary Fund predicts that for 2009 there will be a decrease in the GNP of Europe, Japan and the United States, although there will be a slight increase at the world level.

The markets on which we sell our products have all felt the effects of this macro-economic situation in varying degrees. In particular, it has been observed that the countries where the economic growth and the availability of credit had been the most brilliant were the hardest hit by the crisis: Spain, already at the beginning of 2008, and the United States starting in September of 2008. In other countries the fall in demand was registered after September 2008, to a lesser degree than in the U.S. but with a uniform impact in the various countries. This situation is still in progress as of the writing of this document.

The reduction in demand is not only due to the diminished inclination to make investments on the part of our clientele (manufacturers for the industrial sector, doctors and clinics in the medical sector), but also to the drastic reduction of credit granted by banks and leasing companies, which have prevented many people from concluding investment projects on which they were willing to risk, but for which they were unable to find sources of financing.

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 2008 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.
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 result from last year.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Industrial systems and lasers	12.060	21,06%	8.414	18,24%	43,33%
Medical and aesthetic lasers	38.529	67,30%	31.586	68,47%	21,98%
Consulting and Research	-		-		
Service	6.664	11,64%	6.133	13,29%	8,67%
Total	**57.253**	**100,00%**	**46.133**	**100,00%**	**24,10%**

A source of great satisfaction was the 43% growth of the industrial sector, which with 12 million Euros in sales volume contributes substantially to the growth and earnings of the Company. It should be pointed out that for the first nine months of the year the Company was involved in filling an important order which will not be repeated in 2009.

Growth is still considerable also in the medical sector and registered an increase in sales volume of approx. 22% with respect to last year; a significant contribution to this growth was made by the aesthetic segment which has at their disposal highly sophisticated equipment and, in the early part of the year, also benefited from favourable market conditions.

For after-sales service, the sales volume which increased due to the growing number of installations which require servicing, showed the least growth among the three main sectors because it was penalized by the drop in demand for some of the consumables which had characterized the revenue from spare parts last year. The sector is of fundamental strategic importance since a punctual, efficient and economic 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 447 thousand Euros derived from cash received in relation to research projects.

Profit and Loss Account as of December 31st 2008

Profit and loss account	31/12/08	Inc.%	31/12/07	Inc.%	Var.%
Revenues	57.253	100,0%	46.133	100,0%	24,1%
Change in inventory of finished goods and WIP	514	0,9%	1.359	2,9%	-62,1%
Other revenues and income	1.093	1,9%	999	2,2%	9,5%
Value of production	**58.861**	**102,8%**	**48.491**	**105,1%**	**21,4%**
Purchase of raw materials	27.630	48,3%	25.516	55,3%	8,3%
Change in inventory of raw material	(2.309)	-4,0%	(2.293)	-5,0%	0,7%
Other direct services	6.788	11,9%	5.089	11,0%	33,4%
Gross margin	**26.752**	**46,7%**	**20.179**	**43,7%**	**32,6%**
Other operating services and charges	6.542	11,4%	8.560	18,6%	-23,6%
Added value	**20.210**	**35,3%**	**11.618**	**25,2%**	**73,9%**
For staff costs	8.681	15,2%	7.506	16,3%	15,7%
EBITDA	**11.529**	**20,1%**	**4.112**	**8,9%**	**180,3%**
Depreciation, amortization and other accruals	1.519	2,7%	811	1,8%	87,4%
EBIT	**10.010**	**17,5%**	**3.302**	**7,2%**	**203,2%**
Net financial income (charges)	1.552	2,7%	(290)	-0,6%	
Other net income (expense)	(707)	-1,2%	19.631	42,6%	
Income before taxes	**10.855**	**19,0%**	**22.643**	**49,1%**	**-52,1%**
Income taxes	3.825	6,7%	2.178	4,7%	75,6%
Income for the financial period	**7.030**	**12,3%**	**20.465**	**44,4%**	**-65,7%**

The gross margin rose to 26.752 thousand Euros this year, a growth of 32,6% with respect to the 20.179 thousand Euros registered on December 31st 2007, showing an increase in the incidence on the sales volume which went from 43,7% in 2007 to 46,7% in 2008.

The costs for operating services and charges was 6.542 thousand Euros, showing an decrease of 23,6% (last year 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 exceptional charge, incurred last year, an increase of approx. 16% would have been registered with an incidence on the sales volume which would have dropped from 12,3% to 11,4%.

The costs for personnel was 8.681 thousand Euros, an increase of 15,7% with respect to last year, with an increase in productivity for this cost aggregate which decreased in the incidence on the sales volume from 16,3% for last year to 15,2% for 2008, which indicates an overall increase in the productivity of the personnel.

The number of staff members in the company rose from 161 people on December 31st 2007 to 183 on December 31st 2008; most of the new personnel hired were for the manufacturing area.

The EBITDA was 11.529 thousand Euros, a considerable increase with respect to the 4.112 thousand Euros for last year, and with an incidence on the sales volume of 20,1% as opposed to the 8,9% last year. It should be mentioned that the EBITDA would have increased by 64,49% if last year it had not been penalized by the loss on the receivables mentioned above.

Amortizations, depreciations and accruals showed an increase, rising from 811 thousand Euros for last year to 1.519 thousand Euros for 2008,with an incidence on the sales volume of 2,7%. This increase is due mainly to the increased depreciations of the tangible assets and increased accruals for credit risks on receivables that are unlikely to be cashed in.

The EBIT increased from 3.302 thousand Euros in 2007 to 10.010 thousand Euros in 2008, showing an increase of 203% and with an incidence on the sales volume of 17,5%. Again in this case it should be pointed out that the EBIT, net of the exceptional amount in 2007 mentioned above would have increased by 61,48%.

The results of the financial management were positive for a amount of 1.552 thousand Euros. This results was mainly influenced by the increase in interest earned from banks and the positive differences from exchange rates generated on some of the assets and liabilities in foreign currency, particularly in US dollars, and by the re-enforcement of this currency which, at the end of 2008 was exchanged at the rate of 1,3917 dollars per Euro as opposed to the 1,4721 dollars per Euro at the beginning of 2008.

The other net income and charges register a negative amount of 707 thousand Euros due to the costs entered for the devaluation on the equities in Elesta Srl (ex IALT scrl), SBI SA and Cutlite do Brasil and for the accrual for the losses of the subsidiary Deka Lasertechnologie GmbH. In 2007 the positive result shown under this heading for an amount of 19.631 thousand Euros, was particularly influenced by the capital gains of approx. 18,2 million Euros made from the sale of 950.000 shares of the subsidiary Cynosure.

Earnings before taxes were 10.855 thousand Euros with respect to the 22.643 thousand Euros for last year.

The income taxes for this year were 3.825 thousand Euros as opposed to the 2.178 thousand Euros for last year, showing an increase in the tax rate which rose from 9,62%, to 35,24% in 2008. It should be recalled that last year the tax rate benefited from 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 expenses for last year.

Balance sheet and net financial position as of December 31st 2008

	31/12/2008	31/12/2007	Var.
Balance Sheet			
Intangible assets	17	10	7
Tangible assets	12.151	8.237	3.914
Equity investments	18.207	18.299	-92
Deferred tax assets	1.246	805	441
Other non current assets	621	613	7
Total non current assets	**32.242**	**27.964**	**4.278**
Inventories	21.067	18.623	2.443
Accounts receivables	25.419	20.114	5.305
Tax receivables	1.629	1.582	47
Other receivables	4.517	1.627	2.890
Cash and cash equivalents	11.536	25.072	-13.537
Total current assets	**64.167**	**67.018**	**-2.851**
TOTAL ASSETS	**96.409**	**94.983**	**1.427**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	29.791	14.547	15.244
Treasury stock	-2.576		-2.576
Retained earnings / (deficit)	-921	-1.034	113
Net income / (loss)	7.030	20.465	-13.435
Total equity	**74.427**	**75.081**	**-654**
Severance indemnity	993	1.071	-78
Deferred tax liabilities	221	213	9
Other accruals	2.313	2.015	298
Financial liabilities	268	311	-43
Non current liabilities	**3.795**	**3.610**	**185**
Financial liabilities	43	118	-75
Accounts payables	13.548	12.769	780
Income tax payables	1.678	581	1.097
Other payables	2.918	2.824	93
Current liabilities	**18.187**	**16.292**	**1.895**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**96.409**	**94.983**	**1.427**

Net financial position		
	31/12/2008	**31/12/2007**
Cash and bank	11.536	25.072
Cash and cash equivalents	**11.536**	**25.072**
Part of financial long term liabilities due within 12 months	(43)	(118)
Financial short term liabilities	**(43)**	**(118)**
Net current financial position	**11.493**	**24.954**
Other long term financial liabilities	(268)	(311)
Financial long term liabilities	**(268)**	**(311)**
Net financial position	**11.224**	**24.643**

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

Personnel

As mentioned above the number of staff members working for the company rose from 161 persons on December 31st 2007 to 183 on December 31st 2008; new staff members were hired mainly for the manufacturing sector.

The chart below summarizes the turnover in personnel for 2008.

	01/01/2008	Hirings	Resignations, Retirements, Firings	Change in category	Change in contract	31/12/2008
Unlimited contract:						
Executives	12					12
Managers	4	1		2		7
White-collar workers	78	1	-3	-2	6	80
Blue-collar workers	45		-1		9	53
Others	0					0
Total unlimited contract	139	2	-4	0	15	152
Limited contract:						
Executives	0					0
Managers	0	1				1
White-collar workers	9	6			-6	9
Blue-collar workers	13	17			-9	21
Others	0					0
Total limited contract	22	24	0	0	-15	31
Total	**161**	**26**	**-4**	**0**	**0**	**183**

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 2008 which have been obtained from the statements drawn up in conformity with the International Accounting Principles for the purpose of consolidation.

	Net Turnover 31-dic-08	Net Turnover 31-dic-07	Var. %	EBIT 31-dic-08	EBIT 31-dic-07	Net income 31-dic-08	Net income 31-dic-07
Cynosure (*)	94.515	90.312	4,65%	8.505	12.453	6.941	8.724
Deka Mela Srl	23.102	19.526	18,32%	1.157	1.356	895	1.123
Cutlite Penta Srl	9.095	9.398	-3,23%	22	365	37	297
Valfivre Italia Srl	0	254	-100,00%	-13	22	5	14
Deka Sarl	2.034	1.236	64,62%	53	-258	54	-260
Deka Lasertechnologie GmbH	881	891	-1,09%	-248	-872	-267	-920
Deka Laser Technologies LLC	4.057	2.617	55,06%	-76	83	-82	44
Quanta System SpA	13.863	16.046	-13,61%	373	1.707	-283	881
Asclepion Laser Technologies GmbH	21.357	17.275	23,63%	1.333	1.575	752	932
Quanta India Ltd (**)	19	8	138,47%	27	-37	23	-36
Asa Srl	4.588	4.177	9,83%	644	449	385	284
Arex Srl	1.016	949	7,08%	75	123	26	59
AQL Srl	259	1.019	-74,54%	-9	7	-9	9
Ot-Las Srl	2.660	3.798	-29,97%	-82	238	-30	246
Lasit Spa	5.845	5.558	5,16%	205	178	-223	33
CL Tech Inc	0	1388	-100,00%	0	-352	0	-399
Lasercut Technologies Inc.	476	152	213,16%	-20	-42	-25	-42
BRCT Inc.	0	0		12	-63	32	-22
With Us Co LTD (***)	13.363	10.290	29,87%	887	-26	170	-146
Wuhan Penta Chutian Laser Equipment Co LTD	2.524	540	367,03%	61	-151	182	-150
Lasit Usa INC	709	322	120,31%	-147	-72	-148	-72
Cutlite do Brasil Ltda	2.949	18	16486,10%	-42	-269	-198	-269
Grupo Laser Idoseme SL (****)	12.375	0		-10	0	-320	0
Raylife Srl	2.433	0		95	0	58	0
Ratok Srl	13	0		-10	0	-11	0
Neuma Laser Srl	0	157	-100,00%	0	88	0	57

(*) consolidated data
(**) consolidated up until June 2008
(***) consolidated since February 2007
(****)consolidated since February 2008

Cynosure Inc.
This company, listed on Nasdaq (CYNO), 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, with excellent results which, in 2008, established it as the largest company in this sector in terms of sales volume. These results have been achieved thanks to the superior performance and the high quality of its products, in particular the alexandrite laser for hair removal and the Smartlipo System for laser-lipolysis.
The research and development team in Westford has helped the continual innovation of the range of products offered by the company, in particular with the introduction of the Affirm system for “skin tightening”, and the continuous improvement of the “Elite” system for hair removal and vascular treatments. Of particular significance has been the collaboration with the Parent Company, which supplies Cynosure, with exclusive rights for distribution in the United States, the Smartlipo system for laser-lipolysis, and which, as part of a joint development program, supplies Cynosure with the innovative Smartlipo MPX system which combines the Smartlipo platform with the Multiplex technology, thus making a highly qualified product for minimally invasive fat removal available to all the international markets.
Cynosure organizes the commercial and marketing activities for its products directly on the American and international markets, using its own subsidiaries in France, Great Britain, Germany, Spain, Japan, and China, and a network of distributors. At the end of 2008 direct distributors were added also in South Korea and in Mexico. The distribution

network in the United States is particularly important and efficient and is the main driver in the rapid growth of the company. Manufacture, research and development are conducted in Westford, Massachusetts.
During the first nine months of 2008, the sales volume and profits continued to grow at an unprecedented rate among the main companies in the sector. This extraordinary growth phase was interrupted by the impact of the global financial crisis, in particular after the events of September 2008, which undermined the confidence of the American consumers, introduced severe restrictions on the availability of credit and basically initiated a period of crisis and recession which is still in progress. For this reason, even though the company registered a significant increase in revenue, they still had to deal with the losses incurred during the fourth quarter and therefore a drop in operating and net income for 2008 in comparison to 2007.

The company was still able to follow its strategy for growth using the cash they had received from the IPO of December 2005; the amount of this cash has continued to increase thanks to the cash generated by the operating activity, and which at the end of 2008 consisted in uses of cash and mid-term financial for an amount of approx. 94 million dollars.
Even before the effects of the crisis comported a worsening of the company results, the financial market had penalized the trend of the stock which, from the maximum of 45 US dollars shown in the summer of 2007, has now fallen to approx. 6 US dollars per share. It should be pointed out that the capitalization of the stock market is presently lower than the company's cash on hand.
The company does not make official predictions, but the economic situation, particularly in the United States, is such that the analyst who have studied the company are unanimous in their forecast of a drop in sales and a significant decrease in profits.

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.
During 2008 DEKA was able to consolidate their position on all the markets in which it operates: the Italian market, which is served through a direct distribution network, and, above all, the international markets, where the company brand is now well known as a point of reference for this sector.
In 2008 the sales volume registered was 23 million (+18%); however, the accruals that the company had to make in order to cover risks which might arise from the non-payment of some receivables created a situation in which the EBIT and the net income showed a decrease, in comparison to last year, of approx. 15% and 20% respectively, with a net income of approx. 900 thousand Euros.
The outlook for this year, influenced by the general climate of uncertainty and the economic crisis, at present, does not foresee a further expansion of the activities nor an improvement in the earnings, in particular on account of the drop in demand shown by the international markets.

ASA Srl
This company in Vicenza, a subsidiary of Deka M.E.L.A. Srl, operates in the physical therapy sector. In its 25th year of activity, notwithstanding the difficult economic situation, the company was able to register an increase in sales volume of 10% and in net profits of 35%. The determining factor in this growth was the increase in sales volume for power laser equipment, and the reorganization of the manufacturing process as part of the strategy which envisages the company as increasingly important, dynamic and active in the physical therapy sector within the Group.

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.
The sales volume for 2008 showed a slight drop with respect to last year; maintenance of their position in a market suffering from a general crisis comported a reduction in the profits on sales, the effects of which were transmitted to the operating and net income, both of which have been falling since 2007. The financial year therefore closed with a net income of approx. 37 thousand Euros.
Although the company serves a clientele, the manufacturing sector, which has been hard hit by the economic crisis, the company has been able to maintain its positions in its specific segments. The creation of a new series of systems called "Plus" contributes at this time to making their products particularly appealing and we therefore believe that for the year in progress a situation of substantial stability can be predicted with respect to last year.

Wuhan Penta Chutian
This Joint Venture was founded by Cutlite Penta together with Wuhan Chutian Group of Wuhan, in the Hubei region of central China.
The company is involved in the manufacture of laser cutting systems for the local market and has organized their own logistic and production structure; in 2007 they produced and sold their first systems and registered a loss, as is normal, in any case, during the start-up period of operations. During 2008 the company registered, as expected, an increase in production volume and, consequently, in sales volume, with an aim to the consolidation of their structures and their competitive position on the market which has the fastest growth rate in the world. The sales volume of 2,5 million Euros corresponds to expectations and in 2008 made it possible to achieve a positive EBIT. The prospects and the growth trend have been partially slowed down by the economic crisis, however work on the re-enforcement of the operative, technical and logistic structure is planned so as to be best equipped to offer products which are competitive in every way both for the local market and, in the future, for export.

Valfivre Italia Srl
At the end of 2007 the company ceased all activity and is now inactive.

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.
After the structural and managerial re-organization which occurred in 2006 and 2007, in 2008 the company achieved a positive result thanks to the substantial increase in the sales volume (+65%, over two million Euros) and the profitability of sales which rose from 40% to 48%.
The support and the coordination that the Group offered to the local management was decisive for the turnaround of the company, as well as the quality of the DEKA brand products and their suitability to the present market requirements which represented an indispensable factor in the expansion of our position in France.

Deka Lasertechnologie GmbH
Deka Lasertechnologie GmbH distributes in Germany medical and aesthetic laser equipment manufactured by El.En. SpA.
Even though they had reduced their structural dimensions and costs, the company was still unable to achieve the sales volume that was expected and registered a loss which, although it is less than last year is still excessive and inadequate in response to expectations on what is the largest market in Europe in terms of the population being served.
The managerial support of the Parent Company has been intensified and, with an aim to further reducing the overhead, the headquarters have been moved from Berlin to the area around Munich.
Although the budget shows that the company has basically broken even, the activity level in the first months which are traditionally the slowest, is still far from breaking even. In any case, we believe that the result can be improved on with respect to last year.

Deka Laser Technologies LLC
In the United States this company distributes laser systems produced by El.En. SpA for the dentistry market.
In 2008 the distribution structure lost the brilliance it had shown previously, mainly due to the economic crisis but also to a business model which needs to be modified.
The company registered a slight loss notwithstanding a sales volume which showed a general increase, but a drop in the dentistry segment. The earnings however fell sharply in the final months of 2008. For this reason a restructuring of the company, which is still in progress, was initiated in which the operative management was replaced and a new company, Deka Laser Technologies Inc., was founded, in which the operations of LLC have been absorbed.
In our opinion, the dentistry sector offers interesting opportunities for growth, as shown by the presence on the market of companies that have been able to develop sales volumes for tens of millions of dollars in the United States alone.

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.
After many years of growth in sales volume and net income, in 2008 the company registered a reduction in sales volume and a net loss. This decrease is due to two main factors; first, the drop in global demand which, starting in the second quarter involved all of Quanta's clientele, both domestic and international; secondly, the effects of the purchase of the majority quota of the Spanish distributor GLI, on which the company's plans for expansion were based and this operation did not produce the results that had been hoped for.

In early 2008 the Spanish market suddenly ran out of the steam that had propelled it as one of the most important markets in Europe in the medical-aesthetic sector, which suddenly came to a halt. The plans of GLI were profoundly influenced by the crisis, both in the reduction of sales and in the worsening of the financial conditions as the length of time for payment of receivables became longer .

Quanta System decided to protect an investment which they believe is strategic for their development, by sustaining the company and giving up their control, by paying, as an increase in the capital stock, the amount established for the purchase of the quotas of the minority shareholders, while maintaining a quota of 30%. They obtained, moreover, a call option which gives them the possibility of re-purchasing the majority share at predetermined conditions in 2012.
As far as the results for the year were concerned, the situation with GLI caused a fall in sales for Quanta on the main distribution channel, and a loss for the devaluation of the equity according to IAS principles on account of the pessimistic outlook for the future economy of Spain and GLI.
As far as the net financial position of Quanta is concerned, the company freed itself of the mid-term debt for the payment of the GLI quotas and from the consolidation of the debtor’s position of GLI, for which, in any case, it guarantees an overdraft of 675 thousand Euros.
Lastly, it should be pointed out that, apart from the financial and company events described above, Quanta System has placed at the disposal of GLI its new range of surgical products, a range of solid state lasers for applications in various disciplines including urology and that this represents a technological basis, following the policy of the Group, for a relaunching of the company.

Arex Srl
The company became part of the Group in April of 2004, and is involved in the management of a medical centre in Milan. The activity of the company covers a variety of therapeutic treatments but their specialty is the treatment of psoriasis and vitiligo. In 2008 the company again showed an increase in revenue but the increase in staff and operating costs comported a decrease in the earnings for the year.

Ratok Srl
This company was founded in the first half of 2008 and is involved, among other things, in the study, installation, organization and management, even as franchises, of specialized medical centres, and in the manufacture and distribution of medical equipment, with the objective of using the business model of Arex on a broader scale and in a larger size.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the main activities 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. In the last few years, Asclepion has maintained en enviable growth rate. During 2008 the company transferred its headquarters to a new building which had been constructed in record time thanks also to financing obtained from the Turingia region.
Through the launching of a new range of products called “Effect” the company achieved a further upgrade of quality in their sales which were for an amount of over 21 million (+23%), but they registered a decrease in margins which comported a drop in the EBIT and net income, which, however, were still substantial at 752 thousand Euros, equal to 3,5% of the sales volume.
The company created a new specialized division for the aesthetic market and developed the “Raylife” brand and a range of specific products which will be the focus of their development plans in the next few years.
At present, the company is facing the difficult international situation which has forced it to lower its expectations for 2009 in the various segments of its activities, in particular its plans to expand in the United States.

Raylife Srl
This company was founded by Asclepion Laser Technologies GmbH, which owns it 100%, in the first half of 2008, and will market in Italy the aesthetic equipment manufactured by Asclepion and, as described in the preceding paragraph, produced under the brand of Raylife, with which it will cooperate for the distribution of other products for the same aesthetic market. During 2008 there was a rapid rise in sales and a positive result thanks to the inclusion in the distribution, along with the products of the Raylife line, of an important internationally know product in the aesthetic sector. Since they will no longer be distributing this product, the hopes for 2009 are based exclusively on the distribution of Raylife brand products, and therefore the company expects a decrease in sales volume and, as far as their net income is concerned, to break even.

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 2008 the company moved its headquarters to the building in Torre Annunziata which the Parent Company El.En. had acquired for the purpose of creating a base for the further development of the activities of Lasit. This move makes it possible for the company to operate in a context which is more suited to its ambitions, and coincided with the expansion, sustained by a PIA project, of the equipment and plants used for manufacturing and of the research and development laboratory.
The sales volume registered an increase of 5%, and the EBIT showed an increase of 15%, but the profits were negligible due to the entering into accounts of the loss of the subsidiary Lasit USA which was owned 100%.

Lasit USA
The company was founded in 2007 for the purpose of acting as distributor for Lasit SpA in the United States and consolidated their activity in 2008 but were unable to reach a level of sales volume necessary to break even, and as mentioned in the preceding paragraph, showed a loss.

AQL Srl
AQL Srl, a subsidiary of Lasit SpA, operates in the sector of industrial laser marking; its activity diminished after it was reorganized in 2007.

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.
Notwithstanding the efforts and expenditures sustained for the development of new marking system in the textile sector, equipped with the most recent innovations in terms of laser sources and handling of the textile, in 2008 Ot-las registered a drop in sales volume and showed a loss.
As the volume of their activity fell, Ot-las, in any case, avoided an underutilization of their resources by providing services to other companies in the Group.
Particular attention has been paid to the cost items for the year now in progress, along with an activity aimed at relaunching of the use of laser technologies for marking in certain sectors, in order to deal with the prospects for 2009, which, however, at this time do not leave much room for optimism.

BRCT Inc.
BRCT Inc. owns 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 continues in its role as a financial holding company for the Group and possesses 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 on the machinery installed by Lasercut Inc.

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. Notwithstanding the extreme difficulty of the economic and regulatory situation, in 2008 With Us reached a sales volume of 13 million Euros (with an average exchange rate of the yen at 152); this is an excellent result and contributed substantially to the success of El.En. and of DEKA this year. The EBIT also showed considerable improvement. The net income however were penalized by a major loss on forward exchange contracts in order to cover the exchange rate risk; this loss occurred in the final months of 2008 as a result of the increased value of the Yen. In any case, the entity of the forward exchange contracts is such that the benefits from the strengthening of the Yen next year will greatly outweigh the loss entered in 2008.
Although the budget for 2009 is basically aligned with that for 2008, due to the effects of the exchange rate, both an increase in sales volume and in earnings in Euros are expected for 2009.

Lasercut Technologies Inc.

At the end of 2007 this American company purchased the residual activities of CL Tech Inc. (ex Lasercut Inc.); they conduct after-sales service for industrial systems in the United States.

Cutlite do Brasil Ltda

Cutlite do Brasil Ltda. was founded during the first half of 2007 for the distribution and production in Brazil of industrial laser systems, with headquarters in Blumenau in the state of Santa Catalina.

After the start-up phase of the company was concluded in 2007, in 2008 Cutlite began to operate full time in its marketing activities and achieved results that exceeded expectations; with a sales volume of 3 million Euros they managed to break even in their EBIT. The substantial differences in the exchange rate registered by the weakness of the Real during 2008 determined a loss that cancelled the excellent operating results.

In 2009 the company will also start producing laser systems full time and this will increase the profit margins of the company and limit their vulnerability to imports and to oscillations in the exchange rate.

Research and Development activities

During 2008 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.
The innovative results consist essentially in the creation of new laser applications and the development of the suitable equipment.
Research projects which are conducted in order to obtain results according to a mid-term schedule are characterized by the fact that they are oriented towards higher risk subjects inspired by intuitions which arise within the company and by prospects indicated by the scientific work in laboratories and in advanced research centres around the world, some of which we collaborate with.

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

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

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

<u>Systems and applications for lasers in medicine.</u>

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

On the other hand, research has been directed towards the development of single pieces of specialized equipment like the second generation Triactive for aesthetics, Smartlipo REX and MPX , the Nd for veterinary use, the DOT 1540, the Smartxide family, Synchro HP, Excilite micro, Laser EOS for restoration. With specialized peripherals like the miniscan, the fine spot micro-manipulator (Easyspot).
The Group has also continued working on the development of the instruments and on the clinical experimentation of innovative laser devices (family of devices for the HILT - High Intensity Laser Therapy) for uses in physical therapy and in orthopaedics, and experiments have also begun in the United States, in collaboration with Washington State University, on animal models (horses); we have also continued our collaboration for trials on patients with knee joint pathologies with the Istituti Rizzoli of Bologna, who have been our partners for several years now. Trials on the effects of photo-mechanical stimulation of Condrocites have also continued.

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

As part of this program, the development of a compact CO_2 source for surgical applications also continued and we completed a prototype device with increased power features with respect to our earlier products and improved modular characteristics in the time of the power released.

Opto-acoustic and acousto-optical probes for minimally invasive diagnosis. These probes are used for early diagnosis of the potentially malign nature of small sized lesions; collaboration agreements with the Ultrasound and non-destructive testing laboratories of the University of Florence for the creation of prototypes of optical-acoustical transmitters and acoustical-optical receivers made with different technologies derived from those used for the manufacture of electronic semi-conductor devices.
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 are continuing research on a new instrument for retinal coagulation associated with a fissure light as part of a grant from the EU issued by the Region of Tuscany.

With the University of Aquila, we are now conducting research on some laser biological tissue interactions in the dermatological and in the future, cardiologic field.
A research project involving new methods for the characterisation of cellulitis by means of ultrasound is now in progress.
The first results have been obtained on the research on new devices for aesthetic medicine, in particular for the stimulation of the regeneration of collagen in the derma layers of the face.

Research continued on a new micro-manipulator for uses in otorhinolaryngology of the CO_2 laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by doctors.
Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver and thyroid, as part of the activity conducted by the associated company Elesta created by El.En. and Esaote. As part of this project, we have developed a new multiple source for the simultaneous ablative treatment with four fibres each with adjustable independent power. For this purpose a public/private laboratory for the development of innovative technologies for minimally invasive medicine was opened.

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

At the same time, active clinical experimentation has continued in Italy and in qualified European and American centres in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology and aesthetics.
Research for the development of a diode laser for applications in neuro-surgery with minimally invasive techniques was continued.
We continued operations to extend our intellectual property by formulating international patents and assistance in granting them on an international basis.
A research laboratory has been set up at the El.En headquarters and is available also for the coordinated activity conducted by other companies in the Group, studying the interaction between the laser light and biological tissue.

Laser systems and applications for industry

Feasibility studies were conducted for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.
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 and is supported by a grant from the Ministry for Research and the University.
The project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices is now in the final phases.
Experimental trials on the electronics based on a “Digital Signal Processor” recently created for on-line setting and numerical control of the galvanometers for scansion heads have been completed.

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

A new system for representing thermal transistors for the study of the state of conservation of works of art and of industrial products in the start-up in the manufacturing process is now in the experimentation phase.
Work on the development of a new diagnostic system using lasers on the paper of antique books has continued and recently been granted a patent.
For applications related to the cutting of metal materials, we are now completing the development of a capacitive sensor for the control of the position of the focal zone of the laser beam with respect to the material.
We have developed new methods for testing mirrors for markers of different dimensions on the basis of the uses of high speed scansion in machines for laser decoration on large areas.
We have developed new catalyser systems for Compact power lasers.

The following chart shows the expenses for Research and Development during this period.

thousands of euros	**31/12/2008**	**31/12/2007**
Costs for personnel and general expenses	2.750	3.133
Costs for instruments and equipment	150	36
Costs for building of prototypes	380	273
Costs for technological consultants	820	126
Services provided	110	85
Intangible assets	0	3
Total	**4.210**	**3.656**

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 2008 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 corresponds to 7% of the sales volume; this is a significant percentage which, though it has considerable impact on the profit and loss account, guarantees a continual innovation of the range of products as well as the new technologies that are important in the manufacturing. To meet the above mentioned expenses the company entered into accounts 447 thousand Euros in grants.

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 31/12/2007*	*No. of shares acquired*	*No. of shares sold*	*No. of shares on 31/12/2008*
Andrea Cangioli	El.En. S.p.A.	624.460	22.200		646.660
Barbara Bazzocchi	El.En. S.p.A.	494.824	10.000		504.824
Gabriele Clementi	El.En. S.p.A.	505.650	11.972		517.622
Immobiliare del Ciliegio Srl (*)	El.En. S.p.A.	312.412	50.000		362.412
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.	2.200			2.200
Stefano Modi	Cynosure Inc.	1.000			1.000
Laserfin Srl (**)	El.En. S.p.A.	4.294	7.700		11.994
Laserfin Srl (**)	Cynosure Inc.	65.000		65.000	0
Paola Salvadori	El.En. S.p.A.	300			300
Alberto Pecci	El.En. S.p.A.	401.452	11.864	202	413.114

(*) 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 of 21,78%.

The ordinary shares in circulation on December 31st 2008 are 4.721.220. The nominal value of each share is 0,52 Euros.

Stock options offered to administrators and employees

The special assembly of El.En. SpA held on May 15th 2008 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 83.200,00 Euros through the issue of a maximum of 160,000 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, not less than the greatest 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 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 30 days prior to the assigning of the options.

On July 15th 2008 the Board of Directors of the parent company voted to implement in full the decision of the Shareholders' assembly of May 15th 2008 to increase the share capital by 83.200,00 Euros for use in the 2008/2013 stock-option plan and approved the relative regulations.
The option rights are assigned exclusively to the employees of El.En. SpA and of the other companies of the Group who, at the moment of assignment were working in a subordinate position. this plan is divided into two equal phases, each of which can be implemented in accordance with the following rules:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:

- if the shareholders' assembly, during the approval of the report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15^{th} of May 2012 up until the date of the approval of the company report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' assembly votes in favour of the distribution of the profits, from the date, if earlier than the 15^{th} of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15^{th} 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15^{th} 2013, of the approval of the company report for the year 2012 by the Board of Directors, and otherwise on the 15^{th} of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by The Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.

b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15^{th} 2012 up until the date of approval of the company report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' assembly, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15^{th} of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15^{th} 2013, of the approval of the company report for 2013, and otherwise, on May 15^{th} 2013.

Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Risk factors and Procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Company, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality, which is also certified, of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the Company.

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 risks of oscillations in the exchange rate of the currencies in which some of the commercial and financial transactions are expressed. These risks are monitored by the management which takes all the necessary measures to reduce this type of risks.

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.
The devaluation fund which is accrued at the end of the year represent about 16% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in note (6) of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies. For these financings no devaluation has been necessary.

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 net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The 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.

Corporate Governance, application of D.Lgs. 231/2001

The report on the Corporate Governance of the Company and the comparison with the regulations container in the Self-disciplining Code for Listed Companies (*Codice di Autodisciplina delle società quotate*) elaborated by the Commission for Corporate Governance of the Italian Stock Market (*Borsa Italiana SpA*) has been deposited and published as a separate document along with this Management Report.
Among the activities conducted in 2008, attention should be called to the application of the Organization, Management and Control Model (*Modello di Organizzazione, Gestione e Controllo*) intended to prevent the misdemeanour commission indicated by Legislative Deceree n. 231/2001 (and later modifications and additions). As part of this same project, a company code of ethics was elaborated which for El.En. SpA represents an important point of reference for ethical behaviour.

Adoption of the measures required to protect and guarantee personal data

In conformity with present legislation in this regard, the company declares that they have updated the Safety Program Document (*Documento Programmatico sulla Sicurezza*), which was previously adopted.

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

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 2008 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 2008 (€)	Amount paid in 2008 (€)	Amount paid in 2008 (€)	Amount paid in 2008 (€)
El.En. SpA	40.400,00	25.600,00	4.000,00	40.000,00

(*) They refer to 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

The only significant event occurring after the closure of this financial year which is worthy of note is the founding of Deka Laser Technologies Inc, as a preparation for the re-organization of the distribution in the dentistry sector in the United States of America.

Current outlook

The economic crisis which has characterized the beginning of the year 2009 has not made an exception of our markets and our activity. Considering the fall in demand and the difficulties of our clients in obtaining financing we expect a significant decrease in both sales volume and earnings. We have taken a series of measures which are intended to limit the impact of the drop in volume on the earnings, with an aim to maintaining at least a small profitability.

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 2008, we propose to assign the net income from this period, for the amount of 7.029.759,00 Euros, as follows:
- 1.416.366,00 Euros as dividends which, in conformity with art. 2357-*ter*, will be paid in the amount of 0,30 Euros per share in circulation on the date of the payment of coupon no. 9 on May 18th 2009
- 5.613.393,00 Euros as extraordinary reserve.

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 MTA (formerly MTAX, and before that, 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.

* * *

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, appointed until the approval of the annual report terminated as of December 31st 2008, consists of eight members.

The Board Members were elected by the shareholders' meeting 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.

The shareholders' meeting which will convene on the 29th/30th of April, will be requested to elect from a voting list, the new administrative organ, after the number of members has been determined**.**

As of December 31st 2008 the Board of Directors was composed as follows:

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

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.

Since 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 2008, the following members of the Board of Directors were part of the administrative commissions for the following subsidiary companies:

Nome e Cognome	Attività
Gabriele Clementi	- Sole administrator of Valfivre Italia Srl (company in which El.En. SpA holds a 100% equity.) - Director of Quanta System SpA (company in which El.En. Spa holds an equity of 60%) - Director of Elesta srl (company in which El.En. Spa holds an equity of 50%) - Board member of With us Ltd (company controlled with 51,25% by the subsidiary BRCT Inc.)
Barbara Bazzocchi	- Sole administrator of Cutlite Penta Srl (company in which El.En. Spa holds an equity of 90,67%) - 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	- Executive Director 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 23,08%) - Sole administrator of Lasercut Technologies Inc. (which is controlled 100% by the subsidiary BRCT Inc.) - Executive Director of Ot-las Srl (company in which El.En. Spa holds an equity of 90%) - Director 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 Lasertechnologie GmbH (company which El.En. SpA controls 100%) - President of the Board of Directors of S.B.I. SA (a company which is controlled 50% by El.En.) - Director of With Us Ltd (which is controlled 51,25% by the subsidiary BRCT Inc.)
Stefano Modi	- Director of Elesta srl (company in which El.En. Spa holds an equity of 50%)

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 Ratok srl (company in which the subsidiary Quanta System SpA holds an equity of 70%) - 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%) - Director of Laser International (company in which the subsidiary Quanta System SpA holds an equity of 40%) - Director of Grupo Laser Idoseme (company in which the subsidiary Quanta System SpA holds an equity of 30%) - Director of AREX Srl (company controlled 51,22% through the subsidiary Quanta System SpA)

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 2007, 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 2008 the members of the Board of Auditors of the Company also participated in the controlling organs of the following subsidiary companies.

Name	Position
Vincenzo Pilla	- President of the Board of Auditors of Lasit SpA - 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 2006, 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.

* * *

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 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 financial year 2008 the Board of Directors of El.En. met on the following dates:

1. *January* 24th 2008 (absent Cangioli and Ferrario)
2. February 14th 2008
3. March 31st 2008 (absent Blasi)

4. May 15^{th} 2008
5. July 15^{th} 2008 (absent Ferrario)
6. August 29^{th} 2008 (absent Bazzocchi and Ferrario)
7. November 14^{th} 2008 (absent Ferrario)

During the financial year 2009, the Board of Directors of El.En. has already met on the following dates:

1. February 13th
2. March 31st

and on the 14^{th} of November 2008 set the following schedule of reunions in order to fulfil the institutional requirements:

3. May 15^{th} 2009 – quarterly report for the first quarter of 2009
4. August 28^{th} 2009 – Half Yearly Report
5. November 13^{th} 2009 – Quarterly report –Third quarter 2009

Naturally, to this schedule additional meeting dates may be added if other meetings of the Board of Directors become necessary.
The calendar for the meetings was scheduled bearing in mind the modifications introduced by Legislative Decree 1 of November 6^{th} 2007, no. 195 which introduced art. 154-ter TUF, related to the timing for the approval and publication of the annual reports and mid-year financial statements.

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, including the president, 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 meeting 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' meeting.

The Board of Directors whose term expires with the approval of the financials concluded on December 31st 2008, last elected by the shareholders' meeting which convened on May 9th 2006, deliberated on May 15th 2006 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' Meeting, which approved it on May 15th 2007, to insert a rule into the Statutes, at Art. 19 last 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' meeting, 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 (art. 2)

- 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 executives, 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 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 • Director of Parcheggi Peretola srl • Director of Firenze Convention Bureau S.c.r.l.	1
Paolo Blasi	• Superior Director of Banca d'Italia • Member of the Board of Directors of Cassa di Risparmio di Firenze	
Angelo Ercole Ferrario	• President and Executive Director of LASERFIN s.r.l.	
Alberto Pecci	• President of the Pecci textile Group • Director of the following listed companies: KME and Alleanza Assicurazioni	2

- 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.

3) Independent administrators (art.3)

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 2008, 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’ meeting 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' meeting 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 2008, 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 2008 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.

Treatment of company information (Art. 4 of the Code)

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 adopted 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' meeting 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, in order to guarantee maximum transparency in the election of the new administrative organ, during the meeting for the approval of the financials for the financial year which ended on December 31st 2008, the company decided to adopt the CONSOB recommendation which was published in communication no. DEM/9017893 dated February 26th 2009, related to the necessity on behalf of the the board members who intend to present a list of candidates for the position of so-called minority board member, to deposit, along with the list, a declaration which states that there are no connections, even indirect, as per art. 147-*ter*, comma 3, D. Lgs. 58/1998 and art. 144-*quinquies* del Reg. Emittenti 11971 cit., with shareholders who own, even jointly, a controlling equity or relative majority, that can be identified on the basis of the communications of the relevant equities as per art. 120 del D. Lgs. 58/1998 or of the publication of company related pacts in conformity with art. 122 of the same D. Lgs. 58/1998.

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.

In 2009, the committee met on March 31st .

* * *

Remuneration (Art. 7 of the Code)

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' meeting, 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, 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' meeting 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.

In 2008 the remuneration committee met on March 31st and on July 15th .

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 2008, 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;
- b. 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 member 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.
During 2008 the committee met on March 31st and on August 28th.

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.

During 2008 the activity of the controlling provost was concentrated mainly on the implementation of the actuation of an organizational model in accordance with D. Lgs. 231/2001 and the organization of the related verification activities.

* * *

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 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 ineligible.
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' meeting (11.C.4) and guarantees that the assembly is conducted in an orderly and functional manner. In this regard, the shareholders meeting 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 2008							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 Executive Director	Gabriele Clementi	X			100%							
Executive Director	Andrea Cangioli	X			86%							
Executive Director	Barbara Bazzocchi	X			100%						X	- -
Director	Paolo Blasi		X	X	85%		X	100%	X	50%	X	- -
Director	Michele Legnaioli		X	X	100%		X	100%	X	- -	X	- -
Director	Alberto Pecci		X		100%		X	100%	X	- -		
Director	Stefano Modi		X		100%							
Director	Angelo Ercole Ferrario		X		43%							
Number of meetings held during 2008				Board of Directors: 7 (seven)		Internal control committee: 2 (two)			Remuneration committee: 2 (two)		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**	**100%**	0
Supplementary Auditor	**Lorenzo Galeotti Flori**	/	0
Supplementary Auditor	**Manfredi Bufalini**	/	0
Number of meetings held in the year of 2008: 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	31/12/2008		31/12/2007	
Balance Sheet					
Intangible assets	1		16.570		9.809
Tangible assets	2		12.151.436		8.237.120
Equity investments:	3				
- in subsidiaries		17.789.154		17.859.052	
- in associates		327.091		367.968	
- other investments		90.853		71.853	
Total equity investments			18.207.098		18.298.873
Deferred tax assets	4		1.246.196		805.200
Other non current assets	4		620.680		613.420
Total non current assets			**32.241.980**		**27.964.422**
Inventories	5		21.066.532		18.623.188
Accounts receivables:	6				
- from third parties		5.037.803		6.311.831	
- from subsidiaries		20.081.133		13.570.714	
- from associates		299.976		230.968	
Total accounts receivables:			25.418.912		20.113.513
Tax receivables	7		1.628.919		1.582.232
Other receivables:	7				
- from third parties		669.983		848.213	
- from subsidiaries		3.578.293		599.656	
- from associates		268.991		178.991	
Total other receivables			4.517.267		1.626.860
Cash and cash equivalents	8		11.535.737		25.072.457
Total current assets			**64.167.367**		**67.018.250**
TOTAL ASSETS			**96.409.347**		**94.982.672**
Common stock	9		2.508.671		2.508.671
Additional paid in capital	10		38.593.618		38.593.618
Other reserves	11		29.791.095		14.547.075
Treasury stock	12		-2.575.611		
Retained earnings / (deficit)	13		-920.544		-1.034.007
Net income / (loss)			7.029.759		20.465.195
Total equity			**74.426.988**		**75.080.552**
Severance indemnity	14		992.600		1.070.670
Deferred tax liabilities	15		221.377		212.549
Other accruals	16		2.313.229		2.015.387
Financial liabilities:	17				
- to third parties		268.199		311.363	
Total financial liabilities			268.199		311.363
Non current liabilities			**3.795.405**		**3.609.969**
Financial liabilities:	18				
- to third parties		43.162		118.093	
Total financial liabilities			43.162		118.093
Accounts payables:	19				
- to third parties		11.074.796		11.840.680	
- to subsidiaries		1.920.924		902.735	
- to associates		552.717		25.333	
Total accounts payables			13.548.437		12.768.748
Income Tax payables	20		1.677.529		580.945
Other payables:	20				
- to third parties		2.911.846		2.824.365	
- to subsidiaries		5.980			
Total other payables			2.917.826		2.824.365
Current liabilities			**18.186.954**		**16.292.151**
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY			**96.409.347**		**94.982.672**

Profit and Loss Account

Profit and loss account	Note		31/12/2008		31/12/2007
Revenues:	21				
- from third parties		18.637.566		17.044.066	
- from subsidiaries		38.153.524		28.757.366	
- from associates		461.835		331.343	
Total revenues			57.252.925		46.132.775
Other revenues and income:	22				
- from third parties		644.851		704.374	
- from subsidiaries		444.773		289.390	
- from associates		3.680		5.080	
Total other revenues and income			1.093.304		998.844
Total revenues and income			**58.346.229**		**47.131.619**
Purchase of raw materials:	23				
- to third parties		25.536.371		22.910.848	
- to subsidiaries		2.038.624		2.543.797	
- to associates		54.660		61.655	
Total purchase of raw materials			27.629.655		25.516.300
Change in inventory of finished goods and WIP			(514.432)		(1.358.920)
Change in inventory of raw material			(2.309.111)		(2.292.975)
Other direct services:	24				
- to third parties		6.422.648		4.953.811	
- to subsidiaries		360.756		134.784	
- to associates		4.979		111	
Total other direct services			6.788.383		5.088.706
Other operating services and charges:	24				
- to third parties		6.061.488		8.057.649	
- to subsidiaries		230.769		96.870	
- to associates		249.782		405.866	
Total other operating services and charges			6.542.039		8.560.385
For staff costs	25		8.680.859		7.505.700
Depreciation, amortization and other accruals	26		1.518.978		810.623
EBIT			**10.009.858**		**3.301.800**
Financial charges:	27				
- to third parties		(572.410)		(1.234.784)	
Total financial charges			(572.410)		(1.234.784)
Financial income	27				
- from third parties		1.990.042		861.389	
- from subsidiaries		129.488		79.377	
- from associates		4.874		3.866	
Total financial income			2.124.404		944.632
Other net expenses	28		(707.206)		(1.334.109)
Other net income (*)	28				20.965.399
Income before taxes			**10.854.646**		**22.642.938**

Income taxes	29	3.824.887	2.177.743
Income for the financial period		**7.029.759**	**20.465.195**

(*)In accordance with Delibera Consob 15519 of 27th July 2006, the amounts related to significant non-recurring events are listed in note (31). 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)	31/12/2008	31/12/2007
Cash flow generated by operating activity:		
Profit (loss) for the financial period	7.029.759	20.465.195
Amortizations and depreciations (26)	756.636	662.468
Devaluations of equity investments	494.155	67.623
Stock Option	85.627	239.402
Change of employee severance indemnity (14)	-78.070	-156.259
Change of provisions for risks and charges (16)	297.842	-1.543.089
Change of provisions for deferred income taxes	-432.168	-308.253
Stocks (5)	-2.443.344	-3.431.455
Receivables (6)	-5.305.399	-4.532.810
Tax receivables (7)	-46.687	744.973
Other receivables	178.230	76.950
Payables (19)	779.689	4.396.600
Income Tax payables (20)	1.096.584	580.945
Other payables (20)	93.461	467.019
	-4.523.444	-2.735.886
Cash flow generated by operating activity	2.506.315	17.729.309
Cash flow generated by investment activity:		
(Increase) decrease in tangible assets	-4.655.157	-2.479.916
(Increase) decrease in intangible assets	-22.556	-4.589
(Increase) decrease in equity investments and non current assets	-409.640	1.688.140
Increase (decrease) in financial receivables (7)	-3.068.637	2.221.327
(Increase) decrease investments which are not permanent		
Cash flow from purchase of subsidiary companies		
Cash flow generated by investment activity	-8.155.990	1.424.962
Cash flow from financing activity:		
Increase (decrease) in non current financial liabilities (17)	-43.164	-118.094
Increase (decrease) in current financial liabilities (18)	-74.931	-29.579
Change in Capital and Reserves	3	3.052.103
Change in Capital and Reserves of third parties		
Change in Treasury Stock	-2.575.611	
Dividends distributed (30)	-5.193.342	-1.421.030
Cash flow from financing activity	-7.887.045	1.483.400
Increase (decrease) in cash and cash equivalents	-13.536.720	20.637.671
Cash and cash equivalents at the beginning of the financial period	25.072.457	4.434.786
Cash and cash equivalents at the end of the financial period	11.535.737	25.072.457

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 818 thousand Euros.

Current income taxes for this financial year were 4.293 thousand Euros.

Table of Variations in the Stockholders' Equity

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	1.052.212
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

STOCKHOLDERS' EQUITY:	**Balance 31/12/2007**	**Net income allocation**	**Dividends distributed**	**Adjustments**	**Other operations**	**Balance 31/12/2008**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares	0				-2.575.611	-2.575.611
Others reserves:						
Extraordinary reserves	12.530.904	15.158.390				27.689.294
Reserve for contribution on capital account	426.657					426.657
Other reserves	1.052.212				85.630	1.137.842
Retained earnings	-1.034.007	5.306.805	-5.193.342			-920.544
Profits (loss) of the year	20.465.195	-20.465.195			7.029.759	7.029.759
Total Stockholders' equity	75.080.552	0	-5.193.342	0	4.539.778	74.426.988

EXPLANATORY COMMENTS 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 2009.
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 2008 has been drawn up in conformity with the International Accounting Standard Board (IASB) 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:

IFRIC 11 IFRS 2 – Operations on treasury stock of the Group
IFRIC 11 requires the entering into accounts of the agreements which grant rights to employees on capital instruments of the entity, like plans with stock regulations, even if the entity purchases these instruments from a third party, or in the case that it is the shareholders that supply the capital instruments necessary. The application of this standard, starting in January 2008, did not have any impact on the financial position or on the performance of the company, since the company does not make use this type of operation.

IFRIC 12 Contracts and agreements for the rendering of services
IFRIC 12 supplies information about the methods that operators must use in order to enter into accounts agreements for services rendered by public institutions to private companies. The company does not operate according to this type of contract, therefore the interpretation has no effect on their statement.

IFRIC 14 IAS 19 – Limitations on the assets of Defined Benefit Plans: minimum financing requirements and their interaction.
IFRIC 14 supplies information on how to determine the limits of the capital gains which can be received as an asset in a Defined Benefit Plan, in conformity with IAS 19 – Benefits to employees. The minimum financing requirement may have an effect on the assets and liabilities derived from pension plans. This interpretation, which has been applied since January 2008, has not had any effect on the statement of the company.

On October 13th 2008, IASB issued an amendment to the IAS 39 – Financial instruments: Identification and Evaluation and to the IFRS 7 – Financial Instruments: additional information which makes it possible, under certain circumstances, to re-classify certain financial assets which are different from derivatives from the accounting category “evaluated at fair value through the profit and loss account”. The amendment also makes it possible to transfer loans and receivables from the category “available for sale” to the category “held until maturity” if the company has the intention and the capacity to hold these financial instruments until a determined period in the future. The amendment was applicable starting in July 2008, however, its application did not have any effect on this financial statement since the company did not apply any of the re-classifications that it allows.

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 is still evaluating the effects of these interpretations and the relative impact on the financials of the company.

IFRS 3R Business Combinations 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 their financial statements.

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 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 15 – Contracts for the construction of real estate (which must be applied after January 1st 2009 but has not yet been approved by the European Union).
The company believes that at this time the new principle does not produce any significant effects.

IFRIC 16 – Hedging of an equity in a foreign company, with which the possibility of applying a hedge accounting has been eliminated for the operations covering the difference in the exchange rate between the working currency of the subsidized foreign company and the currency used for the presentation of the consolidated statement. This interpretation must be applied after January 1st 2009. On the date of this statement the competent organs of the European Union had not yet concluded the authorization procedures required for its application. The company believes that the modification will not cause any change in their financial statements.

On January 17th 2008 the IASB issued an amendment to the IFRS 2 – Conditions for maturity and cancellation - on the basis of which, for the purpose of evaluating the instruments of remuneration based on stocks, only the conditions of service and the conditions of performance can be considered maturity conditions for the plans. The company believes that application of this amendment will not have any effect.

On May 22nd 2008 the IASB issued a set of modifications to the IFRS ("improvement"). The company has not yet applied the following modifications and believes that they will not have any significant impact on the financials:

- IFRS 5 – Non-current assets for sale and operating activities which have been terminated: the modification, which must be applied prospectively starting on January 1st 2010, states that, if a company is involved in a selling plan that comports the loss of control of one of the subsidiaries, all of the assets and liabilities of the subsidiary must be re-classified among the assets for sale, even if after the sale the company still holds a minority share of the subsidiary.

- IAS 1 – Presentation of the statement (revised in 2007): the modification, which must be applied starting on January 1st 2009 prospectively, requires that the assets and liabilities derived from derivatives which are not held for purposes of negotiation be classified in the statement distinguishing between current and non-current assets and liabilities. The application of this modification will not comport any effect on the value of the amounts in the statement.

- IAS 16 – Real estate, plants and machinery: the modification must be applied retroactively after January 1st 2009 and establishes that the companies whose typical business is renting must re-classify the goods in their warehouses that are no longer rented and are available for sale and, consequently, the sums derived from their sale must be recognized as revenue. The amounts paid to build or to acquire goods to rent to others as well as the sums received for the subsequent sale of these goods, for the purposes of cash flow statement, represent cash flow derived from operating activities (and not from investment activities). The application of this modification will not have any effect on the value of the amounts in the statement.

- IAS 19 – Benefits to Employees: starting on January 1st 2009, the amendment, which must be applied prospectively to the variations in benefits which have occurred after that date clarifies the definition of cost/profits related to past performance of work and establishes that, in the case of the reduction of a plan, the effect to be attributed immediately to the profit and loss account must include only the reduction of benefits related to future periods, while the effect derived from any reductions related to periods of past service must be considered a negative cost related to the performance of work in the past.
The Board, moreover, has revised the definition of short-term benefits and long-term benefits and has modified the definition of performance of activities, establishing that this item must be entered net of any administrative charges that are not already included in the value of the instrument.
- IAS 20 – Entering into accounts and information sheets on public grants: the modification, which must be applied prospectively starting on January 1st 2009, establishes that the benefits derived from state sponsored loans granted at a rate of interest that is lower than the market rate, must be treated as public grants and therefore are subject to the rules of recognition established by IAS 20. The modification will not have any significant effects on the statement.
- IAS 23 – Financial charges: the modification, which must be applied starting January 1st 2009, revises the definition of financial charges.
- IAS 28 – Equities in associated companies: the modification which must be applied (even only prospectively) starting on January 1st 2009, establishes that, in the case of equities that are evaluated according to the shareholders equity method, any loss in value must not be allocated to a single activity (and in particular to "goodwill") which are part of the charges of the equity, but to the overall value of the company in which the equity is held. Therefore, in the presence of conditions which permit a subsequent resetting of the value, this resetting must be recognized in full.
- IAS 36 – Loss in the value of assets: the modification, which must be applied starting on January 1st 2009, states that additional information must be supplied in the case that the company determines the recoverable value of the cash generating units (CGU) utilizing the method of actualization of cash flow.
- IAS 38 – Intangible assets: the modification must be applied retroactively starting on January 1st 2009 and establishes the recognition in the profit and loss account of promotional and advertising expenses; moreover, the principle has been modified in order to allow companies to use the method of units produced in order to determine the amortization of intangible assets with a defined useful life. At the time that this report was issued, the company was still evaluating the effects derived from the application of this amendment.
- IAS 39 – Financial instruments: identification and evaluation. The amendment, which must be applied retroactively starting on January 1st 2009, clarifies how to calculate the new actual yield rate of a financial instrument upon conclusion of a covering report of the fair value; it also clarifies that the rule which prohibits re-classification in the category of financial instruments with adjustment of the fair value in the profit and loss account should not be applied to derivatives which cannot be qualified as hedging instruments or, instead, which become covering. Moreover, in order to avoid conflict with the new IFRS 8 – Operative segments, it eliminates references to the designation of a covering instrument in the sector. At the time that this report was issued, the company did not believe that there had been any effects derived from the application of the amendment.

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 2008 and 2007. The financial information, however, is supplied with reference to December 31st 2008 and December 31st 2007.

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 net income for the year.

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 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.

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 of the IAS/IFRS.

For the information related to the types of activity in which the company is involved and the important events which occurred after the closure of the financial year, please refer to 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 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.

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 company 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 indefinite 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 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

According to IAS 27, the equities in subsidiary companies, in entities jointly controlled and in associated non classified as for sale (IFRS 5) must be entered into accounts at cost or in conformity with IAS 39. In the individual annual report of El.En. SpA the cost criteria has been used. Since the necessary conditions exist, a consolidated statement has been drawn up.

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.

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).

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 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 company 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) REVENUE RECOGNITION

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. The dividends from equities are entered according to the cash principle.

M) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency , with the exception of the tangible assets, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses 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 income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period. The fiscal debts 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 tax assets is re-examined at the closing of each financial year.

No fiscal effect has been felt by El.En in relation to the labour cost registered for the remuneration plans in the form of participation in the capital of El.En since the shares assigned to the employees derive from an increase in the capital.

STOCK OPTION PLANS

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

	Max. expiration date	Existing options 01.01.08	Options issued 01.01.08 - 31.12.08	Options cancelled 01.01.08 - 31.12.08	Options picked up 01.01.08 - 31.12.08	Expired option not picked up 01.01.08 - 31.12.08	Existing options 31.12.08	Options which can be picked up 31.12.08	Pick up price
Plan 2008/2013	May, 15 2013	0	160.000	0	0	0	160.000	0	€ 24,75
		0	160.000	0	0	0	160.000	0	0

For the stock option plan, the fair value was determined following the "Black & Scholes" pricing model using the following hypotheses:

- Market interest rate for risk free investments: 4,8%
- Historical volatility: 26,11%
- Time interval used for calculating volatility: 3 years prior to the date of issue

The overall fair value of the stock options is 786 thousand Euros.

During the financial year 2008, the average price registered for the El.En. stock was approx. 23 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 note (9) of this 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 31/12/07	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Balance 31/12/08
Concessions, licences, trade marks and similar rights	6.307	15.256			-9.861	11.702
Other	3.502	7.300			-5.934	4.868
Total	**9.809**	**22.556**			**-15.795**	**16.570**

In the category of "Intangible assets", the most significant entry is the cost sustained for the purchase of some software licenses.

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 31/12/07	Increments	Revaluations and devaluations	Other operations	(Disposals)	Balance 31/12/08
Lands	1.654.527	227.250				1.881.777
Buildings	3.588.270	960.468		2.007.744		6.556.482
Plants and machinery	591.692	673.923		178.136	-61.626	1.382.125
Industrial and commercial equipment	2.872.556	666.754			-20.497	3.518.813
Other goods	1.217.694	352.128			-84.188	1.485.634
Tangible assets under construction	2.387.639	1.820.897		-2.185.880		2.022.656
Total	**12.312.378**	**4.701.420**			**-166.311**	**16.847.487**

Amortisation provisions	Balance 31/12/07	Amortizations amount	Devaluations	Other operations	(Disposals)	Balance 31/12/08
Lands						
Buildings	642.654	152.172		-1		794.825
Plants and machinery	290.550	87.279			-29.082	348.747
Industrial and commercial equipment	2.166.067	390.338			-7.034	2.549.371
Other goods	975.987	111.052		257	-84.188	1.003.108
Tangible assets under construction						
Total	**4.075.258**	**740.841**		**256**	**-120.304**	**4.696.051**

Net value	Balance 31/12/07	Increments	Revaluations and other operations	(Amortizations and devaluations)	(Disposals)	Balance 31/12/08
Lands	1.654.527	227.250				1.881.777
Buildings	2.945.616	960.468	2.007.745	-152.172		5.761.657
Plants and machinery	301.142	673.923	178.136	-87.279	-32.544	1.033.378
Industrial and commercial equipment	706.489	666.754		-390.338	-13.463	969.442
Other goods	241.707	352.128	-257	-111.052		482.526
Tangible assets under construction	2.387.639	1.820.897	-2.185.880			2.022.656
Total	**8.237.120**	**4.701.420**	**-256**	**-740.841**	**-46.007**	**12.151.436**

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 on December 31st 2008 was 1.882 thousand Euros. The amount entered in the column headed “Increments” is related to the purchase of the land where the new building complex in Calenzano, bought by the company in 2008, is located.

The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (Florence), where the company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta and Valfivre Italia, the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008 and the building in the city of Torre Annunziata purchase in 2006 for the research, development and production activities of the subsidiary Lasit SpA, whose encouraging outlook for growth is in this way sustained by El.En.
The amounts entered in the columns Increments are related mainly to the expenses sustained for the remodelling of the building located in Torre Annunziata and the purchase of a new building complex in Calenzano. The column “Other operations” includes the costs sustained for the completion of the enlargement of the factory in Calenzano, which, last year, were reclassified among the “Tangible assets under construction”.

The increases in the category “Plants and machinery” are chiefly related to investments made as part of the real estate activity described in reference to the entry “Buildings”.

The investments have also involved, in particular, the equipment used for commercial demonstrations and clinical experiments in the medical-aesthetic sector, furniture, office decor, and new vehicles.

Under the heading of “Intangible assets under construction” we have entered, among other things, the costs sustained by the company up until December 31st 2008 related to the work in progress for the enlargement of another section of the factory located in Via Baldanzese at Calenzano, Florence.

Equity investments (note 3)

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

Equities in subsidiary companies

Company name:	Headquarters	% owned	Value of charge	Capital and reserves on 31/12/2008	Result 31/12/2008	Fraction account C.R.	Difference
Cynosure	Westford (USA)	23,08%	9.928.028	100.853.048	6.941.448	23.276.883	13.348.855
Deka M.E.L.A. Srl	Calenzano	70,00%	629.520	6.604.302	895.240	4.623.011	3.993.491
Cutlite Penta Srl	Calenzano	90,67%	1.031.053	1.589.794	37.311	1.441.466	410.413
Valfivre Italia Srl	Calenzano	100,00%	49.583	98.456	4.617	98.456	48.873
Quanta System Spa	Solbiate Olona	60,00%	2.859.710	3.489.171	-283.166	2.093.503	-766.207
Ot-Las Srl	Calenzano	90,00%	1.481.000	1.973.817	-30.270	1.776.435	295.435
Lasit SpA	Vico Equense	52,67%	593.614	1.251.442	-223.420	659.135	65.521
Deka Sarl	Lione (F)	100,00%		-754.164	53.943	-754.164	-754.164
Deka Lasertechnologie GmbH	Berlino (D)	100,00%		-1.149.506	-266.994	-1.149.506	-1.149.506
Asclepion Laser Technologies GmbH	Jena (D)	50,00%	525.879	4.805.660	751.876	2.402.830	1.876.951
BRCT	New York (USA)	100,00%	652.591	1.388.356	31.637	1.388.356	735.765
Deka Laser Technologies LLC	Fort Lauderdale (USA)	52,00%	485	317.569	-82.297	165.136	164.651
Cutlite do Brasil Ltda	Blumenau (Brasil)	78,00%	37.691	48.322	-198.153	37.691	0
Total			17.789.154	120.516.267	7.631.772	36.059.233	18.270.079

For Quanta System the difference between the amounts in the statement and the corresponding amounts of the fraction of the shareholders’ equity is due to the goodwill paid at the time of purchase. The entity of this goodwill is, among other things, justified by an analysis of the revenue expected from the company which was determined using the DCF method, which considers also the capital gains implicit in the equity that Quanta has in the subsidiary Asclepion.

In relation to the equity in the subsidiary Deka Sarl, considering the positive results achieved during the year, a portion of the funds accrued for losses in the preceding years was reversed for a total amount of 54 thousand Euros. On December 31st 2008, the fund amounted to 754 thousand Euros.

In relation to the equity in the subsidiary Deka Lms GmbH, (which, this year, changed their company name to Deka Lasertechnologie GmbH), which was already the object of both a direct and an indirect devaluation on account of the losses incurred in the preceding years, in consideration of the losses incurred by the company this year, a further accrual of 267 thousand Euros was made. On December 31st 2008, this fund amounted to 1.150 thousand Euros.

On December 31st 2008 the value of the equity in the subsidiary Cutlite do Brasil was adjusted to the corresponding fraction of the shareholders' equity.

On March 13th 2008 El.En. again increased their equity in Cutlite Penta Srl, by purchasing 8% of the shares from a minority shareholder at the price of 224.000 Euro, thus bringing its equity in the company to 90,67%.

On July 22nd 2008 an increase in the paid-in capital stock of the subsidiary Lasit SpA was approved for the amount of 154.000 Euros. This increase was underwritten by the minority shareholders and by the parent company El.En., by this latter also for the share pertaining to one of the other partners of Lasit SpA, the subsidiary Ot-las Srl. As a consequence of this decision, the percentages of ownership in the equity in Lasit SpA by the parent company and by Ot-las are, respectively, 52,67% and 17,33%.

Equities in associated companies

Denominazione:	Headquarters	% owned	Value of charge	Capital and reserves on 31/12/2008	Result 31/12/2008	Fraction account C.R.	Difference
Actis Srl (*)	Calenzano	12,00%	1.240	76.602	64.266	9.192	7.952
Elesta Srl (ex IALT Scrl)	Calenzano	50,00%	23.818	47.635	- 62.366	23.818	-
Immobiliare Del.Co. Srl	Solbiate Olona	30,00%	274.200	- 42.220	- 151.579	- 12.666	- 286.866
S.B.I. SA	Herzele (B)	50,00%	27.833	55.665	- 106.426	27.833	-
Total			327.091	137.682	- 256.105	48.176	- 278.914

(*) Data as of December 31st 2007

The data related to the associated company "Immobiliare Del.Co. Srl", which owns a building which is rented to Quanta System SpA, show a difference between the purchase price and the corresponding quota of the shareholders' equity due to the greater value which is implicit in the lands and buildings which are owned, as demonstrated by the appraisal document which was drawn up in order to sustain the evaluation of the company itself.

Concerning the associated companies, SBI SA and Elesta Srl, on account of the losses incurred during the financial year 2008, through direct devaluation, the amount of the equity was adjusted to the fraction of the shareholders' equity.

A summary of the data related to associated companies shown in the chart below.

	Assets	Liabilities	Proftis(+)/Losses (-)	Revenue and income	Costs and charges
Immobiliare Del.Co. Srl	484.760	526.980	-151.579	59.142	210.721
S.B.I. SA	331.644	275.978	-106.426	273.347	379.773
Actis Actice Sensors Srl (*)	311.490	234.888	64.266	295.503	231.237
Elesta Srl (ex IALT Scrl)	1.961.816	1.914.181	-62.366	1.024.092	1.086.458

(*) Data on December 31st 2007

Equities in other companies

On October 21st 2008 El.En. SpA underwrote an amount that was the equivalent of 19% of the newly founded company Concept Laser Solutions GmbH, the capital stock of which amounts to a total of 100 thousand Euros. The German company will be involved mainly in the distribution of industrial laser sources in Germany and central Europe.

Composition of the equities in other companies

	31/12/07						31/12/08		
Company name:	**Cost**	**Reval. (Deval.)**	**Balance 31/12/07**	**Changes**	**Revaluations (devaluations)**	**Other movements**	**Balance 31/12/08**	**Reval. (Deval.)**	**Cost**
Subsidiary companies:									
Deka M.E.L.A. Srl	629.520		629.520				629.520		629.520
Cutlite Penta Srl	805.473		805.473	225.580			1.031.053		1.031.053
Valfivre Italia Srl	49.583		49.583				49.583		49.583
Deka Sarl	0						0		0
Deka Lasertechnologie GmbH	5.151	-5.151					0		0
Ot-las Srl	1.481.000		1.481.000				1.481.000		1.481.000
Lasit SpA	485.814		485.814	107.800			593.614		593.614
Quanta System SpA	2.859.710		2.859.710				2.859.710		2.859.710
Cynosure	9.928.028		9.928.028				9.928.028		9.928.028
Deka Laser Technologies LLC	485		485				485		485
BRCT	652.591		652.591				652.591		652.591
Asclepion Laser T. GmbH	525.879		525.879				525.879		525.879
Cutlite do Brasil Ltda	440.969		440.969		-403.278		37.691	-403.278	440.969
Total	17.864.203	-5.151	17.859.052	333.380	-403.278	0	17.789.154	-403.278	18.192.432
Associated companies:									
Actis Srl	1.240		1.240				1.240		1.240
Elesta Srl (ex IALT scrl)	5.000		5.000	50.000	-31.182		23.818	-31.182	55.000
Immobiliare Del.Co.	274.200		274.200				274.200		274.200
Sbi International	150.000	-62.472	87.528		-59.695		27.833	-59.695	87.528
Total	430.440	-62.472	367.968	50.000	-90.877	0	327.091	-90.877	417.968
Other companies:									
Concept Laser Solutions GmbH				19.000			19.000		19.000
CALEF	5.125		5.125				5.125		5.125
R&S	516		516				516		516
RTM	66.212		66.212				66.212		66.212
Total	71.853	0	71.853	19.000	0	0	90.853	0	90.853
Total	18.366.496	-67.623	18.298.873	402.380	-494.155	0	18.207.098	-494.155	18.701.253

Financial charges for this year for the amounts entered among the assets

No financial charges have been entered under the heading of assets.

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

Other non current assets	31/12/2008	31/12/2007	Variation	Var. %
Financial receivables vs subsidiaries	517.572	510.312	7.260	1,42%
Financial receivables vs associated	100.000	100.000	0	0,00%
Deferred tax assets	1.246.196	805.200	440.996	54,77%
Other non current assets	3.108	3.108	0	0,00%
Total	1.866.876	1.418.620	448.256	31,60%

The financial receivables are related to the mid-term financing issued to subsidiary and associated companies in order to meet normal operating requirements. Financing to the following companies has been entered: to Deka Lasertechnologie GmbH for 385 thousand Euros paid at the BCE rate + 2%, to Deka Laser Technologies for 185 thousand dollars paid at the 5% annually, to Actis for 100 thousand Euros at the BCE rate + 1%.

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-08**	**31-dic-07**	**Variation**	**Var. %**
Raw materials and consumables	12.097.093	9.787.982	2.309.111	23,59%
Work in progress and semi finished products	6.251.602	6.522.900	-271.298	-4,16%
Finished products and goods for sale	2.717.837	2.312.306	405.531	17,54%
Total	21.066.532	18.623.188	2.443.344	13,12%

The increase in final inventory registered for the year is significantly lower than the increase in sales volume but is still maintained at a high level.

It should also be pointed out that the values shown in the chart above are net of the devaluation fund which registered an increase as shown in the chart below:

Inventory:	**31/12/2008**	**31/12/2007**	**Variation**	**Var. %**
Gross amount	23.912.626	20.621.046	3.291.580	15,96%
minus: devaluation provision	-2.846.094	-1.997.858	-848.236	42,46%
Total	21.066.532	18.623.188	2.443.344	13,12%

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	**31-dic-08**	**31-dic-07**	**Variation**	**Var. %**
Trade debtors	5.037.803	6.311.831	-1.274.028	-20,18%
Subsidiary debtors	20.081.133	13.570.714	6.510.419	47,97%
Associated debtors	299.976	230.968	69.008	29,88%
Total	25.418.912	20.113.513	5.305.399	26,38%

Trade debtors:	**31/12/2008**	**31/12/2007**	**Variation**	**Var. %**
Italy	3.282.923	2.498.905	784.018	31,37%
European Community	1.941.687	3.376.875	-1.435.188	-42,50%
Outside of European Community	782.611	753.481	29.130	3,87%
minus: devaluation provision for debtors	-969.418	-317.430	-651.988	205,40%
Total	5.037.803	6.311.831	-1.274.028	-20,18%

The trade receivables from subsidiary and associated companies are inherent to the characteristic management operations.
The increase in trade receivables with respect to last year, as shown in the chart net of devaluations for credit risks, reflect the increase in sales volume.

The chart below shows the operations which took place this year in the fund for the devaluation of receivables.

Bad debts reserve:	2008
At Jan, 1	317.430
Charge for the year	681.942
Utilised	-29.954
Unused amounts reversed	
Other operations	
At the end of the period	**969.418**

The increase in the overall value of the fund is mostly related to the partial devaluation of a receivable which was considered unlikely to be cashed in.

The chart below shows the trade receivables from third parties for 2008 divided according to the type of currency.

Account receivables in:	31/12/2008
Euro	4.624.732
USD	412.589
Other currencies	482
Total	5.037.803

The amount in Euros shown in the chart of the receivables originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2008.

The chart below shows the analysis of the trade receivables from third parties and from subsidiary companies not devaluated for 2008:

Account receivables from third parties:	31/12/2008
To expire	2.686.189
Expired:	
30 days	333.982
60 days	543.480
90 days	215.926
180 days	532.841
over 180 days	725.385
Total	5.037.803

Account receivables from subsidiaries:	31/12/2008
To expire	9.495.256
Expired:	
30 days	2.347.291
60 days	1.007.468
90 days	587.066
180 days	2.041.571
over 180 days	4.602.481
Total	20.081.133

For a detailed analysis of the trade receivables from subsidiary and associate companies, refer to the chapter in the information sheet on related parties.

Tax receivables/Other receivables (note 7)

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

	31/12/2008	31/12/2007	Variation	Variation %
Tax debtors				
VAT credits	1.628.919	1.380.681	248.238	17,98%
Income tax credits		201.551	-201.551	-100,00%
Total tax debtors	1.628.919	1.582.232	46.687	2,95%

Financial credits				
Financial credits v. subsidiary companies	3.578.293	599.656	2.978.637	496,72%
Financial credits v. associated companies	268.991	178.991	90.000	50,28%
Total	3.847.284	778.647	3.068.637	394,10%
Other credits				
Security deposits	22.646	54.158	-31.512	-58,19%
Down payments	273.852	483.834	-209.982	-43,40%
Other credits	373.485	310.221	63.264	20,39%
Total	669.983	848.213	-178.230	-21,01%
Total financial and other credits	4.517.267	1.626.860	2.890.407	177,67%

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.

The financial receivables are related to short-term 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 1.130 thousand Euros remunerated at the annual BCE rate + 1%, to Asclepion GmbH for 500 thousand Euros paid at the annual BCE rate of +1 %, to Raylife Srl for 750 thousand Euros paid at the annual BCE rate of +1% and to Quanta System SpA for 1.150 thousand Euros, 800 thousand Euro of which is paid at the annual rate of 5% and 350 thousand of which is paid at the annual BCE rate of +1%.

For further details on the financial receivables from subsidiaries and associated companies, please see the next chapter, regarding "related parties".

Cash at Bank and on Hand (note 8)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	31/12/2008	31/12/2007	Variation	Var. %
bank and postal current accounts	11.527.818	25.065.599	-13.537.781	-54,01%
cash in hand	7.919	6.858	1.061	15,47%
Total	11.535.737	25.072.457	-13.536.720	-53,99%

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 2008

Net financial position		
	31/12/2008	**31/12/2007**
Cash and bank	11.536	25.072
Cash and cash equivalents	**11.536**	**25.072**
Part of financial long term liabilities due within 12 months	(43)	(118)
Financial short term liabilities	**(43)**	**(118)**
Net current financial position	**11.493**	**24.954**
Other long term financial liabilities	(268)	(311)
Financial long term liabilities	**(268)**	**(311)**
Net financial position	**11.224**	**24.643**

The net financial position of the company is positive for an amount of over 11 million Euros.

Besides the absorption of cash due to the increase in the volume of business and in working capital of the company (this latter increased by 7,7 million Euros) , there have been many other exceptional uses of cash.
Major investments have been made for the real estate activity of the company, in particular the enlargement of the building complex in Calenzano. The financial investments have also been of a considerable entity, with the purchase of treasury stock for an amount of approx. 2.576 thousand Euros and the acquisition from minority shareholders of 8% of Cutlite Penta Srl for the amount of 224 thousand Euros. Moreover, dividends were paid for approx. 5.193 thousand Euros.

Financial receivables from subsidiary and associated companies for an amount of 3.847 thousand Euros have been excluded from the net financial position because they are related to financial support policies of the companies of the Group. In continuation of past policy, we considered it opportune to not include this type of financing in the net financial position shown above.

Comments on the main liability entries

Capital and Reserves

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

Capital stock (note 9)

As of December 31st 2008, the capital stock of El.En. was as follows

Authorised	Euros	2.591.871
Underwritten and deposited	Euros	2.508.671

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

Categories	**31/12/2007**	**Increase.**	**(Decrease.)**	**31/12/2008**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

The shareholders' Meeting which convened on May 15th 2008 voted to distribute the profits for 2007, for a total of 20.465.195 as follows: for the amount of 15.158.390,20 Euros for the extraordinary reserve, for the amount of 5.193.342,00 Euros as dividends for the amount of 1,10 for each share in circulation upon the maturity date of coupon no. 8 on May 19th 2008. The amount of the dividend which was residual because it was for treasury stock held by the company on the due date, has been entered as profits brought forward.

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 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.

Increases in capital for use in the stock option plan

The special assembly of El.En. SpA held on May 15th 2008 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 83.200,00 Euros through the issue of a maximum of 160,000 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, not less than the greatest 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 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 30 days prior to the assigning of the options.

On July 15th 2008 the Board of Directors of the parent company voted to implement in full the decision of the Shareholders' meeting of May 15th 2008 to increase the share capital by 83.200,00 Euros for use in the 2008/2013 stock-option plan and approved the relative regulations.

The option rights are assigned exclusively to the employees of El.En. SpA and of the other companies of the Group who, at the moment of assignment were working in a subordinate position. this plan is divided into two equal phases, each of which can be implemented in accordance with the following rules:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the annual report for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the company report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting votes in favour of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013.
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the company report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.
Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by The Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.

b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the company report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of the company report for 2013, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Additional paid in capital (note 10)

On December 31st 2008 the share premium reserve amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2007.

Other reserves (note 11)

Other reserves	31/12/2008	31/12/2007	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	27.689.294	12.530.904	15.158.390	120,97%
Stock options reserve fund	1.124.452	1.038.825	85.627	8,24%
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	13.390	13.387	3	0,00%
Total	29.791.095	14.547.075	15.244.020	104,79%

On December 31st 2008, the "extraordinary reserve" amounted to 27.689 thousand Euros; the change which occurred during the financial year is due to the addition to the reserve of part of the profit of 2007, as per the decision of the shareholders' meeting on May 15th 2008.

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 2008. The change of 86 thousand Euros, which took place during the year is entered in the chart of the stockholders' equity in the "Other operations" column.

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.

Treasury stock (12)

On the date that this document was closed, the treasury stock purchase by the company in accordance with the decision of the shareholders' meeting held on March 3rd 2008, was to 103.148 shares at the average price of 24,97 Euros per share, worth a total amount of 2.575.611 Euros.

Profits/losses brought forward (note 13)

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 31/12/2008**	**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			
Reserve for own shares					
Other reserves:					
Extraordinary reserves	27.689.294	ABC	25.113.683		
Reserve for contribution on capital account	426.657	ABC	426.657		
Profits (loss) brought forward	-920.544	ABC	-920.544		
Other reserves	1.137.842	ABC	1.137.842		
			64.351.256	**0**	**0**
Portion not distributable					
Portion distributable			**64.351.256**		

Key: A) capital increase; B) to cover losses; C) for distribution to shareholders

It should be noted that the amount of the extraordinary reserve that is available is net of the treasury stock acquired by the company for an amount of 2.576 thousand Euros.

Non-current liabilities

Severance indemnity fund (note 14)

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

Balance 31/12/2007	Provision	Utilization	Other	Balance 31/12/2008
1.070.670	340.325	-54.862	-363.533	992.600

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

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.

After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity has matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited by the latter.

It should be recalled that the company uses the so-called “corridor method” in which the net cumulative value of the actuarial surplus and deficit is not registered until it exceeds in absolute terms 10% of the current value of the liabilities. On December 31st 2008 the net accumulated value of the actuarial profits not registered was equal to 49 thousand Euros. The present value of the liabilities as of December 31st 2008 was 914 thousand Euros..

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

Financial hypotheses	Year 2007	Year 2008
Annual implementation rate	4,85%	4,75%
Annual inflation rate	2,00%	2,50%
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 5% White collar workers 3,50% Blue collar workers 3,50%

The amount entered in the column “Other” of the chart showing the movements in the severance indemnity fund mostly represents the severance indemnity quotas paid to complementary pension forms and to the fund of the Treasury managed by INPS, in accordance with the choices made by the employees.

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 31/12/2007	Provision	(Utilization)	Other	Balance 31/12/2008
Deferred tax assets on stock devaluations	609.875	278.630			888.505
Deferred tax assets for provisions on guarantee products	84.780	21.980			106.760
Deferred tax assets on credit devaluation	59.200	151.250			210.450
Deferred tax assets on actualization of severance indemnity accruals	-23.119				-23.119
Other deferred tax assets	74.464	4.189	-15.052	-1	63.600
Total	805.200	456.049	-15.052	-1	1.246.196
Deferred tax liabilities on advanced amortizations	38.137	37.560	-789		74.908
Other deferred tax liabilities	174.412	24.328	-52.271		146.469
Total	212.549	61.888	-53.060	0	221.377
Net amount	592.651	394.161	38.008	-1	1.024.819

Deferred taxes assets amount to about 1.246 thousand Euros. Among the main variations which have occurred during this year, attention should be called to the increase in the deferred taxes assets calculated on the inventory devaluation and for accruals related to product guarantees and receivables.

Deferred taxes liabilities amount to 221 thousand euros. The use of the deferred tax fund is mainly due to the differences in the exchange rates that were not realized at the end of the year; the accruals are mostly due to the differences between the fiscal and civil values of on the warehouse stock and on the depreciations.

Other accruals (note 16)

The chart below shows the operations made with other accruals.

	Balance 31/12/2007	Provision	(Utilisation)	Other	Balance 31/12/2008
Reserve for pension costs and similar	13.165	23.891	-19.500		17.556
Others:					
Reserve for guarantee on the products	270.001	70.000			340.001
Reserve for risks and charges					
Other minor reserves	1.732.221	277.394		-53.943	1.955.672
Total other reserves	2.002.222	347.394	-	-53.943	2.295.673
Total	2.015.387	371.285	-19.500	-53.943	2.313.229

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 2007	Year 2008
Annual rate of implementation	4,50%	4,25%
Annual rate of inflation	2,00%	2,50%

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.

As far as the entry “Other minor reserves” is concerned, the amount shown in the column “Utilization” is related to the reversal of a part of the accrual made up until last year for the losses incurred by the subsidiary company Deka Sarl, in consideration of the positive results the company obtained in 2008.
The amount shown in the column headed “Provision” is related, for the amount of 267 thousand Euros to the accrual effected for the losses related to the subsidiary . Deka Lasertechnologie GmbH, as described above.

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, in 2007 the company, as a cautionary measure and with the support of its consultants, created an accrual under the heading of “Other minor funds” 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. At the time that this document was issued the situation was substantially unchanged.

Amounts owed and financial liabilities (note 17)

The chart below shows the breakdown of the amounts owed:

Financial m/l term debts	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to other financiers	268.199	311.363	-43.164	-13,86%
Total	268.199	311.363	-43.164	-13,86%

Among the non-current debts, there are amounts owed to other financers for amount not due within the year for facilitated financing MPS for applied research, reference TRL01, granted for an amount of 681.103 Euros at a fixed annual rate of' 2% , last instalment July 1st 2012.

Current liabilities

Financial debts (note 18)

A breakdown of the financial debts is given on the chart below:

Financial short term debts	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to other financiers	43.162	118.093	-74.931	-63,45%
Total	43.162	118.093	-74.931	-63,45%

The entry "amounts owed to other financiers" includes the short-term financings described in the note above.

The chart below represents a summary which also shows the due dates for payment of the capital amounts of the debt.

	Expiration	Rate	Balance	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Financing MPS TRL 01	01/07/2012	2,00%	311.361	43.162	268.199	
Total			311.361	43.162	268.199	0

The amount entered in the column "amount within 1 year" consists of the amount of the short term instalments related to the mid-term financing received.

Long term financial operations
During this financial year the following mid/long-term financial movements occurred. The balances include the short term capital amounts but do not include debts for interests.

	Balance 31/12/2007	Increase	Reimbursement	Other	Balance 31/12/2008
Financing IMI DIFF3	33.045		-33.045		
Financing MPS TRL 01	396.411		-85.050		311.361
Total	429.456	-	-118.095	-	311.361

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.

Amounts owed for supplies (note 19)

Trade debts:	31/12/2008	31/12/2007	Variation	Var. %
Amounts owed to suppliers	11.074.796	11.840.680	-765.884	-6,47%
Amounts owed to subsidiary companies	1.920.924	902.735	1.018.189	112,79%
Amounts owed to associated companies	552.717	25.333	527.384	2081,81%
Total	13.548.437	12.768.748	779.689	6,11%

For a detailed analysis of the trade payables to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

The chart below shows a detailed breakdown of the trade debts for 2008 to third parties divided according to the type of currency.

Account payables in:	**31/12/2008**
Euro	10.729.717
USD	260.069
Other currencies	85.010
Total	11.074.796

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2008.

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

The income tax debts matured on December 31st 2008 amounted to 1.677.529 Euros and are entered net of the down payments and deductions.

The breakdown of the other short term debts is the following:

	31/12/2008	**31/12/2007**	**Variation**	**Variation %**
Social security debts				
Debts owed to INPS	588.291	534.557	53.734	10,05%
Debts owed to INAIL	101.017	73.404	27.613	37,62%
Debts owed to other Social Security Institutions	48.640	43.864	4.776	10,89%
Total	737.948	651.825	86.123	13,21%
Other debts				
Debts owed to tax administration for VAT	1.754	870	884	101,61%
Debts owed to tax administration for deductions	422.794	396.483	26.311	6,64%
Owed to staff for wages and salaries	974.781	886.467	88.314	9,96%
Down payments	109.956	298.802	-188.846	-63,20%
Other debts	670.593	589.918	80.675	13,68%
Total	2.179.878	2.172.540	7.338	0,34%
Total Social security debts and other debts	2.917.826	2.824.365	93.461	3,31%

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 2008.
The entry "Down payments" represents down payments received from clients.

Analysis of debts according to due date

	31/12/2008			**31/12/2007**		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Amounts owed to other financiers	43.162	268.199		118.093	311.363	
Amounts owed to suppliers	11.074.796			11.840.680		
Amounts owed to subsidiary companies	1.926.904			902.735		
Amounts owed to associated companies	552.717			25.333		
Income taxes debts	1.677.529			580.945		
Amounts owed to social security institutions	737.948			651.825		
Other liabilities	2.173.898			2.172.540		
Total	18.186.954	268.199	0	16.292.151	311.363	0

COMMENTS ON THE MAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

Revenue (note 21)

The sales volume for this year was over 57 million Euros with an increase of approx. 24% over the same period last year.

	31/12/2008	31/12/2007	Variation	Var. %
Sales of industrial laser systems	12.060.134	8.414.435	3.645.699	43,33%
Sales of medical laser systems	38.528.577	31.585.709	6.942.868	21,98%
Consulting and research	-	-	0	0,00%
Service and sales of spare parts	6.664.214	6.132.631	531.583	8,67%
Total	57.252.925	46.132.775	11.120.150	24,10%

The 43% growth in the industrial sector which, with a sales volume of 12 million Euros contributes substantially to the growth and profits of the company, represents a source of a great satisfaction to the company. It should be pointed out that part of this result is due to an important order which kept the company occupied for the first nine months of the year, and will not be repeated in 2009.
In the medical sector growth is still considerable and showed a 22% increase in sales volume with respect to last year; the sales volume in the aesthetic sector, which offers highly sophisticated equipment, contributed considerably to this increase in sales volume and was able to take advantage the favourable market conditions that were present during the first months of the year.
As far as after-sales services are concerned, although the sales volume increased due to the growing number of installations now being serviced, it shows a slower growth rate with respect to the main sectors because it was penalized by the drop in the demand for certain consumables which had characterized the revenue for spare parts last year. This segment 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 revenues for research are entered into accounts under the heading of "Other revenue and income" for an amount of 447 thousand Euros for the money received as grants on research projects.

Subdivision of revenue by geographical area

	31/12/08	31/12/07	Variation	Var. %
Sales in Italy	27.219.408	24.149.474	3.069.934	12,71%
Sales other EC countries	12.352.259	12.183.369	168.890	1,39%
Sales outside EC	17.681.258	9.799.932	7.881.326	80,42%
Total	57.252.925	46.132.775	11.120.150	24,10%

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 extraordinary growth in exports outside of the EU is mainly due to the sales in the United States registered for the first nine months of the year, but also to the positive market trends in developing countries like Brazil and China.

Other revenue and income (note 22)

Analysis of the other income is as follows:

	31/12/2008	31/12/2007	Variation	Var. %
Recovery for accidents and insurance reimbursements	5.318	3.558	1.760	49,47%
Expense recovery	94.693	100.511	-5.818	-5,79%
Capital gains on disposal of fixed assets	39.615	111.175	-71.560	-64,37%
Other income	953.678	783.525	170.153	21,72%
Contribution on fiscal year account and on capital account		75	-75	-100,00%
Total	1.093.304	998.844	94.460	9,46%

In the entry "Other revenue and income", approx. 447 thousand Euros has been entered for grants received on research projects.

Costs for the purchase of goods (note 23)

The analysis is shown on the following table:

	31/12/2008	31/12/2007	Variation	Var. %
Purchase of raw materials and finished products	26.654.356	24.798.346	1.856.010	7,48%
Purchase of packaging	379.367	274.389	104.978	38,26%
Shipment of purchases	302.075	241.619	60.456	25,02%
Other purchase expenses	177.800	127.521	50.279	39,43%
Other purchases	116.057	74.425	41.632	55,94%
Total	27.629.655	25.516.300	2.113.355	8,28%

The increase in purchases is a direct consequence of the increase in the business volume which 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:

	31/12/2008	31/12/2007	Variation	Var. %
Direct services				
Expenses for work in progress at third parties'	4.930.773	3.484.437	1.446.336	41,51%
Technical services	534.901	197.964	336.937	170,20%
Shipment on sales	529.819	410.957	118.862	28,92%
Commissions	274.244	333.650	-59.406	-17,80%
Royalties	35.263	32.550	2.713	8,33%
Travel expenses	168.247	145.970	22.277	15,26%
Other direct services	315.136	483.178	-168.042	-34,78%
Total	*6.788.383*	*5.088.706*	*1.699.677*	*33,40%*
Operating services and charges				
Maintenance and technical assistance on equipments	137.937	113.223	24.714	21,83%
Services and commercial consulting	174.641	341.129	-166.488	-48,80%
Legal and administrative services	388.192	220.193	167.999	76,30%
Auditing charges	89.457	88.738	719	0,81%
Insurances	246.624	208.470	38.154	18,30%
Travel and overnight expenses	400.650	325.241	75.409	23,19%
Promotional and advertising expenses	614.765	621.408	-6.643	-1,07%
Building charges	588.540	487.566	100.974	20,71%

Other taxes	25.833	-40.525	66.358	-163,75%
Expenses for vehicles	147.818	135.536	12.282	9,06%
Office supplies	59.280	44.930	14.350	31,94%
Hardware and Software assistance	191.331	158.161	33.170	20,97%
Bank charges	53.983	37.782	16.201	42,88%
Rent	71.017	66.810	4.207	6,30%
Other operating services and charges	3.351.971	5.751.723	-2.399.752	-41,72%
Total	*6.542.039*	*8.560.385*	*-2.018.346*	*-23,58%*

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 573 thousand Euros and by the costs for technical and scientific consultations, studies and research for an amount of approx 787 thousand Euros. It should be recalled that in 2007 the entry "Other operating services and charges" included the losses on receivables registered after the bankruptcy of CL Tech (ex-Lasercut Inc.) for a total amount of 2.897 thousand Euros.

For the activities and the costs related to Research and Development, please refer to the management report

Future obligations for use of goods belonging to third parties

The chart below shows a summary of the obligations that the company will have for use of goods belonging to others, listed by the expiration date.

Operating lease commitments:	**31/12/2008**
Within one year	193.220
After 1 year but not more than 5 years	320.205
More than five years	8.785
Total	**522.210**

Personnel costs (note 25)

The chart below shows the costs for staff.

For staff costs	**31/12/2008**	**31/12/2007**	**Variation**	**Var. %**
Wages and salaries	6.308.692	5.420.192	888.500	16,39%
Social security costs	1.993.955	1.702.313	291.642	17,13%
Accruals for severance indemnity	297.402	192.870	104.532	54,20%
Stock options	80.810	190.325	-109.515	-57,54%
Total	8.680.859	7.505.700	1.175.159	15,66%

Depreciations, amortizations and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	**31/12/2008**	**31/12/2007**	**Variation**	**Var. %**
Amortization of intangible assets	15.795	20.902	-5.107	-24,43%
Depreciation of tangible assets	740.841	641.566	99.275	15,47%
Accrual for risk on receivables	681.942	72.155	609.787	845,11%
Other accruals for risks and charges	80.400	76.000	4.400	5,79%
Total	1.518.978	810.623	708.355	87,38%

Accruals have been made in the fund for devaluation of receivables for some credits which seem unlikely to be cashed in.

Financial incomes and charges (note 27)

The breakdown of the category is as follows:

	31/12/2008	31/12/2007	Variation	Var.%
Financial incomes:				
Interests from banks	625.989	273.150	352.839	129,17%
Dividends	175.000	234.000	-59.000	-25,21%
Interests from subsidiary company	129.488	79.377	50.111	63,13%
Interests from associated company	4.874	3.866	1.008	26,07%
Foreign exchange gain	1.131.673	340.331	791.342	232,52%
Other financial incomes	57.380	13.908	43.472	312,57%
Total	2.124.404	944.632	1.179.772	124,89%
Financial charges:				
Interest on bank debts for account overdraft	-61.944	-8.939	-53.005	592,96%
Interest on bank debts for medium and long - term loans	-8.116	-12.193	4.077	-33,44%
Foreign exchange loss	-458.397	-1.167.608	709.211	-60,74%
other financial charges	-43.953	-46.044	2.091	-4,54%
Total	-572.410	-1.234.784	662.374	-53,64%

During this financial year, we have entered dividends for 175 thousand Euros distributed by the subsidiary Deka M.E.L.A. Srl., among the “Dividends”.

The category of “Other financial charges” includes 43 thousand Euros for the interest derived from the application of the IAS 19 accounting principle to the severance indemnity.

Other net income and charges (note 28)

	31/12/2008	31/12/2007	Variation	Var. %
Other charges				
Loss on equity investments		-124.376	124.376	-100,00%
Accrual for losses in group companies	-213.051	-1.142.110	929.059	-81,35%
Devaluation of equity investments	-494.155	-67.623	-426.532	630,75%
Total	**-707.206**	**-1.334.109**	**626.903**	**-46,99%**
Other income				
Use of fund on loss account from subsidiary companies		2.765.836	-2.765.836	-100,00%
Profit on equity investments		18.199.563	-18.199.563	-100,00%
Total		**20.965.399**	**-20.965.399**	**-100,00%**

With reference to the subsidiary Deka Lasertechnologie GmbH, an indirect devaluation was made with accrual in the fund for losses by subsidiary companies for a total amount of 267 thousand Euros, shown in the category “Accrual for losses in group companies”. The total amount also includes the release of part of the fund, for an amount of 54 thousand Euros, accrued for losses by the subsidiary Deka Sarl, considering the positive results obtained by this company during the year.

Devaluations were also made on the equities in the subsidiary Cutlite do Brasil for 403 thousand Euros, in the associated company Elesta Srl for 31 thousand Euros and in the associated company SBI SA for 60 thousand Euros on account of the losses incurred this year. These amounts have been entered under the heading of “Devaluation of equity investments”.

In relation to the entry “Other net income” the amount entered last year under the heading of “Use of funds for losses in equity investments” included the reversal of funds accrued in preceding years for the subsidiary Lasercut Inc., which were no longer necessary after the declaration of bankruptcy of the company in December 2007.

The entry “Profits on equity investments” included in 2007 the capital gains registered after the sale of the shares of the subsidiary Cynosure at the end of the year.

Income taxes (note 29)

Description:	31/12/2008	31/12/2007	Variation	Var. %
IRES	3.600.538	2.190.622	1.409.916	64,36%
IRAP	692.359	503.448	188.911	37,52%
IRES Deferred (Advanced)	-396.432	-267.126	-129.306	48,41%
IRAP Deferred (Advanced)	-35.737	-41.127	5.390	-13,11%
Receivable for income tax		-201.551	201.551	-100,00%
Taxes related to the previous years	-35.841	-6.523	-29.318	449,46%
Total income taxes	3.824.887	2.177.743	1.647.144	75,64%

The fiscal costs related to this financial year amounted to 3.825 thousand Euros as opposed to 2.178 thousand Euros for last year and also increased in terms of the tax rate which rose from 9,62% to 35,24%. It should be recalled that the tax load for last year benefited in particular from the partial exemption "PEX" to which the capital gains from the sale of Cynosure stock were subject.

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

	2008	2007
Profit/loss before taxes	10.854.646	22.642.938
Theoretical IRES Aliquot	27,50%	33%
Theoretical IRES	2.985.028	7.472.170
Higher (lower) fiscal incidence with respect to the theoretical aliquot	219.078	(5.548.674)
Actual IRES	3.204.106	1.923.496
Actual IRES aliquot	30%	8%

The breakdown of the composition of deferred tax assets and liabilities is shown in the note above (15). The heading "Income taxes" includes the balance related to this financial year.

Dividends distributed (note 30)

The shareholders' meeting 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 shareholders' meeting held on May 15th 2008 voted to distribute a dividend for the amount of 1,1 Euro for each share in circulation on the due date for payment. The total amount paid as dividend was 5.193.342 Euros.

The dividend proposed by the Board of Directors, subject to the approval of the shareholders' meeting which will approve the report for 2008 is 0,30 Euros for each share, in conformity with art. 2357-ter c.c.

Non-recurring significant events and operations (note 31)

During 2008 no significant non-recurring operations were made.

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.

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 executives 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 Lasertechnologie 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			4.318	
Asclepion Laser Technologies GmbH	500		799	
Deka MELA Srl			4.298	
Cutlite Penta Srl			3.354	
Deka Sarl			2.021	
Deka Lasertechnologie GmbH		385	1.775	
Deka Laser Technologies LLC		133	454	
Lasit SpA	1.130		463	
Ot-Las Srl			640	
Quanta System SpA	1.150		89	
AQL Srl			2	
ASA Srl			290	
Lasercut Technologies Inc.	48		234	
Cutlite do Brasil Ltda			114	
Wuhan Penta-Chutian Ltd			1.202	
Raylife Srl	750		28	
Total	**3.578**	**518**	**20.081**	

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			117	
Actis Srl		100	8	
Immobiliare Del.Co. Srl	14			
Elesta Srl	255		176	
Total	**269**	**100**	**300**	

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Cynosure			35	
Asclepion Laser Technologies GmbH			401	
Deka MELA Srl			18	
Cutlite Penta Srl			4	
Deka Sarl			64	
Deka Lasertechnologie GmbH			8	
Lasit SpA			1.128	
Ot-Las Srl			72	
Quanta System SpA			196	
Total			**1.927**	

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Elesta Srl			477	
Actis Srl			66	
SBI SA			10	
Total			**553**	

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Cynosure	21	1		22
Deka MELA Srl	92	10		102
Cutlite Penta Srl	12	18		30
Deka Sarl	14	22		36
Deka Lasertechnologie GmbH	220	18		238
Lasit SpA	151	186	1	338
Ot-Las Srl	30	165		195
Quanta System SpA	807	12		819
Asclepion Laser Technolohies GmbH	691	29		721
With Us Co Ltd		19		19
Wuhan-Penta Chutian Ltd		110		110
Total	2.039	591	1	2.630

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl	45	45		90
SBI S.A.	10			10
Elesta Srl		210		210
Total	**55**	**255**		**310**

Subsidiary companies:	Sales	Services	Total
Cynosure	10.740	12	10.752
Deka MELA Srl	16.100	639	16.739
Cutlite Penta Srl	2.151	374	2.525
Deka Sarl	1.160	28	1.188
Deka Lasertechnologie GmbH	265	8	272
Lasit SpA	130		130
Ot-Las Srl	810	86	896
Deka Laser Technologies LLC	2.062		2.062
Asclepion Laser Technologies GmbH	1.140	124	1.264
Quanta System SpA	134	1	135
ASA Srl	881	2	883
Wuhan Penta-Chutian Ltd	1.100	1	1.100
Cutlite do Brasil Ltda	134		134
Grupo Laser Idoseme SL	1		1
Raylife Srl	2	16	18
Lasercut Technologies Inc.	29	24	54
Total	**36.839**	**1.315**	**38.154**

Associated companies:	Sales	Service	Total
SBI S.A.	134		134
Elesta Srl	328		328
Total	462	-	462

Subsidiary companies:	Other revenues
Cynosure	6
Deka MELA Srl	125
Cutlite Penta Srl	86
Deka Lasertechnologie GmbH	3
Lasit SpA	95
Ot-Las Srl	2
Deka Laser Technologies LLC	112
Asclepion Laser Technologies GmbH	4
ASA Srl	3
Wuhan Penta-Chutian Ltd	4
Raylife srl	1
Lasercut Technologies Inc.	2
Total	**445**

Associated companies:	Other revenues
Elesta Srl	1
Actis Srl	2
Total	3

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. 129 thousand Euros in interest earned on the financing granted to subsidiary companies, as well as 5 thousand Euros in interest 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		81.641	6.500
Barbara Bazzocchi	Executive Director	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		29.639	6.500
Andrea Cangioli	Executive Director	Until the date of the assembly for the approval of the financials for 31.12.08	90.000		40.821	6.500
Michele Legnaioli	Director	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Paolo Blasi	Director	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Angelo Ercole Ferrario	Director	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Alberto Pecci	Director	Until the date of the assembly for the approval of the financials for 31.12.08	12.000			
Stefano Modi	Director	Until the date of the meeting for the approval of the financials for 31.12.08	12.000		29.317	
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	26.036			
Giovanni Pacini	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	18.002			
Paolo Caselli	Statutory Auditor	Until the date of the assembly for the approval of the financials for 31.12.09	18.000			

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, voted by the shareholders' meeting on May 15th 2008, which, while approving the remuneration for the Board of Directors, established that the maximum amount for incentive bonus should be 250 thousand Euros.
Board member Stefano Modi during 2008, as an employee of the company, received a salary of approx. 109 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 90.000 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 28.057 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 24.589 Euros; Manfredi Bufalini as actual Auditor of Quanta System SpA received from this company a salary of 7.306 Euros.

Prof. Leonardo Masotti, President of the Scientific Committee received the set sum of 7.600 Euros besides an incentive remuneration of 26.363 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) Mr. Carlo Raffini, to whom El.En. SpA has assigned a series of professional tasks, received an annual salary of 42.777 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 incidence that the transactions with related parties had on the economic and financial situation of the company.

Impact of related party transactions	**Total**	**Amount**	**%**
a) Impact of related party transactions on the balance sheet			
Equity investments	18.207.098		0,00%
Accounts receivables	25.418.912	20.381.109	80,18%
Other receivables	4.517.267	3.847.284	85,17%
Non current financial liabilities	268.199		0,00%
Current financial liabilities	43.162		0,00%
Accounts payables	13.548.437	2.473.641	18,26%
Other payables	2.917.826	5.980	0,20%
b) Impact of related party transactions on the profit and loss			
Revenues	57.252.925	38.615.359	67,45%
Other revenues and income	1.093.304	448.453	41,02%
Purchases of raw materials	27.629.655	2.093.284	7,58%
Other direct services	6.788.383	365.735	5,39%
Other operating services and charges	6.542.039	480.551	7,35%
Financial charges	-572.410		0,00%
Financial income	2.124.404	134.362	6,32%

Risk factors and Procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Company, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality, which is also certified, of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the Company.

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 risks of oscillations in the exchange rate of the currencies in which some of the commercial and financial transactions are expressed. These risks are monitored by the management which takes all the necessary measures to reduce this type of risks.

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.
The devaluation fund which is accrued at the end of the year represent about 16% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in note (6) of the Financial Statement.

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies. For these financings no devaluation has been necessary.

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 net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

As shown in the debt chart divided by the due dates which is shown above, the fluctuations in the interest rate would not produce significant effects in the results of the Company.

Management of the capital

The 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
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Financial assets				
Financial mid and long term receivables	617.572	610.312	617.572	610.312
Financial receivables within 12 months	3.847.284	778.647	3.847.284	778.647
Cash and cash equivalents	11.535.737	25.072.457	11.535.737	25.072.457
Financial liabilities				
Financial mid and long term debts	268.199	311.363	268.199	311.363
Financial liabilities due within 12 months	43.162	118.093	43.162	118.093

Other information

Salaries to administrators and auditors

	31/12/2008	31/12/2007	Variation	Var.%
Salaries to Administrators	511.418	507.368	4.050	0,80%
Salaries to Auditors	62.038	56.865	5.173	9,10%
Total	573.456	564.233	9.223	1,63%

Average number of employees divided by category

	Average 2008	31/12/2008	Average 2007	31/12/2007	Variation	Var. %
Executives	12,0	12	9,5	12	0	0,00%
Management	6,0	8	5,0	4	4	100,00%
White collar	88,0	89	84,5	87	2	2,30%
Blue collar	66,0	74	55,5	58	16	27,59%
Total	172,0	183	154,5	161	22	13,66%

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 2008.

We also declare that the individualfinancial statement dated December 31st 2008:

- 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.
- The management report contains a reliable analysis of the trends and the results of the management as well as the situation of the issuing company, together with a description of the main risks and uncertainties to which it is exposed.

Calenzano, March 31st 2009

Managing Director	Executive in charge of the company financial reports
Ing. Andrea Cangioli	Dott. Enrico Romagnoli