

# El.En. Group

## COMMENTS OF THE MANAGEMENT ON THE CONSOLIDATED DATA FOR THE QUARTER ENDING DECEMBER 31<sup>st</sup> 2008

(Approved by the Board of Directors of the Company on February 13<sup>th</sup> 2009)

### Report for the quarter ending on December 31<sup>st</sup> 2008

#### Introduction

This report for the quarter ending December 31<sup>st</sup> 2008 on the consolidated economic and financial data of El.En. SpA was drawn up in compliance with Art. 82 of the CONSOB regulations adopted after vote no. 11971 and later modifications. The task of examining the data and the information provided in this report has not been assigned to an auditing firm, because, as of this writing, it is not compulsory.

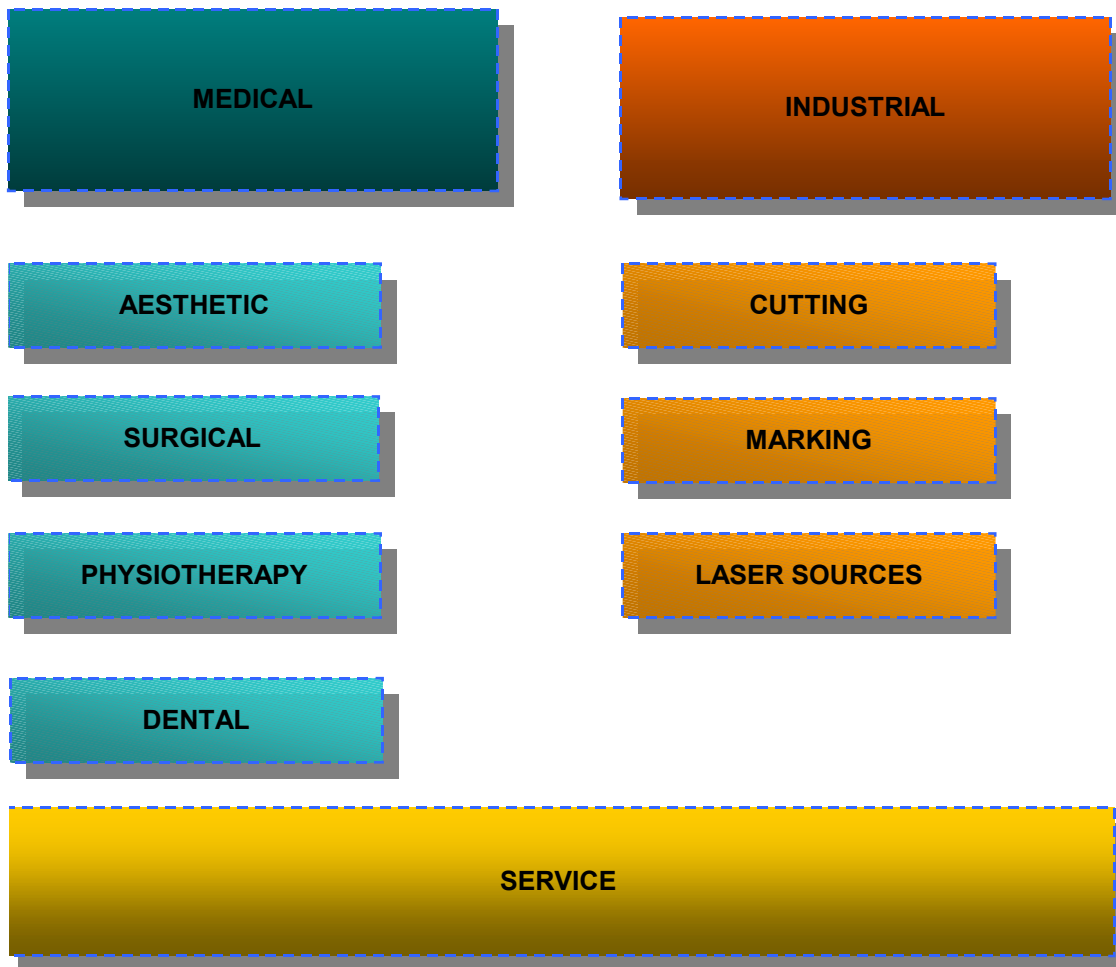
The information which is shown below was drawn up in conformity with the international accounting principles, IAS/IFRS, which have been obligatory since 2005 for drawing up the consolidated statements of companies which are listed on the regulated stock markets.

The results for the quarter ending December 31<sup>st</sup> 2008 are shown in comparative form with the corresponding data for the same quarter last year. All of the amounts are expressed in thousands of Euros unless otherwise stated.

El.En. SpA controls a group of companies which operate in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years through the founding of new companies and the acquisition of the control of others. Each company has a specific role within the Group which depends on the geographical location of its market, its technological specialty, and its particular position in the merchandise market served by the Group.

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

This vast variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximize the quota held by the Group and the benefits derived from the involvement of management personnel as minority shareholders, is the essence of the complex structure of the Group; however, this complexity remains substantially based on the simple division of the activities into specific categories which have been defined not only for reporting purposes but, above all, as the basis for a strategic policy, as follows:



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

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

## **Significant events which occurred during this quarter**

On the 21<sup>st</sup> of October El.En. SpA participated in the founding of the Concept Laser Solutions GmbH company, underwriting a quota of 19% of the capital stock. This German company will be involved in the distribution of industrial laser sources in Germany and central Europe.

On the 24<sup>th</sup> of December, the subsidiary Quanta System SpA cancelled the contract for the purchase of a 51% quota of Grupo Laser Idoseme SL, and concluded the contract limited to a quota of only 10%; they later paid an increase in capital which brought the amount of their equity in the company to 30%. They also obtained an option for the repurchase of the majority share of GLI, starting in 2012.

At the time of purchase, 51% of the company had an estimated worth of about 3,8 million, of which 765 thousand Euros paid upon closing and the remaining 3 million to be paid in instalments which were subject to earn-out clauses. When the contract was cancelled, the deposit was considered as a 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 the recapitalization of the company for an 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 through conversion of receivables) and 500 thousand Euros from the other partners through conversion of receivables. On the basis of this new agreement, the quota of 30% held by Quanta System has been evaluated at 1,7 million Euros.

In mid-2012 Quanta System will be able to exercise their option for the purchase of 21% of the company, at a price to be determined between one and 1,5 million Euros, depending on the performance of GLI during the years 2010 and 2011.

On the 29<sup>th</sup> of December, the subsidiary Quanta System SpA founded the Quanta France Sarl company, by underwriting a quota of 18% of the capital stock. This new company will be involved in the distribution of Quanta System's range of medical and aesthetic systems in French territory.

## Economic and financial results of the Group

The financial year 2008 ends on a positive note, having reached the objectives of sales volume and profits that had been set, notwithstanding the presence of market conditions which continued to deteriorate as the year progressed, and in particular during the last 3 months of the year.

The management is therefore able to present a statement showing a growth of 15% in the consolidated revenue on an annual basis, and a growth of 26% considering the sub-consolidated which excludes the American subsidiary Cynosure Inc.

As far as the fourth quarter is concerned, the Group showed a consolidated sales volume which was unchanged with respect to 2007, while for the sub-consolidated without Cynosure, a significant growth rate of 23% was registered.

The EBIT of the sub-consolidated without Cynosure grew almost 50% and reached the amount that had been forecast; the consolidated EBIT on the other hand felt the impact of the sharp drop in revenue and the losses shown by Cynosure during the fourth quarter and therefore remained substantially unchanged with respect to last year.

During the first months of the year the activities of the Group had not yet felt the effects of the global economic and financial crisis and, with the exception of a few difficult situations, in particular on the Spanish market, they had succeeded in maintaining growth rates in sales volume and profit which were considerably higher than those of their main competitors and which actually were showing decreases in sales and were losing portions of the market to our Group.

This positive trend is primarily due to the range of products that the Group offers on the various markets, and to the attractiveness of their innovative features which, particularly in the medical-aesthetic sector, offers the client the opportunity to make a profitable investment. In the industrial sector, the solid and innovative range of our products has met with particular success and has made it possible to obtain the major orders which allowed for the excellent performance in 2008.

As the financial crisis and the credit crunch became more acute, our technological proposals for the medical-aesthetic sector have had to face a double challenge: a decreased desire on the part of the end-user to receive aesthetic treatments has reduced the potential market for our clients, but, above all, even those that are willing to face the period of crisis by buying new instruments that distinguish their offer, are unable to find the financing necessary for the purchase of our equipment.

The decrease in demand as an effect of the phenomenon described above has been particularly acute in those countries where credit and the economic situation were in particular expansion, like the United States of America and, earlier, Spain. Other markets, which were less lively and less subject to the volatility of the financial markets, as in the case of Germany and Italy, have shown more stability.

The accelerated growth rate registered in 2008, the innovative characteristics of our range of products, the stable financial position, the vast diversification of the products and geographical markets of the Group, all represent characteristics which allow us to feel confident in the mid-term development of our activity, for which the year 2009 presents a picture that is completely different from that which we will now comment for 2008, since it will be a situation of shrinking demand as a result of the crisis.

Now, at the end of 2008, with 165 million in sales volume for medical systems, the Group is the leader in the market for medical and aesthetic lasers. With 140 million in sales volume, 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 is of a size equivalent to that of Cynosure.

Even more important is the leadership which the El.En. Group reached in 2008 in terms of profit, and the fact that they were able to beat the competition, or at least those that are quoted on the stock market and for which the results are published.

Considering the importance that the subsidiary Cynosure has on the consolidated results and the substantial quota held in the company by third parties, (the controlling share held by El.En. Spa in fact, as of December 31<sup>st</sup> 2008 was 23,08%), we will complete this report by showing the results of the Group excluding Cynosure from the area of consolidation as well as the consolidated data for the Group.

The chart below shows the results of the Profit and Loss Account for the fourth quarter 2008 displayed in comparative form with those for the same quarter last year.

<b>Profit and loss account - 3 months</b>	<b>31/12/08</b>	<b>Inc.%</b>	<b>31/12/07</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	56.465	100,0%	56.705	100,0%	-0,4%
Change in inventory of finished goods and WIP	(373)	-0,7%	(1.143)	-2,0%	-67,3%
Other revenues and income	817	1,4%	761	1,3%	7,3%
<b>Value of production</b>	<b>56.908</b>	<b>100,8%</b>	<b>56.322</b>	<b>99,3%</b>	<b>1,0%</b>
Purchase of raw materials	20.065	35,5%	19.527	34,4%	2,8%
Change in inventory of raw material	(1.543)	-2,7%	(549)	-1,0%	181,1%
Other direct services	5.417	9,6%	6.181	10,9%	-12,4%
<b>Gross margin</b>	<b>32.970</b>	<b>58,4%</b>	<b>31.164</b>	<b>55,0%</b>	<b>5,8%</b>
Other operating services and charges	16.884	29,9%	10.511	18,5%	60,6%
<b>Added value</b>	<b>16.085</b>	<b>28,5%</b>	<b>20.653</b>	<b>36,4%</b>	<b>-22,1%</b>
For staff costs	12.259	21,7%	11.400	20,1%	7,5%
<b>EBITDA</b>	<b>3.827</b>	<b>6,8%</b>	<b>9.253</b>	<b>16,3%</b>	<b>-58,6%</b>
Depreciation, amortization and other accruals	2.567	4,5%	1.452	2,6%	76,8%
<b>EBIT</b>	<b>1.260</b>	<b>2,2%</b>	<b>7.801</b>	<b>13,8%</b>	<b>-83,8%</b>
Net financial income (charges)	80	0,1%	(110)	-0,2%	
Share of profit of associated companies	29	0,1%	(14)	-0,0%	
Other Income (expense) net	395	0,7%	14.868	26,2%	-97,3%
<b>Income before taxes</b>	<b>1.764</b>	<b>3,1%</b>	<b>22.545</b>	<b>39,8%</b>	<b>-92,2%</b>

The chart below shows the Profit and Loss Account for 2008, shown in comparative form with the results for last year.

<b>Profit and loss account</b>	<b>31/12/08</b>	<b>Inc.%</b>	<b>31/12/07</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	221.514	100,0%	193.437	100,0%	14,5%
Change in inventory of finished goods and WIP	4.216	1,9%	6.726	3,5%	-37,3%
Other revenues and income	1.822	0,8%	1.923	1,0%	-5,3%
<b>Value of production</b>	<b>227.553</b>	<b>102,7%</b>	<b>202.086</b>	<b>104,5%</b>	<b>12,6%</b>
Purchase of raw materials	85.409	38,6%	76.847	39,7%	11,1%
Change in inventory of raw material	(6.620)	-3,0%	(3.052)	-1,6%	116,9%
Other direct services	22.858	10,3%	20.140	10,4%	13,5%
<b>Gross margin</b>	<b>125.905</b>	<b>56,8%</b>	<b>108.150</b>	<b>55,9%</b>	<b>16,4%</b>
Other operating services and charges	51.959	23,5%	38.613	20,0%	34,6%
<b>Added value</b>	<b>73.946</b>	<b>33,4%</b>	<b>69.537</b>	<b>35,9%</b>	<b>6,3%</b>
For staff costs	46.156	20,8%	43.200	22,3%	6,8%
<b>EBITDA</b>	<b>27.790</b>	<b>12,5%</b>	<b>26.338</b>	<b>13,6%</b>	<b>5,5%</b>
Depreciation, amortization and other accruals	6.982	3,2%	5.036	2,6%	38,6%
<b>EBIT</b>	<b>20.808</b>	<b>9,4%</b>	<b>21.301</b>	<b>11,0%</b>	<b>-2,3%</b>
Net financial income (charges)	1.644	0,7%	703	0,4%	133,8%
Share of profit of associated companies	(93)	-0,0%	(55)	-0,0%	68,5%
Other net income (expense)	167	0,1%	13.449	7,0%	-98,8%
<b>Income before taxes</b>	<b>22.527</b>	<b>10,2%</b>	<b>35.399</b>	<b>18,3%</b>	<b>-36,4%</b>

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

<b>Net financial position</b>	<b>31/12/2008</b>	<b>30/09/2008</b>	<b>31/12/2007</b>
Cash and bank	59.114	57.796	61.512
Financial instruments held for sale	18.044	15.493	32.044
<b>Cash and cash equivalents</b>	<b>77.158</b>	<b>73.289</b>	<b>93.556</b>
<b>Short term financial receivables</b>	<b>42</b>	<b>28</b>	<b>0</b>
Bank short term loan	(4.461)	(10.947)	(2.127)
Part of financial long term liabilities due within 12 months	(1.066)	(3.964)	(679)
<b>Financial short term liabilities</b>	<b>(5.527)</b>	<b>(14.912)</b>	<b>(2.807)</b>
<b>Net current financial position</b>	<b>71.673</b>	<b>58.405</b>	<b>90.749</b>
Bank long term loan	(1.920)	(2.001)	(1.530)
Other long term financial liabilities	(1.835)	(2.276)	(1.911)
<b>Financial long term liabilities</b>	<b>(3.755)</b>	<b>(4.277)</b>	<b>(3.441)</b>
<b>Net financial position</b>	<b>67.918</b>	<b>54.128</b>	<b>87.308</b>

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

<b>Profit and loss account - 3 months</b>	<b>31/12/08</b>	<b>Inc.%</b>	<b>31/12/07</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	41.299	100,0%	33.491	100,0%	23,3%
Change in inventory of finished goods and WIP	(1.764)	-4,3%	(241)	-0,7%	630,7%
Other revenues and income	725	1,8%	653	1,9%	11,1%
<b>Value of production</b>	<b>40.260</b>	<b>97,5%</b>	<b>33.902</b>	<b>101,2%</b>	<b>18,8%</b>
Purchase of raw materials	15.563	37,7%	15.994	47,8%	-2,7%
Change in inventory of raw material	(1.479)	-3,6%	(644)	-1,9%	129,6%
Other direct services	3.693	8,9%	3.034	9,1%	21,7%
<b>Gross margin</b>	<b>22.482</b>	<b>54,4%</b>	<b>15.518</b>	<b>46,3%</b>	<b>44,9%</b>
Other operating services and charges	8.443	20,4%	5.067	15,1%	66,6%
<b>Added value</b>	<b>14.039</b>	<b>34,0%</b>	<b>10.451</b>	<b>31,2%</b>	<b>34,3%</b>
For staff costs	7.416	18,0%	6.074	18,1%	22,1%
<b>EBITDA</b>	<b>6.623</b>	<b>16,0%</b>	<b>4.377</b>	<b>13,1%</b>	<b>51,3%</b>
Depreciation, amortization and other accruals	1.047	2,5%	767	2,3%	36,5%
<b>EBIT</b>	<b>5.577</b>	<b>13,5%</b>	<b>3.610</b>	<b>10,8%</b>	<b>54,5%</b>
Net financial income (charges)	(417)	-1,0%	207	0,6%	
Share of profit of associated companies	29	0,1%	(14)	0,0%	
Other Income (expense) net	390	0,9%	18.201	54,3%	-97,9%
<b>Income before taxes</b>	<b>5.579</b>	<b>13,5%</b>	<b>22.004</b>	<b>65,7%</b>	<b>-74,6%</b>

<b>Profit and loss account</b>	<b>31/12/08</b>	<b>Inc.%</b>	<b>31/12/07</b>	<b>Inc.%</b>	<b>Var.%</b>
Revenues	139.832	100,0%	110.347	100,0%	26,7%
Change in inventory of finished goods and WIP	2.058	1,5%	3.543	3,2%	-41,9%
Other revenues and income	1.384	1,0%	1.536	1,4%	-9,9%
<b>Value of production</b>	<b>143.275</b>	<b>102,5%</b>	<b>115.427</b>	<b>104,6%</b>	<b>24,1%</b>
Purchase of raw materials	65.378	46,8%	56.038	50,8%	16,7%
Change in inventory of raw material	(5.067)	-3,6%	(3.377)	-3,1%	50,1%
Other direct services	13.599	9,7%	10.681	9,7%	27,3%
<b>Gross margin</b>	<b>69.365</b>	<b>49,6%</b>	<b>52.085</b>	<b>47,2%</b>	<b>33,2%</b>
Other operating services and charges	25.590	18,3%	18.154	16,5%	41,0%
<b>Added value</b>	<b>43.774</b>	<b>31,3%</b>	<b>33.930</b>	<b>30,7%</b>	<b>29,0%</b>
For staff costs	26.298	18,8%	21.647	19,6%	21,5%
<b>EBITDA</b>	<b>17.477</b>	<b>12,5%</b>	<b>12.284</b>	<b>11,1%</b>	<b>42,3%</b>
Depreciation, amortization and other accruals	3.384	2,4%	2.722	2,5%	24,3%
<b>EBIT</b>	<b>14.093</b>	<b>10,1%</b>	<b>9.561</b>	<b>8,7%</b>	<b>47,4%</b>
Net financial income (charges)	(161)	-0,1%	(319)	-0,3%	-49,4%
Share of profit of associated companies	(93)	-0,1%	(55)	0,0%	68,5%
Other net income (expense)	385	0,3%	18.075	16,4%	-97,9%
<b>Income before taxes</b>	<b>14.224</b>	<b>10,2%</b>	<b>27.263</b>	<b>24,7%</b>	<b>-47,8%</b>

<b>Net financial position</b>	<b>31/12/2008</b>	<b>30/09/2008</b>	<b>31/12/2007</b>
Cash and bank	23.617	22.325	35.012
Financial instruments held for sale	0	0	58
<b>Cash and cash equivalents</b>	<b>23.617</b>	<b>22.325</b>	<b>35.070</b>
<b>Short term financial receivables</b>	<b>42</b>	<b>28</b>	<b>0</b>
Bank short term loan	(4.453)	(10.942)	(2.116)
Part of financial long term liabilities due within 12 months	(788)	(3.674)	(361)
<b>Financial short term liabilities</b>	<b>(5.241)</b>	<b>(14.616)</b>	<b>(2.478)</b>
<b>Net current financial position</b>	<b>18.418</b>	<b>7.737</b>	<b>32.592</b>
Bank long term loan	(1.920)	(2.001)	(1.530)
Other long term financial liabilities	(1.522)	(1.928)	(1.372)
<b>Financial long term liabilities</b>	<b>(3.442)</b>	<b>(3.929)</b>	<b>(2.902)</b>
<b>Net financial position</b>	<b>14.976</b>	<b>3.808</b>	<b>29.690</b>



## Comments on the management results

As mentioned in the introduction to this report, the growth of the consolidated sales volume is 14,5%; although this is less than the result registered for the first nine months of the year, it is still higher than that obtained by our chief competitors and therefore, considering the present economic conditions, it represents a remarkable result.

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

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Industrial systems and lasers	28.180	12,72%	22.798	11,79%	23,61%
Medical and aesthetic lasers	164.568	74,29%	145.597	75,27%	13,03%
Service	28.766	12,99%	25.042	12,95%	14,87%
<b>Total</b>	<b>221.514</b>	<b>100,00%</b>	<b>193.437</b>	<b>100,00%</b>	<b>14,52%</b>

The industrial sector again shows the most rapid growth, an excellent +23,6%, which represents the result of a series of investments both in product research and in the internationalization of the activities which brings the sales volume for systems up to almost 30 million.

With a sales volume of over 164 million Euros as of December 31<sup>st</sup> 2008, the Group is confirmed as the most significant presence at a global level in the sector of medical and aesthetic lasers, and its two-figure growth in 2008 meant an increase in share of the market. The management of the Group is making an extreme effort and working with great determination in every aspect and activity that determines the success of our business (research and development, marketing, organization of the sales network, financial and organizational coordination of the various entities which form the Group) to maintain and re-enforce this position.

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

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

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Italy	31.337	14,15%	30.534	15,78%	2,63%
Europe	68.015	30,70%	56.245	29,08%	20,93%
Rest of the world	122.162	55,15%	106.657	55,14%	14,54%
<b>Total</b>	<b>221.514</b>	<b>100,00%</b>	<b>193.437</b>	<b>100,00%</b>	<b>14,52%</b>

As expected, at the end of 2008 the Group has increased its international presence and has shown growth in all market areas, though to a greater extent abroad than in Italy.

The chart below shows the sales, divided according to the various segments, for the medical/aesthetic sector which represents almost 74% of the sales of the Group.

	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%
<b>Total</b>	<b>164.568</b>	<b>100,00%</b>	<b>145.597</b>	<b>100,00%</b>	<b>13,03%</b>

During 2008 there was a revival of the use of CO<sub>2</sub> laser systems for aesthetic applications, thanks to the combination of traditional CO<sub>2</sub> technology with a ray deflection system, the scanner used for the so-called “Dot Therapy”; the sales volume for this application is registered in the “CO<sub>2</sub>” segment and in “Accessories” which show three-figure growth rates. At the end of the year, along with DEKA’s Smartxide system, for this application we also produced the Affirm CO<sub>2</sub> system which was introduced on the American market by Cynosure.

Growth in the other segments was also good; aesthetics in particular is still the main segment and registered a growth rate of almost 10%, and also the therapy segment, where the activity of ASA, the Group company which celebrated 25 years of operations in November, is increasingly important. The only sector which did not show any growth was the dental sector, mostly due to the drop in sales in the United States.

In the sector of industrial applications, the chart below shows the sales volume according to the different 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%
<b>Total</b>	<b>28.180</b>	<b>100,00%</b>	<b>22.798</b>	<b>100,00%</b>	<b>23,61%</b>

Important new orders and repeat orders for integrating laser systems for manufacturing were characteristic of this period and produced a growth in the laser sources segment of 75%. This figure represents a source of great satisfaction for a technology which has been promoted by El.En. since the foundation of the company.

The cutting sector showed good results thanks, among other things, to the stabilisation of the activities in China; a decrease was registered in the marking sector, and the trend in the restoration sector was good although sales volume is hardly significant.

The tables below show the composition of the sales volume of the sub-consolidated which excludes Cynosure; the break-down chart for the industrial sector, in which Cynosure does not operate, is not shown.

	31/12/2008	Inc%	31/12/2007	Inc%	Var%
Industrial systems and lasers	28.180	20,15%	22.798	20,66%	23,61%
Medical and aesthetic lasers	93.809	67,09%	71.806	65,07%	30,64%
Service	17.843	12,76%	15.744	14,27%	13,33%
<b>Total</b>	<b>139.832</b>	<b>100,00%</b>	<b>110.347</b>	<b>100,00%</b>	<b>26,72%</b>

	<b>31/12/2008</b>	<b>Inc%</b>	<b>31/12/2007</b>	<b>Inc%</b>	<b>Var%</b>
Italy	30.996	22,17%	30.192	27,36%	2,66%
Europe	52.115	37,27%	39.183	35,51%	33,00%
Rest of the world	56.721	40,56%	40.972	37,13%	38,44%
<b>Total</b>	<b>139.832</b>	<b>100,00%</b>	<b>110.347</b>	<b>100,00%</b>	<b>26,72%</b>

	<b>31/12/2008</b>	<b>Inc%</b>	<b>31/12/2007</b>	<b>Inc%</b>	<b>Var%</b>
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%
<b>Total</b>	<b>93.809</b>	<b>100,00%</b>	<b>71.806</b>	<b>100,00%</b>	<b>30,64%</b>

The growth of 30% in the medical sector represents an excellent result, driven, as can be seen in the chart, by the CO<sub>2</sub> applications mentioned earlier, but also sustained by the constant development of the aesthetic segment. The segment called "Other" also showed a growth that was above average thanks to the introduction of new surgical systems with solid state technology.

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

The gross margin was registered for an amount of 125.905 thousand Euros, an increase of 16,4% 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 56,8% in 2008.

The sub-consolidated without Cynosure showed an incidence on the sales volume which rose from 47,2% on December 31<sup>st</sup> 2007 to 49,6% on December 31<sup>st</sup> 2008.

This increase is due to the capacity of the Group to maintain a high level of margin on the sales thanks to the innovations in the product, but also, for the consolidated results without Cynosure, for the insertion of an important distribution structure like GLI which, within the overall sales volume, increased the importance of the sales with private distribution channels which have higher margins even in the presence of higher sales and marketing costs.

It should be pointed out that, in relation to some sales which were financed by the clientele by means of so-called operative leasing, although the Group received in payment the price of the goods, in conformity with IAS/IFRS principles, they have been considered as revenue from multi-year rentals, which comported, for this year, a reduction in sales for an amount of 797 thousand Euros and a consolidated EBIT of 404 thousand Euros. This type of financing has found particular favour with our clients purchasing medical systems, so for the future we expect an increase in the amounts for the adjustments of this type of revenue.

The cost for operating services and charges was 51.959 thousand Euros, an increase of 34,6% with respect to December 31<sup>st</sup> 2007, with an incidence on the sales volume which rose from 20% on December 31<sup>st</sup> 2007 to 23,5% on December 31<sup>st</sup> 2008. The increase in the incidence on the sales volume is mainly due to the intensification of the selling and marketing activities and the related costs, and, to a lesser degree, some legal expenses for a suit initiated in the United States to protect our intellectual property.

The cost for personnel was 46.156 thousand Euros with respect to the 43.200 thousand Euros for the same period last year, showing an increase of 6,8%, with an increase in the productivity of this cost aggregate which decreased in its incidence on the sales volume, from 22,3% to 20,8% on December 31<sup>st</sup> 2008. The figurative costs for the stock options assigned to personnel are part of the personnel costs. As of December 31<sup>st</sup> 2007 these costs were 6.334 thousand Euros, while on December 31<sup>st</sup> 2008 they had dropped to 5.009 thousand Euros; these costs are mostly related to the stock options issued by the subsidiary Cynosure Inc.

As of December 31<sup>st</sup> 2008, the number of employees in the Group was 874 with respect to the 796 employees at the end of 2007; though slowing somewhat, the tendency to increase the staff has therefore continued.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. These grants make it possible to broaden the range of research by limiting the economic impact. In the past few years the issuing of such grants has gradually decreased on account of the national and EU policies which have identified other means, in particular tax benefits (which have been made a subject of discussion in the recent legislative decrees), as one of the best means for supporting research; the grants registered as of December 31<sup>st</sup> 2008 amounted to 785 thousand Euros as opposed to the 916 thousand Euros registered on December 31<sup>st</sup> 2007.

The EBITDA was registered for the amount of 27.790 thousand Euros and with respect to the 26.338 thousand Euros registered for December 31<sup>st</sup> 2007, shows an increase of 5,5% with an incidence on the sales volume which decreases from 13,6% to 12,5%.

The costs for depreciations, amortizations and accruals were 6.982 thousand Euros, an increase of 38,6% with respect to last year and showing an increase in the incidence on the sales volume which rose from 2,6% to 3,2%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation.

The EBIT was 20.808 thousand Euros with respect to the 21.301 thousand Euros on December 31<sup>st</sup> 2007, showing a decrease of about 2,3% with an incidence on the sales volume which fell from 11% on December 31<sup>st</sup> 2007 to 9,4% for this period.

The result of the financial management, which was 1.644 thousand Euros, (703 thousand Euros for last year) improved due to the higher interests received on bank deposits and the positive difference in the exchange rates that were registered for this period.

Other net income and charges registered a significant decrease due to the fact that in 2007 the capital gains of 15 million Euros from the sale of 950,000 shares of the subsidiary Cynosure had been registered under this heading, while the items entered for 2008 represent operations and evaluations of limited entity.

The earnings before taxes therefore were 22.527 thousand Euros, a decrease with respect to the 35.399 thousand Euros registered for December 31<sup>st</sup> 2007.

As mentioned in the introduction, the consolidated results are effected by the worsening trend of Cynosure during the fourth quarter; the sub-consolidated statement excluding Cynosure, for which the Group published its forecasts for 2008, shows results that are substantial in conformity with expectations and, in terms of EBIT, improve the results for last year by 50%.

Similar considerations can be made for the results for the fourth quarter 2008, which were strongly effected by the losses suffered by Cynosure, while, excluding Cynosure from the area of consolidation, they show a growth both in sales volume and earnings.

## Comments on the net financial position of the Group

The amount of cash held by the Group is still sizeable and is registered for an amount of 68 million Euros.

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

The decrease registered in the financial position with respect to December 31<sup>st</sup> 2007 was influenced among other things, by the reclassification made by the subsidiary Cynosure which entered into the category of non-current assets about 15 million Euros in stocks which up until last year had been classified as “Financial assets available for sale”. This evaluation became necessary due to the so-called “Auction rate securities”, which are long-term stocks with a certain cashing in value but for which the financial crisis comported the loss of the secondary market which up until last April guaranteed their negotiation. The amount of this investment which necessarily became long-term, however, has decreased over time since the company was able to sell some stock on the market without registering losses in capital account.

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

The increase in the net circulating capital represented the main use of cash, with an increase of this aggregate which was greater than the growth of the sales volume. There were also significant investments in tangible assets, especially in real estate, which particularly involved the parent company El.En. and Asclepion. The financial investments were also very significant and include the purchase of treasury stock by El.En. SpA for an amount of 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 in which Quanta System had first acquired the majority share of the Spanish company GLI, entering a debt for the amount of 3.1 million for payment in instalments and taking on the financial debts of the company. Eventually, they closed the operation by buying 30% of the capital of GLI and paying cash, thus freeing the consolidated statement from the debt for the payment of the share and from the financial debts of the company. Moreover, dividends to third parties were paid for an amount of about 5.433 thousand Euros.

## Gross investments made during this quarter

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

<i>Progressive</i>	31/12/08	31/12/07
Intangible assets	421	760
Tangible assets	12.598	10.051
Equity investments	1.616	55
<i>Total</i>	14.634	10.866

<i>3 Months</i>	31/12/08	31/12/07
Intangible assets	83	264
Tangible assets	2.212	3.525
Equity investments	1.380	0
<i>Total</i>	3.675	3.789

The investments made during the quarter described in this report were particularly substantial. Real estate activity has played a major role in the investments, with an amount of over 2 million spent on buildings and service plants. This amount includes the completion of the construction in Jena of a new 3500 sq. metre building for Asclepion (an investment which will benefit from a grant from the Turingia region), the expenses for the remodelling of the building in Torre Annunziata where Lasit operates, and the expansion of the factory in Calenzano.

There have also been significant investments in equipment, in particular by Cynosure, which continues its policy of investing in demonstration equipment.

The increase in financial assets is mostly related to the acquisition of GLI.

## Comments on 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- to long-term schedules.

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

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

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

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

### Systems and applications for lasers in medicine.

We have continued the activity aimed at developing equipment and laser devices for the cure of skin ulcers. As part of this activity, we have continued the development of a compact CO<sub>2</sub> source for surgical applications and we have completed a proto-type device with increased power characteristics with respect to the earlier products and with improved time adjustability of the power distributed.

We have begun work on the development of a new integrated instrument for the diagnosis and treatment of skin ulcers which includes the laser, visible and infra-red systems for the diagnosis and robotized systems for the treatment. A patent for this instrument has been applied for.

Optical-acoustic and acoustical-optical micro-probes for minimally invasive diagnostics. The probes will be used for the early diagnosis of the presence of malignancies in small sized lesions; collaboration is planned with the Ultrasound and Non-destructive testing Department of the University of Florence for the creation of proto-types of optical-acoustic transmitters and acoustic-optical receivers with different technologies derived from those used to make electronic semiconductor devices.

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

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

In collaboration with the CSO company we have conducted research on a new instrument for retinal coagulation associated with a fissure light, and the proto-type is now being concluded; clinical trials will begin soon.

We have continued the development of instruments and the clinical experiments of innovative laser equipment for uses in physical therapy and orthopaedics and experiments have also been stated in the USA, in collaboration with Washington State University on animal subjects (horses) and the collaboration has continued with the Istituti Rizzoli of Bologna, our partners for several years, for use on patients with pathologies involving the articulation of the knee.

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

A research project is now in progress to find new methods for the characterisation of cellulitis by means of ultrasound.

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

Research has also continued on a new micro-manipulator for uses in otorhinolaryngology of the CO<sub>2</sub> laser and clinical effectiveness tests have begun. The first results were considered excellent by the doctors involved.

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 Srl created by El.En. and Esaote. As part of this project, they developed a new multiple source for the simultaneous ablative treatment with four fibres, each with independently adjustable power. They have created a new instrument which has an echograph integrated with a multi-source laser, called Echolaser.

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

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

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

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

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

At Cynosure they have continued activities for the completion of experiments on laser-lipolysis with a new instrument which has innovative characteristics in terms of the power levels, control of power distribution with retro-activated systems and use of different wave lengths.

At Cynosure they have just completed research on a new compact system for cooling generation for dermatological laser treatments.

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

We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis. In particular, we have submitted a patent for the stimulation of the re-growth of cartilage, one for a multi-fibre device for cannulas and needles, one for the trans-cutaneous treatment of thyroid lumps with lasers guided by ultra-sound images, and a patent for the use of physiological liquid combined with the use of laser light conducted by fibres inside soft biological tissues.

We have completed the installation of a research laboratory at El.En. which will be made available for conducting coordinated activities with the other companies of the Group on the interaction between laser light and biological tissues.

#### Laser systems and applications for industry

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

Experimental trials on the electronics based on a "Digital Signal Processor" for on-line setting and numerical control of the galvanometers for scanning heads have been concluded, and field studies are underway.

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

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

We are about to complete experimental trials on a new ultra-compact radio-frequency pumped CO<sub>2</sub> laser source with intermediate power.

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

We are now concluding verifications of the results of experiments on a new generation machine for decorating large areas of textiles.

We are now elaborating the data from experiments involving the insertion, into the special crates used for transporting important works of art, of equipment for the referenced acquisition and memorisation over time and space of the data of three-dimensional sensors of acceleration, temperature, pressure, humidity and light exposure on the various bands from infra-red to ultra-violet.

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

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

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

A combined laboratory with the Department of Architecture of the University of Florence has been created for the development of applications for cutting and superficial laser treatments for interior decoration.

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

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

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

We have completed verification trials on the structural and functional innovations developed on sealed CO<sub>2</sub> sources produced by El.En.

We have begun activities for the development of a new mid-power radio frequency CO<sub>2</sub> laser source for uses in equipment for industrial applications.

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

<i>thousands of euros</i>	<b>31/12/2008</b>	<b>31/12/2007</b>
Costs for staff and general expenses	9.580	9.408
Equipment	163	132
Costs for testing and prototypes	1.853	1.628
Consultancy fees	574	397
Other services	280	348
Intangible assets	0	3
<b><i>Total</i></b>	<b>12.450</b>	<b>11.915</b>

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.

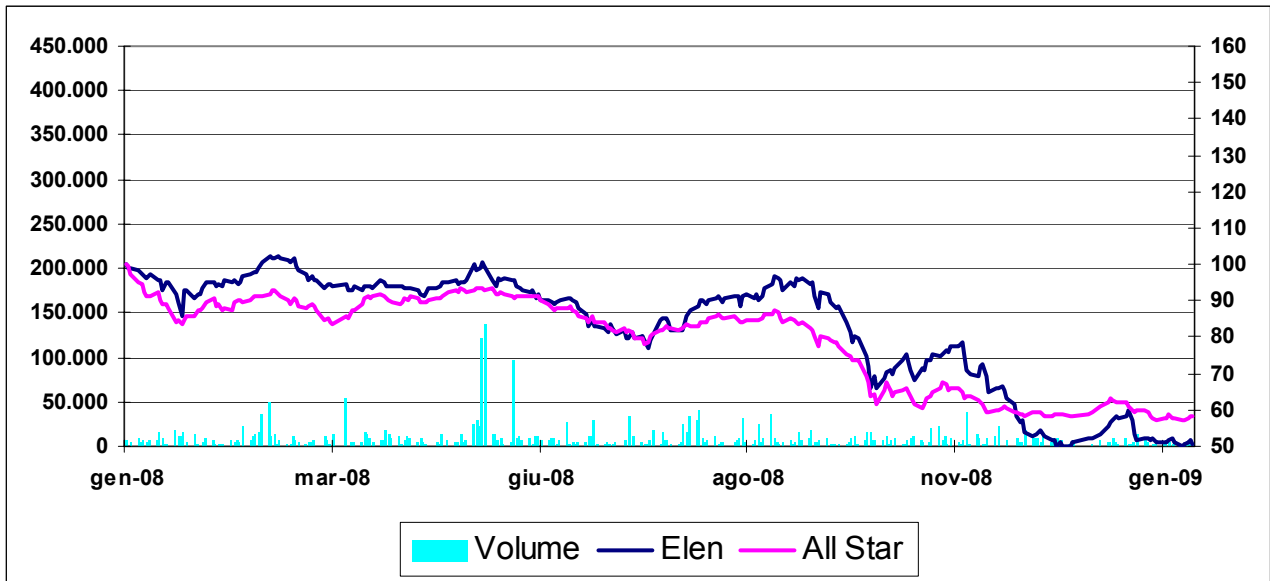
As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs.

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.



## Trend of the EI.En stock

The trend of the stock is shown on the chart below, starting with the quotation on January 2<sup>nd</sup> 2008 for 26,53 Euros.



## Other significant events which occurred during this quarter

No other significant events occurred during this quarter.

## Other events which took place after the quarter was closed

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

## Short term evolution foreseen for the financial period now in progress

As pointed out in the introduction to this report, the effects that the international financial and economic crisis have already had on our markets and our companies include the decrease in orders starting in October of this year which did not have obvious effects on the positive results for 2008, but have caused a broad reduction in sales volume starting in 2009.

We are still very confident in the potential for mid-term development of our markets, and, above all, in our ability to identify, develop and create products which will be successful on these markets; however we find that we are facing a particularly critical situation, as the statistical indicators, their reports in the media, and the daily accounts of the economic subjects which are in considerable difficulty, remind us continually.

It should be pointed out that now, as never before, it is increasingly difficult to make reliable forecasts, in particular in relation to the duration of the period of recession with its negative impact on our markets. We have taken all the necessary precautions in order to safeguard the profitability and the capital of the Group even in the presence of a fall in revenue.

Again for 2009, we will make forecasts only for the consolidated results excluding Cynosure. In 2009 we expect to register a drop in sales volume between 15% and 20% with respect to 2008, and to maintain a profitability of about 4% on the sales volume. The effects of the fall in the sales volume and the profit should be felt in particular in the first months of the year, as a consequence of the amount of stock held by the various clients among our distributors who, as a result of the decreased demand, will reduce their stock before making further purchases.

**Enclosure A:**

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

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

Calenzano, February 13<sup>th</sup> 2009 .

Executive in charge of the financial reports

Enrico Romagnoli