SIX MONTHS REPORT

2004

El.En. Group

1. COMPANY MEMBERS

Board of Directors

PRESIDENT

Gabriele Clementi

FINANCIAL OFFICERS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Ernesto Agrifoglio

Paolo Blasi

Marco Canale

Angelo Ercole Ferrario

Michele Legnaioli

Francesco Muzzi

Alberto Pecci

Board of Auditors

PRESIDENT

Vincenzo Pilla

ACTING AUDITORS

Paolo Caselli

Giovanni Pacini

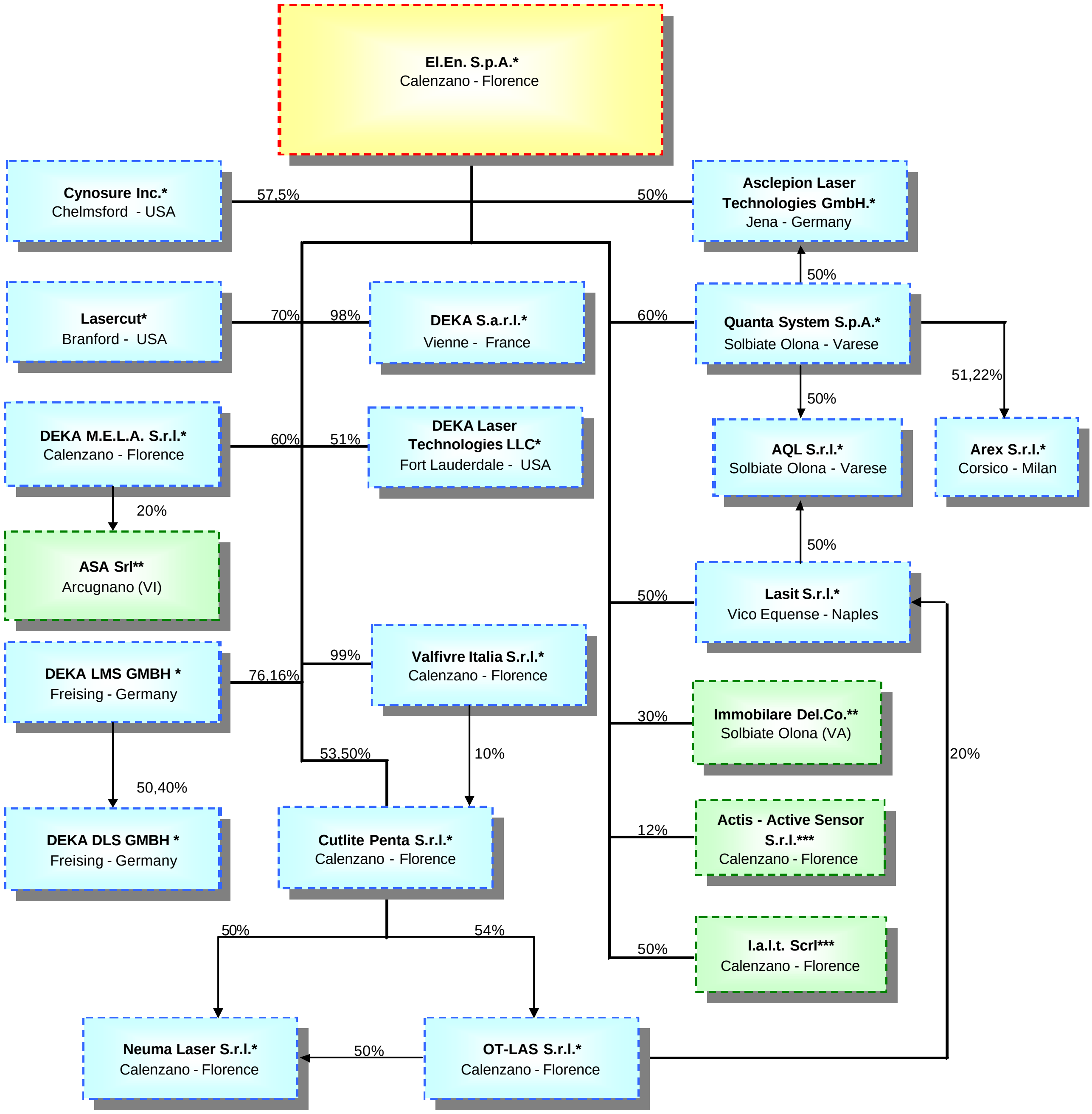
Auditing Company

Reconta Ernst & Young S.p.A.

2. EXPLANATORY NOTES

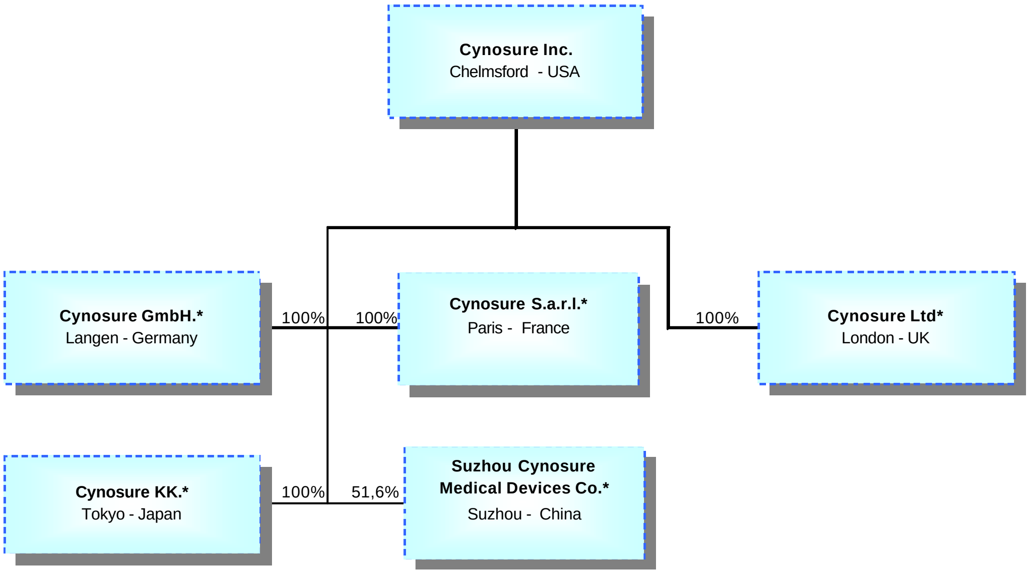
2.1. Description of the Group

As of 30/06/2004 the structure of the Group is as follows:



* *Entirely consolidated*
** *Consolidated in relation to net worth*
*** *Kept at cost*

Cynosure in turn also controls a group of companies. As of 30/06/04 the structure of the Cynosure Group was as follows:



* *Entirely consolidated*

On January 19th 2004 El.En. SpA acquired an additional 30% of the stock of Quanta System SpA, bringing its equity in the company to 60%. With this operation, one of the most important Italian companies in the field of development and manufacture of lasers, especially in the space sector, an old company which is now enjoying a rapid phase of growth was brought under the control of the Group. Quanta System moreover, holds the remaining 50% of Asclepion Laser Technologies GmbH, the German company for which the El.En. Group purchased the cosmetic laser business from Carl Zeiss Meditec AG.
The operations included the transfer of a 10% interest in Deka M.E.L.A. Srl and of a 2.5% interest in the American subsidiary Cynosure Inc. by El.En. to Laserfin (the company which controlled Quanta System), as well as the payment of 1,5 million Euros, half a million of which were paid upon the conclusion of the transaction, while a remaining million will be paid by mid-July 2004. The transaction therefore, besides ratifying El.En.'s control of Quanta System, also creates a situation of direct involvement of the Quanta System management in the activities of the El.En. Group in the medical sector, and integrates a highly sophisticated Research and Development team into the Group.

On March 29th 2004 Valfivre Italia Srl acquired from a third party an additional quota of 6% of the capital in Cutlite Penta Srl, thus bringing the amount of their equity in the company to 10%.
On the same date, El.En. SpA and Esaote SpA, founded together a co-operative company with limited responsibility called IALT (Image Aided Laser Therapy) with an interest of 50% each. The purpose of IALT is to co-ordinate the activities of the two companies in the bio-medical and health sector for the development and application of innovative diagnostic, therapeutic and surgical technologies.

On May 25th 2004 Cynosure Inc. sold to a third party its equity of 40% of the capital in Sona International Inc., a company which manages their chain of "laser medical spa clinics" and promotes the franchising. As is explained in detail further on, the business relations with Sona have not been interrupted by the sale of the equity, but the sale of Sona only signifies that the Group is no longer involved in the management of beauty centers; this operation has meant a significant capital gains and a new sales contract with a partner that is highly motivated in this sector and for whom the Group will continue to act, in a more traditional and appropriate role, as a supplier of technology.

On April 14th 2004 the Board of Directors of the subsidiary Quanta System SpA ratified the purchase (which took place on March 25th 2004) of an equity of 51,22% of the capital stock of Arex Srl, a company which manages medical centers in Milan.

In consideration of the integration of some of the activities of the Group, on June 25th 2004, in Milan, a new company, called AQL, was created for the design, manufacture and sale of laser systems for the "Industrial Business" sector, which will also be involved in the research and development of industrial processes and products, and the creation of new advanced technologies in the phototonic field. The company has a capital stock of 100.000 Euros, and is owned in equal parts by the subsidiaries Quanta System SpA and Lasit Srl.

On June 30th 2004, for companies like Immobiliare Del.Co. Srl and ASA Srl the financial results are not totally consolidated in the statement of the Group, but are consolidated using the shareholders' equity method. These companies are not required to issue quarterly reports and have issued only six-months reports so that a consolidated report could be issued showing the actual financial situation as of June 30th 2004.

2.2. Activities of the subsidiary companies

El.En controls a group of companies which operate in some aspect of the laser field, and each of which supplies a particular type of laser application or function.

The following table is a summary of the semi-annual trend of the companies of the Group which are included in the consolidation. After the table there is a brief description of the activity of each company and a comment on the results of the first semester of 2004, with the exception of the recently purchase companies, for which the financial data are related only to the date of acquisition and June 30th 2004.

The data shown on the chart below and all the others in this report are expressed in thousands of Euros, unless otherwise indicated.

	Net Turnover 30/06/2004	Net Turnover 30/06/2003	Var. %	Net income 30/06/2004	Net income 30/06/2003
Cynosure (*)	15.621	11.261	38,71%	3.065	140
Deka Mela Srl	8.631	7.332	17,71%	549	229
Cutlite Penta Srl	3.417	2.131	60,32%	-28	-229
Valfivre Italia Srl	225	205	9,79%	2	17
Deka Sarl	497	955	-47,96%	-81	43
Deka Lms GmbH	553	730	-24,20%	36	33
Deka Dls GmbH	269	124	117,27%	30	-66
Deka Laser Technologies LLC (**)	1.122	0		156	-78
Quanta System SpA	4.437	0		226	0
Asclepion Laser Technologies GmbH (**)	4.271	1.165	266,74%	315	70
Arex Srl	163	0		3	0
Ot-Las Srl	1.316	1.911	-31,14%	-35	47
Lasit Srl	1.337	1.535	-12,93%	6	-23
Lasercut Inc. (**)	492	455	8,15%	-387	-123
Neuma Laser Srl	83	33	153,31%	3	-47

(*) consolidated data
(**) the data up to 30/06/03 refers to the period of time between the date of founding/acquisition and 30/06/03.

Cynosure Inc.
This company produces and sells laser systems for medical and cosmetic applications; the factory and headquarters are located in Chelmsford, Mass. (USA) and international offices are located in Europe and Asia. The company was founded in 1991 by Horace Furumoto, a pioneer in the field of lasers for medical use, and founder of the Candela Company which is now number two on the world market. Cynosure has achieved its present size thanks to the high performance and excellent quality of its products, in particular the dye-laser for vascular applications and the alexandrite laser for hair removal. The company manages its sales and marketing activity in the USA and abroad by means of a network of subsidiary companies and distributors. Manufacture, as well as research and development, a key factor in the success of the company, is carried on almost entirely in Chelmsford.
Cynosure is the head company of a group of companies which operate in the laser market all over the world. Cynosure Sarl in France, Cynosure Ltd. In Great Britain, Cynosure GmbH in Germany, and Cynosure KK in Japan are 100% owned and operated by the parent company and operate as local distributors and providers of after-sale service. The company has a 52% equity in Suzhou Cynosure in the People's Republic of China, which produces special dermatological equipment.
Cynosure closed this financial period with a consolidated profit of approx. 3,7 million dollars, showing a sharp increase in comparison to the same period last year. The positive operating results of 365 thousand dollars in comparison to the operating losses shown for the same period last year, and the capital gains which were earned with the sale of the associated company SONA for 3 million dollars, contributed to the excellent performance of the company.

Deka M.E.L.A. Srl
This company distributes the laser devices for medical uses produced by El.En. SpA, in Italy and abroad. During the past six months, the sales volume increased overall by 18% circa, and showed a substantially stable situation for domestic sales along with an increase in sales on the European and International markets. This excellent six-months result was obtained thanks to the increase in sales volume, together with a policy intended to reduce operating costs, the incidence of which dropped from 10% in the first semester of 2003 to 7% for the first semester of 2004.

Cutlite Penta Srl
This company manufactures laser systems for industrial applications of cutting and marking by means of the installation of CNC motion controlled laser power sources produced by El.En. SpA.
Notwithstanding the fact that the crisis in the manufacturing sector has continued, during the first six months of 2004 the company showed an increase in sales volume in comparison to the same period last year, especially on the Italian market. This fact, together with a policy intended to reduce operating costs, the incidence of which on the value of production fell from 15% in the first six months of 2003 to 11% for the first six months of 2004, has made it possible for the company substantially to break even.

Valfivre Italia Srl
As in the preceding financial period, the Company manufactured and offered technical assistance for special laser systems for industrial applications, as well as service activities for the firms in the Group.

Ot-Las Srl
Ot-Las designs and manufactures special laser systems for CO_2 laser marking for the decoration of large surfaces. The crisis in the manufacturing sector has been responsible for a sharp drop in the amount invoiced for the first six months of 2004, and has caused a decrease in comparison to the same period last year. The company is a leader in the field of laser cutting for large surfaces with state-of-the-art technology, thanks in part to its close technical collaboration with the parent company, El.En., in the development of strategic components.

Lasit Srl
Lasit Srl designs and manufactures laser marking systems complete with controls and software for marking applications on metals, wood, glass, leather and textiles.
During the first six months of this financial year an intense research and development activity was carried on by the company for the purposes of renewing the range of products with respect to the traditional ones offered up to now. The mentioned crisis in the manufacturing sector has caused a drop in sales volume with respect to the same period last year which has been partially off set, as far as the economic results are concerned, by a reduction in operating costs.

Neuma Laser Srl
This company, which substantially broke even for this financial period, is involved in after-sales technical assistance and technical support services for sales activity in the Far East and in South America of laser equipment and devices sold by companies belonging to the Group, and in particular for systems manufactured by Cutlite Penta Srl and Ot-Las Srl. The reduced sales volumes of Cutlite Penta Srl and Ot-Las Srl in these particular geographical areas therefore conditions the sales volume related to the installation of new systems.

Deka Sarl
Deka Sarl distributes in France the medical and cosmetic laser equipment and relative accessories manufactured by El.En. and supplies after sales service for industrial, medical and cosmetic laser systems. After the encouraging results obtained last year, the company has shown a sales volume far below expectations during this semester which has not allowed the company to achieve economic stability.

Deka Lms GmbH
Deka Lms GmbH distributes in Germany the medical and cosmetic laser equipment produced by El.En. SpA. Notwithstanding the fact that the German market has continued to have difficulties, the sales volume reached during the first six months of 2004 has been positive for this period, and will probably improve in the future, should the German market become less uncertain, as has usually been the case in the past for the second semester.

Deka Dls GmbH
Deka Dls GmbH distributes laser systems for dentistry in Germany. During this semester revenue was sufficient to cover operating costs and substantially break even.

Deka Laser Technologies LLC
This company was founded in February 2003 for the distribution in the United States of lasers produced by El.En. SpA for the dentistry sector. After the first year of start-up, during which the company concentrated on creating the foundations necessary for future expansion from a legal (FDA approval) and distributive point of view, Deka Laser has

seen its efforts repaid in sales. The company is expected to achieve stable revenue within a short period of time and to see the return of the investments made to support the start up of operations.

Lasercut Inc.
This American company has its headquarters in Branford (CT) and operates in the sector of design, manufacture and sales of laser systems for flat cutting. The revival of the manufacturing sector in the USA has not been of sufficient entity to lead Lasercut to improve its financial situation which continues to show a deficit.

Quanta System SpA
The company is located in the Lombardy region and was totally consolidated in January of 2004. It is one of the most important Italian firms in the field of development and manufacture of lasers for industrial, medical and scientific use. In the first six months of 2004, it registered a sales volume of approx. 4,4 million Euros which like the Group as a whole, is particularly brilliant in the medical sector, while it suffers the effects of the continuing manufacturing crisis in the industrial sector.

Asclepion Laser Technologies GmbH
This company with which the Group acquired the activities in the cosmetic sector from Carl Zeiss Meditec, registered a sales volume of 4,2 million Euros and obtained a result of approx. 315 thousand Euros, thanks to the strategic development plan implemented by the management last year which included the redefinition of the product range, a highly aggressive marketing policy intended to return the Asclepion brand to the higher level of quality, appreciation and consumption that it deserves.

Arex Srl
This company was acquired by the subsidiary Quanta System SpA and manages a medical center in Milan. It has been consolidated since April 2004 and for this financial period has broken even.

2.3. Related parties

In accordance with I.A.S.24, the following subjects are considered related parties:

- the associated and subsidiary companies as shown in the financial report;
- the members of the Board of Directors or the Auditor's Office (*Collegio Sindacale*) of the parent company and the other executive officers with strategic responsibilities;
- the physical persons who are shareholders in El.En. SpA;
- the legal bodies of which a significant investment is owned by one of the major shareholders of El.En. SpA, by one of the shareholders of El.En. SpA part of the voting assembly, 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.

One of the Board members, main shareholder of the Parent Company, and on the voting board underwritten by the shareholders before the shares of the company were quoted on the New Stock Market, possesses 25% interest in Immobiliare del Ciliegio Srl, which is also a partner of the Parent Company.

All the transactions with the related parties took place under ordinary market conditions.

2.4. Structure of company manegement

As per article 19 of the Articles of Incorporation, the firm is administered by a Board of Directors, which is composed of a minimum of three to a maximum of fifteen members.

The present board of directors is made up of ten members, whose terms will expire when the assembly has been called to approve the report for the financial year ending on December 31st 2005. The Board is composed of the following members:

NAME	POSITION	PLACE AND DATE OF BIRTH
Gabriele Clementi	President with conferred powers	Incisa Valdarno, 8 July 1951
Barbara Bazzocchi	Deputy Board Member	Forlì, 17 June 1940
Andrea Cangioli	Deputy Board Member	Florence, 30 December 1965
Francesco Muzzi	Board Member	Florence, 9 September 1955
Marco Canale	Board Member	Naples, 12 November 1959
Paolo Blasi*	Board Member	Florence, 11 February 1940
Michele Legnaioli*	Board Member	Florence, 19 December 1964
Angelo Ercole Ferrario	Board Member	Busto Arsizio, 20 June 1941
Alberto Pecci	Board Member	Pistoia, 18 September 1943
Paolo Ernesto Agrifoglio	Board Member	Genoa, 1 January 1966

* Independent administrators, as per art. 3 of the Codice di Autodisciplina delle Società Quotate

The members of the Board of Directors, for the period in which they are in office have their legal residence at company headquarters, El.En. SpA in Calenzano (FI).

On the 13th of November 2003 the Board of Directors attributed to the President of the Board of Directors, Ing. Gabriele Clementi and the designated board members Mrs. Barbara Bazzocchi and Ing. Andrea Cangioli, separately from each other and with independent signature, all the ordinary and extraordinary administrative powers so that they can carry out all the activities inherent in the company operations excluding only those activities for which delegation of power is prohibited by law, as per 2381 c.c. and the company statutes.

In conformity with the regulations established by the Self-disciplining code for companies quoted on the stock market (Codice di Autodisciplina delle Società Quotate):

a) as of August 31st 2000, the Board of Directors includes among its members two independent administrators, as per art. 3 of the a.m. Codice di Autodisciplina. At this time they are Prof. Paolo Blasi and Dott. Michele Legnaioli;

b) as of September 5th 2000 the Board has set up the following commissions composed mostly of non-executive administrators:

1. "Committee for Appointments", which has the task of proposing nominations and receiving them from shareholders as well as making sure that the procedure established by the company statutes for the selection of the candidates is respected.
2. "Committee for Fees", which has the task of providing transparency and information concerning the means and the ways used for determining the fees paid to Board Members;
3. "Auditing Committee", which has the task of acting as consultants, making proposals, and supporting the Board in carrying out and monitoring the activities and internal control systems.

c) as of September 5th 2000, the Board has appointed a lawyer, Avv. Maria Federica Masotti as provost to monitor internal control.

The Board of Directors meets at least every three months in order to guarantee that adequate information is being given to the Collegio Sindacale (Auditing Board) regarding the activities being conducted and the operations of major importance effected by the company and its subsidiaries.

Internal auditing of the company is conducted by the parent company of the Group in collaboration with the personnel of the subsidiary companies. From an organisational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members and have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organisation of the activities of the Group.

As far as the accounting information is concerned, before the end of the month following the quarter being considered, the subsidiaries are required to supply to the parent company of the Group all the information necessary for drawing up the consolidated financial and economic reports.

On December 11th 2003, with the partners of Immobiliare del Ciliegio Srl, Andrea Cangioli, Gabriele Clementi, Barbara Bazzocchi, Francesco Muzzi, Pio Burlamacchi, Carlo Raffini e Autilio Pini, the company pact (the "Pact") stipulated in 2000 and modified in 2003, was renewed for another three years, and dealt with the following subjects:
a) a majority vote syndicate which conferred a total of 2.391.994 ordinary shares of El.En. SpA equivalent to 51,77% of the Share Capital paid in full on June 30th 2004;

b) a block syndicate, in which they conferred a total of 2.391.994 ordinary shares of El.En. SpA equivalent to 51,77% of the Share Capital underwritten and paid up on June 30th 2004.

The Pact also contains several clauses which prevent the transfer of shares and others which regulate the right to vote in the assemblies of the Company, and in any case, respecting the right to equal treatment of all the shareholders from the point of view of providing information.

As far as the first of these clauses is concerned, the members who adhere to the Pact are bound to not transfer or offer as warranty the shares (and relative rights) of the Company which have been conferred to them by the Pact for a period of at least three years.

As far as the second of these clauses, regarding the right to vote in the assembly, is concerned, the Pact stipulates that the Direction Commission (to which all of the Pact members belong) must meet before each assembly of the Company in order to decide how to act during the assembly and in which way they are going to vote. The decisions of the Direction Commission are made on the basis of majority vote calculated on the basis of the number of shares possessed by each member and are binding for the partners who must vote in the company assembly in accordance with the majority vote decisions of the Board.

2.5. Relations with associated companies included among the financial assets, but not included in the area of consolidation or evaluated with the method of shareholders' equity

The chart below contains a brief summary of the economic relations between the associated firms, as well as their assets and liabilities for the financial period:

	Financial credits		**Commercial credits**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
ASA Srl			53	
Actis Srl	40			
Immobiliare Del.Co. Srl	14			
M&E			13	
Total	**54**		**66**	

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Immobiliare Del.Co. Srl			31	
Total			**31**	

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
Actis Srl	1			1
Total	**1**			**1**

Associated companies:	**Sales**	**Service**	**Total**
Asa Srl	190	1	191
Total	190	1	191

The amounts shown above refer to operations which are inherent to the standard management practices of the company.

2.6. Profit and loss account consolidated and reclassified as of 30/06/2004

The chart below shows the profit and loss account which has been consolidated and reclassified for the period ending on June 30th 2004, compared with the same period last year:

Profit and loss account	30/06/2004	Inc.%	30/06/2003	Inc.%	Var.%
Net turnover from sales and services	45.018	93,8%	30.242	86,1%	48,9%
Variation in stock of finished goods and WIP	2.287	4,8%	4.490	12,8%	-49,1%
Other revenues and income	665	1,4%	376	1,1%	76,6%
Value of production	**47.970**	**100,0%**	**35.109**	**100,0%**	**36,6%**
Costs for raw materials	19.087	39,8%	16.493	47,0%	15,7%
Variation in stock of raw material	(98)	-0,2%	(1.114)	-3,2%	-91,2%
Other direct services	4.261	8,9%	3.426	9,8%	24,4%
Gross margin	**24.719**	**51,5%**	**16.304**	**46,4%**	**51,6%**
Other operating services and charges	9.290	19,4%	6.420	18,3%	44,7%
Added value	**15.430**	**32,2%**	**9.884**	**28,2%**	**56,1%**
For staff costs	10.624	22,1%	8.184	23,3%	29,8%
Gross operating profit	**4.806**	**10,0%**	**1.701**	**4,8%**	**182,6%**
Depreciation, amortisation and other accruals	3.312	6,9%	1.874	5,3%	76,8%
Net operating profit	**1.494**	**3,1%**	**(173)**	**-0,5%**	
Net financial income (charges)	93	0,2%	96	0,3%	-3,0%
Operating profit	**1.586**	**3,3%**	**(77)**	**-0,2%**	
Value adjustments (Devaluations)	124	0,3%	645	1,8%	-80,8%
Extraordinary income (Charges)	3.444	7,2%	(1)	-0,0%	
Earning before taxes	**5.155**	**10,7%**	**567**	**1,6%**	**809,8%**
Income taxes on the income of the period	1.453	3,0%	496	1,4%	193,0%
Net profit (loss)	**3.702**	**7,7%**	**71**	**0,2%**	**5143,0%**
Minority interest in income	1.644	3,4%	(6)	-0,0%	
Net income (loss)	**2.058**	**4,3%**	**76**	**0,2%**	**2602,2%**

2.7. Comments on the financial results

The sales volume for this semester shows an overall increase of 49% in comparison to the first six months of 2003, and this data confirms the constant growth rate for the Group. This result is actually above the annual growth rate that had been forecast, thanks in part to the entry into the Group of new companies after June 30th 2003; forecasts based on annual rates are still registered slightly above expectations, although the growth rate compared with 2003 will almost certainly decline in the next quarters.

The table below shows the sales volume divided by activity sectors of the Group for the first six months of 2004 compared with the results for the same period for last year:

	30/06/2004	Inc%	30/06/2003	Inc%	Var%
Industrial systems and lasers	7.641	16,97%	6.338	20,96%	20,56%
Medical and cosmetic lasers	29.082	64,60%	18.524	61,25%	57,00%
Research and Development	34	0,08%	76	0,25%	-55,22%
Service	8.261	18,35%	5.303	17,54%	55,76%
Total	45.018	100,00%	30.242	100,00%	48,86%

The growth rate of the sales volume shows characteristics similar to those registered for the last year: brilliant results in the medical sector, which continues to increase in importance within the Group, while the industrial sector is still in difficulty, with the increase registered due mainly to new acquisitions. The sales volume for technical assistance and accessory services shows an increase of 56%which is above average thanks also to the presence of newly acquired companies. In this context, the excellent results derived from "revenue sharing" being operated in the USA by Cynosure through Sona International should be noted.

The amounts received from research projects and the relative reimbursements on the basis of contracts stipulated with the institutes financed by MIUR are of little importance for this financial period. It should be noted, in any case, that most of these grants have been entered into accounts under the heading of "other income"; during the first six months of 2004, income of 420 thousand Euros has been registered as opposed to the 288 thousand Euros for the first semester of 2003; this revenue is related for the most part to the following projects: CHOCLAB, EUV02, NETMED, TRL01 and SIDART.

The following chart shows the results for this financial period divided by geographical area:

	30/06/2004	Inc%	30/06/2003	Inc%	Var%
Italy	10.824	24,04%	7.820	25,86%	38,42%
Europe	12.924	28,71%	9.314	30,80%	38,77%
Rest of the world	21.269	47,25%	13.108	43,35%	62,26%
Total	45.018	100,00%	30.242	100,00%	48,86%

Almost half of the sales volume of the Group is now derived from non-European clients. Like its most important competitors on the market, the El.En. Group operates on an international level and the American market has an increasingly important role, thanks also to the contribution of Cynosure. The increase shown for the European market reflects, among other things, the success of Asclepion as well as the positive trend for medical distribution in Germany and the rest of Europe. The increase in sales volume in Italy is also remarkable and is due mostly to the entry of Quanta System SpA into the area of consolidation.

Within the medical-cosmetic sector, which represents about 65% of the sales of the Group, the chart below illustrates the various s ectors and their relative sales volumes:

	30/06/2004	Inc%	30/06/2003	Inc%	Var%
Surgical CO2	1.394	4,79%	662	3,58%	110,38%
Physiotherapy	258	0,89%	283	1,53%	-8,93%
Cosmetic	19.631	67,50%	10.918	58,94%	79,81%
Dental	3.823	13,15%	1.879	10,15%	103,43%
Other medical lasers	3.786	13,02%	4.601	24,84%	-17,70%
Accessories	190	0,65%	180	0,97%	5,46%
Total	29.082	100,00%	18.524	100,00%	57,00%

The new CO_2 models which have recently been developed – Smartxide for dermatology and ML030 for veterinary application have contributed to the renewed vigor of this sector. The doubling of the sales volume in this field is particularly gratifying in consideration of the efforts made to place on the market a captivating high performance product in the most traditional field of medical laser devices.

The sales volume in the field of physical therapy shows a slight drop notwithstanding the amount of equipment which is decidedly greater than 2003, since the Group invoices on distribution and not, as previously done, to the final client, which is now managed directly by ASA. During 2003 in fact, the Group changed their strategy for this sector, and had Deka acquire an equity in ASA, a company specialised in this field, to whom they turned over the distribution activities.

In the cosmetic sector, which represents more than 70% of sales in this field, a considerable increase has been registered again, thanks to the contributions of all the companies of the Group operating in this area: Deka, Cynosure, Asclepion and Quanta System; these brands, which the Group manages with particular attention towards the safeguarding of the independence and the particular characteristics of the individual firms, represent a very significant presence on the global market with products like Triactive for the treatment of cellulitis, Photosilk and Photolight for hair removal, and photo Rejuvenation (Deka), Mediostar (Asclepion), Light C and "Eterna Giovinezza" (Quanta System) and Apogee Elite (Cynosure) for hair removal and vascular treatments.

The dental sector also showed an exceptional growth, most of which came from the additional sales of Asclepion through its distributor KaVo, from Quanta System which has been very active in the field with its low-powered diode systems, and the success of the American subsidiary, Deka Laser Technologies which bases its distributing operations on the CO_2 US 20D laser; the dental sector therefore has also benefited from the innovations in the range of CO_2 lasers. The distribution of these devices in Italy through Anthos Impianti remains at an excellent level. Moreover, FDA approval has recently been obtained for our innovative Smartlite device for tooth whitening, as well as the formal authorization necessary for selling it in the USA. The FDA approval also represents an official recognition of the efficacy of the treatment which is useful on a world wide level.

In the category of “Other lasers” growth has been sustained by a variety of products offered and by the good results, in particular those of Cynosure and their Dye Lasers and of Asclepion with its new MCL30 version of its Erbium lasers for skin ablation. Along with the dental uses, the Smartlite system also obtained FDA approval for its elective applications in dermatology and vascular treatments, which, when used in connection with the Hi-Scan scanner represent a product of extreme interest for this sector. A new device for the treatment of psoriasis has also been introduced; this device is an appealing portable version with similar performance levels, of its predecessor Excilite. The Group has also continued its work on projects more directly related to hospital applications, and interesting developments are expected soon thanks to the results obtained from experiments for uses based on the technologies available to the companies in the Group.

It should also be noted that after the change in the supplying relationship between Cynosure and Sona which was negotiated as part of the sale of the equity, Cynosure will sell half of the equipment used by Sona for its activity in cosmetic laser treatments, and in return the amount paid by Sona in proportion to the sales volumes of its centers will be decreased. This will mean that there will be an increase in the sales volume for laser systems in the cosmetic field, and a decrease in the sales volume for services, of which the “revenue sharing” is part.

For the sector of industrial applications, the table below shows the break down of sales according to the various market sectors in which the Group is active:

	30/06/2004	Inc%	30/06/2003	Inc%	Var%
Cutting	3.460	45,28%	2.218	35,00%	55,99%
Marking	2.974	38,92%	3.337	52,65%	-10,89%
Laser sources	979	12,81%	626	9,87%	56,44%
Welding	229	2,99%	157	2,48%	45,39%
Total	7.641	100,00%	6.338	100,00%	20,56%

The increase of 20% which is registered is due mostly to the sales volume of Lasercut and Quanta System.
The cutting sector obtained good results, especially in Italy; the contribution of Lasercut, even though it is below expectations, has made it possible to register a sharp increase, of 56% over last year.

In the marking sector on the other hand, not even the contribution of Quanta System, made it possible to reverse the negative situation which made sales fall off for the companies in the Group that work in this sector. Moreover, important development projects kept most of the companies busy during the preceding year and all of the companies in the Group will soon be able to benefit from these innovative projects, the technology of which will be used by each accompany according to the particular line of products they manufacture.

The field of laser sources is still growing, thanks to the contribution of Quanta System which integrates the range of CO_2 sources produced by El.En. with solid state sources for scientific and industrial applications. Similarly, in the fields of welding and restoration, Quanta has made it possible for the Group to complete its line of products by adding the powerful PALLADIO and MICHELANGELO, used for cleaning large surfaces, to the EOS and Smartclean II systems used for cleaning particularly delicate artefacts.

The above represents a summary of the profit trends; let us now comment on the revenue trends. The margin of contribution is registered at 24.719 thousand Euros, an increase of approx. 52% with respect to last year, and with an incidence on the Value of Production which rises from 46% to 52% approx. The increase in percentage terms is determined, among other things, by the increasing amount of sales by Cynosure, which has always had higher margins than the average of the rest of the Group, and the good results registered by Quanta System and by Asclepion, and in the medical sector in general.

The costs for services and operating charges was 9.290 thousand Euros, an increase of 45% approx., which is mostly a result of the new companies acquired, and with an incidence of 19% approx. on the Value of Production, compared with the 18% for the same period last year. The impact of Cynosure on this cost entry is considerable, since the brilliant results in profits shown by the company were obtained also thanks to the re-enforcing of the commercial network and marketing and promotional expenses both in the United States and internationally.

Costs for personnel have also risen substantially (+30%), but its incidence on the Value of Production fell to 22% in comparison to the 23% approx. shown for the first six months of last year. The increase is due mainly to the presence of the newly acquired companies: during this semester the staff increased above all due to the entry of Quanta System, which was wholly consolidated starting in January 2004, and rose from 399 units on December 31st 2003 to 467 units on June 30th 2004, 43 of which were related to Quanta System. The personnel of Quanta System is involved mostly in research and development activities, designing and production, besides, of course, the normal administrative and sales activities.

A considerable part of personnel expenses is directed to research and development activities, for which the Group also receives grants and reimbursements on the basis of specific contracts underwritten by the institutions. These grants make it possible to engage in research of a certain breadth as the limit the economic impact.. As mentioned above, the amount for grants received which has been entered into accounting for this semester is .approx. 420 thousand Euros.

The Gross Operating Margin, thanks to the variations mentioned above in the margins of contribution and in the costs for personnel, is registered at 4.806 thousand Euros in comparison to 1.701 thousand Euros shown for the same period last year, and the incidence on the Value of Production has also improved.

The increase in the costs for amortisations and accruals also increased considerably (+77% ca). Out of the total of 3.312 thousand Euros, 476 thousand Euros are related to the amortisation for the start-up paid for the acquisition of Cynosure, Deka LMS, Asclepion, Quanta System SpA and 362 thousand Euros approx. for the accrual of funds for product guarantee, mostly related to Cynosure's activities. This entry also includes the accrual for the start-up paid upon purchase of the subsidiary Lasercut, which was made in consideration of the continued crisis of the company which does not seem to have a short term solution; this accrual amounts to 655 thousand Euros.

The operating result is shown at 1.494 thousand Euros as opposed to the loss of 173 thousand Euros for the same period last year and with an incidence of 3% approx. on the Value of Production. It should be noted that this result has been obtained net of the accrual described above for the subsidiary Lasercut, for 655 thousand Euros which, although entered into accounting among the ordinary accruals, actually represents an exceptional devaluation of the investment made during the preceding financial period.

The result of the financial management is positive for the amount of 93 thousand Euros, and is substantially unchanged with respect to the same period last year.

The extraordinary financial management contributed to the result for this financial period with 3.444 thousand Euros, of which 2.460 thousand Euros derived from the capital gains obtained after the sale by Cynosure Inc. of its equity in Sona International and a reimbursement obtained through the courts by Cynosure for legal expenses which had not been reimbursed by its insurance company, as well as more than 449 thousand Euros approx. derived from the capital gains made by the parent company El.En. after the sale of a quota of 10% of the share capital of Deka M.E.L.A. Srl and of shares amounting to 2,5% of the share capital of Cynosure Inc.; these transactions took place during the operations for the acquisition of the control of Quanta System SpA.

Income before taxes is shown at 5.155 thousand Euros. Although a large portion of this sum is derived from operations of an extraordinary nature involving the transactions with Sona and Quanta System which re-enforced the operating capacity of the Group, the entity of the amount confirms the positive trend of the Group which continues in its policy of expansion on a global level so that its competitive position in the medical and industrial laser sector is continuously improved.

The tax load for this semester has increased with respect to last year as a consequence of the increased profits; it is however considerably limited by the effect of the financial losses registered for Cynosure Inc. during the preceding financial periods, and this factor neutralized the fiscal effects of the capital gains.

2.8. Consolidated balance sheet and net position as of 30/06/2004

The reclassified balance sheet shown below shows the results of this financial period compared with the preceding one:

	30/06/2004	31/12/2003
Balance Sheet		
Intangible assets	9.224	7.947
Tangible assets	8.325	7.299
Equity investments	1.898	1.845
Other investments	1.657	1.231
Total fixed assets (A)	**21.104**	**18.322**
Stocks	23.893	19.995
Trade debtors	20.698	16.041
Other debtors	3.348	3.576
Other equity investments		115
Own shares	358	354
Cash in banks and on hand	16.792	16.818
Total current assets (B)	**65.088**	**56.899**
Trade creditors	16.101	11.712
Other debtors	8.335	5.794
Financial liabilities due within 12 months	2.544	2.110
Total current liabilities (C)	**26.979**	**19.617**
Net working capital (D)= B-C	**38.109**	**37.282**
Employee severance indemnity	1.522	1.119
Other provisions	3.214	2.693
Net medium and long term financial debts	2.036	1.844
Mid and long terms creditors (E)	**6.772**	**5.655**
Net invested capital (A + D - E)	**52.441**	**49.950**
Shareholders' equity	44.607	44.246
Minority interest on equity	7.833	5.703
Shareholders' equity	**52.441**	**49.950**
Memorandum accounts		
Real guarantees	287	288
Obligations to third parties	988	1.026
Total memorandum accounts	**1.275**	**1.314**

The net financial position of the Group as of 30/06/2004 is the following:

Net financial position		
	30/06/2004	**31/12/2003**
Financial mid and long term debts	(2.036)	(1.844)
Financial mid and long term debts	*(2.036)*	*(1.844)*
Financial liabilities due within 12 months	(2.544)	(2.110)
Cash in banks and on hand	16.792	16.818
Net financial short term position	*14.248*	*14.708*
Total financial net position	**12.212**	**12.864**

The net financial position is in the black for an amount of 12 million Euros.

The acquisition of 30% of Quanta System comported an expenditure of 1,5 million Euros, 1 million of which paid in July, and therefore on June 30th entered among the financial debts.

The consolidation of Quanta System has also comported the entry into accounts of mid-term financial debts that Quanta System had contracted in relation to research projects financed by MIUR.
Short term debts consist mainly of mid-term debts coming due before the end of the year and the residual debt for the purchase of the stock of Quanta System.

The sale of Sona earned Cynosure a total of approx. 4,6 million dollars; of this amount, 1 million has been set aside as a warranty against the fulfilment of some of the obligations set forth in the clauses of the supply contract between Cynosure and Sona.

Moreover, payments which were in excess of the accruals contributed to the absorption of cash, like the payment of dividends for the amount of 1.149 thousand Euros (El.En. SpA) and for 174 thousand dollars (Cynosure Suzhou), which took place in the months of May and June.

2.9. Comments on the research and development activities

During the first semester of 2004 the Group continued its intense research and development activities, with an aim to placing innovative new products on the market and finding new laser applications in the medical and industrial sectors.

The global market, especially for highly technological products, requires that competition be met by the continual presentation of new products, and renewed versions of products with better performance and with up-dated technology and components. For this reason an extensive research and development activity organized with short- and mid-term programming is essential.
Research aimed at obtaining mid-term results is characterized by attention to higher risk subjects which are differentiated according to a range determined by the intuition of company management and the outlook indicated by scientific work in the laboratories and centers for advanced research around the world.
Research aimed at obtaining short-term results, on the other hand, is active in investigating subjects for which selection feasibility studies have already been conducted on the basis of preliminary information on their market potential which has been obtained either through direct experience or from structures involved as consultants in the phase of preliminary study.

The research which is conducted is, for the most part, applied research, although, for some subjects this activity borders of basic research. Both applied research and the development of prototypes are sustained by financial resources which are in part provided by the Group and in part by grants which are derived from research contracts stipulated with the managing institutions on behalf of the Ministry of Instruction, University and Research, with the European Union or directly with the Research Institutes.

Some of the research projects conducted during the first semester of 2004 are described in the following paragraphs.

<u>For medical systems and applications</u>
The activity aimed at developing laser devices and equipment for mini-invasive robot-assisted micro-surgery continued; this activity has been initiated as part of the Nuova Ingegneria Medica project as a FIRB (Fondo per Investimento per Ricerca di Base) study, financed in part by MIUR (Ministero Istruzione Università e Ricerca) on the basis of grants which are issued upon the favorable opinion of an international board of experts. The experimental studies continued on the selection of the wave length and on the doses required for cutting soft tissues and the cauterisation of blood vessels. Work was begun on the development of a directable micro.tweezer and a multiple-way catheter for endoscopes, endoluminal PDT therapy, and for diagnostics with opto-acoustical micro-probes.
The development of instruments and clinical experimentation for innovative laser devices for use in physical therapy and orthopaedics was continued as was the formative activity for young researchers who are to be hired by the company in order to further strengthen the research and development sector for use of laser devices in medicine.
At the same time, clinical experimentation is continuing in Italy and qualified European and American centers in order to confirm and document the efficacy of new therapeutic treatments performed by lasers in various fields of medicine: gastroenterology, oculistics, flebology, interstitial laser hyperthermia, dermatology and cosmetic surgery. A patent has been developed for a new type of low flow radiator with isoptropic emissions interstitial laser hyperthermia for use in mini-invasive micro-surgery on the thyroid guided by ultra-sound imaging.
A program in now in progress for the development of innovative technologies in ophthalmology related to the attachment of the cornea using the laser beam.
A research project for the development of a diode laser for applications in mini-invasive micro-surgery techniques has continued.
For the bio-medical industry, a research program is now in progress with grants from the European Union for mecha-tronic applications.

<u>For industrial systems and applications</u>
A project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices continued.

Moreover, applied research continued for the development of large mirrors for scanning the laser beam for the purpose of marking or treating surfaces of different kinds of materials for the aesthetic enhancement of garments and craft products with laser power of over 1kW were continued. A project was begun for the development of the electronics based on a Digital Signal Processor to translate into HW the results of the theoretical research on the numerical control of galvanometers for scansion heads.
Algorithms,calculus programs and HW structures were developed for artificial vision systems to be used for the decoration of leather and other materials using laser marking and for cutting and marking of various objects laid out on a work table.
A project for the creation of a high power solid state laser source with active material in an amorphous ceramic support is now in the initial phases. A preliminary research project related to the cutting of stone objects with lasers was concluded.
The development of new laser equipment for use in diagnosing the condition of art objects has been continued as part of the PON (Piani Operativi Nazionali) for the development of strategic sectors in Southern Italy.

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

thousands of euro	**30/06/2004**	**30/06/2003**
Costs for personnel and general expenses	3.192	2.852
Costs for instruments and equipment	119	191
Costs for building of prototypes	386	287
Costs for technological consultants	155	164
Services provided	127	159
Intangible assets	1	2
Total	**3.979**	**3.655**

As for the entries related to sales volume and revenue, the contribution of Cynosure is also very significant in the sector of research and development, considering the intense activity the company conducts in the field. The amount spent for research and development by Cynosure during this financial period was approx. 1.441 thousand dollars as opposed to the 1.182 thousand dollars for the same period last year.

As has been the usual company policy in the past, the expenses shown on the table have been entirely entered among the operating costs.

The amount of the expenses sustained, although greater in overall terms with respect to the same period last year, has a lower incidence on the sales volume of the Group, (9% approx. as opposed to the 12% registered on June 30th 2003), thanks to the increase in the sales volume itself, as already illustrated. The amount related to Cynosure, which is, as stated, 1.441 thousand dollars, constitutes 7,5% approx. of its sales volume (10% on June 30th 2003); the remaining portion of the expenses is almost entirely sustained by El.En. SpA and represents approx. 17% of its sales volume (20% for the first six months of 2003). El.En. SpA has entered into accounts the amount of 349 thousand Euros in the form of grants. The resources and efforts involved in this activity obviously represent a major commitment, financial and otherwise.

2.10. Application of the IAS/IFRS principles

Following the recommendation of the CESR (Committee of European Securities Regulators) published on December 30th 2003, containing guide lines for companies quoted on the stock market in the European Union concerning the methods to be used for transition from the IAS/IFRS, the reference regulations and the method of use of the international accounting principles for the El. En Group are described below:

The main phases which have typified the process of integration of the accounting principles in the European Union are:

- the application of Regulation no. 1606 issued by the European Parliament and the European Council in July of 2002, which states that, starting in 2005, the application of the IAS/IFRS principles for consolidated accounting of the companies quoted on the stock markets regulated by the E.U. will become obligatory;
- the application, by the European Commission of Regulation no. 1725 of September 29th 2003 which ratified the international accounting principles and the relative interpretations in existence on September 14th 2002; from this process of ratification they excluded IAS 32 and 39, which regarded, respectively, the disclosure and the evaluation of financial instruments, as well as the relative interpretations (SIC 5, 16 and 17) since they are now being revised by the IASB;
- the issuance, by the Italian legislature, of EU Community Law 2003 (Law of October 31st 2003, n. 306) which, in article. 25 requires, among other things, for the quoted companies, the use of IAS/IFRS in drawing up not only the consolidated statements (as already required by EU Regulation n. 1606/2002), but also the statements for the financial year.

At the same time, the IASB planned a series of projects for the implementation of the international accounting principles accepted by the EU, including the regulating of operations not presently subject to regulation. Some of these projects have already been completed, while others are still in progress or being initiated.

As 2003, El.En. SpA began a specific project which was related to the implementation of the international principles through the creation of a task force which included the involvement of the main companies of the El.En. Group.
In particular, an analysis was made in order to identify the main differences between the Italian accounting principles and the IAS/IFRS principles and, on the basis of the differences which had been found, to quantify the significant impact on the consolidated financial statements of the El.En. Group.

The objectives proposed for this project are the following:

- identification of the main differences between the Italian accounting principles and the IAS/IFRS principles including those for the preparation of the opening budget (1/1/2004, date of transition) and quantification of the relative impact;
- implementation of the administrative processes and of the company information systems in order to permit the drawing up of the financial statements and quarterly reports according to the IAS/IFRS principles.

In conformity with IAS 1, the statement according to IAS/IFRS must include in terms of comparative information, the results of the financial period preceding that being described. The statement issued on December 31st 2005 will be the first annual report presented by the El.En. Group drawn up according to the international principles and will include, for purposes of comparison, the statement as of December 31st 2004 according to IAS/IFRS principles.

The analysis conducted so far has revealed some differences between the Italian accounting principles and the IAS/IFRS now in use (presuming the acceptance of the Exposure Draft now available and excluding the treatment of the differences derived from the first application of the international principles) and the main ones are described below:

- *Start up and difference from consolidation*: these entries will no longer be automatically amortised in the profit and loss account, but will be subject to an evaluation to be effected on an annual basis, in such a way that any loss in value can be readily identified (impairment test);
- *Treasury stock:* this stock, according to the IAS/IFRS, cannot be entered among the assets and will have to be cancelled along with the corresponding reserve fund; moreover, the amount of the treasury stock must be shown as a reduction of the net assets;
- *Principles of consolidation*: it will no longer be possible to exclude from the area of consolidation the companies of insignificant entity, companies being shut down, and those with different activities; the shares of consolidated subsidiary companies with circulating assets must be included in the area of consolidation;
- *Stock options*: IFRS 2 classifies the stock options within the category of “equity settled share-based-payment transactions”; in particular, according to this principle, the stock options must be evaluated when they are granted (“grant date”) at the fair market value registering in the profit and loss account a cost which shows an equivalent in the increment of the reserves of the net assets;
- *TFR*: Italian accounting principles require that liabilities for severance pay be shown on the basis of the nominal debt which has matured by the date of the financial statement; according to IAS/IFRS, the institution of TFR (severance pay) is included in the category of the benefit plans defined as subject to actual evaluation in order to express the present value of the benefit, to be issued upon termination of employment, which the employee has matured by the date of the financial statement;
- *Composite financial instruments*: according to IAS 32, the value of composite financial instruments (for example, convertible obligations) must be split up among the financial liabilities and the instruments which are representative of the net assets (stocks, bonds and options for the purchase of stocks, other instruments which represent the net assets);

- *Derived instruments*: according to the IAS/IFRS principles, all the derived instruments must be reflected in the financial statement at the relative “fair value”. The method used for the entering into accounting of derived instruments varies according to the characteristics of the same (covering and non-covering instruments);
- *Extraordinary components*: according to the IAS/IFRS principles, the components of an extraordinary nature are no longer in force;
- *Exemptions from the accounting principles as provided for in the special laws*: for AS/IFRS purposes, the accounting method would not consider the interference caused by special and fiscal laws.

For the differences that have been identified, we are taking the necessary steps for the definition of the procedures necessary for the quantification for each company.

Moreover, other differences in the principles were identified and are now being investigated; they concern mainly the reserve funds for risks, recognition of profits, work in progress on orders, capitalisation of interests, postponed taxes and the entering into accounts of dividends in the financial statements.

2.11. Other noteworthy events which took place during the financial period

No other noteworthy events occurred during the financial period described in this report.

2.12. Noteworthy events which took place after the closure of the financial period

No events of particular importance occurred after the closure of this financial period.

2.13. Predictable trends for the financial year now in progress

The first six months of the financial year 2004 closed with sales volume and profits well above expectations. These results represent a solid starting point for the rest of the year for which, notwithstanding the continued situation which is characterized by the same elements of uncertainty that were present in 2003, we still believe that a sales volume slightly above that originally forecast will be possible, and an operating revenue, net from the accruals, in line with expectations. The net income, on the other hand, will benefit from the capital gains entered into accounts during the first six months of activity.

For the Board of Directors
The President
Ing. Gabriele Clementi

EL.EN. GROUP CONSOLIDATED FINANCIAL STATEMENTS CLOSED ON JUNE 30th 2004

ASSETS	30/06/2004	31/12/2003	30/06/2003
A) SUBSCRIBED UNPAID CAPITAL			
Total subscribed unpaid capital			
B) FIXED ASSETS			
I) Intangible assets			
1) Formation and expansion expenses	186.548	370.744	561.220
2) Costs of research, development and advertising	42.564		
3) Patents and rights to use patents of others	305.090	302.632	374.020
4) Concessions, licenses, trade marks and similar rights	219.965	228.290	189.422
5) Goodwill	165.016	191.993	225.274
6) Intangible assets in progress and payments on account		6.992	50.000
7) Other	1.199.859	64.103	84.916
8) Goodwill arising from consolidation	7.105.456	6.782.540	7.221.887
Total intangible assets	**9.224.498**	**7.947.294**	**8.706.739**
II) Tangible assets			
1) Land and buildings	3.794.578	2.400.819	2.417.793
2) Equipment and machinery	477.488	417.446	388.717
3) Industrial and commercial equipment	2.843.423	2.507.818	2.484.416
4) Other	1.209.089	673.813	648.126
5) Tangible assets under construction and payments on account		1.299.550	1.131.130
Total tangible assets	**8.324.578**	**7.299.446**	**7.070.182**
III) Financial fixed assets			
1) Equity investments in :			
b) associated companies	618.912	1.430.211	1.027.369
d) other companies	408.573	337.863	171.953
Total equity investments	*1.027.485*	*1.768.074*	*1.199.322*
2) Loans:			
d) other companies			
- due within 12 months	411.350		
- due after 12 months	411.350		
Total loans by other companies	*822.700*		
3) Other investments	47.524	76.709	76.709
Total financial fixed assets	**1.897.709**	**1.844.783**	**1.276.031**
TOTAL FIXED ASSETS	**19.446.785**	**17.091.523**	**17.052.952**
C) CURRENT ASSETS			
I) Stocks:			
1) Raw materials and consumables	10.271.415	9.197.844	8.548.902
2) Work in progress and components	5.819.422	4.292.001	5.075.236
4) Finished goods	7.755.485	6.437.349	7.093.151
5) Payments on account	47.068	67.936	31.225
Total stocks	**23.893.390**	**19.995.130**	**20.748.514**
II) Debtors			
1) Trade debtors			
- due within 12 months	20.578.269	15.623.354	15.265.014
Total trade debtors	*20.578.269*	*15.623.354*	*15.265.014*
3) Amounts owed by non-consolidated associated companies			
- due within 12 months	119.338	417.619	166.301
Total amounts owed by associated companies	*119.338*	*417.619*	*166.301*
5) Other debtors			
- due within 12 months	2.770.638	3.164.665	3.068.650
- due after 12 months	1.656.825	1.230.922	1.258.520
Total amounts owed by other debtors	*4.427.463*	*4.395.587*	*4.327.170*
Total debtors	**25.125.070**	**20.436.560**	**19.758.485**
III) Investments which are not permanent			
4) Other companies		115.000	
5) Own shares	357.935	354.104	364.431
6) Other investments	1.998.408	78.004	2.707.384
Total investments which are not permanent	**2.356.343**	**547.108**	**3.071.815**
IV) Cash at bank and in hand			
1) Bank and postal current accounts	14.755.641	16.728.704	15.762.781
3) Cash on hand	37.668	10.825	39.850
Total cash at bank and in hand	**14.793.309**	**16.739.529**	**15.802.631**
TOTAL CURRENT ASSETS	**66.168.112**	**57.718.327**	**59.381.445**
D) PREPAYMENTS AND ACCRUED INCOMES:			
1) Prepayments and accrued income assets	576.975	411.412	567.135
Total prepayments and accrued incomes	**576.975**	**411.412**	**567.135**
TOTAL ASSETS	**86.191.872**	**75.221.262**	**77.001.532**
LIABILITIES			
A) CAPITAL AND RESERVES			
Capital and reserves of the group			
I) Subscribed capital	2.402.992	2.402.992	2.392.000
II) Share premium reserve	34.206.116	34.206.116	33.954.774

IV) Legal reserve	537.302	537.302	537.302
V) Reserve for own shares	255.937	255.937	255.937
VII) Other reserves:			
- Extraordinary reserve	6.069.661	5.486.618	5.486.618
- Reserve for contribution on capital account	426.657	426.657	426.657
- Profits from subsidiaries and associated in previous years	-192.800	856.696	890.401
- Consolidation reserve	446.312	1.270.675	1.404.652
- Other reserves	-1.602.380	-1.750.562	-1.276.267
Total other reserves	*5.147.450*	*6.290.084*	*6.932.061*
IX) Profit (loss) for the financial period	2.057.537	553.954	76.143
Total capital and reserves of the group	**44.607.334**	**44.246.385**	**44.148.217**
Capital and reserves of third parties			
X) Capital and reserves of third parties	6.189.265	5.658.060	5.608.708
XI) Profit (loss) of third parties	1.644.024	45.144	-5.543
Total capital and reserves of third parties	**7.833.289**	**5.703.204**	**5.603.165**
TOTAL CAPITAL AND RESERVES	**52.440.623**	**49.949.589**	**49.751.382**
B) PROVISIONS FOR RISKS AND CHARGES			
1) Provisions for pensions and similar obligations	393.755	365.295	334.093
2) Provisions for taxation	653.931	677.343	627.661
3) Other provisions	2.166.353	1.649.888	1.416.232
Total provisions for risks and charges	**3.214.039**	**2.692.526**	**2.377.986**
C) EMPLOYEE SEVERANCE INDEMNITY	**1.522.077**	**1.118.773**	**983.920**
D) CREDITORS			
1) Debenture loans			
- due after 12 months	619.748	619.748	619.748
Total debenture loans	*619.748*	*619.748*	*619.748*
3) Amounts owed to banks			
- due within 12 months	1.435.144	336.021	499.707
- due after 12 months	333.599	441.034	547.451
Total amounts owed to banks	*1.768.743*	*777.055*	*1.047.158*
4) Amounts owed to other financial institutions			
- due within 12 months	1.082.221	273.977	326.891
- due after 12 months	1.082.312	782.966	845.939
Total amounts owed to other financial institutions	*2.164.533*	*1.056.943*	*1.172.830*
5) Advances received			
- due within 12 months	736.821	705.383	1.031.980
Total advances received	*736.821*	*705.383*	*1.031.980*
6) Amounts owed to suppliers			
- due within 12 months	16.070.503	11.620.843	12.940.016
Total amounts owed to suppliers	*16.070.503*	*11.620.843*	*12.940.016*
9) Amounts owed to associated companies			
- due within 12 months	30.648	91.607	517.330
Total amounts owed to associated companies	*30.648*	*91.607*	*517.330*
11) Amounts owed to tax administration			
- due within 12 months	2.531.434	945.805	1.026.907
Total amounts owed to tax administration	*2.531.434*	*945.805*	*1.026.907*
12) Amounts owed to social security institutions			
- due within 12 months	640.083	605.543	551.490
Total amounts owed to social security institutions	*640.083*	*605.543*	*551.490*
13) Other creditors			
- due within 12 months	3.748.530	4.575.297	4.291.328
Total other creditors	*3.748.530*	*4.575.297*	*4.291.328*
TOTAL CREDITORS	**28.311.043**	**20.998.224**	**23.198.787**
E) ACCRUALS AND DEFERRED INCOME			
1) Accruals and deferred income-liabilities	704.090	462.150	689.457
Total accruals and deferred income	**704.090**	**462.150**	**689.457**
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**86.191.872**	**75.221.262**	**77.001.532**

MEMORANDUM ACCOUNTS	30/06/2004	31/12/2003
Our Guarantees		
Our Guarantees	287.493	288.127
Other memorandum accounts		
Our Obligations	987.761	1.025.704
TOTAL MEMORANDUM ACCOUNT	**1.275.254**	**1.313.831**

PROFIT AND LOSS ACCOUNT	30/06/2004	31/12/2003	30/06/2003
A) VALUE OF PRODUCTION			
1) Net turnover from sales and services	45.017.937	68.195.140	30.241.647
2) Variation in stocks of finished goods and in work in progress	2.131.053	3.411.390	4.488.395
4) Work performed for own purposes and capitalised	155.879	262.081	2.085
5) Other revenues and income			
a) Other revenues and income	664.214	1.026.946	364.772
b) Grants received pertaining to the current year	450	31.268	11.606
Total other revenues and income	*664.664*	*1.058.214*	*376.378*
TOTAL VALUE OF PRODUCTION	**47.969.533**	**72.926.825**	**35.108.505**

B) COSTS OF PRODUCTION			
6) For raw materials, consumables and goods for sale	-19.535.946	-31.319.221	-16.755.963
7) For services	-11.346.135	-18.145.609	-8.668.445
8) For use of assets owned by others	-1.080.514	-942.377	-430.818
9) For staff costs:			
a) wages and salaries	-8.854.318	-15.407.800	-6.959.812
b) social security costs	-1.589.402	-2.228.485	-1.082.192
c) provision for severance indemnity	-178.768	-328.718	-141.740
e) other costs relating to staff	-1.137		
Total for staff costs	*-10.623.625*	*-17.965.003*	*-8.183.744*
10) Value adjustments			
a) amortisation of intangible assets	-900.523	-1.509.135	-721.778
b) depreciation of tangible assets	-982.334	-1.893.447	-917.040
c) reduction in value of fixed assets	-654.921		
d) allowance for debtors in current assets and other acc.s incl. in cash	-324.605	-170.024	-51.245
Total value adjustments	*-2.862.383*	*-3.572.606*	*-1.690.063*
11) Variations in stock of raw materials, consumables and goods for resale	97.914	2.315.181	1.114.140
12) Amounts provided for risk provisions	-450.095	-555.885	-183.596
14) Other operating charges	-675.190	-1.343.904	-483.054
TOTAL COSTS OF PRODUCTION	**-46.475.974**	**-71.529.424**	**-35.281.543**
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**1.493.559**	**1.397.401**	**-173.038**
C) FINANCIAL INCOME AND CHARGES			
16) Other financial income:			
b) from other permanent investments other than equity investments		708	
c) from other investments which are not permanent	12.489	71.470	4.424
d) other income not included above			
- to associated companies	*995*	*630*	
- to third parties	*362.982*	*1.122.314*	*359.518*
Total other income not included above	*363.977*	*1.122.944*	*359.518*
Total other financial income	*376.466*	*1.195.122*	*363.942*
17) Interest payable and similar charges			
b) to associated companies		*-23.425*	*-4.768*
d) to third parties	*-283.630*	*-982.945*	*-263.500*
Total interest payable and similar charges	*-283.630*	*-1.006.370*	*-268.268*
TOTAL FINANCIAL INCOME AND CHARGES	**92.836**	**188.752**	**95.674**
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS			
18) Revaluation:			
a) of equity investments	144.967	717.418	648.863
Total revaluation	*144.967*	*717.418*	*648.863*
19) Devaluation			
a) of equity investments	-21.177	-198.325	-3.804
Total devaluation	*-21.177*	*-198.325*	*-3.804*
TOTAL VALUE ADJUSTMENTS	**123.790**	**519.093**	**645.059**
E) EXTRAORDINARY INCOME AND CHARGES			
20) Extraordinary income			
a) income	*586.709*	*550.834*	*213.952*
b) capital gains from disposal of assets	*2.909.683*		
Total extraordinary income	*3.496.392*	*550.834*	*213.952*
21) Extraordinary charges			
a) charges	*-46.058*	*-420.719*	*-215.054*
c) other extraordinary charges	*-5.870*	*-21.941*	
Total extraordinary charges	*-51.928*	*-442.660*	*-215.054*
TOTAL EXTRAORDINARY INCOME AND CHARGES	**3.444.464**	**108.174**	**-1.102**
PROFIT OR LOSS BEFORE INCOME TAXES	**5.154.649**	**2.213.420**	**566.593**
22) Income taxes on the income of the period:			
a) current	-1.898.318	-1.837.246	-773.383
b) deferred	445.230	222.924	277.390
23) NET TOTAL PROFIT (LOSS)	**3.701.561**	**599.098**	**70.600**
Profit (loss) of third parties	**-1.644.024**	**-45.144**	**5.543**
24) PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**2.057.537**	**553.954**	**76.143**

APPENDIX

ACCOUNTING PRINCIPLES AND METHODS

The semi-annual report has been drawn up in conformity with article 81 of CONSOB regulations n. 11.971 of May 14th 1999 and later modifications.

Consolidation techniques, accounting principles, and evaluation criteria

The consolidation techniques, accounting principles and evaluation criteria are the same as those used for the annual consolidated financial report. Income taxes have been entered on the basis of a realistic estimate of the taxable income following a conservative interpretation of the tax laws. Data related to the preceding semester, when necessary for a better comprehension of the semi-annual report, have been reclassified.
The semi-annual situation of the individual subsidiary companies, used for the consolidation, have been opportunely reclassified and rectified in all those cases where it was necessary to adapt them to the accounting principles and the evaluation criteria used for the parent company, which are in conformity with those described in articles 2423 and following of the Civil Code.
The conversion into Euros of the financial statements expressed in foreign currency has been made using the "current exchange" method. Consequently, the rate which was current at the end of the financial period has been used for the entries in the balance sheet, and the average exchange rate has been used for the profit and loss account. The differences in rate which have been caused by the conversion of the entries in the initial capital and reserves into the current rates at the end of the period have been entered directly in the capital and reserves chart under the entry of "Reserves for conversion".

Area of consolidation

The consolidated semi-annual report of El.En. Group includes the financial and economic situations of the parent company and the Italian and foreign companies of which El.En. controls directly or indirectly the majority of the votes which can be exercised during an ordinary assembly.
As a result of the acquisitions which took place during the first six months of 2004, the area of consolidation is now as follows:

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:						
El.En. SpA	Calenzano (I)	2.402.992				
Subsidiary companies:						
Deka M.E.L.A. Srl	Calenzano (I)	40.560	60,00%		60,00%	60,00%
Cutlite Penta Srl (1)	Calenzano (I)	103.480	53,50%	10,00%	63,50%	63,40%
Valfivre Italia Srl	Calenzano (I)	47.840	99,00%		99,00%	99,00%
Deka Sarl	Vienne (F)	76.250	98,00%		98,00%	98,00%
Deka Lms GmbH	Freising (D)	51.129	76,16%		76,16%	76,16%
Deka Dls GmbH (2)	Freising (D)	50.000		50,40%	50,40%	38,38%
Deka Laser Technologies LLC	Fort Lauderdale (USA)	935	51,00%		51,00%	51,00%
Ot-las Srl (3)	Calenzano (I)	57.200		54,00%	54,00%	34,24%
Lasit Srl (4)	Vico Equense (I)	234.000	50,00%	20,00%	70,00%	56,85%
Neuma Laser Srl (5)	Calenzano (I)	46.800		100,00%	100,00%	48,82%
Lasercut Inc. (*)	Branford (USA)	935	70,00%		70,00%	70,00%
Quanta System SpA (**)	Solbiate Olona (I)	364.000	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH (***) (6)	Jena (D)	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl (****) (7)	Corsico (I)	20.500		51,22%	51,22%	30,74%
AQL Srl (*****) (8)	Paris (F)	100.000		100,00%	100,00%	53,42%
Cynosure Inc.	Chelmsford (USA)	45.859	57,50%		57,50%	57,50%
Cynosure GmbH (9)	London (UK)	23.036		100,00%	100,00%	57,50%
Cynosure Sarl (9)	Suzhou (China)	84.477		100,00%	100,00%	57,50%
Cynosure KK (9)	Tokyo (J)	74.044		100,00%	100,00%	57,50%
Cynosure UK (9)	Londra (UK)	1		100,00%	100,00%	57,50%
Suzhou Cynosure Medical Devices Co. (9)	Suzhou (China)	no par value		51,60%	51,60%	29,67%

(1) held by El.En SpA (53,50%) e da Valfivre Italia Srl (10%)

(2) held by Deka Lms GmbH
(3) held by Cutlite Penta Srl
(4) held by El.En Spa (50%) e da Ot-las (20%)
(5) held by Cutlite Penta Srl (50%) e da Ot-las Srl (50%)
(6) held by El.En SpA (50%) e da Quanta System SpA (50%)
(7) held by Quanta System SpA
(8) held by Quanta System SpA (50%) e da Lasit Srl (50%)
(9) held by Cynosure Inc.
(*) Consolidated Profit and loss account since April 2003
(**) Consolidated Profit and loss account since January 2004
(***) Consolidated Profit and loss account since May 2003
(****) Consolidated Profit and loss account since April 2004
(*****) constituted on June 25th, 2004

During the period to which the report refers, no variations occurred in the activity of the companies in the El.En Group.

El.En. S.p.A. has investments in other companies which operate in the same sector, which however, it does not control; consequently, the results of these companies are not completely consolidated in the statement for the Group, but have been consolidated using the capital and reserves method.

Using the capital and reserves method, the investments which constitute assets in associated companies have been evaluated as follows

Company name:	Headquarters	Subscr. capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Immobiliare Del.Co. Srl	Milan	24.000	30,00%		30,00%	30,00%
Asa Srl (1)	Arcugnano (I)	46.800		20,00%	20,00%	14,00%
Actis Active Sensors Srl	Calenzano (I)	10.200	12,00%		12,00%	12,00%
IALT Scrl	Calenzano (I)	10.000	50,00%		50,00%	50,00%
M&E	Florence	9.924	50,00%		50,00%	50,00%

(1) detenuta da Deka Mela Srl

The investment in Actis S.r.l. and the newly founded consortium IALT have been maintained at cost since the companies are still in the start-up phase, and consequently an evaluation using the capital and reserves method would be irrelevant for purposes of representing the financial and economic situation of the company. The investment in M&E has been entirely devaluated during 2001, in consideration of the inactivity of the company.

The capital stock of the companies which do not use the Euro as currency have been converted using the exchange rate in force at the end of the financial period, June 30th 2004, i.e., one Euro equal to 1,2155 Dollars.

Reference data

The six-months report has been drawn up on the basis of the financial situation on June 30th 2004, of all the companies belonging to the El. En Group, the economic situations relative to the first semester of 2004, except for Arex Srl consolidated on the date of acquisition which was April 2004.

Analysis of the different entries in the financial statement:

Assets

B) Fixed assets

I – Intangible assets

The variations which took place in the intangible assets during this financial period are as follows:

Categories	Balance 31/12/2003	Increments	Revaluation (Devaluation)	Other Operations	(Amortisations)	Translation Adjustments	Balance 30/06/2004
Formation and expansion expenses	370.744				-184.196		186.548
Costs of research, development and advertising				60.403	-17.839		42.564
Patents and rights to use patents of others	302.632	6.168			-15.372	11.662	305.090
Concessions, licences, trade marks and similar rights	228.290	26.917		21.892	-59.403	2.269	219.965
Goodwill	191.993			11.620	-38.597		165.016
Other	64.103	151.737		1.092.626	-108.798	191	1.199.859
Intangible assets in progress and payments on account	6.992			-6.992			
Difference from consolidation	6.782.540	1.454.155	-654.921		-476.318		7.105.456
Total	**7.947.294**	**1.638.977**	**-654.921**	**1.179.549**	**-900.523**	**14.122**	**9.224.498**

Categories	30/06/2004			30/06/2004		
	Cost	(Amortisations)	Net value	Cost	(Amortisations)	Net value
Formation and expansion expenses	1.869.525	1.682.977	186.548	1.869.525	1.498.781	370.744
Costs of research, development and advertising	60.403	17.839	42.564			
Patents and rights to use patents of others	420.515	115.425	305.090	402.685	100.053	302.632
Concessions, licences, trade marks and similar rights	463.224	243.259	219.965	412.146	183.856	228.290
Goodwill	391.423	226.407	165.016	379.803	187.810	191.993
Other	1.512.128	312.269	1.199.859	267.574	203.471	64.103
Intangible assets in progress and payments on account				6.992		6.992
Difference from consolidation	8.995.829	1.890.373	7.105.456	8.196.595	1.414.055	6.782.540
Total	**13.713.047**	**4.488.549**	**9.224.498**	**11.535.320**	**3.588.026**	**7.947.294**

Description	Past cost	Accumulated amortisations	Residual value
Year 1995 - Formation and expansion expenses	1.653	1.653	
Year 1996 - Formation and expansion expenses	14.459	14.459	
Year 1997 - Formation and expansion expenses	1.329	1.329	
Year 2000 - Formation and expansion expenses	1.850.450	1.664.394	186.056
Year 2001 - Formation and expansion expenses	1.634	1.142	492
Total	**1.869.525**	**1.682.977**	**186.548**

The amount shown under the item “costs of formation and expansion” consists for the most part, of the capitalisation of the amounts paid by the Parent Company, El.En. S.p.A. during the financial period 2000, for quotation on the new stock market (*Nuovo Mercato*). These costs will be amortised over a period of 5 years, and therefore the amortisation period will come to an end with the present financial year.

The “Cost of research development and advertising” are related to the capitalization of the costs sustained during the past financial periods by the subsidiary Quanta System SpA and by its subsidiary Arex Srl. These costs have been amortised over a five year period.
The entry under “Patents and rights to use patents of others” refers to the capitalisation of the costs sustained by the subsidiary Cynosure Inc. for patents and license agreements, and they have been amortised on the basis of their legal ties and their estimated future usefulness.
Under the heading of “Concessions, licenses, trade marks and other similar rights”, the entries refer, among other things, to the total costs sustained by the Parent Company for the purchase of new management / administrative software, the implementation of which was terminated during the financial year 2002; under this heading we have also entered the costs sustained by the Parent Company for the acquisition of a license to use a patent for a safety device applicable to laser systems.
The amount shown under the heading “Goodwill” refers, among other things, to the 89 thousand Euros, which was the price paid during 2001 by the subsidiary Deka Lms GmbH for the purchase of the distributing activity of medical equipment in Germany, net of the amortisation fund, and to the 69 thousand Euros, which is the price paid as goodwill for the start up during this semester of the subsidiary company, Asclepion Laser Technologies GmbH for the purchase of the activities pertinent to the dermatology and dentistry businesses belonging to Carl Zeiss Meditec
The entry under the heading of “Others” refers mostly to the capitalisation effected during the last financial year and during the one in progress by the subsidiary Quanta System SpA for the costs of remodelling the building (which is the property of a third party) located in Solbiate Olona, where its headquarters are presently located.
The amount shown on 30/06/2004 under the heading of “difference in consolidation” is a consequence of the purchase operation made by the Parent Company for 51,55% of Deka Lms GmbH, which occurred during the financial year 2001 and to the operation which followed for the purchase of a further quota amounting to 24,61% which took place in April of 2003; this amount represents the difference between the purchase price and the net value of the assets in the quota at the time of each operation, net from the amount of amortisation. The period of amortization used both for the heading “Goodwill” and for the heading “difference in consolidation” is calculated for a period of five years.
The entry also includes; a) the amount deriving from the purchase, which took place during the financial year 2002, by the Parent Company, for 60% of the Cynosure Group, and it represents the difference between the purchase price and the net value of the consolidated assets belonging to Cynosure which were in the quota at the time of the transaction. This amount has been rectified after the sale of 2,5% of the share capital of Cynosure which El.En SpA made after the completion of the operations for the purchase of Quanta System SpA, as has been explained in detail in the introductory part of this report. The period of amortization used is calculated at a period of time (10 years) during which it is expected that the Group will be able to benefit from the market position and the know-how acquired through the purchase;
b) the difference between the purchase price and the value of the net worth entered at the date of the transaction after the purchase by the Parent Company of a quota of 30% of Quanta System SpA. This amount has been entered into accounts net of the reserve of consolidation related to the previous quota of 30% held by the Parent Company up until 19/01/04. The period of amortization used is calculated at a period of time (10 years) during which it is expected that the Group will be able to benefit from the market position and the know-how acquired through the purchase;
c) finally, the entry includes the devaluation, for the amount of 655 thousand Euros, of the goodwill which had been paid at the time of purchase for the subsidiary Lasercut, which has been effected in consideration of the continuing crisis of the company which does not seem to be able to reach the objectives that have been set for it in the near future.

II — Fixed assets

The changes which took place in the fixed assets during the financial period are as follow:

Cost	Balance 31/12/2003	Increments	Revaluations and devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 30/06/2004
Land and buildings	2.971.414	196.781		1.251.622			4.419.817
Plants and machinery	819.674	46.516		60.745	-460	5.140	931.615
Industrial and commercial equipment	7.965.715	1.574.173		120.829	-1.166.726	215.341	8.709.332
Other goods	3.499.459	654.765		270.869	-98.848	35.256	4.361.501
Tangible assets under construction	1.299.550			-1.299.550			
Total	**16.555.812**	**2.472.235**		**404.515**	**-1.266.034**	**255.737**	**18.422.265**

Amortisation provisions	Balance 31/12/2003	Amortisations amount	Devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 30/06/2004
Land and buildings	570.595	54.968		-324			625.239
Plants and machinery	402.228	40.005		7.517	-245	4.622	454.127
Industrial and commercial equipment	5.457.897	665.245		37.998	-454.043	158.812	5.865.909
Other goods	2.825.646	222.116		170.155	-95.713	30.208	3.152.412
Tangible assets under construction							
Total	**9.256.366**	**982.334**		**215.346**	**-550.001**	**193.642**	**10.097.687**

Net value	Balance 31/12/2003	Increments	Revaluations and other operations	(Amortisations and devaluations)	(Disposals)	Translation Adjustments	Balance 30/06/2004
Land and buildings	2.400.819	196.781	1.251.946	-54.968			3.794.578
Plants and machinery	417.446	46.516	53.228	-40.005	-215	518	477.488
Industrial and commercial equipment	2.507.818	1.574.173	82.831	-665.245	-712.683	56.529	2.843.423
Other goods	673.813	654.765	100.714	-222.116	-3.135	5.048	1.209.089
Tangible assets under construction	1.299.550		-1.299.550				
Total	**7.299.446**	**2.472.235**	**189.169**	**-982.334**	**-716.033**	**62.095**	**8.324.578**

The entry "other goods" includes, besides the amounts related to assets which occurred after the variation in the area of consolidation, a reclassification made by the Parent Company of from "Tangible assets under construction" to "Land and buildings" after the completion of purchase operations for the acquisition of the building where Lasercut operates in Branford, Connecticut, and the completion of remodelling work on the farm house located on the property at Calenzano, so that the relative periods of amortisation can begin.
The most valuable item is the real estate property in Via Baldanzese in Calenzano (Florence) where the parent company and three of the subsidiaries, are based. Of particular importance for this chart is the equipment belonging to the subsidiary Cynosure, which includes laser systems used for sales demonstrations and for revenue sharing, notwithstanding the sale made by the company of part of the equipment used by Sona for its cosmetic laser treatments, which have been entered under the heading of "disposals".
The investments made during this semester involved new equipment for sales demonstrations and for clinical experimentation in the cosmetic and medical sector, the renewal of laboratory research equipment, new hardware including personal computers, as a consequence of the increase in personnel.

In the chart which shows the amortization funds, the amount entered under the heading "Other goods" also identifies the costs of the material goods as per article 67 TU, which are shown in the profit and loss account for the semester among the operating expenses, and therefore do not appear as part of the amortizations.

As is shown in the accounts with the original costs the increases which have taken place as a consequence of the variations in the area of consolidation, are included under the heading "Other goods".

III - Investments

The following chart shows the analysis of the financial investments:

	30/06/2004	31/12/2003	Variation	Var. %
Equity investments in:				
associated companies	618.912	1.430.211	-811.299	-56,73%
other companies	408.573	337.863	70.710	20,93%
Other credits:				
other credits	822.700		822.700	0,00%
Other equity investments	47.524	76.709	-29.185	-38,05%
Total	1.897.709	1.844.783	52.926	2,87%

The amount entered under the heading of "associated companies" has fallen as a result of the reclassification of Quanta System SpA, among the subsidiaries after the purchase of the controlling interest, and the sale of Sona by Cynosure.

The associated companies, Immobiliare Del.Co. Srl and ASA Srl were consolidated using the shareholders' equity method; these companies are not required to issue quarterly statements, and have drawn up a six-months report only to make it possible to issue a consolidated statement which corresponds to the actual financial position as of June 30th 2004.

The equities in Actis S.r.l. and in the consortium IALT have been maintained at cost (respectively at 1.240 Euros and at 5.000 Euros) since the companies are in the start-up phase and their evaluation using the shareholders' equity method would be meaningless for the purpose of representing the actual financial situation. The equity in M&E was devaluated during 2001 per the amount of 4.962 Euros, since the company is inactive.

For the associated companies which have been consolidated using the shareholders' equity method, the chart below shows details of the consolidation:

	Costo Storico	Quota P.N. al 31/12/2003	Variazione nell'esercizio	Quota P.N. al 30/06/2004
Quanta System SpA (*)	129.710	510.128	-510.128	
Immobiliare Del.Co. Srl	274.200	264.110	-1.717	262.393
Asa Srl	385.000	350.614	-335	350.279
Sona International Co.		304.119	-304.119	
	788.910	1.428.971	-816.299	612.672

(*) cost at 31/12/03

The entry "Receivables from others" is related to a deposit of 1 million dollars bound for a period of one year from the date of closure of the transaction for the sale of Sona by Cynosure Inc. as a warranty to ensure compliance to some of the clauses stipulated in the contract between the two companies.

	30/06/2004	31/12/2003	Variation	Var. %
Securities		76.709	-76.709	-100,00%
Italian bonded securities	47.524		47.524	0,00%
Total	47.524	76.709	-29.185	-38,05%

As part of the incentive plan for managers of the subsidiary Cynosure, as described in detail in the charter regarding the memorandum accounts, El.En. SpA in January acquired 34.511 rights from one of the participants in the plan, for the amount of approx. 58 thousand American dollars.

Financial charges incurred during this semester for the amounts entered as assets

No financial charges were entered under the assets for this financial period.

C) Current assets

I -Inventory

Analysis of the inventory is a follows:

Stocks:	30/06/2004	31/12/2003	Variation	Var. %
Raw materials and consumables	10.271.415	9.197.844	1.073.571	11,67%
Work in progress and semi finished products	5.819.422	4.292.001	1.527.421	35,59%
Finished products and goods for sale	7.755.485	6.437.349	1.318.136	20,48%
Payments on account	47.068	67.936	-20.868	-30,72%
Total	23.893.390	19.995.130	3.898.260	19,50%

Break-down of the inventory of raw materials is shown on the following chart:

Raw material:	**30/06/2004**	**31/12/2003**	**Variation**	**Var. %**
Optical components	2.201.492	1.572.325	629.167	40,02%
Electrical and electronic components	4.133.074	3.889.305	243.769	6,27%
Mechanical components	3.456.719	3.011.005	445.714	14,80%
Hydraulic components	508.164	414.167	93.997	22,70%
Empty cases	171.638	125.407	46.231	36,86%
Various materials	683.606	448.707	234.899	52,35%
Fitting and fixtures	508.835	518.461	-9.626	-1,86%
Laser sources	3.711	2.552	1.159	45,42%
minus: devaluation provision	-1.395.824	-784.085	-611.739	78,02%
Total	10.271.415	9.197.844	1.073.571	11,67%

A comparison between the final inventory of raw materials between the two financial periods shows a sharp rise which is mostly due to the effects of the variation in the area of consolidation after the inclusion of Quanta System SpA.

As of 30/06/2004 the fund for obsolescence of raw materials amounted to approx.1.396 thousand Euro.

The analysis of the inventory of semi-finished products is as follows:

Semi finished products	**30/06/2004**	**31/12/2003**	**Variation**	**Var. %**
High voltage power supplies	558.740	458.590	100.150	21,84%
Assembled electronics boards	445.450	321.592	123.858	38,51%
Mechanical units	459.592	308.409	151.183	49,02%
Electrical units	439.237	214.071	225.166	105,18%
Hydraulic units	91.711	53.317	38.394	72,01%
Laser cavities and half-assembled sources	85.673	96.133	-10.460	-10,88%
Systems being assembled	3.841.820	2.876.330	965.490	33,57%
minus: devaluation provision	-102.801	-36.441	-66.360	182,10%
Total	5.819.422	4.292.001	1.527.421	35,59%

The increase shown for the quantity of semi-finished pieces, beside being affected by the entry of Quanta System SpA into the area of consolidation, is also due to the policy of decentralization for the simplest parts of the production process of the Group and the consequent presence of semi-finished pieces and kits for assembly at jobbers.

On 30/06/04 the obsolescence fund for finished products amounted to approx. 103 thousand Euros.

Break-down of the finished products is shown below :

Finished products:	**30/06/2004**	**31/12/2003**	**Variation**	**Var. %**
Medical lasers	3.928.526	3.133.054	795.472	25,39%
Industrial laser sources	449.410	145.158	304.252	209,60%
Medical fittings and accessories	503.309	573.091	-69.782	-12,18%
Other medical accessories	1.175.579	1.187.259	-11.680	-0,98%
Industrial laser systems	1.997.205	1.771.419	225.786	12,75%
Other finished products	13.040	0	13.040	0,00%
minus: devaluation provision	-311.584	-372.632	61.048	-16,38%
Total	7.755.485	6.437.349	1.318.136	20,48%

The increase in the inventory of finished products is also due in part to the effects of the entry into the area of consolidation of Quanta System SpA.

As of 30/06/2004 the fund for obsolescence of finished products amounted to 312 thousand Euros.

The LIFO reserve at the end of the semester was equal to 209 thousand Euros approx..

II — Accounts receivable

Break-down of accounts receivable

Analysis of debtors is shown on the following chart:

Debtors:	30/06/2004	31/12/2003	Variation	Var. %
Trade debtors	20.578.269	15.623.354	4.954.915	31,71%
Amounts owed by non-consolidated associated companies	119.338	417.619	-298.281	-71,42%
Other debtors	4.427.463	4.395.587	31.876	0,73%
Total	25.125.070	20.436.560	4.688.510	22,94%

	30/06/2004	31/12/2003	Variation	Var. %
Clients in Italy	8.496.409	6.180.553	2.315.856	37,47%
EC clients	5.873.102	5.087.519	785.583	15,44%
Clients outside of EC	7.268.961	5.213.097	2.055.864	39,44%
minus: devaluation provision for debtors	-1.060.203	-857.815	-202.388	23,59%
Total	20.578.269	15.623.354	4.954.915	31,71%

Accounts receivable from associated companies which are not consolidated are related to a no-interest financing loan granted to Immobiliare Del Co. S.r.l. for 13.565 Euros, a short-term loan granted to Actis Srl for 40.000 Euros at the annual interest rate of 5%, commercial receivables from ASA Srl for 52.877 Euros and from M&E Co. for 12.896 Euros.

Analysis of other credits

Break-down of the other credits is shown on the chart below:

	30/06/2004	31/12/2003	Variation	Var. %
becoming payable within the next fiscal year				
IRPEG and IRAP credits	241.785	571.962	-330.177	-57,73%
VAT credits	1.864.943	1.878.591	-13.648	-0,73%
Security deposits	80.866	78.822	2.044	2,59%
Prepayments to suppliers	327.820	330.942	-3.122	-0,94%
Other credits	255.224	304.348	-49.124	-16,14%
total becoming payable within the next fiscal year	2.770.638	3.164.665	-394.027	-12,45%
becoming payable after the next fiscal year				
SP tax account	21.079	8.660	12.419	143,41%
Insurance policy TFM	208.136	208.136		0,00%
Credits for advanced taxes	1.373.472	962.559	410.913	42,69%
Other credits	54.138	51.567	2.571	4,99%
total becoming payable after the next fiscal year	1.656.825	1.230.922	425.903	34,60%
Total	4.427.463	4.395.587	31.876	0,73%

This six-months period ended with an IVA credit of 1.864.943 Euros, which was a consequence of the intense export activity. Tax credits derive mainly from the difference between the down payments made and the tax debt matured by the date of this report.

Among the receivables which become due within 5 years, we have entered 21.079 Euros as a deposit on the TFR taxes, 208.136 Euros as a receivable from Reale Mutua insurance company to cover the TFM (end-of-term bonus) of executives and 1.373.472 Euros as receivables for prepaid taxes.

Amounts receivable after more than five years

No amounts receivable after more than five years are entered on the balance sheet.

III Financial activities other than investments

Financial activities other than investments are shown on the chart below:

Investments which are not permanent:	30/06/2004	31/12/2003	Variation	Var. %
treasury stock	357.935	354.104	3.831	1,08%
other equity investments		115.000	-115.000	-100,00%
other investments	1.998.408	78.004	1.920.404	2461,93%
Total	2.356.343	547.108	1.809.235	330,69%

The heading "Treasury stock" includes treasury stock possessed by the parent company, El.En. SpA for 255.937 Euros and treasury stock owned by our subsidiary Cynosure Inc. for an amount equal to 101.998 Euros. In particular, the Board of Directors of the parent company, El.En. SpA, following the vote of approval of the Assembly held on April 14th 2002, purchased 24.714 shares at the average price of 11,268 Euros. The shares, consequently, have been entered into accounting at this price, which represents a cautious evaluation since on August 31st 2004, their market price was approx. 15 euros.

The amount shown under the heading of "Other investments" refers to a temporary use of cash by the Parent Company, El. En. S.p.A for 1.700.000 Euros in a Melior Sicav fund, by the subsidiary Lasit Srl for 89 thousand Euros and by the subsidiary Quanta System SpA for 209.257 Euros.

IV - Cash at bank and on hand

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	30/06/2004	31/12/2003	Variation	Var. %
bank and postal current accounts	14.755.641	16.728.704	-1.973.063	-11,79%
cash in hand	37.668	10.825	26.843	247,97%
Total	14.793.309	16.739.529	-1.946.220	-11,63%

The decrease in the amount of cash on hand is due, for the most part, to operations of an extraordinary nature described in the introduction of this report, as well as operations of an ordinary nature like the distribution of dividends by the Parent Company El.En. SpA for 1.149 thousand Euros and by Cynosure Sozhou for an amount equal to 174 thousand dollars.

D) Prepayments and accrued income assets

Composition of prepayments and accrued assets is as follows:

	30/06/2004	31/12/2003	Variation	Var. %
Assets of accruals:				
Interests		632	-632	-100,00%
Other assets of accruals	4.679	13.410	-8.731	-65,11%
Total assets of accruals	4.679	14.042	-9.363	-66,68%
Assets of deferred incomes:				
Premiums	134.332	98.169	36.163	36,84%
Prepaid expenses		8.409	-8.409	-100,00%
Other assets of deferred incomes	437.964	290.792	147.172	50,61%
Total assets of deferred incomes	572.296	397.370	174.926	44,02%
Total	576.975	411.412	165.563	40,24%

The amounts entered among the prepayments and accrued income assets according to the accounting principles being used, do not represent phenomenon of particular interest or importance for the activity of the company.

LIABILITES

A) Shareholders' equity

Break-down of shareholders' equity

The chart below shows the main changes which have occurred in the shareholders' equity accounts during the past two financial period and during the last semester:

NET CAPITAL AND RESERVES:	**Balance 31/12/2002**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Balance 31/12/2003**
Subscribed capital	2.392.000			10.992	2.402.992
Share premium account	33.954.774			251.342	34.206.116
Legal reserve	406.893	130.408		1	537.302
Reserve for own shares	255.937				255.937
Others reserves:					
Extraordinary reserves	4.153.183	1.333.435			5.486.618
Reserve for contribution on capital account	426.657				426.657
Profits of subsidiaries and associated in previous years	1.335.657	-477.115		-1.846	856.696
Reserve of consolidation	1.404.652			-133.977	1.270.675
Reserve for translation adjustments	-906.856			-843.706	-1.750.562
Other reserves					
Profits (loss) brought forward		1.144.322	-1.144.322		
Profits (loss) of the year	2.131.050	-2.131.050		553.954	553.954
Net total Capital and reserves of the group	45.553.947	-	-1.144.322	-163.240	44.246.385
Capital and reserves of third parties	5.481.140	732.483	-124.000	-431.563	5.658.060
Profit (loss) of third parties	732.483	-732.483		45.144	45.144
Net total capita l and reserves of third parties	6.213.623	-	-124.000	-386.419	5.703.204
Net total capital and reserves	51.767.570	-	-1.268.322	-549.659	49.949.589

NET CAPITAL AND RESERVES:	**Balance 31/12/2003**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Balance 30/06/2004**
Subscribed capital	2.402.992				2.402.992
Share premium account	34.206.116				34.206.116
Legal reserve	537.302				537.302
Reserve for own shares	255.937				255.937
Others reserves:					
Extraordinary reserves	5.486.618	583.043			6.069.661
Reserve for contribution on capital account	426.657				426.657
Profits of subsidiaries and associated in previous years	856.696	-1.178.696		129.200	-192.800
Reserve of consolidation	1.270.675			-824.363	446.312
Reserve for translation adjustments	-1.750.562			148.182	-1.602.380
Other reserves					
Profits (loss) brought forward		1.149.607	-1.149.607		
Profits (loss) of the year	553.954	-553.954		2.057.537	2.057.537
Net total Capital and reserves of the group	44.246.385	-	-1.149.607	1.510.556	44.607.334
Capital and reserves of third parties	5.658.060	45.144		486.061	6.189.265
Profit (loss) of third parties	45.144	-45.144		1.644.024	1.644.024
Net total capital and reserves of third parties	5.703.204	-	-	2.130.085	7.833.289
Net total capital and reserves	49.949.589	-	-1.149.607	3.640.641	52.440.623

The Shareholders' assembly of the Parent Company, El.En. SpA, on May 14th 2004 voted to distribute the profits of the financial year 2003 for a total amount of 1.732.650 Euros as follows: 1.149.605,25 Euros for distribution as dividend (paying 0,25 Euro per share) and the remaining 583.043,75 as extraordinary reserve.

After the transactions for the purchase of the treasury stock, the Parent Company, El.En. SpA took the necessary steps to set aside a reserve for an amount equal to the value of the treasury stock which had been acquired. The reserve for treasury stock in the portfolio is an unavailable reserve which will be maintained until the treasury stock is transferred or cancelled.

The difference in the exchange rate derived from the conversion of the amounts entered in the financial statement on the date of purchase (Lasercut Inc), on the date of founding (Deka Laser Technologies LLC), and on December 31st 2002 (Cynosure Inc.) with respect to the exchange rate in force at the end of this semester, has been entered directly into the consolidate financial statement under the heading of "Reserve for conversion adjustments"; this entry also includes the conversion of the results of the profit and loss account of the same companies (evaluated at the average exchange rate) at the exchange rate for the end of this financial period.

Composition of capital

The extraordinary assembly of July 7th 2000, in accordance with article 2443 of the Civil Code, voted to allow the Board of Directors, for a period of a maximum of five years from the date of approval, to increase, in one or more payments, the Capital Stock by the nominal maximum sum of 124,800 euros by issuing a maximum of 240.000 ordinary shares for the nominal value of 0,52 euros each, to be issued upon payment of the price which will be determined by the Board of Directors, and in consideration of Comma 6 of art. 2441 of the Civil Code and the net assets and/or price to the public and/or average of the official prices recorded for the share on the stock market for the period of time preceding the assigning of the option rights which will be specified in the rules for the incentive plan.

On November 3rd 2000 the Board of Directors voted to partially implement the motion approved by the Assembly of Shareholders on July 7th 2000 to increase Capital Stock to 2.412.846 euros for use in the stock option plan for 2001/2003 and approving the regulations proposed in this regard. The option rights are granted exclusively to the executives, employees and workers within the Group who, at the moment of the grant are working for the company in a subordinate position. The above mentioned plan is divided into three sections, one for each year, and the option rights for underwriting new ordinary shares can be exercised by the grantees from September 1st to September 30th of each year for the period under consideration, and they are not negotiable. According to the plan 13,363 options will available each year. During the three financial years of this plan no option rights were exercised.

The next extraordinary assembly, held on July 16th 2002, voted to revoke, for the part of the proxy of the assembly vote of July 7th, 2000 which had not been exercised, and which amounted to 199.911 options, the faculty granted by the Board of Directors to proceed with the increase of the Capital Stock, according to the procedure just described.

The same extraordinary assembly of July 16th 2002, also voted, in accordance with art. 2443 of the Civil Code, to allow the Board of Directors, for a period of five years maximum from the date of the vote, to increase in one or two payments, the Capital Stock of the company for the nominal sum of 124.800 euros, by issuing a maximum of 240.000 ordinary shares with a nominal value of 0,52 euros each, with usufruct equal to that of the ordinary shares of the company on the date of underwriting, to be acquired through payment of a price which will be determined by the Board of Directors, in accordance with art. 2441, comma VI, of the Civil Code, i.e., on the basis of the value of the shareholders' equity, bearing in mind the performance of the stock quoted in the stock market during the preceding six months - and a unit value, including additional paid-in capital in excess of par value, equal to the amount of whichever of the following is the greatest: a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group on December 31st of the year preceding the issuing of the options; b) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the six months preceding the assignment of the options; c) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the 30 days preceding the assignment of the options; d) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the period of time preceding the assignment of the options selected by the Board of Directors in the rules of the incentive plan.

On September 6th 2002, the Board of Directors voted to implement in part the proxy approved by the stock holders' assembly on July 16th 2002, voting to increase the Capital Stock to 31.817,76 euros for use in the 2003/2004 stock options plan and approving the relative regulations. The option rights are assigned exclusively to the executives, managers and office employees who at the time of the assignment are working in a subordinate position for the Group.

This plan is organised in two sections, one for each year; the first section, for a maximum of 30.600 shares, can be opted by the assignees from Novembre 18th to December 31st 2003, from August 15th to September 30th 2004 and from November 18th to December 31st 2004; the second section , for a maximum of 30.588 shares can be opted by the assignees from August 15th to September 30th 2004, and from November 18th until December 31st 2004.

With reference to this vote, related to the first portion of 30.600 shares for the period from November 18th 2003 to December 31st 2003, 21.139 option rights were exercised with a consequent increase in the underwritten and fully paid in capital stock of 10.992,28 Euros.

Lastly, on November 13th 2003, the Board of Directors voted to partially activate the decision of the shareholders' assembly to increase the Capital Stock by 13.145,60 Euros for use in the stock option plan for a 2004/2005 and approved the relative regulations. The option rights were assigned exclusively to Directors, Managers and employees of the Group who at the moment of the assignment were working in a subordinate position. This plan is divided into two phases, one for each year. The first phase, for a maximum of 12.640 shares, can be implemented by those having the rights from November 18th to December 31st 2004, from August 15th to September 30th 2005, and from November 18th to December 31st 2005.; the second phase, for a maximum of 12.640 shares can be implemented by those having the rights from August 15th to September 30th 2005, and from November 18th to December 31st 2005.

Following this vote, the capital stock of El.En. SpA as of June 30th 2004 is as follows:

Authorised	euro	2.436.963
Underwritten and deposited	euro	2.402.992

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

Categories	**31/12/2003**	**Increase.**	**(Decrease.)**	**30/06/2004**
No. of Ordinary Shares	4.621.139			4.621.139
Total	**4.621.139**			**4.621.139**

The shares are nominal and indivisible, and each of them gives the holder the right to one vote in the ordinary and extraordinary assemblies, as well as the financial and administrative rights granted in accordance to the law and company statutes. At least 5% of the net operating profits 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 company statutes do not permit advance payments on the dividends. Dividends which have not been cashed in within fifteen years of the date of emission will be returned to the company. There are no special clauses in the statutes related to the participation of the shareholders in the remaining assets in case the company is dissolved. No clauses in the statutes grant particular privileges.

All reserves which are part of the shareholders' equity are freely available for assembly votes for distribution except for those with specific limitations in accordance with the civil code.

Other reserves

Reserves for payments on capital account are broken down as follows:

	30/06/2004	**31/12/2003**	**Variation**	**Var. %**
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%
Total	426.657	426.657		0,00%

Chart comparing the financial statement of the Parent Company with the consolidated statement

	Profit and loss account 30/06/2004	Capital and reserves 30/06/2004	Profit and loss account 31/12/2003	Capital and reserves 31/12/2003
Balance as per statement of the parent company El.En.	**782.892**	**44.681.561**	**1.732.650**	**45.048.273**
Elimination of investments in:				
Companies totally consolidated	2.226.477	-7.176.873	-134.819	-7.599.868
Companies consolidated with the shareholders' equity method	-1.918	-32.640	33.926	346.258
Goodwill arising from consolidation	-1.131.239	7.105.456	-860.212	6.782.540
Elimination of dividends for the financial period		180.000	-386.000	
Elimination of internal profits on warehouse stock	-260.386	-1.101.757	-330.989	-841.371
Elimination of internal profits from sales of material assets	12.235	-50.180	20.476	-62.415
Value adjustments on equity investments	690.986	1.015.320	408.100	325.012
Effect of early amortisations	-246.311	93.252	101.221	339.563
Other	-15.199	-106.805	-30.399	-91.607
Balance as per consolidated statement – Group quota	**2.057.537**	**44.607.334**	**553.954**	**44.246.385**
Balance as per consolidated statement – Third party quota	**1.644.024**	**7.833.289**	**45.144**	**5.703.204**
Balance as per consolidated statement	**3.701.561**	**52.440.623**	**599.098**	**49.949.589**

(*) net of relative fiscal effects

B) Provisions for contingencies and other liabilities

The following chart shows the changes that occurred in these funds during the last financial period:

	Balance 31/12/2003	Provision	(Utilisation)	Other	Translation Adjustments	Balance 30/06/2004
Pension costs and similar	365.295	28.459		1		393.755
For taxation	677.343	-	-71.638	48.226		653.931
Others:						
Reserve for guarantee on the products	1.223.921	361.936	2	30.000	43.668	1.659.527
Reserve for risks and charges	59.463	88.159	-18.622	11.322		140.322
Other minor reserves	366.504					366.504
Total other reserves	1.649.888	450.095	-18.620	41.322	43.668	2.166.353
Total	2.692.526	478.554	-90.258	89.549	43.668	3.214.039

In the column headed "Others" we have included the increments in the funds caused by the variations in the area of consolidation.

The severance pay fund is related to the end-of-term-bonus (TFM) of the administrators and is entered for the amount of 231.500 Euros and the clients'-agents' indemnity fund for 162.255 Euros
Provisions for taxes include the deferred taxes (described in the next paragraph) and the residual of the funds set aside during the financial year 2000, and to which additions were made in 2001 for payment of charges which might arise from the issuance of inspection documents after the PVC notification given on May 8th 2001. For this purpose during the old financial period, a part of this fund was used to effect payments made after revision of the tax declarations for the years 1997, 1998, 1999. The provisions for taxes also includes the deferred taxes analysed below.
The reserves for product guarantees is calculated on the basis of costs for spare parts and assistance under warranty which were sustained in the preceding financial period, adapted to the sales volume for this financial period.

Analysis of deferred and anticipated taxes

The deferred taxes are accrued on the temporary differences between the assets and the liabilities which have been recognized for fiscal purposes and those which have been entered into accounts.

The analysis is shown on the chart below:

	Balance 30/06/2004	Balance 31/12/2003	Variation
Deferred tax assets on stock devaluations	377.950	222.846	155.104
Deferred tax assets for provisions on guarantee products	49.990	43.285	6.705
Deferred tax assets on credit devaluation	100.180	43.977	56.203
Deferred tax assets on loss brought forward from the previous years	87.703	57.812	29.891
Other deferred tax assets	73.829	58.128	15.701
Deferred tax assets on internal profits	683.820	536.511	147.309
Total deferred tax assets	1.373.472	962.559	410.913
Deferred tax liabilities on advanced amortisations	207.437	235.889	-28.452
Deferred tax liabilities for contributions on capital account	3.954	7.503	-3.549
Other deferred tax liabilities	33.418	4.616	28.802
Total deferred tax liabilities	244.809	248.008	-3.199

Credits for anticipated taxes amount to approx. 1.373 thousand Euros and refer to the anticipated taxes calculated during the preceding years and the present one on the inventory obsolescence fund, on the product guarantee fund, on the fund for non-deductible credit devaluations, and for the fiscal losses sustained by the subsidiaries Cutlite Penta Srl and Ot-las Srl. Anticipated taxes have also been registered on the elimination of the inter-Group profits effected upon consolidation.

During this financial period use was made of the fund for deferred taxes, which on June 30th amounted to 245 thousand Euros, in relation to the deferred taxes on the contributions on capital account and on the early amortisations which were subject to elision on the act of consolidation. The increase which is shown for the entry “other deferred taxes” refers to the variation in the area of consolidation which occurred after the inclusion of Quanta System SpA.

C) Severance pay for employees

The following chart shows the changes that have occurred during this financial period:

Balance 31/12/2003	Provision	Utilization	Other	Balance 30/06/2004
1.118.773	178.768	-73.366	297.902	1.522.077

The funds accrued represent the actual debt of the company towards its employees on the date shown, net of any advances that have been paid. The amount entered under the heading of “Others” is a consequence of the variation in the area of consolidation which occurred after the entry of Quanta System SpA and Arex Srl.

D) Amounts owed

Analysis of amounts owed

Break down of debts is shown in the chart that follows:

	30/06/2004	31/12/2003	Variation	Var. %
debenture loans	619.748	619.748		0,00%
amounts owed to banks	1.768.743	777.055	991.688	127,62%
amounts owed to other financiers	2.164.533	1.056.943	1.107.590	104,79%
advances	736.821	705.383	31.438	4,46%
amounts owed to suppliers	16.070.503	11.620.843	4.449.660	38,29%
amounts owed to associated companies	30.648	91.607	-60.959	-66,54%
amounts owed to tax administration	2.531.434	945.805	1.585.629	167,65%
amounts owed to social security institutions	640.083	605.543	34.540	5,70%
other creditors	3.748.530	4.575.297	-826.767	-18,07%
Total	28.311.043	20.998.224	7.312.819	34,83%

Amounts owed in foreign currency, and in particular in American dollars and British pounds, have been displayed converting the amounts according to the exchange rate in force on the date of this report, June 30th 2004.

The general increase in debts is due mainly to the variation in the area of consolidation. In particular, the "amounts owed to banks" has increased as a result of the total consolidation of Quanta System SpA to which the banks had granted an account overdraft and an advance in United States currency. The increase shown for the entry "amounts owed to other financiers" refers mostly to a loan which had been issued to Quanta System SpA, for a applied research fund for an amount of 929 thousand euros approx.

Analysis of debts according to due date

The ordinary debenture loan of. 619,748 Euros is to be reimbursed in a single payment on December 31st 2006, and pays a fixed interest rate of 9,75% which is adjusted annually on December 31st .

Mid-term debts to banks are made up of a ten-year mortgage loan issued by the Cassa di Risparmio of Florence, contracted for 1,652,662 Euros, to be reimbursed in fixed six-month instalments of 103,291 Euros starting on 31/3/1999, with an interest rate equivalent to the quarterly EURIBOR plus a spread of 0,95%, with interest paid quarterly.

Mid-term debts to other financiers can be broken down as follows:

a) IMI facilitated financing for applied research as follows:

Reference DIFF 3

Multi-year financing granted for 487,095 Euros at the fixed annual rate of 3,70%, last instalment July 1st , 2008

Reference TMR 4

Multi-year financing granted for 492,431 Euros at the fixed annual rate of 3,70%, last instalment July 1st, 2008.

b) MPS facilitated financing for applied research reference TRL01, granted for 681.103 Euros, of which di 461.421 have already been paid at a rate of 2% per annum, to be reimbursed in 16 half-yearly instalments delayed until the start of the second half-yearly due date after the actual conclusion of the research, which is expected to be in the month of February 2005.

c) IMI facilitated financing for applied research, issued in favor of the subsidiary Quanta System SpA, for an amount of 929.157 Euros at the annual interest rate of 2% to be reimbursed in 16 half-yearly payments starting on July 1st 2003.

The chart below shows the debts described above and the date when the debts for the capital stock are due:

	Expiration	Rate	Remain	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Ten-year debenture loans	31/12/2006	9,75%	619.748		619.748	
CRF ten-year loan	07/03/2006	Euribor+,95%	516.457	206.583	309.874	
Financing IMI DIFF3	01/07/2008	3,70%	248.149	58.668	189.481	
Financing IMI TMR 4	01/07/2008	3,70%	164.194	80.592	83.602	
Financing MPS TRL 01	01/07/2013	2,00%	461.421		192.867	268.554
Financing IMI L.1089	01/01/2011	2,00%	811.611	157.089	468.854	185.668
Other financing			53.242	21.378	31.864	
Leasing			449.641	101.831	347.810	
Totali			3.324.463	626.141	2.244.100	454.222

Changes in long term financing

During the financial period the following changes have taken place in relation to mid- and long-term financing. The amounts shown include the quota of short term capital and do not include amounts owed for interest:

	Balance 31/12/2003	Increase	Reimbursement	Other	Translation Adjustments	Balance 30/06/2004
Debenture loans	619.748					619.748
CRF loan	619.748		-103.291			516.457
Financing IMI DIFF3	276.687		-28.538			248.149
Financing IMI TMR 4	203.395		-39.201			164.194
Financing MPS TRL 01	351.592	109.829				461.421
Financing IMI L.1089			-117.546	929.157		811.611
Other financings	37.101	18.000	-6.965	5.106		53.242
Leasing	216.036	230.182	-4.724		8.147	449.641
Total	2.324.307	358.011	-300.265	934.263	8.147	3.324.463

The increase shown under the heading of "Others" is related to the variation in the area of consolidation.

Debts guaranteed by real estate property

The factory in Via Baldanzese, 17 has a ten year mortgage on it, which was issued by the Cassa di Risparmio of Florence and is described in the preceding paragraphs.

Analysis of tax debts

	30/06/2004	31/12/2003	Variation	Var. %
Taxes on profit	1.521.331	226.530	1.294.801	571,58%
Debts owed to tax administration for VAT	650.942	228.062	422.880	185,42%
Debts owed to tax administration for deductions	357.232	491.213	-133.981	-27,28%
Other tax debts	1.929		1.929	0,00%
Total	2.531.434	945.805	1.585.629	167,65%

The debts for income tax have been entered into accounts net of the relative down payments, of the withholdings paid, a but not the IVA (Value Added Tax) credits.

Analysis of amounts owed to social security institutions and other debts

	30/06/2004	31/12/2003	Variation	Var. %
Debts owed to INPS	593.347	543.057	50.290	9,26%
Debts owed to INAIL	12.761	26.069	-13.308	-51,05%
Debts owed to other Social Security Institutions	33.975	36.417	-2.442	-6,71%
Total	640.083	605.543	34.540	5,70%

The other debts are composed as follows:

	30/06/2004	31/12/2003	Variation	Var. %
Owed to staff for holidays	1.981.685	1.334.532	647.153	48,49%
Owed to staff for wages and salaries	649.726	449.681	200.045	44,49%
Bondholders	26.292		26.292	0,00%
Other debts	1.090.827	2.791.084	-1.700.257	-60,92%
Total	3.748.530	4.575.297	-826.767	-18,07%

The rise in amounts owed to employees for salaries and to social security and pension institutions is a result of the change in the area of consolidation and the increase in the number of staff members.

E) Accruals and deferred income

Composition of accruals and deferred income is as follows:

	30/06/2004	31/12/2003	Variation	Var. %
Accrual liabilities:				
Other	86.042	26.251	59.791	227,77%
Total accrual liabilities	86.042	26.251	59.791	227,77%
Deferred income liabilities				
Other	618.048	435.899	182.149	41,79%
Total deferred income liabilities	618.048	435.899	182.149	41,79%
Total	704.090	462.150	241.940	52,35%

The accrual liabilities refer in particular to the revenue from Cynosure related to assistance contracts entered proportionally in relation to their duration.

Memorandum Accounts

Leasing contracts guaranteed by Cynosure

Some leasing contracts stipulated by the subsidiary Sona International Co. were guaranteed by Cynosure Inc., which committed itself to pay the rental fees if SONA was not able to honour their debts. In particular, the overall amount guaranteed until 2008 amounts to 287 thousand Euros.

"Put options" granted to some of the Cynosure managers for the purchase of Cynosure shares.

As part of the incentive program for the managers which are part of the executive staff of Cynosure Inc., Cynosure has guaranteed nine of the employees rights for the purchase of 550.000 ordinary shares in the company. These rights have been assigned in proportion to the length of employment time in the company, and can be implemented starting on December 31^{st} 2004 at the price of 2.00 American dollars per share, which must be paid directly to Cynosure as an increase in the capital stock. Cynosure has entered into their profit and loss account the stock quota which is the result of the difference between the price of repurchase of the shares and the technical value of the (minority) stocks on the date of assignment.
Cynosure and El.En. maintain the right to repurchase before May 2005 the above mentioned rights ("Call option"), at the price which is established on the basis of a formula which refers to the profit trend and the sales volume of Cynosure during the three year period 2002-2004.
Two of the above mentioned managers have obtained a "Put" option on their rights at the same conditions as the call option from El.En. and Cynosure, for a total number of approx. 120.000 rights of which 34.511 were repurchased by El.En. SpA in January of 2004 after the employment of one of the participants in the plan was terminated, for a value of approx. 58 thousand American dollars. There is still the possibility that the second participant in the plan will use his Put option rights, requiring El.En. and Cynosure to purchase the rights for an amount which at today's rates would be about 130 thousand dollars for the rights plus about 120 thousand dollars for the implementation of the same rights from Cynosure.

The amount entered in the Memorandum Accounts for the sum of approx. 260 thousand Euros (corresponding to approx. 316 thousand dollars) corresponds, for the amount of 101 thousand Euros, to the purchase price for all of the rights, and, for the amount of 159 thousand Euros, to the costs which can be attributed to the exercizing of the rights acquired or acquirable from Cynosure.

Operation Asa

In October 2003, upon the stipulation of the contract for the purchase of a 20% equity in Asa Srl, Deka M.E.L.A. Srl underwrote with the sellers a private document which provided for a combination of "call" and "put" options which would mature in September of 2004 and 2005, each one on a further 20% equity in di Asa Srl. On account of this transaction, which envisions a price set by an adjustment formula which is based on the revenue and the sales volume, Deka M.E.L.A. has the right to buy control of ASA by September 2005. The financial commitment which is derived from this agreement if the option is picked up, on the basis of the results for 2003, is estimated to be about 364 thousand Euros for the September 2004 option and the same amount for the following one.

Profit and loss account

A) Value of the production

Analysis of sales and services

	30/06/2004	30/06/2003	Variation	Var. %
Sales of industrial laser systems	7.640.955	6.337.900	1.303.055	20,56%
Sales of medical laser systems	29.082.099	18.523.822	10.558.277	57,00%
Consulting and research	34.233	76.439	-42.206	-55,22%
Service and sales of spare parts	8.260.650	5.303.486	2.957.164	55,76%
Total	45.017.937	30.241.647	14.776.290	48,86%

The increase in the sales volume, which is dose to 50% shows characteristics which were similar to those of the preceding financial period, with brilliant performances e which continues to increase in importance within the Group, while the industrial sector is still in difficulty and the increase shown is almost entirely due to the new acquisitions.
The sales volume for technical assistance and accessory services shows an increase of approx. 56%, well above the average thanks also to the contribution made by the newly acquired companies. In this regard, particular mention should be made of the successful results of the "revenue sharing" operated in the USA by Cynosure through Sona International.
The sales volume which is derived from research projects and the relative reimbursements made according to contracts signed with the managing institutions by MIUR, is very small even though to this amount must be added the amounts entered among other income: during the first six months of 2004 we have entered into accounts approx. 420 thousand Euros, as opposed to 288 thousand Euros entered for the first semester of 2003, which represents grants received as financing for research projects (CHOCLAB, EUV02, NETMED, TRL01 e SIDART).

Break down of income by geographical area

	30/06/2004	30/06/2003	Variation	Var. %
Sales in Italy	10.824.332	7.819.694	3.004.638	38,42%
Sales other EC countries	12.924.302	9.313.688	3.610.614	38,77%
Sales outside EC	21.269.303	13.108.265	8.161.038	62,26%
Total	45.017.937	30.241.647	14.776.290	48,86%

Almost half of the sales volume of the Group is derived from non-European clients, and among these, the American market continues to acquire an increasing importance, thanks mainly to the contribution of Cynosure. The increase shown for Europe reflects, among other things, the activity of Asclepion, as well as the successful results of the medical distribution in Germany and the rest of Europe. The increase in sales volume is also considerable in Italy, thanks in part to the inclusion of Quanta System SpA in the area of consolidation.

Other revenue and income

The following chart shows a breakdown of the other revenue and income:

	30/06/2004	30/06/2003	Variation	Var. %
Recovery for accidents and insurance reimbursements	4.386	13.559	-9.173	-67,65%
Expense recovery	91.485	15.274	76.211	498,96%
Capital gains on ordinary property conveyances	133.812	22.114	111.698	505,10%
Other income	434.531	313.825	120.706	38,46%
Contribution on fiscal year account and on capital account	450	11.606	-11.156	-96,12%
Total	664.664	376.378	288.286	76,59%

Under the heading of "Other revenue and income" we have entered for the Parent Company El.En. SpA and the subsidiary Quanta System SpA grants issued for research projects for an amount of 349 thousand Euros and for approx. 71 thousand Euros.

B) Production costs

Purchase of raw and subsidiary materials, consumables and goods

The analysis of these costs is as follows:

	30/06/2004	30/06/2003	Variation	Var. %
Purchase of raw materials and finished products	18.698.548	16.176.136	2.522.412	15,59%
Purchase of packaging	105.622	74.710	30.912	41,38%
Purchase of stationery	115.618	62.626	52.992	84,62%
Purchase of fuels	91.779	46.829	44.950	95,99%
Purchase of advertising materials	86.959	51.638	35.321	68,40%
Shipment of purchases	169.189	143.911	25.278	17,57%
Other purchase expenses	58.410	45.756	12.654	27,66%
Other purchases	209.821	154.357	55.464	35,93%
Total	19.535.946	16.755.963	2.779.983	16,59%

Break down of expenses for services

The following chart shows the break down for the various services:

	30/06/2004	30/06/2003	Variation	Var. %
Expenses for work in progress at third parties'	1.388.073	939.144	448.929	47,80%
User services	431.557	332.654	98.903	29,73%
Consulting and technical services	848.293	745.753	102.540	13,75%
Maintenance	75.890	47.210	28.680	60,75%
Services and commercial consulting	312.384	416.859	-104.475	-25,06%
Shipment	787.907	559.996	227.911	40,70%
Insurance	342.013	289.059	52.954	18,32%
Travel and overnight expenses	1.244.446	975.951	268.495	27,51%
Commissions	1.745.657	1.421.606	324.051	22,79%
Promotional and advertising expenses	1.343.374	1.019.468	323.906	31,77%
Royalties	182.622	67.029	115.593	172,45%
Other services	2.643.919	1.853.716	790.203	42,63%
Total	11.346.135	8.668.445	2.677.690	30,89%

Under the heading of “Other services” the amounts due to administrators and auditors are included as well as the cost of legal services, auditing and charges related to quotation of the company on the stock market.

Break down of operating expenses

The following chart shows the break down for the various operating expenses:

	30/06/2004	30/06/2003	Variation	Var. %
Other taxes	54.299	75.253	-20.954	-27,84%
Associating contributions	26.474	17.691	8.783	49,65%
Newspaper and magazine subscriptions	5.643	8.833	-3.190	-36,11%
Expenses for vehicles	145.324	130.913	14.411	11,01%
Capital losses on ordinary possession conveyances	2.744		2.744	0,00%
Purchase of consumables art. 67 T.U.	48.205	55.261	-7.056	-12,77%
Fines	3.127	1.684	1.443	85,69%
Other minor charges	389.374	193.419	195.955	101,31%
Total	675.190	483.054	192.136	39,78%

C) Financial income and charges

Analysis of the financial income

Break down of financial income is shown in the following chart:

	30/06/2004	30/06/2003	Variation	Var.%
from investments which are not equity investments				
Total	-	-	-	0,00%
from non-permanent investments which are not equity investments				
Interests	523	1.284	-761	-59,27%
Income from negotiations	11.966	3.140	8.826	281,08%
Total	12.489	4.424	8.065	182,30%
financial income different from the previous ones:				
To associated company	995		995	0,00%
Total	995	-	995	0,00%
financial income different from the previous ones: to third party				
Interests - assets - to bank	73.184	201.082	-127.898	-63,60%
Profits on commercial exchanges	287.447	155.803	131.644	84,49%
Other financial incomes	2.351	2.633	-282	-10,71%
Total	362.982	359.518	3.464	0,96%
Total	376.466	363.942	12.524	3,44%

Income from interest paid by banks was 73.184 Euros, a decrease in comparison to the same period last year, because a part of the cash available was used for the operations of an extraordinary nature which were concluded during the preceding financial year. Under this heading we have also entered interests and income from negotiations related to temporary cash investments.
Of particular importance is the entry related to income from differences in the exchange rate, the amount of which was influenced by the recovery of the American dollar with respect to the Euro in comparison to the rates registered on December 31st 2003. We have entered in fact, the positive differences registered in the exchange rate, most of which pertain to the parent company, El.En. SpA for receivables in dollars from the American subsidiaries of the Group.

Interests and other financial charges

Financial charges towards third parties	30/06/2004	30/06/2003	Variation	Var. %
debenture loans	30.048	29.964	84	0,28%
bank debts for account overdraft	79.436	412	79.024	19180,58%
bank debts for medium and long - term loans	29.290	26.180	3.110	11,88%
losses on commercial exchanges	112.979	198.964	-85.985	-43,22%
other financial charges	31.877	7.980	23.897	299,46%
Total	283.630	263.500	20.130	7,64%
Financial charges towards associated companies				
debts to associated companies		4.768	-4.768	-100,00%
Total	-	4.768	-4.768	-100,00%
Total	283.630	268.268	15.362	5,73%

The bank debts for account overdrafts refer to the overdrafts granted by banks to the subsidiary, Quanta System SpA.

The interest charges paid to banks for loans and mid- and long-term financing refer respectively to the loan issued to the Parent Company El.En. SpA by the Cassa di Risparmio of Florence and to the facilitated financing granted by MIUR (ex MURST) and issued by IMI and by MPS.

D) Rectifications of value of financial activity

The rectification of value shown at entry D18 a) of the Profit and Loss Account for 144.967 Euros is related to the application of the shareholders' equity method for the evaluation of equities in associated companies which are not entirely consolidated. In particular, the rectification made by the subsidiary Cynosure related to the application of the shareholders' equity method to Sona up until the date of the actual sale of the equity, is of a certain importance.

The rectification of value shown at entry D19 a) of the Profit and Loss Account registered the amortisation quota calculated on the difference in consolidation, for an amount of 3.804 Euros for Immobiliare Del.Co. Srl and for an amount of 17.373 Euros for ASA Srl.

E) Exceptional income and charges

Break down of exceptional income

The chart below shows a breakdown of the sources of exceptional income:

	30/06/2004	30/06/2003	Variation	Var. %
Extraordinary incomes:				
Miscellaneous income	586.709	213.871	372.838	174,33%
Other extraordinary incomes	2.909.683	81	2.909.602	3592101,23%
Total	3.496.392	213.952	3.282.440	1534,19%

The "residual assets" include, among other things, the reimbursement of approx. 300 thousand American dollars obtained through the courts by Cynosure for the legal expenses sustained and not reimbursed at the time by its insurance company.
The "other extraordinary income" includes the capital gains earned after the sale by Cynosure Inc. of its equity in Sona International for 2.460 thousand Euros besides the capital gains earned after the sale by El.En. SpA of a 10% quota of the share capital of Deka MELA Srl and of stock equal to 2,5% of the share capital of Cynosure Inc.; these transactions occurred as part of the acquisition of the control of Quanta System SpA, for a total amount of 449 thousand Euros.

The composition of the exceptional income is shown below:

	30/06/2004	30/06/2003	Variation	Var. %
Extraordinary charges:				
Miscellaneous losses	46.058	215.054	-168.996	-78,58%
Total	46.058	215.054	-168.996	-78,58%
Taxation related to the previous fiscal years				
Other taxes related to the previous years	5.870		5.870	0,00%
Total	5.870		5.870	0,00%
Total	**51.928**	**215.054**	**-163.126**	**-75,85%**

Taxes on the revenue

Description:	30/06/2004	30/06/2003	Variation	Var. %
IRES/IRPEG	1.443.307	553.569	889.738	160,73%
IRAP	455.011	219.814	235.197	107,00%
IRES/IRPEG Deferred (Advanced)	-435.014	-279.056	-155.958	55,89%
IRAP Deferred (Advanced)	-10.216	1.666	-11.882	-713,21%
Total direct taxes	1.453.088	495.993	957.095	192,97%

Taxes on the revenues for this year have increased with respect to the same period last year as a result of the increased profits; the amount of taxes however, has been limited as a result of the use of the fiscal losses which had been registered for the preceding years by Cynosure Inc., who in this way was able to neutralise the fiscal effects of the capital gains which had been earned.

Other information

In accordance with the law, the following chart contains the average number of employees divided by category:

	Average 2004	30/06/2004	Average 2003	31/12/2003	Variation	Var. %
Executives	24,0	25	19,0	23	2	8,70%
Management	7,5	12	2,5	3	9	300,00%
White collar	312,0	340	246,0	284	56	19,72%
Blue collar	89,5	90	79,5	89	1	1,12%
Total	433,0	467	347,0	399	68	17,04%

The increase in the number of employees with respect to December 31st 2003 is due mainly to the effect of the new acquisitions; in fact, during this semester the staff was increased mostly by the addition of the 43 people working for Quanta System SpA, and chiefly engaged in research and development, design, manufacture, as well, of course as the usual administrative and commercial activities.

For the Board of Directors

The President
Ing. Gabriele Clementi

Enclosure A – El.En. S.p.A. accounting charts

ASSETS	30/06/2004	31/12/2003	30/06/2003
A) SUBSCRIBED UNPAID CAPITAL			
Total subscribed unpaid capital			
B) FIXED ASSETS			
I) Intangible assets			
1) Formation and expansion expenses	186.056	370.090	556.656
4) Concessions, licenses, trade marks and similar rights	110.640	160.591	80.886
6) Intangible assets in progress and payments on account		6.992	50.000
7) Other	24.686	21.523	24.228
Total intangible assets	**321.382**	**559.196**	**711.770**
II) Tangible assets			
1) Land and buildings	3.794.578	2.356.873	2.373.847
2) Equipment and machinery	274.462	169.319	177.054
3) Industrial and commercial equipment	718.940	377.731	298.509
4) Other	310.303	288.002	280.039
5) Tangible assets under construction and payments on account		1.299.550	1.131.130
Total tangible assets	**5.098.283**	**4.491.475**	**4.260.579**
III) Financial fixed assets			
1) Equity investments in :			
a) subsidiary companies	14.390.145	15.402.952	14.825.999
b) associated companies	3.140.150	405.150	405.150
d) other companies	145.781	145.781	171.941
Total equity investments	*17.676.076*	*15.953.883*	*15.403.090*
3) Other investments	47.524	76.709	76.709
Total financial fixed assets	**17.723.600**	**16.030.592**	**15.479.799**
TOTAL FIXED ASSETS	**23.143.265**	**21.081.263**	**20.452.148**
C) CURRENT ASSETS			
I) Stocks:			
1) Raw materials and consumables	5.452.672	5.311.869	4.851.415
2) Work in progress and components	3.337.517	2.977.924	2.884.873
4) Finished goods	1.396.418	1.113.872	1.127.159
Total stocks	**10.186.607**	**9.403.665**	**8.863.447**
II) Debtors			
1) Trade debtors			
- due within 12 months	2.647.244	2.569.714	1.989.774
Total trade debtors	*2.647.244*	*2.569.714*	*1.989.774*
2) Amounts owed by subsidiary companies			
- due within 12 months	11.064.827	10.412.674	10.228.214
- due after 12 months	3.434.554	2.511.406	914.441
Total amounts owed by subsidiary companies	*14.499.381*	*12.924.080*	*11.142.655*
3) Amounts owed by associated companies			
- due within 12 months	254.334	192.052	57.344
Total amounts owed by associated companies	*254.334*	*192.052*	*57.344*
5) Other debtors			
- due within 12 months	959.498	1.418.058	801.283
- due after 12 months	646.520	421.310	432.904
Total amounts owed by other debtors	*1.606.018*	*1.839.368*	*1.234.187*
Total debtors	**19.006.977**	**17.525.214**	**14.423.960**
III) Investments which are not permanent			
4) Other companies		115.000	
5) Own shares	255.937	255.937	255.937
6) Other investments	1.700.000		2.629.380
Total investments which are not permanent	**1.955.937**	**370.937**	**2.885.317**
IV) Cash at bank and in hand			
1) Bank and postal current accounts	4.529.636	8.594.432	8.570.670
3) Cash on hand	4.337	2.931	5.063
Total cash at bank and in hand	**4.533.973**	**8.597.363**	**8.575.733**
TOTAL CURRENT ASSETS	**35.683.494**	**35.897.179**	**34.748.457**
D) PREPAYMENTS AND ACCRUED INCOMES:			
1) Prepayments and accrued income assets	109.110	48.670	109.543
Total prepayments and accrued incomes	**109.110**	**48.670**	**109.543**
TOTAL ASSETS	**58.935.869**	**57.027.112**	**55.310.148**
LIABILITIES			
A) CAPITAL AND RESERVES			
I) Subscribed capital	2.402.992	2.402.992	2.392.000
II) Share premium reserve	34.206.116	34.206.116	33.954.774
IV) Legal reserve	537.302	537.302	537.302

V) Reserve for own shares	255.937	255.937	255.937
VII) Other reserves:			
- Extraordinary reserve	6.069.661	5.486.618	5.486.618
- Reserve for contribution on capital account	426.657	426.657	426.657
- Other reserves	4	1	1
Total other reserves	*6.496.322*	*5.913.276*	*5.913.276*
IX) Profit (loss) for the financial period	782.892	1.732.650	655.298
TOTAL CAPITAL AND RESERVES	**44.681.561**	**45.048.273**	**43.708.587**
B) PROVISIONS FOR RISKS AND CHARGES			
1) Provisions for pensions and similar obligations	206.221	196.471	186.721
2) Provisions for taxation	588.333	397.836	408.487
3) Other provisions	923.510	447.775	340.574
Total provisions for risks and charges	**1.718.064**	**1.042.082**	**935.782**
C) EMPLOYEE SEVERANCE INDEMNITY	**766.898**	**697.028**	**627.660**
D) CREDITORS			
1) Debenture loans			
- due after 12 months	619.748	619.748	619.748
Total debenture loans	*619.748*	*619.748*	*619.748*
3) Amounts owed to banks			
- due within 12 months	210.456	211.471	212.919
- due after 12 months	309.874	413.166	516.457
Total amounts owed to banks	*520.330*	*624.637*	*729.376*
4) Amounts owed to other financial institutions			
- due within 12 months	139.262	136.732	134.248
- due after 12 months	734.502	694.942	763.934
Total amounts owed to other financial institutions	*873.764*	*831.674*	*898.182*
5) Advances received			
- due within 12 months	220.269	361.815	451.772
Total advances received	*220.269*	*361.815*	*451.772*
6) Amounts owed to suppliers			
- due within 12 months	7.222.663	5.744.000	5.608.914
Total amounts owed to suppliers	*7.222.663*	*5.744.000*	*5.608.914*
8) Amounts owed to subsidiary companies			
- due within 12 months	262.748	676.615	257.851
Total amounts owed to subsidiary companies	*262.748*	*676.615*	*257.851*
9) Amounts owed to associated companies			
- due within 12 months	86.546	17.799	14.436
Total amounts owed to associated companies	*86.546*	*17.799*	*14.436*
11) Amounts owed to tax administration			
- due within 12 months	587.915	237.586	129.307
Total amounts owed to tax administration	*587.915*	*237.586*	*129.307*
12) Amounts owed to social security institutions			
- due within 12 months	329.607	347.761	311.272
Total amounts owed to social security institutions	*329.607*	*347.761*	*311.272*
13) Other creditors			
- due within 12 months	1.025.890	777.749	1.016.994
Total other creditors	*1.025.890*	*777.749*	*1.016.994*
TOTAL CREDITORS	**11.749.480**	**10.239.384**	**10.037.852**
E) ACCRUALS AND DEFERRED INCOME			
1) Accruals and deferred income-liabilities	19.866	345	267
Total accruals and deferred income	**19.866**	**345**	**267**
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**58.935.869**	**57.027.112**	**55.310.148**

MEMORANDUM ACCOUNTS	**30/06/2004**	**31/12/2003**
Other memorandum accounts		
Our Obligations	259.761	297.704
TOTAL MEMORANDUM ACCOUNT	**259.761**	**297.704**

PROFIT AND LOSS ACCOUNT	30/06/2004	31/12/2003	30/06/2003
A) VALUE OF PRODUCTION			
1) Net turnover from sales and services	13.926.827	24.931.995	12.128.690
2) Variation in stocks of finished goods and in work in progress	642.139	782.402	702.638
4) Work performed for own purposes and capitalised	155.879	240.803	2.085
5) Other revenues and income			
a) Other revenues and income	562.800	1.109.135	407.286
b) Grants received pertaining to the current year	450	18.253	9.127
Total other revenues and income	*563.250*	*1.127.388*	*416.413*
TOTAL VALUE OF PRODUCTION	**15.288.095**	**27.082.588**	**13.249.826**
B) COSTS OF PRODUCTION			
6) For raw materials, consumables and goods for sale	-7.677.160	-13.461.311	-7.027.894
7) For services	-3.190.979	-5.643.739	-2.765.593
8) For use of assets owned by others	-14.223	-23.097	-11.488
9) For staff costs:			
a) wages and salaries	-1.857.094	-3.265.785	-1.629.049
b) social security costs	-578.718	-1.031.097	-518.051
c) provision for severance indemnity	-118.375	-211.650	-103.341
Total for staff costs	*-2.554.187*	*-4.508.532*	*-2.250.441*
10) Value adjustments			
a) amortisation of intangible assets	-242.166	-489.767	-221.621
b) depreciation of tangible assets	-290.075	-648.368	-315.067
d) allowance for debtors in current assets and other acc.s incl. in cash	-238.409	-62.431	-28.905
Total value adjustments	*-770.650*	*-1.200.566*	*-565.593*
11) Variations in stock of raw materials, consumables and goods for resale	140.803	931.438	470.984
12) Amounts provided for risk provisions	-18.000	-20.000	
14) Other operating charges	-187.722	-237.852	-111.203
TOTAL COSTS OF PRODUCTION	**-14.272.118**	**-24.163.659**	**-12.261.228**
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**1.015.977**	**2.918.929**	**988.598**
C) FINANCIAL INCOME AND CHARGES			
15) Income from equity investments:			
a) in subsidiary companies		603.125	
Total income from equity investments		*603.125*	
16) Other financial income:			
b) from other permanent investments other than equity investments		708	
c) from other investments which are not permanent	1.129	68.330	1.284
d) other income not included above			
- to subsidiary companies	*99.931*	*95.629*	*24.214*
- to associated companies	*995*	*630*	
- to third parties	*272.673*	*359.285*	*283.346*
Total other income not included above	*373.599*	*455.544*	*307.560*
Total other financial income	*374.728*	*524.582*	*308.844*
17) Interest payable and similar charges			
b) to associated companies		*-4.768*	*-4.768*
d) to third parties	*-84.852*	*-800.961*	*-206.663*
Total interest payable and similar charges	*-84.852*	*-805.729*	*-211.431*
TOTAL FINANCIAL INCOME AND CHARGES	**289.876**	**321.978**	**97.413**
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS			
19) Devaluation			
a) of equity investments	-925.068	-487.545	
Total devaluation	*-925.068*	*-487.545*	
TOTAL VALUE ADJUSTMENTS	**-925.068**	**-487.545**	
E) EXTRAORDINARY INCOME AND CHARGES			
20) Extraordinary income			
a) income	*446.476*	*49.029*	*1.028*
b) capital gains from disposal of assets	*684.526*		
Total extraordinary income	*1.131.002*	*49.029*	*1.028*
21) Extraordinary charges			
a) charges	*-1.041*	*-33.356*	*-24.826*
c) other extraordinary charges	*-168.526*	*-97*	
Total extraordinary charges	*-169.567*	*-33.453*	*-24.826*
TOTAL EXTRAORDINARY INCOME AND CHARGES	**961.435**	**15.576**	**-23.798**
PROFIT OR LOSS BEFORE INCOME TAXES	**1.342.220**	**2.768.938**	**1.062.213**
22) Income taxes on the income of the period:			
a) current	-762.887	-1.010.508	-399.165
b) deferred	203.559	-25.780	-7.750
23) NET TOTAL PROFIT (LOSS)	**782.892**	**1.732.650**	**655.298**