

El.En. Group

DIRECTORS' NOTE OF COMMENT ON THE CONSOLIDATED DATA AS OF 31 MARCH 2005

(Approved by the Company's Board of Directors on 13 May 2005)

Quarterly Report as of 31/03/2005

Introduction

The present quarterly report as of 31/03/2005 on the consolidated data of El.En. SpA was drawn up and is being circulated in compliance with Article 2.6.2 of the Nuovo Mercato of the Italian Stock Exchange regulations, IA 2.4.1 instructions, and to Article 82-bis of the "CONSOB" [National Commission for Listed Companies and the Stock Exchange] regulations accepted with decision n° 11971 and successive amendments. The quarterly data and information were not submitted to examination by an auditing company, since up to now the corresponding assignment has not been made (because it is not obligatory).

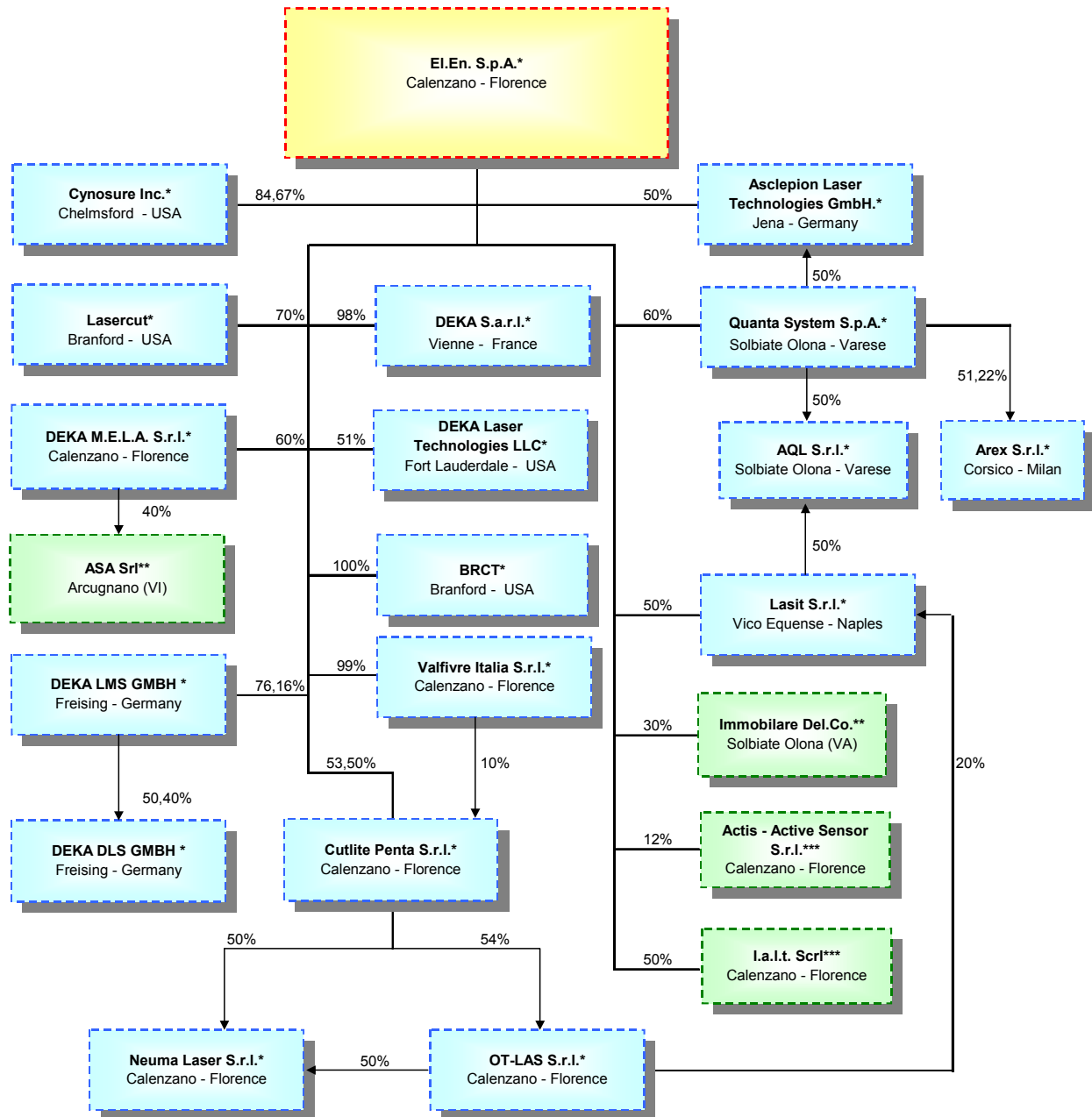
The report subsequently produced was prepared in advance by following the same criteria applied in the past by the Group on the occasion of both the mid-year and annual closings.

The quarterly results as of 31/03/2005 are expressed in comparative form with those for the corresponding quarter of the preceding financial year. All amounts are expressed in thousands of euros if not otherwise indicated.

Description of the Group

El.En SpA controls a group of companies that design, produce and distribute laser sources and systems destined for a variety of applicative fields. El.En SpA itself performs important operative activities within the group, in particular in research and development, design and production.

As of 31/03/2005 the group's structure is as follows:

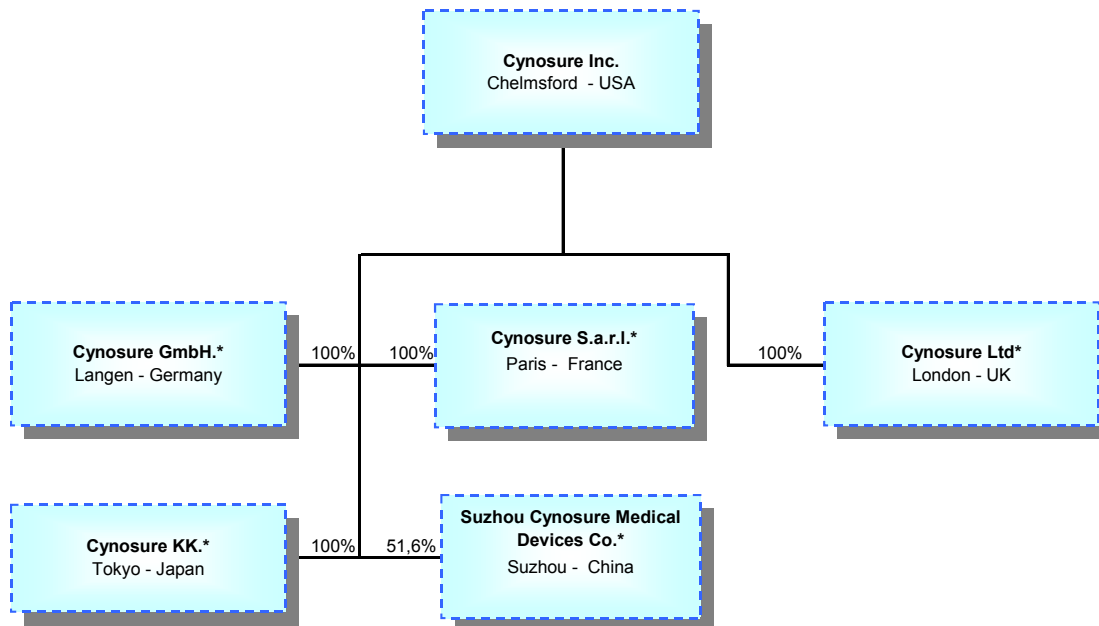


* Entirely consolidated

** Consolidated in relation to net worth

*** Kept at cost

In turn, Cynosure Inc. controls a group of companies. As of 31/03/2005, the structure of the Cynosure group is as follows:



* Entirely consolidated

On 25 January 2005, El.En. SpA transferred its real-estate property at Branford, Connecticut, to the BRCT Inc. corporation, set up for such a purpose and 100% owned, in order to simplify the bureaucratic management of the premises which house the operative activities of Lasercut Inc.

As of 31 March 2005, companies such as Immobiliare Del.Co. Srl and ASA Srl are present. Their results are not wholly consolidated in the group financials, but are consolidated using the equity method.

Economic-financial results of the group

Here as follows, we illustrate the Profit & Loss Account for the first quarter of 2005, shown in comparison with the results for the same period in 2004:

Profit and loss account	31/03/2005	Inc. %	31/03/2004	Inc. %	Var. %
Revenues	25.005	100,0%	18.939	100,0%	32,0%
Change in inventory of finished goods and WIP	578	2,3%	1.337	7,1%	-56,8%
Other revenues and income	295	1,2%	293	1,5%	0,7%
Value of production	25.877	103,5%	20.569	108,6%	25,8%
Purchase of raw materials	10.628	42,5%	8.328	44,0%	27,6%
Change in inventory of raw material	(667)	-2,7%	(343)	-1,8%	94,6%
Other direct services	2.207	8,8%	1.907	10,1%	15,7%
Gross margin	13.710	54,8%	10.677	56,4%	28,4%
Other operating services and charges	5.183	20,7%	4.288	22,6%	20,9%
Added value	8.527	34,1%	6.389	33,7%	33,5%
For staff costs	5.978	23,9%	5.040	26,6%	18,6%
EBITDA	2.549	10,2%	1.349	7,1%	89,0%
Depreciation, amortisation and other accruals	1.159	4,6%	1.191	6,3%	-2,6%
EBIT	1.390	5,6%	158	0,8%	780,4%
Net financial income (charges)	424	1,7%	279	1,5%	52,0%
Income from continuing operations	1.813	7,3%	437	2,3%	315,3%
Value adjustments (Devaluations)	(18)	-0,1%	104	0,5%	
Extraordinary income (Charges)	(3)	-0,0%	676	3,6%	
Income before taxes	1.792	7,2%	1.216	6,4%	47,4%

The Group's net financial position is analysed in the following chart:

Net financial position	31/03/2005	31/12/2004
Financial mid and long term debts	(2.715)	(2.555)
<i>Financial mid and long term debts</i>	<i>(2.715)</i>	<i>(2.555)</i>
Financial liabilities due within 12 months	(3.500)	(4.025)
Cash in banks and on hand	15.082	15.327
<i>Net financial short term position</i>	<i>11.582</i>	<i>11.302</i>
Total financial net position	8.867	8.747

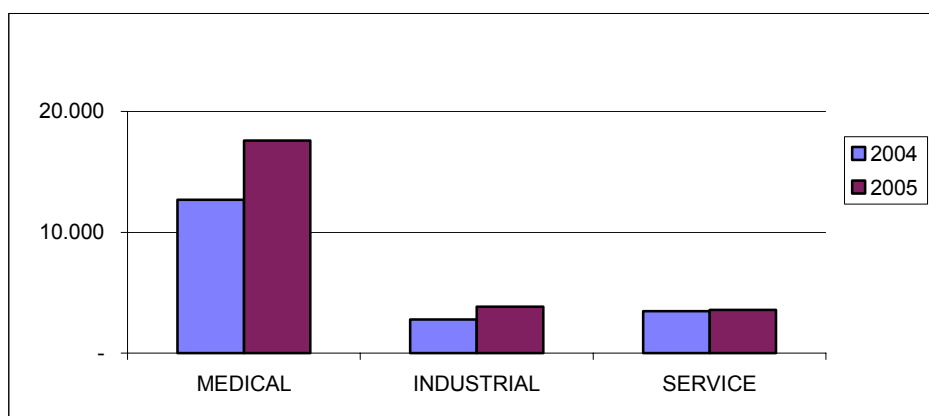
Management report

The satisfactory trend of the Group continued also during the first quarter of 2005. It marked an increase in turnover of about 30% compared to the previous year, and an important improvement in earning capacity. The results are in line, however, with – greatly exceeding them, in fact – the growth and earning capacity predictions for the 2005 financial year.

The Group's operative sphere did not change during the period: in the course of the first quarter of 2005, the Group was active in designing, producing and distributing laser sources and systems. As during previous years, the principal outlet markets were those of laser equipment for medicine and cosmetics and laser systems for industrial manufacturing. Together with these two main sectors, the Group's revenues came from the after-sales technical assistance service that it offers to its customers; revenues from research and development activities were booked within the other revenues.

The following table and relative graph illustrate Group sales according to market sector for the first quarter of 2005, as compared with the same period of the past financial year.

	31/03/2005	Inc%	31/03/2004	Inc%	Var%
Industrial systems and lasers	3.828	15,31%	2.792	14,74%	37,12%
Medical and cosmetic lasers	17.587	70,34%	12.678	66,94%	38,72%
Research and Development	-		-		
Service	3.589	14,35%	3.470	18,32%	3,44%
Total	25.005	100,00%	18.939	100,00%	32,02%



The macroeconomic framework within which the Group operates did not indicate any important changes compared to previous months. Indeed, there were many negative indications. In the European area, the indices of industrial production lagged, and government policies, obliged to face a very evident state of crisis, did not contribute to creating the optimism necessary for triggering a virtuous circle. The entire area was evidently suffering from the penalising terms of trade imposed by the continuing weakness of the American dollar. Italy was obviously no exception to this situation, with the aggravating circumstances of the weight of the public debt and the political uncertainty that has recently been created. Also in the United States, growth indicators underwent a slowdown which was partially piloted by the restrictive monetary policy aimed at limiting risks of inflation.

As is well known, the El.En. Group operates on a global scale and on numerous markets. The great diversification in commodities and geography deprives our activity of a single market of reference. Furthermore, within our two main activity sectors, industry and medicine, the dynamics of the sectors and niches covered by the Group's various companies is often redeemed by the general economic trend and by that of the market of reference. The ability to propose innovative products to the market makes it possible, in fact, to compete at our best and to find numerous new spaces for growth also in markets not previously covered.

Here, therefore, – even in a generally negative reference framework – the Group's results have been positive in all activity sectors, with a substantially uniform increase in turnover for both the medical and industrial sectors. Even several penalising phenomena, such as the weak dollar, have been neutralised within the Group's sphere, thanks to the fewer difficulties that Cynosure and Lasercut, the American producers in the Group, have in exporting to the European area.

The growth in the services and after-sales spare parts sales was slower, also due to the effect of the lower turnover attained with the "revenue sharing" formula. In fact, the modified agreements with Sona, Cynosure's important client, involved a decrease in the rate of revenues for rentals, partially replaced by revenues for the sales of laser systems.

The increase in turnover in the industrial sector was quite satisfactory, both for its consistency and for the fact that all sectors were involved and that it was attained without the contribution of new acquisitions. Growth in the medical sector respected the predictions, dragged, moreover, by the American company Cynosure, which has now completed the restructuring phase and is projected towards excellent results for the on-going financial year.

Revenues from research projects and from the related reimbursements in virtue of contracts stipulated with operator agencies financed by MIUR were non-existent for the period. However, we are still showing the line on the chart, also because the amount of these revenues registered among the sales is normally negligible with respect to what is accounted for within the other revenues. During the course of the first quarter of 2005, revenues were equal to 107 thousand euros, received within the TRL01, EUV and NETMED projects: in any case, less than the 171 thousand euros registered during the course of the first quarter of 2004.

From the point of view of the geographical distribution of the turnover, the trend of the year is illustrated by the following table:

	31/03/2005	Inc%	31/03/2004	Inc%	Var%
Italy	4.523	18,09%	4.842	25,56%	-6,59%
Europe	7.428	29,70%	6.233	32,91%	19,16%
Rest of the world	13.054	52,21%	7.864	41,52%	66,00%
Total	25.005	100,00%	18.939	100,00%	32,02%

The geographical distribution of the turnover confirms the difficulties encountered on the Italian market, and highlights the brilliant trend of the American market, together with that of the Far East. However, the rest of Europe recorded a growth of about 20%, thanks to the favourable trend of the industrial sector and of Cynosure's European branches, which, however, benefited from the weakness of the dollar.

Within the medical/cosmetic sector, which represents approximately 70% of the Group's sales, we can identify the following activity segments and illustrate the consistency of their turnover:

	31/03/2005	Inc%	31/03/2004	Inc%	Var%
Surgical CO2	429	2,44%	620	4,89%	-30,77%
Physiotherapy	107	0,61%	153	1,21%	-30,30%
Cosmetic	14.338	81,52%	7.152	56,41%	100,48%
Dental	1.245	7,08%	1.595	12,58%	-21,95%
Other medical lasers	1.375	7,82%	3.075	24,26%	-55,28%
Accessories	94	0,53%	83	0,66%	12,30%
Total	17.587	100,00%	12.678	100,00%	38,72%

The cosmetic segment continued to emphasise its supremacy: it doubled its volume of business with respect to the first quarter of the preceding financial year. In this, Cynosure's contribution was decisive. Moreover, it has set up a separate distribution network called Cynosure SpA, precisely to cover the spa and beauty-centre sector which is undergoing a steady growth phase in America. This favourable situation is further confirmed by the brilliant trend of our competitors, who make the American cosmetics market their own main business development area. In fact, Syneron, Cutera, Candela and Palomar have marked very interesting growth rates and good profitability, which have been rewarded, furthermore, from the point of view of an appreciation in the stocks.

Instead, the trend in all the other segments was more cautious: for some segments – therapy, surgery – the reference period was too short to be able to express a balanced opinion on the slowdown in turnover; for the remaining sectors (“others”), there are excellent expectations in the relaunching of dye lasers, Cynosure's traditional strong point. This sector witnessed the introduction of the new Cynergy model during the course of the AAD (American Academy of Dermatology), held in New Orleans last February.

For the sector of industrial applications, the following table illustrates a breakdown of the turnover by market segment.

	31/03/2005	Inc%	31/03/2004	Inc%	Var%
Cutting	1.645	42,98%	950	34,02%	73,23%
Marking	1.475	38,52%	1.264	45,28%	16,66%
Laser sources	524	13,68%	429	15,37%	22,09%
Welding	185	4,82%	149	5,34%	23,88%
Total	3.828	100,00%	2.792	100,00%	37,12%

In the industrial sector, the considerable growth was pulled along by laser systems for flat cutting, due to the good results in terms of turnover on the part of Cutlite Penta and also of Lasercut. Marking was also good, particularly in the more industrial sector, in which the results of the reorganisation of the distribution system and redefinition of the range of products are beginning to be seen. Sales of industrial laser sources produced for system integrators were also satisfactory. There was constant growth in the restoration segment: this is a small market in which lasers have by now become the unquestioned standard for a whole series of procedures.

It must in any case be noted that the high rate of growth was made possible by the base of reference, doubtlessly not a satisfactory one and far from the turnover objectives that the Group intends to attain and towards which the result of the first quarter of 2005 has contributed an encouraging intermediate stage.

The technical assistance, sale of spare parts, and providing of after-sales services sectors were destined for physiological growth, a direct consequence of the continuous increase in the installed base. As previously mentioned, the growth was reduced due to the effect of a reduction in the revenues from equipment rental to Sona on Cynosure's part. In fact, the new formulation of the collaboration contract limits the total revenues for rentals, against the plain sale of part of the equipment utilised by the depilation centres that make up part of Sona's franchising.

The contribution margin, which is attested at 13,710 thousand, increased in proportion less than the turnover: the margins were slightly eaten into by an increase in the impact of the cost of the materials, or rather by a relative decrease in sales prices. In terms of percentages, the margin was satisfactorily maintained: solidly above 50%.

The key to the improvement in profitability undoubtedly lies in the limiting of structural costs, which evidenced a lesser growth than that of the turnover and margins: around 20% for operative costs and below 19% for staff costs. While in the presence of an increase in net sales and the number of employees, the stabilization of a whole series of activities in the Group's sphere made it possible to limit the impact of commercial and general costs with respect to the turnover, to the evident benefit of the profitability. As of 31 March 2005, there were 499 employees on the staff of the Group.

A consistent part of the costs for staff converged in costs for research and development, for which the Group also obtains contributions and reimbursements of expenses against specific contracts signed with the bodies in charge. These contributions make it possible to give a longer breathing space to the research activities, seeing that they limit its economic impact. As previously said, during the quarter the contributions obtained amounted to about 107 thousand euros, a rather small amount conditioned also by the phase difference of the times for accounting and allocation that was encountered during the quarter.

From what has been said above, the Gross Operating Margin is 2,549 thousand euros with an increase of about 90%.

Depreciations, amortisations and other accruals also decreased in absolute value, as was foreseen in virtue of the end of the depreciation period of the costs for IPO on the Nuovo Mercato of 2000 and the lack of several accruals of an extraordinary nature which took place during the preceding financial year. As for 305 thousand euros, the amortisations on the goodwill paid for the acquisition of Cynosure, Quanta System and Deka LMS were also registered among the costs.

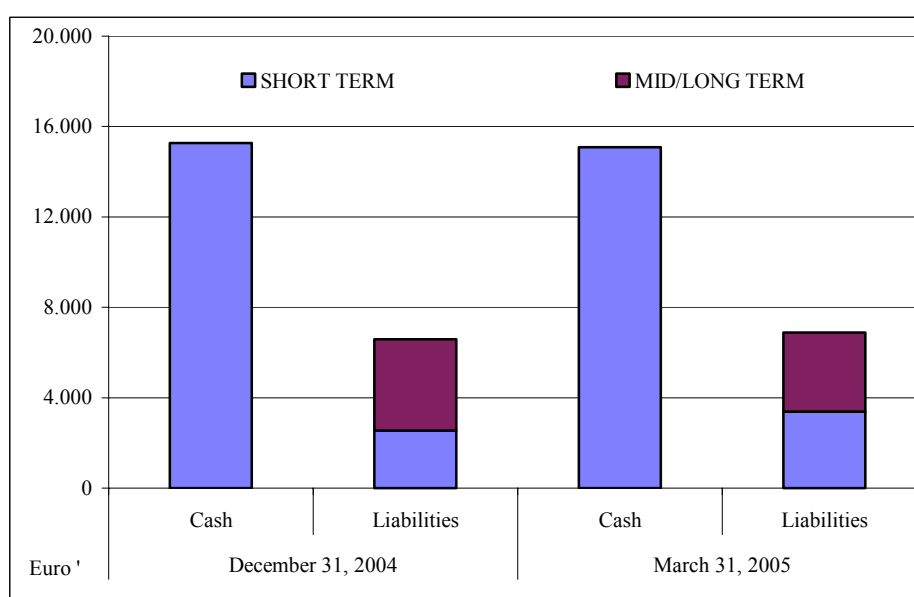
EBIT was equal to 1,390 thousand euros, with an impact equal to 5.6% on the turnover. This result shows a considerable improvement on that of the preceding financial year. It was, however, less in terms of impact than the result foreseen for the overall financial year, since the seasonality of sales is penalising the sales and thus the profitability of the first months of the year.

The financial management was influenced by the gain in foreign exchange on the entries indicated in dollars, in virtue of the slight appreciation during the period of the American currency and the consistency of the receivables and other credit items in American dollars.

Value adjustments and extraordinary income and expenses did not bring about important variations in the result. Therefore, the result before taxes is attested at 1,792 thousand euros, with an increase of 47% compared to that of the preceding period.

It must be remembered that, during the course of the first months of 2004, El.En. SpA had realised gains on sales for fixed assets: capital gains of 449 thousand euros by selling part of its own shares in Cynosure and DEKA M.E.L.A. within the acquisition of control of Quanta System, while during the same period Cynosure had obtained an insurance refund of about 300 thousand dollars. Both operations, registered in the extraordinary income, contributed in 2004 to the improvement in the profit before taxes. In spite of this, the increase in the ordinary profitability caused an improvement in the profit before taxes of nearly 50%.

Comment on the evolution in the net financial position



The net financial position, the consistency of which is represented in the above graph, remained positive for about 8.7 million euros, with a very slight increase with respect to 31 December 2004. The availability of cash and cash equivalents, at 15 million euros, was also substantially constant.

Part of the short-term financial debts consisted of the debt relative to the second payment tranche for the Cynosure shares purchased in September 2004 from several of the minority partners.

Expansion of the net working capital, an effect of the rapid development of the activity, absorbed part of the cash generated by current operations, as well as gross investments, analyzed in the following section.

During the period, no cash flows of an extraordinary nature, or in any case worthy of special mention, were registered.

Gross investments made during the quarter

Here as follows are illustrated the gross investments made during the period of reference.

<i>Progressive</i>	31/03/2005	31/03/2004
Intangible assets	34	69
Tangible assets	1.278	1.124
Equity investments	0	63
<i>Total</i>	1.312	1.255

The investment activity of the period remained aligned with what was registered during the preceding financial year. The booking among the fixed assets of a part of the laser systems that Cynosure destined to the revenue-sharing activity through Sona continued, even if at a reduced rhythm compared to the preceding financial year. Also consistent was the investment in terms of laser equipment destined for experimentation and demonstration, in both the medical and industrial sectors. The companies most involved were El.En. and Cynosure.

During the period, no individual investments of an extraordinary nature were noted. They have an absolutely ordinary character within the sphere of the Group's operative activities.

Comment on Research and Development activities

During the first quarter of 2005, an intense Research and Development activity was continued in the Group, with the aim of opening up new laser applications in both the medical and industrial sectors and of putting innovative products on the market.

The global market, above all for high-technology products, requires facing the competition with an almost continual introduction on the market of new products and versions of products with innovative performances in which continually up-dated technologies and components are used. Therefore, an extensive and intensive Research & Development activity is necessary, one that is organised along short- and medium-term programmatic lines.

The research aimed at obtaining medium-term results is oriented towards topics with greater risk, inspired by intuitions from within our companies and by perspectives indicated by the scientific work of the world's leading laboratories and research centres.

The research dedicated to attaining short-term results is activated on topics for which the pre-feasibility control work has already been carried out. Furthermore, the work of choosing and drawing up the characteristics and specifications on these topics on the basis of information obtained through the work of internal specialists and also as a result of the activity of involved public and private structures, which have acted as consultants during the preliminary study phases, has already been done.

Mostly applied research is carried out; a small part is basic, for several specific topics. Both the applied research and the development of pre-prototypes and prototypes are supported by financial resources, partly our own and partly from contributions deriving from research contracts stipulated with manager institutes on behalf of the Ministry for Education, the University and Research and with the European Union, both directly and also through research institutes.

Here as follows, information is provided on the research carried out by the Group during the first quarter of 2005.

Laser systems and applications for medicine

The business of developing laser equipment and devices for mini-invasive, even robot-assisted microsurgery, continued. The activity was developed within the framework of a project on the New Medical Engineering like the FIRB project (Investment Fund for Basic Research), partially financed by the MIUR (Ministry for Education, the University and Research) as a result of an adjudication by selection based on the opinions of international experts. The theoretical and experimental studies on defining the doses for the processes of cutting and removal of soft tissues and the cauterisation of small vessels continued. Work projects in the development of rotary micropincers and a multipath catheter for endoscopy, for photodynamic endoluminal therapy and for diagnostics with opto-acoustic microprobes are under way. Also in progress are research activities for developing a technique and devices for performing laser-assisted anastomosis of blood vessels.

Development of the instrumentation and clinical experimentation with innovative laser equipment for use in physiotherapy and orthopaedics continued, and agreements were reached for carrying out clinical experimental activities in the United States, at Harvard. Research is in progress on new devices and methods for percutaneous laser ablation on the liver and thyroid, within the framework of the activity of the associate company IALT (Image Aided Laser Therapy) that was recently set up between El.En. and Esaote. A project financed by the European Union regarding new diagnostic methods that utilise nanoparticles and laser systems with interacting ultrasonics was approved. For this project, there will be collaboration with prestigious European institutes, among which is the Fraunhofer IBMT. A regional research project has been approved for the subsidiary company Actis Active Sensors, for the study of a new laser suturing technique in the field of ophthalmology.

A new patent was filed relative to a new technique for conservative therapy of the saphenous vein.

Parallel experimental clinical activity continues in Italy and in qualified European and American centres to confirm and document the efficacy of innovative therapeutic treatments with lasers in various fields of medicine: odontostomatology, cardiac surgery, gastroenterology, ophthalmology, phlebology, eco-guided interstitial hyperthermia, dermatology, and cosmetics. The development is under way of a new type of low-fluence radiator with

isotropic emission for laser laparoscopic and/or interstitial hyperthermia for performing mini-invasive microsurgery operations on the liver and thyroid guided by ultrasonic images.

A programme is in progress dealing with innovative technologies in ophthalmology that involve the “gluing” of the cornea by means of laser light.

Work has begun in the development of lasers for ophthalmology, for performing retinic photocoagulation with the use of lamps with a slit, on the basis of an agreement with an important company specialised in the production and distribution of diagnostic and therapeutic equipment in the ophthalmological field.

The carrying out of research continued for developing a diode laser for applications in neurosurgery using mini-invasive techniques.

Research is under way in order to realise new laser surgical pincers for use in laparoscopic surgery.

Thanks to a contribution from the European Union, a research programme is in progress that deals with applications of mechatronics and microtechnologies for the biomedical industry.

Laser systems and applications for industry

The activity dealing with a laser system with excimers, to be used in the nanomanufacture of devices for electronics and optoelectronics, was continued.

Two projects co-financed by the Tuscan Region on European funds were approved: one concerns the development by El.En. of “new laser scansion systems for large angles”, and the other is for the development, by the subsidiary Otlas, of a “method for superficial laser treatment of railway tracks in use”.

Furthermore, applied research continued for the development of large mirrors constructed with new shapes and new materials for scansion of the laser band, for the purpose of marking or treating the surface of materials of various kinds for a cosmetic enrichment of articles of clothing and handicrafts, using laser power of more than 1kW. The development of electronics based on a Digital Signal Processor, to translate into HW the results of the theoretical research carried out on the numerical control of galvanometers for scansion tests, is under way.

Studies continued for defining algorithms, calculation programmes and HW structures for artificial vision systems, to be used for the automation of surface decoration, by means of the laser marking of leather and other materials, and for the cutting and marking of objects oriented any way on the work table.

A research activity provided for by the design of a solid-state high-power laser source with active material in an amorphous ceramic support is in progress.

The development continued of new laser diagnostic and documentary equipment for the cultural heritage, within the PON (Operative National Plans) for the development of strategic sectors for Southern Italy.

Within this framework, a new system of sensors and memorisation of the environmental stresses on works of art in the course of their being transferred from a museum to another display location is being studied.

Furthermore, a new representation system of thermal transistors for the study of the level of conservation of works of art and of industrial products during the definition phase during the manufacturing process is in the development phase.

A project regarding the diagnosis of cultural assets by means of spectrometry was approved.

A patent was filed for a new laser diagnostic system for the paper of ancient books.

The following table lists the costs attributable to Research & Development during the period in question.

<i>thousands of euros</i>	31/03/2005	31/03/2004
Costs for staff and general expenses	1.389	1.593
Equipment	37	84
Costs for testing and prototypes	253	193
Consultancy fees	220	79
Other services	19	50
Intangible assets	0	0
<i>Total</i>	1.917	1.999

As for the turnover items and the revenue-linked ones, the contribution of Cynosure was important also for the research & development costs, in view of the intense activity carried out in the specific sector. The amount of the costs for research and development incurred by Cynosure during the quarter was about 863 thousand dollars.

As per the by-now consolidated company practice, the costs listed in the table were entirely registered under operating costs.

The amount of the costs incurred corresponds to 8% of the Group's turnover. The amount relative to Cynosure, equal as said previously to 863 thousand dollars, constitutes about 7% of its turnover; the remaining part of the costs was almost entirely sustained by El.En. SpA, and is equal to 13% of its turnover. During the period, El.En. SpA recorded revenues – in the form of contributions, tax credits, advance payments on contributions – for approximately 107 thousand euros. It appears evident that the effort made in this activity was remarkable and that the resources destined to it were considerable.

Adoption of IAS/IFRS principles

During the course of the first quarter of 2005, El.En. SpA continued its activities with regard to the implementation of international principles through the setting up of a dedicated work group that provided for the involvement of the main companies in the El.En. Group.

In particular, an analysis activity was continued in order to identify the principal differences between Italian accounting principles and IAS/IFRS principles and to quantify, on the basis of the differences identified, the most significant impacts on El.En.'s consolidated financials.

The project was aimed at the following objectives:

- Identification of the main differences between Italian accounting principles and IAS/IFRS principles, including those for the preparation of the first opening financials (1/1/1004, date of transition) and quantification of the relative impacts;
- Implementation of the administrative processes and the company data-processing systems in order to make it possible to draw up the financials and the mid-year statements in accordance with IAS/IFRS principles.

Analyses carried out up to now have led to the identification of several differences between Italian accounting principles and the IAS/IFRS operating principles. These are illustrated here as follows:

- *goodwill and difference from consolidation*: these items will no longer be systematically depreciated in the Profit & Loss Account, but will have to be subjected to an evaluation made at least on an annual basis, for the purposes of identifying a possible loss in value (impairment test);
- *Own stocks*: according to IAS/IFRS, these stocks can no longer be registered under assets, and will have to be annulled together with the corresponding reserve. In addition, the amount of our own stocks will have to be subtracted from the shareholders' equity;
- *Consolidation principles*: the possibility of excluding unimportant businesses, bankrupt companies and those with a dissimilar activity from the consolidation area, ceases. The consolidated subsidiary company stocks registered under productive net working capital will have to be the subject of consolidation;
- *Stock options*: IFRS 2 classifies stock options within the framework of the "equity settled share-based-payment transactions", i.e. "assets or services acquired through the payment of instruments representative of capital". In particular, on the basis of this principle, stock options must be evaluated at the moment of their allocation ("grant date") at fair value, displaying in the Profit and Loss Account a cost that finds its counterpart in an increase in the equity reserves;
- *TFR*: Italian principles require displaying the liabilities for the TFR [severance pay fund] on the basis of the nominal debt accrued at the closing date of the financials. According to IAS/IFRS, the institution of TFR belongs to the typology of plans with defined benefits subject to evaluations of an actuarial nature in order to express the actual value of the benefit, payable at the end of the work relationship, which the employees have accrued at the date of the financials;
- *Compound financial instruments*: according to IAS 32, the value of the compound financial instruments (e.g. convertible securities) will have to be divided between the financial liabilities and the instruments representative of equity (stocks, share-holdings, share-buying options, other instruments representative of the shareholder's equity);
- *Derived instruments*: according to the IAS/IFRS principles, all derived instruments must be reflected in the balance sheet at their relative "fair value". The accounting procedures for instruments vary in accordance with the characteristics of the same (cover instruments and no-cover instruments);
- *Extraordinary components*: according to the IAS/IFRS principles, components of an extraordinary nature cease;
- *Exceptions to the accounting principles provided for by special laws*: for IAS/IFRS purposes, accounting procedures must not take into account the interference produced by special and financial laws.

The operative procedures for the relative quantification for each company have been defined with regard to the differences identified.

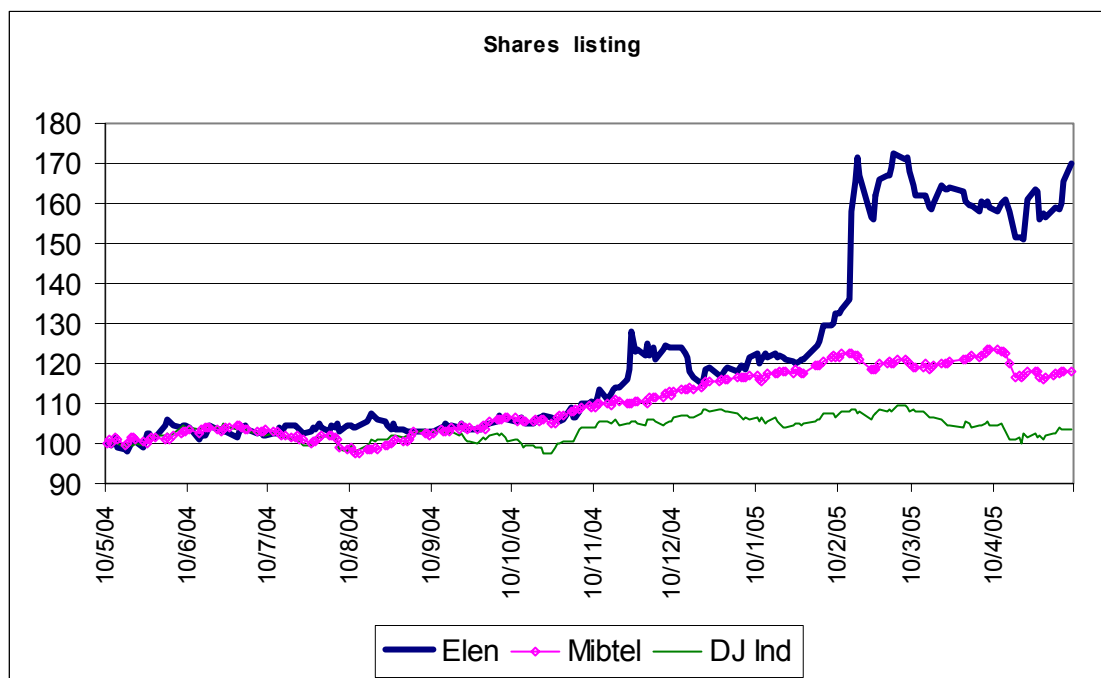
In conformity with IAS 1, the financials according to IAS/IFRS must include, in terms of comparative information, the financial year preceding the one of reference. The balance sheet as of 31 December 2005 will be the first annual balance

sheet presented by the El.En. Group in accordance with international principles, and will therefore include – for purposes of comparison – the balance sheet in accordance with IAS/IFRS as of 31 December 2004. As far as the mid-year statements relative to the financial year commencing on 1st January 2005 are concerned, considering that a definition of the regulatory framework of reference ended only in December 2004 with the publication of the international accounting principles in the Official Gazette of the European Union, the CONSOB has found it appropriate to provide for several concession-like provisions. These provisions can be briefly summarised as follows:

- a) for the first quarterly report, the evaluation and measurement criteria established by the pre-existing regulations for the preparation of accounting schedules may be used;
- b) for the second quarter, application of the evaluation and measurement criteria established by the international accounting principles is required. Should this not be possible, the use of the criteria provided for by the pre-existing regulations is permitted. However, the preparation of a reconciliation schedule of the final balances reported in the accounting schedules, compared with those determined on the basis of the international accounting principles, is required;
- c) for the interim report, application of the provisions established by the IAS 34 international accounting principle is required. Should it be impossible to apply IAS 34, a reconciliation of the data of the shareholders' equity and of the economic result drawn up on the basis of the pre-existing regulations with those determined in accordance with international accounting principles will have to be prepared;
- d) the third and fourth quarters will have to be drawn up utilising the evaluation and measurement principles established by the IAS/IFRS.

Trend of the El.En. shares

The trend of the shares is represented by the following graph, with reference to the price of 10 May 2004, which was equal to 15.32 euros.



Other significant events occurring during the quarter

No significant events occurred during the course of the quarter.

Other events occurring after the quarter closed

During the course of the month of April, the buy-back of the Cynosure shares from the minority stockholders was closed also financially, and the sale of part of the shares to the management of the company and to subjects close to the said management was also completed.

In particular 495,000 shares were the object of sale, at the same price of \$3.00 at which they were bought. Of these, 450,000, for a corresponding amount equal to 1,350,000 dollars, were registered on 31/12/2004 under El.En.'s current assets, while 45,000 were registered among the financial fixed assets.

Following the aforesaid operations, El.En. holds about 4,800,000 shares in Cynosure, equal to about 78.3% of the capital.

No events of particular importance to the Group's activity are reported to have occurred after March 31st.

Predictable evolution in activities for the current financial year

The first quarter closed with a turnover and operating profit that were slightly ahead of the time-table provided for reaching the objectives formulated on an annual basis, namely a turnover of 110 million euros and an operative result of 9 million euros.

However, up to now no elements have been ascertained that would justify a redetermination of the above-cited objectives, which are hereby confirmed.

For the Board of Directors:

The President
Dr. Gabriele Clementi