HALF-YEAR REPORT

2005

El.En. Group

1 COMPANY POSITIONS

Board of Directors

PRESIDENT

Gabriele Clementi

DEPUTY BOARD MEMBERS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

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

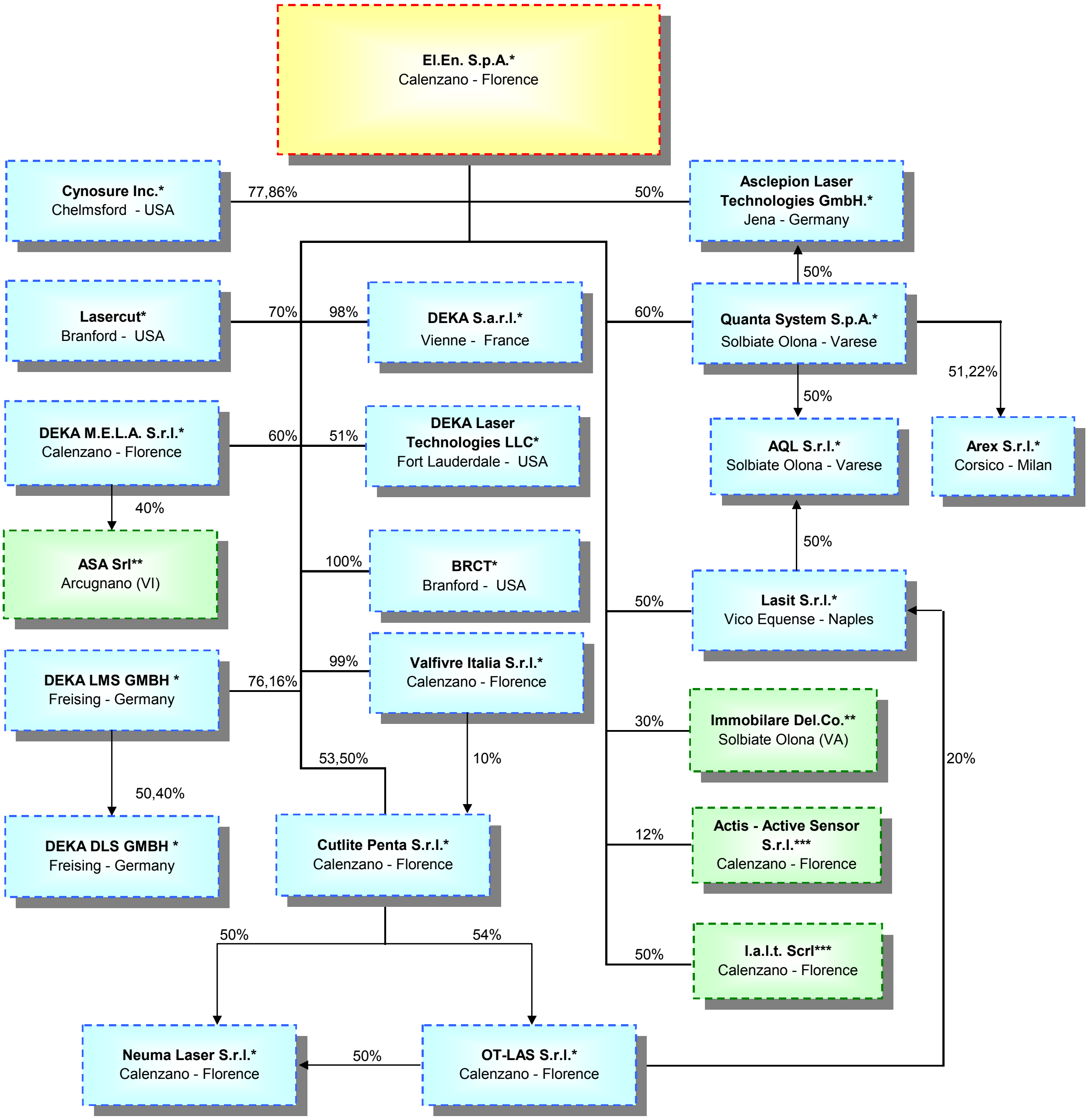
2.1 Application of international accounting principles

In its interim financial statement as of 30 June 2005 the El.En. Group has applied the IAS/IFRS international accounting principles required since 2005 for consolidated financial statements drawn up for companies quoted in regulated markets.

To ensure the comparability of data, the statement of assets and liabilities as of 1 January 2004, the 30 June 2004 and the 31 December 2004 have also been re-elaborated according to the IFRS.
Wherever the application of such principles has had significant effects on the information provided in this report, we have made reference to such in the report itself.

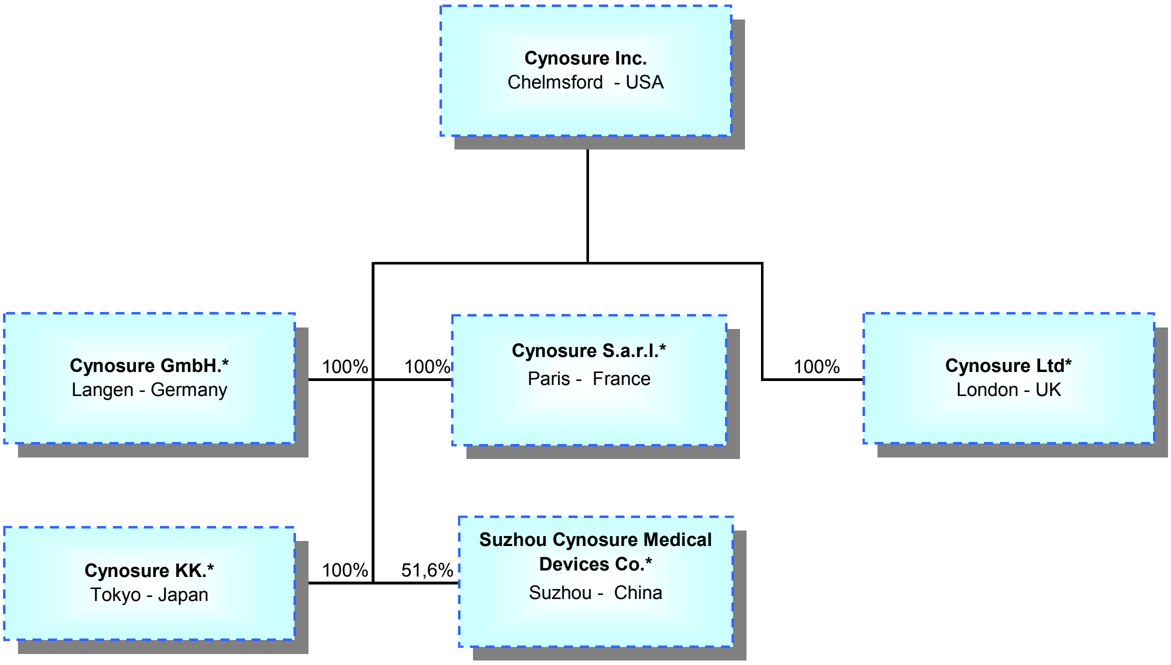
2.2 Description of the Group

As of 30/06/2005 the organisation of the group was as follows:



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

Cynosure Inc. in turn controls a group of companies. As of 30/06/05 the organisation of the Cynosure group was as follows:



* *Entirely consolidated*

2.3 Business of the subsidiary companies

El.En. S.p.A. controls a group of companies operating in the same general field of lasers, each of which has its own niche of applications and a specific market function.

The following table summarises the half-year results of the companies in the group included in the area of consolidation. Brief explanatory notes on the business of the single companies and a comment on the results of the first half-year of 2005 follow.

The figures in the table below and in all the tables in this report are expressed in thousands of euro if not otherwise indicated.

	Net Turnover 30/06/2005	Net Turnover 30/06/2004	Var. %	Net income 30/06/2005	Net income 30/06/2004
Cynosure (*)	19.405	15.621	24,23%	227	2.988
Deka Mela Srl	9.899	8.631	14,69%	410	555
Cutlite Penta Srl	3.076	3.417	-10,00%	-63	-51
Valfivre Italia Srl	168	225	-25,09%	4	2
Deka Sarl	509	497	2,39%	-115	-81
Deka Lms GmbH	483	553	-12,73%	-117	46
Deka Dls GmbH	246	269	-8,55%	-14	30
Deka Laser Technologies LLC	1.044	1.122	-6,97%	145	156
Quanta System SpA	4.736	4.437	6,74%	214	90
Asclepion Laser Technologies GmbH	4.594	4.271	7,56%	-242	319
Arex Srl	401	163	145,42%	20	3
AQL Srl	959	0		8	0
Ot-Las Srl	944	1.316	-28,24%	-87	-34
Lasit Srl	1.815	1.337	35,77%	-33	-4
Lasercut Inc.	858	492	74,45%	-150	-387
BRCT Inc.	0	0		-7	0
Neuma Laser Srl	142	83	70,29%	21	3

(*) consolidated data

Cynosure Inc.

The company operates in the design, production and sale of laser systems for medical and cosmetic applications. The main operating base was recently moved from Chelmsford, Massachusetts (USA) to the nearby area of Westford, to a plant more in keeping with the current volume of business: it also has international branches in Europe and Asia. Cynosure is one of the most important companies in the sector for medical lasers and achieved its present stature thanks to the superior performance and the high quality of its products, especially thanks to the DYE lasers for vascular applications and the Alexandrite laser for hair removal.

The company handles the sales and marketing of its products on the USA market directly and on international markets through its subsidiary companies and a network of distributors. Production takes place almost entirely in Westford as does R&D, a key factor of success in this sector.

Cynosure Inc. is in turn the head of a group of companies operating at a worldwide level in the field of lasers: the companies Cynosure Sarl in France, Cynosure Ltd in Great Britain, Cynosure GmbH in Germany and Cynosure KK in Japan are 100% controlled and act as local distributors as well as providing after-sales technical assistance; the company Suzhou Cynosure in the People's Republic of China is 52% owned and also produces special equipment for use in dermatology.

After being acquired in 2002 in a moment of operative difficulty shown by the negative profitability results, Cynosure underwent a period of reorganisation, entailing the addition of some of El.En group's products to the range of products offered by it and involving the replacement of some members of the management staff. Specifically, at the end of 2003 the CEO was replaced and with him some of the chiefs of key company areas, thus determining a turning point in the management of the company.

The first results of this reorganisation were evident during the financial year 2004 which saw Cynosure's return to positive profitability, and are confirmed in the first half-year of 2005.

Cynosure closed the first half-year 2005 with a net result of approximately 524 thousand dollars (US GAAP), and a turnover of over 25 million dollars, a significant increase on the 17.9 million of the first half-year of 2004. The operating result rose sharply (1,294 thousand dollars compared to 294 thousand dollars), showing the success of the reorganisation embarked on in 2003 making a return to profitability possible for Cynosure. During the month of August procedures were formally started for the quotation of the company on NASDAQ.

Deka M.E.L.A. Srl

The company deals in the distribution of the medical laser appliances produced by El.En. S.p.A. in Italy and abroad. Specifically, it operates directly in the dermatological, cosmetic and surgical sectors and has set up advantageous partnerships for the dental sector in Italy (Anthos Impianti). Deka has also acquired an important share (40%) in ASA Srl, the company appointed by the group to deal with distribution in the physiotherapy sector.

During the first half-year of 2005 turnover, which grew in absolute terms by 15% compared to the previous financial year, highlighted the brilliant performance in the cosmetics sector, as in the dental sector and in that of CO_2 surgical lasers.

There was however a reduction in the margin of contribution compared to the first half-year of 2004, both in absolute terms and especially in terms of its incidence on turnover, as a result of pressure on sales prices and a less profitable sales mix.

This fall also affected the operating result, with a reduction on last year's figure.

Cutlite Penta Srl

This company produces industrial laser systems for cutting applications, installing laser power sources produced by El.En. S.p.A on CNC controlled movements.

In a difficult economic situation Penta achieved a slightly lower turnover than in the first six months of 2004, thus showing a loss in the period. In recent months its collaboration with the parent company has led to the perfection of new systems for exportation to the Far East.

Valfivre Italia Srl

As in the previous financial year, the Company produced and provided technical assistance for special laser systems for industrial applications as well as services for the companies belonging to the group. The half-year closed with a result close to breaking even despite a slightly reduced turnover compared to the previous financial year.

Ot-las Srl

This company designs and produces special systems of CO_2 laser marking for the decoration of large surfaces and for which it offers absolutely state-of-the–art technological solutions thanks to its close technological collaboration with the parent company El.En. in perfecting strategic components.

The difficulty of finding suitable commercial markets for the special systems produced by Ot-las continued, with clear consequences on the turnover and operating result, both of which fell compared to the previous financial year.

Lasit Srl
The company designs and produces laser marking systems complete with dedicated software and controls, which can be used both for marking metals and raw materials such as wood, glass, leather and textiles.
Lasit is completing the reorganisation of its product range as well as its commercial distribution network, now based in Italy and availing of the associated company AQL.
The net increase in turnover during the first six months of 2005 was accompanied by an operating result which broke even, a result of the R&D and commercial efforts sustained with a view to encouraging growth.

Neuma Laser Srl
The company provides after-sales technical assistance, as well as acting as a technical support for commercial activities in the Far East and South America for the industrial laser systems and equipment sold by the Companies in the Group and specifically the systems produced by its controlling companies Cutlite Penta Srl and Ot-las Srl.

Deka Sarl
This company distributes medical-cosmetic laser appliances and the relative accessories produced by El.En. in France as well as providing after-sales services for medical and cosmetic lasers. Now a point of reference for the sector in France, with a highly respected equipped base and an excellent brand position, in the first six months of 2005 Deka Sarl did not achieve a turnover sufficient for it to break even.

Deka Lms GmbH
The company Deka Lms GmbH distributes medical cosmetic laser appliances produced by El.En. S.p.A. in Germany. Turnover for the first six months of 2005 was lower than forecast and was accompanied by a reduction of the margins. The company thus suffered a loss in the first six months of 2005. Reorganisation of DEKA Lms' business is under way and aims to improve penetration of the German market and achieve a turnover more in keeping with the size of the markets and the potential of the products offered.

Deka Dls GmbH
The company Deka Dls GmbH, a subsidiary of Deka Lms, distributes laser systems for the dental sector in Germany.

Deka Laser Technologies LLC
The company, founded in February 2003, distributes the laser systems produced by El.En. S.p.A for the dental market in the United States. Its slim-line commercial organisation has succeeded in making the most of the potential offered by the American domestic market, reaping positive results from the first months of the financial year. Turnover for the first six months of 2005, slightly lower than that of last year, leaves room for improvement during the last six months of the year, for which an improved turnover and operating result are expected.

Lasercut Inc.
This American company with its headquarters in Branford (CT) acquired in April 2003 designs, produces and sells laser systems for flat cutting.
The perfecting of several special systems of flat cutting and the opening of some new distribution channels has resulted in a large increase in sales compared to the last financial year, although still not sufficient to cover operating costs.

Asclepion Laser Technologies GmbH
The company acquired from Carl Zeiss Meditec is based in Jena, a greenhouse of electro-optics and one of the most important centres world wide for this type of technology; thanks to the quality of its products and the fame of the brand on international markets, Asclepion achieved a brilliant income result during the course of 2004. This result was not confirmed during the first six months of 2005, which in fact showed a loss due mainly to the stagnant German domestic market. The company is 50% owned by the subsidiary Quanta System SpA.

Quanta System S.p.A
After entering the group's area of consolidation in 2004, the company achieved a good result in 2004, improving both its turnover and operating result. In the first six months of 2005 too growth continued and was accompanied by good results in terms of profits.
Quanta System is one of the most dynamic concerns as regards innovation and technological research in the laser sector and its highly qualified research team participates in important development projects, also jointly with other companies in the group and the most important Italian and European research centres.

Arex Srl
The company, which became part of the group in April 2004, manages a health centre in Milan.

AQL Srl
The company AQL Srl, founded in Milan in June 2004 designs, produces and sells laser systems for the "Industrial Business" segment as well as being active in the R&D of industrial processes and products, manufacturing processes and the realisation of pioneering new technology in the photonics sector.

BRCT Inc.
The company BRCT Inc. owns the real estate located in Branford, Connecticut, previously owned by El.En. S.p.A, a site used for production activities by the subsidiary Lasercut Inc.

2.4 Company management

In accordance with art. 19 of the Articles of Incorporation, the company is administrated by a Board of Directors composed of a number varying from a minimum of three to a maximum of fifteen members.

The current Board of Directors, composed of nine members, will remain in office until the time of the shareholders' assembly called for the approval of the financial statement relative to the financial year ending 31 December 2005 and is composed of the following members:

NAME	POST	PLACE AND DATE OF BIRTH
Gabriele Clementi	President	Incisa Valdarno (FI), 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

* Independent administrators, in accordance with art. 3 of the Code of Self-discipline of Listed Companies

The members of the Board of Directors are domiciled for the purpose at the headquarters of El.En. S.p.A in Calenzano (FI), Via Baldanzese n. 17.

On 13 November 2003 the Board of Directors attributed to the President of the Board of Directors, Eng. Gabriele Clementi and to the Deputy board members Mrs. Barbara Bazzocchi and Eng. Andrea Cangioli, separately from each other and with independent signature, all the ordinary and extraordinary administrative powers for the fulfilment of all the activities inherent to the company goals, excluding only those activities for which powers may not be delegated by law, in accordance with art. 2381 of the civil code and of the Company's Articles of Incorporation.

In accordance with the provisions of the Code of Self-discipline for Listed Companies:

a) as of 31 August 2000, the Board of Directors has among its members two independent administrators as in art. 3 of the Code of Self-discipline mentioned. At present these are Prof. Paolo Blasi and Mr Michele Legnaioli;

b) as of 5 September 2000 the Board of Directors has set up the following internal committees composed mainly of non-executive administrators:
1. " the Appointments Committee", responsible for proposing nominations, receiving them from shareholders and checking that the procedure laid down by the company statute for the selection of candidates is respected;
2. "the Fees Committee", responsible for information and transparency regarding the method and manner used to determine the fees paid to Board Members;
3. "the Auditing Committee", which must offer consultancy, proposals and support to the Board in setting up and monitoring the internal control system and activities.

c) as of 5 September 2000 the Board of Directors has designated a person to monitor internal control.

The Board of Directors meets at least every three months to ensure that the Board of Auditors is adequately informed of the business and the most important operations performed by the Company and by its subsidiary companies.

The Group is controlled internally by the Parent company in collaboration with the personnel of the subsidiary companies. From an organisational point of view, the Administrators of the Parent company participate in the Board Meetings of the subsidiary companies as members of the same administrative organ or else they hold the title of Sole Administrator. Wherever this is not the case the administrative bodies of the subsidiary companies supply sufficient information for the organisational definition of the Group's activities.

As regards accounting information, the subsidiary companies must supply all the information needed for the Parent company to draw up the consolidated economic and financial reports before the end of the month following the quarter in question.

As of 11 December 2003 the parasocial pact (the "Pact") between the shareholders Immobiliare del Ciliegio Srl, Andrea Cangioli, Gabriele Clementi, Barbara Bazzocchi, Francesco Muzzi, Pio Burlamacchi, Carlo Raffini and Autilio Pini stipulated in 2000, added to in 2003 and having the purpose as specified below, was renewed for a further three years:

- a majority vote syndicate which conferred a total of no. 2,391,994 ordinary shares of El.En. S.p.A equal to 51.31% of the Share capital;
- a block syndicate in which they conferred a total of no. 2,391,994 ordinary shares of El.En. S.p.A equal to 51.31% of the Share capital.

The Pact foresees, for the member shareholders, constraints on the sale of shares and dispositions regarding the exercising of their vote at the assemblies, in any case respecting the right to equal treatment of all the shareholders as regards information.
The constraints on sale take the form of an obligation not to transfer the shares (and relative rights) of the company conferred to them by the Pact to persons outside the syndicate for a period of three years.
As regards the dispositions on the exercising of voting rights at the shareholders' assemblies the Pact stipulates that the Steering Committee of the syndicate (to which all the Pact members belong) must meet before each assembly of the Company to decide on the line of conduct to adopt during the assembly and which way they are going to vote. The decisions of the Steering Committee are made on the basis of majority vote calculated according to the number of shares possessed by each member and are binding on the partners who must vote at the company assembly in accordance with the majority decision of the syndicate.

2.5 Consolidated profit and loss account reclassified as of 30/06/2005

Below is the consolidated Profit and Loss Account reclassified for the period ending on 30/06/2005, compared to the same period for the previous financial year:

Profit and loss account	30/06/2005	Inc.%	30/06/2004	Inc.%	Var.%
Revenues	51.779	100,0%	45.018	100,0%	15,0%
Change in inventory of finished goods and WIP	2.464	4,8%	2.085	4,6%	18,2%
Other revenues and income	683	1,3%	665	1,5%	2,7%
Value of production	**54.926**	**106,1%**	**47.768**	**106,1%**	**15,0%**
Purchase of raw materials	22.967	44,4%	19.087	42,4%	20,3%
Change in inventory of raw material	(1.505)	-2,9%	(11)	-0,0%	13499,1%
Other direct services	4.890	9,4%	4.241	9,4%	15,3%
Gross margin	**28.575**	**55,2%**	**24.451**	**54,3%**	**16,9%**
Other operating services and charges	11.151	21,5%	8.797	19,5%	26,7%
Added value	**17.424**	**33,7%**	**15.653**	**34,8%**	**11,3%**
For staff costs	12.522	24,2%	10.708	23,8%	16,9%
EBITDA	**4.902**	**9,5%**	**4.946**	**11,0%**	**-0,9%**
Depreciation, amortisation and other accruals	1.680	3,2%	2.613	5,8%	-35,7%
EBIT	**3.222**	**6,2%**	**2.333**	**5,2%**	**38,1%**
Net financial income (charges)	247	0,5%	60	0,1%	314,7%
Share of profit of associated companies	47	0,1%	145	0,3%	-67,7%
Other Income (expense) net	(233)	-0,4%	2.901	6,4%	
Income before taxes	**3.283**	**6,3%**	**5.439**	**12,1%**	**-39,6%**
Income taxes	1.709	3,3%	1.420	3,2%	20,4%
Income for the financial period	**1.575**	**3,0%**	**4.019**	**8,9%**	**-60,8%**
Minority interest	192	0,4%	1.560	3,5%	-87,7%
Net income	**1.382**	**2,7%**	**2.459**	**5,5%**	**-43,8%**

2.6 Comments on the financial results

Consolidated turnover for the half-year was over 51 million euro with an increase of 15% compared to the last financial year. Growth during the half-year was fully in line with the targets set by the management; the fall in growth compared to the 30% seen in the first quarter year was expected and in part related to the unusual turnover of the second quarter year of 2004 characterised by a significant sale of an extraordinary nature affecting the subsidiary Cynosure.

The table below shows the division of turnover between the various business areas of the group for the first half-year 2005, compared to a similar division for the same period of the last financial year.

	30/06/2005	Inc%	30/06/2004	Inc%	Var%
Industrial systems and lasers	7.402	14,29%	7.641	16,97%	-3,13%
Medical and cosmetic lasers	37.214	71,87%	29.082	64,60%	27,96%
Research and Development	3	0,01%	34	0,08%	-90,70%
Service	7.161	13,83%	8.261	18,35%	-13,32%
Total	51.779	100,00%	45.018	100,00%	15,02%

The medical sector continued to be the driving force behind the group's growth, reaching a growth rate of 30% and exceeding 70% of consolidated turnover. Sales for the industrial sector, slightly lower than the last financial year, showed no increase: the rate of growth during the first quarter (37%) was in part determined by the particularly low level of sales during the first half-year of 2004, just as it is to be expected that sales for the third quarter year 2005 will recover compared to the figure for the first six months.

The fall in turnover for services and after-sales servicing is due to a large extent to the effects of changes in the relationship between Cynosure and its client Sona for the hire of laser equipment for hair removal produced by Cynosure which Sona uses in its depilation centres. The quota for hire in "revenue sharing" representing use of the laser system and its servicing was drastically reduced in the light of the new contract entered into in May 2004 at the moment of sale of the equity investment of the company, which foresaw that Sona would purchase half of the equipment which it previously hired. In the absence of such contractual changes it is realistic to assume that the revenue from services would have increased as a natural consequence of the continual expansion of the equipped base.

The income deriving from research projects and the relative repayments resulting from the contracts entered into with managing institutions financed by MIUR continued to be insignificant; it continues to be shown however since such revenue must be added to what is entered in the accounts under the heading other revenue and income. In the course of the first six months of 2005 income amounted to approximately 295 thousand euro, against the 420 thousand entered in the first half-year of 2004.

As regards the geographical distribution of turnover, the results for the financial year are shown in the following table:

	30/06/2005	Inc%	30/06/2004	Inc%	Var%
Italy	9.782	18,89%	10.824	24,04%	-9,63%
Europe	15.804	30,52%	12.924	28,71%	22,28%
Rest of the world	26.193	50,59%	21.269	47,25%	23,15%
Total	51.779	100,00%	45.018	100,00%	15,02%

The process of internationalisation of the group continued and today it has commercial branches throughout the world and production plants in Germany and the United States: over 80% of turnover came from outside Italy, and over half from outside Europe. The United States remains the single most important market, served directly by the three American companies of the group: Cynosure, Lasercut and Deka Laser Technologies. The fall observed in the Italian market is mainly attributable to the industrial sector, which abroad benefits from relatively more favourable conditions.

Within the medical/aesthetic sector, which represents over 70% of the group's sales, we can identify the following areas of business for which we have shown how turnover is divided:

	30/06/2005	Inc%	30/06/2004	Inc%	Var%
Surgical CO2	1.233	3,31%	1.394	4,79%	-11,49%
Physiotherapy	348	0,94%	258	0,89%	35,14%
Aesthetic	29.268	78,65%	19.631	67,50%	49,09%
Dental	2.801	7,53%	3.823	13,15%	-26,74%
Other medical lasers	3.330	8,95%	3.786	13,02%	-12,05%
Accessories	233	0,63%	190	0,65%	22,70%
Total	37.214	100,00%	29.082	100,00%	27,96%

In the aesthetic sector there was a favourable trend in all markets, with outstanding results in the USA and Far East bringing an increase of almost 50% for the half-year so that the cosmetics segment now represents almost 80% of turnover in the medical/cosmetics sector.

Among the more strictly medical segments, sales of laser systems for physiotherapy and accessories showed an increase, although still relatively low in terms of turnover, while the other segments showed a decrease.
In the dental sector, which grew during the last financial year, turnover fell by 25% revealing a weak market which we believe to be of a transitory nature, at least in terms of the size of the reduction: in fact the backlog of orders which the group carried forward into the third quarter is significant.

The decrease for "Other lasers" and surgical CO_2 lasers was more limited, where the group is continuing in any case to innovate (with Cynosure's launching, for example, of the new Cynergy platform) so as to find new outlets in markets seen to be less dynamic than the cosmetics market.

For the industrial appliances sector the table below shows the turnover in detail according to the market segments that the group operates in:

	30/06/2005	Inc%	30/06/2004	Inc%	Var%
Cutting	3.416	46,16%	3.460	45,28%	-1,26%
Marking	2.778	37,53%	2.974	38,92%	-6,58%
Laser sources	904	12,21%	979	12,81%	-7,66%
Welding	304	4,10%	229	2,99%	32,77%
Total	7.402	100,00%	7.641	100,00%	-3,13%

Only in the smallest of the segments which sales for the industrial sector have been divided into, welding and restoration, was there an increase in turnover; cutting, marking and laser sources showed a decrease, even though limited.
The restoration sector remained the feather in the cap of the group which was thus involved in the conservation of cultural heritage, an activity which though small is a good business and which is also a promotional and marketing tool, establishing a strong tie with the Florentine area where the group is based.

The market approach in other sectors was more organised. Cutting is the most important sector which Cutlite Penta and Lasercut operate in. Ot-las, Lasit, AQL and Valfivre Italia are active in the marking sector and are still settling in to a market which has however shown considerable potential, especially in the Far East. The sources are produced by the companies excelling in R &D activities more strictly connected with lasers, in other words El.En. for CO_2 lasers and Quanta System for solid state lasers.

Having examined the revenue results in detail we shall now comment on the income results. It should in any case be pointed out that the application of the IAS/IFRS accounting principles has determined a variation in the consistency of some balance sheet entries, some of which significantly changed: below we shall refer to such variations. It should be mentioned that over the last 12 months there have been no acquisitions which have changed the area of consolidation of the group, so that comparison with the previous year is on an equal footing with regard to the totality of the companies included in the consolidated financial statement.

The gross margin was 28,575 thousand euro, up by approximately 17% compared to the previous financial year, in part due to the slightly increased incidence on turnover.

The costs of services and operating charges were 11,151 thousand euro, up by about 26%. The increase, higher than that for turnover, was due among other things, to the intensification of advertising, marketing and trade fair costs. The rental costs incurred by Cynosure had a significant effect and the costs borne by the group for the auditing activities with regard to the application of new accounting principles are worth mentioning. Again, by virtue of the new IAS accounting principles adopted, extraordinary revenue which would have been entered under extraordinary management, is now counted as part of the operating costs, respectively 522 thousand euro in 2004 and 87 thousand euro in 2005, and thus has a penalising effect when comparing financial years with regard to this specific cost entry.

Personnel costs too rose only slightly more than turnover. Here too some new types of costs are now included in this balance sheet entry: the adjustment of the costs of severance payment provision made by virtue of the accounting calculation according to which the effective amounts payable to employees are determined; the figurative cost for the Stock Option assigned to employees, a cost amounting to 370 thousand euro in 2005 and to 80 thousand euro in 2004.

A considerable portion of the expenses for personnel is directed to R&D costs for which the group also receives contributions and reimbursements by virtue of specific contracts stipulated with the relevant institutions. These contributions make it possible to give a wider scope to the research activities, given that they limit their economic impact. As mentioned above, in the half-year in question the contributions received amounted to approximately 295 thousand euro.

The EBITDA was 4,902 thousand euro, compared to 4,946 thousand euro for the same period of the previous financial year as a consequence of the increase in costs of services and operating charges and personnel costs, If accounting principles had remained constant, therefore subtracting the amounts mentioned above, the Gross Operating Margin would have risen by approximately 11.5 %.

Depreciation, amortisation and other accruals fell considerably compared to June 2004 on account of both the absence of provision for risks and charges of approximately 400 thousand euro and of the total devaluation of the goodwill of the subsidiary Lasercut to the tune of 650 thousand euro applied in the equivalent period of the previous financial year.

The operating result was 3,222 thousand euro, a significant increase on the 2,333 thousand euro for the first six months of the previous financial year, demonstrating the favourable results of the group in the half-year referred to in this report.

With constant accounting principles applied, the operating result would have been 3,077 thousand euro, in other words over double the 1,493 thousand of the first half-year 2004.

The result of financial management, positive at 250 thousand euro, can be attributed to the positive differences arising on currency exchange for the European companies with receivables in dollars from the American companies, as result of the strengthening of the dollar during the period in question.

The associated companies consolidated using the shareholder's equity method contributed to the result for 46 thousand euro. The other income and net charges were positive in 2004 because they included the capital gain of almost 3 million euro for the sale by Cynosure of the associated company Sona. In 2005 such total was negative mainly on account of the capital losses incurred in the operation of selling the Cynosure shares purchased in September 2004.

The pre-tax result was 3,283 thousand euro, lower than the figure for the previous financial year which had benefited from the capital gains on the sale described in the paragraph above.

The fiscal load of the financial year increased compared to the same period of the previous financial year despite a lower pre-tax income. In fact the capital gain of 2.9 million registered in the previous financial year was offset in fiscal terms by the fiscal losses used by Cynosure at the moment of calculating taxes. This benefit was used up with the said operation so that the fiscal load is proportional to the pre-tax result, with an average tax rate of 52%.

2.7 Consolidated statement of assets and liabilities and net financial position as of 30/06/2005

Below is the reclassified statement of assets and liabilities shown together with that of the previous financial year:

	30/06/2005	31/12/2004	Var.
Balance Sheet			
Intangible assets	10.490	11.107	-617
Tangible assets	10.921	10.118	803
Equity investments	1.506	1.393	113
Deferred tax assets	1.481	1.318	163
Other non current assets	195	247	-51
Total non current assets	**24.593**	**24.182**	**411**
Inventories	30.535	25.462	5.073
Accounts receivables	23.045	21.912	1.133
Tax receivables	2.619	2.627	-8
Other receivables	2.045	2.240	-195
Financial instruments	277	268	9
Cash and cash equivalents	11.639	15.070	-3.431
Total current assets	**70.159**	**67.578**	**2.581**
Non current assets held for sale			
TOTAL ASSETS	**94.753**	**91.761**	**2.992**
Common stock	2.424	2.424	
Additional paid in capital	34.954	34.954	
Other reserves	7.776	6.493	1.284
Treasury stock		-256	256
Retained earnings / (deficit)	3.346	31	3.315
Net income / (loss)	1.382	4.646	-3.264
Parent stockholders' equity	**49.884**	**48.293**	**1.591**
Minority interest in consolidated subsidiaries	6.680	5.610	1.070
Total equity	**56.564**	**53.904**	**2.660**
Severance indemnity	1.862	1.720	142
Deferred tax liabilities	493	518	-25
Other accruals	3.260	2.800	460
Financial liabilities	2.766	2.580	187
Non current liabilities	**8.381**	**7.618**	**764**
Financial liabilities	2.013	4.044	-2.031
Accounts payables	18.526	15.915	2.611
Tax payables	2.397	3.553	-1.156
Other payables	6.871	6.727	144
Current liabilities	**29.807**	**30.239**	**-432**
Non current liabilities held for sale			
TOTAL LIABILITIES	**94.753**	**91.761**	**2.992**

The amount of capital invested by the group increased by 3 million euro in the period, mainly on account of the increase in working capital, of which the increase in inventories was the most important.
Current liabilities decreased, while medium term liabilities increased slightly. Consequently the increase in fixed and current assets was financed by a reduction of cash reserves as clearly shown below.

The net financial position of the group as of 30/06/2005 was as follows:

Net financial position		
	30/06/2005	**31/12/2004**
Financial mid and long term debts	(2.766)	(2.580)
Financial mid and long term debts	*(2.766)*	*(2.580)*
Financial liabilities due within 12 months	(2.013)	(4.044)
Cash and cash equivalents	11.916	15.338
Net financial short term position	*9.903*	*11.294*
Total financial net position	**7.136**	**8.714**

The net financial position was positive at 7 million euro. Cash reserves decreased by approximately 4 million, in part due to payment of short term financial liabilities to the tune of approximately 2 million euro, payment of the second tranche of the operation to buy up Cynosure shares from several minority shareholders at the end of the month of March 2005.

The distribution of dividends too absorbed liquidity over the half-year: in the months of May and June El.En. SpA and Deka M.E.L.A. distributed dividends for a total of approximately 1.8 million euro.

2.8 Comment on R&D activities

In the first half-year of 2005 intense R&D activities continued in the Group with the aim of opening up new laser applications both in the medical and industrial fields and of launching innovative products on the market.

The global market, especially for highly technological products, requires that the competition be faced with an almost continual introduction onto the market of new products and versions of products that are innovative in their performance using increasingly cutting-edge technology and components. Wide-ranging and intensive R&D organised along scheduled short and medium term lines is therefore needed.
Research aimed at achieving results in the medium term tends to be directed towards more speculative topics inspired by ideas coming from inside the company and by prospects suggested by the scientific work of pioneering laboratories and research centres worldwide.
Research aimed at achieving results in the short term, especially for new products and applications, concentrates on topics for which pre-feasibility has already been verified. In addition, for such topics the selection and drafting of the characteristics and specifications has already been done on the basis of information obtained through the work of in-house specialists and also as a result of the activities of the public and private institutions involved, which have acted as consultants during the preliminary study phase.

The research conducted is mostly applied and, to a lesser degree, basic, for some specific topics. Both the applied research and the development of the pre-prototypes and prototypes is sustained by financial resources in part the company's own and in part in the form of grants deriving from research contracts stipulated with the managing institutions acting on behalf of the Ministry of University Education and Research and with the European Union both directly and through Research Institutions.

Below are some details of the research conducted during the first half-year 2005.

<u>Laser systems and applications in medicine</u>

The development of laser appliances and apparatus for mini-invasive, robot-assisted, microsurgery continued; this work is part of the project on New Medical Engineering as an FIRB (Basic Research Investment Fund) project, financed in part by the MIUR (Ministry of University Education and Research) following the awarding of grants after selection based on the opinions of international experts. Theoretical and experimental studies continued into the fine-tuning of the doses for processes involving the cutting and ablation of soft tissue and the cauterisation of small blood vessels. A directable micro-tweezer and multiple-way-path catheter for endoscopy, for endoluminal photodynamic therapy and for diagnostics using opto-acoustic microprobes are being developed. Research activities are under way to develop a technique and appliances for the laser-assisted anastomosis of blood vessels.
The development of instrumentation and the clinical experimentation of innovative laser equipment for use in physiotherapy and orthopaedics continued and agreements have been reached to conduct clinical experiments in the USA at Harvard. Research is under way into new appliances and methods for the percutaneous laser ablation of the liver and thyroid, as part of the activities of the consortium company IALT (Image Aided Laser Therapy) recently founded by El.En. and Esaote. A project funded by the European Union into new diagnostic methods using nano particles and laser systems and with interactive ultrasounds has been approved; we are collaborating on this project with prestigious European institutes, among which Fraunhofer IBMT.
A regional research project studying a new technique of laser sutures in the oculistics field conducted by Actis Active Sensors, in which we have a holding, has been approved.
At the same time clinical experimentation is continuing in Italy and in qualified centres in Europe and the United States to confirm and document the efficacy of innovative therapeutic laser treatment in various fields of medicine: odontostomatology, cardiosurgery, gastroenterology, oculistics, venology, eco-guided interstitial hyperthermia, dermatology and cosmetics. A new type of low fluence and isotropic emission radiator is being developed for interstitial and /or laparoscopic laser hyperthermia to carry out mini-invasive microsurgery operations on the liver and thyroid guided by ultrasound images.

A programme of innovative ophthalmology technology which regards the attachment of the cornea using laser light is in progress.
The development of lasers for ophthalmology to carry out photo-coagulation of the retina with the use of slit lamps has been started on the basis of an agreement with an important company specialised in producing and distributing diagnostic and therapeutic equipment in the ophthalmology field.
Research into the development of a diode laser for applications in neurosurgery using mini-invasive techniques continued.
A research programme is in progress into applications of mechatronics and micro-technology in the biomedical industry financed by the European Union

Laser systems and applications in industry
Research regarding an excimer laser system for use in the nano-manufacture of appliances for electronics and optical-electronics continued.
Two projects co-funded by the Tuscan Regional Authority from European funds have been approved: one regards the development by El.En. of "New laser scanning systems for wide angles" and the other the development, by the subsidiary Ot-las, of a "method for the surface treatment using lasers of laid railway tracks".
In addition, applied research continued into the development of large mirrors made in new forms and new materials for scanning the laser beam, designed to mark or treat the surfaces of different kinds of material for the aesthetic enhancement of garments and craft products with laser power of over 1kW. The development of electronics based on a Digital Signal Processor to translate the results of theoretical research carried out on the numerical control of galvanometers for scansion heads into Hardware continued.
Studies continued into the perfection of algorithms, calculus programmes and Hardware structures for artificial vision systems to use in automised surface decoration using laser markers, of leather and other materials and for the cutting and marking of objects set on the worktop in any direction.
A project for the creation of a high power solid state laser source with active material in an amorphous ceramic support is being conducted.
The development of new laser equipment for the diagnosis and documentation of cultural assets continued, as part of the PON (National Operative Programmes) for the development of strategic sectors in Southern Italy.
As part of this, the development of a new system of sensors which memorises the environmental strain on works of art while they are being transferred from a museum to a different exhibition site continued; the production of a "black box" for the transport of works of art is now almost complete.
Moreover, a new system of presenting thermic transients is being developed for the study of the degree of conservation of works of art and industrial products during the set-up phase in the manufacturing process.
A project into the diagnosis of cultural assets using induced florescent spectrometry has been approved.
Development of a new system for diagnosing the paper of antique books using lasers, the subject of a recent patent, continued.

The following table lists the costs attributable to R&D in the period.

thousands of euros	**30/06/2005**	**30/06/2004**
Costs for staff and general expenses	3.000	3.192
Equipment	188	119
Costs for testing and prototypes	427	386
Consultancy fees	338	155
Other services	36	127
Intangible assets	2	1
Total	**3.991**	**3.980**

As regards the costs for "Staff and general expenses" the amount shown above shows the costs for staff devoted to R&D; for El.En. S.p.A this amount is increased by the flat-rate percentage of 60% of the staff costs incurred, in keeping with the percentage increase recognised by the funding bodies of the R&D activities which allow, within the sphere of the research projects being funded, a flat-rate repayment of the general costs thus quantified. For Cynosure, which is the second most important research centre of the group as far as costs are concerned, the general expenses too have been subject to analytic accounting.

As for the turnover and profitability entries the contribution of Cynosure is relevant for the costs of R&D too, given the intense activity conducted in the specific sector. The total amount of costs sustained for R&D by Cynosure in the period was approximately 1,524 thousand dollars, against the 1,441 thousand dollars for the corresponding period in the last financial year.
As is well-established company policy the costs listed in the table have been entirely entered in the operating costs.
The amount of the costs incurred, largely unvaried in absolute terms compared to the same period in the previous financial year, has a lower impact on the consolidated turnover of the group (8% as against 9% as of 30 June 2004), as a result of the increase in turnover. The share accounted for by Cynosure, as said amounting to 1,524 thousand dollars constitutes approximately 6.4% of its turnover (7.5% as of 30 June 2004); the remaining part of the costs was sustained almost entirely by El.En. S.p.A and is equal to 14% of its turnover (17% as of 30 June 2004). El.En. S.p.A included in the accounts for the period, revenue, in the form of grants, of approximately 295 thousand euro. It appears evident that the efforts made in these areas are significant and the resources devoted to them considerable.

2.9 Noteworthy events occurring during the half-year

No other events worthy of particular note occurred in the first half-year 2005.

2.10 Important events occurring after the closure of the half-year

On 13 August Cynosure Inc. submitted the documentation (form S1) relative to the application for registering its shares for negotiation on the NASDAQ market to the SEC. The IPO will enable the company to procure sufficient cash reserves for a faster expansion of its business. As part of the said operation El.En. will sell a packet of shares the size of which has not yet been revealed. The entire quotation procedure is currently subject to analysis by the SEC, and it is not possible at this moment in time to estimate the date of the IPO itself. In accordance with the manner and procedures foreseen by the SEC, the price references estimated for the IPO have not been made public.

2.11 Expected business trends for the current financial year

As shown at the moment of commenting on the profit and loss account, the results for the first half-year are in line with expectations and if market conditions analogous to those observed during the first half-year continue, the group should reach its target indicated as 110 million euro of turnover and 9 million for the operating result.

For the Board of Directors
The President
Eng. Gabriele Clementi

EL.EN. GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2005 AND EXPLANATORY NOTES

Balance Sheet

	Notes	30/06/2005	31/12/2004	Var.
Balance Sheet				
Intangible assets	1	10.490.078	11.106.800	-616.722
Tangible assets	2	10.920.965	10.117.544	803.421
Equity investments	3	1.505.854	1.393.065	112.789
Deferred tax assets	4	1.481.331	1.318.281	163.050
Other non current assets	4	195.256	246.652	-51.396
Total non current assets		**24.593.484**	**24.182.342**	**411.142**
Inventories	5	30.534.876	25.462.346	5.072.530
Accounts receivables	6	23.044.585	21.911.845	1.132.740
Tax receivables	7	2.618.776	2.626.558	-7.782
Other receivables	7	2.044.919	2.239.913	-194.994
Financial instruments	8	276.861	267.811	9.050
Cash and cash equivalents	9	11.639.104	15.069.818	-3.430.714
Total current assets		**70.159.121**	**67.578.291**	**2.580.830**
Non current assets held for sale				
TOTAL ASSETS		**94.752.605**	**91.760.633**	**2.991.972**
Common stock	10	2.424.367	2.424.367	
Additional paid in capital	11	34.954.351	34.954.351	
Other reserves	12	7.776.348	6.492.515	1.283.833
Treasury stock	13		-255.937	255.937
Retained earnings / (deficit)	14	3.346.336	31.471	3.314.865
Net income / (loss)		1.382.465	4.646.298	-3.263.833
Parent stockholders' equity		**49.883.867**	**48.293.065**	**1.590.802**
Minority interest in consolidated subsidiaries		6.680.084	5.610.489	1.069.595
Total equity		**56.563.951**	**53.903.554**	**2.660.397**
Severance indemnity	15	1.861.691	1.719.963	141.728
Deferred tax liabilities	16	492.926	518.385	-25.459
Other accruals	17	3.260.330	2.799.861	460.469
Financial liabilities	18	2.766.354	2.579.511	186.843
Non current liabilities		**8.381.301**	**7.617.720**	**763.581**
Financial liabilities	19	2.013.223	4.043.958	-2.030.735
Accounts payables	20	18.525.563	15.914.837	2.610.726
Tax payables	21	2.397.071	3.553.221	-1.156.150
Other payables	21	6.871.496	6.727.343	144.153
Current liabilities		**29.807.353**	**30.239.359**	**-432.006**
Non current liabilities held for sale				
TOTAL LIABILITIES		**94.752.605**	**91.760.633**	**2.991.972**

Consolidated Profit and Loss Account

Profit and loss account	**Note**	**30/06/2005**	**Inc.%**	**30/06/2004**	**Inc.%**	**Var.%**
Revenues	22	51.779.110	100,0%	45.017.937	100,0%	15,0%
Change in inventory of finished goods and WIP		2.464.069	4,8%	2.085.188	4,6%	18,2%
Other revenues and income	23	682.885	1,3%	664.664	1,5%	2,7%
Value of production		**54.926.064**	**106,1%**	**47.767.789**	**106,1%**	**15,0%**
Purchase of raw materials	24	(22.966.985)	44,4%	(19.087.339)	42,4%	20,3%
Change in inventory of raw material		1.505.421	2,9%	11.070	0,0%	13499,1%
Other direct services	25	(4.889.790)	9,4%	(4.240.775)	9,4%	15,3%
Gross margin		**28.574.710**	**55,2%**	**24.450.745**	**54,3%**	**16,9%**
Other operating services and charges	25	(11.150.628)	**21,5%**	(8.797.393)	**19,5%**	**26,7%**
Added value		**17.424.082**	**33,7%**	**15.653.352**	**34,8%**	**11,3%**
For staff costs	26	(12.522.116)	24,2%	(10.707.612)	23,8%	16,9%
EBITDA		**4.901.966**	**9,5%**	**4.945.740**	**11,0%**	**-0,9%**
Depreciation, amortisation and other accruals	27	(1.679.831)	3,2%	(2.612.771)	5,8%	-35,7%
EBIT		**3.222.135**	**6,2%**	**2.332.969**	**5,2%**	**38,1%**
Net financial income (charges)	28	246.931	0,5%	59.542	0,1%	314,7%
Share of profit of associated companies		46.875	0,1%	144.967	0,3%	-67,7%
Extraordinary income (Charges)	29	(232.642)	0,4%	2.901.359	6,4%	
Income before taxes		**3.283.299**	**6,3%**	**5.438.837**	**12,1%**	**-39,6%**
Income taxes	30	(1.708.748)	3,3%	(1.419.785)	3,2%	20,4%
Income for the financial period		**1.574.551**	**3,0%**	**4.019.052**	**8,9%**	**-60,8%**
Minority interest		192.086	0,4%	1.559.593	3,5%	-87,7%
Net income		**1.382.465**	**2,7%**	**2.459.459**	**5,5%**	**-43,8%**

Basic net (loss) income per share	0,30	0,53
Diluted net (loss) income per share	0,29	0,52
Basic weighted average common shares outstanding	4.662.244	4.621.139
Diluted weighted average common shares outstanding	61.557	65.329

Cash flow statement

Financial statement (cash flow)		**30/06/2005**		**30/06/2004**
Cash flow generated by operating activity:				
Profit (loss) for the financial period		1.382.465		2.459.459
Amortizations and devaluations of current and non current assets	1.360.279		2.182.633	
Change of employee severance indemnity	141.728		93.803	
Change of provisions for risks and charges	435.010		353.414	
		3.319.482		5.089.309
Change in the current assets and liabilities:				
Receivables	-910.593		-2.924.089	
Inventory	-5.072.530		-2.339.948	
Payables	1.598.730		3.849.944	
		-4.384.393		-1.414.093
Cash flow generated by operating activity		-1.064.911		3.675.216
Change in the non current assets:				
(Increase) decrease in tangible assets	-2.083.201		-1.810.024	
(Increase) decrease in intangible assets	536.222		-2.216.353	
(Increase) decrease in equity investments	-224.443		-489.610	
		-1.771.422		-4.515.987
Cash flow from purchase of subsidiary companies		0		-579.596
Cash flow from financial activity:				
Increase (decrease) in mid-long term loans	186.843		-747.930	
Change in short term loans	-2.030.735		98.740	
Change in financial credits	-19.371		6.973	
(Increase) decrease investments which are not permanent	-9.050		-1.074.084	
Change in Capital and Reserves	1.840.122		210.212	
Change in Capital and Reserves of third parties	1.069.595		2.129.843	
Dividends distributed	-1.631.785		-1.149.607	
		-594.381		-525.853
Increase (decrease) in cash at bank and on hand		-3.430.714		-1.946.220
Cash and cash equivalents at the start of the financial period		15.069.818		16.739.529
Cash and cash equivalents at the end of the financial period		11.639.104		14.793.309

Cash and cash equivalents *:*	**30/06/2005**	**30/06/2004**
Bank and postal current accounts	11.590.383	14.755.641
Cash in hand	48.721	37.668
Total	11.639.104	14.793.309

Table showing the changes in Net Capital and Reserves

NET CAPITAL AND RESERVES:	**Balance 31/12/2003**	**Net income allocation**	**Dividends distributed**	**Adjustments**	**Other operations**	**Balance 30/06/2004**
Subscribed capital	2.402.992				21.375	2.402.992
Share premium account	34.462.053				492.298	34.462.053
Legal reserve	537.302					537.302
Reserve for own shares						
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
Reserve for translation adjustments	-1				-579.790	127.937
Other reserves	4.568				34.118	21.533
Profits (loss) brought forward	56.200	-29.089	-1.149.607		1.153.967	-1.057.188
Profits (loss) of the year	553.954	-553.954			4.646.298	2.459.459
Net total Capital and reserves of the group	43.674.406	-	-1.149.607	-	5.768.266	45.194.469
Capital and reserves of third parties	5.638.086	45.144			-1.833.699	6.253.481
Profit (loss) of third parties	45.144	-45.144			1.760.958	1.559.593
Net total capital and reserves of third parties	5.683.230	-	-	-	-72.741	7.813.074
Net total capital and reserves	49.357.636	-	-1.149.607	-	5.695.525	53.007.543

NET CAPITAL AND RESERVES:	**Balance 31/12/2004**	**Net income allocation**	**Dividends distributed**	**Adjustments**	**Other operations**	**Balance 30/06/2005**
Subscribed capital	2.424.367	-	-	-	-	2.424.367
Share premium account	34.954.351	-	-	-	-	34.954.351
Legal reserve	537.302	-	-	-	-	537.302
Reserve for own shares	-	-	-	-	-	-
Others reserves:	-255.937	-	-	-	255.937	-
Own shares						
Extraordinary reserves	6.069.661	269.390	-	-	-	6.339.051
Reserve for contribution on capital account	426.657	-	-	-	-	426.657
Reserve for translation adjustments	-579.791	-	-	-	938.023	358.232
Other reserves	38.686	-	-	-	76.420	115.106
Profits (loss) brought forward	31.471	4.376.908	-1.631.785	-	569.742	3.346.336
Profits (loss) of the year	4.646.298	-4.646.298	-	-	1.382.465	1.382.465
Net total Capital and reserves of the group	48.293.065	-	-1.631.785	-	3.222.587	49.883.867
Capital and reserves of third parties	3.849.531	1.760.958	-	-	877.509	6.487.998
Profit (loss) of third parties	1.760.958	-1.760.958	-	-	192.086	192.086
Net total capital and reserves of third parties	5.610.489	-	-	-	1.069.595	6.680.084
Net total capital and reserves	53.903.554	-	-1.631.785	-	4.292.182	56.563.951

FORM AND CONTENT OF THE HALF-YEAR REPORT

CRITERIA USED FOR DRAWING UP THE STATEMENT

The consolidated six-monthly report of the El.En. Group as of 30 June 2005 was drawn up for the first time in compliance with the assessment and measurement criteria established by the IAS/IFRS international accounting principles issued by the International Accounting Standard Board (IASB) and relative interpretative principles (IFRIC) adopted by the European Commission in accordance with the procedure foreseen by EC Regulation no. 1606/2002 of the European Parliament and Council of Europe dated 19 July 2002.

The consolidated six-monthly report has, as a result, been drawn up in observance of art. 81 of the Issuers Regulation (CONSOB deliberation no. 11971 dated 14 May 1999 and subsequent modifications), in compliance with the IAS 34 – Interim Financial statements. The six-monthly report as of 30 June 2005 and the reconciliation tables shown in Appendix 1 have been drawn up in compliance with the accounting principles in force at the date of predisposing such. It should be remembered that new versions or interpretations of the IFRS may be issued prior to publication of the Group's consolidated financial statement as of 31 December 2005 and that if such event should arise it could affect the data presented in the first IFRS half-year period and in the reconciliation tables mentioned above. The interim statements ending on 30 June 2005 were used to draft the consolidated financial statement.

The half-year financial statement consolidated as of 30 June 2005 has been drawn up in euro; in these Notes all amounts have been shown in euro unless indicated otherwise.

This consolidated half-year report is composed of;
- the Balance Sheet,
- the Profit and Loss account,
- the Cash flow Statement
- the table showing variations in Capital and Reserves,
- and these Explanatory Notes.

The economic data has been provided with reference to the first half-year of 2005 and the first half-year of 2004 while the data regarding net capital and reserves has been provided with reference to 30 June 2005 and the 31 December 2004.

In this consolidated six-monthly Report the comparative figures for the corresponding periods in 2004 have been re-determined according to international accounting principles; the effects of the introduction of the IFRS on the figures as of 30 June 2004 drawn up and published according to Italian principles at the time, have been illustrated in the appendix, while for the figures as of 31 December 2004, we refer you to the specific Appendix to this document "Changeover to international accounting principles (IFRS)". We also refer you to this latter document for the effects of the introduction of the IFRS on the net capital and reserves of the El-En. Group at the date of transition (1st January 2004), on the profit and loss account and on the choices made at the moment of first applying such.

The parent company El.En. SpA appointed the auditing company Reconta Ernst & Young SpA to audit in full the reconciliation tables required by the IFRS as of 1st January 2004 and 31 December 2004 and shown in Appendix 1 as well as to as its audit in part the half-year report.

In accordance with art. 81 of the Issuers Regulations, the accounting tables of the parent company El.En. SpA drawn up according to Italian accounting principles, as permitted by current law, are shown as of 30 June 2005 in the attachment.

AREA OF CONSOLIDATION

SUBSIDIARY COMPANIES

El.En. Group's half-year report includes the financial statements of the Parent company and those of the Italian and foreign companies in which El.En. S.p.A. controls directly or indirectly the majority of votes exercisable at an ordinary assembly. The area of consolidation at the date referred to was as follows:

Company name:	Headquarters	Subscr.capital	Percentage held: Direct	Indirect	Total	Consolidated Percentage
Parent company:						
El.En. SpA	Calenzano (I)	2.424.367				
Subsidiary companies:						
Deka M.E.L.A. Srl	Calenzano (I)	40.560	60,00%		60,00%	60,00%
Cutlite Penta Srl (*)	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 (**)	Freising (D)	50.000		50,40%	50,40%	38,38%
Deka Laser Technologies LLC	Fort Lauderdale (USA)	1.000	51,00%		51,00%	51,00%
Ot-las Srl (***)	Calenzano (I)	57.200		54,00%	54,00%	34,24%
Lasit Srl (****)	Vico Equense (I)	234.000	50,00%	20,00%	70,00%	56,85%
Neuma Laser Srl (*****)	Calenzano (I)	46.800		100,00%	100,00%	48,82%
Lasercut Inc.	Branford (USA)	1.000	70,00%		70,00%	70,00%
BRCT Inc. (1)	Branford (USA)	no par value	100,00%		100,00%	100,00%
Quanta System SpA (2)	Solbiate Olona (I)	364.000	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH (******)	Jena (D)	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl (*******) (3)	Paris (F)	20.500		51,22%	51,22%	30,74%
AQL Srl (********) (4)	Solbiate Olona (I)	100.000		100,00%	100,00%	58,42%
Cynosure Inc.	London (UK)	62.785	77,86%		77,86%	77,86%
Cynosure GmbH (*********)	Suzhou (China)	25.565		100,00%	100,00%	77,86%
Cynosure Sarl (*********)	Parigi (F)	114.336		100,00%	100,00%	77,86%
Cynosure KK (*********)	Tokyo (J)	10.000.000		100,00%	100,00%	77,86%
Cynosure UK (*********)	London (UK)	1		100,00%	100,00%	77,86%
Suzhou Cynosure Medical Devices Co. (*********)	Suzhou (China)	no par value		51,60%	51,60%	40,17%

The share capital is expressed in euros if not indicated other wise

(*) owned by El.En. SpA (53.50%) and Valfivre Italia Srl (10%)
(**) owned by Deka Lms GmbH
(***) owned by Cutlite Penta Srl
(****) owned by El.En. SpA (50%) and Ot-las (20%)
(*****) owned by Cutlite Penta Srl (50%) and Ot-las Srl (50%)
(******) owned by Elen SpA (50%) and Quanta System SpA (50%)
(*******) owned by Quanta System SpA
(********) owned by Quanta System SpA (50%) and Lasit Srl (50%)
(*********) owned by Cynosure Inc.
(1) C/E consolidated since January 2005
(2) C/E consolidated since January 2004
(3) C/E consolidated since April 2004
(4) constituted on 25 June 2004

In the month of January 2005 El.En. SpA transferred the real estate owned in Branford, Connecticut, to the company BRCT Inc., founded for the purpose and entirely owned so as to simplify the bureaucratic aspects of managing the property, home to the production plants of Lasercut Inc.

During the half-year the balance was paid for the repurchase of the Cynosure Inc. shares from minority shareholders, an operation dating to September 2004 and already described, as was the increase in share capital, in the Notes to the Accounts for the financial statement ending 31 December 2004. In addition the sale was completed of no. 495,000 shares to the company management and persons close to the said management at the same price at which they had been bought, namely $3.00. Of these, no. 450,000, the equivalent of 1,350,000 dollars were entered among the current assets of El.En SpA on 31 December 2004, while the remaining no. 45,000 were entered among the non-current financial assets.
As a consequence of the above operations the percentage of equity held in Cynosure amounts to a total of 77.86%.

ASSOCIATED COMPANIES

El.En. SpA has direct or indirect equity investments in some companies without however exerting control over them. These companies are assessed using the shareholders' equity method. The equity investments constituting assets in associated companies are 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 (*)	Arcugnano (I)	46.800		40,00%	40,00%	24,00%
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%

The share capital is expressed in euro if not indicated otherwise

(*) owned by Deka Mela Srl

CONSOLIDATION PRINCIPLES

The financial statements used for consolidation are the financial statements as of 30.06.05 of the individual firms. These statements are appropriately reclassified and adjusted so as to align them with the IFRS accounting principles and measurement criteria chosen by the parent company.
In drawing up the consolidated financial statement, elements of assets and liabilities, as well as the income and expenses of the companies included in the consolidation, have been shown in full. Conversely, amounts receivable and amounts owed, income and expenses, profits and losses originating from inter-company transactions between consolidated companies have been eliminated.
The difference between the financial value of the equity investments in each of the subsidiaries has been suppressed in favour of the corresponding amount of shareholders' equity in each of the subsidiaries inclusive of any adjustments to fair value at the date of acquisition; the resulting difference has been treated as goodwill and entered as such, in accordance with IFRS 3, as shown below.
The amount of capital and reserves of the subsidiary companies corresponding to equity investments by third parties has been entered under the heading of shareholders' equity in the column called "capital and reserves of third parties"; the portion of the consolidated economic result which corresponds to equity investments by third parties has been entered under the heading " profit (loss) of third parties during the financial year".

CONVERSION OF THE ENTRIES EXPRESSED IN FOREIGN CURRENCY

The interim statements of accounts of each consolidated company have been drafted using the functional currency relative to the economic context which each company operates in. In such statements of account, all the transactions in currencies other than the functional currency have been expressed at the exchange rate in force at the date of the operation. The monetary assets and liabilities expressed in a currency other than the functional currency are subsequently adjusted to the exchange rate in force at the end of the period presented. The non-monetary assets and liabilities denominated in currency and entered at historical cost have been converted using the exchange rate in force at the date of first entering the operation. The non-monetary assets and liabilities denominated in currency and entered at *fair value* have been converted using the exchange rate in force at the date of determination of such value.

TRANSLATION OF THE FINANCIAL STATEMENTS IN FOREIGN CURRENCY

For the purposes of the Consolidated Statement of Account, the results, assets and liabilities are expressed in euro, the functional currency of the Parent company El.En. SpA. For the purposes of predisposing the Consolidated Statement of Account, the interim statements of account with a functional currency other than the euro have been converted to euro by applying the exchange rate in force at the closing date of the period referred to the assets and liabilities, including goodwill and the adjustments made at the moment of consolidation, and the average exchange rates of the period to the entries of the profit and loss account which approximate to the exchange rates in force at the date of the respective operations. The relative exchange rate differences are entered directly in the net capital and reserves and are shown separately in a special reserve of the same for the purpose. The differences in the exchange rates are shown in the profit and loss account at the moment of sale of the subsidiary.
When first adopting the IFRS, the cumulative differences of conversion generated by the consolidation of foreign companies with a functional currency other than the euro were reclassified in the results of the previous financial years as permitted by IFRS 1; as a result only the differences arising from conversion accumulated and booked subsequent to

January 1st 2004 concur in the determination of the capital gains and losses deriving from their sale, if any. The dollar to euro exchange rates used for the conversion of the statements of Cynosure, Lasercut and Deka Laser Technologies are: final exchange rate 1.2092; average exchange rate 1.2847.

INFORMATION ON SECTORS

The sector is a distinctly identifiable part of a Group supplying a homogenous range of products and services (business sector) or supplying products and services in a specific geographical area (geographical sector). Within the El.En. Group two areas of business have been identified at a primary level, i) medical and ii) industrial, with a third residual area iii) other. As a secondary level we have used geographical distribution and accordingly divided the net sales revenue in relation to the location of the customers.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the consolidated half-year Report requires estimates and assumptions to be made which affect the assets and liabilities figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortisation, devaluation of assets, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the profit and loss account.

EVALUATION CRITERIA

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortisation applied in the course of the financial years and directly ascribed to the single headings. The Group has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortisation already entered there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortisation.
The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalisation of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Profit and Loss Account in the financial year in which they are incurred. The Other intangible fixed assets with a finite useful life are assessed at purchase or production cost and amortised at a constant rate during their estimated useful life.

Goodwill and differences arising from consolidation are not subject to systematic amortisation but to an annual impairment test given that they are activities with an indefinite useful life.

Industrial patent and intellectual property rights are entered at cost and amortised on the basis of their legal constraints or estimated future utility. Licences, trademarks and patents are entered in the financial statement at purchase cost and are amortised bearing in mind their estimated future utility. Software is entered at purchase price and amortised over 3 years.

Goodwill

All the acquisitions are entered in the accounts using the *"purchase method"*.
Goodwill, deriving from the acquisition of subsidiary and associated companies or *joint ventures,* shows the surplus acquisition cost over and above the *fair value* of the business acquired net of current liabilities and assumed potential and is allocated to each of the *"cash generating units"* identified. After being entered for the first time, goodwill is not amortised and is reduced in keeping with any fall in value, determined in the manner described below. The goodwill

relative to equity investments in associate companies is entered in the book value of the said companies. Should negative goodwill be identified it is immediately entered in the profit and loss account.
The goodwill deriving from acquisitions made prior to 1st January 2004 is entered at the value shown for such entry in the last consolidated financial statement drawn up in accordance with the previous accounting principles (31 December 2003).

B) TANGIBLE FIXED ASSETS

The investments have been entered at the purchase cost or production cost, inclusive of accessory charges, net of amortisation. Ordinary maintenance expenses have been entirely entered in the profit and loss account. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortised according to the residual possibility of use of the said item.

The group has adopted maintenance of the original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such principles, the value of land and of the buildings constructed on it is separated and only the building is amortised.
The aliquots used for amortisation, reduced to half for the first fiscal year, are as follows:

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

C) LOSSES IN VALUE OF ASSETS

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

D) FINANCIAL ASSETS: EQUITY INVESTMENTS

The financial assets consisting of equity investments in associate companies and joint ventures have been evaluated using the shareholders' equity method, in other words at an amount equal to the corresponding fraction of shareholders' equity shown on the last financial statement of the said companies, after subtraction of the dividends and the adjustments required by the principles applied for drawing up the consolidated statement in accordance with the IFRS so as to make them coherent with the accounting principles of the parent company.

E) FINANCIAL INSTRUMENTS

Equity investments in other Companies
Equity investments in firms other than subsidiary or associate companies (generally with a percentage of ownership lower than 20%) are classified, at the moment of purchase, among the financial assets "available for sale" or among the assets "assessed at fair value via the profit and loss account» in the under current assets or non-current assets.
The above equity investments are estimated at fair value or at cost in the case of unquoted shares or of shares for which the fair value is not reliable or not determinable, adjusted for value losses, as provided for by IAS 39. The variations in value of equity investments classified as available for sale are entered in a net assets reserve which is transferred to the profit and loss account at the moment of sale. The variations in the value of equity investments classified as assets estimated at fair value through the profit and loss account are entered directly in the profit and loss account.

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

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

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

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

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

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

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

F) INVENTORY

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

G) EMPLOYEE BENEFITS

SEVERANCE INDEMNITY.
Severance indemnity may be classified as a "post-employment benefit" of the "defined benefit plan" type, the amount of which already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently analysed, using the "Projected unit credit method". Such accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.
By means of the actuarial estimate the current service cost which defines the amount of rights matured during the financial year by employees is entered under the "labour costs" heading of the profit and loss account and the interest cost which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial Revenue (Charges)".
The profits and losses deriving from changes in actuarial theory are shown in the Profit and Loss account as costs or revenue when their value exceeds the value of the liabilities referred to each defined benefit plan by more than 10% (so-called Corridor method).

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

H) PROVISIONS FOR CONTINGENCIES AND LIABILITIES

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

I) RECOGNITION OF INCOME

The revenue from the sale of goods is shown when the significant risks and benefits of the ownership of the goods are transferred to the purchaser. Revenue from the performance of services is shown in the profit and loss account according to the extent of completion of the operation.

M) CAPITAL ACCOUNT AND FISCAL YEAR CONTRIBUTIONS

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

N) FINANCIAL LEASING

Significant financial leasing operations are evaluated using the financial methodology which foresees the entering of the fixed asset acquired and of its relative financing. The relative amounts of depreciation and financial charges are entered in the profit and loss account.

O) FINANCIAL REVENUE AND CHARGES

Financial revenue and charges are shown in the relevant area on the basis of the interest maturing on the net value of the relative financial assets and liabilities using the effective interest rate. Financial charges are not capitalised among the assets of the Statement of assets and liabilities.

P) TAXES

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

Q) EARNINGS PER SHARE

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

STOCK OPTION PLANS

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

El.En. SpA

The table below summarises the key elements of the Stock option plan for El.En. shares existing during the half year 2005

	max expiry date	existing options as of 01.01.05	options issued from 01.01.05 to 30.06.05	options cancelled from 01.01.05 to 30.06.05	options exercised from 01.01.05 to 30.06.05	expired options not exercised from 01.01.05 to 30.06.05	existing options as of 30.06.05	of which exercisable as of 30.06.05	striking price
Plan 2004/2005	31 December 2005	24.224	0	0	0	0	24.224	0	€ 15,78
Plan 2006/2007	16 July 2007	0	140.000	0	0	0	140.000	0	€ 24,23
		24.224	140.000	0	0	0	164.224	0	

For the purposes of determining the fair value using the "Black & Scholes" pricing model the following hypotheses were formulated:

a) Plan 2004/2005

market interest rate for risk free investments: 3%
volatility: 21.67%
time interval used for calculating volatility: 1 year prior to the date of issue

b) Plan 2006/2007

market interest rate for risk free investments: 2.5%
volatility: 26,20%
time interval used for calculating volatility: 1 year prior to the date of issue

With regard to the characteristics of the individual stock option plans adopted by El.En. SpA, as well as the increases of capital decided on to service the same, see the description given in the section relative to the composition of capital.

Cynosure Inc.

The table below summarises the key elements of the Stock option plan for Cynosure Inc. during the half year 2005

existing options as of 01.01.05	options issued from 01.01.05 to 30.06.05	options cancelled from 01.01.05 to 30.06.05	options exercised from 01.01.05 to 30.06.05	expired options not exercised from 01.01.05 to 30.06.05	existing options as of 30.06.05	of which exercisable as of 30.06.05
1.480.258	386.200	3.816	0	0	1.862.642	333.807

The table below shows the striking price and the average life of the options circulating as of 30 June 2005

striking price	existing options as of 30.06.05	of which exercisable as of 30.06.05	average life
$3,00	1.433.743	263.743	9,27
$3,25	37.031	36.987	5,28
$3,50	7.438	6.847	6,10
$4,00	8.230	8.230	4,00
$4,50	376.200	18.000	9,88
	1.862.642	333.807	9,28

As of 30 June 2005 the calculation hypotheses adopted by Cynosure for the determination of the fair value were as follows:

market interest rate for risk free investments: 3.88%
volatility: 75%

SECTOR INFORMATION

Below, in accordance with the dispositions of IAS 14 on the matter of information regarding sectors, a table is given showing the gross contribution margin for the two sectors of business, medical and industrial, considered "primary Sectors", and of the residual "other" sector.

FIRST SIX MONTHS 2005 (in thousands of euro)

	Total	Medical	Industrial	Other
Revenues	51.779	43.092	8.683	3
Other revenues and income	683	236	151	295
Total revenues and income	**52.462**	**43.329**	**8.835**	**299**
Gross margin	**28.575**	**24.536**	**3.776**	**262**
Impact % on revenues	*55,2%*	*56,9%*	*43,5%*	
Impact % on revenues and income	*54,5%*	*56,6%*	*42,7%*	

FIRST SIX MONTHS 2004 (in thousands of euro)

	Total	Medical	Industrial	Other
Revenues	45.018	36.314	8.669	34
Other revenues and income	665	67	178	420
Total revenues and income	**45.683**	**36.381**	**8.847**	**455**
Gross margin	**24.451**	**20.561**	**3.437**	**452**
Impact % on revenues	*54,3%*	*56,6%*	*39,6%*	
Impact % on revenues and income	*53,5%*	*56,5%*	*38,9%*	

The tables also show, within the medical and industrial sectors, the revenue for services falling within the said sector, revenues which in the table of revenues proposed in the Notes to the Accounts are considered a single category in their own right.

It is worth noting how the gross margin for the medical sector is higher than for the industrial sector despite a recovery of profitability of the latter in 2005.

The margin of the residual, other, sector is typically very high given that is composed mainly of revenue which has its counterpart in labour and general costs, such as for example the revenue for R&D.

COMMENTS ON THE MAIN ASSET ENTRIES

Non-current assets

Intangible fixed assets (note 1)

The breakdown of changes occurring in intangible fixed assets during the period was as follows.

Categories	Balance 31/12/2004	Variation	Revaluation (Devaluation)	Other Operations	(Amortizations)	Translation Adjustments	Balance 30/06/2005
Goodwill	10.339.388	-627.557					9.711.831
Costs of research, development	23.100				-3.970		19.130
Patents and rights to use patents of others	250.031	0		0	-19.132	30.408	261.307
Concessions, licences, trade marks and similar rights	211.573	19.769			-58.594	9.634	182.382
Other	23.455	7.948		0	-9.558	10	21.855
Intangible assets in progress and payments on account	259.253	1.551				32.769	293.573
Total	**11.106.800**	**-598.289**			**-91.254**	**72.821**	**10.490.078**

The amount shown for the entry "goodwill" includes:

a) the amount deriving from the acquisition by the parent company of 51.55% of Deka Lms GmbH, during the course of the financial year 2001 and the subsequent acquisition of a further quota equal to 24.61%, in the month of April 2003. The amount entered as of 30 June 2005 was 50 thousand euro;

b) the amount deriving from the acquisition by the Parent company of 60% of the Cynosure Group in the financial year 2002. Such amount was then adjusted in view of the sale by El.En. Spa of 2.5% of the share capital of Cynosure as part of the acquisition operation of Quanta System SpA; it includes, in addition, the effects of the increase of the equity investment resulting from the operations on capital performed at the end of the financial year 2004, and the effects of the sale of part of the shares to the company management and to persons close to the company management, as better described in the introductory part of these notes; this latter operation is shown in the column "variations". The amount entered as of 30 June 2005 was approximately 7,179 thousand euro;

c) the amount resulting from the acquisition by the parent company of 30% of the shares of Quanta System SpA carried out in the last financial year. The amount entered as of 30 June 2005 was approximately 2,079 thousand euro;

d) the amount resulting from the acquisition during the last financial year by the subsidiary Valfivre Italia Srl of a quota of 6% of Cutlite Penta Srl. The amount entered as of 30 June 2005 was approximately 211 thousand euro;

e) the amount paid in the financial year 2001 by the subsidiary Deka Lms GmbH for the acquisition of the distribution business for medical appliances in Germany. The amount entered as of 30 June 2005 was approximately 119 thousand euro;

f) the amount paid for goodwill, by the subsidiary Asclepion Laser Technologies GmbH for the acquisition of the dermatology and dental business activities owned by Carl Zeiss Meditec. The amount entered as of 30 June 2005 was approximately 73 thousand euro;

The recuperable value of the goodwill entered in the financial statement was estimated using the *Discontinued Cash Flow* model which provides for the estimation of the future cash flows of an asset and the application of an appropriate discount rate to determine the value of use of an asset. Specifically the discount rate adopted was 8.6% and the explicit temporal horizon for which the flows were discounted was 10 years.

The "R&D costs» relate to the capitalisation of costs incurred in previous financial years by the subsidiary Quanta System SpA and by its subsidiary Arex Srl.

The "industrial patents and intellectual property rights" relates to the capitalisation of costs incurred by the subsidiaries Cynosure Inc. and Deka Laser Technologies for patents and licence agreements.

The entry "concessions, licences, trademarks and similar rights» includes the total costs incurred by the parent company for the purchase of new management and administrative software the implementation of which was concluded by the end of 2002; also entered under this heading are the costs incurred by the same for the granting of a licence to use relative to a patent for a safety device to be applied to laser systems.

The residual "other" entry relates mainly to the costs incurred for the purchase of "general software", especially by the parent company.

The "intangible assets in progress» shows the cost incurred by the subsidiary Cynosure for the purchase of new management software which is still being implemented.

Tangible fixed assets (note 2)

The breakdown of changes occurring in tangible fixed assets during the half-year was as follows.

Cost	Balance 31/12/2004	Increments	Revaluations and devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 30/06/2005
Land and buildings	4.482.442	9.487		0	0	-1.488	4.490.441
Plants and machinery	960.499	31.514			-49.554	15.083	957.542
Industrial and commercial equipment	8.610.188	1.217.379		0	-362.309	712.159	10.177.417
Other goods	5.598.384	549.728		11.266	-71.327	183.113	6.271.164
Tangible assets under construction	124.928	73.292		-18.194		3.488	183.514
Total	**19.776.441**	**1.881.400**		**-6.928**	**-483.190**	**912.355**	**22.080.078**

Amortisation provisions	Balance 31/12/2004	Amortisations amount	Devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 30/06/2005
Land and buildings	404.069	45.254	0		-7.776	455	442.002
Plants and machinery	483.023	49.615	0	-1.858	-49.554	14.052	495.278
Industrial and commercial equipment	5.631.022	787.958	0	-2.185	-287.566	506.374	6.635.603
Other goods	3.140.783	386.199	0	-9.398	-51.983	120.629	3.586.230
Tangible assets under construction							
Total	**9.658.897**	**1.269.026**		**-13.441**	**-396.879**	**641.510**	**11.159.113**

Net value	Balance 31/12/2004	Increments	Revaluations and other operations	(Amortisations and devaluations)	(Disposals)	Translation Adjustments	Balance 30/06/2005
Land and buildings	4.078.373	9.487		-45.254	7.776	-1.943	4.048.439
Plants and machinery	477.476	31.514	1.858	-49.615		1.031	462.264
Industrial and commercial equipment	2.979.166	1.217.379	2.185	-787.958	-74.743	205.785	3.541.814
Other goods	2.457.601	549.728	20.664	-386.199	-19.344	62.484	2.684.934
Tangible assets under construction	124.928	73.292	-18.194			3.488	183.514
Total	**10.117.544**	**1.881.400**	**6.513**	**-1.269.026**	**-86.311**	**270.845**	**10.920.965**

In accordance with current accounting principles the value of the land was separated from the value of the buildings situated on it and was not amortised inasmuch as an element with an unlimited useful life. The value of the land in the entry "land and buildings" was approximately 1,407 thousand euro. This amount did not vary during the period considered.

The single, most significant entry is the real estate property in Via Baldanzese in Calenzano (FI) where the parent company and three of the subsidiary companies are based. In addition the subsidiary BRCT Inc. owns, after the bestowal by the parent company, the property situated in Branford, Connecticut, where Lasercut Inc. performs its production activities. The equipment owned by the subsidiary Cynosure, including laser systems used for sales demonstrations and for revenue sharing continues to be particularly important despite the sale by Cynosure in 2004 of part of the equipment used by Sona in its cosmetic laser treatment business.

The investments made in the half-year regarded mainly new equipment destined for sales demonstrations and experimentation both in the industrial and medical sector, especially as regards El.En. SpA and Cynosure. In addition, while at a lower rate than the same period of the last financial year, the laser systems devoted by Cynosure to the revenue sharing business through Sona continued to be entered among the fixed assets. The vehicle fleet of some companies in the group was also augmented.

The "tangible assets under construction" heading shows the costs incurred by the parent company for architectural and structural design and the charges paid for the issue of the permit for the extension work on the plant in Via Baldanzese in Calenzano, Florence.

Equity investments (note 3)

The analysis of equity investments was as follows.

	30/06/2005	31/12/2004	Variation	Var. %
Equity investments in:				
associated companies	1.071.790	1.014.185	57.605	5,68%
other companies	434.064	378.880	55.184	14,57%
Total	1.505.854	1.393.065	112.789	8,10%

The associate companies Immobiliare Del.Co. Srl and ASA Srl have been consolidated using the shareholders' equity method while the equity held in the company Actis Srl and the consortium IALT were entered at cost (respectively euro 1,240 and euro 5,000) since their evaluation using the shareholders' equity method was deemed irrelevant for the purposes of representing the balance of assets. The equity investment in M&E was devalued during the financial year 2001 for euro 4,962, given the inactivity of the company.

The increase in the entry "other companies" relates mainly to the subscription of a further 62,625 shares of the company RTM SpA for a total of approximately 31 thousand euro.

Assets for anticipated taxes/Other non-current assets (note 4)

Other non current assets	30/06/2005	31/12/2004	Variation	Var. %
Deferred tax assets	1.481.331	1.318.281	163.050	12,37%
Other non current assets	195.256	246.652	-51.396	-20,84%
Total	1.676.587	1.564.933	111.654	7,13%

For a breakdown of the entry "Anticipated taxes" see the chapter below on the analysis of deferred and anticipated taxes".

Current assets

Inventories (note 5)

The breakdown of stocks was as follows:

Stocks:	30/06/2005	31/12/2004	Variation	Var. %
Raw materials and consumables	13.255.558	11.455.590	1.799.968	15,71%
Work in progress and semi finished products	7.471.442	5.954.103	1.517.339	25,48%
Finished products and goods for sale	9.807.876	8.052.653	1.755.223	21,80%
Total	30.534.876	25.462.346	5.072.530	19,92%

The increase in the quantity of stocks registered for the half-year affected raw materials, semi-finished products and finished products and was mainly accounted for by Cynosure, to allow for its rapid growth, and by El.En. and Cutlite Penta.

Commercial receivables (note 6)

The accounts receivable were composed of the following:

Debtors:				
	30/06/2005	31/12/2004	Variation	Variation %
Trade debtors	22.967.200	21.825.055	1.142.145	5,23%
Associated debtors	77.385	86.790	-9.405	-10,84%
Total	23.044.585	21.911.845	1.132.740	5,17%
Trade debtors:	30/06/2005	31/12/2004	Variation	Variation %
Italy	8.740.228	10.390.775	-1.650.547	-15,88%
European Community	5.759.457	5.997.737	-238.280	-3,97%
Outside of European Community	9.755.963	6.785.320	2.970.643	43,78%
minus: devaluation provision for debtors	-1.288.448	-1.348.777	60.329	-4,47%
Total	22.967.200	21.825.055	1.142.145	5,23%

The reduction in the absolute value of the entry “devaluation provision for accounts receivable” is justified by the use of the fund for the closing of a credit position in bankruptcy proceedings for approximately 262 thousand euro, an amount exceeding the increase resulting from the amount set aside during the period.
For a more detailed analysis of the trade debtors towards associated companies see the chapter below on “correlated parties”.

Tax receivables/Other receivables (note 7)

The division of the other accounts receivable is as follows:

	30/06/2005	31/12/2004	Variation	Var. %
Financial receivables				
Associated companies	72.936	53.565	19.371	36,16%
Total	72.936	53.565	19.371	36,16%
Tax receivables				
VAT credits	2.384.237	2.408.657	-24.420	-1,01%
Income tax credits	234.539	217.901	16.638	7,64%
Total	2.618.776	2.626.558	-7.782	-0,30%
Other receivables				
Security deposits	241.233	426.562	-185.329	-43,45%
Down payments	450.834	501.293	-50.459	-10,07%
Other receivables	1.279.916	1.258.493	21.423	1,70%
Total	1.971.983	2.186.348	-214.365	-9,80%
Total other receivables	4.663.695	4.866.471	-202.776	-4,17%

For a more detailed analysis of the financial receivables towards associated companies see the chapter below on “correlated parties”.

The half-year ended with a VAT credit for approximately 2 million euro as a result of the intensive export activities. The tax receivables derives mainly from the difference between the accounts paid and the tax debt maturing at the date of reference of this report.

Financial instruments (note 8)

Non-permanent investments :	30/06/2005	31/12/2004	Variation	Var. %
Other investments	276.861	267.811	9.050	3,38%
Total	276.861	267.811	9.050	3,38%

The amount shown under the heading “Other Investments” refers to a temporary use of cash by the subsidiary Lasit Srl for approx. 55 thousand euro and by the subsidiary Quanta System SpA for 222 thousand euro.

As required by the accounting principle IAS 39 “other investments” are measured at fair value; the effects of such estimate are shown in the profit and loss account.

Cash at bank and on hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	30/06/2005	31/12/2004	Variation	Var. %
Bank and postal current accounts	11.590.383	15.033.309	-3.442.926	-22,90%
Cash in hand	48.721	36.509	12.212	33,45%
Total	11.639.104	15.069.818	-3.430.714	-22,77%

For a breakdown of the variations in cash at bank and on hand see the tables of the cash flow statement.

COMMENTS ON THE MAIN LIABILITY ENTRIES

Capital and reserves

The main entries for capital and reserves are as follows:

Share capital (note 10)

As of 30 June 2005 the share capital of the El.En.Group, coinciding with that of the parent company, was:

Authorised	euro	2.509.763
Underwritten and deposited	euro	2.424.367

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

Categories	**31/12/2004**	**Increase.**	**(Decrease.)**	**30/06/2005**
No. of Ordinary Shares	4.662.244			4.662.244
Total	**4.662.244**			**4.662.244**

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

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

On 6 September 2002 the Board of Directors of the parent company voted to implement in part the decision of the Shareholders' assembly dated 16 July 2002 to increase the share capital by euro 31,817.76 for use in the 2003/2004 stock-options plan and approved the relative regulations. The option rights were assigned exclusively to the Group's Executives, Managers and Employees who at the time of the assignment were employed by the group. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 30,600 shares, was exercisable by the assignees from 18 November to 31 December 2003, from 15 August to the 30 September 2004 and from 18 November

to the 31 December 2004; the second phase, for a maximum of 30,588 shares was exercisable by the assignees from 15 August to the 30 September 2004 and from 18 November to the 31 December 2004.
With reference to this vote, as of 31 December 2004 (the deadline for the exercising of such rights) the total of 61,188 option rights had been opted.

Moreover, on 13 November 2003, the Board of Directors of the parent company voted to partially implement the decision of the shareholders' assembly dated 16 July 2002 to increase the share capital by euro 13,145.60 to be used for the 2004/2005 stock-options plan and approved the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and employees who at the moment of assignment were employed by the group. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 12,640 shares, exercisable by the assignees from 18 November to 31 December 2004, from 15 August to the 30 September 2005 and from 18 November to the 31 December 2005; the second phase, for a maximum of 12,640 shares was exercisable by the assignees from 15 August to the 30 September 2005 and from 18 November to the 31 December 2005.
With reference to this vote, relative to the first phase of 12,640 shares, in the period from 18 November to 31 December 2004 1,056 option rights were exercised.

Lastly, on 13 May 2005, the Board of Directors of the parent company voted to partially implement the decision of the shareholders' assembly dated 16 July 2002 to increase the share capital by euro 72,800 to be used for the 2006/2007 stock-options plan and approved the relative regulations. The option rights were assigned exclusively to the Group's executives, managers and employees who at the moment of assignment were employed by the group. The above plan was divided into two phases, one for each year; the first phase, for a maximum of 70,000 shares, will be exercisable by the assignees from 15 May 2006 to 16 July 2007; the second phase, for a maximum of 70,000 shares will be exercisable by the assignees from 15 May 2007 to 16 July 2007.

Share premium reserve (note 11)

As of 30 June 2005 the share premium reserve, coinciding with that of the parent company, amounted to 34,954 thousand euro, unvaried compared to 31 December 2004.

Other reserves (note 12)

Other reserves	30/06/2005	31/12/2004	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	6.339.051	6.069.661	269.390	4,44%
Reserve for translation adjustments	358.232	-579.791	938.023	-161,79%
Stock options reserve fund	115.106	38.686	76.420	197,54%
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	7.776.348	6.492.515	1.283.833	19,77%

As of 30 June 2005 the "extraordinary reserve" was 6,339 thousand euro; the change occurring during the half-year relates to the setting aside of the net profits of the dividends paid out during this month of May.

The stock-option reserve shows the corresponding amount of the costs determined in accordance with the IFRS 2 of the Stock-option Plans assigned by El.En. SpA for the quota maturing on 30 June 2005.

Treasury stock (note 13)

As of 30 June 2005 the "treasury stock" entry relating to treasury stock owned by the parent company has been zeroed as a result of the sale of the same during the month of February 2005 at an average sale price of euro 25.05. The capital gain achieved for a gross value of 313 thousand euro is entered, in accordance with current accounting principles, under the net assets headings, net of the relative fiscal effect.

Profits/losses brought forward (note 14)

As a result of the introduction of IAS/IFRS accounting principles, since 1st January 2004 this entry includes an IAS transition reserve of approximately 350 thousand euro. The entry includes, under the "other variations" heading a reserve on the capital gains made on the sale of treasury stock as in the note above, as well as the effects of the stock option plans decided by the subsidiary Cynosure Inc.

Table comparing the parent company financial statement and the consolidated financial statement

	Profit and loss account	**Capital and reserves**	**Profit and loss account**	**Capital and reserves**
	30/06/2005	**30/06/2005**	**31/12/2004**	**31/12/2004**
Balance as shown in the financial statement of the parent company ITA – GAAP	**1.533.264**	**46.214.990**	**1.901.175**	**46.313.513**
Elimination of depreciation on the value of land	8.709	183.995	13.251	174.248
Inventory – change in the cost determination criteria	3.938	163.274	36.300	159.337
Severance indemnity – application of current value	(12.540)	(54.024)	10.848	(40.449)
Stock Option	(76.420)	-	(34.118)	
Elimination of amortisation on formation and expansion expenses			232.231	
Treasury stock				(255.937)
Earnings on sales of treasury stock	(209.757)	-		
Balance as shown in the financial statement of the parent company IAS/IFRS	**1.247.194**	**46.508.235**	**2.159.687**	**46.350.713**
Elimination of equity investments in:				
Entirely consolidated companies	(34.357)	(6.064.279)	2.740.118	(7.770.207)
Companies consolidated using the shareholders' equity method	28.855	24.488	19.917	(10.805)
Differences arising from consolidation	0	9.519.838	0	10.147.395
Elimination of dividends for the financial period	(330.000)	0	(180.000)	0
Elimination of internal profits on inventories	27.584	(862.598)	(48.811)	(890.182)
Elimination of internal profits from sales of assets	33.618	(15.832)	12.965	(49.450)
Value adjustments on equity investments	409.571	865.621	282.873	607.207
Effects of early amortizations	0	0	(340.451)	0
Other	0	(91.606)	0	(91.606)
Balance as shown in the consolidated financial statement – group quota	**1.382.465**	**49.883.867**	**4.646.298**	**48.293.065**
Balance as shown in the consolidated financial statement – third party quota	**192.086**	**6.680.084**	**1.760.958**	**5.610.489**
Balance as shown in the consolidated financial statement	**1.574.551**	**56.563.951**	**6.407.256**	**53.903.554**

Non-current liabilities

Severance payment fund (note 15)

The table below shows the variations occurring during the period:

Balance 31/12/2004	Provision	Utilisation	Other	Balance 30/06/2005
1.719.963	277.971	-136.243	0	1.861.691

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment»; this is an obligation of the "defined benefit " type which entails entering a liability similar to that entered for defined benefit pension plans. The re-determination of liability using actuarial methods determined an increased liability of the severance payment fund of 70 thousand euro, of which 23 thousand has affected the profit and loss account for the half-year.

It should be remembered that the company has used the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not shown until it exceeds in absolute terms 10% of the current value of the obligation. As of 31 December 2004 the net cumulative value of the actuarial surpluses and deficits not shown was 29 thousand euro while as of 30 June 2005 the same figure was approximately 71 thousand euro.

The hypotheses used for the determination of the plan have been summarised in the table below:

Financial hypotheses	year 2004	1st half-year 2005
Annual discount rate	4.25%	4.00%
Annual inflation rate	2.00%	2.00%
Annual rate of increase Severance indemnity	3.00%	3.00%
Annual rate of wage increases (inclusive of inflation)	Executives 4.50% Employees/managers 3.00% Workers 3.00%	Executives 4.50% Employees/managers 3.00% Workers 3.00%

Analysis of deferred and anticipated taxes (note 4) (note 16)

Deferred and anticipated taxes are accrued on the basis of the temporary differences between assets and liabilities recognised for fiscal purposes and those which have been entered into the financial statement.

The breakdown is as follows:

	Balance 31/12/2004	Provision	(Utilisation)	Other	Balance 30/06/2005
Deferred tax assets on stock devaluations	344.055	68.890			412.945
Deferred tax assets for provisions on warranty products	50.287	3.725			54.012
Deferred tax assets on credit devaluation	116.577	3.300			119.877
Deferred tax assets on loss brought forward from the previous years	80.130	79.914			160.044
Deferred tax assets on internal profits	580.543	15.405	-21.424		574.524
Deferred tax assets on actualisation of severance indemnity accruals	17.457	9.462	-716	0	26.203
Other deferred tax assets	129.232	97.918	-1.506	-91.918	133.726
Total	1.318.281	278.614	-23.646	-91.918	1.481.331
Deferred tax liabilities on advanced amortisations	264.819	5.631	-12.406	0	258.044
Deferred tax liabilities for contributions on capital account	405		-201		204
Other deferred tax liabilities	253.161	11.633	-30.117	1	234.678
Total	518.385	17.264	-42.724	1	492.926
Net amount	799.896	261.350	19.078	-91.919	988.405

Credits for anticipated taxes amount to approximately 1,481 thousand euro and refer to the anticipated taxes calculated during the preceding financial years and the current financial year on the inventory obsolescence fund, product warranty fund, fund for non-deductible credit devaluations and the actuarialisation of the severance indemnity. The subsidiaries Ot-las Srl and Cut-lite Penta Srl entered anticipated taxes on the fiscal losses incurred in the period as far as recoverable in subsequent financial years. Anticipated taxes have also been shown on the elimination of the inter-group profits effected upon consolidation.

The fund for deferred taxes was used for capital account contributions and in absolute terms for anticipated amortisations.

Other reserves (note 17)

The table below shows the variations occurring during the period:

	Balance 31/12/2004	Provision	(Utilisation)	Other	Translation Adjustments	Balance 30/06/2005
Reserve for pension costs and similar	197.450	34.307	1			231.758
Others:						
Reserve for products warranty	1.499.548	120.484	-827		168.504	1.787.709
Reserve for risks and charges	327.237	138.000				465.237
Other reserves	775.626	-				775.626
Total other reserves	2.602.411	258.484	-827	-	168.504	3.028.572
Total	2.799.861	292.791	-826	-	168.504	3.260.330

The clients'-agents' indemnity fund, included in the entry "reserve for pension costs and similar" amounts, as of 30 June 2005, to 201 thousand euro against the 181 thousand euro of 31 December 2004.
According to IAS 37, the amount due must be calculated using actuarial methods so as to estimate, as exactly as possible, the total costs to be paid for the issue of benefits to agents after their employment has terminated.

The technical estimates were made on the basis of the hypotheses described below:

Financial hypotheses	year 2004	1st half-year 2005
Annual discount rate	4.25%	4.00%
Annual inflation rate	2.00%	2.00%
Annual rate of increase on commission (not inclusive of inflation)	3.50%	3.50%

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

Provisions for taxes includes the reserve set aside by the parent company in the financial year 2000 and subsequently added to in 2001 for payment of charges which might arise from the issue of inspection documents after the PVC notification given on the 8 May 2001, net of the payments made in the previous financial years following the settlement of the years 1997, 1998 (for indirect taxes only) and 1999.

Amounts owed and financial liabilities (note 18)

Financial m/l term debts	30/06/2005	31/12/2004	Variation	Var. %
Bonds	619.748	619.748		0,00%
Amounts owed to banks	103.291	206.583	-103.292	-50,00%
Amounts owed to other financiers	2.043.315	1.753.180	290.135	16,55%
Total	2.766.354	2.579.511	186.843	7,24%

Among the non-current "amounts owed and financial liabilities" are:
a) the debenture loan issued by the parent company for 619,748 euro, to be reimbursed in a single payment on 31 December 2006 at a fixed interest rate of 9.75%, adjusted annually on 31/12.
b) the portions to be paid after the end of the year of the ten-year mortgage loan issued by the Cassa di Risparmio di Firenze, taken out by the parent company for 1,652,662 euro, to be reimbursed in fixed six-monthly instalments of 103,291 euro starting on 31/3/1999, at an interest rate equivalent to the quarterly EURIBOR plus a spread of 0.95%, with interest paid quarterly.
c) debts to other financiers made up, among other things, of the portions not payable within the year of :
*) IMI facilitated financing for applied research, divided as follows:
Reference DIFF 3
Multi-year financing granted for 487,095 euro at the fixed annual rate of 3.70%, last instalment 1/7/2008
Reference TMR 4
Multi-year financing granted for 492,431 euro at the fixed annual rate of 3.70%, last instalment 1/7/2008
*) MPS facilitated financing for applied research, reference TRL01, granted for 681,103 euro of which 461,421 euro has 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.
*) IMI facilitated financing for applied research granted to the subsidiary Quanta System SpA, for 929,157 euro at the annual rate of 2%, to be reimbursed in 16 half-yearly delayed instalments to start from 1 July 2003.
*) Centrobanca financing, issued to the subsidiary Lasit Srl, granted for 57,765 euro, at the annual rate of 0.96%, to be reimbursed in 9 annual instalments starting from 5 August 2005.
*) Amounts owed to leasing companies for 813 thousand euro (391 thousand euro as of 31 December 2004).

Debts guaranteed by real estate property

The factory in Via Baldanzese, 17 has a ten-year mortgage on it issued by the Cassa di Risparmio di Firenze and described in the paragraphs above.

Current liabilities

Financial debts (note 19)

Below a breakdown of the financial debts is given:

Financial short term debts	30/06/2005	31/12/2004	Variation	Var. %
Bonds	26.219		26.219	0,00%
Amounts owed to banks	1.266.437	1.545.602	-279.165	-18,06%
Amounts owed to other financiers	720.567	2.498.356	-1.777.789	-71,16%
Total	2.013.223	4.043.958	-2.030.735	-50,22%

The "bonds" heading includes the amount related to the interest maturing on the debt taken out.
The heading "amounts owed to banks" relates to the overdraft facilities on current accounts granted by banks to the subsidiary companies.
The heading "amounts owed to other financiers" which includes the short term portions of the loans described in the previous note, is considerably lower than on 31 December 2004 as a result of the completion in financial terms of the operation to buy back Cynosure shares from minority shareholders, which took place during the half-year. It also includes the short term portions of amounts owed to leasing companies of 205 thousand euro (110 thousand euro as of 31 December 2004).

Amounts owed for supplies (note 20)

Trade payables:	30/06/2005	31/12/2004	Variation	Var. %
Amounts owed to suppliers	18.470.294	15.718.435	2.751.859	17,51%
Amounts owed to associated companies	55.269	196.402	-141.133	-71,86%
Total	18.525.563	15.914.837	2.610.726	16,40%

For a more detailed breakdown of the "amounts owed for supplies" to subsidiary companies see the paragraph below entitled "Correlated parties".

Tax debts/Other short term debts (note 21)

	30/06/2005	31/12/2004	Variation	Var. %
Tax payables				
Income tax payables	1.075.935	1.598.838	-522.903	-32,71%
VAT payables	862.674	1.211.532	-348.858	-28,79%
Withholding tax payables	458.462	742.851	-284.389	-38,28%
Total	2.397.071	3.553.221	-1.156.150	-32,54%
Social security payables				
National social security payables	696.145	742.767	-46.622	-6,28%
National social insurance payables	44.851	37.180	7.671	20,63%
Other social security payables	36.383	38.835	-2.452	-6,31%
Total	777.379	818.782	-41.403	-5,06%
Other payables				
Owed to staff for wages and salaries	3.086.314	2.584.939	501.375	19,40%
Down payments	1.353.248	1.256.834	96.414	7,67%
Other payables	1.654.555	2.066.788	-412.233	-19,95%
Total	6.094.117	5.908.561	185.556	3,14%
Total	9.268.567	10.280.564	-1.011.997	-9,84%

The "debts for income tax" matured by some of the companies in the group have been entered in the accounts net of the relative down payments and withholdings paid.

The “amounts owed to staff” include the amount owed for deferred salaries matured by employees as of 30 June 2005.
The entry “advances” shows the advances received from clients of 1.267 thousand euro
The entry “other amounts owed” includes anticipated revenue of the subsidiary Cynosure Inc. in regard to servicing contracts, entered in the revenue proportionally to the duration of the same.

COMMENTS ON THE MAIN ENTRIES OF THE PROFIT AND LOSS ACCOUNT

Revenue from sales and services (note 22)

Turnover for the six-month period exceeded 51 million euro, an increase of 15% compared to the same period last year, in line with the targets set by the management.

	30/06/2005	30/06/2004	Variation	Var. %
Sales of industrial laser systems	7.401.517	7.640.955	-239.438	-3,13%
Sales of medical laser systems	37.213.871	29.082.099	8.131.772	27,96%
Consulting and research	3.182	34.233	-31.051	-90,70%
Service and sales of spare parts	7.160.540	8.260.650	-1.100.110	-13,32%
Total	51.779.110	45.017.937	6.761.173	15,02%

Once again the medical sector was the driving force behind the group's growth (+ 30% approx.) accounting for over 70% of consolidated turnover. Sales in the industrial sector, slightly lower than for the same period during the last financial year, showed no increase: the rate of growth during the first quarter (+37%) was in part determined by the particularly low level of turnover of the first half-year 2004 just as it is safe to say that sales for the third quarter-year of 2005 will lead to a recovery compared to the first half-year.
The fall in turnover for post-sales services and assistance derives mainly from the reconfiguration of the relations between Cynosure and the ex-subsidiary Sona for leasing services of the depilatory laser equipment produced by Cynosure which Sona uses in its depilation centre. The "full service» rental quota for use of the system and its servicing was drastically reduced in the light of a new contract foreseeing the purchase by Sona of half of the equipment that it has previously used on lease.
The income deriving from research projects and the relative repayments resulting from the contracts entered into with managing institutions financed by MIUR continues to be insignificant for the period; even though such revenue must be added to what is entered in the accounts under the heading "other revenue and income". In the course of the first half-year 2005 income amounted to approximately 295 thousand euro, against the approximately 420 thousand euro entered in the first half-year of 2004.

With regard to the seasonal nature of business no particular oscillations occur during the course of the year. In any case with reference to the first half-year it is worth recalling that there is generally a slight fall in sales in January corresponding with the peak of turnover in December of the preceding year. Moreover, with regard to the second half-year there is generally a reduction in turnover during the month of August, especially in Italy and Europe.

Breakdown of income by geographical area

	30/06/2005	30/06/2004	Variation	Var. %
Sales in Italy	9.782.168	10.824.332	-1.042.164	-9,63%
Sales other EC countries	15.804.425	12.924.302	2.880.123	22,28%
Sales outside EC	26.192.517	21.269.303	4.923.214	23,15%
Total	51.779.110	45.017.937	6.761.173	15,02%

The process of internationalisation of the group continued with commercial branches throughout the world and production plants in Germany and the United States: over 80% of turnover is outside Italy and over half outside Europe. The United States is the single most important market and is served directly by the three American companies in the group: Cynosure, Lasercut and Deka Laser Technologies. The fall of the Italian market is almost entirely attributable to the industrial sector, for which market conditions abroad are relatively more favourable.

Other income and revenues (note 23)

The analysis of other income and revenues is as follows:

	30/06/2005	30/06/2004	Variation	Var. %
Recovery for accidents and insurance reimbursements	39.940	4.386	35.554	810,62%
Expense recovery	255.614	91.485	164.129	179,41%
Capital gains on ordinary property conveyances	66.033	133.812	-67.779	-50,65%
Other income	320.848	434.531	-113.683	-26,16%
Contribution on fiscal year account and on capital account	450	450	-	0,00%
Total	682.885	664.664	18.221	2,74%

Under the heading “other income» the contributions received for research projects by the parent company El.En. SpA for the amount of approximately 295 thousand euro have been entered.

Costs for the purchase of goods (note 24)

The analysis of purchases is as follows:

	30/06/2005	30/06/2004	Variation	Var. %
Purchase of raw materials and finished products	22.471.793	18.698.548	3.773.245	20,18%
Purchase of packaging	133.708	105.622	28.086	26,59%
Shipment of purchases	218.908	169.189	49.719	29,39%
Other purchase expenses	71.410	58.410	13.000	22,26%
Other purchases	71.166	55.570	15.596	28,07%
Total	22.966.985	19.087.339	3.879.646	20,33%

The increase in purchases is the direct consequence of the increase in the volume of sales and is reflected, among other things, in the increase in final inventory of raw materials registered at the end of the half-year.

Other direct services/ services and operating charges (note 25)

The breakdown of the entry is as follows:

	30/06/2005	30/06/2004	Variation	Var. %
Direct services				
Expenses for work in progress at third parties’	1.207.611	1.388.073	-180.462	-13,00%
Technical services	149.811	74.835	74.976	100,19%
Shipment on sales	451.064	419.481	31.583	7,53%
Commissions	2.207.502	1.697.687	509.815	30,03%
Royalties	111.528	182.622	-71.094	-38,93%
Travel expenses	567.396	442.342	125.054	28,27%
Other direct services	194.878	35.735	159.143	445,34%
Total	*4.889.790*	*4.240.775*	*649.015*	*15,30%*
Operating services and charges				
Maintenance	51.038	75.890	-24.852	-32,75%
Services and commercial consulting	486.124	304.984	181.140	59,39%
Insurances	353.577	342.013	11.564	3,38%
Travel and overnight expenses	920.627	802.104	118.523	14,78%
Promotional and advertising expenses	1.820.600	1.430.333	390.267	27,29%
Utility charges	497.972	431.557	66.415	15,39%
Other taxes	104.454	54.299	50.155	92,37%
Expenses for vehicles	199.588	145.324	54.264	37,34%
Rent	1.358.784	1.076.093	282.691	26,27%
Other operating services and charges	5.363.701	4.133.751	1.229.950	29,75%
Total	*11.150.628*	*8.797.393*	*2.353.235*	*26,75%*
Total	16.040.418	13.038.168	3.658.147	28,06%

Under the heading “other operating services and charges», among other things the amounts due to administrators and auditors as well as the costs of legal services and auditing have been entered.

Personnel costs (note 26)

The breakdown of the entry is as follows:

For staff costs	30/06/2005	30/06/2004	Variation	Var. %
Wages and salaries	10.031.871	8.854.318	1.177.553	13,30%
Social security costs	1.878.786	1.589.402	289.384	18,21%
Accruals for severance indemnity	240.814	182.336	58.478	32,07%
Stock options	370.645	80.419	290.226	360,89%
Other costs		1.137	-1.137	-100,00%
Total	12.522.116	10.707.612	1.814.504	16,95%

Depreciation, amortisation and other accruals (note 27)

The breakdown of the entry is as follows:

Depreciations, amortizations, and other accruals	30/06/2005	30/06/2004	Variation	Var. %
Amortization of intangible assets	91.254	103.551	-12.297	-11,88%
Depreciation of tangible assets	1.269.026	1.071.488	197.538	18,44%
Devaluations of fixed assets		663.032	-663.032	-100,00%
Accrual for risk on receivables	70.067	324.605	-254.538	-78,41%
Other accruals for risks and charges	249.484	450.095	-200.611	-44,57%
Total	1.679.831	2.612.771	-932.940	-35,71%

Financial incomes and charges (note 28)

The breakdown of the entry is as follows:

	30/06/2005	30/06/2004	Variation	Var.%
Financial incomes:				
Interests from banks	80.226	73.184	7.042	9,62%
Dividends			-	0,00%
Interests from subsidiary company			-	0,00%
Interests from associated company	989	995	-6	-0,60%
Interests on investments		523	-523	-100,00%
Income from negotiations	9.050	1.358	7.692	566,42%
Other financial incomes	15.637	2.351	13.286	565,12%
Total	105.902	78.411	27.491	35,06%
Financial charges:				
Bonds	-29.964	-30.048	84	-0,28%
Bank debts for account overdraft	-57.683	-79.436	21.753	-27,38%
Bank debts for medium and long - term loans	-24.558	-29.290	4.732	-16,16%
Losses from negotiation-investments			-	0,00%
Debts to subsidiary companies			-	0,00%
Debts to associated companies			-	0,00%
Other financial charges	-44.372	-54.563	10.191	-18,68%
Total	-156.577	-193.337	36.760	-19,01%
Foreign exchange loss or gain:				
Foreign exchange loss	-400.146	-112.979	-287.167	254,18%
Foreign exchange gain	697.752	287.447	410.305	142,74%
Total	297.606	174.468	123.138	70,58%
Total	246.931	59.542	187.389	314,72%

Interest and profits from the negotiations related to temporary investments of the cash at hand are entered.
The interest payable on current account overdrafts refer mainly to overdraft facilities granted by banks to the subsidiaries while the interest payable to banks for mortgages and for medium and long term loans refers, among other things, to the mortgage granted to the Parent company El.En. SpA by the Cassa di Risparmio di Firenze and to the facilitated financing granted by MIUR (formerly MURST) and issued by IMI and by MPS.

The entry "other financial charges" includes approximately 37 thousand euro of payable interest as a result of the application of the accounting principle IAS 19 to the severance payment fund.

The exchange differences derive from the adjustment of the entries in foreign currency operated at the time of effective realisation, if occurring during the half-year or, evaluating the entries still open at the end of the period according to the respective exchange rates. Along general lines and as a result of the partial recovery of the dollar compared to the euro, exchange assets have been entered in the European companies (El.En. in particular) with credits in dollars from American or Eastern clients, and exchange liabilities on the debts in dollars of some European companies (in particular the European subsidiaries of Cynosure).

Other income and net charges (note 29)

	30/06/2005	30/06/2004	Variation	Var. %
Other incomes or charges				
Loss on disposal of equity investments	-232.642		-232.642	0,00%
Profit on disposal of equity investments		2.907.229	-2.907.229	-100,00%
Taxes related to the previous years		-5.870	5.870	-100,00%
Total	**-232.642**	**2.901.359**	**-3.134.001**	**-108,02%**

The entry "loss on disposal of equity investments" includes the capital loss occurring as a result of the sale of 495,000 Cynosure Inc. shares during the half-year, described in the introduction to this document.

Taxes on revenue (note 30)

Description:	30/06/2005	30/06/2004	Variation	Variation %
IRES and other foreign income taxes	1.617.244	1.443.307	173.937	12,05%
IRAP	371.932	455.011	-83.079	-18,26%
IRES and other foreign income taxes - Deferred (Advanced)	-270.509	-464.504	193.995	-41,76%
IRAP - Deferred (Advanced)	-9.919	-14.029	4.110	-29,30%
Total income taxes	1.708.748	1.419.785	288.963	20,35%

The fiscal load of the period increased compared to the same period of the previous financial year despite a lower pre-tax revenue. The positive effects seen in the same period of the financial year 2004 related to the use of fiscal losses accumulated in previous financial years by Cynosure Inc. which was thus able to offset the capital gains of 2.9 million already mentioned, no longer applied and nor did some of the tax concessions which some of the Italian companies in the group had benefited from.

Dividends distributed (note 31)

The shareholders' Assembly held on 14 May 2004 voted to distribute 1,149,606.25 euro as dividends to be assigned to the shareholders in the proportion of 0.25 euro for each of the 4,598,425 ordinary shares.

The shareholders' Assembly held on 13 May 2005 voted to distribute 1,631,785.40 euro as dividends to be assigned to the shareholders in the proportion of 0.35 euro for each of the 4,662,244 ordinary shares.

Information about correlated parties

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

One of the deputy board members, the majority shareholder of the Parent company, member of the voting syndicate subscribed to by the shareholders prior to quotation of the Parent company's shares on the New Regulated Market, has bare ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.

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

The tables below show the relations with the associated companies during the period, both as regards commercial exchange and as regards the balances of the amounts receivable and amounts owed.

	Financial credits		**Commercial credits**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
ASA Srl			60	
Actis Srl	40		2	
Immobiliare Del.Co. Srl	14			
IALT Scrl	19		2	
M&E			13	
Total	**73**		**77**	

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
ASA Srl			5	
Immobiliare Del.Co. Srl			50	
Total			**55**	

Associated companies:	**Sales**	**Service**	**Total**
Actis Srl	4	1	5
Asa Srl	294	1	295
IALT Scrl	2		2
Total	300	2	302

Associated companies:	**Other revenues**
Actis Srl	1
Asa Srl	2
Total	3

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
IALT Scrl	3			3
Total	**3**			**3**

The figures in the above tables refer to typical company management operations.

Other information

Below is a breakdown of employees divided according to category.

	Average 2005	30/06/2005	Average 2004	31/12/2004	Variation	Var. %
Executives	25,0	25	24,0	25	0	0,00%
Management	11,5	12	7,0	11	1	9,09%
White collar	353,5	376	307,5	331	45	13,60%
Blue collar	99,0	101	93,0	97	4	4,12%
Total	489,0	514	431,5	464	50	10,78%

The increase in the number of employees reflects the progressive increase in turnover.

Appendix 1 – Reconciliation tables of Italian and international accounting principles

1. Changeover to International Accounting Principles (IAS – IFRS)

Following the coming into force of the EC Regulation no. 1606/2002 emanated by the European Parliament and by the European Council in July 2002, companies with shares quoted on a regulated market of the member States of the European Union must draw up their consolidated financial statements in compliance with the international accounting principles (IAS/IFRS) issued by the International Accounting Standard Boards (IASB) and approved at a community level.
The El.En. group has adopted such principles in drawing up its Half-year Consolidated Financial Statement as of 30 June 2005.
The group has applied international accounting principles retrospectively to all the periods included in the first IFRS financial statement and to the opening Statement of Assets and Liabilities (1 January 2004) in compliance with IFRS1, save some exceptions as described in the paragraph below.

2. Reconciliation required by IFRS1

This Appendix provides the reconciliation and relative explanatory notes foreseen by IFRS1- First application of the IFRS- of the Net Assets and Net Result for the period consolidated according to the previous principles (accounting principles) and according to the new principles. With this purpose in mind the following documents have been drawn up:
• the reconciliation tables of the net assets consolidated according to the previous accounting principles and those entered in accordance with IAS/IFRS principles at the following dates:
- date of changeover to IAS/IFRS (1st January 2004);
- date of closing of the last financial year in which the financial statement was drawn up according to the previous principles (31 December 2004);

• the reconciliation tables of the net result shown in the last financial statement drawn up according to the previous accounting principles (financial year 2004) compared to the one in which IAS/IFRS principles have been applied for the same financial year;
• comments on the reconciliation tables;
• the statements of assets and liabilities consolidated according to IAS/IFRS as of 1st January 2004 and as of 31st December 2004 and the profit and loss account consolidated according to IAS/IFRS for the financial year ending 31 December 2004.
As illustrated below in a more analytical manner, the statements of assets and liabilities consolidated according to IAS/IFRS have been obtained by making the appropriate adjustments and IAS/IFRS reclassifications to the consolidated final figures so as to reflect the modifications to the criteria for presentation, identification and estimation required by the IAS/IFRS.

The reconciliation table for the cash flow statement has not been presented given that the effects deriving from the application of IAS/IFRS accounting principles have not had a significant impact.

The adjustments have been made in observance of the IAS/IFRS accounting principles currently in force. The procedure of approval by the Commission and the interpretative and adjustment processes of the official bodies responsible for such is still in progress. At the moment of predisposing the first complete IAS/IFRS consolidated financial statement as of 31 December 2005, new IAS/IFRS principles and IFRIC interpretations may be in force which modify the current ones. For this reason, the figures presented in the accounting and reconciliation tables could change for the purposes of their use as comparative data of the first complete consolidated financial statement drawn up according to the IAS/IFRS:

The effects of the changeover to the IAS/IFRS derive from changes to the accounting principles and, consequently, as required by IFRS1 are reflected in the initial net assets at the moment of changeover (1st January 2004). The transition to the IAS/IFRS has entailed maintaining the estimates previously formulated according to the accounting principles except where the adoption of the IAS/IFRS accounting principles does not require the formulation of estimates using different methods.
The IAS/IFRS accounting principles used starting from 1 January 2005 are shown in the notes to the accounts of the half-year report as of 30 June 2005.

In re-elaborating the opening Consolidated Statement of Assets and Liabilities as of 1 January 2004, the El.En. group has decided to avail of the following exemption for the retrospective application of the IFRS:

- **business combination:** for the purposes of the first application of the IAS/IFRS to all the business combination operations, the method of acquisition foreseen by IFRS 3 has been applied from 1 January 2004 using the forward-looking method; this also entailed stopping the procedure of amortising goodwill and differences arising from consolidation entered as of 1 January 2004;
- **provision for net exchange rate differences deriving from the translation of financial statements under foreign management:** as allowed by IFRS 1, the accumulated net exchange rate differences deriving from the previous translation of financial statements under foreign management are no longer shown under a special entry at the date of changeover (1 January 2004); only those arising thereafter are shown in a special entry;
- **classification and measurement of financial instruments:** IAS 32 (Financial instruments: presentation in the financial statement and supplementary information) and 39 (Financial instruments: recognition and measurement), were adopted, as is permitted, in advance already on 1 January 2004 (rather than starting from the financial statements of the accounting period starting 1 January 2005);
- **employee benefits (severance indemnity)**: IAS 19 permits, in the revaluation of defined benefit plans (which severance payment falls within) the suspension of the actuarial gains/losses which do not exceed a certain limit (so-called "corridor method"). The retrospective application of IAS 19 implies the quantification of the actuarial gains/losses produced from the date of foundation of the company for all the employees present at the date of changeover in separating what should be shown and what should not. IFRS 1 allows the forward-looking application of the corridor approach.

The El. En. Group has chosen the forward-looking application of the corridor approach. Actuarial losses and gains at the date of changeover have therefore been entered fully with their net assets counterpart.

The chosen accounting methods in the sphere of the accounting options foreseen by IAS/IFRS are as follows:

- **inventories:** according to IAS 2, the cost of inventories must be determined using the FIFO method or the weighted average cost method. The El.En.Group has decided to use the weighted average cost method;
- e**valuation of tangible and intangible assets**: subsequent to initial entering at cost, IAS 16 and IAS 38 foresee that such assets may be evaluated (and amortised) at cost or at fair value. The El.En.Group has chosen to use the cost method;
- **evaluation of property investments**: according to IAS 40, property held as an investment must initially be entered at cost, inclusive of the accessory charges directly attributable to it. Subsequent to acquisition, such property may be evaluated at fair value or at cost. The El.En. Group has decided to adopt the cost criteria;
- **financial charges:** for the entering of financial charges directly attributable to the acquisition, construction or production of an asset which may be capitalised, IAS 23 foresees that a company may apply the relevant accounting treatment which foresees the entering of financial charges directly in the profit and loss account or the alternative accounting treatment which foresees in certain conditions the obligation to capitalise the financial charges. The El.En. Group has decided to enter such financial charges in the profit and loss account;
- evaluation in the consolidated financial statement of the equity investment in **joint-ventures:** according to IAS 31, such equity investments may be shown in the accounts using the shareholders' equity method or, alternatively, using the proportional consolidation method. The El.En.Group has decided to adopt the shareholders' equity method.

MAIN IMPACT OF THE APPLICATION OF IAS/IFRS ON THE OPENING STATEMENT OF ASSETS AND LIABILITIES AS OF 1 JANUARY 2004 AND ON THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2004.

The differences resulting from the application of the IAS/IFRS compared to Italian accounting principles, as well as the choices made by the El.En. Group as regards the accounting options foreseen by the IAS/IFRS illustrated above, entail a re-elaboration of the accounting figures set out according to previous Italian legislation on the matter of financial statements with significant effects, in some cases, on the net assets of the group. For such purposes the IAS/IFRS statement of assets and liabilities compared to the statement of assets and liabilities as per Italian accounting principles are shown, as of 1 January 2004 and 31 December 2004.

	ITA GAAP 01/01/2004	IAS/IFRS 01/01/2004	Adjustments IAS/IFRS	notes
Balance Sheet				
Intangible assets	7.947.294	7.265.418	(681.876)	1)
Tangible assets	7.299.446	7.660.298	360.852	2)
Equity investments	1.768.074	1.768.074		3)
Other non current assets	1.099.495	1.265.178	165.683	4)
Total non current assets	**18.114.309**	**17.958.968**	**(155.341)**	
Inventories	19.927.194	20.169.918	242.724	5)
Accounts receivalbes	15.980.435	15.980.435		
Other receivables	3.704.551	3.694.196	(10.355)	6)
Equity investments	115.000	115.000		
Own shares	354.104		(354.104)	7)
Financial instruments	78.004	88.752	10.748	8)
Cash and cash equivalents	16.739.529	16.739.529		
Total current assets	**56.898.817**	**56.787.830**	**(110.987)**	
Non current assets held for sale				
TOTAL ASSETS	**75.013.126**	**74.746.798**	**(266.328)**	
Parent stockholders' equity	**44.246.385**	**43.674.406**	**(571.979)**	
Minority interest in consolidated subsidiaries	5.703.204	5.683.230	(19.974)	
Total equity	**49.949.589**	**49.357.636**	**(591.953)**	
Severance indemnity	1.118.773	1.192.817	74.044	9)
Deffered tax liabilites	248.008	431.061	183.053	10)
Other accruals	2.236.382	2.238.253	1.871	11)
Financial liabilities	1.843.748	1.887.155	43.407	12)
Non current liabilities	**5.446.911**	**5.749.286**	**302.375**	
Financial liabilities	2.109.998	2.133.248	23.250	13)
Accounts payables	11.712.450	11.712.450		
Other payables	5.794.178	5.794.178		
Current liabilities	**19.616.626**	**19.639.876**	**23.250**	
Non current liabilities held for sale				
TOTAL LIABILITES	**75.013.126**	**74.746.798**	**(266.328)**	

	ITA GAAP 31/12/2004	IAS/IFRS 31/12/2004	Adjustments IAS/IFRS	notes
Balance Sheet				
Intangible assets	10.652.221	11.106.800	454.579	1)
Tangible assets	8.583.937	10.117.544	1.533.607	2)
Equity investments	1.320.542	1.393.065	72.523	3)
Other non current assets	1.547.418	1.564.933	17.515	4)
Total non current assets	**22.104.118**	**24.182.342**	**2.078.224**	
Inventories	25.177.745	25.462.346	284.601	5)
Accounts receivalbes	21.911.845	21.911.845		
Other receivables	4.873.267	4.866.471	-6.796	6)
Equity investments				
Own shares	346.962		-346.962	7)
Financial instruments	256.857	267.811	10.954	8)
Cash and cash equivalents	15.069.818	15.069.818		
Total current assets	**67.636.494**	**67.578.291**	**-58.203**	
Non current assets held for sale				
TOTAL ASSETS	**89.740.612**	**91.760.633**	**2.020.021**	
Parent stockholders' equity	**46.722.215**	**48.293.065**	**1.570.850**	
Minority interest in consolidated subsidiaries	5.539.515	5.610.489	70.974	
Total equity	**52.261.730**	**53.903.554**	**1.641.824**	
Severance indemnity	1.673.259	1.719.963	46.704	9)
Deffered tax liabilites	304.345	518.385	214.040	10)
Other accruals	2.798.264	2.799.861	1.597	11)
Financial liabilities	2.555.126	2.579.511	24.385	12)
Non current liabilities	**7.330.994**	**7.617.720**	**286.726**	
Financial liabilities	4.024.935	4.043.958	19.023	13)
Accounts payables	15.914.837	15.914.837		
Other payables	10.208.116	10.280.564	72.448	14)
Current liabilities	**30.147.888**	**30.239.359**	**91.471**	
Non current liabilities held for sale				
TOTAL LIABILITES	**89.740.612**	**91.760.633**	**2.020.021**	

1) Intangible assets:
In applying IAS 38, in FTA the company has eliminated from its assets the figures referring to intangible assets not recognised and referring mainly to formation and expansion costs incurred for quotation on the New Market in December 2000. The effect of this was approximately 370 thousand euro as of 1 January 2004. Under the heading of intangible assets differences arising from consolidation generated at the moment of acquisition are also included. Such entries are no longer systematically amortised in the profit and loss account but are subject to verification, performed at least once a year, so as to identify any loss in value (impairment test). To such purpose Cash Generating Units have been identified which the relative goodwill has been attributed to. At the moment of FTA all the goodwill entered in the consolidated financial statement had been subjected to impairment tests. The evaluations made by the management showed a loss of value of the CGU represented by the German subsidiary Deka LMS which entailed the reduction of the relative differences arising from consolidation of approximately 320 thousand euro.
Among the other variations we should remember that in FTA approximately 30 thousand euro of tangible and intangible assets relative to improvements to third party assets were reclassified. In 2004 over 1,170 thousand euro related to improvements to third party assets made to the newly consolidated Quanta System SpA were added to this figure.
As of 31 December 2004, the most significant variations related to the application of IFRS3 to the acquisitions made in 2004. During 2004 the El.En Group made several acquisitions to increase its share of interest in companies which the parent company already had a holding in (Quanta System S.p.a. and Cutlite Penta S.r.l.). According to Italian accounting principles, the difference in value between the net assets purchased and the purchase cost could be offset against the existing consolidation reserve to the maximum amount of the same. According to IFRS3 such difference must be considered totally as goodwill, without the possibility of offsetting consolidated net assets. This difference amounts to approximately 750 thousand euro.
Also in 2004, the impact of the failure to amortise goodwill amounts to approximately 1.1 million euro. This effect too produced a significant increase in the entry intangible assets. Lastly it should be remembered that in applying IAS 38, the company valorised approximately 240 thousand euro of patents belonging to the subsidiary Cynosure Inc.

2) Tangible Assets:
According to Italian accounting principles the land which buildings are situated on is amortised along with the buildings themselves while according to IAS/IFRS they must be classified separately and no longer amortised. This different accounting treatment determines an increase in tangible assets of approximately 238 thousand euro. The other adjustments refer to the inclusion of equipment acquired by means of leasing contracts from the subsidiary Lasit S.r.l. for a value of approximately 87 thousand euro. The reclassification of improvements to third party assets of the new subsidiary Quanta System SpA contributed significantly to the increase in value occurring in 2004, as indicated in the paragraph above.

3) Equity investments
This figure refers to equity investments in associated companies. The difference between the value invested and the relevant quota of equity is to be attributed to goodwill. As a result of the application of the IAS/IFRS, the lack of amortisation of the relative goodwill produces a positive effect in 2004 of approximately 72 thousand euro.

4) Other non-current assets
This figure refers to the anticipated taxes entered among the assets which were affected by the IAS/IFRS transition in FTA in 2004.

5) Inventories
The El.En. group has chosen to use the weighted average cost rather than the LIFO criteria used by the group up until the changeover to IAS. IAS 2 bans the use of the LIFO criteria. The most significant effect of the adjustment entered in the table is represented by the parent company. The effect on the consolidated statement of assets and liabilities as of 1 January 2004 is approximately 243 thousand euro, the effect on the statement of assets and liabilities as of 31 December 2004 is approximately 285 thousand euro.

6) Other receivables
This feels the effects of the elimination of deferred incomes for maxi-rental fees following the application of IAS 17.

7) Treasury stock
According to Italian accounting principles this is entered among the assets while in the net assets a special restricted reserve must be set up; according to IAS/IFRS principles however such shares are entered in the accounts as a reduction of the net assets. Such different accounting treatment determines as of 1 January 2004 and 31 December 2004 a reduction of the current assets of 350 thousand euro.

8) Financial instruments

The application of IAS 39 to financial assets valorised at fair value in the profit and loss account produced an increase of approximately 11 thousand euro in the statement of assets and liabilities as of 1 January 2004 and as of 31 December 2004.

9) Severance indemnity
Italian accounting principles require that the liabilities for severance indemnity be entered on the basis of the nominal debt matured in accordance with the dispositions of civil law at the date of closure of the financial statement; according to the IAS/IFRS, the institution of severance payment falls within the type of defined benefit plans subject to measurement of an actuarial nature (mortality, foreseeable wage variations, etc.) expressing the current value of the benefit to be paid at the end of the employment contract which employees have matured at the date of the financial statement. For IAS/IFRS purposes all the actuarial gains and losses have been shown at the date of transition to the IAS/IFRS. Applying the corridor method in a forward-looking perspective, the company has not valorised the net actuarial differences as of 31 December 2004 since lower than 10% of the value of each individual plan. The accounts did however take into consideration the financial component of the cost of severance indemnity. As a result, as of 1 January 2004 the severance indemnity figure rose by approximately 74 thousand euro compared to calculations based on Italian accounting principles. This figure is lower as of 31 December 2004 on account of Quanta System SpA joining the group. The difference between the IAS/IFRS figure and the ITA Gaap figure for the amount owed as severance indemnity as of 31 December 2004 is approximately 47 thousand euro.

10) Deferred tax liabilities
The figure for deferred tax liabilities shows both at FTA and as of 31 December 2004 the fiscal effects of the differences entered for the transition.

11) Other accruals
This figure refers to the difference in valorisation of the client indemnity fund which according to criteria IAS 37 has been calculated on an actuarial basis.

12 – 13) Current and non-current financial liabilities
The figure given in FTA and as of 31 December represents the amount owed to leasing companies generated by the application of IAS 17 to the subsidiary Lasit S.r.l. This amounts to approximately 67 thousand euro (considering both current and non-current liabilities) as of 1 January 2004 and to approximately 43 thousand euro as of 31 December 2004.

14) Other short term debts
The figure entered as of 31 December 2004 refers to tax debts entered for the amount owed by the subsidiary Cynosure following the entering of patents among the intangible assets as described above.

Below is the profit and loss account consolidated according to the IAS/IFRS principles relative to the financial year 2004 compared with the profit and loss account complying with Italian accounting principles.

	ITA GAAP 31/12/2004	IAS/IFRS 31/12/2004	Adjustments IAS/IFRS	notes
Revenues	94.519.282	94.519.282		
Change in inventory of finished goods and WIP	3.458.748	3.197.544	(261.204)	1)
Other revenues and income	1.511.009	1.511.009		
Value of production	**99.489.039**	**99.227.835**	**(261.204)**	
Purchase of raw materials	(39.437.926)	(39.437.926)		
Change in inventory of raw material	1.320.928	1.307.877	(13.051)	1)
Other direct services	(9.006.317)	(9.006.317)		
Gross margin	**52.365.724**	**52.091.469**	**(274.255)**	
Other operating services and charges	(19.618.629)	(19.426.263)	192.366	
Added value	**32.747.095**	**32.665.206**	**(81.889)**	
For staff costs	(22.218.516)	(22.621.376)	(402.860)	3)
EBITDA	**10.528.579**	**10.043.830**	**(484.749)**	
Depreciation, amortisation and other accruals	(5.624.316)	(4.172.000)	1.452.316	4)
EBIT	**4.904.263**	**5.871.830**	**967.567**	
Net financial income (charges)	66.328	(2.406)	(68.734)	5)
Income from continuing operations	**4.970.591**	**5.869.424**	**898.833**	
Share of profit of associated companies	77.869	150.392	72.523	6)
Extraordinary income (Charges)	3.394.603	3.344.398	(50.205)	7)
Income before taxes	**8.443.063**	**9.364.214**	**921.151**	
Income taxes	(3.001.544)	(2.956.958)	44.586	
Income for the financial period	**5.441.519**	**6.407.256**	**965.737**	
Minority interest	1.816.183	1.760.958	(55.225)	
Net income	**3.625.336**	**4.646.298**	**1.020.962**	

1) Changes in inventories
The figure calculated according to IAS/IFRS criteria produced a negative effect of approximately 274 thousand euro on account of:

- a positive effect of 42 thousand euro resulting from the variation of measurement criteria from the LIFO criteria to the criteria of average weighted cost
- a negative effect of 316 thousand euro caused by the application of IFRS3 to the business combination Quanta System S.p.a. in the month of January 2004. This operation determined the valorisation of the initial inventory purchased according to Fair Value (allocating part of the goodwill to inventories), producing a negative impact on variations during the financial year 2004.

2) General costs
In applying IAS 38, the company deemed it fit to annul the depreciation of the patents adopted by Cynosure during the course of 2004. This led to an improvement in profits of approximately 240 thousand euro. Some reclassification of operating costs occurred with the shifting of extraordinary management to the specific entries of costs or revenue. The effects of the reclassification as in number 7) led to a worsening of approximately 50 thousand euro.

3) Staff costs – Stock Option
The fair value of the rights assigned foreseen as maturing at the end of the *Vesting period*, is divided pro-rata temporis from the financial year of assignment to the financial year of maturity. As a result in 2004 the cost relating to the financial year, of 447 thousand euro, was entered. This figure refers to both the parent company and to the subsidiary Cynosure Inc. The application of the principle IAS19 to the severance indemnity fund resulted in a different entry in the accounts of the relative cost with a positive impact on the entry of approximately 45 thousand euro.

4) Amortisation – reserves
The effect refers mainly to the failure to amortise the difference arising from consolidation as required by the IAS/IFRS and of the intangible assets (mainly formation and expansion costs) no longer recognised on opening on 1 January 2004.

5) Financial management
The entry in the accounts of the severance indemnity in accordance with the regulations of IAS 19 provides for the entering of the financial component in the relevant heading of the profit and loss account. The effect for the financial year 2004 was of approximately 65 thousand euro.

6) Value adjustments – share of profit of companies evaluated using the shareholder's equity method
The failure to amortise goodwill also produces a positive effect in the goodwill of the associate companies as described in point 3) of the notes to the statement of assets and liabilities.

7) Other income
The difference between the IAS/IFRS and ITA Gaap figures basically refers to the reclassification of extraordinary management.

RECONCILIATION TABLE IFRS 1 OF NET ASSETS AS OF 1 JANUARY 2004, 31 DECEMBER 2004 AND THE OPERATING RESULT OF THE FINANCIAL YEAR 2004.

The tables below refer to the relevant figures for the group and are net of fiscal effects.

(Amounts in thousand of euro)	Stockholders' equity as of January 1st, 2004	Stockholders' equity as of December 31st, 2004	P&L account
Italian GAAP consolidated amounts	**44.246**	**46.722**	**3.625**
1. Goodwill	(335)	773	1.126
2. Other intangible assets	(233)	139	337
3. Lands	149	174	25
4. Inventory	140	170	29
5. Own shares	(256)	(256)	-
6. Severance indemnity	(46)	(35)	(14)
7. Business Combination	-	598	(119)
8. Stock Option	-	-	(257)
9. Other	10	8	(106)
Total IAS/IFRS adjustments	**(571)**	**1.571**	**1.021**
IAS/IFRS consolidated value	**43.675**	**48.293**	**4.646**

1. Goodwill (IFRS 3 – IAS 36)
As specified above, this entry is no longer systematically amortised in the profit and loss account but is subject to verification, at least once a year, so as to identify any loss in value (impairment test). To such purpose Cash Generating Units have been identified which the relative goodwill has been attributed to. At the moment of FTA all the goodwill entered in the consolidated financial statement had been subjected to impairment tests. The evaluations made by the management showed a loss of value of the CGU represented by the German subsidiary Deka LMS which entailed the reduction of the relative differences arising from consolidation of approximately 335 thousand euro.
The impact of lack of amortisation on the differences arising from consolidation and on goodwill accounted for approximately 1,126 thousand euro in the financial year 204.

2. Other intangible assets (IAS 38)
The figure refers mainly to formation and expansion costs which are no longer recognised as intangible assets according to the dispositions of IAS 38. The positive effect of 2004 represents the impact of the value of patents belonging to the subsidiary Cynosure valorised according to the dispositions of IAS 38.

3. Land (IAS 16)
According to Italian accounting principles the land which buildings are situated on is amortised along with the buildings themselves while according to IAS/IFRS they must be classified separately and no longer amortised. This different accounting treatment determines an increase in tangible assets of approximately 238 thousand euro and the entry of the relative fiscal effect of approximately 89 thousand euro, attributable solely to the parent company in FTA. In the profit and loss account 2004 the effect of the changeover produced an improvement of the result of approximately 25 thousand euro net.

4 Inventories (IAS2)
The El.En. group has chosen to use the weighted average cost rather than the LIFO criteria used by the group up until the changeover to IAS. IAS 2 bans the use of the LIFO criteria. The most significant effect of the adjustment entered in the table is represented by the parent company.

5. Treasury stock (IAS32)
According to Italian accounting principles this is entered among the assets while in the net assets a special restricted reserve must be set up; according to IAS/IFRS principles however such shares are entered in the accounts as a reduction of the net assets. Such different accounting treatment determines as of 1 January 2004 and 31 December 2004 a reduction of the total net assets of 256 thousand euro (entirely attributable to the Parent company) as a result of the charge-off of the treasury stock from the assets for an equal amount.

6. Employee benefits severance indemnity (IAS 19)
The institution of severance payment falls within the type of defined benefit plans subject to valuations of an actuarial nature (mortality, foreseeable wage variations, etc.) expressing the current value of the benefit to be paid at the end of the employment contract which employees have matured at the date of the financial statement. The impact of the transition produced a net effect in FTA of 46 thousand euro (net of the fiscal and third party effects). The acquisition of Quanta System S.p.a. in 2004 produced a positive effect of approximately 28 thousand euro given the booking of the severance indemnity fund of the subsidiary according to the criteria required by IFRS3. Such effect did not transit from the profit and loss account (it is part of the impact described in point 7), but produces a reduced negative effect on the net assets of the group as of 31 December 2004 (approx. 35 thousand euro).

7. Business Combination (IFRS3)
During 2004 the El.En Group made several acquisitions to increase its share of interest in companies which the parent company already had a holding in (Quanta System S.p.a. and Cutlite Penta S.r.l.). According to Italian accounting principles, the difference in value between the net assets purchased and the purchase cost could be offset against the existing consolidation reserve to the maximum amount of the same. According to IFRS3 such difference must be considered totally as goodwill, without the possibility of reducing consolidated net assets. Moreover for the business combination of the financial year 2004 the accounting figures at the moment of purchase were re-verified, determining a new difference arising from consolidation as a result of the fair value acquired (and not of the accounting figures shown in the financial statement). IFRS3 requires the valorisation at fair value of the figures for the subsidiary acquired at the moment of business combination, with particular reference to the inventory acquired and the current value of the severance indemnity as explained above. The effect of these figures on the inventory of the new subsidiary Quanta System (January 2004), produced a reduction of the final result for the financial year 2004 relevant to the parent company of 119 thousand euro.

8. Stock Option (IFRS2)
The fair value of the rights assigned foreseen as maturing at the end of the *Vesting period*, is divided pro-rata temporis from the financial year of assignment to the financial year of maturity. As a result in 2004 the cost relating to the financial year of 257 thousand euro, was entered. This figure refers to both the parent company and to the subsidiary Cynosure Inc.

9. Other adjustments
The other adjustments refer to the valorisation of financial instruments at fair value, to the entering of leasing according to the criteria of the IAS 17 and to the valorisation of the supplementary indemnity fund according to current value (IAS 32). The adjustment made in accordance with ITA/Gaap on the exchange rate differences of the subsidiary Cynosure (which has no effect on the net assets as of 31December 2004) has been eliminated. Such effect, net of third parties, resulted in a worsening of the financial year results of 96 thousand euro.

Appendix 2 – Effects of the application of the IFRS on the Statement of Assets and Liabilities and on the result as of 30 June 2005

The tables below refer to the figures relevant to the group and are net of fiscal effects.

(Amounts in thousand of euro)	Stockholders' equity as of June 30, 2004	P&L account
Italian GAAP consolidated amounts	**44.607**	**2.057**
1. Goodwill	102	520
2. Other intangible assets	(119)	114
3. Lands	162	13
4. Inventory	61	(76)
5. Own shares	(256)	
6. Severance indemnity	(46)	(22)
7. Business Combination	670	(60)
8. Sock Option		(60)
9. Other	13	(27)
Total IAS/IFRS adjustments	**587**	**402**
IAS/IFRS consolidated value	**45.194**	**2.459**

For comments on the variations shown above see the previous appendix.

Appendix 3 – El.En. S.p.A. Accounting tables

ASSETS	30/06/2005	31/12/2004	30/06/2004
B) FIXED ASSETS			
I) Intangible assets			
1) Formation and expansion expenses			186.056
4) Concessions, licenses, trade marks and similar rights	61.306	68.282	110.640
7) Other	15.176	13.652	24.686
Total intangible assets	**76.482**	**81.934**	**321.382**
II) Tangible assets			
1) Land and buildings	3.060.028	3.800.687	3.794.578
2) Equipment and machinery	261.485	270.079	274.462
3) Industrial and commercial equipment	731.595	703.292	718.940
4) Other	243.469	255.136	310.303
5) Tangible assets under construction and payments on account	170.621	97.329	
Total tangible assets	**4.467.198**	**5.126.523**	**5.098.283**
III) Financial fixed assets			
1) Equity investments in :			
a) subsidiary companies	21.428.908	21.387.705	17.249.855
b) associated companies	280.440	280.440	280.440
d) other companies	170.166	138.853	145.781
Total equity investments	*21.879.514*	*21.806.998*	*17.676.076*
3) Other investments			47.524
Total financial fixed assets	**21.879.514**	**21.806.998**	**17.723.600**
TOTAL FIXED ASSETS	**26.423.194**	**27.015.455**	**23.143.265**
C) CURRENT ASSETS			
I) Stocks:			
1) Raw materials and consumables	6.374.254	5.870.455	5.452.672
2) Work in progress and components	3.783.413	3.380.773	3.337.517
4) Finished goods	1.801.798	1.630.709	1.396.418
Total stocks	**11.959.465**	**10.881.937**	**10.186.607**
II) Debtors			
1) Trade debtors			
- due within 12 months	3.302.408	3.520.459	2.647.244
Total trade debtors	*3.302.408*	*3.520.459*	*2.647.244*
2) Amounts owed by subsidiary companies			
- due within 12 months	10.627.414	9.374.130	11.192.850
- due after 12 months	2.196.842	1.987.633	3.434.554
Total amounts owed by subsidiary companies	*12.824.256*	*11.361.763*	*14.627.404*
3) Amounts owed by associated companies			
- due within 12 months	148.303	136.467	126.311
Total amounts owed by associated companies	*148.303*	*136.467*	*126.311*
4-bis) Tax debtors			
- due within 12 months	664.587	255.185	686.908
Total tax debtors	*664.587*	*255.185*	*686.908*
4-ter) Deferred tax assets			
- due after 12 months	497.056	436.013	450.863
Total deferred tax assets	*497.056*	*436.013*	
5) Other debtors			
- due within 12 months	381.698	467.978	272.590
- due after 12 months	42.880	213.915	195.657
Total amounts owed by other debtors	*424.578*	*681.893*	*468.247*
Total debtors	**17.861.188**	**16.391.780**	**19.006.977**
III) Investments which are not permanent			
1) Subsidiary companies		993.526	
5) Own shares		255.937	255.937
6) Other investments			1.700.000
Total investments which are not permanent		**1.249.463**	**1.955.937**
IV) Cash at bank and in hand			
1) Bank and postal current accounts	3.591.965	6.298.369	4.529.636
3) Cash on hand	5.445	7.138	4.337
Total cash at bank and in hand	**3.597.410**	**6.305.507**	**4.533.973**
TOTAL CURRENT ASSETS	**33.418.063**	**34.828.687**	**35.683.494**
D) PREPAYMENTS AND ACCRUED INCOMES:			
1) Prepayments and accrued income assets	140.181	68.975	109.110
Total prepayments and accrued incomes	**140.181**	**68.975**	**109.110**
TOTAL ASSETS	**59.981.438**	**61.913.117**	**58.935.869**

LIABILITIES			
A) CAPITAL AND RESERVES			
I) Subscribed capital	2.424.367	2.424.367	2.402.992
II) Share premium reserve	34.954.351	34.698.414	34.206.116
IV) Legal reserve	537.302	537.302	537.302
V) Reserve for own shares		255.937	255.937
VII) Other reserves:			
- Extraordinary reserve	6.339.051	6.069.661	6.069.661
- Reserve for contribution on capital account	426.657	426.657	426.657
- Other reserves	-2	-1	4
Total other reserves	*6.765.706*	*6.496.317*	*6.496.322*
IX) Profit (loss) for the financial period	1.533.264	1.901.175	782.892
TOTAL CAPITAL AND RESERVES	**46.214.990**	**46.313.512**	**44.681.561**
B) PROVISIONS FOR RISKS AND CHARGES			
1) Provisions for pensions and similar obligations	54.899	216.184	206.221
2) Provisions for taxation	586.576	581.145	588.333
3) Other provisions	1.298.918	1.098.918	923.510
Total provisions for risks and charges	**1.940.393**	**1.896.247**	**1.718.064**
C) EMPLOYEE SEVERANCE INDEMNITY	**906.190**	**847.255**	**766.898**
D) CREDITORS			
3) Loans from shareholders			
- due after 12 months	619.748	619.748	619.748
Total loans from shareholders	*619.748*	*619.748*	
4) Amounts owed to banks			
- due within 12 months	208.993	209.796	210.456
- due after 12 months	103.291	206.583	309.874
Total amounts owed to banks	*312.284*	*416.379*	*520.330*
5) Amounts owed to other financial institutions			
- due within 12 months	209.492	168.575	139.262
- due after 12 months	621.931	636.197	734.502
Total amounts owed to other financial institutions	*831.423*	*804.772*	*873.764*
6) Advances received			
- due within 12 months	162.962	481.104	220.269
Total advances received	*162.962*	*481.104*	*220.269*
7) Amounts owed to suppliers			
- due within 12 months	6.355.807	5.779.395	7.222.663
Total amounts owed to suppliers	*6.355.807*	*5.779.395*	*7.222.663*
9) Amounts owed to subsidiary companies			
- due within 12 months	449.255	167.506	349.294
Total amounts owed to subsidiary companies	*449.255*	*167.506*	*349.294*
10) Amounts owed to associated companies			
- due within 12 months	4.869	135.710	
Total amounts owed to associated companies	*4.869*	*135.710*	
12) Amounts owed to tax administration			
- due within 12 months	537.313	1.245.353	587.915
Total amounts owed to tax administration	*537.313*	*1.245.353*	*587.915*
13) Amounts owed to social security institutions			
- due within 12 months	366.542	400.045	329.607
Total amounts owed to social security institutions	*366.542*	*400.045*	*329.607*
14) Other creditors			
- due within 12 months	1.271.706	2.803.764	1.025.890
Total other creditors	*1.271.706*	*2.803.764*	*1.025.890*
TOTAL CREDITORS	**10.911.909**	**12.853.776**	**11.749.480**
E) ACCRUALS AND DEFERRED INCOME			
1) Accruals and deferred income-liabilities	7.956	2.327	19.866
Total accruals and deferred income	**7.956**	**2.327**	**19.866**
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**59.981.438**	**61.913.117**	**58.935.869**

PROFIT AND LOSS ACCOUNT	30/06/2005	31/12/2004	30/06/2004
A) VALUE OF PRODUCTION			
1) Net turnover from sales and services	15.200.787	28.112.085	13.926.827
2) Change in stocks of finished goods and in work in progress	573.729	919.686	642.139
4) Work performed for own purposes and capitalised	41.853	226.663	155.879
5) Other revenues and income			
a) Other revenues and income	550.053	1.142.879	562.800
b) Grants received pertaining to the current year	450	900	450
Total other revenues and income	*550.503*	*1.143.779*	*563.250*
TOTAL VALUE OF PRODUCTION	**16.366.872**	**30.402.213**	**15.288.095**
B) COSTS OF PRODUCTION			
6) For raw materials, consumables and goods for sale	-7.740.525	-14.555.254	-7.677.160
7) For services	-3.581.465	-6.155.240	-3.190.979
8) For use of assets owned by others	-11.269	-36.403	-14.223
9) For staff costs:			
a) wages and salaries	-2.082.047	-3.687.812	-1.857.094
b) social security costs	-644.265	-1.149.792	-578.718
c) provision for severance indemnity	-133.689	-242.108	-118.375
Total for staff costs	*-2.860.001*	*-5.079.712*	*-2.554.187*
10) Value adjustments			
a) amortisation of intangible assets	-37.272	-492.513	-242.166
b) depreciation of tangible assets	-316.446	-587.409	-290.075
d) allowance for debtors in current assets and other acc.s incl. in cash	-34.984	-286.977	-238.409
Total value adjustments	*-388.702*	*-1.366.899*	*-770.650*
11) Change in stock of raw materials, consumables and goods for resale	503.799	558.586	140.803
12) Amounts provided for risk provisions	-10.000	-18.801	-18.000
14) Other operating charges	-142.600	-271.267	-187.722
TOTAL COSTS OF PRODUCTION	**-14.230.763**	**-26.924.990**	**-14.272.118**
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**2.136.109**	**3.477.223**	**1.015.977**
C) FINANCIAL INCOME AND CHARGES			
15) Income from equity investments:			
a) in subsidiary companies	330.000	180.000	
Total income from equity investments	*330.000*	*180.000*	
16) Other financial income:			
b) from other permanent investments other than equity investments			
c) from other investments which are not permanent	313.070	45.134	1.129
d) other income not included above			
- to subsidiary companies	*56.919*	*163.169*	*99.931*
- to associated companies	*989*	*2.000*	*995*
- to third parties	*34.825*	*67.926*	*42.770*
Total other income not included above	*92.733*	*233.095*	*143.696*
Total other financial income	*405.803*	*278.229*	*144.825*
17) Interest payable and similar charges			
d) to third parties	*-46.871*	*-101.049*	*-51.406*
Total interest payable and similar charges	*-46.871*	*-101.049*	*-51.406*
17-bis) Foreign exchange (loss) or gain	*446.377*	*-229.129*	*196.457*
TOTAL FINANCIAL INCOME AND CHARGES	**1.135.309**	**128.051**	**289.876**
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS			
19) Devaluation			
a) of equity investments	-692.437	-1.181.129	-925.068
Total devaluation	*-692.437*	*-1.181.129*	*-925.068*
TOTAL VALUE ADJUSTMENTS	**-692.437**	**-1.181.129**	**-925.068**
E) EXTRAORDINARY INCOME AND CHARGES			
20) Extraordinary income			
a) income	*53.198*	*453.541*	*446.476*
b) capital gains from disposal of assets		*685.041*	*684.526*
Total extraordinary income	*53.198*	*1.138.582*	*1.131.002*
21) Extraordinary charges			
a) charges	*-41.859*	*-5.710*	*-1.041*
b) capital losses from disposal of assets	*-6.591*	*-1.352*	
c) other extraordinary charges		*-168.526*	*-168.526*
Total extraordinary charges	*-48.450*	*-175.588*	*-169.567*
TOTAL EXTRAORDINARY INCOME AND CHARGES	**4.748**	**962.994**	**961.435**
PROFIT OR LOSS BEFORE INCOME TAXES	**2.583.729**	**3.387.139**	**1.342.220**
22) Income taxes:			
a) current	-1.106.076	-1.681.862	-762.887
b) deferred	55.611	195.898	203.559
23) NET PROFIT (LOSS)	**1.533.264**	**1.901.175**	**782.892**