El.En. Group

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2002

(Board of Directors - August 8 , 2002)

Report on the quarter ended June 30, 2002

Introduction

This report covers the El.En. Group consolidated financial information up to June 30th, 2002 prepared and divulged in accordance with article 2.6.2. of the Nuovo Mercato of the Italian Stock Exchange regulations and IA 2.4.1. instructions, and complies with article 82 of Consob rulings ex resolution 11971 and following amendments. The data and the information provided in this report have not been audited, being not compulsory.

The following information has been prepared on the same principles previously adopted by the El.En. Group for the interim and annual reports.

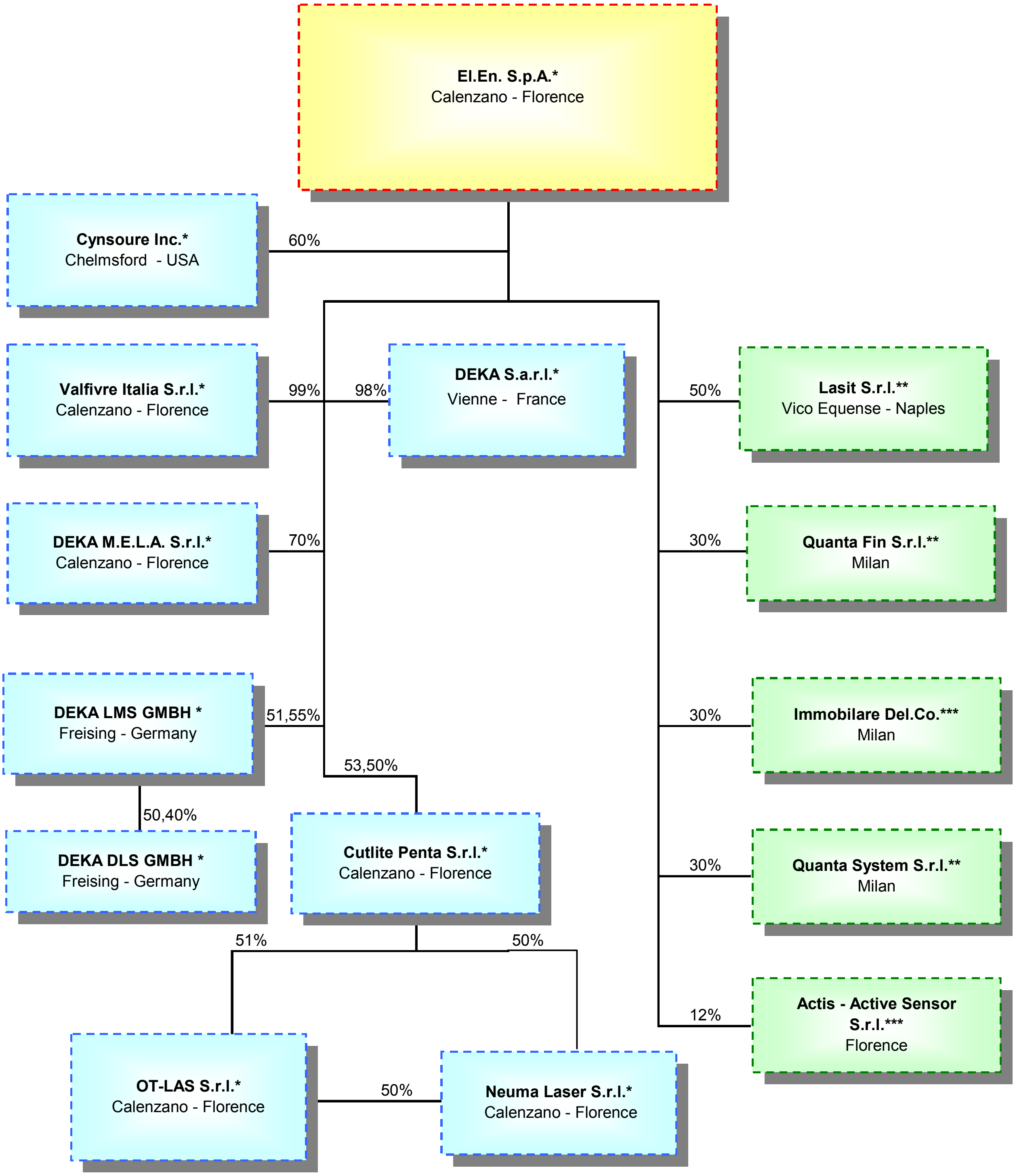
The financial results for the second quarter of year 2002 can be compared with the consolidated financial drawn for the quarter ended on June 30, 2001. Following the acquisition of Cynosure closed on May 6, 2002, which leads to the consolidation of Cynosure financials within El.En. groups' accounts, the financial statements are displayed both with and without the consolidation of Cynosure financials, in order to allow a homogeneous comparison with the corresponding period of the previous year.

All the amounts are expressed in thousands of euro if not otherwise stated.

Description of the Group

El.En. SPA is the holding company of an industrial group operating in the design, production and distribution of laser sources and systems for a variety of applications.

The structure of the group on June 30, 2002 is represented in the following chart.



* *Entirely consolidated*

** *Consolidated in relation to net worth*

*** *Kept at cost*

During the period under examination Cynosure Inc, prestigious American company active in the design production and sale of medical laser systems, entered El.En.'s group following the acquisition of 60% by El.En. SpA. This transaction is of capital importance for the group, because Cynosure's dimension, in terms of annual revenues and number of employees, is almost doubling the group's size, and because of the growth opportunities on the American and international markets that Cynosure will allow to exploit.

Cynosure itself is controlling a group of companies active on the world laser market: Cynosure Sarl in France, Cynosure Ltd in the UK, Cynosure Gmbh in Germany and Cynosure KK in Japan are wholly controlled subsidiaries that act as local distributors and perform the technical after sale service; Cynosure Suzhou in China is a 52% controlled subsidiary that is manufacturing certain devices for dermatology, too.
Moreover Cynosure owns 40% of Sona International, a company that runs laser hair removal centers, and is a customer of Cynosure for the rental of the laser used for its activity.
The financial statements of Cynosure are consolidated from the month of May on, therefore they impact on the group's consolidated financials for two months, only.

In this quarter the financial statements include the whole consolidation of DEKA DLS Gmbh financials; the company has been established at the beginning of the year in German to distribute laser system for the dental market. Because the small dimension of this start-up, its impact

El.En. S.p.A. is shareholder in a few other companies active in its same business, without holding a control on them; therefore the financial statements of these companies are not wholly consolidated in the group financial statement, but they are usually consolidated in relation to net worth. These companies, Quanta System Srl, Lasit Srl and Quanta fin Srl, do not draw up quarterly financial reports, but issued a six months report to allow their consolidation according to the current net worth.

Results of operations and financial position of the group

Consolidated income statement for the second quarter of 2002 is showed below, compared with the same period of 2001.

Profit and loss account - 3 months	30/06/2002	Inc.%	30/06/2001	Inc.%	Change
Net turnover from sales and services	13.483	93,85%	7.443	98,15%	81,13%
Variation in stock of finished goods and WIP	867	6,04%	84	1,11%	930,52%
Other revenues and income	16	0,11%	56	0,74%	-72,06%
Value of production	**14.366**	**100,00%**	**7.584**	**100,00%**	**89,42%**
Costs for raw materials	6.156	42,86%	3.928	51,79%	56,75%
Variation in stock of raw material	(50)	0,35%	(803)	10,59%	-93,76%
Other direct services	1.559	10,85%	683	9,00%	128,28%
Gross margin	**6.701**	**46,64%**	**3.777**	**49,80%**	**77,43%**
Other operating services and charges	2.394	16,66%	1.504	19,83%	59,19%
Added value	**4.307**	**29,98%**	**2.273**	**29,97%**	**89,49%**
For staff costs	2.919	20,32%	1.110	14,63%	163,01%
Gross operating profit	**1.389**	**9,67%**	**1.163**	**15,34%**	**19,36%**
Depreciation, amortisation and other accruals	600	4,18%	358	4,72%	67,61%
Net operating profit	**788**	**5,49%**	**805**	**10,62%**	**-2,10%**
Net financial income (charges)	(12)	0,09%	320	4,22%	-103,91%
Operating profit	**776**	**5,40%**	**1.125**	**14,84%**	**-31,05%**
Value adjustments (Devaluations)	39	0,27%	39	0,52%	0,06%
Extraordinary income (Charges)	94	0,65%	33	0,43%	188,81%
Earning before taxes	**909**	**6,33%**	**1.197**	**15,79%**	**-24,06%**

Profit and loss account - 3 Months - without Cynosure	30/06/2002	Inc.%	30/06/2001	Inc.%	Change
Net turnover from sales and services	9.453	92,48%	7.443	98,15%	26,99%
Variation in stock of finished goods and WIP	746	7,30%	84	1,11%	786,91%
Other revenues and income	22	0,22%	56	0,74%	-60,71%
Value of production	**10.221**	**100,00%**	**7.584**	**100,00%**	**34,77%**
Costs for raw materials	4.191	41,00%	3.928	51,79%	6,70%
Variation in stock of raw material	253	2,48%	(803)	10,59%	-131,55%
Other direct services	1.331	13,02%	683	9,00%	94,89%
Gross margin	**4.447**	**43,51%**	**3.777**	**49,80%**	**17,75%**
Other operating services and charges	1.635	16,00%	1.504	19,83%	8,77%
Added value	**2.811**	**27,51%**	**2.273**	**29,97%**	**23,69%**
For staff costs	1.470	14,38%	1.110	14,63%	32,46%
Gross operating profit	**1.342**	**13,13%**	**1.163**	**15,34%**	**15,32%**
Depreciation, amortisation and other accruals	323	3,16%	358	4,72%	-9,73%
Net operating profit	**1.018**	**9,96%**	**805**	**10,62%**	**26,46%**
Net financial income (charges)	(20)	0,19%	320	4,22%	-106,20%
Operating profit	**998**	**9,77%**	**1.125**	**14,84%**	**-11,27%**
Value adjustments (Devaluations)	126	1,23%	39	0,52%	220,44%
Extraordinary income (Charges)	16	0,16%	33	0,43%	-50,36%
Earning before taxes	**1.141**	**11,16%**	**1.197**	**15,79%**	**-4,71%**

Consolidated income statement for the first six months of 2002 is showed below, compared with the same period of 2001.

Profit and loss account	30/06/2002	Inc.%	30/06/2001	Inc.%	Var.%
Net turnover from sales and services	21.113	94,8%	13.458	93,2%	56,9%
Variation in stock of finished goods and WIP	1.101	4,9%	893	6,2%	23,2%
Other revenues and income	50	0,2%	84	0,6%	-41,1%
Value of production	**22.263**	**100,0%**	**14.435**	**100,0%**	**54,2%**
Costs for raw materials	10.263	46,1%	7.578	52,5%	35,4%
Variation in stock of raw material	(786)	3,5%	(1.241)	8,6%	-36,6%
Other direct services	2.459	11,0%	1.456	10,1%	68,9%
Gross margin	**10.327**	**46,4%**	**6.642**	**46,0%**	**55,5%**
Other operating services and charges	3.526	15,8%	2.657	18,4%	32,7%
Added value	**6.801**	**30,5%**	**3.985**	**27,6%**	**70,7%**
For staff costs	4.231	19,0%	2.145	14,9%	97,3%
Gross operating profit	**2.569**	**11,5%**	**1.840**	**12,7%**	**39,6%**
Depreciation, amortisation and other accruals	953	4,3%	578	4,0%	64,9%
Net operating profit	**1.616**	**7,3%**	**1.262**	**8,7%**	**28,0%**
Net financial income (charges)	163	0,7%	638	4,4%	-74,5%

Operating profit	**1.779**	**8,0%**	**1.900**	**13,2%**	**-6,4%**
Value adjustments (Devaluations)	39	0,2%	39	0,3%	0,1%
Extraordinary income (Charges)	81	0,4%	57	0,4%	42,6%
Earning before taxes	**1.899**	**8,5%**	**1.996**	**13,8%**	**-4,9%**

Profit and loss account - without Cynosure Inc.	30/06/2002	Inc.%	30/06/2001	Inc.%	Var.%
Net turnover from sales and services	17.083	94,3%	13.458	93,2%	26,9%
Variation in stock of finished goods and WIP	980	5,4%	893	6,2%	9,7%
Other revenues and income	56	0,3%	84	0,6%	-33,5%
Value of production	**18.119**	**100,0%**	**14.435**	**100,0%**	**25,5%**
Costs for raw materials	8.297	45,8%	7.578	52,5%	9,5%
Variation in stock of raw material	(483)	2,7%	(1.241)	8,6%	-61,1%
Other direct services	2.231	12,3%	1.456	10,1%	53,3%
Gross margin	**8.073**	**44,6%**	**6.642**	**46,0%**	**21,5%**
Other operating services and charges	2.768	15,3%	2.657	18,4%	4,2%
Added value	**5.305**	**29,3%**	**3.985**	**27,6%**	**33,1%**
For staff costs	2.783	15,4%	2.145	14,9%	29,7%
Gross operating profit	**2.522**	**13,9%**	**1.840**	**12,7%**	**37,1%**
Depreciation, amortisation and other accruals	676	3,7%	578	4,0%	17,0%
Net operating profit	**1.846**	**10,2%**	**1.262**	**8,7%**	**46,3%**
Net financial income (charges)	155	0,9%	638	4,4%	-75,6%
Operating profit	**2.002**	**11,0%**	**1.900**	**13,2%**	**5,3%**
Value adjustments (Devaluations)	126	0,7%	39	0,3%	220,4%
Extraordinary income (Charges)	3	0,0%	57	0,4%	-95,1%
Earning before taxes	**2.131**	**11,8%**	**1.996**	**13,8%**	**6,7%**

The following chart shows the net financial position of the group on June 30, 2002 compared with March 31, 2002, and December 31, 2001.

Net financial position			
	30/06/2002	**31/03/2002**	**31/12/2001**
Financial mid and long term debts	(2.306)	(2.146)	(2.249)
Financial mid and long term debts	*(2.306)*	*(2.146)*	*(2.249)*
Financial liabilities due within 12 months	(735)	(356)	(357)
Cash in banks and on hand	25.640	32.910	32.478
Net financial short term position	*24.904*	*32.554*	*32.121*
Total financial net position	**22.598**	**30.408**	**29.872**

Report on operations

During the first six months of 2002 the group operated in the design, production and distribution of laser sources and systems; the main markets on which the group operates are, like in the previous years, the market for medical and aesthetical laser systems and the market for laser systems for industrial applications. Beside these two main markets, the group is reporting sales for technical services effected to its own customers and in relation to research and development projects.

The turnover for the first six months of 2002 marks a 56,9% increase compared to the turnover of the first six months of year 2001, as an effect of the contribution of Cynosure, too.

The following chart shows the first six months sales by market segment, compared with the first six months of year 2001. Also for this chart we are providing a second report, which is related to the consolidation perimeter prior to Cynosure's acquisition.

With Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Industrial systems and lasers	6.481	30,7%	5.101	37,9%	27,1%
Medical and cosmetic lasers	11.975	56,7%	7.382	54,9%	62,2%
Others	73	0,3%	52	0,4%	41,3%
Service	2.584	12,2%	923	6,9%	179,9%
Total	21.113	100,0%	13.458	100,0%	56,9%

Without Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Industrial systems and lasers	6.481	37,9%	5.101	37,9%	27,1%
Medical and cosmetic lasers	9.456	55,4%	7.382	54,9%	28,1%
Others	73	0,4%	52	0,4%	41,3%
Service	1.073	6,3%	923	6,9%	16,2%
Total	17.083	100,0%	13.458	100,0%	26,9%

Net sales display "two digits" growth rates in each segment, showing the great vitality of the group and its expansion phase, notwithstanding the unfavourable market conditions. With Cynosure's acquisition the medical laser segments increases its dominance within the group, marking a 62,2% increase for the period. The other segments keep up contributing to the result which overruns the management's forecasts: the industrial laser segment registers a 27,1% growth rate, an excellent performance with respect to the stagnation of the market, while the post sale services grow as an effect of the continuous increase of the installed base. For this segment the contribution by Cynosure is even more evident, because of the huge installed base of the American company.

The revenues from R&D projects and R&D costs reimbursement marks an increase on the level of year 2001, nevertheless achieving very low amounts with respect to the physiological level to be obtained by a group that has in the R&D activity one of its main strengths and that is undergoing an intense R&D activity. This low amount id he effect of delays in the payment of grants with respect to the execution of the R&D projects.

The following charts show the consolidated sales according to geographical distribution.

With Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Italy	8.696	41,2%	8.184	60,8%	6,3%
Europe	4.578	21,7%	2.007	14,9%	128,1%
Rest of the world	7.839	37,1%	3.267	24,3%	140,0%
Total	21.113	100,0%	13.458	100,0%	56,9%

Without Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Italy	8.652	50,6%	8.184	60,8%	5,7%
Europe	3.845	22,5%	2.007	14,9%	91,6%
Rest of the world	4.585	26,8%	3.267	24,3%	40,4%
Total	17.083	100,0%	13.458	100,0%	26,9%

Cynosure shifts the revenues to United States and international markets, as showed in the first chart; without its contribution we show that international markets anyhow accounted for a higher growth rate than the Italian market. The new products allowed overcoming the problems due to a negative and uncertain market condition
Medical/aesthetic market sales are 56,7% of total sales, and mark a strong increase in the period. The following chart reports on sales for each segment of the market.

With Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Surgical CO2	954	8,0%	776	10,5%	22,8%
Physiotherapy	265	2,2%	424	5,7%	-37,4%
Cosmetic	8.304	69,3%	4.792	64,9%	73,3%
Dental	865	7,2%	765	10,4%	13,1%
Other medical lasers	1.418	11,8%	467	6,3%	203,8%
Accessories	169	1,4%	158	2,1%	6,7%
Total	11.975	100,0%	7.382	100,0%	62,2%

Without Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Surgical CO2	954	10,1%	776	10,5%	22,8%
Physiotherapy	265	2,8%	424	5,7%	-37,4%
Cosmetic	6.641	70,2%	4.792	64,9%	38,6%
Dental	865	9,1%	765	10,4%	13,1%
Other medical lasers	566	6,0%	467	6,3%	21,1%
Accessories	166	1,8%	158	2,1%	4,7%
Total	9.456	100,0%	7.382	100,0%	28,1%

Cynosure focuses on two segments, cosmetic and dermatology. In the latter, included within the “other medical laser”, Cynosure operates with its Dye lasers, the most sophisticated systems available on the market. Without considering Cynosure the group achieved sales increase, some very strong, in most of the segments. To be noted the 38,6% increase for cosmetic and the 22,8% in surgical CO_2 lasers.
In the period certain products achieved market success, markedly Photosilk for hair removal and Triactive for cellulites removal, both released to the market during year 2001. The dramatic conditions of the last month of year 2001 inhibited these products to meet the forecasted success at that time, but the value of the products allowed to reach the expected sales volume later on, due to the marketing and promotion expenses that supported the sales activity, too.

In the therapy segment sales decreased, while R&D work is being performed in order to build a stronger clinical and technological base to allow new market developments.
The following chart shows a classification of sales in the industrial laser systems market. No separate chart is provided to exclude Cynosure sales, since there aren’t any in the industrial laser market.

With Cynosure	**30/06/2002**	**Inc%**	**30/06/2001**	**Inc%**	**Var%**
Cutting	3.499	54,0%	3.084	60,5%	13,5%
Marking	2.697	41,6%	1.430	28,0%	88,6%
Laser sources	205	3,2%	492	9,6%	-58,4%
Welding	80	1,2%	95	1,9%	-15,3%
Total	6.481	100,0%	5.101	100,0%	27,1%

The results in terms of sales are still very positive, for the laser cut systems and, even more, for the marking systems. The segments of laser sources and welding report sales decrease: for welding this complies with forecasts, while laser sources are expected to catch up in the next months, also due to the new high power laser sources range of products. Also for the industrial market a strong activity in sales support has been performed, with marketing expense and through distributors. Accordingly a strong growth could be achieved in a negative market scenario, though accepting sometimes lower sales margins.

Gross margin is up to euro 10.327 thousands, increasing with respect of the same period of 2001, with the impact on Value of production down to 46,6% from 49,8% of the corresponding period of lat year. Sales profitability is hurt, in the cosmetic/medical market, by the difficult market conditions, which in spite of the sales increase puts a strong pressure on sales margins, and in the industrial market by the aggressive sales policy that aims to the market share increase. Despite the accounting for several hundreds thousands euros for R&D expense, because of the system of granting and accounting for R&D grants, the revenues related to the costs booked for during the quarter will be booked only in next quarters. The R&D revenues, predominantly reimbursing for staff costs, have a strong impact on gross margin percentage.

The Other operating services and charges accounted for about 3.526 thousands of euro, with a 15,8% impact on Value of Production, decreasing from the 18,4% value of the first six months of 2001. Without Cynosure this aggregate displays a moderate increase with respect to the previous year, even in a strong sales growth period like the one we are reporting. Nevertheless the marketing expenses and R&D expenses, strongly increased in the period, led to 8,7% growth of operating costs in the second quarter. The consolidation of Cynosure does not significantly changes the impact of operating costs on the value of production.

Staff costs account for 4.231 thousands of euro, with an impact rising to 19% from 14,9% of the first six months of 2001. Employees were 118 as of June 30, 2001, and are 265 on June 30, 2002: the increase is mainly attributable to the 119 Cynosure employees, and for the rest to internal growth, apart form the only employee of the new Deka Dls Gmbh. Employee increase involved all the functions, but Research and development and sales were the function with the highest number of hiring, which involved accounting and production, too.

The Gross operating Profit (EBITDA) accounts for 2.569 thousands of euro, up 39,6%, and with an impact of 11,5% down form the 12,7% of the first two quarters of 2001. Also due to the Cynosure acquisition the structure of a higher EBITDA with a lower EBITDA impact on value of production will be a typical trend for the next quarters.

Depreciation and amortisation accounts for considerably higher amounts than in the corresponding period of the previous year, with a 64,9% increase, also due to the amortization of the consolidate goodwill accounted for following the Cynosure acquisition. Such consolidation difference accounts for 7.629 thousands of euro and generated amortisation for 127 thousands of euros for the two months of consolidation of Cynosure financials. The amortization of the consolidation goodwill will be a relevant cost entry within the consolidated financials for the next years.
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The operating profit (EBIT) is therefore 1.616 thousands of euro, up 28% with an impact of 7,3% on Value of Production.

The net financial income is positive (163 thousands of euro), but marks a strong decrease with respect to the previous year (638 thousands of euro). There are three causes: the interest rate decrease, the use of a significant portion of the cash for the acquisition of Cynosure and the losses on foreign currency due to the decrease of the US dollar value. Concerning this last piece, the deposits opened before the closing of the Cynosure transaction affected the income with a 98 thousand euro entry for foreign exchange loss at the moment of the final booking of the acquired shares. The change in financial revenue affects earning before taxes of the period forcing its decrease, on a quarterly basis, with respect to the previous year.

The extraordinary income is positive for 81 thousands of euro, accounting also the relevant share of the net income gained in the period by Quanta System and Lasit, for a total amount of 126 thousands of euro, and of the loss of the Cynosure's Sona International for 87 thousands of euro.

The profit before taxes is therefore 1.899 thousands of euro.

Comments on the trend of the net financial position

The net financial position is positive for more than 22.5 millions of euro.

The acquisition of Cynosure, closed during the quarter, involved an investment of 9.987 thousands dollars, accounted for at a 0,9002 euro for dollar exchange rate. The agreement includes a second installment to be calculated according to the year 2002 net sales of Cynosure; the assumptions made for the drawing of this report set the amount to 1.916 thousand dollars. Other cost have been allocated to the cost of the shares, for a total amount of 292 thousands dollars.

Within the transaction, El.En.'s payment allowed a share capital increase for 1.339 thousands dollars, due to the exercise of stock options assigned to employees. Cynosure obtained about 300 thousand dollars more by the payment of

loans granted to shareholders for the purchase of shares, because the shareholders could obtain the cash to pay back their debts to the company. During the month of June Cynosure obtained a federal tax reimbursement for over 800 thousand dollars, allowing the booking of 2.789 thousand dollars net financial position for Cynosure. The structure of the acquisition transaction has therefore performed an appropriate financing of the Company, needed to put it in the optimal conditions to pursue its goals in R&D and sales.
During the period cash has moreover been used for the payments of dividends by El.En. (920 thousands of euro) and for the acqsuisition of 30% of immobiliare Del.co. Srl (274 thousands of euro) that will be described in the following paragraphs.
Net of the extraordinary uses of cash, of the payment of dividends and eliminating the cash retained by Cynosure, the net financial position increased by 2.443 millions of euros in the period, as an effect of cash generated by operations.

Gross investments effected in the quarter

The following charts show the gross investments effected in the quarter.

Progressive	**30/06/2002**	**30/06/2001**
Intangible assets	125	343
Tangible assets	935	669
Equity investments	274	0
Total	851	1.012

3 Months	**30/06/2002**	**30/06/2001**
Intangible assets	121	313
Tangible assets	717	546
Equity investments	249	0
Total	603	859

The investments in tangible assets involved the acquisition of equipment for sales demos and clinical trials for the medial market, and the renewal of certain lab equipment. Cynosure capitalized laser systems to be rented to the Sona subsidiary. Moreover El.En. booked 107 thousands of euros within the intangible assets for the acquisition and start-up of a new IS.
Among the equity investments the acquisition of 30% of Immobiliare Del.co. Srl, for 274 thousands of euro is intended to support Quanta System by providing the appropriate premises to the company, in order to facilitate the strong growth that it is experiencing. The gross equity investments as of June are only slightly higher than march's, because of the reversal of the DEKA DLS accounted for in March, as an effect of the whole consolidation of the financials of the company.

Comments on Research and development activities

During the first six months of 2002 the group has undertaken, as in the previous years, an intense activity of research and development, aimed to the creation of innovative products and of new application methodologies both in the medical and the industrial application fields. R&D plays a fundamental strategic role for the group, and the ability to introduce on the markets new innovative products for a wide range of applications has always been the strategic focus of our activity.

The R&D activities are partially financed by contracts underwritten with research centers and the MIUR (University and Technological Research Office), and by contributions on staff costs that can be granted in the form of tax credits, too.

Among the activities undertaken we note the characterisation of the beam and the optical components for laser systems, for the application of lasers in the conservation of artistic manufacts, for physiotherapy and the ones oriented to the new applications of known technologies which allow the release to the market of new innovative products.

Moreover the clinical trials and experimentation for the documentation and scientific confirmation of the efficacy of certain laser treatments has been undertaken for laser applications of extreme innovativeness, in cooperation with qualified external research laboratories.

The following chart lists the R&D expenses

thousands of euro	**30/06/2002**
Costs for personnel and general expenses	1.724
Costs for instruments and equipment	40
Costs for building of prototypes	136
Costs for technological consultants	137
Services provided	28
Intangible assets	-
Total	**2.065**

The amount of the sustained expenses sums up to around 9,7% of the consolidated turnover and about 19,6% of the turnover of El.En. Spa, which stands most of the R&D expenses. The effort in these activities, and the resources dedicated to R&D are very important.

For the expenses listed in the chart the group obtained revenues for expenses reimbursement or for research programs for a total amount of 73 thousands of euro, and other revenues for 8 thousands of euro. This amount is absolutely unsuitable to the extension of the effort performed and with respect to the contracts already existing and in definition with the relevant bodies.

As reported by the "Gazzetta Ufficiale" dated April 24th 2002 , El.En. S.p.A. has been assigned a grant of euro 322 thousands and loan of 681 thousand euro (with lower than market interest rates) for a project denominated "Development of new laser systems for orthopaedic and physiotherapic applications". The R&D expense already effected and to be effected all over 2003 is scheduled to sum up to 1.135 thousand of euro. The company has already booked expenses for about euro 470 thousands, but, as for the project described in the previous paragraph, no revenue has yet been accounted for.

Among the projects which involve revenues or cost reimbursement the group is working at: project CHOCLAB, approved by MIUR, that involves a total cost of 856 euro thousands between year 2000 and 2003 and will allow 579 thousands of euro of revenues. Even though about 568 thousand of euro have been booked as research costs on this project, the procedure of the cost approval does not allow yet booking any revenue in relation to the project.

No other notable event of particular relevance took place in the second quarter 2002.

Other significant events of the quarter

On May 6, 2002 El.En. S.p.A. closed the acqsuisition of 60% of Cynosure Inc., with a share capital increase whose proceeds have been used for a buy back of shares by the company.
El.En., paid 9,897 millions of dollars, and a balance is due within twelve months from the closing. The second instalment involves an earn out, and will be calculated with respect of a total value of the company set as net sales for year 2002 minus operating loss for year 2001.
An assumption had to be made in order to book the cost of the acquired shares, based on the budget issue by the management and the actual performance of the first sic months: the forecasted sales volume of 23,5 millions of dollars set a value of Cynosure to 197 millions of dollars: based on this assumption El.En. would pay 11,98 millions of dollars for the 60%, of which 9,897 already paid and 1,9 millions of dollars to be paid as balance. The actual due amount will be calculated with respect to the net sales showed in the audited report for year 2002. The consolidation difference booked in the consolidated financials has been calculated based on the same assumption.

On June 24, 2002 the extraordinary shareholders meeting of Quanta System and Quanta Fin approved the merger of the two companies. The merger act will be effected within October 2002; its economic effects will be dated January 1, 2002. Previously El.En. had sold a 20% share of Quanta Fin to Laserfin, the sole other shareholder of the company, for an amount of 43,3 thousands of euro with a gain if 5,196 thousands of euro on a consolidated basis.

Other significant events after the end of the quarter

On July 16, 2002, the extraordinary shareholder meeting of El.En. Spa approved to revoke, for the unexecuted part, the resolution of the shareholders meeting held June 7, 2000, which had given to the board of directors the power to increase the share capital by issuing a maximum of 240.000 ordinary shares, to be executed without any option right, to be reserved in option to employees and directors of the company and its subsidiaries (stock options). Such revoke was needed because the board couldn't anymore affect the share capital increase, since the minimum exercise price had been fixed to 26 euro, the IPO's value, not suitable for an incentive plan due to the current market value of the share.
Within the same meeting the shareholders resolved to reassign to the board of directors the power to issue a share capital increase for a maximum of 240,000 shares, but defined the minimum price as the maximum of the following: i) net worth per share value, ii) the average of the stock value during the six months before the date of the share capital increase, iii) the average of the stock value during the thirty days before the date of the share capital increase, iv) the average of the stock value during a period before the date of the share capital increase to be selected by the board.

Short term evolution

The acquisition of Cynosure considerably increased the group's dimension, with the need for an update of the previous forecasts of a 21% sales growth for the year. The new plan forecast nest sales up 85%, and, since Cynosure operates on the medical market, only, medical laser sales up 111% and industrial laser systems sales still up 21% as in the previous forecast.
Profits margins were forecasted in growth with respect to the previous years. The consolidation of Cynosure, a company that had a very negative year 2001 and that achieved break even in operations only after the fist months of year 2002, will affect the profit margins in terms of impact on the value of production, without a significant impact on their total amount of the profits.

For the Board of Directors

Dr. Ing. Andrea Cangioli