RAS BANK

ITALIAN EQUITY RESEARCH

Direzione Finanza

April 1, 2004

El.En.

OUTPERFORM *UNCHANGED*

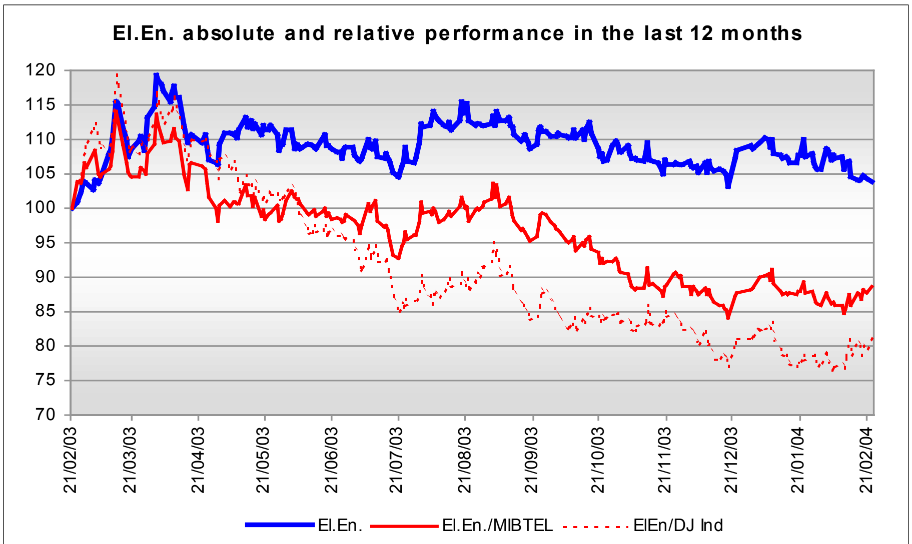
Year to DEC.	Sales EUR m	EBITDA EUR m	Adj.EBIT EUR m	ROS %	ROI %	Net profit € m	Adj.Net Profit EUR m	ROE %	D/E at Mkt x	Adj. EPS €	DPS €	EV/EBITDA x	EV/EBIT x	P/E x	Yield %	Price EUR
2001	27.8	3.9	2.7	9.7%	19.9%	2.3	2.1	5.3%	-0.39	0.46	0.20	12.8	19.2	36.9	1.2%	16.9
2002	54.1	7.0	4.5	8.4%	26.0%	2.1	0.7	4.8%	-0.46	0.15	0.25	5.1	9.0	76.0	2.1%	11.7
2003	68.1	5.5	2.3	3.4%	9.3%	0.9	-0.6	1.9%	-0.19	(0.12)	0.10	11.4	43.7	(124.7)	0.7%	14.9
2004E	88.1	8.6	5.4	6.1%	16.2%	1.7	0.4	3.9%	-0.11	0.09	0.20	7.8	15.0	174.2	1.4%	14.9
2005E	99.2	11.4	8.3	8.4%	21.7%	2.9	1.5	6.2%	-0.10	0.33	0.33	5.9	9.0	45.3	2.2%	14.9

- Hard Q4'03 for El.En. Profitability was penalised by a still weak dollar, by a sluggish manufacturing sector and by the restructuring charges relating to the subsidiary Cynosure. While revenues added 4% (to EUR20.1m), EBITDA margin dropped to 9% (from 14.9%) and ROS to 2.3% (from 8%).

- In FY'03, Group turnover grew 25.8% (to EUR68.1m), EBITDA dipped to EUR5.5m (EUR7m in '02) and EBIT plummeted to EUR1.4m (from EUR4m). Group accounts were affected by higher fixed costs (i.e. labour cost) and by the restructuring charges paid for the newly consolidated companies.

- For '04, El.En. expects a sharp increase in turnover (+29%) and margins: its accounts will profit by the restructuring of Cynosure's distribution network and by new product launches.

- Based on our DCF valuation, we set a target of EUR17.4 on the Group (slightly lower than EUR17.6) with **OUTPERFORM** rating, which is justified by a 16.7% upside to current market prices.



Price on March 22 2004	**EUR14.87**
52-week range	**EUR12.2 - 17.4**
MIBTEL index	**20,352**
Abs. Perf. (1,3,12 months)	**-5,-2,+4%**
Rel. to MIBTEL (1,3,12 months)	**(1),+0,(11)%**
Share capital (total)	**EUR2.6m**
Shares outstanding (total)	**4.62m**
Market capitalisation (total)	**68.7**
Free float	**38.0%**
Avg. daily traded volume	**3,171**
Reuters code	**ELN.MI**
Bloomberg code	**SAB IM**

Major shareholders

Mr. A.Cangioli	**13.5%**
Mrs. B.Bazzocchi	**10.5%**
Mr. G.Clementi	**10.5%**
Mr. F.Muzzi	**10.5%**
MPS	**10.1%**

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INVESTMENT SUMMARY

Group relaunch through Cynosure network

Our unlevered DCF valuation of El.En., based on the assumption of a 15-year competitive advantage period, sets a target of EUR17.4 (-1.1% on the previous EUR17.6). Given a 17% upside to current market prices, we reiterate an **OUTPERFORM** rating on the stock.

The DCF valuation of EL.EN. sets a target of EUR17.4 (from EUR17.6). Given an upside of 17%, we confirm an OUTPERFORM rating

Q4'03 was a difficult quarter for El.En. While revenues grew 4% (to EUR20.1m), profitability was penalised by a still weak dollar, by the crisis-hit manufacturing sector (first of all in Italy) and by the restructuring charges paid for the subsidiary Cynosure and other newly acquired companies. EBITDA fell to EUR1.8m (from EUR2.9m), accounting for 9% of revenues (from 14.9%). Furthermore, EBIT stood at EUR0.5m (vs. EUR1.6m in '02) and ROS reached 2.3% (from 8%).

Q4'03 profitability penalised by the weak dollar, by the crisis-hit manufacturing sector and by restructuring charges

FY'03 turnover gained 25.8% (to EUR68.1m), mainly thanks to a wider consolidation area (the medical sector added 40%). Although gross margin rose to 55.2% (from 54.1%), EBITDA margin decreased to 8.1% (from 13%) and ROS dropped to 2.1% (from 7.3%). Group profitability was affected by the higher fixed costs borne by the newly acquired companies and relevant restructuring charges.

Acquisitions as growth drivers of revenues '03 (the medical sector gained 40%) and the reasons for margin dilution

For the next few years, revenues and profit margins are expected to rise sharply. Under our estimates, FY'04 revenues should be up 29.4% (to EUR88.1m), EBITDA should jump to EUR8.6m (from EUR5.5m, with Ebitda margin to 9.8% from 8.1) and EBIT should hit EUR4.5m (from EUR1.4m). Finally, ROS should jump to 5.1% (from 2.1%). EL.EN. growth will be mainly driven by Cynosure and by its rationalised distribution network. For the period 2004-2008, we expect revenue CAGR of 11.1%, EBITDA margin of 15.3% and ROS of 11.7%.

For the next few years, Group results should be pushed higher by Cynosure's rationalised distribution network: revenues '04 should gain 29%

VALUATION

DCF valuation: target at EUR17.4 with OUTPERFORM rating

Four-stage DFC valuation

We valued El.En. through an unlevered DCF method based on the hypothesis of a 15-year competitive advantage period (2004-2018): under our assumptions, during this time horizon, El.En. will be able to preserve its competitive advantage, that is growing while creating value. We split the above-mentioned time horizon into four periods:

First period: until '08

- During the **first 5 years (first period)** cash flows are calculated on the basis of **punctual estimates** of the growth rates of the P&L Account and Balance Sheet items. We estimate that **ROCE** will move in line with a **rising marginal profitability** (relating to incremental Capex).

Second period: 2008-2013

- During the subsequent five years **(second period)** we estimated a **3%** rise in **NOPAT** with **marginal profitability** equal to ROCE at the end of the first period. Based on these parameters, we calculated incremental investments.

Third period: 2013-2018

- During the last five years **(third period),** sticking to the above-mentioned expected rise in **NOPAT** (**3%**), we forecast that **ROCE of marginal investments** falls gradually until it is in line with **WACC**. This hypothesis is based on the assumption that, after a given number of years, El.En. cancels its competitive advantage and therefore stops creating value through additional investments. We therefore expect NOPAT to stop growing as from 2019.

Fourth period: calculation of terminal value

One of the main consequences of the above-mentioned assumptions is the calculation of **terminal value (fourth period)** in '18. The **G growth rate** of NOPAT for the subsequent years does not affect our valuation, as marginal profitability is assumed to be equal to WACC.

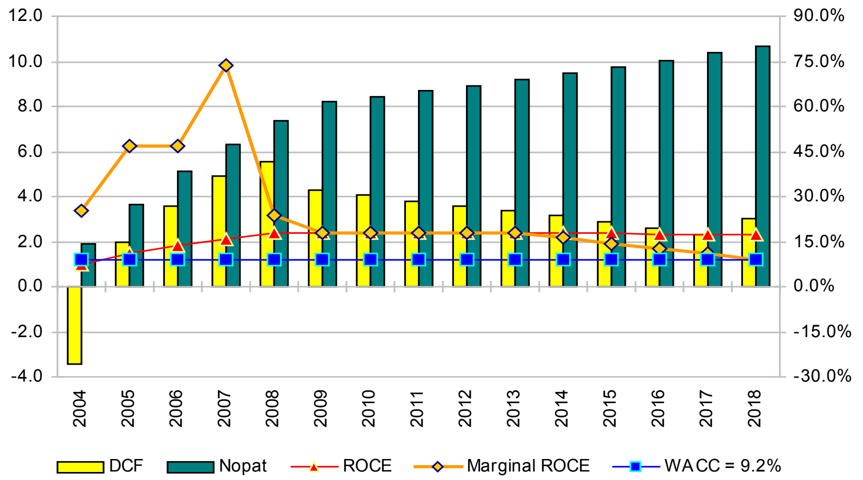
WACC at 9.2%

10y BTP interest rate	4.4%
Market risk premium	4.2%
Beta	0.9
Small Caps Adj.	1.1%
Cost of equity	9.2%
WACC	9.2%

The side table shows the calculation of the average cost of capital, which we estimate at 9.2%. In this case, the average cost of capital corresponds to the cost of equity, as El.En. financial structure has a positive NFP, which should hold up in the coming years.

The following chart shows our estimates of NOPAT, DCF and profitability for the period 2003-2017.

Cash flows and profitability between 2004 and 2017



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EBIT	**1.4**	**4.5**	**7.4**	**9.9**	**11.8**	**13.5**										
Tax	-1.3	-2.6	-3.8	-4.7	-5.4	-6.1										
NOPAT	**0.1**	**1.9**	**3.7**	**5.1**	**6.3**	**7.4**	**8.2**	**8.4**	**8.7**	**8.9**	**9.2**	**9.5**	**9.8**	**10.1**	**10.4**	**10.7**
Delta NWC	-9.1	-6.7	-2.5	-1.9	-0.9	-0.5										
Capex	-5.5	-2.8	-2.9	-2.9	-2.9	-2.9	-1.4	-1.4	-1.5	-1.5	-1.5	-1.8	-2.0	-2.4	-2.8	0.0
Depr/Amort/Prov.	4.1	4.1	3.9	4.0	4.0	4.1										
FCFO	**-10.5**	**-3.5**	**2.2**	**4.3**	**6.5**	**8.0**	**6.8**	**7.0**	**7.2**	**7.4**	**7.7**	**7.7**	**7.7**	**7.7**	**7.5**	**10.7**
Average NIC adj	24.6	33.3	38.4	41.2	43.2	44.4	45.6	47.0	48.4	49.9	51.4	53.1	55.0	57.2	59.8	61.2
Marginal ROCE	17.0%	25.3%	47.0%	46.6%	73.8%	23.6%	17.9%	17.9%	17.9%	17.9%	17.9%	16.2%	14.4%	12.7%	10.9%	9.2%
ROCE	2.6%	7.4%	11.1%	13.9%	15.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.8%	17.6%	17.3%	17.4%
WACC	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Periods		0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	10.3	11.3	12.3	13.3	14.3
Disc factor		1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0
DCF		-3.4	2.0	3.6	4.9	5.5	4.3	4.0	3.8	3.6	3.4	3.1	2.9	2.6	2.3	3.0
Cumulated DCF		-3.4	-1.4	2.1	7.0	12.5	16.8	20.9	24.7	28.3	31.7	34.8	37.7	40.3	42.6	45.6

Our DCF valuation delivers a target price of EUR17.4 with an upside of 16.7% to current stock prices. We therefore stand by an OUTPERFORM rating on the Group.

Target at EUR17.4 with upside of 16.7%

Valuation		per share	% of EV
Disc.FCFO '04-'18	45.7	9.9	58.0%
Terminal value	33.1	7.2	42.0%
EV	78.9	17.1	100%

NFP (net of dividend)	-13.3	-2.9	
Discount of NFP	-2.7	-0.6	
Financial assets	1.3	0.3	
Equity value	90.8	19.7	
Minorities	10.5	2.3	
Net equity value	**80.4**	**17.4**	
Ordinary shares	**17.4**		
Upside %	17.0%		

INVESTMENT STORY

Q3’03 recovery followed by troubled fourth quarter

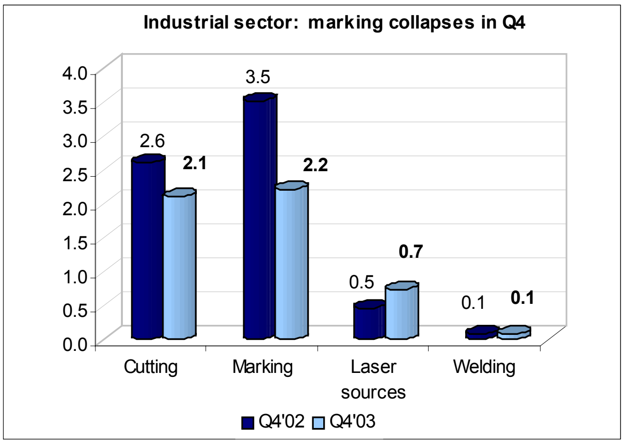
Q4’03 characterised by falling margins

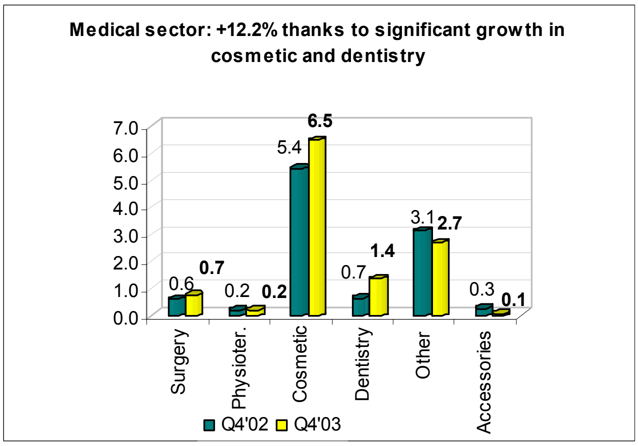
Following a third quarter characterised by sharp growth rates - thanks to a wider consolidation area - and by a significant rise in profitability, the fourth quarter saw a steep fall in margins as a percentage of revenues (also because of the weak dollar).

EUR m	2003E	2003	2002	Q4'03E	Q4'03	Q4'02	Q3'03	Q3'02	Q2'03	Q2'02	Q1'03	Q1'02
Sales	**68.5**	**68.1**	**54.1**	**20.5**	**20.1**	**19.4**	**17.8**	**13.7**	**17.2**	**13.5**	**13.0**	**7.6**
growth	26.5%	25.8%		5.9%	4.0%		30.2%		27.5%		70.3%	
- Industrial laser systems	15.7	15.0	17.0	5.8	5.1	6.7	3.6	3.8	3.7	3.4	2.6	3.0
growth	-7.8%	-11.5%		-13.6%	-23.0%		-7.4%		8.6%		-14.4%	
- Medical laser equipment	42.3	41.6	29.6	12.2	11.5	10.3	11.5	7.3	10.7	7.9	7.8	4.0
growth	42.8%	40.5%		18.8%	12.2%		56.9%		35.2%		93.1%	
- Research	0.2	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.0
growth	-5.6%	-15.6%		0.0%	-64.3%		-16.5%		-31.6%		42.9%	
- Customer service	10.4	11.4	7.4	2.5	3.5	2.4	2.6	2.4	2.7	2.1	2.5	0.5
growth	41.2%	54.2%		5.0%	45.1%		10.4%		30.6%		395.0%	
Change in finished goods	5.7	3.5	0.4	0.8	-1.4	-0.5	0.5	-0.1	2.5	0.8	1.9	0.2
Other income	0.9	1.1	0.5	0.5	0.6	0.4	0.1	0.0	0.2	0.0	0.1	0.0
Value of production	**75.2**	**72.7**	**55.0**	**21.8**	**19.3**	**19.2**	**18.4**	**13.6**	**19.9**	**14.3**	**15.0**	**7.9**
Purchases	-30.8	-30.8	-22.8	-7.2	-7.1	-6.9	-6.8	-5.7	-9.9	-6.1	-6.9	-4.1
growth	35.2%	35.0%		4.4%	3.6%		19.7%		62.5%		67.9%	
% of sales	-45.0%	-45.2%	-42.1%	-35.0%	-35.4%	-35.5%	-38.5%	-41.9%	-57.8%	-45.3%	-53.1%	-53.8%
Change in raw materials	0.0	2.5	1.1	-1.4	1.1	-0.7	0.2	1.0	0.5	0.0	0.7	0.7
Other direct cost	-7.3	-6.7	-5.8	-2.4	-1.9	-2.0	-1.5	-1.4	-1.8	-1.6	-1.6	-0.9
growth	24.7%	15.7%		22.8%	-4.0%		5.7%		13.3%		78.1%	
% of sales	-10.6%	-9.9%	-10.8%	-11.7%	-9.3%	-10.1%	-8.4%	-10.3%	-10.3%	-11.6%	-12.3%	-11.8%
Gross Margin	**37.0**	**37.6**	**27.4**	**10.8**	**11.4**	**9.6**	**10.3**	**7.5**	**8.7**	**6.7**	**7.2**	**3.6**
growth	35.1%	37.1%		12.2%	18.0%		37.2%		30.6%		99.8%	
% of sales	54.1%	55.2%	50.6%	52.8%	56.5%	49.8%	57.6%	54.7%	50.7%	49.5%	55.8%	47.5%
Other cost and services	-13.7	-14.2	-9.4	-3.9	-4.3	-3.1	-3.5	-2.7	-3.4	-2.4	-3.0	-1.1
growth	46.7%	51.5%		23.0%	37.4%		26.8%		45.6%		162.8%	
% of sales	-20.0%	-20.8%	-17.3%	-18.8%	-21.4%	-16.2%	-19.5%	-20.0%	-19.9%	-17.5%	-22.9%	-14.8%
Value added	**23.3**	**23.4**	**18.1**	**7.0**	**7.1**	**6.5**	**6.8**	**4.7**	**5.3**	**4.3**	**4.3**	**2.5**
growth	29.1%	29.6%		7.0%	8.7%		43.2%		22.4%		71.2%	
% of sales	34.0%	34.4%	33.4%	34.0%	35.1%	33.6%	38.1%	34.7%	30.8%	32.0%	32.8%	32.7%
Labour cost	-17.3	-17.9	-11.0	-4.7	-5.3	-3.6	-4.6	-3.2	-4.4	-2.9	-3.7	-1.3
growth	57.4%	62.6%		29.3%	45.2%		44.6%		49.9%		182.2%	
% of sales	-25.3%	-26.3%	-20.3%	-22.8%	-26.1%	-18.7%	-25.7%	-23.2%	-25.4%	-21.6%	-28.5%	-17.2%
EBITDA	**6.0**	**5.5**	**7.0**	**2.3**	**1.8**	**2.9**	**2.2**	**1.6**	**0.9**	**1.4**	**0.6**	**1.2**
growth	-15.2%	-21.8%	80.9%	-20.9%	-37.1%		40.3%		-34.6%		-52.3%	
% of sales	8.7%	8.1%	13.0%	11.1%	9.0%	14.9%	12.4%	11.5%	5.3%	10.4%	4.3%	15.5%
Deprec. and amortis.	-4.0	-4.1	-3.1	-1.3	-1.4	-1.3	-1.1	-0.8	-0.8	-0.6	-0.8	-0.4
EBIT	**2.0**	**1.4**	**4.0**	**1.0**	**0.5**	**1.6**	**1.1**	**0.8**	**0.1**	**0.8**	**-0.2**	**0.8**
growth	-50.5%	-63.7%	53.1%	-36.7%	-70.3%		46.6%		-91.3%		-126.8%	
% of sales	2.9%	2.1%	7.3%	4.8%	2.3%	8.0%	6.3%	5.6%	0.4%	6.1%	-1.7%	10.8%
Net financial charges	0.3	0.1	1.0	0.4	0.2	0.7	-0.2	0.1	0.0	0.0	0.1	0.2
Adjustments	0.5	0.6	0.2	0.0	0.1	-0.2	-0.1	0.3	-0.1	0.0	0.7	0.0
Extraordinary items	0.1	0.1	0.4	0.0	0.0	0.0	0.1	0.3	0.0	0.1	0.0	0.0
EBT	**2.9**	**2.3**	**5.5**	**1.4**	**0.8**	**2.1**	**0.9**	**1.5**	**0.0**	**0.9**	**0.6**	**1.0**
growth	-48.2%	-59.2%	53.1%	-34.3%	-63.2%		-40.4%		-102.7%		-38.1%	
% of sales	4.2%	3.3%	7.3%	6.8%	3.9%	10.9%	5.1%	11.0%	-0.1%	7.0%	4.7%	13.0%

In Q4'03 the rise in Group revenues slowed down on Q3'03 (to EUR20.1m, from 30.2% to 4%). Revenues were heavily affected by the steep fall in sales of industrial laser systems (-23.0%), which were partially offset by an increase (though lower than in previous quarters) in sales of medical laser equipment (+12.2%).

Revenues added 4% (to EUR20.1m) despite the steep fall in sales of industrial laser systems

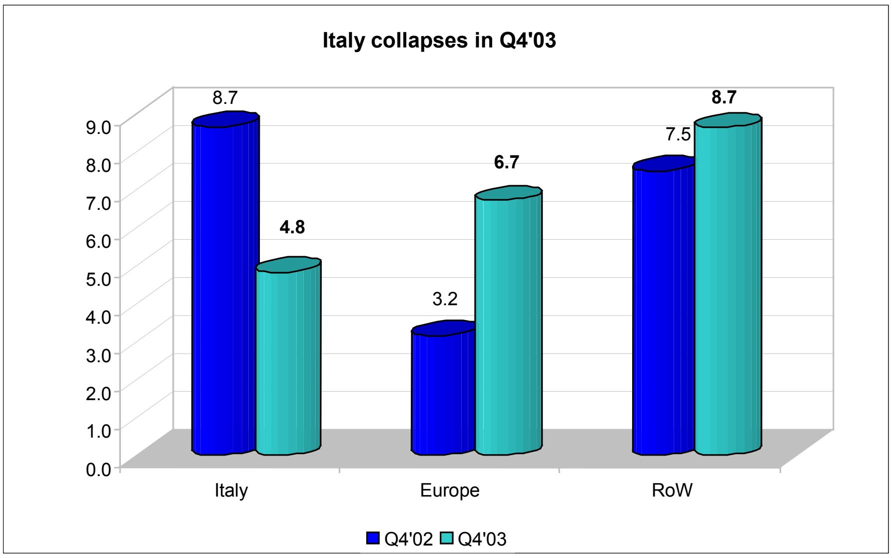




Among industrial laser systems, sales of marking (-37.1%) and cutting laser systems (-19.1%) plummeted. Within the medical laser equipment sector, growth was driven by laser systems for applications in dentistry (mainly thanks to a wider consolidation area).

Sales of industrial laser systems fell because of the crisis-hit Italian manufacturing sector

As regards the geographic breakdown, Italy was Q4'03 worst-performing market (-44%) mainly owing to the crisis-hit manufacturing sector. By contrast, El.En. showed improving margins in Europe (also thanks to the purchase of Asclepion).



In terms of profitability, the fourth quarter was penalised by the weak dollar and by the restructuring charges paid for Cynosure and for the rationalisation of its distribution network. While gross contribution margin as a percentage of revenues grew sharply (from 49.8% in Q4'02 to 56.5%), EBITDA margin (from 14.9% to 9.0%) and ROS decreased (from 8.0% to 2.3%). This fall was triggered by the steep rise in labour cost and in other costs and services. Specifically, personnel cost (+45.2%) was affected by the restructuring of Cynosure's commercial network: part of the increase is of extraordinary nature (the workforce cut will not be repeated in the years to come). In addition, the impact of provisioning and depreciation eased in Q4'03 (from 6.9% to 6.7%). Also financial income edged down (from EUR0.7m to EUR0.2m) owing to lower net liquidity, to lower interest rates and to negative exchange rate variations (because of the weak dollar). As a result, Q4'03 pre-tax profit was EUR0.8m (from EUR2.1m), accounting for 3.9% of revenues (from 10.9%). Finally, Group financial structure was substantially unchanged on Q3'03. NFP edged up (from EUR12.1m to EUR12.8m) after paying gross Capex of EUR1.2m.

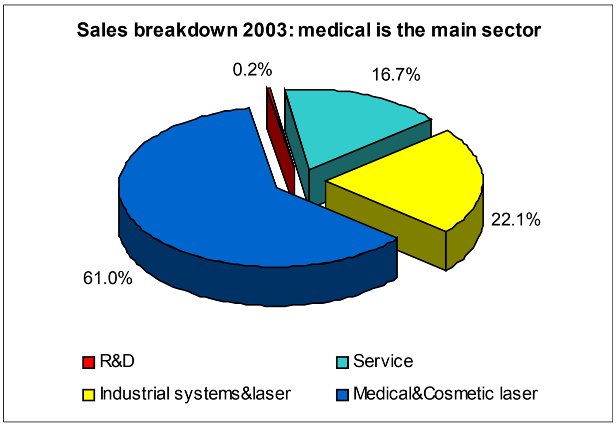
Q4'03 profitability penalised by weak dollar and by Cynosure's restructuring: EBITDA margin from 14.9% to 9% and ROS from 8% to 2.3%

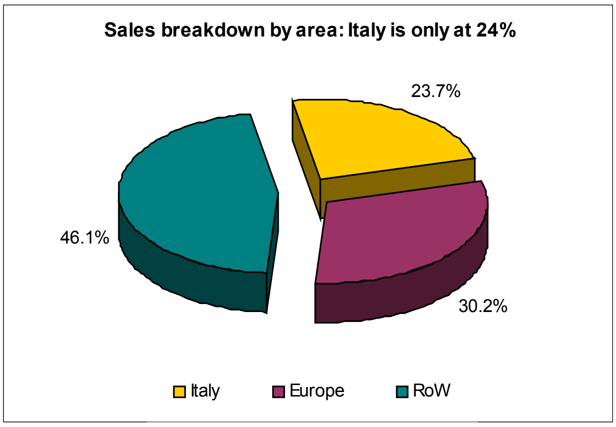
Group financial structure unchanged: NFP at EUR12.8m

FY'03 improves but profitability worsens owing to weak dollar and Cynosure's restructuring

FY'03 was a double-faced year for El.En. While revenues rose 25.8% also thanks to the wider consolidation area, fixed costs increased sharply (i.e. personnel cost) and pushed profitability lower. Revenues (EUR68.1m) were driven by the recently acquired and consolidated companies (Cynosure, Asclepion and Deka LT in the cosmetic and medical sectors and Lasit and Lasercut in the industrial sector). The following tables show that medical laser equipment accounts for most of Group revenues, 53% of which are generated in Europe (Italy contributes 23.7%) and the remaining 47% in the rest of Europe.

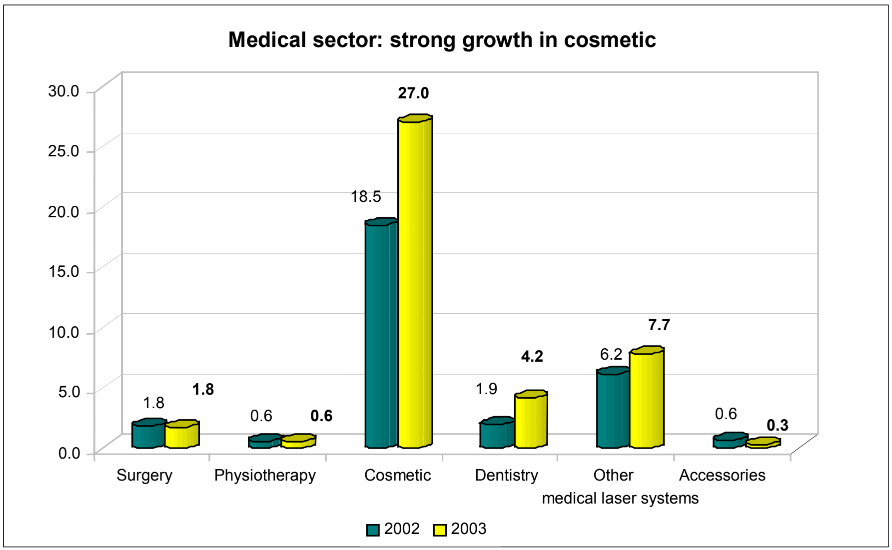
FY'03 saw a 25.8% rise in revenues to EUR68.1m, mainly driven by the recent acquisitions. Medical laser equipment improved sharply (+40%), whereas industrial laser systems plummeted (-11%)





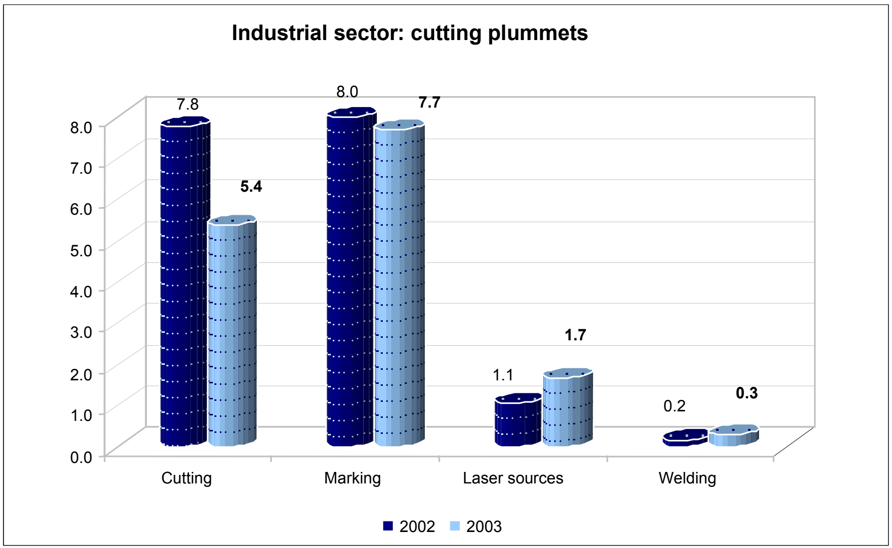
In FY'03, revenues generated in the medical sector rose significantly (+40.5% to EUR41.6m). The best results were posted by the laser equipment used in dentistry and cosmetic (+117.7% and +46.1% respectively) mainly thanks to Deka LT and Asclepion for the former and Cynosure for the latter. The CO2 laser system used in cosmetic surgery, instead, gave up 3.3% YoY.

Within the medical sector, the best results were posted by the laser equipment used in cosmetic (+117%) and dentistry (+46%)



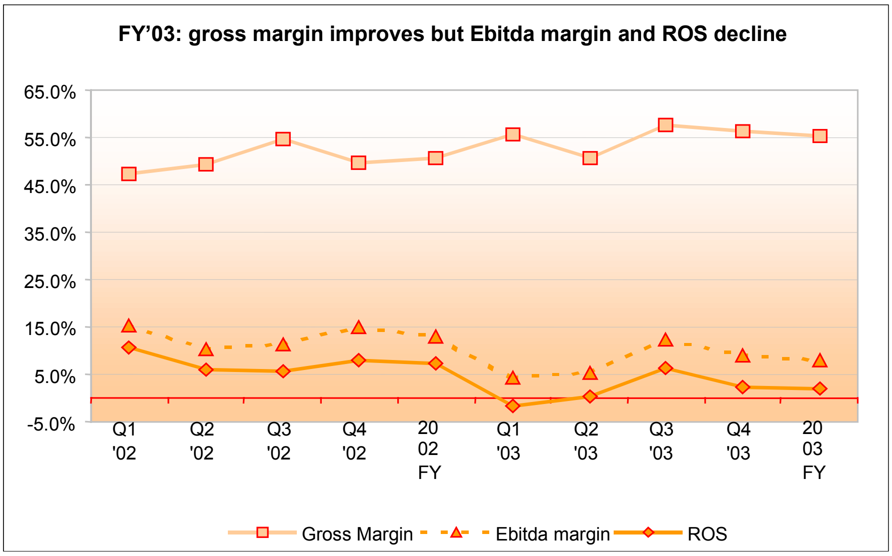
By contrast, industrial laser systems put in a markedly negative performance (-11.5%) despite the wider consolidation area resulting from the acquisition of Lasercut (cutting) and Lasit (marking). While cutting (-30.7%) and marking (-3.8%) worsened in '03, laser sources improved significantly (driven by 5 and 6Kw laser systems), +56.7%. The disappointing results registered by the industrial sector were due to the crisis-hit manufacturing sector (which particularly weighed on Italian revenues).

Despite the acquisitions, the industrial sector saw a sharp fall in laser systems for applications in cutting (-30%)



The significant rise in turnover '03 was not accompanied by an in-line improvement in Group margin. While gross margin grew YoY, both EBITDA margin and ROS adj. plummeted in every quarter (with the third quarter the only exception).

Margins worsened despite the greater impact of gross margin on revenues



The improvement in gross margin - in spite of the dollar's weakness (40% of El.En. revenues are US dollar-denominated) - was the result of the boosted contribution margin on Cynosure sales compared with the average of the rest of the Group. Gross margin rose despite the adverse conditions of the industrial laser system sector (where lower sales volumes and the consequent price pressure penalised contribution margin).

EBITDA burdened with the higher fixed costs of the newly acquired companies and the restructuring charges relating to Cynosure

Despite the significant rise in gross margin, EBITDA margin shed 5 p.p. (from 13% in '02 to 8.1%). Q3'03 aside (when margin as a percentage of revenues grew), '03 quarters saw a slight increase in "service cost and other charges" (+51.5% impacting from 17.3% to 20.8%), and in labour cost (+62.6% impacting from 20.3% to 26.3%). Both items were affected by the consolidation of the newly acquired companies. Specifically, labour cost was penalised by the full consolidation of Cynosure (the impact of personnel cost on revenues was markedly higher than the El.En. Group average). This item was burdened with extraordinary charges relating to the restructuring of the commercial network of the US subsidiary (which did not register the expected sales volumes). Restructuring charges were also restated among services and other charges - which include marketing and commercial expenses paid to boost considerably sales volumes (above all in the medical sector), but which have yet to register the estimated return.

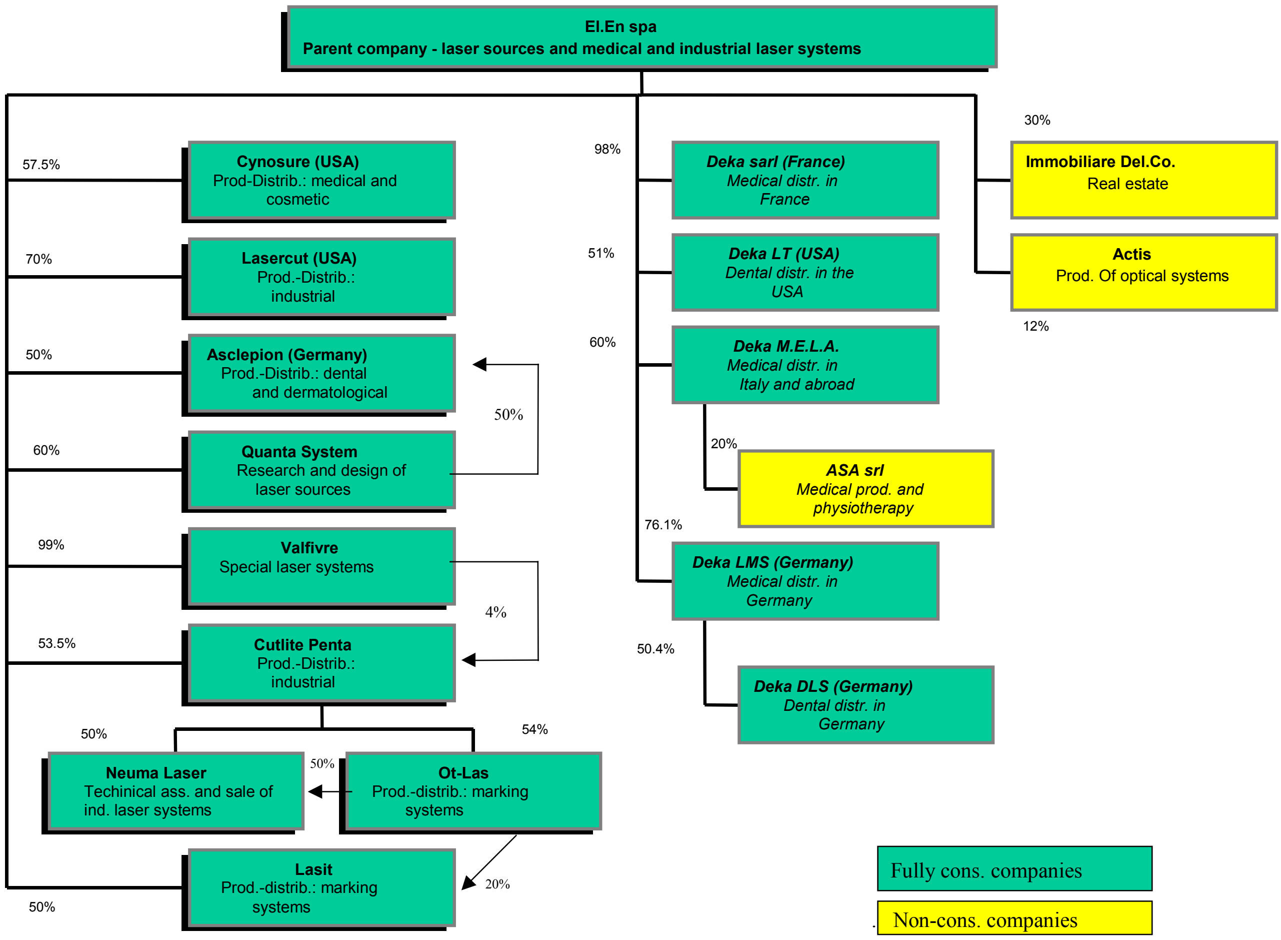
EBIT weighed by provisions for product guaranteeing fund

In addition, not only was lower EBIT and relevant impact on revenues (from 7.3% to 2.1%) due to reduced margins, but also to a rise (of extraordinary nature) in the product guaranteeing fund for the subsidiary Cynosure. EBT dipped 59.2% (bottom line profit has yet to be unveiled) following the widespread margin worsening and lower financial income (influenced by lower interest rates and EUR/$ exchange rate fluctuations).

Changes to Group organisational structure '04 following the consolidation of Quanta

Consolidation of Quanta in FY'04

Following the acquisition of another 30% of Quanta (in addition to the 30% already held), the organisational structure of the El.En. Group will change significantly in '04. As the transaction was made after the end of '03, Quanta System will be consolidated from '04.



Investments in R&D and enhanced distribution networks will foster '04-'08 growth

For the coming years, the El.En. Group is expected to show boosted revenues and profit margins. Under our estimates, revenues '04 should add 29.4% (to EUR88.1m), EBITDA should come in at EUR8.6m (from EUR5.5m), EBITDA margin should inch up to 9.8% (from 8.1%), EBIT should reach EUR4.5m (from EUR1.4m) and ROS should jump to 5.1% (from 2.1%).

Revenues '04 should add 29% and profit margins should improve sharply: growth driven by boosted sales volumes

EUR m	2003	2004E	2005E	2006E	2007E	2008E	CAGR'04-'08
Sales	**68.1**	**88.1**	**99.2**	**107.3**	**111.9**	**115.3**	11.1%
Growth		*29.4%*	*12.6%*	*8.1%*	*4.3%*	*3.0%*	
- Industrial systems	15.0	17.4	18.7	19.7	20.4	21.0	6.9%
Growth		*15.6%*	*7.8%*	*5.1%*	*3.5%*	*3.1%*	
- Medical&Cosmetic	41.6	55.3	62.7	68.6	72.0	74.1	12.3%
Growth		*32.9%*	*13.5%*	*9.4%*	*4.9%*	*3.0%*	
- R&D	0.2	0.2	0.2	0.2	0.2	0.2	0.0%
- Service	11.4	15.3	17.6	18.9	19.4	20.0	12.0%
Gross Margin	**37.6**	**47.9**	**53.6**	**57.9**	**60.4**	**62.2**	10.6%
Growth		*27.4%*	*11.8%*	*8.1%*	*4.3%*	*3.0%*	
EBITDA	**5.5**	**8.6**	**11.4**	**13.8**	**15.8**	**17.6**	26.1%
Growth		*56.5%*	*31.8%*	*21.6%*	*14.2%*	*11.5%*	
EBIT	**1.4**	**4.5**	**7.4**	**9.9**	**11.8**	**13.5**	56.4%
Growth		*211.9%*	*65.3%*	*32.6%*	*19.2%*	*14.9%*	
EBT	**2.3**	**4.6**	**7.5**	**9.9**	**11.8**	**13.5**	43.0%
Growth		*100.8%*	*64.2%*	*32.4%*	*19.1%*	*14.9%*	
Gross Margin %	55.2%	54.4%	54.0%	54.0%	54.0%	54.0%	
EBITDA margin	8.1%	9.8%	11.5%	12.9%	14.1%	15.3%	
ROS	2.1%	5.1%	7.5%	9.2%	10.5%	11.7%	
ROCE	**2.6%**	**7.4%**	**11.1%**	**13.9%**	**15.9%**	**17.9%**	

The significant improvement in revenues '04 will result from the broadened consolidation area - thanks to the full consolidation of Lasercut (acquired in April '03) and of Quanta (booked by equity method in '03 accounts) - and from the restructuring of Cynosure's distribution network (started in H2'03), whose full benefits will be felt as from '04. Growth should be mainly driven by the medical and cosmetic sector (higher-than-30% rise thanks to the purchase of Asclepion and to new product launches in the US dental and cosmetic segments). In addition, following an adverse FY'03, the industrial sector should recover in '04 thanks to booming sales outside Italy and to the consolidation of Lasercut.

Profit margins should be driven higher by the two following factors:

Despite the lower impact of gross margin, EBITDA margin and ROS improved

- boosted sales volumes,
- lack of extraordinary restructuring charges.

Given a markedly high gross margin as a percentage of revenues (which is expected to decline from 55.2% in '03 to 54.4% in '04 owing to price pressure - also due to the dollar's weakness against the euro), the steep rise in sales volumes will lead EBITDA margin and ROS markedly higher thanks to the consequent lower impact of labour cost and depreciation (lower than 5% in '03). The lack of restructuring and extraordinary charges (mainly relating to the recently acquired companies) and of the costs borne to revamp

Cynosure's commercial network led us to forecast an improvement in Group profitability with decreasing personnel costs and other costs and services.

Revenues CAGR '04-'08 of 1.1%, EBITDA margin expected to rise to 15.3% and ROS to 11.7% in '08

We forecast positive growth rates (though decreasing) and a significant improvement in Group profitability after '04. Industrial laser systems are expected to register average growth rates of 4% (chiefly in the US) and medical laser equipment is expected to show average growth rates of 6% (chiefly in the US). Considering revenue CAGR '04-'08 of 11.1% and despite an estimated slight decrease in gross margin as a percentage of revenues, we expect EBITDA to achieve 15.3% (vs. 8.1% in '03) and ROS 11.7% (vs. 2.1% in '03). After '04, turnover will be boosted by the enhanced distribution networks (especially Cynosure in the US and Asclepion in Germany) and by new product launches thanks to the recently made investments in R&D. The rise in profitability as a percentage of revenues will result from boosted sales volumes and diluted fixed costs.

In the period '04-'08, Group financial structure should be substantially unchanged with ROCE up to 17.9%

For the years to come, El.En. should not make further acquisitions (but will seize appealing buy opportunities) and should focus on improving profitability while investing in R&D. These years should therefore be characterised by a sharp increase in Group ROCE (expected at 17.9% in late '08), made possible by low average annual Capex (failing large acquisitions).

As regards Group financial structure (net liquidity of EUR13m in late '03), we forecast that El.En. will maintain a positive net financial position, though sliding because of the higher NWC linked to the significant rise in turnover.

FINANCIALS

Balance sheet

EURm	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Intangible asset	0.1	0.0	1.5	1.7	8.2	8.0	7.1	6.5	5.9	5.3	4.7
Technical asset	3.5	3.4	3.7	3.7	6.2	8.1	8.4	8.7	9.0	9.3	9.5
Financial asset	1.1	1.0	1.1	0.8	1.0	1.3	1.3	1.3	1.3	1.3	1.3
Net fixed capital	**4.6**	**4.5**	**6.3**	**6.2**	**15.4**	**17.3**	**16.8**	**16.5**	**16.2**	**15.9**	**15.5**
Inventories	2.3	4.0	6.7	9.1	14.8	23.9	30.0	33.0	35.1	36.1	36.7
receiveble	4.6	4.9	7.2	8.4	15.8	19.8	25.6	28.8	31.1	32.5	33.4
Other receiveble	1.0	2.6	1.9	3.5	3.2	4.0	5.2	5.9	6.3	6.6	6.8
Trade payables	-4.2	-4.7	-6.1	-6.2	-11.9	-15.0	-18.5	-21.0	-22.7	-23.7	-24.4
Other non-financial liabilities	-2.0	-3.4	-1.6	-2.0	-6.8	-7.3	-9.0	-10.3	-11.1	-11.6	-11.9
Provisions	-0.7	-0.8	-1.3	-1.4	-2.6	-3.4	-4.4	-5.0	-5.4	-5.6	-5.8
% on sales	-0.04	-0.03	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05
Working capital	**1.0**	**2.6**	**6.9**	**11.4**	**12.6**	**22.0**	**28.8**	**31.4**	**33.4**	**34.3**	**34.9**
% on sales	5.8%	10.8%	26.4%	41.0%	23.2%	32.2%	32.7%	31.7%	31.1%	30.7%	30.2%
Pension provision	-0.4	-0.5	-0.6	-0.7	-0.9	-1.2	-1.4	-1.5	-1.6	-1.6	-1.7
Net Working capital	**0.6**	**2.1**	**6.3**	**10.7**	**11.6**	**20.8**	**27.4**	**29.9**	**31.8**	**32.7**	**33.2**
NIC	**5.2**	**6.6**	**12.6**	**16.9**	**27.0**	**38.1**	**44.2**	**46.5**	**48.0**	**48.6**	**48.7**
growth	-22.3%	26.2%	91.4%	34.1%	60.0%	41.0%	16.1%	5.0%	3.4%	1.1%	0.2%
ST financial debt	0.6	0.3	0.4	0.4	0.9	2.1	2	2	2	2	2
M/LT financial debt	3.3	3.4	3.0	2.2	1.9	1.8	1.9	1.9	1.9	1.9	1.9
Cash and deposit	-3.2	-4.8	-35.9	-32.5	-27.1	-16.8	-11.3	-10.1	-9.5	-9.9	-10.7
Treasury stock	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
NFP	**0.7**	**-1.1**	**-32.4**	**-29.9**	**-24.7**	**-13.3**	**-7.8**	**-6.6**	**-6.0**	**-6.4**	**-7.2**
Shareholders' equity	1.2	1.2	2.4	2.4	2.4	2.6	2.6	2.6	2.6	2.6	2.6
Reserves	2.6	5.3	41.3	42.7	43.2	42.9	44.2	46.1	48.4	50.8	53.6
Group equity	**3.9**	**6.6**	**43.7**	**45.0**	**45.6**	**45.5**	**46.8**	**48.7**	**51.0**	**53.4**	**56.2**
Minorities	0.7	1.1	1.3	1.7	6.2	5.9	5.3	4.3	3.0	1.5	-0.3
Net Equity	**4.5**	**7.6**	**45.0**	**46.8**	**51.8**	**51.4**	**52.1**	**53.0**	**54.0**	**54.9**	**55.9**
Total capital	**5.2**	**6.6**	**12.6**	**16.9**	**27.0**	**38.1**	**44.2**	**46.5**	**48.0**	**48.6**	**48.7**

Profit & loss account

EURm	1998	1999	2000	2001	2002	2003	2004E	2005E	2006E	2007E	2008E
Sales	**17.4**	**23.9**	**26.0**	**27.8**	**54.1**	**68.1**	**88.1**	**99.2**	**107.3**	**111.9**	**115.3**
growth	59.3%	37.5%	8.7%	7.3%	94.4%	25.8%	29.4%	12.6%	8.1%	4.3%	3.0%
Change in finished goods	0.2	1.2	1.4	1.5	0.4	3.5	1.8	2.0	2.2	2.3	2.4
Other income	0.3	0.3	0.1	0.2	0.5	1.1	1.4	1.5	1.7	1.7	1.8
Valore della produzione	**17.8**	**25.3**	**27.5**	**29.5**	**55.0**	**72.7**	**91.3**	**102.8**	**111.2**	**116.0**	**119.5**
Purchases	-7.8	-9.2	-11.2	-14.0	-22.8	-30.8	-36.6	-41.6	-45.0	-46.9	-48.3
Change in row materials	0.3	0.6	1.2	1.1	1.1	2.5	2.0	2.3	2.4	2.5	2.6
Other direct cost	-1.6	-3.2	-3.2	-3.1	-5.8	-6.7	-8.8	-9.9	-10.7	-11.2	-11.5
Gross Margin	**8.8**	**13.6**	**14.3**	**13.5**	**27.4**	**37.6**	**47.9**	**53.6**	**57.9**	**60.4**	**62.2**
Other cost and services	-3.1	-3.1	-3.4	-5.3	-9.4	-14.2	-18.3	-19.8	-20.4	-20.1	-19.6
Value added	**5.7**	**10.5**	**10.9**	**8.2**	**18.1**	**23.4**	**29.6**	**33.7**	**37.5**	**40.3**	**42.6**
growth	65.8%	84.7%	4.5%	-24.6%	119.1%	29.7%	26.3%	14.0%	11.3%	7.3%	5.9%
% on sales	32.6%	43.8%	42.1%	29.6%	33.4%	34.4%	33.6%	34.0%	35.0%	36.0%	37.0%
Labour cost	-2.4	-3.1	-3.3	-4.3	-11.0	-17.9	-21.0	-22.3	-23.7	-24.5	-25.0
growth	15.6%	26.8%	6.9%	31.7%	153.3%	62.6%	17.0%	6.6%	6.1%	3.3%	2.3%
% on sales	-14.0%	-12.9%	-12.7%	-15.6%	-20.3%	-26.3%	-23.8%	-22.5%	-22.1%	-21.9%	-21.7%
EBITDA	**3.2**	**7.4**	**7.6**	**3.9**	**7.0**	**5.5**	**8.6**	**11.4**	**13.8**	**15.8**	**17.6**
growth	146.6%	128.4%	3.4%	-48.9%	80.9%	-21.8%	56.5%	31.8%	21.6%	14.2%	11.5%
% on sales	18.6%	30.9%	29.4%	14.0%	13.0%	8.1%	9.8%	11.5%	12.9%	14.1%	15.3%
Deprec./amortis./provision	-0.5	-0.5	-1.4	-1.2	-2.5	-3.2	-3.2	-3.0	-3.1	-3.1	-3.2
EBIT adj	**2.8**	**6.8**	**6.3**	**2.7**	**4.5**	**2.3**	**5.4**	**8.3**	**10.8**	**12.7**	**14.4**
growth	214.2%	148.2%	-8.6%	-56.8%	68.0%	-49.4%	135.7%	54.3%	29.1%	17.5%	13.8%
% on sales	15.9%	28.7%	24.1%	9.7%	8.4%	3.4%	6.1%	8.4%	10.0%	11.3%	12.5%
Goodwill	0.0	0.0	0.0	-0.1	-0.6	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
EBIT	**2.8**	**6.8**	**6.3**	**2.6**	**4.0**	**1.4**	**4.5**	**7.4**	**9.9**	**11.8**	**13.5**
growth	214.2%	148.2%	-8.6%	-58.5%	53.1%	-63.7%	211.9%	65.3%	32.6%	19.2%	14.9%
% on sales	15.9%	28.7%	24.1%	9.3%	7.3%	2.1%	5.1%	7.5%	9.2%	10.5%	11.7%
Net financial charges	-0.2	-0.1	0.2	1.2	1.0	0.1	0.1	0.0	0.0	0.0	0.0
Adjustment	0.0	-0.2	0.1	0.0	0.2	0.6	0	0	0	0	0
Extraordinary items	0.0	-0.1	0.0	0.0	0.4	0.1	0	0	0	0	0
EBT	**2.5**	**6.4**	**6.5**	**3.8**	**5.5**	**2.3**	**4.6**	**7.5**	**9.9**	**11.8**	**13.5**
Taxes	-1.1	-2.9	-2.9	-1.2	-2.7	-1.1	-2.2	-3.6	-4.8	-5.7	-6.5
Gros Net profit	**1.4**	**3.5**	**3.5**	**2.6**	**2.9**	**1.2**	**2.3**	**3.9**	**5.1**	**6.1**	**7.0**
Minorities	-0.4	-0.6	-0.5	-0.4	-0.7	-0.3	-0.6	-1.0	-1.3	-1.6	-1.8
Net profit of the group	**1.0**	**2.9**	**3.0**	**2.3**	**2.1**	**0.9**	**1.7**	**2.9**	**3.8**	**4.5**	**5.2**

Cash flow

EUR m	1998	1999	2000	2001	2002	2003(e)	2004(e)	2005(e)	2006(e)	2007(e)	2008(e)
Initial NFP	**-3.3**	**-0.7**	**1.1**	**32.4**	**29.9**	**24.8**	**13.3**	**7.8**	**6.6**	**6.0**	**6.4**
Change in scope of consolidation											
Net income/loss	1.4	3.5	3.5	2.6	2.9	1.2	2.3	3.9	5.1	6.1	7.0
Depreciation & Amortization	0.4	0.4	0.9	1.1	2.7	3.5	3.4	3.2	3.2	3.3	3.3
(Gains)/Losses on sales of long term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Upward adj.)/writedowns of long term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	1.2	-1.6	-4.3	-4.6	-1.2	-9.4	-6.9	-2.6	-1.9	-0.9	-0.5
Net change in reserve for empl.term.indemn.	0.1	0.0	0.1	0.1	0.3	0.3	0.2	0.1	0.1	0.1	0.0
Transation adjustements and other changes	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Cash flows from operating activities	**3.1**	**2.4**	**0.2**	**-0.7**	**4.7**	**-4.1**	**-1.0**	**4.5**	**6.5**	**8.5**	**9.8**
Long-term investments:											
intangible assets	0.0	0.0	-1.9	-0.7	-7.7	-1.5	-0.4	-0.4	-0.4	-0.4	-0.4
goodwill	0.0	0.0	0.0	-0.5	-6.9	-1.1	0.0	0.0	0.0	0.0	0.0
other investments	0.0	0.0	-1.9	-0.1	-0.8	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
fixed assets	-0.4	-0.3	-0.8	-0.6	-4.0	-4.0	-2.4	-2.5	-2.5	-2.5	-2.5
other long-term investments	0.1	0.0	-0.1	0.3	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of long temrm assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from investing activities	**-0.2**	**-0.3**	**-2.7**	**-1.0**	**-11.9**	**-5.9**	**-2.8**	**-2.9**	**-2.9**	**-2.9**	**-2.9**
Capital increases	-0.3	-0.3	34.5	0.0	3.1	-0.4	-1.2	-2.0	-2.6	-3.1	-3.6
Contribution by shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from financings activities	**-0.3**	**-0.3**	**34.5**	**0.0**	**3.1**	**-0.4**	**-1.2**	**-2.0**	**-2.6**	**-3.1**	**-3.6**
Dividends	0.0	-0.1	-0.7	-0.9	-0.9	-1.1	-0.5	-0.9	-1.5	-2.0	-2.4
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net Financial position	2.6	1.7	31.4	-2.6	-5.1	-11.5	-5.5	-1.3	-0.6	0.4	0.9
Final NFP	**-0.7**	**1.1**	**32.4**	**29.9**	**24.8**	**13.3**	**7.8**	**6.6**	**6.0**	**6.4**	**7.2**

Ratios

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EBITDA margin	18.6%	30.9%	29.4%	14.0%	13.0%	8.1%	9.8%	11.5%	12.9%	14.1%	15.3%
ROS adj	15.9%	28.7%	24.1%	9.7%	8.4%	3.4%	6.1%	8.4%	10.0%	11.3%	12.5%
ROS	15.9%	28.7%	24.1%	9.3%	7.3%	2.1%	5.1%	7.5%	9.2%	10.5%	11.7%
ROE	32.6%	75.9%	48.6%	5.3%	4.8%	1.9%	3.9%	6.2%	7.9%	9.1%	10.0%
ROI	57.2%	141.1%	73.3%	19.9%	26.0%	9.3%	16.2%	21.7%	26.1%	29.3%	32.4%
ROCE	31.4%	80.1%	41.2%	10.3%	12.7%	2.6%	7.4%	11.1%	13.9%	15.9%	17.9%
D/E	0.15	-0.14	-0.72	-0.64	-0.48	-0.26	-0.15	-0.12	-0.11	-0.12	-0.13
D/MKT cap			-0.32	-0.39	-0.46	-0.19	-0.11	-0.10	-0.09	-0.09	-0.11

Valuation

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
N° of shares	2.400	2.400	4.600	4.600	4.600	4.621	4.621	4.621	4.621	4.621	4.621
Price			22.0	16.9	11.7	14.9	14.9	14.9	14.9	14.9	14.9
Mkt cap			101.4	77.5	54.0	68.7	68.7	68.7	68.7	68.7	68.7
Minorities at Mkt cap			3.0	2.9	7.4	8.9	7.8	6.1	4.1	1.9	-0.4
NFP			-32.4	-29.9	-24.7	-13.3	-7.8	-6.6	-6.0	-6.4	-7.2
EV			**70.9**	**49.8**	**35.7**	**63.1**	**67.4**	**67.0**	**65.5**	**63.0**	**59.8**
EV/sales			2.7	1.8	0.7	0.9	0.8	0.7	0.6	0.6	0.5
EV/EBITDA			9.3	12.8	5.1	11.4	7.8	5.9	4.7	4.0	3.4
EV/EBITadj			11.3	18.4	7.9	27.5	12.5	8.0	6.1	5.0	4.1
EV/EBIT			11.3	19.2	9.0	43.7	15.0	9.0	6.6	5.4	4.4
P/E			33.7	34.1	25.4	79.0	39.3	23.9	18.1	15.2	13.2
P/E adj			34.0	36.9	76.0	-124.7	174.2	45.3	28.1	21.7	17.9
P/CF			23.1	21.7	10.4	13.9	11.7	10.1	8.9	8.0	7.4
P/CF adj			23.3	22.8	14.3	19.5	15.2	12.6	10.7	9.5	8.6
P/Book			2.32	1.72	1.19	1.51	1.47	1.41	1.35	1.29	1.22

Dates and Events

DATE	EVENT	OBJECT
May 14, 2004	Shareholders' Meeting	Annual Report Approval

Direzione Finanza

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Parent company of the Rasbank Group, registered in the Roll of Banks and of Banking Groups, 100% owned by the RAS Group
ABI Code Ref. 3589 - Bank Identification Code BKRAITMM

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