El.En. Group

HALF YEARLY FINANCIAL REPORT AT JUNE 30TH 2010

EL.EN. S.P.A.

Headquarters in Calenzano (FI), Via Baldanzese, 17

Capital stock	approved: € 2.591.871,36
	Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

This document has been translated into English for the convenience of readers who do not understand Italian.

The original Italian document should be considered the authoritative version.

CORPORATE BOARDS

(as of the date of approval of the Half Yearly Report on June 30th 2010)

Board of Directors

PRESIDENT

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Angelo Ercole Ferrario

Michele Legnaioli

Stefano Modi

Alberto Pecci

Board of Statutory Auditors

PRESIDENT

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Gino Manfriani

Manager in charge of preparing the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

Reconta Ernst & Young S.p.A.

EL.EN. GROUP

HALF YEARLY MANAGEMENT REPORT

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This consolidated half-yearly report as of June 30th 2010, approved by the Board of Directors on August 27th 2010, has been drawn up in consolidated form in compliance with art. 154-ter D.Lgs. 24th February 1998 n. 58 (TUF) and subsequent modifications, in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union.
By IFRS we also mean the International Accounting Standards (IAS) which are still in force as well as all the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC).
In this report, which is drawn up in accordance with the regulations of IAS 34 – Interim financial reporting, we have used the same accounting principles used for the preparation of the consolidated statement dated December 31st 2009, with the sole exception of the descriptions in the Explanatory Notes – paragraph "Accounting Principles and evaluation criteria".

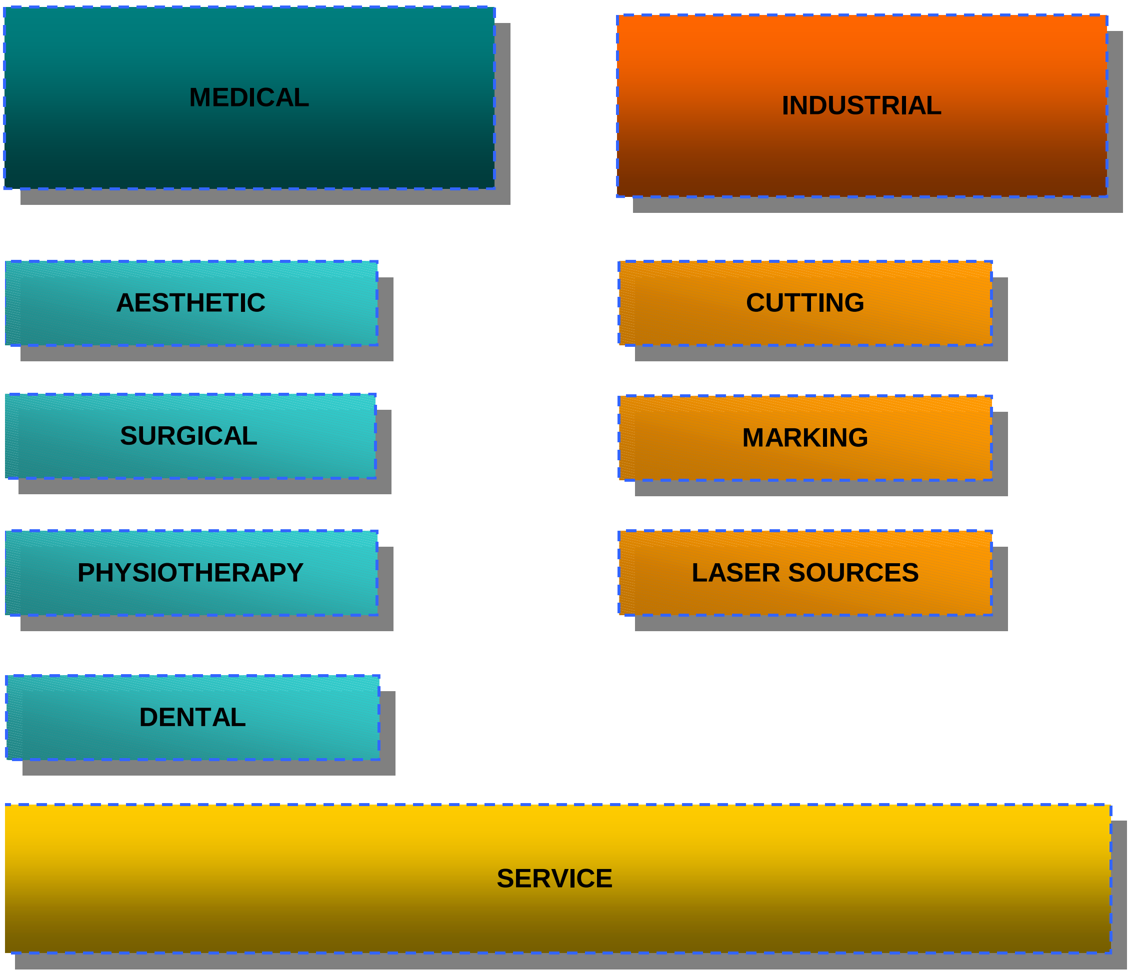
All amounts are expressed in thousands of Euros unless otherwise indicated.

1.2. Description of the activities of the Group

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group.

Apart from the sub-division of the roles of the various companies, the Group conducts its activities in two major sectors: that of laser systems for medicine and aesthetics, and that of laser systems for manufacturing uses. In each of these two sectors the activities can be subdivided into different segments which are heterogeneous in the application required from the system and consequently for the underlying technology and the kinds of users. Within the activity sector of the Group, which is generally defined as the manufacture of laser sources and systems, the range of clients varies considerably, especially if one considers the global presence of the Group and therefore, the necessity of dealing with the special requirements which every region in the world has in the application of our technologies.

This vast variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximize the quota held by the Group and the benefits derived from the involvement of management personnel as minority shareholders, is the essence of the complex structure of the Group; however, this complexity is based on the linear subdivision of the activities which can be singled out, not just to simplify reporting, but, above all, for strategic purposes, as follows:

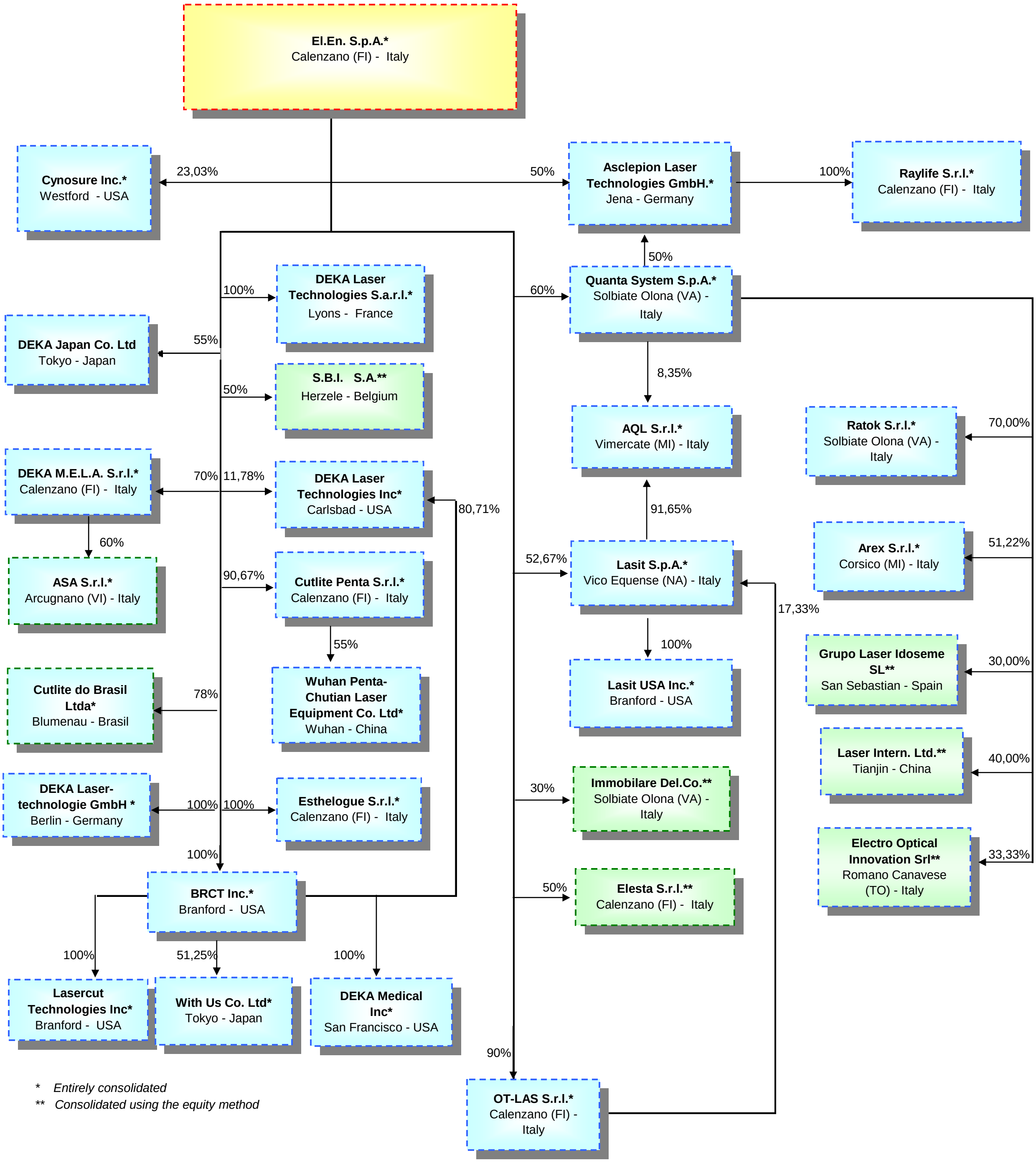


Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of income from the sales of spare parts, consumer items and technical assistance.

The division of the Group into multiple companies reflects the distribution strategy for its products and the organization of its research, development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisition have become part of the Group (DEKA, Asclepion, Quanta System, Cynosure, ASA) have always maintained their own particular characteristics for the typology and sector of the product and their own distribution network independent from those of the other companies in the Group. At the same time, each one has been able to take advantage of the process of cross fertilization which the research groups have had on each other, and create centres of excellence for certain specific technologies which were made available to them by the other companies of the Group. This strategy, although it presents certain management difficulties, is responsible for the growth of the Group and has made it the most important company of its type now operating on the market.

1.3. Description of the Group

On June 30th 2010 the structure of the group was as follows:



Cynosure Inc., a company listed on the American stock market Nasdaq (NASDAQ:CYNO) has 100% control of six companies which distribute their products in Germany, France, Great Britain, Japan, China, Mexico, South Korea and Spain.

1.4. Performance indicators

In this management report we have shown some performance indicators for the purpose of facilitating the evaluation of the performance of the economic and financial management. The Group uses the following performance indicators:

- the **EBITDA** or earnings before interest, income taxes, depreciations and amortizations, which represents an indicator of operating performance which is determined by adding to the earnings before interest and income taxes (EBIT), the heading of “Amortizations, accruals and devaluations”;
- the **EBIT** or earnings before interests and income taxes;
- the incidence that the various entries in the profit and loss account have on the sales volume.

These indicators are shown in the Profit and Loss Account chart which is shown below and commented on later in this report.

Moreover, the following performance indicators have been selected for the purpose of supplying additional information concerning the capital, financial and profitability structure of the Group:

	30/06/10	31/12/09	30/06/09
Profitability ratios (*):			
ROE (Net income / Own Capital)	0,5%	-5,5%	-5,6%
ROI (EBIT / Total assets)	1,1%	-5,6%	-7,8%
ROS (EBIT/ Revenues)	1,5%	-8,4%	-12,5%
Structure ratios:			
Financial flexibility (Current assets / Total assets)	0,82	0,80	0,78
Leverage ((Stockholders' Equity + Financial liabilities) / Stockholders' Equity)	1,06	1,06	1,06
Current Ratio (Current assets / Current liabilities)	3,45	3,64	3,96
Acid ratio ((Current receivables + Cash and cash equivalents)/ Current liabilities)	2,56	2,62	2,78
Quick ratio ((Cash and cash equivalents + Investments) / Current liabilities)	1,59	1,61	1,69
Turnover ratios (*):			
Total assets turnover (Revenues / Total assets)	0,73	0,66	0,62
Current assets turnover (Revenues / Current assets)	0,89	0,83	0,80
Inventory turnover (COGS / Inventory)	1,32	1,15	0,97
Days sales of inventory (Inventory / COGS) *365	276	319	375
Days sales outstanding (Account receivables / Revenues)*365	88	90	96

(*) For the interim financial periods, the amount of revenues, purchases and the profit results are annualised

In order to facilitate comprehension of the chart above, and in consideration of the regulations concerning alternative performance indicators, below we are giving the definitions of some terms used in the charts of the financial statement:

- Own Capital = shareholders' equity of the Group – net income
- Cost of goods sold = purchases ± change in the inventory

1.5. Comments on management results

The first six months of 2010 show a gradual recovery of the positions which had been rapidly eroded by the financial crisis which, started in the last quarter of 2008 in the United States and hit all of our main markets. The results show how the group has been able to turn a profit even in conditions which are still uncertain and above all, how it has been able to reorganize a part of its activities by taking advantage of growth opportunities and creating a structure which will be able to benefit the most from what is hoped to be the effects of the end of the crisis.
The consolidated EBIT and the net result of the Group are again positive on a half-yearly basis although they are affected by the performance of Cynosure which is still showing a loss, though minor. The earnings registered for the sub-consolidated without Cynosure are much more satisfactory and show an EBIT of 3,5 million and a net profit pertaining to the Group of almost 1 million Euros, while during the first half of 2009 we were registering losses of 1,8 and 2 million Euros respectively.

In order to describe the performance of the Group it has become increasingly important to distinguish the analysis between the two macro-sectors, medical-aesthetic and industrial, on account of the major differences in the factors which determine the development of the relative markets and of our Group.
In the medical sector the record results shown for 2008 were driven by the euphoria of the American market which was very open to technologies for aesthetic applications like hair-removal, photo-rejuvenation, laser lipolysis, and was a point of reference for consumption, in growth, also in the rest of the world. The brilliance of the American market had allowed Cynosure to achieve excellent results both in terms of growth and earnings; the freeze of September 2008 reduced the US market by more than half and forced Cynosure and the Group to revise their organization, not so much for research and development, which is always the focal point of our expansion strategy through innovation, as for our position on the markets. The need to be present in best form on the various markets comported a series of investments in direct distribution structures, both by Deka in the USA and by Cynosure in strategic countries like Korea and China.
It was also considered a good idea to differentiate the products offered in order to limit the preponderance in the aesthetic field, by investing in the surgical, dental and physical therapy sectors.
After the most critical months of the crisis, the recovery penalized the United States while favoring other areas and created a situation in which, during this half-year, the Group, despite the lack of the driving force of the greatest market in the world, was still able to turn a profit that was even greater than expected, thanks to the stability of its distribution structures in pilot countries like Japan, China and Korea, to a greater penetration in areas with high potential like South America, and to the first tangible results from the investments in the surgical and dental sectors.
The present market is still not comparable to the brilliant one of early 2008, especially on account of the difficulties on the part of the clientele to obtain financing for their investments, but the Group is now fully equipped to operate under these market conditions and to succeed as soon as conditions tend toward a further more stable normality.

In the industrial sector, the Group offers innovative laser systems for manufacturing; this activity was profoundly affected by the crisis with a drop in demand and the cash crisis which greatly reduced the tendency to invest on the part of potential clients. The excellent results achieved during this half, which brought sales volume up close to the 2008 levels, even though that period had benefited from an important order for laser sources which has not been repeated, can only partially be explained by a generic recovery from the crisis, but is mainly due to the investments which the Group made in the last few years for the creation of manufacturing structures in the most rapidly developing countries, China and Brazil, and making the technological innovations which make our systems competitive with the leaders available on these markets.

It should be remembered that in the medical sector the Group is, by its size, one of the absolute leaders on the market and consequently its sales volume is directly affected by any modification of the market, which is, in any case, not enormous, and therefore limits the possibility for growth of the innovations which would allow for an expansion of the market itself (as happened with the introduction of laser lipolysis) or taking away important sections of the market from the main competitors. In the industrial sector on the other hand, although the Group detains a position of leadership in some niches, it is a minor player in comparison with the leaders in a market which is considerably vaster than the medical-aesthetic sector. For this reason the growing room for the Group is much greater and obtainable with a correct market position without having to alter the balance of the market or modify its structure with sensational innovations.

Considering the importance of the subsidiary Cynosure on the consolidated results and the considerable quota of the company which is held by third parties (the controlling share held by El.En. Spa as of June 30th 2010 is 23,03%) we will complete this information section by showing, besides the data related to the consolidated of the Group, also the results for the Group excluding Cynosure from the area of consolidation. It should be recalled in fact, that El.En. holds control of Cynosure through a Statutory clause which gives it the right to appoint the majority of the members of the Board of Directors; this clause will remain valid as long as El.En. possesses at least 20% of the stock of the company.

The chart which follows illustrates the subdivision of the sales volume among the sectors in which the Group operates for this half, compared with the same sub-division for the same period last year.

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Industrial systems and lasers	13.959	15,20%	8.198	11,30%	70,28%
Medical and aesthetic lasers	59.872	65,18%	49.053	67,61%	22,06%
Service	18.025	19,62%	15.300	21,09%	17,81%
Total	**91.856**	**100,00%**	**72.551**	**100,00%**	**26,61%**

The substantial recovery shown with respect to the sales volume for the first semester of 2009, almost 20 million Euros more, involves all of the segments and, in particular, the most evident, with a growth of over 70% and 5,7 million Euros more, is the industrial sector, and even more significantly, 22% and 10,8 million more in the medical sector.

Although it shows a smaller increase, the after-sales service and spare parts segment actually registered an excellent result. Sales volume for service in fact depends on the increase in the number of installations, and the volume of the client’s activity and tends to maintain a more stable trend to the extent that even during last year it showed a slight increase.

The table below shows the results for this period based on the geographic distribution of sales.

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Italy	16.305	17,75%	12.561	17,31%	29,81%
Europe	25.116	27,34%	20.725	28,57%	21,18%
Rest of the world	50.435	54,91%	39.264	54,12%	28,45%
Total	**91.856**	**100,00%**	**72.551**	**100,00%**	**26,61%**

The growth rates in Italy and in the rest of the world are about the same; the growth in the rest of Europe is not as rapid, although it is well over 20%. The foreign sales of the Group continue to represent over 80% of the consolidated sales volume.

Within the medical/aesthetic sector, which represents almost 65% of the sales of the Group, the sales results for the various segments are shown on the table below.

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Surgical CO2	4.896	8,18%	4.237	8,64%	15,55%
Physiotherapy	2.306	3,85%	2.364	4,82%	-2,47%
Aesthetic	40.256	67,24%	32.464	66,18%	24,00%
Dental	2.089	3,49%	1.935	3,94%	7,94%
Other medical lasers	8.244	13,77%	6.481	13,21%	27,19%
Accessories	2.082	3,48%	1.572	3,20%	32,48%
Total	**59.872**	**100,00%**	**49.053**	**100,00%**	**22,06%**

With the exception of physical therapy (which, however had been the positive exception in 2009), all of the segments registered substantial growth, which in many cases was over 20% and even reached 30%. The months which are compared here are the most critical ones for the Group during the crisis and highlight the recovery which, however was not enough to place the Group back at the 2008 levels.

The growth of 24% in the aesthetic sector is based on the success encountered by the new systems introduced at the end of 2009 and by the entry with a direct distribution system for the professional aesthetic segment in Italy. Deka introduced the Synchro FT system, a platform for hair removal and vascular applications with very attractive performance, appearance and price. Deka and Quanta System have obtained interesting results with hair removal systems using mixed ND-Yag Alexandrite technology. With Elite MPX Cynosure has launched their own “Multiplex” technology also for hair removal, while with the same technology the Smartlipo MPX system has been able to amplify their functions and operative potential with the introduction of a new wave length which makes it the most advanced system in the field of laser lipolysis; this device represents a joint project between El.En. and Cynosure. In Italy, with a range and quality level of systems which are unequaled in the sector, Esthelogue has rapidly gained an important position in the professional aesthetics field by featuring products that represent an opportune mix of innovative technologies, specific training services, and a range of complementary products. Moreover, in Italy Esthelogue distributes the Raylife product, a fascinating multifunctional system manufactured by the German company Asclepion, which has met with great success in Italy and all over the world.
The aesthetic sector represents the main market for the Group which is firmly convinced of its potential for mid-term development, also as a result of the demographic and fashion factors which indicate an increase in consumption and of spending of available income on the care and improvement of one’s appearance. Last year, the crisis determined a sudden drop in the demand for technologies for this particular type of treatment, in part due to the sizeable investment required; the overall trend remains positive, as shown, among other things, by the considerable sums of money still spent in cosmetics during 2009.

The residual sector of “Others”, which includes, among other things, the sale of solid state systems for surgical applications, also performer well. In this sector there was an interesting development in the activities of Quanta System, which broke into the market thanks to its high-power system for BPH, litotripsia and endovascular applications. The success of Quanta System in this segment determined the excellent EBIT of the company which registered its highest sales volume ever. Also in this sector, there was a good performance shown by Cynosure’s Dye systems (Cynergy systems) and by Deka’s Excilite micro systems, which offer an effective therapy against psoriasis and have obtained good sales volumes, especially in the Far East.

The increase in the sales of CO_2 systems should be read together with those of the sales for accessories, which include Hiscan scanners used in “DOT therapy” resurfacing applications which are performer , in fact, by applying a Smartxide laser scanner; this latter has been quite successful also in the surgical version for applications in otorhinolaryngology .
The dental sector also showed growth thanks to the increase in the sales volume of the American branch, Deka Laser Technologies which, in May and June, reached a level of sales which was in keeping with its the size of its structure and in conformity with expectations as well as with the results which are increasing in other parts of the world.

The physical therapy sector registered a slight decrease during this half as the sector enters a period of stability after the brilliant growth shown even in 2009. The activities in this sector are conducted for the Group by ASA; its integrated approach to the development of new products, some of which are in collaboration with El.En., its experimental and marketing activities in any case are producing excellent results also in terms of earnings and are confirming ASA as one of the most important companies in the sector.

For the sector of industrial applications, the table below illustrates the sales volume divided according to the market segments in which the Group operates.

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Cutting	8.791	62,98%	4.792	58,46%	83,44%
Marking	4.020	28,80%	2.143	26,14%	87,61%
Laser sources	1.072	7,68%	1.087	13,25%	-1,35%
Welding, other industrial systems	76	0,55%	176	2,15%	-56,69%
Total	**13.959**	**100,00%**	**8.198**	**100,00%**	**70,28%**

The results in the industrial sector, with a growth of over 70%, represent something much more significant than just a rebound from the minimum levels registered during the crisis which had frozen the purchase of machine tools in the manufacturing sector; in fact, the success in this period is the result of a new approach to the market with a global positioning created thanks to the production structures in China and Brazil which are able to serve directly two rapidly growing markets which are destined to maintain a predominant role in world manufacturing. Their geographical

position is made effective by the innovation of the range of laser sources, in particular for the introduction of the RF technology for low and medium power sources which made it possible to add the technological improvements of the new models of cutting and marking systems offered by the companies of the Group to the RF sources manufactured and developed by El.En.. With the increase within the Group of the structures for integration of systems, the manufacture of laser sources has been directed mainly to the integrators of the Group, while the sales of laser sources as such has remained substantially unchanged.
As far as the Italian market is concerned, it should be recalled that the expiration of the so-called Tremonti law, which offered substantial fiscal benefits to whoever invested in capital goods, determined an acceleration of sales in the month of June, the pace of which cannot be maintained for the rest of the year.
The level of sales volume is still low in the restoration sector, which, in any case, is significant mainly from the point of view of corporate image. The Group has made available their most advanced technologies for the restoration of some masterpieces like Verrocchio’s bronze *David*, the cathedral of S. Stefano in Vienna, and some Vatican sites in which the El.En. Group has given a fundamental contribution to the restoration of the works of art so that they can be fully enjoyed.

The following charts show the composition of the sales volume for the sub-consolidated which excludes Cynosure, with the exception of the chart showing details of the industrial sector, an area in which Cynosure does not operate.

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Industrial systems and lasers	13.959	21,86%	8.198	16,73%	70,28%
Medical and aesthetic lasers	39.209	61,41%	31.497	64,29%	24,49%
Service	10.680	16,73%	9.299	18,98%	14,85%
Total	**63.849**	**100,00%**	**48.993**	**100,00%**	**30,32%**

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Italy	15.990	25,04%	12.515	25,55%	27,76%
Europe	18.035	28,25%	14.444	29,48%	24,86%
Rest of the world	29.823	46,71%	22.034	44,97%	35,35%
Total	**63.849**	**100,00%**	**48.993**	**100,00%**	**30,32%**

	30/06/2010	Inc%	30/06/2009	Inc%	Var%
Surgical CO2	4.725	12,05%	3.673	11,66%	28,61%
Physiotherapy	2.306	5,88%	2.364	7,51%	-2,47%
Aesthetic	22.939	58,50%	17.894	56,81%	28,20%
Dental	2.089	5,33%	1.935	6,14%	7,94%
Other medical lasers	5.056	12,89%	4.011	12,73%	26,05%
Accessories	2.096	5,34%	1.619	5,14%	29,42%
Total	**39.209**	**100,00%**	**31.497**	**100,00%**	**24,49%**

If we exclude Cynosure, the geographic importance of the Italian and European markets increases, even though the Group retains its global nature with 75% of its earnings registered in foreign countries.

As far as the medical sector is concerned, the growth rate is slightly higher than that registered with Cynosure (and therefore by Cynosure) in particular due to the aesthetic and CO_2 systems.

1.6. Consolidated Profit and Loss Account as of June 30th 2010

The reclassified consolidated profit and loss account for the financial period ending June 30th 2010 compared with that for the same period last year is shown below.

Profit and loss account	**30/06/10**	**Inc.%**	**30/06/09**	**Inc.%**	**Var.%**
Revenues	91.856	100,0%	72.551	100,0%	26,6%
Change in inventory of finished goods and WIP	(2.818)	-3,1%	(1.894)	-2,6%	48,8%
Other revenues and income	877	1,0%	1.307	1,8%	-32,9%
Value of production	**89.915**	**97,9%**	**71.964**	**99,2%**	**24,9%**
Purchase of raw materials	35.156	38,3%	23.883	32,9%	47,2%
Change in inventory of raw material	(2.517)	-2,7%	700	1,0%	
Other direct services	8.742	9,5%	7.328	10,1%	19,3%
Gross margin	**48.535**	**52,8%**	**40.052**	**55,2%**	**21,2%**
Other operating services and charges	20.507	22,3%	23.073	31,8%	-11,1%
Added value	**28.028**	**30,5%**	**16.979**	**23,4%**	**65,1%**
For staff costs	22.428	24,4%	21.504	29,6%	4,3%
EBITDA	**5.600**	**6,1%**	**(4.525)**	**-6,2%**	
Depreciation, amortization and other accruals	4.227	4,6%	4.508	6,2%	-6,2%
EBIT	**1.373**	**1,5%**	**(9.033)**	**-12,5%**	
Net financial income (charges)	409	0,4%	826	1,1%	-50,4%
Share of profit of associated companies	(244)	-0,3%	(556)	-0,8%	-56,1%
Other net income (expense)	(459)	-0,5%	(18)	-0,0%	2442,1%
Income before taxes	**1.079**	**1,2%**	**(8.781)**	**-12,1%**	
Income taxes	2.038	2,2%	(2.805)	-3,9%	
Income for the financial period	**(959)**	**-1,0%**	**(5.977)**	**-8,2%**	**-84,0%**
Minority interest	(1.212)	-1,3%	(3.319)	-4,6%	-63,5%
Net income	**253**	**0,3%**	**(2.657)**	**-3,7%**	

The gross margin is registered for 48.535 thousand Euros, an increase 21,2% with respect to the 40.052 thousand Euros for the same period last year with an incidence on the sales volume which decreased from 55,2% on June 30th 2009 to 52,8% for the half being reported here. There are many factors which influence the variations in the margin of contribution; first of all, the selling prices, which are typically negatively influenced by the aggressiveness of the competition which is accentuated in periods of crisis, but also influenced positively by the innovative capacity of the company in offering new products which earn a "premium price"; moreover, within the Group, the mix of sales through direct channels , which earn higher prices and margins, but require substantial expenses for marketing, sales, distribution, but with lower margins and sales expenses . The crisis on the American market and the consequent impact of the expenses for international distribution on the sales volume of Cynosure reduced its margins; however, as shown below, the increased importance of direct distribution (with the start up of the activities of Esthelogue and the success of the Japanese and French branches) limited the reduction of the margins created by the intense pressure on the prices registered on the markets.

It should be recalled that in 2008 and 2009 some sales which had been financed by the clientele through operative leasing, were considered multi-year rentals in conformity with the IAS/IFRS principles, although the Group had already cashed in the sales price. The effect on the period reported here was barely significant.

The costs for operating services and charges was registered for 20.507 thousand Euros and showed a decrease of 11,1% with respect June 30th 2009 with an incidence on the sales volume which fell to 22,3% from 31,8% for the same period last year. The decrease in this cost aggregate represents one of the most significant aspects of the return of the Group to a situation of profitability, and highlights the attention that the Group has paid to this sector; it should be recalled, however, that the first half of 2009 presented some expenses of a non-recurrent nature like those sustained by Cynosure for the law suit involving the patents on the Smartlipo application, or the loss on receivables registered by Deka for the suit initiated by one of its most important clients.

The costs for personnel was 22.428 thousand Euros (an increase of 4,3% with respect to the 21.504 thousand Euros for the same period last year) and shows a remarkable recovery in productivity, with an incidence on the sales volume which falls from 29,6% on June 30th 2009 to 24,4% on June 30th 2010. The reduction in figurative costs for the stock options also contributes to this saving. As of June 30th 2009 these costs were 2.027 thousand Euros, while they decreased to 1.278 thousand Euros on June 30th 2010; these costs are mostly related to the stock options issued by the subsidiary Cynosure Inc.

On June 30th 2010 the number of employees in the Group was 915with respect to the 874 registered on December 31st 2009 and the 871 on June 30th 2009. The increase with respect to the beginning of the year is almost entirely related to the rise in the number of employees at the Chinese subsidiary Wuhan Penta Chutian, which has been rapidly expanding during the last quarters and as of June 30th had 144 employees.

A substantial portion of the personnel expenses is directed towards Research and Development for which the Group also receives grants and reimbursements in relation to specific contracts undersigned by the institutions created for this purpose; during the first half of 2010, grants for 373 thousand Euros were entered into accounts, while for the first half of 2009 they amounted to 905 thousand Euros.

On account of the changes described above, the EBITDA showed a positive result of 5.600 thousand Euros, compared with the negative result of 4.525 thousand Euros on June 30th 2009.

Costs for accruals, amortizations and depreciations were 4.227 thousand Euros, a decrease of 6,2% over June 30th of last year and an decrease in the incidence on the sales volume which fell from 6,2% on June 30th 2009 to 4,6% on June 30th 2010, mostly for smaller accruals made during the period on credit risks.

The EBIT therefore shows a positive result of 1.373 thousand Euros, showing a remarkable improvement over the negative result of -9.033 thousand Euros registered on June 30th 2010.

The results of the financial management were 409 thousand Euros with respect to the 826 thousand Euros for the same period last year; the results were influenced by the lower interests earned on bank deposits and by the greater foreign exchange loss, in particular related to the American company Cynosure which held receivables in Euros and therefore registered losses on the difference in exchange rates due to the reinforcement of the US dollar.

The negative result shown for the associated companies is mainly due to Elesta Srl, which is still in the initial investment phase for the perfecting of sophisticated surgical equipment, and the Spanish company GLI whose position is still extremely difficult on account of the crisis which, as is generally known, in Spain is more acute than in the rest of Europe.

The other net income and charges as of June 30th 2010 are mostly related to the devaluation of the residual goodwill included in the equity investment in the associated company GLI.

The earnings before taxes were registered for a positive amount of 1.079 thousand Euros, compared with the negative result of -8.781 thousand Euros on June 30th 2010.

The fiscal load for this half was influenced by the return to profitability of several companies belonging to the Group. The tax rate for the period is heavier due to the presence of non-deductible charges, like the devaluation made on the equity in GLI, as well as the fact that at Cynosure the time is not yet mature for the entry of deferred taxes on the temporary difference between the taxable income and the earnings before taxes.

1.7. Consolidated Balance Sheet and financial position as of June 30th 2010

The reclassified balance sheet shown below makes it possible to compare the results for this half with those of last year.

	30/06/2010	31/12/2009	Var.
Balance Sheet			
Intangible assets	7.379	6.975	404
Tangible assets	30.074	29.845	230
Equity investments	778	1.289	-512
Deferred tax assets	4.881	4.431	450
Other non current assets	1.822	3.665	-1.843
Total non current assets	**44.934**	**46.205**	**-1.271**
Inventories	53.645	50.531	3.114
Accounts receivables	44.270	36.573	7.698
Tax receivables	6.764	8.040	-1.276
Other receivables	6.704	4.980	1.724
Financial instruments	56.431	29.803	26.628
Cash and cash equivalents	38.528	49.573	-11.045
Total current assets	**206.342**	**179.499**	**26.843**
TOTAL ASSETS	**251.276**	**225.704**	**25.572**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	36.279	32.426	3.853
Treasury stock	-2.576	-2.576	
Retained earnings / (deficit)	19.579	24.552	-4.973
Net income / (loss)	253	-5.258	5.510
Parent stockholders' equity	**94.637**	**90.247**	**4.390**
Minority interests in consolidated subsidiaries	83.607	73.117	10.491
Total equity	**178.245**	**163.364**	**14.881**
Severance indemnity	2.596	2.607	-12
Deferred tax liabilities	612	417	195
Other accruals	5.452	5.143	309
Financial liabilities	4.633	4.927	-294
Non current liabilities	**13.293**	**13.094**	**199**
Financial liabilities	6.668	5.613	1.055
Accounts payables	29.700	25.136	4.564
Income tax payables	1.235	450	785
Other payables	22.134	18.047	4.088
Current liabilities	**59.738**	**49.246**	**10.492**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**251.276**	**225.704**	**25.572**

Net financial position		
	30/06/2010	**31/12/2009**
Cash and bank	38.528	49.573
Financial instruments	56.431	29.803
Cash and cash equivalents	**94.959**	**79.376**
Short term financial receivables	**56**	**55**
Bank short term loan	(5.338)	(4.450)
Part of financial long term liabilities due within 12 months	(1.330)	(1.163)
Financial short term liabilities	**(6.668)**	**(5.613)**
Net current financial position	**88.347**	**73.818**
Bank long term loan	(2.328)	(2.044)
Other long term financial liabilities	(2.306)	(2.883)
Financial long term liabilities	**(4.633)**	**(4.927)**
Net financial position	**83.713**	**68.891**

For comments on the consolidated net financial position, please refer to the specific paragraphs in the Notes.

1.8. Consolidated Balance Sheet and financial position as of June 30th 2010 (excluding Cynosure from the area of consolidation)

The chart below shows the balance sheet for this half and the net financial position of the Group excluding the subsidiary Cynosure from the area of consolidation.

Profit and loss account	**30/06/10**	**Inc.%**	**30/06/09**	**Inc.%**	**Var.%**
Revenues	63.849	100,0%	48.993	100,0%	30,3%
Change in inventory of finished goods and WIP	798	1,2%	(293)	-0,6%	
Other revenues and income	710	1,1%	1.194	2,4%	-40,5%
Value of production	**65.357**	**102,4%**	**49.895**	**101,8%**	**31,0%**
Purchase of raw materials	28.251	44,2%	20.492	41,8%	37,9%
Change in inventory of raw material	(678)	-1,1%	239	0,5%	
Other direct services	5.946	9,3%	4.499	9,2%	32,2%
Gross margin	**31.837**	**49,9%**	**24.665**	**50,3%**	**29,1%**
Other operating services and charges	12.219	19,1%	11.891	24,3%	2,8%
Added value	**19.618**	**30,7%**	**12.775**	**26,1%**	**53,6%**
For staff costs	13.993	21,9%	12.610	25,7%	11,0%
EBITDA	**5.625**	**8,8%**	**165**	**0,3%**	**3313,1%**
Depreciation, amortization and other accruals	2.116	3,3%	2.025	4,1%	4,5%
EBIT	**3.509**	**5,5%**	**(1.861)**	**-3,8%**	
Net financial income (charges)	843	1,3%	351	0,7%	140,5%
Share of profit of associated companies	(244)	-0,4%	(556)	-1,1%	-56,1%
Other net income (expense)	(457)	-0,7%	0	0,0%	
Income before taxes	**3.651**	**5,7%**	**(2.066)**	**-4,2%**	
Income taxes	1.909	3,0%	201	0,4%	850,3%
Income for the financial period	**1.742**	**2,7%**	**(2.267)**	**-4,6%**	
Minority interest	776	1,2%	(265)	-0,5%	
Net income	**966**	**1,5%**	**(2.002)**	**-4,1%**	

Net financial position		
	30/06/2010	**31/12/2009**
Cash and bank	17.762	18.477
Financial instruments	513	537
Cash and cash equivalents	**18.275**	**19.013**
Short term financial receivables	**56**	**55**
Bank short term loan	(5.335)	(4.445)
Part of financial long term liabilities due within 12 months	(1.168)	(985)
Financial short term liabilities	**(6.504)**	**(5.430)**
Net current financial position	**11.827**	**13.639**
Bank long term loan	(2.308)	(2.028)
Other long term financial liabilities	(2.256)	(2.780)
Financial long term liabilities	**(4.564)**	**(4.809)**
Net financial position	**7.262**	**8.830**

As far as the sub-consolidated excluding Cynosure is concerned, of particular note is the increase in the sales volume of +30,3% and a decrease in the incidence of overhead and consequently an EBIT of 5,5% of the sales volume as opposed to 1,5% shown in the consolidated.

The gross margin is 31.837 thousand Euros, showing an increase of 29,1% with respect to the 24.665 thousand Euros on June 30th 2009 but with an incidence on the sales volume which decreased slightly from 50,3% to 49,9% for the period being reported here, and which has already been explained above in relation to the consolidated.

The other cost entries show a decrease in the incidence on the sales volume, with the benefit of the EBITDA which is 5,6 million Euros (equal to about 8,8% of the sales volume) and the EBIT which is about 3,5 million Euros.

The associated companies which registered negative results involve only the sub-consolidated without Cynosure for which a loss equal to 0,4% of its sales volume is registered. The other net income and charges are mostly related to the devaluation made on the associated company GLI with a loss equal to 0,7% of the consolidated sales volume.

The fiscal load for this half shows overall charges for about 2 million Euros on account of the return to profitability of most of the companies belonging to the Group; the average tax rate is 52% and, in any case, reflects the presence of some companies that are still in the red and for which, as a precaution, it was decided to not enter assets for deferred taxes, besides the presence of negative components which are not tax deductible, like the devaluation made on the equity in GLI.

1.9. Results of the subsidiary companies

El.En. SpA controls a Group of companies active in the same overall field of laser technology, with each company occupying a different sector and having a particular role on the market.

The table below shows a summary of the results of the parent company El.En and its subsidiaries. The table is followed by brief descriptions explaining the activity of each company with a comment on the results for the first half of 2010.

	Revenues 30-giu-10	Revenues 30-giu-09	Var. %	EBIT 30-giu-10	EBIT 30-giu-09	Net income 30-giu-10	Net income 30-giu-09
El.En. SpA	23.022	18.104	27,17%	1.760	653	1.407	171
Subsidiary companies:							
Cynosure (*)	30.322	26.614	13,93%	-1.941	-7.568	-2.583	-3.969
Deka Mela Srl	11.920	9.313	28,00%	685	-459	607	-298
Cutlite Penta Srl	5.084	3.360	51,31%	389	-367	241	-275
Esthelogue Srl	3.808	0		66	-14	25	-11
Deka Technologies Laser Sarl	1.821	1.010	80,26%	144	59	144	60
Deka Lasertechnologie GmbH	492	404	21,59%	-86	-154	-91	-160
Deka Laser Technologies LLC	0	362	-100,00%	0	-306	0	-297
Deka Laser Technologies Inc.	1.169	767	52,41%	-272	-262	-279	-262
Deka Medical Inc.	775	0		-560	0	-564	0
Quanta System SpA	11.272	7.212	56,30%	982	-175	-133	-470
Asclepion Laser Technologies GmbH	8.902	9.011	-1,20%	-103	-288	-397	-301
Asa Srl	2.562	2.658	-3,63%	430	600	249	433
Arex Srl	503	550	-8,49%	44	32	20	15
AQL Srl	190	165	14,70%	6	-10	2	-11
Ot-Las Srl	1.862	625	198,06%	28	-322	4	-222
Lasit Spa	2.312	2.016	14,68%	161	-239	76	-276
Lasercut Technologies Inc.	86	75	14,93%	-43	-83	-44	-86
BRCT Inc.	0	0		-1	-1	2	2
With Us Co LTD	8.075	6.400	26,18%	522	197	46	197
Deka Japan Co LTD	592	0		-2	0	11	0
Wuhan Penta Chutian Laser Equipment Co LTD	3.694	1.547	138,80%	182	-34	443	-91
Lasit Usa INC	394	144	173,58%	-1	-82	-1	-82
Cutlite do Brasil Ltda	1.507	819	84,04%	-21	-203	137	-77
Raylife Srl	1.572	487	222,95%	-207	-141	-158	-112
Ratok Srl	1	4	-86,26%	-1	1	-1	1

(*) consolidated figures

El.En. Spa
The operating activity of the parent company El.En. Spa involve the development, design, manufacture and sale of laser sources and systems intended for use on two main markets: the medical-aesthetic and the industrial markets. It also involves a series of accessory activities including after-sales services, supplying of spare parts and consulting.
In implementing their policy of expansion on the markets, El.En. Spa over the years has founded or acquired numerous other companies which operate in specific sectors or geographical areas, and whose activities are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development and financing.
The importance of this coordinating activity continues to be very evident since most of the sales volume of the company is absorbed by companies belonging to the Group, while the financial management of the equities, with the allocation of the resources acquired through the IPO on the Nuovo Mercato in 2000, and with the general cash flow generated by the operating activities, takes on a predominant role both in the absorption of managerial resources as well as in the impact on the economic and financial results of the company.
As in previous years, the activities of El.En. Spa were conducted in the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).
The results for the first half of 2010 show a return to the production and sales volumes which were sufficient to produce a revenue that was more in keeping with the history of the company; the sales volume rose to 27% thanks to a brilliant recovery (+68%) in the industrial sector after a year of extremely severe crisis, and a substantial recovery (22%) in the main sector, the medical-aesthetic; the sales volume for after-sales service and spare parts also came close to a growth

of 20% and this confirms the solidity of this sector which is gradually growing thanks to the continual increase in the number of clients being served. This sales margins remained at a good level, although there was a slight drop with respect to the first half of 2009, and the increased sales volume made it possible to cover all of the operating and personnel costs so that an EBIT of 7% on the sales volume was registered. This result is still very far from the record amounts registered in 2008 but are still better than expected and satisfactory considering the circumstances which only very slowly and with great uncertainty are now emerging from a profound and severe state of crisis.
The financial management contributed considerably to the result for the period and benefited from the differences in the exchange rates by the strengthening of the US dollar, a condition in which, as an exporter, El.En. Spa, with all the European companies of the Group, also benefit in general business terms because many of its competitors, in particular in the medical sector, have costs structures, and consequently, prices, tied to the dollar.

Cynosure Inc.
This company which is quoted on the NASDAQ (CYNO), operates in the field of design, manufacture and sales of laser systems for medical and aesthetic applications and in recent years has been concentrating on laser applications for the aesthetic sector with excellent results which in 2008 made it the largest company in the sector in terms of sales volume. thanks to the superior performance and the high quality of its products, the alexandrite laser for hair removal and the Smartlipo system for laser-lipolysis.
2009 was a difficult year for the company which saw its sales volume reduced by 50%, in particular on the American market, and showed heavy losses. The company dealt with the crisis by managing their working capital and maintaining the amount of their available cash substantially unchanged, without reducing the expenses for research and development. During 2009 they introduced on the market the Elite MPX, an alexandrite and Nd:YAG laser system for hair removal which also utilizes the proprietary technology Multiplex ("MPX") which makes the applications more effective, and they also continued other important mid-term projects, like that, completely financed by their partner Unilever, aimed at the development of an aesthetic laser technology destined for the end-user. The collaboration with El.En. S.p.A. for the development of new products also continued at an intense pace, and they launched a version of the Smartlipo MPX system for laser lipolysis with three wave-lengths which, by combining the Smartlipo platform with the Multiplex technology on three particularly effective wave lengths makes an advanced product for the minimally invasive removal of fat now available on a global level.
Cynosure does its own sales and marketing for their products on the American and international markets by using their subsidiary companies in France, Great Britain, Germany, Spain, Japan, Korea, Mexico and China and a network of distributors for the countries which are not covered directly. Strong point and driver of the rapid growth of the company in the past years is the highly efficient direct distribution network throughout the U.S. Manufacturing and research and development are conducted in Westford, Massachusetts.
2010 started with results which were not so disappointing as those for 2009, and the pro-forma profit and loss accounts, which exclude the costs of the stock options in conformity with the GAAP and IFRS accounting principles closed for the first time since the third quarter of 2008, and substantially broke even in the second quarter.

The financial and economic situation of the company is perfectly stable and, in 2010 the net financial position further improved by 94 million dollars thanks to some tax returns and to the closing of the mid-term position derived from the auction rate securities. This situation makes it possible to plan the strategies for growth and investment, in particular in research and development, without severe financial concerns.
The quotation of the stock which ranged from a maximum of 45 dollars in 2007 to a minimum of about 6 dollars, corresponding to the market capitalization below the cash available to the company, hovered for a long time between ten and thirteen dollars and then again fell below ten dollars during the month of August 2010. In mid-2009 the company announced a buy-back plan for an overall amount of 10 million dollars, which up to now has been implemented to a negligible degree.

Deka M.E.L.A. Srl
Deka represents the main distribution channel for the range of medical laser systems developed in the factory in Florence. It was the first channel in chronological order and it has gradually consolidated its position on the market, first in Italy and then in other countries, and is now recognized as having achieved a position of leadership in many areas. Deka operates in the fields of dermatology, aesthetics, and surgery by using a network of agents for direct distribution in Italy and, for export, highly qualified distributors. In the physical therapy segment, DEKA has turned the management of the sector over to ASA Srl, of which it controls 60%, with satisfactory results both in terms of sales volume and profits.
The company has recovered rapidly from a difficult year in which some unusual events determined a drop in sales volume and operating losses particularly during the first half. Deka has shown a sizeable increase in sales volume and an EBIT of 5% of its sales volume, and, with an important increase in its sales volume has made up for a decrease in the margins caused by the intense pressure from its competitors. These results demonstrate the success of the Deka products in many countries thanks to the opportune selection of its distribution system and product range. The good results shown during the first half of this year therefore represent a solid base for a return in 2010 to a fully positive net result.

Cutlite Penta Srl

This company is active in the manufacture of laser systems for industrial cutting applications and installs the laser power sources produced by El. En. SpA on movements controlled by CNC.

The selling market for this company, which consists of manufacturing companies, first gave signs of recovery from the state of severe depression which was registered in 2009 in the first months of this year, tank in part to the capacity of the company to renew their range products and make it more in keeping with the requirements of the more substantial markets like that for metal cutting. On the other hand, the precision engineering of the systems also comported a reduction in the costs and consequently an improvement in the margins, from which the earnings greatly benefited. From a point of view of volume, the Italian market contributed decisively to the record levels reached in the second quarter also thanks to the stimulus provided by the Tremonti law which convinced many clients to proceed with their investment by June 30th .

During the period, they confirmed the financial support of the important initiative undertaken in China with the start up of Wuhan Penta Chutian, which is successfully bringing the Cutlite Penta products to China thanks to a solid local manufacturing and distributing structure, as described below.

The excellent mid-year result, with a net profit of 241 thousand Euros equal to about 4,7% of the sales volume, although unlikely to be repeated because of some of the extraordinary factors which influenced it, still makes it possible, thanks mainly to the improve margins of contribution, to count on a return to profits for the year 2010.

Wuhan Penta Chutian

This Joint Venture was constituted in 2007 by Cutlite Penta together with the Wuhan Chutian Group of Wuhan, in the Hubei region of central China in order to develop the manufacture of laser cutting systems for the local market and taking advantage of the systems technology of Cutlite Penta, the laser sources manufactured by El.En. and the experience of the local partner in manufacturing and distribution. During the first half of 2010, in a favourable moment for the market and the setting up of the production processes, the company was able to rapidly increase its sales volume which they more than doubled during the half, and achieve an operating profit. The re-enforcement of the Yuan, in view of the substantial exposure in Euros by the companies of the Group, determined a profit from the exchange rate which brought the net earnings up to 12% of the sales volume.

Better market conditions and the growing reputation of the company with the clientele also made it possible to improve the sales conditions, facilitating a limitation in the growth of the net working capital, and, consequently, of the financial requirements, which were sustained in 2009 with a bank loan and with an increase in capital which was underwritten by both partners.

Quanta System Spa

This company began as a research laboratory and became part of the area of consolidation of the Group in 2004. It represents a model of excellence at a global level for the innovative quality of its technological research in the laser field. Up until 2007 the medical-aesthetic sector represented the main driver in its growth and the scientific sector in which the company started, and the industrial sector prevailed; starting in 2008 Quanta System started to be active in the surgical market, in particular in the urological and endovascular fields, opening a new front which allowed it to brilliantly overcome the crisis and recording, in the first half of 2010, record results both for sales volume and EBIT: 11,2 million Euros in sales volume for this half (as opposed to 15 million for all of 2009) and 1,4 million in EBITDA. The EBIT and net earnings were penalized however by the impact of the continuing crisis of their associated company GLI, in relation to which the financial report of Quanta System shows an accrual for devaluation of receivables for an amount of 110 thousand Euros, the entire devaluation of the goodwill for 464 thousand Euros and the quota for their part in the losses for the year for 195 thousand Euros, with an overall effect which brings the half-yearly result to a loss, notwithstanding the excellent performance of the company.

Asclepion Laser Technologies GmbH

The company in Jena which was acquired from Carl Zeiss Meditec now represents one of the main operations of the Group and has successfully exploited its geographical position in one of the cradles of the electro-optical industry and its capacity to associate its image with the high prestige that German high-tech products enjoy at a global level. In the last few years Asclepion has maintained an excellent growth rate.

During the first half of 2010 the sales volume was essentially the same as for last year, but the reduction in margins determined a slight operating loss. The financial charges and the devaluation of the 100 % equity investment in the subsidiary Raylife Srl determined a loss of about 400 thousand Euros.

With Us

This company constitutes a stronghold for the distribution of Deka’s products in their specific versions for the Japanese market. With Us represents a point of reference for the market of “light based” technologies for aesthetics in Japan, thanks the substantial number of installations present and to their capacity to acquire orders for new installations.

The large number of installations comports an important flow of revenue from maintenance contracts and supply of consumables, which increate 10% in the first half of this year. The growth in the sales of systems was over 40% which comported an overall increase in earnings of about 26% with an excellent EBIT which was unfortunately penalized at the level of net earnings (which, in any case, was positive) by the financial management, in particular by losses on the exchange rates.

ASA Srl
This company, which is located in Vicenza, is a subsidiary of Deka M.E.L.A. Srl, and operates in the physical therapy. After succeeding in increasing its sales volume in 2009, ASA has slowed down in 2010 and in the first months of the year registered a slight drop in sales and earnings. The outlook for the company is still good and its strategy for growth as a technological leader in the field of physical therapy lasers is based on developments within the company and collaboration with the parent company El.En. Spa.
It should be pointed out, moreover, that ASA represents an important presence on the North American market; this presence was initiated in a period of crisis but has become increasingly significant in the economy of the global distribution of the company.

Other companies - medical sector

Deka Technologies Laser Sarl is the company that distributes the range of Deka laser systems in France. During the first half of 2010 the French branch improved on its excellent results for 2009 with income increasing by 80% during this period and net earnings of over 140 thousand Euros. The company's market position, which is the results of many years of effort, makes Deka the leading brand name in the sector in France. The German branch **Deka Lasertechnologie GmbH**, has undergone a further re-organization which limits its role to local coordinator of the independent sales agents, in this way considerably reducing its losses during the second quarter. **Deka Japan** was founded at the end of 2009 as the financial year was ending in order to create a specific organization dedicated to the distribution of medical systems in Japan in conjunction with With US which is specialized in systems for aesthetics. During this half it made half a million Euros in revenue and substantially broke even..

Deka brand products are distributed in the United States through **Deka Laser Technologies Inc**. for the dental sector and **Deka Medical Inc**. for the medical-aesthetic and surgical sector. The first of the companies is in a turnaround phase and the second in start-up; both companies suffered the effects of the crisis of the American market and showed losses during this half. During the second quarter of 2010 the dental sector showed a significant recovery, with sales volume at a satisfactory level and an EBIT which substantially broke even, which showed the achievement of some important goals in terms of market position and brand and product recognition on the part of the clientele. The gradual progression towards the planned sales levels is still far away for of Deka Medical and remains an objective to be reached during the future quarters.

As far as the professional aesthetic sector is concerned, the Group entered this sector in 2009 by launching its own direct distributor, **Esthelogue**, after the crisis of its original distributor. **Esthelogue** has rapidly acquired parts of the market and a stable revenue although they have faced extremely critical market conditions, especially in relation to the financial situation of the clientele, for whom the financial crisis and the consequent difficulty in obtaining financing has had a considerable impact. These phenomena comport an increased exposure to the clientele that has been registered in the past by the Group in the medical sector. The slowing down of the activities of Raylife Srl have highlighted the necessity of entering accruals for devaluations of receivables payable over long periods of time; for this reason, in fact, the losses were registered which we mentioned in relation to Asclepion, which controls 100% of Raylife Srl.

The **Arex Srl** medical center, which is specialized in the treatment of psoriasis and vitiligo continued its activity with satisfactory results, while **Ratok Srl** has not yet begun its mission for the diffusion of the business model represented by the Arex center.

Other companies – industrial sector

Ot-Las Srl designs and manufactures special laser systems for CO_2 laser marking of large surfaces and is present on the market with state-of-the-art technological solutions, thanks in part to its close collaboration with the Parent Company El.En. for the development of strategic components. During the first half of 2010 the company registered a substantial recovery in sales volume and revenue stability, with results which were much better than expected after the negative trend shown in 2009, thus demonstrating the vitality of the company and the innovative features of its products.

Lasit Spa is a company specialized in the manufacture of systems for marking small surfaces. Lasit maintains an important research and development team at its Headquarters in Torre Annunziata (NA), and controls a company in Italy, **AQL Srl** and one in the United States, **Lasit USA, Inc**. dedicated to the distribution of Lasit systems. Lasit is also equipped with a complete state-of-the-art mechanical workshop which allows it to carry out work for other companies in the Group and to offer to its clientele a personalized service which makes the company unique in the sector. During the first half of 2010 the company showed good results; the US branch broke even for the first time (also thanks to the improved currency exchange rates) and Lasit Spa increased its sales volume and margins by controlling their overhead costs so that they registered a positive EBIT for 7% of the sales volume.

BRCT Inc. detains the real estate property located in Branford, Connecticut and operates as a subholding company which holds a number of foreign equities including **Lasercut Technologies Inc.** which conducts after-sales service activities for the industrial systems installed in the US.

Cutlite do Brasil Ltda. is involved in the distribution and manufacture in Brazil of laser systems for industrial applications; its Headquarters are located in Blumenau in the state of Santa Catalina. After a disappointing first quarter in 2010, a part from the seasonal decline which makes this quarter the slowest one in Brazil, in the second quarter the structure started to operate at full rhythm and recovered the losses, thus demonstrating the potential for development of both the sales volume and earnings which the Group intends to exploit.

1.10. Research and development activities

During the first half of 2010 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market. A further incentive to this activity was given by the economic crisis which required even more attractive items for the market through the presentation of new products and applications.
In general, for highly technological products in particular, the global market requires that the competition be met by continually placing on the market completely new products and innovative versions of old products which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid-term schedules.
The innovative results consist essentially in the creation of new laser applications and the development of suitable equipment for the new applications. In other words, we conduct research in order to understand unresolved or new problems in the fields of medicine and industry and we look for solutions on the basis of our experience and culture in laser systems related, on the one hand, to its generation and level of power and, on the other, its management over time and in the shape of the ray.
The research which is aimed at obtaining mid-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centres throughout the world, some of which we collaborate with.
Research which is dedicated to achieving results according to a short-term schedule, above all for products developed for new laser applications, is concentrated on subjects for which all the preliminary feasibility studies have been completed For these subjects a choice has already been made regarding the main functional characteristics and specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study.
The research which is conducted is mainly applied and is basic for some specific subjects. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University Instruction and Research (MIUR) and the European Union, as well as directly with the Research Institutions or Regional structures.
The Group is the only one in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid with semiconductor, gas) each one with various power versions in some cases, and using various manufacturing technologies. Consequently, research and development activity has been directed to many different instruments and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the various companies have been involved is given below.

Systems and applications for lasers in medicine

Through a major effort involving massive use of both personnel and resources, the parent company, El.En. is developing new equipment and sub-systems in the SMARTXIDE2 family of CO_2 laser products for surgical uses. The systems are equipped with laser sources fed by medium-power radiofrequency up to 80 w and an interface management from a personal computer on the apparatus. The systems are multi-disciplinary and can be used in general surgery, otorhinolaryngology, gynaecology, dermatology, laparoscopic surgery and aesthetic surgery with scansion heads which are also able to emit on to the skin of the patient radiofrequency electromagnetic energy for DOT treatment for the rejuvenation of the skin especially of the face.
Research continued on a new micro-manipulator for uses in otorhinolaryngology of the CO_2 laser and clinical trials for validating its application in otorhinolaryngology were begun; initial results on patients were considered excellent by doctors who are assisting us in the clinical tests.

Development of the new “multi-wavelength platform” (Alex+ Nd:YAG+IPL), is now in progress; this is a matrix device able to sustain the management and interface with the doctor, feeding of electricity and conditioning fluids, ergonomic mechanical support.
We have concluded the clinical trials of TRIACTIVE PLUS which is equipped with various peripherals and active generators of radiofrequency, ultrasounds in two frequency bands and mechanical and laser energy, for treating patients in cosmetic surgery.
The Group has also continued working on the development of the instruments and on the clinical experimentation of innovative laser devices (family of devices for the HILT - High Intensity Laser Therapy) for uses in physical therapy and in orthopaedics, and experiments have also begun in the United States, in collaboration with Washington State University, on animal models (horses); we have also continued our collaboration for trials on patients with knee joint pathologies with the Istituti Rizzoli of Bologna, who have been our partners for several years now. Trials on the effects of photo-mechanical stimulation of condrocites have also continued.
Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs as part of the activity conducted by the associated company Elesta created by El.En. and Esaote. Agreements were made for the collaboration with the university clinics in Florence and in Pisa as part of the TRAP project with the contribution of EU funds through the Ministry for economic development of the Region of Tuscany.
The activity for the development of laser devices and equipment for the treatment of cutaneous ulcers (TROPHOS project); this project and the above mentioned TRAP are conducted with grants of EU funds received through the council for economic development of the Region of Tuscany.
The research activity in the public/private laboratory in Naples for the development of innovative technologies for minimally invasive medicine continued. As part of this program, in collaboration with the University of Lecce we are now conducting research on the use of nano-particles with interaction with laser light in order to create images which will be useful for identifying tumours.
At the same time, active clinical experimentation has continued in Italy and in qualified European and American centres in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology and aesthetics.
We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis.
In the laboratories at El.En. research was conducted on new applications in medicine on the interaction between light and biological tissues.
The collaboration between the research and development department for medical lasers of El.En and Cynosure continued for the development of new laser devices for the treatment of adipose layers.
At Cynosure, they have continued experiments on laser-lipolysis using a new instrument with innovative characteristics in terms of the power level, control of the power emitted through retroactive systems with temperature sensors and use of more than one wave length.

At Quanta System they have continued the activity for the development of two types of lasers, one with green emission and the other with Tullio infrared emissions, for the therapy of benign prostate hypertrophies and of a fibre laser with augmented performance.

At Deka M.E.L.A. they are conducting intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynaecological and otorhinolaryngological. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for both academic and professional medical centres in Italy and abroad.

Asclepion received an important grant from the region in which it operates, Turingia, for the development and experimentation of lasers for surgery; research and clinical experimentation is now in progress.

Laser systems and applications for industry

At El.En. feasibility studies were conducted for the adaptation of galvanometers to the characteristics necessary for mounting on satellites in space.
We have completed the experimental trials on the innovative electronic systems developed at El.En. and based on a system in digital electronics (VOYAGER), for the control and management of marking systems for machines recently created by OTLAS.
For applications involving the cutting of metal materials, we have developed a capacitive sensor for controlling the focal zone of the laser ray in relation to the material; the experimental activities were completed.
As part of the strategy for the development of restoration systems in Tuscany, a project (TEMART) was approved, in which El.En. is responsible for the development of specialized laser equipment for particular types of conservation.

Work on the development of a new diagnostic system using lasers on the paper of antique books has continued and recently been granted a patent.
We are developing laser systems for cutting and welding plastic materials for use as containers for food and chemicals of various types.
We have developed new methods for testing mirrors for markers of different dimensions on the basis of the uses of high speed scansion in machines for laser decoration on large areas.
We have developed new catalyser systems for Compact power lasers.

Cutlite Penta operates in high intensity technological market and maintains their competitive edge by renewing and amplifying their range of products both by proposing newly designed systems and renovating the technical solutions in systems that are already in production.
Cutlite Penta operates in high intensity technological market and maintains their competitive edge by renewing and amplifying their range of products both by proposing newly designed systems and renovating the technical solutions in systems that are already in production. Their research is supported by their own resources and, in some cases, by grants derived from research contracts stipulated with the specific institutions. Trials have now been completed on the structural and functional innovations developed on sealed CO_2 sources produced by El.En. Work has continued on the development of an electronic system for tele-diagnosis and tele-assistance of industrial machines. They have developed new compact cutting systems with superior performance and limited cost, and they have continued the study of new solutions for cutting, in particular for cutting sheet metal. They are developing methods for eliminating most of the optic portions of the CO_2 laser ray with solutions which include mounting the new sources with radio-frequency pumping directly on the portal of the machine. They are about to conclude the development of the software for the execution with raster scansion of superficial marking of metals and other materials on cutting machines.

At Quanta System they have completed a research program on the use of laser based working technologies on components for exploiting solar energy; financing for the project has been approved by the special commissions of the European Union.

At OTLAS they have completed the development of a machine for decorating continuous rolls of fabric over large areas and they have developed specific software programs for use with Voyager boards on this machine (MX). Moreover, for this same machine, a preliminary study was completed on the 2800 mm version. Following the short and mid-term plan, a software was developed for remote control monitoring of the new RF333 radio frequency sources, now in progress at El.En.

We have continued to work at perfecting the algorithms, calculus programs and hardware structures for artificial vision systems to be used in the automation of surface decoration using laser markers, on leather and other materials and for the cutting and marking of other objects which are laid out flat on the work surface; moreover, we have completed the development of the software to apply offset algorithms to closed edges and to reorganize execution files.

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

thousands of euros	**30/06/2010**	**30/06/2009**
Costs for staff and general expenses	4.865	4.743
Equipment	76	87
Costs for testing and prototypes	530	812
Consultancy fees	398	380
Other services	301	178
Intangible assets	0	0
Total	**6.170**	**6.200**

As for sales and earnings, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 3,5 million dollars as opposed to the 3,4 million dollars spent during the same period last year.

As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs.

The amount of the expenses sustained corresponds to 7% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 3,5 million dollars which represents about 9% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and also represents 9% of its sales volume.

1.11. Risk factors and Procedures for the management of financial risks

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing and financial instruments. Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
Again in the first half of 2010, approx. 50% of consolidated sales were made in markets outside of the European Union; most of the transactions were conducted in US dollars. It should be pointed out that the presence of stable structures in the United States, in particular Cynosure, make it possible to have a partial coverage of these risks since both the costs and the revenue are in the same kind of currency.
Some of the companies in the Group (in particular ASA and With Us) have activated hedging operations intended to cover currency risks.

Credit risks
As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation fund which is accrued at the end of the year represent about 11% of the total trade receivables from third parties.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies.

As far as guarantees towards third parties are concerned, it should be noted that the parent company El.En. has underwritten, in partnership with a minority shareholder, a bank guarantee of 1 million Euros in favour of its subsidiary Quanta System for a facilitated financing issued by Banca Popolare di Milano for a total of 900 thousand Euros, payable in deferred instalments starting after 84 months from issuing date, which took place in the second half of 2009. The subsidiary ASA has issued a bank guarantee in favour of the renter of its headquarters for 10 thousand Euros which became due on August 31st 2010, and is renewable from year to year except when cancelled. The subsidiary Quanta System issued a bank guarantee in favour of some credit institutions of the associated company Grupo Laser Idoseme for a total of 675 thousand Euros which became due on February 28th 2010 and was renewed up to February 28th 2011, except for a bank guarantee of 125 thousand Euros renewed up until May 31st 2010 and therefore already expired.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Group, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

1.12. Structure of the company administration

In compliance with Art. 19 of the company bylaws, the company is administered by a Board of Directors with a number of members which may vary from a minimum of three to a maximum of fifteen. The Assembly which convened on April 30th 2009 to vote on the renewal of the Board of Directors, which will remain in office until the approval of the financial statement closing on December 31st 2011, voted that there should be eight members making up the administrative organ of the company.

As of June 30th the Board of Directors was composed as follows:

Name	Position	Place and date of birth
Gabriele Clementi	President and executive director	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Executive director	Forlì, 17 June 1940
Andrea Cangioli	Executive director	Firenze, 30 December 1965
Stefano Modi	Board Member	Borgo San Lorenzo (FI), 16 January 1961
Paolo Blasi (*)	Board Member	Firenze, 11 February 1940
Michele Legnaioli (*)	Board Member	Firenze, 19 December 1964
Angelo Ercole Ferrario	Board Member	Busto Arsizio, 20 June 1941
Alberto Pecci	Board Member	Pistoia, 18 September 1943

* Independent administrators in conformity with article 147-ter TUF and art. 3 of the Code:

The members of the Board of Directors, for the period in which they are in office, have their legal residence at company headquarters, El. En. S.p.A. in Calenzano (Florence), Via Baldanzese 17.

On May 15th, 2009, the Board of Directors assigned to the President of the Board, Gabriele Clementi and to the Deputy members, Andrea Cangioli and Barbara Bazzocchi, separately from each other and with free signature, all of the powers of ordinary and extraordinary administration for conducting the activities related to the company business, and excluding only, those powers which cannot be delegated in compliance with the law and with company bylaws.

In order to act in conformity with the Self-disciplining Code for companies listed on the stock market:

a) On August 31st 2000 the Board of Directors presented two independent administrators among its members, in compliance with Art. 3 of the Self-disciplining code mentioned above. These independent administrators are now Prof. Paolo Blasi and Michele Legnaioli;
b) On September 5th 2000 the Board created the following committees composed mainly by non-executive administrators:
   1. the “Nomination committee”, which has the task of proposing nominations, receiving them from the shareholders, and verifying that the procedures outlined in the company bylaws for the selection of the candidates are followed;
   2. the “Compensation committee” which has the task of supplying information and clarification regarding the fees paid to the members of the Board of Directors;
   3. the “Internal controls committee” which has the task of acting as consultant and support for the Board in relation to the creation and monitoring of the internal controls system.
c) On September 5th 2000 the Board designated a provost for internal controls.

The Board of Directors meets at least every quarter in order to guarantee adequate information for the Board of Statutory Auditors concerning the activities and the most important operations conducted by the Company and its subsidiaries.
Internal auditing of the company is conducted by the parent company of the Group in collaboration with the personnel of the subsidiary companies. From an organizational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members or have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organization of the activities of the Group.
As far as the accounting information is concerned, before the end of the month following the quarter being considered, the subsidiaries are required to supply to the parent company of the Group all the information necessary for drawing up the consolidated financial and economic reports.

1.13. Relations with related parties

For an analysis of the operations concluded with related parties, please refer to the specific paragraph in the Notes.

1.14. Atypical or unusual operations

In conformity with CONSOB communication of July 28th 2006 nr. DEM/6064293, we declare that during the first half of 2010 the Group did not conduct any atypical or unusual operations as defined by the a.m. communication.

1.15. Significant events which occurred during first half of 2010

On February 9th 2010 El.En. SpA, which holds US patent n. 6.206.873 (also known as patent 873) which deals with the technique of laser-lipolysis removal of subcutaneous fat by means of a laser, and which constitutes the fundamental point of reference for the application performed with the device which is sold under the brand name of Smartlipo™, announced along with its subsidiary and sole licensee for the above mentioned patent, Cynosure Inc., the conclusion of its suit for the violation of the patent rights initiated against CoolTouch Inc. and based on the violation of the intellectual property rights belonging to El.En. by CoolTouch through the selling of the device they called 1320 nm CoolLipo™.

On the basis of the settlement which was reached, CoolTouch will pay a royalty of 9% on the CoolLipo systems sold before the settlement and will reimburse Cynosure Inc. a part of the legal expenses which they incurred. CoolTouch, moreover, will be obliged to pay a royalty of 10% on all the systems which can be used exclusively for lipolysis and 7,5% for the systems which it will sell which can be used for lipolysis and at least one other aesthetic application. CoolTouch ha s also accepted to recognize in front of a judge their violation of patent 873 and that this patent is completely valid. CoolTouch moreover granted El.En. and Cynosure free of charge the license for patents already obtained and for patents pending which belong to CoolTouch and that are used for the treatment of body fat and/or cellulitis.

On the basis of the agreement which regulates the license for the patent granted to Cynosure by El.En., as accessory to the existing distribution contracts for license Smartlipo™, when Cynosure has received the total reimbursement of the legal expenses they sustained for this suit, the sums received from the royalties paid by CoolTouch will be split between El.En. and Cynosure in the proportion of 40% for the former and 60% for the latter.

With the success of this transaction, the El.En. Group has confirmed their technological and market leadership in the segment of laser-lipolysis , in which the standard reference is represented by the Smartlipo™ system distributed in Italy by DEKA M.E.L.A. and in the United States by Cynosure.

Moreover:

- on January 28th 2010 the assembly of Elesta Srl, a company in which the parent company El.En. Spa holds a 50% equity, voted to settle the losses shown in the financial reports on December 31st 2009 by means of a reduction to zero of the capital stock and a further payment by the partners for the residual amount. They also voted to reconstitute the capital stock to the original amount of 110 thousand Euros, and this increase was totally underwritten by the partners;
- on April 26th 2010, the shareholders' assembly of Esthelogue Srl voted to cover all of the losses shown in the financial report closed on December 31st 2009 (for an amount of 263.619,04 Euros) by using the payment of 300 thousand Euros made by El.En. S.p.A. and directing the residual amount as a payment on capital account;
- on April 28th 2010the assembly of Electro Optical Innovation Srl, a company in which Quanta System Spa holds an equity of 33,33%,voted for the disbanding and liquidation of the company.

1.16. Significant events which occurred after the closing of the first half 2010

No significant events occurred after the closing of the first half of 2010.

1.17. Current outlook

The forecasts issued by the Group for the financial year 2010, in reference to the sub-consolidated without Cynosure, at this point have been confirmed thanks to the growth and to the EBIT which are better than expected. In consideration of a stabilization of the global demand from which our results have benefited in the last six months, and thanks to the good position of the Group in the medical and industrial sectors, it is believed that the sales volume will continue to grow in the second half of the year although at a slower pace than the first half and that an EBIT which is similar to that for the first half will be obtained for the second half of the year.

For the Board of Directors
The managing director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS OF JUNE 30th , 2010

Consolidated Balance Sheet

	Notes		30/06/2010		31/12/2009
Balance Sheet					
Intangible assets	1		7.379.296		6.975.387
Tangible assets	2		30.074.414		29.844.579
Equity investments:	3				
- in associates		604.466		1.116.205	
- other investments		173.291		173.291	
Total equity investments			777.757		1.289.496
Deferred tax assets	4		4.880.929		4.431.198
Other non current assets	4		1.821.877		3.664.699
Total non current assets			**44.934.273**		**46.205.359**
Inventories	5		53.644.715		50.530.850
Accounts receivables:	6				
- from third parties		42.266.764		34.525.154	
- from associates		2.003.502		2.047.539	
Total accounts receivables:			44.270.266		36.572.693
Tax receivables	7		6.763.883		8.039.656
Other receivables:	7				
- from third parties		6.620.270		4.896.332	
- from associates		83.241		83.241	
Total other receivables			6.703.511		4.979.573
Financial instruments	8		56.431.097		29.803.183
Cash and cash equivalents	9		38.528.109		49.572.862
Total current assets			**206.341.581**		**179.498.817**
TOTAL ASSETS			**251.275.854**		**225.704.176**
Common stock	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		36.279.146		32.425.784
Treasury stock	13		-2.575.611		-2.575.611
Retained earnings / (deficit)	14		19.578.682		24.552.143
Net income / (loss)			252.732		-5.257.666
Parent stockholders' equity			**94.637.238**		**90.246.939**
Minority interests in consolidated subsidiaries			83.607.446		73.116.715
Total equity			**178.244.684**		**163.363.654**
Severance indemnity	15		2.595.693		2.607.348
Deferred tax liabilities			611.570		417.013
Other accruals	16		5.452.296		5.143.042
Financial liabilities:	17				
- to third parties		4.633.358		4.926.996	
Total financial liabilities			4.633.358		4.926.996
Non current liabilities			**13.292.917**		**13.094.399**
Financial liabilities:	18				
- to third parties		6.667.962		5.612.941	
Total financial liabilities			6.667.962		5.612.941
Accounts payables:	19				
- to third parties		29.407.559		25.034.788	
- to associates		292.829		101.538	
Total accounts payables			29.700.388		25.136.326
Income Tax payables	20		1.235.444		450.143
Other payables:	20				
- to third parties		22.134.459		18.046.713	
Total other payables			22.134.459		18.046.713
Current liabilities			**59.738.253**		**49.246.123**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			**251.275.854**		**225.704.176**

Consolidated Profit and Loss Account

Profit and loss account	**Note**		**30/6/2010**		**30/6/2009**
Revenues:	21				
- from third parties		90.794.060		71.309.792	
- from associates		1.061.984		1.241.003	
Total revenues			91.856.044		72.550.795
Other revenues and income:	22				
- from third parties		863.437		1.278.559	
- from associates		13.457		28.698	
Total other revenues and income			876.894		1.307.257
Total revenues and income			**92.732.938**		**73.858.052**
Purchase of raw materials:	23				
- to third parties		34.932.999		23.804.644	
- to associates		222.512		78.819	
Total purchase of raw materials			35.155.511		23.883.463
Change in inventory of finished goods and WIP			2.818.034		1.894.363
Change in inventory of raw material			(2.516.912)		699.571
Other direct services:	24				
- to third parties		8.727.610		7.312.451	
- to associates		14.100		16.000	
Total other direct services			8.741.710		7.328.451
Other operating services and charges:	24				
- to third parties		20.409.087		23.014.548	
- to associates		98.000		58.709	
Total other operating services and charges			20.507.087		23.073.257
For staff costs	25		22.428.005		21.504.010
Depreciation, amortization and other accruals	26		4.226.817		4.508.123
EBIT			**1.372.686**		**(9.033.186)**
Financial charges:	27				
- to third parties		(1.000.601)		(715.712)	
Total financial charges			(1.000.601)		(715.712)
Financial income	27				
- from third parties		1.409.706		1.540.511	
- from associates		170		911	
Total financial income			1.409.876		1.541.422
Share of profit of associated companies			(244.155)		(555.629)
Other net expenses	28		(459.135)		(18.061)
Income before taxes			**1.078.671**		**(8.781.166)**
Income taxes	29		2.037.700		(2.804.630)
Income for the financial period			**(959.029)**		**(5.976.536)**
Minority interest			(1.211.761)		(3.319.076)
Net income			**252.732**		**(2.657.460)**

Basic net (loss) income per share		0,05	(0,56)
Diluted net (loss) income per share		0,05	(0,56)
Basic weighted average common shares outstanding	30	4.721.220	4.721.220

Consolidated comprehensive income statement

	30/06/2010	30/06/2009
Reported net (loss) income	-959.029	-5.976.536
Cumulative translation adjustments	14.718.409	-1.242.064
Unrealized gain (loss) on marketable securities	13.970	-37.717
Total comprehensive (loss) income	13.773.350	-7.256.317
Referable to:		
Parent Shareholders	4.017.604	-2.998.926
Minority Shareholders	9.755.746	-4.257.391

Consolidated cash flow statement

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned from banks during this financial period amounts to 145 thousand Euros.

Financial statement (cash flow)	Note	30/06/2010	related parties	30/6/2009	related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		**-959.029**		**-5.976.536**	
Amortizations and depreciations	26	3.207.380		2.962.255	
Devaluations of equity investments	28	457.297	457.297		
Stock Options	25	1.278.320		2.027.342	
Change of employee severance indemnity	15	-11.655		18.546	
Change of provisions for risks and charges	16	309.254		-76.849	
Change of provisions for deferred income taxes		-255.174		-3.412.106	
Stocks	5	-3.113.865		3.034.737	
Receivables	6	-7.697.573	44.037	9.263.870	
Tax receivables	7	1.275.773		-1.074.464	
Other receivables	7	-1.723.680		9.495	
Payables	19	4.564.062	191.291	-10.041.471	
Income Tax payables	20	785.301		-1.686.318	
Other payables	20	4.087.746		-1.411.926	
		3.163.186		-386.889	
Cash flow generated by operating activity		2.204.157		-6.363.425	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-3.241.410		-5.510.443	
(Increase) decrease in intangible assets	1	-599.714		-957.774	
(Increase) decrease in equity investments and non current assets		1.897.264	84.018	15.676.052	
Increase (decrease) in financial receivables	7	-258		263.205	
(Increase) decrease investments which are not permanent	8	-26.627.914		-10.607.110	
Cash flow generated by investment activity		-28.572.032		-1.136.070	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	17	-293.638		910.628	
Increase (decrease) in current financial liabilities	18	1.055.021		19.839	
Change in Capital and Reserves		14.635		6.810	
Change in Capital and Reserves of third parties		48.914		22.733	
Change in Treasury Stock		-61.390			
Dividends distributed	31	-204.900		-1.621.266	
Cash flow from financing activity		558.642		-661.256	
Change in cumulative translation adjustment reserve and other no monetary changes		14.764.480		-1.518.010	
Increase (decrease) in cash and cash equivalents		-11.044.753		-9.678.761	
Cash and cash equivalents at the beginning of the financial period		**49.572.862**		**59.113.513**	
Cash and cash equivalents at the end of the financial period		**38.528.109**		**49.434.752**	

The rise in the value of the US dollar had a positive effect on the net financial position for an amount of over 11 million Euros.

Statement of changes in consolidated Stockholders' Equity

STOCKHOLDERS' EQUITY:	**Balance 31/12/2008**	**Net income allocation**	**Dividends Distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2009**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Reserve for own shares						
Own shares	-2.575.611					-2.575.611
Others reserves:						
Extraordinary reserves	27.689.294	5.613.393				33.302.687
Reserve for contribution on capital account	426.657					426.657
Cumulative translation adjustments reserve	-2.417.736	0	0	0	-332.771	-2.750.507
Other reserves	1.137.844	0	0	91.707	0	1.229.551
Retained earnings	22.458.978	2.715.133	-1.416.366	488.408	-8.695	24.237.458
Profits (loss) of the year	8.328.526	-8.328.526			-2.657.460	-2.657.460
Parent company's stockholders' equity	96.687.543	0	-1.416.366	580.115	-2.998.926	92.852.366
Capital and reserves of third parties	78.420.019	5.889.776	-204.900	1.238.541	-938.315	84.405.121
Profit (loss) of third parties	5.889.776	-5.889.776			-3.319.076	-3.319.076
Minority interests	84.309.795	0	-204.900	1.238.541	-4.257.391	81.086.045
Total Stockholders' equity	180.997.338	0	-1.621.266	1.818.656	-7.256.317	173.938.411

STOCKHOLDERS' EQUITY:	**Balance 31/12/2009**	**Net income allocation**	**Dividends Distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2010**
Common stock	2.508.671	0	0	0	0	2.508.671
Additional paid-in capital	38.593.618	0	0	0	0	38.593.618
Legal reserve	537.302	0	0	0	0	537.302
Reserve for own shares	0	0	0	0	0	0
Own shares	-2.575.611	0	0	0	0	-2.575.611
Others reserves:						
Extraordinary reserves	33.302.687	0	0	0	0	33.302.687
Reserve for contribution on capital account	426.657	0	0	0	0	426.657
Cumulative translation adjustments reserve	-3.163.640	0	0		3.761.655	598.015
Other reserves	1.322.778	0	0	91.707	0	1.414.485
Retained earnings	24.552.143	-5.257.666	0	280.988	3.217	19.578.682
Profits (loss) of the year	-5.257.666	5.257.666	0	0	252.732	252.732
Parent company's stockholders' equity	90.246.939	0	0	372.695	4.017.604	94.637.238
Capital and reserves of third parties	84.249.789	-11.133.074	-204.900	939.885	10.967.507	84.819.207
Profit (loss) of third parties	-11.133.074	11.133.074	0	0	-1.211.761	-1.211.761
Minority interests	73.116.715	0	-204.900	939.885	9.755.746	83.607.446
Total Stockholders' equity	163.363.654	0	-204.900	1.312.580	13.773.350	178.244.684

The amount which refers to the "Cumulative translation adjustments reserve" entered in the column "Comprehensive (loss)income" is related to the negative variation which involved this reserve particularly on account of the increase in the value of the US dollar.
The other changes in the stockholders' equity of the Group refer to:
- the variation in the stock option reserve (Other reserves) which includes the counterpart of the costs determined in accordance with IFRS 2 of the stock option plan assigned by El.En SpA for the amount which matured on June 30th 2010;
- the variation in the undivided profits which synthesizes, among other things, the increase in the shareholders' equity registered in Cynosure after the implementation of the stock option plan.

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
This half-yearly consolidated abbreviated report dated June 30th 2010 was examined and approved by the Board of Directors during the meeting held on August 27th 2010.

STANDARDS USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

STANDARDS USED FOR DRAWING UP THE STATEMENT

The consolidated half yearly financial report of El. En. Group has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments the evaluation of which has been conducted on the basis of the principle of *fair value*.
The amounts shown in the report are in Euros which is the presentational and functional currency of the parent company and of many of its subsidiaries.
This Report consists of:

- the Consolidated Balance Sheet,
- the Consolidated Profit and Loss Account,
- the Consolidated comprehensive income statement
- the Consolidated cash flow statement
- the Statement of changes in the Stockholders' Equity
- the following Explanatory Notes.

The economic information which is provided here is related to the first half of 2010 and the first half of 2009. The financial information, however, is supplied with reference to June 30th 2010 and December 31st 2009.

The layout used by the El.En. Group for the reports for the intermediate period ending on June 30th 2010 have not been modified with respect to those used on December 31st 2009 and June 30th 2009.

CONFORMITY WITH IFRS STANDARDS

The half yearly financial report dated June 30th 2010 is presented in consolidated form in conformity with article 154-ter D.Lgs. 24th February 1998 n. 58 (TUF) and later modifications and additions and has been drawn up in accordance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. By IFRS we also mean the International Accounting Standards (IAS) still in force, as well as all the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee ("SIC").

This half-yearly consolidated financial report is drawn up in summary form in conformity with the IAS 34 regulations for interim reports. The document therefore does not include all of the information required for the annual financial report and must be read along with the consolidated report drawn up for the period which ended on December 31st 2009.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The accounting standards used for drawing up the present consolidated financial report are in conformity with those used for drawing up the consolidated report on December 31st 2009 with the exception of the adoption of the new or revised standards of the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee as explained below.

Accounting standards, amendments and interpretations applied after January 1st 2010

IFRS 2 Share-based Payment
The IASB has issued an amendment which clarifies the recording of operations with payments based on stocks at the group level. This amendment replaces IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)
The Group adopted the revised version of the standard starting on January 1st 2010. IFRS 3 (Revised) introduces significant changes in the recording of business combinations which were made after that date. The changes are related to the evaluation of minority shares, the recording of the costs of transactions, the initial recording and the subsequent evaluation of the any additional payments (contingent consideration) and to the business combinations company made in several phases. These changes will affect the amount of goodwill recorded, the results shown for the period in which the acquisition took place and on future results..
IAS 27 (Revised) requires that a change in the ownership structure of a subsidiary (without losing control) must be recorded as an operation between partners in their role as partners. Therefore, this kind of transaction will no longer generate goodwill, profits or losses. Moreover, the amended standard introduces changes related to the recording of the losses registered by the subsidiary and the loss of control of the subsidiary. The changes introduced by IFRS 3 (Revised) and by e IAS 27 (Revised) are related to the future acquisitions or the loss of control of a subsidiary and the transactions with minority partners.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged items
The modification involves the identification of a one-sided risk in a hedge item and the designation of inflation as a hedged risk or as a portion of the risk in particular situations. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

IFRIC 17 Distributions of Non-cash Assets to Owners
The interpretation supplies guide lines for the recording of operations in which the company distributes non-cash assets to the owners both as a distribution of dividends as well as reserves. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

Improvements to the IFRS (issued in April of 2009)

In April of 2009 the IASB issued a second series of improvements to the standards, mainly with an aim to eliminate inconsistencies which were present and to clarify the terminology. Every standard includes specific transitory rules. The adoption of the following improvements involved changes in the accounting policies but did not have any effect on the financial or economic situation or on the performance of the Group.

IFRS 8 Operating Segments
This improvement clarifies that the assets and liabilities related to the operating segments must be presented only if they are part of the reports used by the highest executive level.

IAS 7 Cash Flow Statements
This improvement states explicitly that only the investments which involve the recognition of a financial asset can be classified among the financial flow from investment assets.

IAS 36 Impairment of Assets
The modification clarifies that the broadest unit in which it is possible to allocate the goodwill acquired in a business combination is the operating sector as defined in IFRS 8 before the combination for reporting purposes. The modification has no effect on the Group since the annual verification of long lasting loss is made before the aggregation.

The modifications to the standards listed below have not had any effect on the accounting policies, financial position or results of the Group::

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible assets

- IAS 39 Financial Instruments: Recognition and Measurement.
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Group did not apply in advance any standard, interpretation or improvement that was issued but not yet in force.

AREA OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated financial report of the El.En Group includes the statements of the parent company and of the Italian and foreign companies that El.En. controls directly or indirectly through a majority of votes in the ordinary assembly, or, in the case of Cynosure Inc., where they have the power to appoint and to remove the majority of members of the Board of Directors. The companies that are currently included in the area of consolidation are shown on the chart below:

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr. capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:								
El.En. SpA		Calenzano (ITA)	EURO	2.508.671				
Subsidiary companies:								
Deka M.E.L.A. Srl		Calenzano (ITA)	EURO	40.560	70,00%		70,00%	70,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	103.480	90,67%		90,67%	90,67%
Esthelogue Srl		Calenzano (ITA)	EURO	47.840	100,00%		100,00%	100,00%
Deka Technologies Laser Sarl		Lyons (FRA)	EURO	76.250	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH		Berlin (GER)	EURO	51.129	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	1	Carlsbad (USA)	USD	25	11,78%	80,71%	92,49%	92,49%
Ot-las Srl		Calenzano (ITA)	EURO	57.200	90,00%		90,00%	90,00%
Lasit SpA	2	Vico Equense (NA)	EURO	1.154.000	52,67%	17,33%	70,00%	68,27%
BRCT Inc.		Branford (USA)	USD	no par value	100,00%		100,00%	100,00%
Quanta System SpA		Solbiate Olona (ITA)	EURO	1.500.000	60,00%		60,00%	60,00%
Asclepion Laser Technologies GmbH	3	Jena (GER)	EURO	1.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl	4	Solbiate Olona (ITA)	EURO	20.500		51,22%	51,22%	30,73%
AQL Srl	5	Vimercate (ITA)	EURO	50.000		100,00%	100,00%	67,58%
ASA Srl	6	Arcugnano (ITA)	EURO	46.800		60,00%	60,00%	42,00%
Cynosure Inc.		Westford (USA)	USD	12.759	23,03%		23,03%	23,03%
Cynosure GmbH	7	Langen (GER)	EURO	25.565		100,00%	100,00%	23,03%
Cynosure Sarl	7	Paris (FRA)	EURO	970.000		100,00%	100,00%	23,03%
Cynosure KK	7	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,03%
Cynosure UK	7	London (UK)	GBP	1		100,00%	100,00%	23,03%
Suzhou Cynosure Medical Devices Co.	7	Suzhou (CHINA)	YUAN	no par value		100,00%	100,00%	23,03%
Cynosure Spain	7	Madrid (SPAIN)	EURO	864.952		100,00%	100,00%	23,03%
Cynosure Mexico	7	S. Geronimo Ladice (MEXICO)	MEX	no par value		100,00%	100,00%	23,03%
Cynosure Korea	7	Seul (S. KOREA)	KRW	350.800.000		100,00%	100,00%	23,03%
With Us Co Ltd	8	Tokyo (JAP)	YEN	100.000.000		51,25%	51,25%	51,25%
Deka Japan Co. Ltd		Tokyo (JAP)	YEN	10.000.000	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	9	Wuhan (CHINA)	YUAN	20.467.304		55,00%	55,00%	49,87%
Lasit Usa Inc.	10	Branford (USA)	USD	30.000		100,00%	100,00%	68,27%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	REAL	1.404.000	78,00%		78,00%	78,00%
Lasercut Technologies Inc.	11	Branford (USA)	USD	no par value		100,00%	100,00%	100,00%
Ratok Srl	12	Solbiate Olona (ITA)	EURO	20.000		70,00%	70,00%	42,00%
Raylife Srl	13	Calenzano (ITA)	EURO	110.000		100,00%	100,00%	80,00%
Deka Medical Inc	14	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%

(1) owned by BRCT Inc. (80,71%) and by ElEn Spa (11,78%)
(2) owned by Elen Spa (52,67%) and Ot-las (17,33%)
(3) owned by Elen SpA (50%) and Quanta System SpA (50%)
(4) owned b Quanta System SpA
(5) owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)
(6) owned by Deka Mela Srl
(7) owned by Cynosure Inc.
(8) owned by BRCT (51,25%)
(9) owned by Cutlite Penta Srl (55%)
(10) owned by Lasit SpA (100%)
(11) owned by BRCT (100%)
(12) owned by Quanta System Spa (70%)
(13) owned by Asclepion (100%)
(14) owned by BRCT (100%)

Operations conducted during this period

On April 26th 2010 the shareholders' meeting of Esthelogue Srl voted to cover all of the losses registered in the financial report on December 31st 2009 (for an amount of 263.619,04 Euros) by means of a payment of 300 thousand Euros made by El.En. S.p.A. and with the residual amount to be paid on capital account.

ASSOCIATED COMPANIES

Company name:	Headquarters	Subscr.capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Immobiliare Del.Co. Srl	Solbiate Olona (ITA)	24.000	30,00%		30,00%	30,00%
Actis Srl	Calenzano (ITA)	10.200	12,00%		12,00%	12,00%
SBI S.A.	Herzele (BE)	600.000	50,00%		50,00%	50,00%
Laser International Ltd	Tianjin (CHINA)	1.552.396		40,00%	40,00%	24,00%
Elesta Srl	Calenzano (ITA)	110.000	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL	Donostìa (SPAIN)	1.045.280		30,00%	30,00%	18,00%
Electro Optical Innovation Srl	Turin (ITA)	12.000		33,33%	33,33%	20,00%

The capital stock of the associated companies is expressed in Euros with the exception of Laser International Ltd which is expressed in Yuan

The amounts of the equities in associated companies which have been entered into accounts are as follows:

Immobiliare Del.Co. Srl:	251 thousand Euros
Actis Srl:	1 thousand Euros
SBI S.A.:	82 thousand Euros
Laser International Ltd:	139 thousand Euros
Elesta Srl:	-58 thousand Euros
Grupo Laser Idoseme SL:	201 thousand Euros
Electro Optical Innovation Srl:	-13 thousand Euros

Operations conducted during this period

Elesta Srl: On January 28th 2010 the shareholders' meeting of the company in which the parent company El.En. SpA has an equity of 50%, voted to pay off the losses registered in the financial report on December 31st 2009 by means of a reduction to zero of the capital stock and a further payment by the shareholders of the residual amount. They also voted to reconstitute the capital stock to the original amount of 110 thousand Euros and this increase was entirely underwritten by the shareholders.

Electro Optical Innovation Srl: on April 28th 2010 the shareholders' meeting voted to dissolve the company in advance and proceed with its liquidation.

TREASURY STOCK

On March 3rd 2008 the shareholders' meeting of El.En. SpA voted in favour of authorizing the Board of Directors to purchase treasury stock. This purchase was made for the following concurrent and alternative purposes: to stabilize the stock, to assign the stock to employees and/or collaborators, to exchange the stock for equities upon the occasion of company purchases.
The authorization was granted for the purchase in exchange for a payment of 15 million Euros in one or more instalments, for a quantity of shares in the company which, in any case, should not be in excess of one-tenth of the capital stock. Presently, 10% of the capital underwritten and paid out by El.En. is equivalent to 482.436 shares. The duration of the authorization is for the maximum period allowed by law, that is, 18 months from the date of approval by the shareholder's meeting.
Purchase must be made on the regular stock market for a price which is not more than 20% less or 10% more than the official exchange price registered on the day preceding the purchase. The sale of the shares purchased must be made at a price which is not less than 95% of the average of the official negotiated prices registered during the five days preceding the sale.
As of June 30th 2010 the treasury stock acquired by the company amounted to 103.148 shares at an average price of 24,97 Euros for an overall amount of 2.575.611 Euros.

STANDARDS OF CONSOLIDATION

The intermediate statements of each company used for the consolidation are the intermediate statements as of June 30th 2010 of the individual firms. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria selected by the parent company.
In drawing up the consolidated financial report the assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included. We have not included the payables and receivables, income and charges, profits and losses which have been generated by transactions made between the consolidated companies.
The book value of the equity in each of the subsidiaries is eliminated in the place of the corresponding portion of the stockholders' equity of each of the subsidiaries including the final adaptation at fair value on the date of purchase; the difference which emerges, if it is in the black (positive), is treated as goodwill, and as such is entered into accounts, in accordance with IFRS 3, as illustrated below. If it is in the red (negative) it is entered directly into the Profit and Loss Account.
The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the stockholders' equity titled "Capital and Reserves of third parties"; the portion of the consolidated economic result which corresponds to the equities of third parties is entered into accounts under the heading "Profit (loss) pertaining to third parties".

CONVERSION OF AMOUNTS IN FOREIGN CURRENCY

The intermediate accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

For the purposes of the Consolidated Financial report, results, assets, and liabilities are expressed in Euros, the working currency of the parent company, El.En. SpA. For drawing up the Consolidated Financial report, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Profit and Loss Account, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the stockholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Profit and Loss Account at the time that the subsidiary is sold.

The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale
The exchange rates used for the conversion of the statements of the subsidiary and associated companies using a currency different from the Euro are as follows:

Currency	Final rate 31/12/2009	Average rate 30/06/2010	Final rate 30/06/2010
US Dollar	1,4406	1,3268	1,2271
Yen (Japan)	133,16	121,32	108,79
Yuan (China)	9,84	9,06	8,32
Real (Brazil)	2,51	2,38	2,21

USE OF ESTIMATES

In applying the IFRS, the drawing up of the half yearly consolidated statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial report 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, amortization, devaluation of assets, stock options, employee benefits, taxes and other provisions in funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Profit and Loss Account. Goodwill is subjected to impairment tests in order to determine any loss in value.

SEASONAL VARIATIONS

In general, the type of business in which the Group is involved is not subject to any particular seasonal variations. With reference to the first half of the year it should be noted that there is usually a slight drop in sales in the month of January which is a result of the increase in sales in the month of December of the preceding year. Moreover, as far as the second half of the year is concerned, there is usually a drop in sales in the month of August, particularly in Italy and the rest of Europe.

SECTORIAL INFORMATION

Starting in 2009, the El.En. Group presents sectorial information in conformity with the requirements of IFRS 8, as described in the specific paragraph of the explanatory notes.

STOCK OPTION PLANS

El.En. S.P.A.

The following paragraphs contain information related to the stock option plan voted on for the year 2008 by the parent company El.En. SpA, which is intended to give the company an instrument for promoting employee incentive and loyalty.

	Max. expiry date	Outstanding options 01.01.10	Options issued 01.01.10 - 30.06.10	Options cancelled 01.01.10 - 30.06.10	Options exercised 01.01.10 - 30.06.10	Expired option not exercised 01.01.10 - 30.06.10	Outstanding options 30.06.10	Exercisable options 30.06.10	Exercise price
Plan 2008/2013	May 15th, 2013	160.000	0	0	0	0	160.000	0	€ 24,75

In relation to this plan, in order to determine the fair value using the “Black & Scholes” pricing model, the following hypotheses have been formulated:

- market interest rate for no-risk investments: 4,8%
- historic volatility: 26,11%
- time interval used for the calculation of the volatility: 3 years before the date of emission.

The overall fair value of the stock option is 786 thousand Euros.

During the first half of 2010 the average price registered for El.En. stock was approx. 12 Euros.

For the characteristics of the stock option plan as well as the increase in capital approved for its implementation, refer the information contained in note 10 of this document.

Cynosure Inc.

The chart below summarizes the essential elements of the stock option plan of Cynosure Inc. in existence during the first half of 2010

Outstanding options 01.01.10	Options granted 01.01.10 - 30.06.10	Options cancelled, expired, not exercised 01.01.10 - 30.06.10	Options exercised 01.01.10 - 30.06.10	Outstanding options 30.06.10	Exercisable options 30.06.10
1.725.727	397.000	34.700	9.493	2.078.534	1.331.704

The chart below shows the average exercise prices and the average Remaining Contractual Life of the options in circulation as of June 30th 2010.

Average exercise price	Outstanding options 30.06.10	Exercisable options 30.06.10	Average life
$ 15,32	2.078.534		7,61
$ 17,62		1.331.704	6,80

COMMENTS ON THE MAIN ASSETS

Non-current assets

Intangible fixed assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	**Balance 31/12/09**	**Variation**	**Revaluation (Devaluation)**	**Other Operations**	**(Amortizations)**	**Translation Adjustments**	**Balance 30/06/10**
Goodwill	5.880.586	-1.415				418.654	6.297.825
Costs of research, development							
Patents and rights to use patents of others	65.776				-18.525	9.938	57.189
Concessions, licences, trade marks and similar rights	950.477	70.581			-161.160	94.809	954.707
Other	78.548	3.819			-16.120	3.328	69.575
Intangible assets in progress and payments on account							
Total	**6.975.387**	**72.985**			**-195.805**	**526.729**	**7.379.296**

Goodwill

Goodwill, which represents the most significant entry among the intangible fixed assets, represents the difference in excess between the cost of purchase with respect to the fair value of the assets acquired net of the present and potential liabilities. Goodwill is not subject to amortization and is subject to an impairment test at least once a year to determine any loss in value.
For purposes of the testing conducted to determine loss in value, the single goodwill entries have been registered in their respective "*cash generating units*" (CGU). The identification of the CGU coincides with each juridical subject and corresponds to the vision that the Administrators have of their own activity.

The chart below shows the charge value of the goodwill for each cash generating unit; the difference shown between the charge values for the goodwill of Cynosure Inc. and Cynosure Korea is due to the effects of the exchange rate.

CASH GENERATING UNIT (CGU)	**Goodwill 30/06/2010**	**Goodwill 31/12/2009**
Cynosure Inc.	2.185.751	1.863.024
Cynosure Korea	992.009	897.497
Quanta System SpA	2.079.260	2.079.260
ASA Srl	439.082	439.082
Cutlite Penta Srl	407.982	407.982
Asclepion Laser Technologies GmbH	72.758	72.758
Arex Srl	55.000	55.000
Ot-Las Srl	7.483	7.483
Deka MELA Srl	31.500	31.500
Deka Laser Technologies	27.000	27.000
Total	6.297.825	5.880.586

At the end of the last financial period the recoverable value of the Cash Generating Units shown in note(1) of the explanatory notes accompanying the consolidated financial report closed on December 31st 2009, was subjected to impairment tests for the purpose of determining any loss in value by means of a comparison between the accounting value of the unit and the useful value, that is, the present value of the expected future financial flows which one supposes will be derived from the continued use and the eventual discarding of the unit at the end of its useful life. For the results of the tests, please refer to note(1) mentioned above.
In view of the signs of recovery shown by the markets during the first six months of 2010, no indications of impairment were registered which, at the time of this intermediate report, would require further tests in order to verify the presence of an enduring loss in value.

Other intangible assets

The "industrial patents and rights to use patents of others" are related to the capitalization of costs sustained by Cynosure Inc., Deka Laser Technologies, Asa Srl and Arex Srl for patent rights and licensing agreements.

Under the heading of "Concessions, licenses, trade marks and similar rights" we have entered, among other things, the overall cost sustained by the subsidiary Cynosure for new management software.

The residual heading "Other" includes the entry of the costs sustained , in particular by the subsidiary Quanta System, for the creation of a new web site.

Tangible fixed assets (note 2)

The movements which have occurred in the tangible fixed assets are as follows:

Cost	**Balance 31/12/09**	**Increments**	**Revaluations and devaluations**	**Other operations**	**(Disposals)**	**Translation Adjustments**	**Balance 30/06/10**
Lands	2.408.469					27.106	2.435.575
Buildings	10.750.675	3.570		3.954.869	-1.820	75.553	14.782.847
Plants and machinery	3.745.126	69.146		320.627	-47.069	21.574	4.109.404
Industrial and commercial equipment	23.295.778	1.125.576		42.037	-640.662	2.916.114	26.738.843
Other goods	10.123.120	677.014		39.269	-480.095	749.604	11.108.912
Tangible assets under construction	4.353.869	323.145		-4.605.772		7.977	79.219
Total	**54.677.037**	**2.198.451**		**-248.970**	**-1.169.646**	**3.797.928**	**59.254.800**

Depreciation provisions	**Balance 31/12/09**	**Depreciation**	**Devaluations**	**Other operations**	**(Disposals)**	**Translation Adjustments**	**Balance 30/06/10**
Lands							
Buildings	1.235.575	193.998		-48.846	-409	10.175	1.390.493
Plants and machinery	1.486.536	197.801			-46.782	14.992	1.652.547
Industrial and commercial equipment	14.773.475	1.965.763			-625.623	1.900.628	18.014.243
Other goods	7.336.872	654.013		773	-442.998	574.443	8.123.103
Tangible assets under construction							
Total	**24.832.458**	**3.011.575**		**-48.073**	**-1.115.812**	**2.500.238**	**29.180.386**

Net value	**Balance 31/12/09**	**Increments**	**Revaluations and other operations**	**(Depreciations and devaluations)**	**(Disposals)**	**Translation Adjustments**	**Balance 30/06/10**
Lands	2.408.469					27.106	2.435.575
Buildings	9.515.100	3.570	4.003.715	-193.998	-1.411	65.378	13.392.354
Plants and machinery	2.258.590	69.146	320.627	-197.801	-287	6.582	2.456.857
Industrial and commercial equipment	8.522.303	1.125.576	42.037	-1.965.763	-15.039	1.015.486	8.724.600
Other goods	2.786.248	677.014	38.496	-654.013	-37.097	175.161	2.985.809
Tangible assets under construction	4.353.869	323.145	-4.605.772			7.977	79.219
Total	**29.844.579**	**2.198.451**	**-200.897**	**-3.011.575**	**-53.834**	**1.297.690**	**30.074.414**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands as of June 30th 2010 was 2.436 thousand Euros.

The heading of "Buildings" includes the building complex in Via Baldanzese a Calenzano (Florence), where the company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta and Esthelogue Srl and the buildings located in Via Dante Alighieri in Calenzano which were acquired in 2008; the building located in the city of Torre Annunziata purchased in 2006 and intended for use as a research, development and production facility for the subsidiary Lasit SpA, the building located in Branford, Connecticut, owned by the subsidiary BRCT, where Lasercut Technologies Inc. conducts its operational activities and the new building where, since May of 2008, the subsidiary Asclepion GmbH operates. In particular, the column “Other operations” includes the expenses sustained by El.En. for the completion of the enlargement of the factory in Calenzano and which were originally classified as “Tangible assets under construction”.

The increases in the category of “Plants and machinery” is related in particular to the investments made by the parent company El.En. SpA and by Asclepion GmbH; also for this category, the amount registered in the “Other operations” column is justified by the activities for the enlargement of the factory in Calenzano as described in reference to “Buildings”.
The subsidiary Cynosure continues to make substantial investments by giving demo laser systems to most of their sales agents operating on the domestic market. Further increases in the Equipment category can be referred in particular to acquisitions made by the subsidiaries Deka Medical Inc., Asclepion GmbH, Quanta System SpA and Deka Mela Srl; in relation to this latter, it should be recalled that in the past years the costs of some machinery sold to the clientele using operative leasing have been capitalized; these types of sales in fact, are considered revenue from multi-year leases, in conformity with the IAS/IFRS standards.

The increases in the category of “Other Goods” are related mainly to the purchase of new vehicles and to the purchases made by El.En. that were strictly related to the furnishing of the new rooms in its headquarters.

In the category of “Tangible assets under construction” we have entered, in the column “Other movements”, the reallocation of the costs sustained for the enlargement of the company Headquarters, as described above.

The net value of the tangible assets in leasing amounts to about 0,4 million Euros. These assets are mostly registered among the industrial and commercial equipment.

Equity investments (note 3)

The chart below shows the analysis of the equities held:

	30-giu-10	31-dic-09	Variation	Var. %
Equity investments in:				
associated companies	604.466	1.116.205	-511.739	-45,85%
other companies	173.291	173.291	0	0,00%
Total	777.757	1.289.496	-511.739	-39,69%

For a detailed analysis of the equities held by Group companies in associated companies, please refer to the paragraph on the area of consolidation.
It should be noted that the associated companies GLI SA, Immobiliare Del.Co. Srl, Smartbleach International SA (SBI SA), Elesta Srl, JV Laser International LTD, Electro Optical Innovation Srl are consolidated using the shareholders' equity method.

The amounts of the equities held in associated companies that are entered into accounts are as follows:

Immobiliare Del.Co. Srl:	251 thousand Euros
Actis Srl:	1 thousand Euros
SBI S.A.:	82 thousand Euros
Laser International Ltd:	139 thousand Euros
Elesta Srl:	-58 thousand Euros
Grupo Laser Idoseme SL:	201 thousand Euros
Electro Optical Innovation Srl:	-13 thousand Euros

In consideration of the difficulties registered during the first six months of the year by the associated company GLI, which subsequently led to a negative result for the period which was not in line with plans arranged for 2009, the administrators identified indicators of impairment and revised the amount of the equity by entirely devaluating the residual goodwill for an amount of 457 thousand Euros. The equity was further devaluated for an amount of 175 thousand Euros in consideration of the loss for the period in application of the shareholders' equity method.

Financial receivables/Deferred tax assets and Other non-current receivables and assets (note 4)

Other non current assets	30/06/2010	31/12/2009	Variation	Var. %
Financial receivables vs associated		29.576	-29.576	-100,00%
Securities	1.640.093	3.476.392	-1.836.299	-52,82%
Deferred tax assets	4.880.929	4.431.198	449.731	10,15%
Other non current assets	181.784	158.731	23.053	14,52%
Total	6.702.806	8.095.897	-1.393.091	-17,21%

The entry under the heading of "Securities" is related to the investments made during this six-month period by Cynosure in mid-term government bonds for an amount of about 2 million dollars and as such recorded among the non-current assets. It should be recalled that the amount entered under this heading on December 31st 2009, about 5 million dollars, was entered on June 30th 2010 among the current assets because it was related to securities that matured in March/May of 2011.

The assets for deferred taxes amount to 4.881 thousand Euros. Among the main changes that took place during this period, of interest is that related to the assets for deferred taxes calculated on the temporary differences between the commercial result and the fiscal result and related, among other things, to the devaluation of receivables, the obsolescence of inventory, the product guarantees and the elimination of inter-group profits on inventory made during consolidation.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	30-giu-10	31-dic-09	Variation	Var. %
Raw materials and consumables	21.895.876	18.728.572	3.167.304	16,91%
Work in progress and semi finished products	9.716.601	9.468.181	248.420	2,62%
Finished products and goods for sale	22.032.238	22.334.097	-301.859	-1,35%
Total	53.644.715	50.530.850	3.113.865	6,16%

A comparison between the final inventories shows the increase in their amount which is an effect of the increase in the volume of production.

The chart below shows an analysis of the total inventory distinguishing between the amount of the obsolescence fund and the gross value.

Inventory:	30/06/2010	31/12/2009	Variation	Var. %
Gross amount	61.502.290	58.666.273	2.836.017	4,83%
minus: devaluation provision	-7.857.575	-8.135.423	277.848	-3,42%
Total	53.644.715	50.530.850	3.113.865	6,16%

The incidence of the obsolescence fund on the gross value of the inventory fell from 13,87% on December 31st 2009 to 12,78% on June 30th 2010.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	30-giu-10	31-dic-09	Variation	Var. %
Trade debtors	42.266.764	34.525.154	7.741.610	22,42%
Associated debtors	2.003.502	2.047.539	-44.037	-2,15%
Total	44.270.266	36.572.693	7.697.573	21,05%

Trade debtors:	30/06/2010	31/12/2009	Variation	Var. %
Italy	17.301.412	13.229.405	4.072.007	30,78%
European Community	10.248.843	9.672.690	576.153	5,96%
Outside of European Community	19.989.767	16.322.472	3.667.295	22,47%
minus: devaluation provision for debtors	-5.273.258	-4.699.413	-573.845	12,21%
Total	42.266.764	34.525.154	7.741.610	22,42%

The increase in the volume of business of the Group determined the increase in receivables as shown on the chart above.

The chart below shows the changes in the fund for the devaluation of receivables:

Provision for bad debts	**2010**	**2009**
At the beginning of the period	**4.699.413**	**4.787.476**
Amounts accrued	1.069.790	2.732.632
Amounts utilized	-893.846	-2.676.039
Unused amounts reversed	-22.423	-6.816
Other operations		
Translation adjustment	420.324	-137.840
At the end of the period	**5.273.258**	**4.699.413**

For a detailed analysis of the commercial receivables from associated companies see the chapter titled "Related Parties".

Tax receivables/Other receivables (note 7)

The chart below shows a breakdown of tax receivables and other receivables.

	30/06/2010	**31/12/2009**	**Variation**	**Variation %**
Tax debtors				
VAT credits	5.224.998	3.442.746	1.782.252	51,77%
Income tax credits	1.538.885	4.596.910	-3.058.025	-66,52%
Total tax debtors	6.763.883	8.039.656	-1.275.773	-15,87%

Financial receivables				
Financial receivables to third parts	55.515	55.257	258	0,47%
Financial receivables to associated companies	83.241	83.241	-	0,00%
Total	138.756	138.498	258	0,19%
Other receivables				
Security deposits	565.569	535.452	30.117	5,62%
Down payments	1.677.007	1.214.315	462.692	38,10%
Other credits	4.322.179	3.091.308	1.230.871	39,82%
Total	6.564.755	4.841.075	1.723.680	35,61%
Total financial and other receivables	6.703.511	4.979.573	1.723.938	34,62%

The period closed with a VAT credit of about 5,2 million Euros which is due to the intense export activity and to the difficulty in obtaining reimbursements over the annual compensation amount.
Among the income tax credits we have entered those deriving from the difference between the pre-existing tax credit/down payments and the tax debts which had matured by the date of the report. It should be noted that on December 31st 2009 there were 2,8 million Euros in credit that the subsidiary Cynosure had matured after the losses registered for the period, and that these credits have already been partially reimbursed.

For a detailed analysis of the financial receivables from associated companies, see the following chapter concerning "Related parties".

Financial instruments (note 8)

Investments which are not permanent:	30/06/2010	31/12/2009	Variation	Var. %
Other investments	56.431.097	29.803.183	26.627.914	89,35%
Total	56.431.097	29.803.183	26.627.914	89,35%

The amount entered under the heading of "Other investments" consists of temporary uses of cash made by:
a) Deka Laser Technologies Sarl for about 513 thousand Euros;
b) Cynosure using a part of the cash held after the IPO of 2005.
This sum includes, in particular:
- stocks belonging to the category of "financial assets available for sale" made up prevalently of investments in securities or similar, for a value of about 51,1 million Euros (16,5 million Euros on December 31st 2009) equal to about 62,7 million dollars (23,7 million dollars on December 31st 2009); it should be noted that this entry includes securities for an amount of about 5 million dollars which on December 31st 2009 were recorded with the non-current assets as already mentioned in Note 4.
- Auction Rate Securities (ARS) for a residual 4,8 million Euros (12,7 million Euros on December 31st 2009) equal to about 5,9 million dollars (18,4 million dollars on December 31st 2009). It should also be noted that these securities were sold at nominal value to the bank managing them (USB) on July 1st 2010.

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	30/06/2010	31/12/2009	Variation	Var. %
bank and postal current accounts	38.474.726	49.529.087	-11.054.361	-22,32%
cash in hand	53.383	43.775	9.608	21,95%
Total	38.528.109	49.572.862	-11.044.753	-22,28%

For an analysis of the variations in cash at bank and in hand, please refer to the table of the cash flow statement.

Net financial position as of June 30th 2010

The net financial position of the Group on June 30th 2010 expressed in thousands of Euros, is as follows:

Net financial position		
	30/06/2010	**31/12/2009**
Cash and bank	38.528	49.573
Financial instruments	56.431	29.803
Cash and cash equivalents	**94.959**	**79.376**
Short term financial receivables	**56**	**55**
Bank short term loan	(5.338)	(4.450)
Part of financial long term liabilities due within 12 months	(1.330)	(1.163)
Financial short term liabilities	**(6.668)**	**(5.613)**
Net current financial position	**88.347**	**73.818**
Bank long term loan	(2.328)	(2.044)
Other long term financial liabilities	(2.306)	(2.883)
Financial long term liabilities	**(4.633)**	**(4.927)**
Net financial position	**83.713**	**68.891**

The net financial position of the company has improved since December 31st 2009, and is now registered for an amount of 84 million Euros; most of this amount is held by the parent company or the subsidiary Cynosure Inc.

With respect to December 31st 2009 the net financial position has benefited from the reclassification made by Cynosure which entered among the “financial assets available for sale” a total of 5 million dollars in mid-term government bonds which, at the end of the last financial period were entered among the fixed assets.
Among the uses of cash made during this period, there was an investment of about 2 million dollars by Cynosure in mid-term government bonds entered among the non-current assets.
The net financial position has also benefited, for an amount of over 11 million Euros, from the effects of the exchange rate due to the rise in value of the US dollar with respect to the Euro and the relative re-evaluation of the substantial amount of cash held by Cynosure.

We have excluded from the net financial position the financial receivables from associated companies of the Group (for detailed information, see the paragraphs on correlated parties) .
In continuation of past policy, we felt it opportune not to include this type of financing in the net financial position displayed above.

COMMENTS ON THE MAIN LIABILITIES

Capital and Reserves

The main components of the stockholders' equity are shown below:

Capital stock (note 10)

On June 30th 2010 the capital stock of the El.En. Group, which coincides with that of the parent company, was as follows:

Authorized	Euros	2.591.871
Underwritten and deposited	Euros	2.508.671

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

Categories	**31/12/2009**	**Increase.**	**(Decrease.)**	**30/06/2010**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

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 company bylaws. At least 5% of the net 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 shareholder's meeting votes otherwise. The company bylaws 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.

Increase in capital for use in the stock option plan

The special assembly of El.En. SpA held on May 15th 2008 voted to authorize 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 83.200,00 Euros through the issue of a maximum of 160.000 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 stockholders' 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 shareholders' equity of the El.En. Group as of December 31st 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 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 30 days prior to the assigning of the options.

On July 15th 2008 the Board of Directors of El.En. SpA voted to implement in full the decision of the Shareholders' meeting of May 15th 2008 to increase the share capital by 83.200,00 Euros for use in the 2008/2013 stock-option plan and approved the relative regulations. The option rights were assigned exclusively to the employees of El.En. SpA and the other companies of the Group who at the time of the assignment were employed by the Group in a subordinate position; this plan is divided into two equal phases, each of which can be implemented in accordance with the following rules:
a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the annual budget for 2011 by the Board of Directors.
Subsequently, the rights on the options can be exercised as follows:

- if the shareholders' meeting, during the approval of the budget for 2011, votes to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company budget for 2012 by the Board of Directors;
- otherwise, if the profits are not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the company budget for 2012 by the Board of Directors;
- if, during the approval of the budget for 2012, the shareholders' meeting votes in favour of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013;
- otherwise, if it is decided to not distribute the profits for the year 2012, the period in which the rights can be exercised will terminate on the date, if earlier than May 15th 2013, of the approval of the company budget for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by The Board of Directors can take place exclusively during the time intervals mentioned above for the exercising of the rights.

b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the company budget for the year 2012 by the Board of Directors.

Subsequently, the rights to the options may be exercised as follows:
- if the shareholders' meeting, during the approval of the budget for 2012, votes to distribute the profits, from the day that the relative dividends for 2012 become payable up until the 15th of May 2013;
- otherwise, if it is decided not to distribute the profits for the year 2012, the period for exercising the rights will terminate on the date, if before May 15th 2013, of the approval of the company budget for 2012, and otherwise, on May 15th 2013.

Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros can take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

Additional paid in capital (note 11)

On June 30th 2010 the share premium reserve, coinciding with that one of the parent company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2009.

Other reserves (note 12)

Other reserves	30/06/2010	31/12/2009	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	33.302.687	33.302.687		0,00%
Reserve for translation adjustments	598.015	-3.163.640	3.761.655	-118,90%
Stock options reserve fund	1.401.093	1.309.386	91.707	7,00%
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%
Other reserves	13.392	13.392		0,00%
Total	36.279.146	32.425.784	3.853.362	11,88%

On June 30th 2010 the "extraordinary reserve" amounted to 33.303 thousand Euros.

The "Stock options reserve fund" includes the amount of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA.

The Reserve for translation adjustments summarizes the effects of the variations in the exchange rate on the investments in foreign currency. As of June 30th 2010 the value can be attributed essentially to the rise in value of the US dollar. The effects for the first half of 2010 are shown in the column "Comprehensive (loss)income" in the stockholders' equity chart.

In conformity with fiscal regulations, in the past the parent company has taken advantage of the possibility of suspending contributions on capital account, either entirely or for 50%, in a reserve of the stockholders' equity. Since

1998 these have been entirely entered into the Profit and Loss Account. The relative reserves can be considered reserves of profits.

Treasury Stock (note 13)

As described in detail in the paragraph related to the area of consolidation, at the date of closing of this document, June 30th 2010, the treasury stock purchased by the company amounted to a total of 103.148 shares at the average price of 24,97 Euros for an overall value of 2.575.611 Euros.

Profits/losses brought forward (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the stockholders' equity of the Group. During the first half of this year, the variation is due to the clearance account of the profits from last year, the payment of dividends and the entering into accounts of the Cynosure stock options according to IFRS 2 regulations as shown in the "Other operations" column of the Shareholders' Equity chart.

Non-current liabilities

Severance indemnity fund (note 15)

The chart below shows the operations which have taken place during this financial period.

Balance 31/12/2009	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 30/06/2010
2.607.348	465.314	-198.467	-278.502	2.595.693

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For IAS purposes the payment of a severance indemnity represents a "long term post employment benefit plan»; this is an obligation of the "defined benefit " type which entails entering a liability similar to that entered for defined benefit pension plans.
After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity matured on January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited by the latter.

It should be recalled that the company uses the so-called "corridor method" in which the net cumulative value of the actuarial surplus and deficit is not registered until it exceeds in absolute terms 10% of the current value of the liabilities. On June 30th 2010 the net accumulated value of the actuarial profits not registered was equal to about 108 thousand Euros. The present value of the liabilities as of June 30th 2010 was 2.485 thousand Euros.

The hypotheses used to establish the indemnity plan are summarized in the chart below.

Financial hypotheses	**Year 2009**	**Year 2010**
Annual implementation rate	4,25%	4,25%
Annual inflation rate	1,50%	1,50%
Annual growth rate of severance indemnity	2,34%	2,34%
Annual increase rate of salaries (including inflation)	Executives 4,00% White collar workers 2,50% Blue collar workers 2,50%	Executives 4,00% White collar workers 2,50% Blue collar workers 2,50%

The amount entered in the column "Payment to complementary pension forms, to INPS fund and other movements " of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity paid in the form of additional pensions or to the treasury fund managed by INPS in accordance with the choices made by the employees during the financial year, with particular reference to the parent company El.En and the subsidiary Quanta System.

Other accruals (note 16)

The chart below shows the operations made with other accruals:

	Balance 31/12/2009	Accrual	(Utilisation)	Other	Translation Adjustments	Balance 30/06/2010
Reserve for pension costs and similar	421.217	51.933				473.150
Others:						
Warranty reserve on the products	2.518.080	-125.496	-49.658		338.159	2.681.085
Reserve for risks and charges	2.147.711	169.416	-91.920		16.820	2.242.027
Other minor reserves	56.034					56.034
Total other reserves	4.721.825	43.920	-141.578	-	354.979	4.979.146
Total	5.143.042	95.853	-141.578	-	354.979	5.452.296

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on June 30th 2010, amounted to 419 thousand Euros as opposed to 380 thousand Euros on December 31st 2009.
According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

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

Financial hypotheses	Year 2009	Year 2010
Annual rate of implementation	4,25%	4,25%
Annual rate of inflation	1,50%	1,50%

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 current financial year. The amount shown in the column "Accrual" shows the effects of the partial reversal of the accruals made in previous years.

On February 28th 2008, after the conclusion of a general audit conducted in relation to the year 2005 by the regional branch of the internal revenue service (*Direzione Regionale delle Entrate per la Toscana*), an offence report (Processo Verbale di Constatazione) was formulated against El.En. SpA. In this report the Agency, besides listing some minor violations in the reporting of income taxes and Value Added Tax (IVA), refused to recognize the tax exempt status on some capital gains derived from a sale of shares made by El.En SpA in 2005. On June 3rd 2010 the company received notice of an assessment of 3 million Euros plus interest and fines, for which through the provincial tax authorities acknowledges and demands what was claimed in the PVC (offence report)..

The company, which has carefully examine the arguments already put forth in earlier memos and in consideration of the motivations contained in the above mentioned report, is fully convinced that it has acted, again on this occasion, in complete compliance with current fiscal regulations. El.En. SpA therefore believes that the dispute can be resolved in a court of law, and also on the basis of the opinions expressed by the experts who are assisting the company, believe that the accusation is totally illegitimate and unfounded .
We therefore confirm the accrual made during the financial year 2007 to cover the charges regarding the minor offenses, for the amount of 26 thousand Euros, which we believe is adequate to pay off all the contested taxes due and fines.

Other debts and potential liabilities

All of the companies belonging to the Group are subject to the risk of disputes and legal actions which may emerge during their normal operations. The subsidiary Cynosure, as part of their own 10-Q related to the first half of 2010, has provided information concerning some of the disputes now in progress, in particular, a lawsuit related to the unsolicited use of faxes without the prior permission of the receiving party. The American company has firmly opposed the requests of the opposing party and was supported by a preliminary sentence of the Court of Massachusetts in July 2010. In 2009 Cynosure also sued their own insurance company because they believed that this type of risk was covered by a policy stipulated by the company. During the first half of 2009 the preliminary sentence of the Court of Massachusetts determined that the insurance company must supply assistance and, if necessary, reimburse damages should Cynosure lose the suit. This decision was appealed by the defendant in January 2010.

Amounts owed and financial liabilities (note 17)

Financial m/l term debts	30/06/2010	31/12/2009	Variation	Var. %
Amounts owed to banks	2.327.854	2.043.847	284.007	13,90%
Amounts owed for leasing	381.826	224.399	157.427	70,15%
Amounts owed to other financiers	1.923.678	2.658.750	-735.072	-27,65%
Total	4.633.358	4.926.996	-293.638	-5,96%

The medium/ long term debts owed to banks as of June 30th 2010 mostly represent the quotas which are not payable within the year of the bank financing which was granted to Asclepion Gmbh for the construction of a new building.

The amounts owed to other financiers consist, among other things, in the quotas which are not payable within the year for:

a) Facilitated financing allocated by MPS for applied research, reference TRL01granted to the parent company El.En. S.p.A. for an amount of 681.103 Euros at a fixed annual rate of' 2%, last instalment July 1st 2012.

b) Facilitated financing allocated by IMI for applied research granted to the subsidiary company Quanta System SpA. for an amount of 929.157 Euros at a fixed annual rate of' 2%, payable in 16 semi-annual deferred instalments starting on July 1st 2003.

c) Facilitated financing for applied research, allocated by MIUR to the subsidiary Quanta System SpA, granted in several instalments, for an amount of 673.500 Euros at the annual interest rate of 0,50%, payable in 14 semi-annual deferred instalments, starting on January 1st 2009.

d) Financing allocated by Banca Nazionale di Lavoro to the subsidiary Quanta System SpA granted for a total amount of 500 thousand Euros at an interest rate of 2,56%, with a duration of five years from the date of issue including a period of pre-amortization of 6 months, to be reimbursed in post-dated quarterly instalments including capital and interest starting on January 15th 2010.

e) Facilitated financing allocated by Finlombarda/Regione Lombardia for applied research to the subsidiary Quanta System SpA for a total of 900.000 Euros at a rate of 0,50% on half of the capital and 4,01% on the other half, to be reimbursed in 14 half-yearly instalments, last instalment June 30th 2016.

e) Centrobanca facilitated financing for applied research, granted to the subsidiary Lasit for 231.060 Euros at the annual interest rate of 0,96% last instalment August 5th 2014.

Current liabilities

Financial debts (note 18)

A breakdown of the financial debts is given below:

The entry “Amounts owed to banks” is mostly related to:
- the short-term portion of the financing contracted by Asclepion and described in note 17 .
- the residual portion of a bank financing granted for 200 thousand Euros to ASA Srl for temporary cash needs;
- bank financing granted to Wuhan Penta Chutian Laser Equipment Co., Ltd for about 601 thousand Euros (corresponding to 5 million Yuan)
- bank overdrafts granted by credit institutions to subsidiary companies, in particular to Quanta System SpA and With Us Co.

The liabilities for forward exchange contracts refer to the subsidiaries With Us and Asa.. The evaluation was made at fair value and the effects have been entered in the profit and loss account

The heading “Amounts owed to other financiers” includes the short-term quotas for the financing described in the previous paragraph.

Amounts owed for supplies (note 19)

Trade debts:	**30/06/2010**	**31/12/2009**	**Variation**	**Var. %**
Amounts owed to suppliers	29.407.559	25.034.788	4.372.771	17,47%
Amounts owed to associated companies	292.829	101.538	191.291	188,39%
Total	29.700.388	25.136.326	4.564.062	18,16%

The rise in the sales volume determined an increase in the purchases and consequently also in the amounts owed for supplies.

Income tax debts /Other short term debts (note 20)

The “Debts for income taxes” which have matured on some of the companies of the Group as of June 30th 2009 amount to 1.235.444 Euros and are entered net of any down payments or deductions.

The break-down of “Other debts” is as follows:

The “Debts owed to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of June 30th 2010.
The entry “Down payments” represents down payments received from customers.
The entry “Other debts” includes, among other things, the anticipated revenue related to the subsidiary Cynosure for customer assistance contracts entered with the revenue in proportion to the duration of the contracts.

SECTORIAL INFORMATION IN CONFORMITY WITH IFRS 8

Starting in 2009, the El.En. SpA Group will show sectorial information in conformity with the requirements of IFRS 8. The application of this standard has not had any effect on the amounts entered in this report.
Within the El.En Group the sectors which have been identified as pertinent for IFRS 8 purposes are unchanged with respect to those analyzed in conformity with IAS 14.

30/06/10	Total	Medical	Industrial	Other
Revenues	92.423	75.703	16.249	471
Intersectorial revenues	(567)	0	(168)	(399)
Net Revenues	91.856	75.703	16.081	72
Other revenues and income	877	480	38	358
Gross Margin	48.535	41.673	6.578	284
Inc.%	*52%*	*55%*	*41%*	*66%*
Margin	7.543	6.631	628	284
Inc.%	*8%*	*9%*	*4%*	*66%*
Not assigned charges	6.170			
EBIT	1.373			
Net financial income (charges)	409			
Share of profit of associated companies	(244)	(277)	26	7
Other Income (expense) net	(459)			
Income before taxes	1.079			
Income taxes	2.038			
Income for the financial period	(959)			
Minority interest	(1.212)			
Net income	253			

30/06/09	Total	Medical	Industrial	Other
Revenues	72.919	62.308	10.077	535
Intersectorial revenues	(368)	0	0	(368)
Net Revenues	72.551	62.308	10.077	167
Other revenues and income	1.307	479	29	798
Gross Margin	40.052	34.225	5.024	804
Inc.%	*54%*	*55%*	*50%*	*83%*
Margin	(2.833)	(2.384)	(1.252)	804
Inc.%	*-4%*	*-4%*	*-12%*	*83%*
Not assigned charges	6.200			
EBIT	(9.033)			
Net financial income (charges)	826			
Share of profit of associated companies	(556)	(579)	7	16
Other Income (expense) net	(18)			
Income before taxes	(8.781)			
Income taxes	(2.805)			
Income for the financial period	(5.977)			
Minority interest	(3.319)			
Net income	(2.657)			

30/06/2010	Total	Medical	Industrial	Other
Assets assigned	233.743	192.655	41.088	
Equity investments	778	485	293	
Assets not assigned	16.755			
Total assets	251.276	193.140	41.380	0
Liabilities assigned	49.999	38.814	11.186	
Liabilities not assigned	23.032			
Total liabilities	73.031	38.814	11.186	0

31/12/2009	Total	Medical	Industrial	Other
Assets assigned	202.010	168.244	33.766	
Equity investments	1.045	834	211	
Assets not assigned	22.650			
Total assets	225.704	169.077	33.977	0
Liabilities assigned	42.816	34.452	8.364	
Liabilities not assigned	19.525			
Total liabilities	62.341	34.452	8.364	0

30/06/2010	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	6.226	3.436	2.791	0
- not assigned	(5.593)			
Total	634	3.436	2.791	0

31/12/2009	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	4.662	3.302	1.360	0
- not assigned	(508)			
Total	4.154	3.302	1.360	0

COMMENTS ON THE MAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

Revenue (note 21)

After a year in which the financial crisis had a profound effect on the results of the Group and caused a sharp drop in revenues, the sales volume has again begun to show a substantial increase; this is, of course, in comparison to the minimum amounts registered in the first half of 2009, but although there is no guarantee that the gap from highest amounts can be rapidly filled, the trend is without a doubt positive.

The increase in the medical sector is about 22%; The industrial sector which started off slowly in the first months of the year, has also shown good progress; the service sector has now returned to its normal level of activity.
For a detailed analysis of the individual entries in the revenues, see the Management Report.

	30/06/2010	30/06/2009	Variation	Var. %
Sales of industrial laser systems	13.959.300	8.197.854	5.761.446	70,28%
Sales of medical laser systems	59.872.201	49.053.237	10.818.964	22,06%
Service and sales of spare parts	18.024.543	15.299.704	2.724.839	17,81%
Total	91.856.044	72.550.795	19.305.249	26,61%

Other revenue and income (note 22)

The analysis of the other income is as follows:

	30/06/2010	30/06/2009	Variation	Var. %
Recovery for accidents and insurance reimbursements	8.587	11.943	-3.356	-28,10%
Expense recovery	319.572	266.397	53.175	19,96%
Capital gains on disposal of fixed assets	135.424	6.138	129.286	2106,32%
Other income	413.311	1.022.779	-609.468	-59,59%
Total	876.894	1.307.257	-430.363	-32,92%

The entry “Expense recovery” refers mostly to expenses for shipment.
Under the heading of “Other income” we have entered mostly grants which were issued for financing research projects; in particular these grants have been entered by the parent company El.En. SpA for the amount of 317 thousand Euros and by the subsidiary Asclepion GmbH for about 56 thousand Euros.

Costs for the purchase of goods (note 23)

The analysis is shown on the following table:

	30/06/2010	30/06/2009	Variation	Var. %
Purchase of raw materials and finished products	33.969.067	23.133.596	10.835.471	46,84%
Purchase of packaging	315.121	203.027	112.094	55,21%
Shipment charges on purchases	351.807	267.708	84.099	31,41%
Other purchase expenses	291.394	107.971	183.423	169,88%
Other purchases	228.122	171.161	56.961	33,28%
Total	35.155.511	23.883.463	11.272.048	47,20%

The increase in purchases is a direct consequence of the rise in the sales volume and is reflected, among other things, in the final inventory of the period.

Other direct services/ operating services and charges (note 24)

Breakdown of this category is shown on the chart below:

	30/06/2010	30/06/2009	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	1.995.658	1.354.643	641.015	47,32%
Technical services	429.247	728.957	-299.710	-41,11%
Shipment charges on sales	889.433	662.043	227.390	34,35%
Commissions	4.165.140	3.572.733	592.407	16,58%
Royalties	12.696	12.569	127	1,01%
Travel expenses	1.110.080	829.026	281.054	33,90%
Other direct services	139.456	152.480	-13.024	-8,54%
Total	*8.741.710*	*7.328.451*	*1.413.259*	*19,28%*
Operating services and charges				
Maintenance and technical assistance on equipments	739.306	680.215	59.091	8,69%
Services and commercial consulting	1.828.782	1.972.568	-143.786	-7,29%
Legal and administrative services	1.090.707	1.870.777	-780.070	-41,70%
Auditing fees and charges	538.559	489.408	49.151	10,04%
Insurances	660.274	757.341	-97.067	-12,82%
Travel and overnight expenses	1.680.709	1.639.418	41.291	2,52%
Promotional and advertising expenses	3.988.667	4.900.106	-911.439	-18,60%
Building charges	1.080.097	1.034.926	45.171	4,36%
Other taxes	181.592	202.986	-21.394	-10,54%
Expenses for vehicles	616.874	486.097	130.777	26,90%
Office supplies	246.837	226.503	20.334	8,98%
Hardware and Software assistance	164.674	163.177	1.497	0,92%
Bank charges	321.202	294.399	26.803	9,10%
Rent	1.467.689	2.343.290	-875.601	-37,37%
Other operating services and charges	5.901.118	6.012.046	-110.928	-1,85%
Total	*20.507.087*	*23.073.257*	*-2.566.170*	*-11,12%*

The most significant changes in the heading “Direct services” is related to “Assemblies outsourcing to third parties” and “Commissions” which have increased as a result of the growth in the sales volume and the partial outsourcing of some phases of the manufacturing process which, during last year, had been done in the factory.

The decrease in costs for “Operating services and charges”, although it is accentuated because in the first half of 2009 there were some cost items which are non-recurrent like losses on receivables (entered under the heading of “Other operating services and charges” for an amount of about 1 million Euros) and legal expenses, demonstrates the manner in which the companies of the Group focused their attention on the policy of reducing costs; the single most important amounts under the heading of “Other operating services and charges” are represented by the honorariums paid to the members of the Board of Directors and of the Board of Statutory Auditors for an amount of about 1.223 thousand Euros, by costs of technical consultations, studies and research for about 950 thousand Euros. For the costs of research and development, please refer to the Management Report.

Personnel costs (note 25)

The chart below shows the costs for staff:

For staff costs	30/06/2010	30/06/2009	Variation	Var. %
Wages and salaries	17.071.126	15.821.457	1.249.669	7,90%
Social security costs	3.649.288	3.251.543	397.745	12,23%
Accruals for severance indemnity	413.578	391.865	21.713	5,54%
Stock options	1.278.320	2.027.342	-749.022	-36,95%
Other costs	15.693	11.803	3.890	32,96%
Total	22.428.005	21.504.010	923.995	4,30%

The cost for personnel was 22.428 thousand Euros which, with respect to the 21.504 thousand Euros for the first half of 2009, show an increase of 4,3% but with an increase in productivity for this cost aggregate which fell, in its incidence on the sales volume, from 29,6% to 24,4% during the first half of 2010. The figurative costs for the stock options assigned to employees are included in the costs for personnel. During the first half of 2009 these costs were 2.027 thousand Euros; on June 30th 2010 they had fallen to 1.278 thousand Euros. These costs refer mainly to the stock options issued by the subsidiary Cynosure Inc

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	**30/06/2010**	**30/06/2009**	**Variation**	**Var. %**
Amortization of intangible assets	195.805	230.396	-34.591	-15,01%
Depreciation of tangible assets	3.011.575	2.731.859	279.716	10,24%
Devaluations of fixed assets		18.758	-18.758	-100,00%
Accrual for risk on receivables	1.035.279	1.561.417	-526.138	-33,70%
Other accruals for risks and charges	-15.842	-34.307	18.465	-53,82%
Total	4.226.817	4.508.123	-281.306	-6,24%

The heading amortizations and accruals includes, among other things, some devaluations made for cautionary reasons on some of the receivables, payment of which is very slow on account of the financial crisis which has limited the amount of cash available to companies in general.

The accruals for risks and charges shows, among other things, the effects of the reversal of part of the accruals made in preceding financial periods for product guarantees and not compensated for by accruals made during the year.

Financial income and charges (note 27)

The breakdown of the category is as follows:

	30/06/2010	**30/06/2009**	**Variation**	**Var.%**
Financial incomes:				
Interests from banks	130.898	397.140	-266.242	-67,04%
Interests from associated company	170	911	-741	-81,34%
Income from negotiations	87		87	0,00%
Foreign exchange gain	1.265.288	1.105.364	159.924	14,47%
Other financial incomes	13.433	38.007	-24.574	-64,66%
Total	1.409.876	1.541.422	-131.546	-8,53%
Financial charges:				
Interest on bank debts for account overdraft	-118.509	-206.262	87.753	-42,54%
Interest on bank debts for medium and long - term loans	-24.390	-12.386	-12.004	96,92%
Foreign exchange loss	-759.571	-415.227	-344.344	82,93%
other financial charges	-98.131	-81.837	-16.294	19,91%
Total	-1.000.601	-715.712	-284.889	39,80%

The entry “Interest from banks” although still benefiting from the cash held, has been affected among other things by the reduction in interest rates.
“Interest on bank debts for account overdrafts” refers mainly to overdrafts allowed by credit institutions to subsidiary companies.
The entry “Other financial charges” includes about 52 thousand Euros for the entering into accounts of interest owed because of the application of accounting standard IAS 19 for severance indemnity.

Other net income and charges (note 28)

	30/06/2010	30/06/2009	Variation	Var. %
Other charges				
Loss on equity investments	-1.838	-18.061	16.223	-89,82%
Devaluation of equity investments	-457.297		-457.297	0,00%
Total	**-459.135**	**-18.061**	**-441.074**	**2442,13%**
Other income				
Total				**0,00%**

The entry "Loss on equity investments" quantifies the effects of the dilution of the value of the equity in Cynosure Inc. following the increase in capital for use in the stock option plans in favour of third parties.
The heading of "Devaluation of equity investments" includes the devaluation of the amount of the equity held by Quanta System in GLI, as explained in Note 3 above.

Income taxes (note 29)

Description:	30/06/2010	30/06/2009	Variation	Var. %
Total income taxes	2.037.700	-2.804.630	4.842.330	-172,65%

The tax load for this half reflects the return to profits of several of the companies belonging to the Group. The tax rate for this period is more onerous on account of the presence of non-deductible revenue components, like the devaluation made on the equity in GLI, as well as the fact that at Cynosure the conditions are not yet mature for the entry of deferred taxes on the temporary differences between taxable income and and earnings before taxes.

It should be recalled that on June 30th 2009 we registered a fiscal benefit for about 2,8 million Euros mainly due to the entering into accounts of 3,7 million Euros in deferred fiscal assets on the losses registered by some of the companies in the Group, in particular by Cynosure, which were believed capable of generating profits and taxable income in the near future years. In the closing phase of the 2009 financial report, Cynosure instead proceeded with a devaluation of about 5 million Euros (about 7 milion dollars) on the credits for deferred taxes which had earlier been entered in the expectation that these receivables would not be cashed in during the following two financial periods.

Profits per share (note 30)

The chart below illustrates the calculations used to determine the weighted average number of shares in circulation.

Shares	**31/12/09**	**31/1/10**	**28/2/10**	**31/3/10**	**30/4/10**	**31/5/10**	**30/6/10**
Shares	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368	4.824.368
Treasury shares (-)	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148	- 103.148
Net shares	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220	4.721.220
Average weighted shares		**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**	**4.721.220**

Dividends distributed (note 31)

The shareholders' meeting held on April 30th 2009, voted to distribute a dividend of 0,30 Euro per share for each of the shares in circulation on the date of payment. The dividend paid was 1.416.366 Euro.

The shareholders' assembly of El.En. Spa held on April 30th 2010 voted to not distribute a dividend.

Non-recurring, atypical or unusual significant events and operations (note 32)

During the first half of 2010 and for the corresponding period of last year there were no significant non-recurring, atypical or unusual events or operations.

Information about related parties

In accordance with the IAS 24 the following subjects are considered related parties:
- the subsidiary and associated companies as shown in this report;
- the members of the Board of Directors and Board of Statutory 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 Statutory Auditors, by any other of the executives with strategic responsibilities.

<u>Associated Companies:</u>
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during the first half of 2010 are clearly shown in detail.
The transfer prices of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.

The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables:

	Financial receivables		**Commercial receivables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
SBI SA			168.377	
Actis Srl			1.224	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			598.274	
Electro Optical Innovation Srl	69.676		26.772	
Grupo Laser Idoseme SL			1.208.855	
Total	83.241	-	2.003.502	-

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl			15.811	
Immobiliare Del.Co. Srl			90.000	
Actis Srl			16.800	
SBI SA			14.520	
Electro Optical Innovation srl			155.698	
Total	-	-	292.829	-

Associated companies:	**Sales**	**Service**	**Total**
SBI S.A.	90.587		90.587
Elesta Srl	197.527	995	198.522
Grupo Laser Idoseme SL	737.480	35.395	772.875
Total	1.025.594	36.390	1.061.984

Associated companies:	**Other revenues**
Elesta Srl	600
Actis Srl	1.200
Grupo Laser Idoseme SL	11.657
Total	13.457

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl		28.000		28.000
SBI S.A.	8.820			8.820
Elesta Srl	15.811			15.811
Immobiliare Delco Srl		70.000		70.000
JV Laser International Ltd	12.474			12.474
Electro Optical Innovation Srl	26.875			26.875
Grupo Laser Idoseme SL	158.532	14.100		172.632
Total	222.512	112.100	-	334.612

The amounts shown on the tables above refer to operations which are inherent to the normal management of the company.

We have also entered into accounts about 170 Euros in interest earned on financing granted to Actis Srl..

The chart below shows the incidence that the operations with related parties has had on the balance sheet and on the profit and loss account of the Group:

Impact of related party transactions	Total	Amount	%
a) Impact of related party transactions on the balance sheet			
Equity investments	777.757		0,00%
Accounts receivables	44.270.266	2.003.502	4,53%
Other receivables	6.703.511	83.241	1,24%
Non current financial liabilities	4.633.358		0,00%
Current financial liabilities	6.667.962		0,00%
Accounts payables	29.700.388	292.829	0,99%
Other payables	22.134.459		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	91.856.044	1.061.984	1,16%
Other revenues and income	876.894	13.457	1,53%
Purchases of raw materials	35.155.511	222.512	0,63%
Other direct services	8.741.710	14.100	0,16%
Other operating services and charges	20.507.087	98.000	0,48%
Financial charges	1.000.601		0,00%
Financial income	1.409.876	170	0,01%

Risk factors and procedures for the management of financial risk

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research , it operates so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing and financial instruments. Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
Again in the first half of 2010, approx. 50% of consolidated sales were made in markets outside of the European Union; most of the transactions were conducted in US dollars. It should be pointed out that the presence of stable structures in the United States, in particular Cynosure, make it possible to have a partial coverage of these risks since both the costs and the revenue are in the same kind of currency.
Some of the companies in the Group (in particular Asa, With Us and Cutlite do Brasil) have activated hedging operations intended to cover currency risks, as already described above.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation fund which is accrued at the end of the year represents about 11% of the total trade receivables from third parties.

As far as financial receivables are concerned, they refer mostly to financing granted to associated companies. For these financings no devaluation has been necessary.

As far as guarantees towards third parties are concerned, it should be noted that the parent company El.En. has underwritten, in partnership with a minority shareholder, a bank guarantee of 1 million Euros in favour of its subsidiary Quanta System for a facilitated financing allocated by Banca Popolare di Milano for a total of 900 thousand Euros, payable in deferred instalments starting after 84 months from issuing date which occurred in the second half of 2009.The subsidiary ASA has issued a bank guarantee in favour of the renter of its headquarters for 10 thousand Euros which becomes due on August 31st 2010, and is renewable for one year unless cancelled. The subsidiary Quanta System issued a bank guarantee in favour of some credit institutions of the associated company Grupo Laser Idoseme for a total of 675 thousand Euros which fell due on February 28th 2010 and was renewed up to February 28th 2011, save a bank guarantee for 125 thousand Euros which was renewed up to May 31st 2010 and is therefore already expired.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this financial year in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are sufficiently covered.

Management of the capital

The primary objective of the management of the capital of the Group is to guarantee that a low level of indebtedness is maintained. Considering the substantial amount of cash held by the Group, the net financial position is extremely positive and is such as to guarantee a good ratio between capital and reserves and debts.

Financial Instruments

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value	Book value	Fair value	Fair value
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Financial assets				
Financial mid and long term receivables		29.576		29.576
Financial receivables within 12 months	138.756	138.498	138.756	138.498
Mid and long term Financial instruments	1.640.093	3.476.392	1.640.093	3.476.392
Short term Financial instruments	56.431.097	29.803.183	56.431.097	29.803.183
Cash and cash equivalents	38.528.109	49.572.862	38.528.109	49.572.862
Financial liabilities				
Financial mid and long term debts	4.633.358	4.926.996	4.633.358	4.926.996
Financial liabilities due within 12 months	6.667.962	5.612.941	6.667.962	5.612.941

Fair value – hierarchy

The Group uses the following hierarchy to determine and to document the fair value of the financial instruments based on evaluation techniques.

Level 1:quoted prices (not rectified) in a market which is active for identical assets and liabilities
Level 2: other techniques for which all of the input which have a significant effect on the registered fair value are observable either directly or indirectly;
Level 3: techniques which use input which have a significant effect on the registered fair value but which are not based on observable market data.

As of June 30th 2010, the Group held the following financial instruments evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Money Market funds (1)	9.217.405	-	-	9.217.405
State & Municipal bonds	-	22.776.216	-	22.776.216
Corp Obligations	-	30.477.965	-	30.477.965
Equity securities	8.922	-	-	8.922
Auction Rate Securities	-	4.808.087	-	4.808.087
ARS Rights	-	-	-	-
Total	**9.226.326**	**58.062.268**	**-**	**67.288.595**

(1) Included in cash and cash equivalent

Other information

Average number of employees divided by category

	Average 2010	30/06/2010	Average 2009	31/12/2009	Variation	Var. %
Total	894,5	915	875,0	874	41	4,69%

The increase in the number of staff with respect to the beginning of the year is mainly due to the hiring of new employees by the Chinese subsidiary Wuhan Penta Chutian Laser Equipment Co Ltd.

For the Board of Directors
The Managing Director – Ing. Andrea Cangioli

Declaration of the condensed half-year financial statements as of June 30^{th} 2010 in compliance with Article 154-bis of Legislative Decree of February 24^{th} 1998 no. 58 (TUF) and later modifications and additions

1. The undersigned Andrea Cangioli and Enrico Romagnoli, respectively Managing director and Manager in charge of preparing the financial statements of El.En. S.p.A., in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:
    - the adequacy in relation to the Group's characteristics and
    - the effective application

of the administrative and accounting procedures for the drafting of the condensed half year financial statements at June 30^{th} 2010.

2. In relation to this no significant aspects emerged.

3. The undersigned moreover declare that:

3.1 the condensed half year financial statements at June 30^{th} 2010:

- have been drafted in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated July 19^{th} 2002;
- reflect the accounting books and entries;
- provide a fair and truthful representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 the half yearly management report includes references to the significant events which occurred in the first six months of the year and the impact of such events on the condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year and information on the significant transactions with related parties.

Calenzano, August 27^{th} 2010

The Managing Director	Manager in charge of preparing the Company's financial statements
Andrea Cangioli	Enrico Romagnoli