El.En. Group

Half Yearly Financial Report at JUNE 30TH 2011

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), 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 OF THE PARENT COMPANY

(as of the date of approval of the financials on June 30th 2011)

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

Executive officer 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 DIRECTOR'S REPORT ON OPERATIONS

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This interim director's report on operations for the half ending on June 30th 2011, approved by the Board of Directors on August 29th 2011, drawn up in consolidated form in compliance with to Art. 154-ter of February 24th 1998, Legislative Decree 58 (TUF) and later modifications and additions, has been drawn up in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified by the European Union.

By IFRS we mean also the International Accounting Standards (IAS) which are still in force, as well as all of the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC). In this report which is drawn up in conformity with IAS 34, Intermediate Reports, we have used the same accounting principles used for the consolidated financial of December 31st 2010 with the exception of those items described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

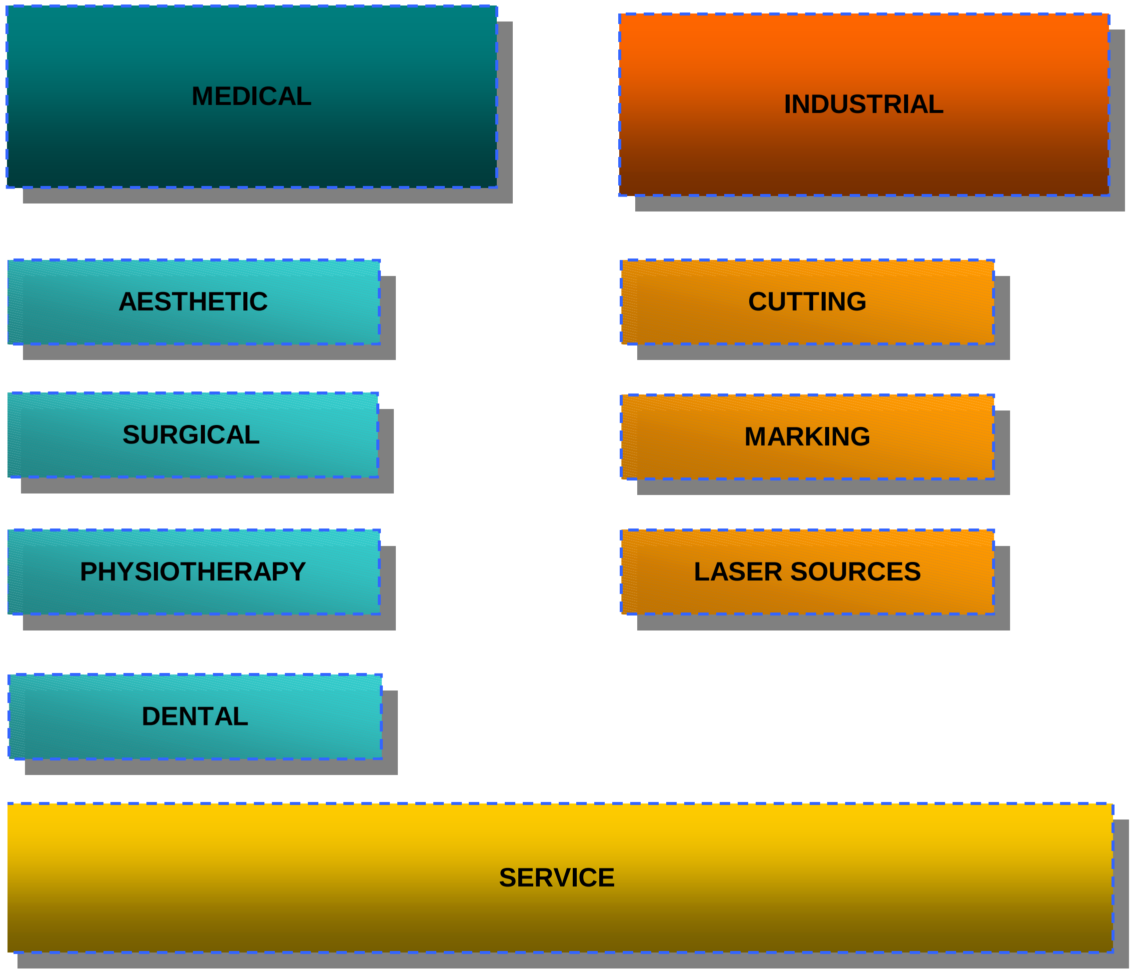
All amounts are expressed in thousands of Euros unless otherwise indicated.

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:

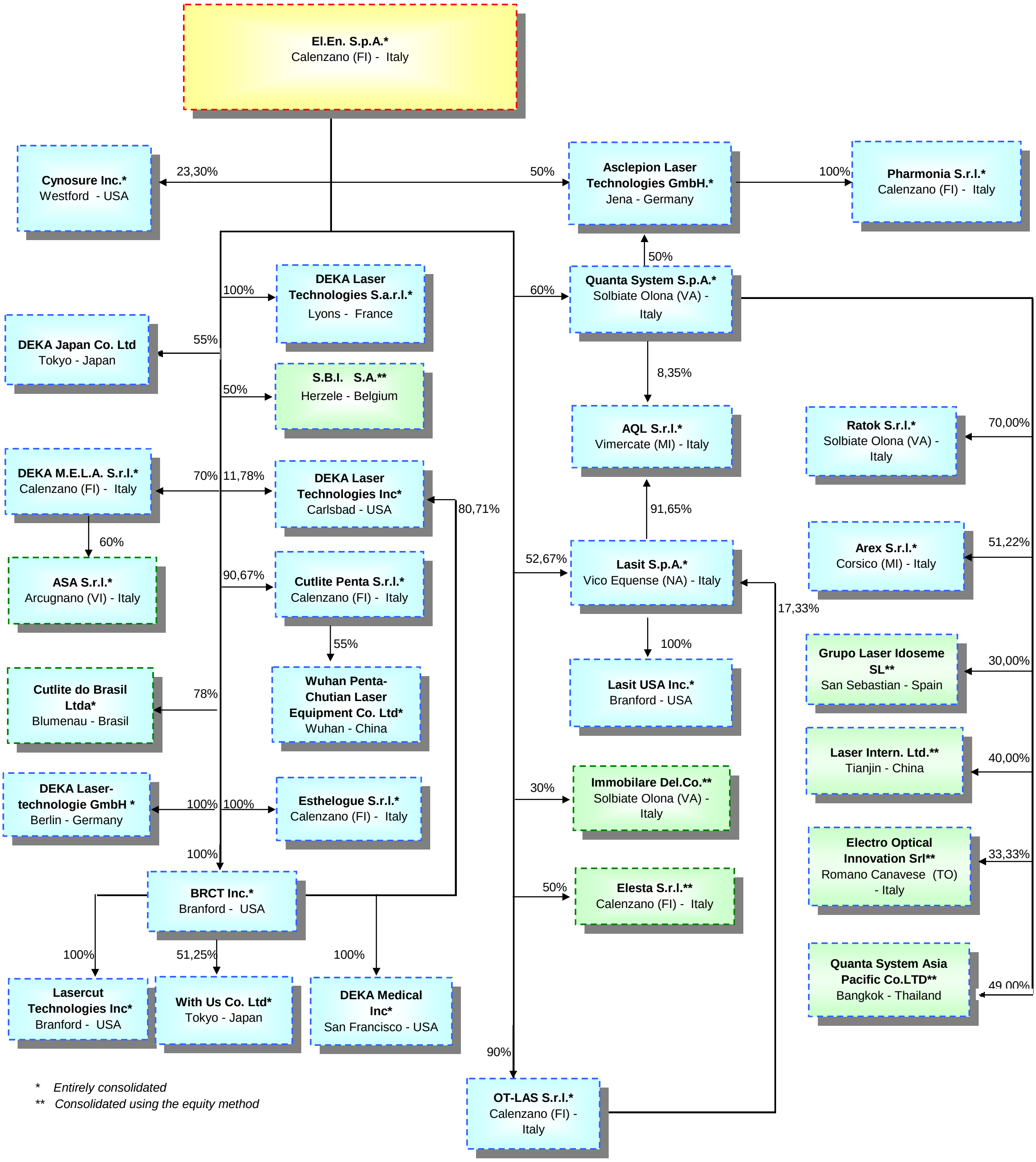


Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure, Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

1.3. Description of the Group

As of June 30th 2011the structure of the Group was as follows:



Cynosure Inc., a company quoted on the American stock market Nasdaq (NASDAQ:CYNO) controls in turn eight companies which distribute their products, and which they own 100% in Germany, France, Great Britain, Japan, China, Mexico, South Korea and Spain.

1.4. Performance indicators

In this Director's Report on Operations 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, depreciations, accruals and devaluations";
- the EBIT or earnings before interests and income taxes;
- the incidence that the various entries in the statement of income have on the sales volume.

These indicators are shown in the Statement of income 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 revenue structure of the Group:

	30/06/11	31/12/10	30/06/10
Profitability ratios (*):			
ROE (Net income / Own Capital)	-3,4%	1,4%	0,5%
ROI (EBIT / Total assets)	0,4%	2,2%	1,1%
ROS (EBIT/ Revenues)	0,5%	2,9%	1,5%
Structure ratios:			
Financial flexibility (Current assets / Total assets)	0,75	0,80	0,82
Leverage ((Stockholders' Equity + Financial liabilities) / Stockholders' Equity)	1,12	1,07	1,06
Current Ratio (Current assets / Current liabilities)	2,54	3,04	3,45
Acid ratio ((Current receivables + Cash and cash equivalents)/ Current liabilities)	1,65	2,20	2,56
Quick ratio ((Cash and cash equivalents + Investments) / Current liabilities)	0,80	1,30	1,59
Turnover ratios (*):			
Total assets turnover (Revenues / Total assets)	0,78	0,75	0,73
Current assets turnover (Revenues / Current assets)	1,04	0,94	0,89

Inventory turnover (COGS / Inventory)	1,47	1,32	1,32
Days sales of inventory (Inventory / COGS) *365	248	276	276
Days sales outstanding (Account receivables / Revenues)*365	94	90	88

(*) 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 = Stockholders' equity of the Group – Net income
- Cost of goods sold = Purchases ± Change in the inventory

1.5. Main economic and financial data

The first half of 2011 ends with a net loss for the Group of approx. 1,6 million Euros, net of direct income taxes for an amount of approx. 1,7 million Euros and for the consolidated results excluding Cynosure, a net loss for the Group of 0,6 million Euros net of direct income taxes for an amount of approx. 1,6 million Euros.

Beyond the bottom line, which shows negative net results, from the synthesis given in the above paragraph, some features emerge that have characterized the results of the first half. In fact, even where there was an EBIT that was positive though not brilliant, the financial management and the negative performance of the associated companies negatively influenced the net income, also on account of the non-deductibility of some cost aggregates which determined the effect of a tax load that was greater than the earnings before taxes.

During the first months of 2011 the Group had shown a recovery in its sales volume and revenue, which had already begun last year after the profound crisis of 2008/2009, but the situation on this particular market turned out to be much stiffer than expected, particularly in some geographic and merchandising areas, and this demonstrated how we have yet to reach the end of the crisis. These phenomena became evident with all of their consequences already in the first six months of the year, before the gravity of the new international financial crisis came to a head in the last weeks.

During this half the Group has been particularly active in M&A: with the acquisition of the activities of Elémé and of HOYA ConBio® (see paragraph 1.15 for details), Cynosure concluded two important deals which involved the investment of part of the large quantity of cash that they hold and created the foundations for a substantial external growth at a time when the market conditions do not seem to promise a quick recovery for the domestic sales volume.

The overall trend showed a positive operating activity with a growth in sales volume of 7% at the consolidated level and 5,4% for the consolidated without Cynosure. These growth rates are slightly lower than expected, but thanks to the improvement in the gross margin and the reduction of operating and personnel expenses, it was possible to increase the EBITDA.

In order to sustain and increase the volume of business, the Group decided to increase the amount of working capital, and, in particular to maintain a high level of stock in order to guarantee, in a very competitive market, a rapid delivery of any of the items in the vast range that they offer, and above all, to grant longer than average conditions for payment to the clientele in order to get around the problem of credit restrictions which are still very tight. The consequence of this policy was a reduction in the net financial position which was used to finance the increase in working capital, and also an impact on the statement of income because of the necessity of making adequate reserves against credit risks for some of the clients. These reserves have caused a drop, with respect to the first six months of 2010, of the EBIT. The net result, moreover, has been negatively influenced by the losses on exchanges with the US dollar, by the negative results of the associated companies and by the high tax rates.

As mentioned above, the different markets in which the Group operates showed results that were very different. In Japan, where we had feared that the disastrous earthquake in March would cause a drastic reduction in the activity in the medical-aesthetic sector where the Group is present with its subsidiaries, the volume of business continued to expand during this half both in the sale of new systems and the providing of services to the clientele. In China, where the Group has a factory for the production of laser cutting systems for the local manufacturing industries, the market condition remained receptive and this enabled us to continue the rapid phase of growth, but the market turned out to be more complicated than expected because of the lack of available cash in the system which was already becoming apparent in the second quarter, and the cooling of the local financial market. In the United States, the most important market for the Group in the medical sector and that on which most of the growth depended after the quotation on the stock market, they have not yet been able to come out of the state of uncertainty which continues to penalize the sales in this region, notwithstanding the efforts made to develop and market new products. On the other main markets including the Italian one, market conditions are substantially stable but with a new gradual deterioration of the spending capacity of the clientele. This phenomenon has become particularly evident in some segments of the Italian market and, by now for several quarters, the Spanish market.

The results show that, already in the first half, there was a situation that was much more complicated than expected; the last few weeks have only increased the situation of uncertainty, and the instability of the financial markets have certainly not improved the situation.
Even in the particular conditions that have been described above the Group intends to focus on their goal of growth by taking advantage of the opportunities offered by the different markets mainly through the innovation of products and the creation of production and distributing structures that they believe are ideally suited to serve the markets of major interest. We believe that the main selling markets offer interesting opportunities for even mid-term development: the laser applications for aesthetics represent the wide social acceptance of the custom of maintaining a pleasant appearance with the passing of the years; surgical applications on the other hand meet these requirements thanks to the minimally invasive techniques and their effectiveness, reduced recovery time which offer benefits both for the patient and for the institutions that are offering the service; lasers, moreover, represent an innovation in the procedure and the product of the manufacturer which improves the standards of efficiency and quality.

Considering the importance of the subsidiary Cynosure on the consolidated results and the substantial quota of the company that is held by third parties (the controlling interest held by El.En. Spa is in fact 23,30% as of June 30th 2011) we will complete this information sheet with the data related to the consolidated results of the Group as well as that with the results of the Group excluding Cynosure from the area of consolidation. El.En. detains control of Cynosure through a clause in the statutes which states that they have the right to appoint the majority of board members ; this clause will remain valid as long as El.En. detains at least 20% of the stock in the company.

The chart below shows the breakdown of the sales volume in the various sectors of activity of the Group in this half compared with a similar breakdown for last year.

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Industrial systems and lasers	16.903	17,20%	13.959	15,20%	21,09%
Medical and aesthetic lasers	61.107	62,20%	59.872	65,18%	2,06%
Service	20.241	20,60%	18.025	19,62%	12,30%
Total	**98.251**	**100,00%**	**91.856**	**100,00%**	**6,96%**

The increase in the sales volume is close to 7%, showing a slight decrease with respect to the 10% shown in the first quarter of this year.

The industrial sector maintains a consistent growth rate which is very solid notwithstanding the environmental complexity of the general economic context. The results of the manufacturing and selling structures in the high growth countries, China and Brazil, remain positive although they are influenced indirectly, even on the domestic market of China, by the international financial turmoil that occurred in the first few months of 2011. On the other hand, the sales volume developed by the other companies operating in the industrial sector, for which the Italian market continues to be very important, is penalized by the lack of fiscal incentives for the purchase of investment goods (the “Tremonti law”) from which the first half of 2010 benefitted. The results continue to be aligned with the ambitious plans of growth that the Group had planned for this sector.

For the sales of medical systems, the growth rate is 2%, and remains positive notwithstanding the market situation which is not particularly favorable combined with a phase of transition in the products offered by the Group which, as will be explained below, just launched during this half year some systems that will be fundamental for business in the next few months.
The North American market which has remained flat and very far from the potential that was shown in the years before the crisis, has a fundamental importance in the medical sector, in which Cynosure was able to create a growth thanks to the new products acquired already in March with the activities of Eléme.

The revenue from technical assistance and spare parts was good, and this reflects the progressive increase in the number of systems installed as well as the volume of business of our clientele, who purchases spare parts, consumables and maintenance services.

The chart below shows the trend for the sales volume divided according to the geographic area.

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Italy	12.300	12,52%	16.305	17,75%	-24,57%
Europe	25.753	26,21%	25.116	27,34%	2,54%
Rest of the world	60.198	61,27%	50.435	54,91%	19,36%
Total	**98.251**	**100,00%**	**91.856**	**100,00%**	**6,96%**

The Rest of the World showed a greater increase, thanks in particularly to the Far East. The European markets were essentially aligned with the average growth rate of the Group. Sales volume in Italy fell, both on account of the expiration of the Tremonti law and for the phase of transition in the sector of professional aesthetics.

Within the medical/aesthetic sector, which represents more than 62% of the sales of the Group, the trend in sales in the various segments is shown on the chart below:

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Surgical CO2	4.988	8,16%	4.896	8,18%	1,88%
Physiotherapy	3.039	4,97%	2.306	3,85%	31,79%
Aesthetic	41.914	68,59%	40.256	67,24%	4,12%
Dental	1.869	3,06%	2.089	3,49%	-10,50%
Other medical lasers	7.098	11,62%	8.244	13,77%	-13,90%
Accessories	2.200	3,60%	2.082	3,48%	5,64%
Total	**61.107**	**100,00%**	**59.872**	**100,00%**	**2,06%**

The overall increase in the sales volume is chiefly due to the rise registered in the main segment, aesthetics, and to that in some of the "minor" segments: physical therapy shows the best result for the period with a growth of over 30%. While CO_2 and accessories which are often sold together, also have grown a few percentage points. .

The drop of 10% in the dental segment is entirely due to the fall in OEM sales while, in the same segment, the marketing activity of the Deka brand in the United States has maintained a volume that is essentially stable. The drop of 13% in the residual category of "others" on the other hand reflects the drop in Cynosure's sales volume from some dermatological laser centers and a phase of transition in the sector of solid state lasers for surgery for the rest of the Group.

Each of the companies that operate on the market with their own brand and an independent distribution network is presenting interesting innovations; in particular Deka has introduced a new CO_2 Smartxide^2 laser a system based on an innovative concept which includes a great variety of functional applications and accessories which make it possible to perform aesthetic applications like "skin rejuvenation", surgical applications for ORL (otorhinolaryngology) and in gynecology; the performance of the new laser source which was developed in the laboratories at El.En., make the system particularly effective in its applications. Deka moreover is now in a phase of transition in the sale of a laser platform for hair removal. Cynosure is also in the same position as they wait to be able to launch the "Cellulaze" platform also in the USA. This system represents the evolution of the Smartlipo family in the direction of minimally invasive removal of cellulitis and is sold on the International markets but is still waiting for FDA approval for sales in the United States. On the other hand, Cynosure, through their many acquisitions, has extended their range of aesthetic products with the *SmoothShapes®XV* system for "body shaping"and above all with the Q-switched systems for the removal of tattoos and vascular lesions acquired with ConBio. Asclepion has launched their own laser system for hair removal, with semi-conductor technology, the Mediostar Next, for which good results are expected by the end of the year. Quanta System is also expanding their range of products for surgical applications, in particular those based on Thulium and Holmium technology.
As far as the professional aesthetic market in Italy is concerned, intergovernmental regulations have recently been issued which define and limit the technical characteristics of equipment that may be used in aesthetic centers, thus

removing some of the doubts that, on one hand, had opened the market to competitors that were under qualified from a technological point of view, and on the other, almost entirely excluded laser technology from the market. We are confident that we will be able to re-launch our products in this sector thanks to the requalification which the new law, in force starting in July, requires for the users.

For the industrial applications sector, the chart below shows the breakdown of the sales volume by the market segments in which the Group operates.

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Cutting	11.701	69,23%	8.791	62,98%	33,10%
Marking	4.582	27,11%	4.020	28,80%	13,98%
Laser sources	483	2,85%	1.072	7,68%	-54,98%
Welding, other industrial systems	137	0,81%	76	0,55%	79,58%
Total	**16.903**	**100,00%**	**13.959**	**100,00%**	**21,09%**

The sales volume is still growing rapidly. The factories in China and Brazil, which have continued to drive the growth in the sector, have concentrated on cutting systems. With its fall in volume, the sales of sources to third parties reflects the general weakness of the traditional markets; it should be noted however that, as far as the laser sources manufactured in our factories are concerned, the overall volume is still high thanks to the growing number of cutting and marking systems that are produced and sold and which obviously have our laser sources installed on them. The marking sector also showed an interesting growth rate and improved its results over the first quarter.

The charts below show the composition of the sales volume for the sub-consolidated which excludes Cynosure; we are not including the chart with the breakdown of the industrial sector because Cynosure does not operate in this sector.

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Industrial systems and lasers	16.903	25,12%	13.959	21,86%	21,09%
Medical and aesthetic lasers	37.711	56,05%	39.209	61,41%	-3,82%
Service	12.666	18,83%	10.680	16,73%	18,60%
Total	**67.280**	**100,00%**	**63.849**	**100,00%**	**5,37%**

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Italy	11.993	17,83%	15.990	25,04%	-25,00%
Europe	15.844	23,55%	18.035	28,25%	-12,15%
Rest of the world	39.443	58,63%	29.823	46,71%	32,26%
Total	**67.280**	**100,00%**	**63.849**	**100,00%**	**5,37%**

	30/06/2011	Inc%	30/06/2010	Inc%	Var%
Surgical CO2	3.937	10,44%	4.725	12,05%	-16,67%
Physiotherapy	3.039	8,06%	2.306	5,88%	31,79%
Aesthetic	22.306	59,15%	22.939	58,50%	-2,76%
Dental	1.869	4,96%	2.089	5,33%	-10,50%
Other medical lasers	4.701	12,47%	5.056	12,89%	-7,01%
Accessories	1.858	4,93%	2.096	5,34%	-11,34%
Total	**37.711**	**100,00%**	**39.209**	**100,00%**	**-3,82%**

In the medical sector Cynosure was able to show an increase in sales volume, while the Rest of the World showed a drop of 4% as opposed to an increase of 2% of the overall consolidated.

The main differences in the sales volume shown for this half between the two consolidated aggregates are in the main sector of aesthetics which, from a slight growth, has now shown a slight drop, and in the CO_2 sector and that of accessories which in this case show a decrease, and the residual sector in which the losses are slighter.
In the aesthetic sector Cynosure was able to register a substantial recovery which was sustained by their M&A activities thanks to the sales of the new system for “body shaping”, *SmoothShapes®XV* which became available starting in the first quarter thanks to the acquisition by means of an “asset deal” which purchased the activities of Elémé.
Cynosure does not operate in the dental and physical therapy sectors and therefore the results are identical to those of the overall consolidated.

1.6. Consolidated statement of income as of June 30th 2011

The chart below shows the reclassified consolidated Statement of income for the period ending on June 30th 2011 compared with that for the same period last year.

Statement of income	30/06/11	Inc.%	30/06/10	Inc.%	Var.%
Revenues	98.251	100,0%	91.856	100,0%	7,0%
Change in inventory of finished goods and WIP	6.796	6,9%	(2.818)	-3,1%	
Other revenues and income	1.553	1,6%	877	1,0%	77,1%
Value of production	**106.600**	**108,5%**	**89.915**	**97,9%**	**18,6%**
Purchase of raw materials	49.020	49,9%	35.156	38,3%	39,4%
Change in inventory of raw material	(4.401)	-4,5%	(2.517)	-2,7%	74,8%
Other direct services	9.562	9,7%	8.742	9,5%	9,4%
Gross margin	**52.418**	**53,4%**	**48.535**	**52,8%**	**8,0%**
Other operating services and charges	22.597	23,0%	20.507	22,3%	10,2%
Added value	**29.821**	**30,4%**	**28.028**	**30,5%**	**6,4%**
For staff costs	24.157	24,6%	22.428	24,4%	7,7%
EBITDA	**5.664**	**5,8%**	**5.600**	**6,1%**	**1,2%**
Depreciation, amortization and other accruals	5.147	5,2%	4.227	4,6%	21,8%
EBIT	**517**	**0,5%**	**1.373**	**1,5%**	**-62,4%**
Net financial income (charges)	(616)	-0,6%	409	0,4%	
Share of profit of associated companies	(400)	-0,4%	(244)	-0,3%	63,7%
Other net income (expense)	(33)	-0,0%	(459)	-0,5%	-92,9%
Income (loss) before taxes	**(532)**	**-0,5%**	**1.079**	**1,2%**	
Income taxes	1.711	1,7%	2.038	2,2%	-16,0%
Income (loss) for the financial period	**(2.243)**	**-2,3%**	**(959)**	**-1,0%**	**133,9%**
Minority interest	(673)	-0,7%	(1.212)	-1,3%	-44,4%
Net income (loss)	**(1.570)**	**-1,6%**	**253**	**0,3%**	

The gross margin is registered at 52.418 thousand Euros, an increase of 8,0% with respect to the 48.535 thousand Euros for the same period last year; in terms of the incidence on the sales volume, it shows an increase from 52, 8% on June 30th 2010 to 53,4% for this half, and therefore without a substantial change in the revenue from sales during this six-month period.
It should be noted that also in the first semester of 2011, although the Group cashed in the sale price during this year, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the statement for the year.

Costs for operating services and charges were 22.597 thousand Euros, showing an increase of 10,2% with respect to June 30th, 2010 with an incidence on the sales volume which rose to 23,0% from 22,3% for the same period last year. Among the various entries that contributed to this increase, the most significant is that related to the accessory expenses sustained by Cynosure as part of the acquisition of the activities of Elémé and of Hoya ConBio, for a total of 1,3 million dollars this half. The entering into accounts of this non recurring amount with the operating costs makes the result for the period worse even though it is not constitute costs for the regular operating activities. An increase in commercial expenses was also registered.

The personnel costs were 24.157 thousand Euros, an increase of 7,7% with respect to the 22.428 thousand Euros for the same period last year and show a productivity which is essentially unchanged. The incidence on the sales volume in fact rose from 24,4% on June 30th 2010 to 24,6% on June 30th 2011. Among the personnel costs we have also included the figurative costs stock options assigned to employees, prevalently related to the stock options issued by the subsidiary Cynosure Inc. As of June 30th 2011 these costs were 1.029 thousand Euros as opposed to 1.278 thousand Eurosl on June 30th 2010.

As of June 30th 2011the number of employees in the Group was 1.072 with respect to 969 on December 31st 2010 and 915 on June 30th 2010. The increase since the beginning of the year is related almost entirely to new employees hired by the Chinese subsidiary Wuhan Penta Chutian which on June 30th 2011 had 202 employees as opposed to 184 on December 31st 2010. A further increase in the number of employees is due to Cynosure's acquisition of the activities of HOYA ConBio®, because the employees of this latter company were offered the possibility to work within their organization; this latter increase however did not have any effect on the Statement of income closed on June 30th 2011 because the acquisition was concluded only at the end of June.

A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. As of June 30th 2011 the grants entered into accounts amounted to 734 thousand Euros, while the amount for the same period last year was 373 thousand Euros.

On account of the trends described above the EBITDA was positive in the amount of 5.664 thousand Euros, showing a slight increase over the 5.600 thousand Euros shown on June 30th 2010.

Costs for amortizations, depreciations and accruals amounted to 5.147 thousand Euros, an increase of 21,8% with respect to June 30th 2010, and the incidence on the sales volume also rose from 4,6% on June 30th 2010 to 5,2% on June 30th 2011. This increase is mainly due to the rise in the number of accruals made during this period for the product guarantee fund. The amount in any case remains high due to the accruals for credit risks which have become necessary because of the particular economic and financial situation which influences the financial stability of the clients. The impact of this cost entry on the results of the Group is quite significant and is an effect of the persistence of the crisis and the difficulties that this is causing for the operating activities.

The EBIT therefore showed a positive result of only 517 thousand Euros, which is a decrease with respect to the 1.373 thousand Euros registered on June 30th 2010.

Results of the financial management show a loss of 616 thousand Euros with respect to the gain of 409 thousand Euros for the same period last year, and was penalized by the unfavorable conditions of the exchange rates; the oscillations in the Euro-Dollar exchange rates, particularly with the fall of the dollar in the early months of the year, reached a very substantial level, and this is another indication of the instability of the markets in a country that is one of the most important points of reference in the world economy.

The negative results of the associated companies are mostly related to Elesta Srl, which is still in the initial investment phase for the development of sophisticated surgical equipment, and to the Spanish company GLI whose situation remains difficult due to the severity of the crisis which has hit Spain harder than the other countries in Europe.

The other net income and charges on June 30th 2011 represented operations and evaluations of limited entity; it should be recalled however that the amount entered under this heading on June 30th 2010 was mainly related to the devaluation of the residual goodwill included in the value of the equity in the associated company GLI.

Earnings before taxes therefore showed a negative amount of 532 thousand Euros. Although the operating activity was essentially the same as last year , the accruals for risks and exchange differences determined a drop with respect to the positive result of 1.079 thousand Euros on June 30th 2010.

The fiscal load for this period amounted to an overall sum of 1,7 million Euros. The tax rate for the period is augmented by the presence of some negative revenue components that are not deductable, like the devaluations operated on some equities made mainly by the Parent Company, besides the fact that at Cynosure conditions are not yet mature for the entering of deferred taxes on the temporary differences between taxable income and the income before taxes.

The first half of 2011 closes with a loss for the Group of 1,6 million Euros with respect to the earnings of 0,2 million Euros registered for the first half of 2010.

1.7. Consolidated statement of financial position and net financial position as of June 30th 2011

The reclassified statement of financial position below shows a comparison between this year's results and those of last year.

	30/06/2011	31/12/2010	Var.
Statement of financial position			
Intangible assets	22.617	6.992	15.625
Tangible assets	28.106	29.076	-970
Equity investments	599	694	-94
Deferred tax assets	6.041	5.521	520
Other non current assets	4.684	7.643	-2.958
Total non current assets	**62.048**	**49.925**	**12.122**
Inventories	66.651	55.650	11.001
Accounts receivables	50.496	46.714	3.782
Tax receivables	6.224	7.051	-827
Other receivables	6.845	6.618	227
Financial instruments	28.600	44.676	-16.076
Cash and cash equivalents	30.709	41.515	-10.806
Total current assets	**189.525**	**202.225**	**-12.700**
TOTAL ASSETS	**251.573**	**252.150**	**-577**
Common stock	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	33.517	34.897	-1.379
Treasury stock	-2.576	-2.576	
Retained earnings / (deficit)	19.822	19.448	373
Net income / (loss)	-1.570	1.268	-2.837
Group stockholders' equity	**90.296**	**94.139**	**-3.844**
Minority interests in consolidated subsidiaries	72.549	77.585	-5.036
Total equity	**162.845**	**171.724**	**-8.880**
Severance indemnity	2.689	2.702	-13
Deferred tax liabilities	773	667	106
Other accruals	6.507	5.627	880
Financial liabilities	4.179	4.882	-703
Non current liabilities	**14.148**	**13.877**	**270**
Financial liabilities	15.006	6.460	8.546
Accounts payables	34.276	35.138	-862
Income tax payables	1.648	2.144	-496
Other payables	23.651	22.807	843
Current liabilities	**74.580**	**66.548**	**8.032**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**251.573**	**252.150**	**-577**

Net financial position		
	30/06/2011	**31/12/2010**
Cash and bank	30.709	41.515
Financial instruments	28.600	44.676
Cash and cash equivalents	**59.309**	**86.191**
Short term financial receivables	**147**	**50**
Bank short term loan	(13.909)	(5.290)
Part of financial long term liabilities due within 12 months	(1.097)	(1.169)
Financial short term liabilities	**(15.006)**	**(6.460)**
Net current financial position	**44.450**	**79.782**
Bank long term loan	(1.998)	(2.164)
Bonds	(550)	(784)
Other long term financial liabilities	(1.630)	(1.934)
Financial long term liabilities	**(4.179)**	**(4.882)**
Net financial position	**40.271**	**74.900**

For the comments on the net consolidated financial position, see the specific paragraph included in the explanatory notes.

1.8. Consolidated statement of income and net financial position as of June 30th 2011 (excluding Cynosure from the area of consolidation)

The chart below shows the statement of income and net financial position of the Group for the semester, excluding the subsidiary Cynosure from the area of consolidation.

Statement of income	**30/06/11**	**Inc.%**	**30/06/10**	**Inc.%**	**Var.%**
Revenues	67.280	100,0%	63.849	100,0%	5,4%
Change in inventory of finished goods and WIP	5.408	8,0%	798	1,2%	577,9%
Other revenues and income	1.403	2,1%	710	1,1%	97,6%
Value of production	**74.091**	**110,1%**	**65.357**	**102,4%**	**13,4%**
Purchase of raw materials	36.247	53,9%	28.251	44,2%	28,3%
Change in inventory of raw material	(2.330)	-3,5%	(678)	-1,1%	243,9%
Other direct services	5.960	8,9%	5.946	9,3%	0,2%
Gross margin	**34.214**	**50,9%**	**31.837**	**49,9%**	**7,5%**
Other operating services and charges	12.759	19,0%	12.219	19,1%	4,4%
Added value	**21.455**	**31,9%**	**19.618**	**30,7%**	**9,4%**
For staff costs	15.386	22,9%	13.993	21,9%	10,0%
EBITDA	**6.069**	**9,0%**	**5.625**	**8,8%**	**7,9%**
Depreciation, amortization and other accruals	2.876	4,3%	2.116	3,3%	35,9%
EBIT	**3.192**	**4,7%**	**3.509**	**5,5%**	**-9,0%**
Net financial income (charges)	(792)	-1,2%	843	1,3%	
Share of profit of associated companies	(400)	-0,6%	(244)	-0,4%	63,7%
Other net income (expense)	0	0,0%	(457)	-0,7%	
Income (loss) before taxes	**2.001**	**3,0%**	**3.651**	**5,7%**	**-45,2%**
Income taxes	1.647	2,4%	1.909	3,0%	-13,7%
Income (loss) for the financial period	**354**	**0,5%**	**1.742**	**2,7%**	**-79,7%**
Minority interest	1.002	1,5%	776	1,2%	29,2%
Net income (loss)	**(649)**	**-1,0%**	**966**	**1,5%**	

Net financial position		
	30/06/2011	**31/12/2010**
Cash and bank	16.242	20.983
Financial instruments	1	220
Cash and cash equivalents	**16.243**	**21.204**
Short term financial receivables	**147**	**50**
Bank short term loan	(13.903)	(5.284)
Part of financial long term liabilities due within 12 months	(1.052)	(1.076)
Financial short term liabilities	**(14.955)**	**(6.360)**
Net current financial position	**1.434**	**14.893**
Bank long term loan	(1.967)	(2.151)
Bonds	(550)	(784)
Other long term financial liabilities	(1.611)	(1.916)
Financial long term liabilities	**(4.129)**	**(4.852)**
Net financial position	**(2.695)**	**10.042**

In relation to the sub-consolidated excluding Cynosure, the increase in sales volume is less (+5,4%) but the incidence of the overhead is lower; consequently, there is an EBIT equal to 4,7% of the sales volume, which improves the 0,5% registered for the consolidated.

The gross margin, which is registered at 34.214 thousand Euros, shows an increase of 7,5% with respect to the 31.837 thousand Euros on June 30th 2010 and registers an incidence on the sales volume showing a slight increase, from 49,9% for last year to 50,9% for this period. This small increase in the revenue from sales is mainly due to the rise in “other income”, which are represented by the research grants received during this half, whereas the margin for current sales is, in fact, unchanged.

The “costs for operating services and charges/staff costs” are basically stable in their incidence on the sales volume; for this reason the EBITDA, amounting to about 6 million Euros, shows an incidence of 9% on the sales volume as opposed to the 8,8% on June 30th 2010. The trend of the operating activities therefore up to this level shows an improvement over the first half of 2010.

The effects of the accruals, in particular that for credit risks, on the other hand, bring the EBIT to 3,2 million Euros, which is lower than last year also in the incidence on the sales volume which fell to 4,7% from 5,5% in the first half of 2010.

The associated companies that have shown negative results pertain entirely to the Group without Cynosure, consequently the relative cost entry is unchanged with respect to the consolidated of the Group and shows a loss of 400 thousand Euros equal to about 0,6% of the sales volume.

The financial management is penalized by the difference in the Exchange rate which is mostly related to trade receivables in US dollars from subsidiary companies. It should be pointed out that the granting of credit on sales represents the main means that the Parent Company uses for financing the activity of the subsidiaries: when these receivables expressed in foreign currency reach a substantial amount, they are subject to the oscillations in the exchange rate, which cannot be controlled.

The combined effects of the accruals for credit risks and for Exchange rate differences reduces, in overall terms and for the incidence on the sales volume, the earnings before taxes which decreases from 5,7% on June 30th 2010 to 3% for this period.

The fiscal load for this period amounts to 1,6 million Euros. The tax rate is negatively influenced by the presence of companies in the red, for which, for cautionary purposes, it has been decided to not enter into accounts deferred tax assets, and by the presence of negative revenue components that are not tax deductable, like the devaluations on some of the equities made mainly by the Parent Company.

Although we are in the presence of a satisfactory operating activity, the first half of this year ends with a loss for the Group of 0,7 million Euros with respect to the 1 million Euros shown for the first half of 2010, in part due to the unequal application of the fiscal load between the net income of minority interest and those pertaining to the Parent Company, since this latter is charged a specific tax rate which is over 100%.

1.9. Results of the subsidiary companies

El.En. SpA controls a Group of companies which operate in the same overall area of lasers, and to each of which a special application niche and particular function on the market has been assigned.

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the first six months of 2011.

	Revenues 30-giu-11	Revenues 30-giu-10	Var. %	EBIT 30-giu-11	EBIT 30-giu-10	Net income 30-giu-11	Net income 30-giu-10
El.En. SpA	23.468	23.022	1,93%	2.393	1.760	-715	1.407
Subsidiary companies:							
Cynosure (*)	34.256	30.322	12,97%	-2.152	-1.941	-2.185	-2.583
Deka Mela Srl	11.816	11.920	-0,88%	601	685	672	607
Cutlite Penta Srl	4.328	5.084	-14,86%	-32	389	-50	241
Esthelogue Srl	686	3.808	-81,99%	-1.421	66	-1.372	25
Deka Technologies Laser Sarl	1.526	1.821	-16,21%	6	144	5	144
Deka Lasertechnologie GmbH	105	492	-78,70%	15	-86	15	-91
Deka Laser Technologies Inc.	1.218	1.169	4,17%	-127	-272	-133	-279
Deka Medical Inc.	982	775	26,71%	-410	-560	-414	-564
Quanta System SpA	11.393	11.272	1,07%	741	982	185	-133
Asclepion Laser Technologies GmbH	7.576	8.902	-14,90%	-251	-103	-224	-397
Asa Srl	3.313	2.562	29,34%	665	430	406	249
Arex Srl	452	503	-10,11%	30	44	11	20
AQL Srl	80	190	-57,75%	-33	6	-26	2
Ot-Las Srl	1.078	1.862	-42,08%	-199	28	-152	4
Lasit Spa	2.983	2.312	29,05%	134	161	17	76
Lasercut Technologies Inc.	124	86	43,89%	5	-43	3	-44
BRCT Inc.	0	0		1	-1	3	2
With Us Co LTD	9.522	8.075	17,92%	509	522	382	46
Deka Japan Co LTD	1.257	592	112,48%	147	-2	75	11
Wuhan Penta Chutian Laser Equipment Co LTD	7.998	3.694	116,49%	1.134	182	760	443
Lasit Usa INC	389	394	-1,28%	-20	-1	-20	-1
Cutlite do Brasil Ltda	2.074	1.507	37,61%	-40	-21	-33	137
Pharmonia Srl	890	1.572	-43,39%	-81	-207	-64	-158
Ratok Srl	0	1	-100,00%	2	-1	2	-1

(*) consolidated figures

El.En. Spa

The operating activity of the Parent Company El.En. Spa involves 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 capital financing, with financing with charges or by extending credit on the sale.

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 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 operating activity in the first half of 2011 were positive: a slight increase in sales volume (about +2% to 23,5 million Euros) and in the sales margin which, together with the limiting of the operating expenses, which were unchanged with respect to 2010, enabled the company to show an increase in the EBIT, which reached 2,4 million, and 10% of the sales volume.

The amounts pertaining to the financial management and the equities showed, instead, negative results. In fact, in both cases we are dealing with charges that the Parent Company must sustain in order to support the activities of the

subsidiaries, which in turn are necessary, as the main clients of the Parent Company, for the development of El.En. spa and the Group itself. As far as the financial management is concerned, the differences in the Exchange rates on receivables in US dollars from the American subsidiaries are the main component of the charges for more than half a million Euros. The devaluation of the equities which, besides the loss of the initial capital is also effected by the necessity of paying off the losses incurred during the period, reflects the financial obligation involved in the creation of new selling points for the products of El.En., and the need to finance start-up phases which, also on account of the unfavorable economic situation, end up being longer and more difficult than earlier expected. In synthesis, the accruals are prevalently related to companies involved in the distribution of medical equipment in the sector of professional aesthetics in Italy and in the medical sector in the United States.
In consideration of the changing scenario of the international and local economies, the outlook for the second half is extremely cautious for the operating activity, for which it will not be easy to repeat the same results of the first half, while the financial component and the management of the equities, should definitely improve over the quite negative result shown for this half.

Cynosure Inc.
This company, listed on Nasdaq (CYNO), operates in the field of design, manufacture and sales of laser systems for medical and aesthetic applications, and in the last few years has been concentrating on laser applications for aesthetics, with excellent results which, in 2008, established it as the largest company in this sector in terms of sales volume. These results have been achieved thanks to the superior performance and the high quality of its products, in particular the alexandrite laser for hair removal and the Smartlipo System for laser-lipolysis.
After a period of rapid growth and euphoria which culminated in the Summer of 2008, the company was hit by a crisis which was both sudden and severe, with a drop in sales volume in 2009 of 50% which left it in the red. The crisis was particularly serious on the American market, which is the main marketplace for Cynosure. Fortified by its solid financial position, the company reacted to the stagnation of the American market intensifying its presence on the international markets in 2010, showing a return to growth and limiting, although not able to eliminate, the losses for the financial year.

As far as their ordinary activity is concerned, major resources have been invested in research and development for the “Cellulaze” project which promises to revolutionize the treatment of cellulitis by means of as minimally invasive surgical technique, and the project for a new product for home use conducted in partnership with the multinational Unilever. The Cellulaze system is already available on the International markets and is now awaiting FDA clearance for distribution in the United States.
The M&A activity was very intense in the first half of this year with the acquisition of some significant activities. Cynosure acquired the activities of Eléme with an investment of about 2,5 million dollars and of HOYA ConBio® for about 24,5 million dollars thus significantly re-enforcing its line of products and its competitive position. The acquisition of Eléme presented the immediate opportunity of marketing the interesting *SmoothShapes®XV* system for “body shaping”, which contributed to the increase in sales registered for this half. Even more important was the purchase of the assets of the California company HOYA ConBio® with which Cynosure acquired the leading brand in the sector of removal of tattoos and vascular lesions. The investment of part of their cash enabled the company to continue in their development without sacrificing the resources necessary for financing further growth; in fact the cash available is still a very significant amount, about 62 million dollars as of June 30th .
The result for the first six months, which shows an increase in sales volume in US dollars of 19,5% and a substantial stability in the sales margins, enters among the operating costs the extra charges for the operations described above (about 1,3 million dollars) and therefore must register a loss which is greater than that shown for the first six months of 2010.
The outlook for a return to profits for the company remains connected to the improvement of the American market although the acquisition of ConBio projects it even more on to the International markets where, among other things, its ability to compete is greatly facilitated by the weakness of the US dollar.

Deka M.E.L.A. Srl
Deka is the main channel for the distribution of the range of medical laser systems developed in the factory in Florence. It was one of the first companies to become part of the Group and has gradually consolidated its market positions, first in Italy and later in other countries, and has now achieved a recognized position of leadership by the national and international clients. Deka operates in the field of dermatology, aesthetics, surgery and uses a network of agents for direct distribution in Italy and, for export, highly qualified distributors. In the physical therapy segment DEKA, after the acquisition of the control of ASA of Vicenza, has obtained good results both in terms of sales volume and revenue and has distributed dividends. For the dental sector in Italy, in 2010 Deka broke off an earlier agreement for distribution by an external agent and now distributes their products themselves.

In the first half of 2011 the sales volume remained substantially unchanged with respect to 2010, showing the stability of both the important Japanese market and the Italian one and results that were not always uniform in relation to the growth on the other international markets. The company showed a good increase in the sales margins which, however

was cancelled at the EBIT level by the increase in operating expenses, in particular commercial expenses, while the net income increased thanks to the substantial rise (from 150 to 270 thousand Euros) of the dividends received from the subsidiary ASA.
The company will start the second half of the year counting on the fact that the phase of transition of some of its key products, in particular the launching of a new hair removal system and the consolidation of the sales activities of the CO_2 Smarxide[2] system for surgical and aesthetic applications will not be negatively influenced by the consequences that the uncertainty of the international financial markets have on the expectations for growth, on the availability of credit and, in general, on the confidence of the clientele.

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 “X-Y” movements controlled by CNC.
In 2010 the company started to grow again and to show a positive net result thanks mainly to the purchase incentive policy (“Tremonti Law”) but above all thanks to their capacity to renovate their range of products to adapt them to the requirements of the more substantial markets like those for metal cutting.
Analysis of the half-yearly results of 2011, put into evidence the influence of the Tremonti law, the effects of which ended on June 30th 2010, and showed a drop in sales volume and consequently in revenue notwithstanding the fact that revenue from sales was slightly improved; moreover, a substantial accrual set aside for credit risks for a client in financial difficulty ultimately determined a negative result for the period.
The financial situation of the company still involves a major investments of fixed assets, including those involved in the important investment in the Wuhan Penta Chutian company (details of which are given in the following paragraph), as well as those current in the form of trade receivables and inventory but these assets are for the most part financed by amounts owed to the Parent Company, El.En. Spa.

Wuhan Penta Chutian
This Joint Venture was initiated in 2007 by Cutlite Penta together with Wuhan Chutian Group of Wuhan, in the Hubei region of central China, in order to develop the production of laser cutting systems for the local market using the systems technology of Cutlite Penta, laser sources of El.En. and the experience of the local partner for the manufacturing and distribution.
After registering a growth of 110% in 2010, the company continued its expansion in the first months of this year and showed a further increase in the sales volume of 120% with respect to the first months of 2010 and a net income of 9,5% on the sales volume. It should be noted that these results, even though exceptional, were affected by the negative influence of the overall market conditions in China which has seen a slight falling off in demand in the second quarter which is an effect of the limitation of available credit which, perhaps managed by the monetary authorities in order to avoid inflation, was felt in the reduced tendency of the clientele to conclude with their usual rapidity the transactions for the purchase of investment goods produced by WPC.
In any case, the activity is still intense and the outlook is positive although, with respect to the first six months and to the forecasts, a slight drop in the growth rate, is to be expected in the latter half of this year.

Quanta System Spa
Quanta System started as a research laboratory and became part of the area of consolidation of the Group in 2004; it represents a company of excellence at a global level for its innovation and technological research in the laser sector. Since 2007 the medical/ aesthetic sector has represented the main driver of growth for this company, partially overshadowing the scientific sector, in which the company was born, and the industrial sector; starting in 2008 Quanta System started to operate in the surgical sector and in particular in the urological and endovascular fields opening new prospects which, together with the consolidation of its position in the field of laser systems for hair removal and tattoo removal, allowed it to brilliantly overcome the crisis and, in 2010, register a record EBIT.
The investment in the Spanish company GLI was intended to place the company in a position of more direct control in the distribution of laser systems for aesthetics, however this did not prevent one of the most important selling markets to gradually dry up as an effect of the economic crisis; this situation has weighed heavily on the accounts of Quanta System , not only because of the accrual of their quota of the losses but also for the overall financial exposure towards GLI.
The operating activity was positive even during the first half of 2011, repeating the sales volume reached in 2010 but with improved revenue of the sales. Some expenses for internal reorganization caused a rise in staff costs which as a result comported a drop in the EBIT; earnings before taxes, thanks to the reduced accruals of the losses of GLI, were above those of 2010 and made it possible to register a positive net result.
The relations with the clientele of prime standing should make it possible for Quanta System to confirm the result also for the second half of this year.

Asclepion Laser Technologies GmbH
This company, located in Jena, was acquired from Carl Zeiss Meditec and represents one of the main activities of the Group; thanks to its geographical location in the global cradle of the electro-optical industry and its capacity to

associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world. In the last few years, Asclepion has continually acquired portions of the market and constantly grown.
During the first half of this year the company had to face a difficult situation in terms of the selling markets, with a drop in the sales volume in the aesthetic segment, and at the same time the need to invest in the renovation of some of the systems in their range and to amplify the range in order to enter into the surgery sector. Although there was a decrease in the sales volume the expenses were well managed and the company would have broken even this half if they had not decided to speed up the investment process and the proceed with some of the development expenses. The second half of the year has traditionally been the most profitable for Asclepion, and the firm is confident that they can break even or show a profit by the end of the year.

With Us
This company represents the bastion for the distribution of Deka products, including the specific versions, on the Japanese market. With Us constitutes a point of reference for “light based” technologies in the field of aesthetics in Japan, thanks to its substantial base of installations and its capacity to renovate the offer by acquiring further orders for new installations
It was feared that the earthquake which occurred in March of 2011 would interrupt the phase of growth of this company but, after a slight decrease, in a very short time the sales volume remained substantial during this half and even showed an increase with respect to last year; a rise was even shown in the service activities which directly reflect the volume of consumption by the end users. The efforts of Deka and El.En. to make product innovations that were suited to the circumstances available to With Us were particularly intense in this period.
The EBIT showed a drop which was due mainly to the mix of products which favored products with a lower margin because they were subject to greater competition but, thanks to the reduction in the negative exchange rates which had influenced the first half, the EBIT and net income showed a substantial improvement.
Although, as mentioned the reaction to the earthquake was immediate and of brief duration, there still remain many doubts as to the possibility of maintaining these growth rates especially considering the new acute phase of the international crisis. The general expectations however remain optimistic.

ASA Srl
This company, located in Vicenza, is a subsidiary of Deka M.E.L.A. Srl, and operates in the field of physical therapy. Thanks to the astute strategy of penetration of the international markets, in the first half of 2011 the company registered a substantial growth (+30%) with a very respectable EBIT and net income, thus confirming the decision that had been made to assign the organization of this segment to a separate management and company.

Other companies in the medical sector
Deka Technologies Laser Sarl is the company that distributes the range of Deka laser systems in France. After the excellent results achieved in 2010, with sales volume and revenue showing substantial increases, during the first half of 2011 the company registered as drop in revenue although they were able to maintain their equilibrium of earnings and show a small profit. The company has achieved a market position among the leaders in the sector with a dense distribution network and a number of installations that make it one of the most important distributing structures for the products of the Parent Company. **Deka Lasertechnologie GmbH,** is the branch which performs the same activity as the French company, but in Germany. In this half the company considerably reduced its sales volume but retained its revenue equilibrium.
Deka Japan is now in its second year of activity and is responsible for the distribution of medical systems in Japan. After showing excellent results in 2010, in 2011 results continue to be satisfactory; the results for this half are below expectations in terms of sales volume but the EBIT and net income are still positive and, considering the circumstances, satisfactory.

The distribution of DEKA systems in the United States is conducted by **Deka Laser Technologies Inc**. for the dental sector and by **Deka Medical Inc**. for the medical/aesthetic and surgical sector. Both companies are in the initial phase of their operations and must face a very uncertain market; for this reason they are extending the period of time expected for reaching an economic and financial equilibrium. In the second half of 2010 and the early part of 2011 DLT Inc. registered a growth in sales volume and broke even in their EBIT, absorbing the volume of laser systems that had been planned and which is the basis of the strategy for expansion on the American market; a sudden halt in sales in the month of June was the cause for losses being registered for the first half of 2011, which are, in any case half of the losses shown in the first half of 2010. Deka Medical continues in its growth phase which, although considerable (+30% this half) is still far from the volume of business that is required to reach an economic equilibrium.

At the end of 2009 the Group entered the segment of professional aesthetics with the creation of **Esthelogue Srl**, for the direct distribution of its products after the crisis of its original distributor in this sector. During 2010 the company rapidly acquired portions of the market thanks to the quality of the range of products offered and to the innovative solutions of marketing and formation that complete the technological offering to the client. In order to overcome the rigid policies of the credit institutions in relation to the financing conditions for our clientele, the company in certain

cases adopted a policy of extending credit for the purpose of facilitating a more rapid penetration of the market. The losses sustained during the 2010 were foreseen in advance and were covered by the parent company El.En. which has in Esthelogue an important selling channel for its own products. Esthelogue also distributes Raylife brand aesthetic systems, manufactured by Asclepion.
The first months of 2011 showed a drop in the volume of business which was made even more serious by the difficulty in obtaining credit which, on one hand, limited the sales volume and, on the other, made it more difficult to collect the amounts owed on some of the sales. For this reason it was decided to take strenuous measures to resolve some of most critical situations and we did not hesitate to stress, with opportune accruals, some very substantial losses. These accruals, along with the operating management which felt the effects of the drop in the business volume, determined a substantial loss for the period, which among other things, considerably affected the consolidated results. The intergovernmental decree of May 2011 which became effective on July 30th and regulates the use of technologies in aesthetic centers, offers Esthelogue and the Group a new out look in their relations with the clientele of professional aesthetic operators, because it creates a legal support for the approach to the high qualitative and safety standards offered by our systems in a highly competitive market: our initiatives sustaining the aesthetic centers that must conform to the new rules will represent the starting point of our focus on a sector renewed in its approach so as to be more effective and closer to the daily requirements of the clientele.

Raylife Srl, a subsidiary of the German company Asclepion, has left the activity of distribution in the aesthetic sector and changed its name to **Pharmonia Srl,** the company will start distributing aesthetic systems that are specifically created and manufactured for use in pharmacies.

The medical center, **Arex Srl,** specialized in the treatment of psoriasis and vitiligo, has continued its activity with satisfactory results.

Other companies in the industrial sector

Ot-Las Srl designs and manufactures special laser systems for CO_2 laser marking for the decoration of large surfaces and is present on the market with advanced technological solutions thanks also to its close technological cooperation with the parent company El.En. for the creation of strategic components. During the first months of 2011 the company registered a drop in the business volume with respect to last year and since it was not sufficient to cover the operating costs for the period, the company registered a loss for this half.

Lasit Spa is specialized in the manufacture of marking systems for small surfaces and besides having a valid research and development team in the headquarters in Torre Annunziata (Naples), controls an Italian company, **AQL Srl** and an American company, **Lasit USA, Inc**. which are involved in the distribution of the Lasit systems. Lasit is also equipped with a complete modern mechanical workshop where they carry out work for other companies of the Group and are able to offer their own clientele customized services which make the company unique on the market. After a phase of re-organization, in 2010 Lasit achieved a stability in its revenue. During the first months of 2011 the company registered a further increase in the volume of manufacturing and sales, even thus the sales margin was reduced and therefore negatively affected the EBIT which, in any case, was about 4,5% of the sales volume.
The American branch, Lasit Usa Inc. conducted its operations substantially breaking even and offered an important commercial outlet for the products of Lasit.

BRCT Inc. holds the real estate property located in Branford, Connecticut and operates as a financial sub-holding company with a series of foreign equities including **Lasercut Technologies Inc.** which operates supplying after sales service for industrial systems throughout the USA.

Cutlite do Brasil Ltda is occupied with the distribution and production in Brazil of laser systems for industrial applications. Its Headquarters are located in Blumenau in the state of Santa Catalina, one of the most important areas in the country for the development of manufacturing activities. In 2010 this company began to produce at full capacity and reached a satisfactory volume of business. The beginning of 2011 was promising and showed a significant increase in the sales volume (+30%) with respect to the first half of 2010, with the consequent rise in personnel and operating costs which comported a slight loss registered for the end of this half. The net result however dropped because in the first half of 2010 it had benefitted in its the financial management from the re-evaluation of the Real with respect to the Euro and consequently the devaluation of some of the debts owed to Italian suppliers belonging to the Group, a phenomenon which was not repeated in 2011. The economic conditions in Brazil, to which all of the marketing is directed, continue to be good, with a good growth rate GNP and general confidence in the economic operators which is quite an unusual situation in this moment of long transition from the international financial crisis.
In the second half of this year we expect to improve on the results of the first half, thanks also to the seasonal nature of business there, which penalizes the summer months and Mardi Gras, both of which are in the first quarter.

1.10. Comment on the Reasearch and Development activities

During the first half of 2011 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. The Group increased the investments in R&D to face 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 and movement 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 centers 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 and some in the phase of field verification.

The research which is conducted is mainly applied and is basic for some specific subjects, generally related to long and mid-term activities. 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 and Research (MUR) and the European Union, as well as directly with the Regional structures in Tuscany or with Research institutions in Italy or abroad. 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 systems and subsystems. Without going into excessive detail, a description of the numerous sectors in which the research activities of the parent company and some of the subsidiary 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. has developed a new family of equipment and sub-systems for of the SMARTXIDE[2] family of CO_2 laser products for surgical uses and aesthetic medicine. The systems are equipped with a laser source fed by radio frequency with an average power of up to 80w and interface management from personal computer installed on the device. These are multi-disciplinary systems which can be used in general surgery, otorhinolaryngology, dermatology, gynecology, odontostomatolgy, laparoscopic surgery, aesthetic surgery, with scansion heads that are able to emit on to the patient's skin radio frequency electromagnetic energy for DOT and RF (radiofrequency) treatments for rejuvenation of the skin, particularly on the face and the attenuation of acne scars. On some versions of this group it is possible to install a second semi-conductor source with the wave-length that can be selected by trhe client when ordering.
Research continued with clinical trials and technological developments on new scanning systems for the use of these lasers in otorhinolaryngology and in gynaecology: initial results on patients were considered excellent by the doctors after the trials. At numerous centers in Italy and abroad there is an intense activity involved in the gathering of clinical results related to the innovative application possibilities which will be provided by the equipment belonging to this particular family of instruments.

We have received approval from the Region of Tuscany for the co-financing with funds from the European Union of the MILORDS Project related to the development of new robot laser systems for surgical operations in the fields of ophthalmology, urology cutaneous ulcers, and the treatment of benign hypertrophy of the prostate. The project is headed by El-En and has as partners excellent specific research centers in Tuscany and companies associated with multi-national corporations that are active in the field of robotics. Projects of this type pertain to the line of research being conducted for the development of minimally invasive surgery systems which have a substantial impact both on the quality of life of the patient and the reduction in the costs of health care.

Development work is now in progress for a new (Alex+ Nd:YAG+IPL) platform: this is a matrix device capable of sustaining various terminals emitting luminous radiations, integrated for: management and interface with the doctor, supply of electrical current sand conditioning fluids, ergonomic mechanical support, management of the various integrated systems. Activity aimed at gathering data from trials conducted in clinics in Italy and abroad has just begun.

We have continued the development of instruments and clinical experiments for innovative laser equipment belonging to the HILT family of equipment (High Intensity Laser Therapy) for uses in physical therapy, dermatology (cutaneous ulcers), orthopedics, with experiments also conducted in the USA in collaboration with Washington State University using animal (horse) models, and we are about to conclude our collaboration for the programming of new experimental research on treatments for maladies of the articulation of the knee in patients with the Istituti Rizzoli of Bologna which have been our partners now for several years.
We have continued trials on the effects of photo-mechanical stimulation of condrocites.
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.
Collaborative projects have been initiated with the university clinics of Florence and Pisa; we are now conducting research for the creation of interaction laser tissue models for programming ablation operations; moreover, research is proceeding for the identification of methods aimed at the characterization of tissue treated with radio-frequency ultrasound signals in order to improve the verification phase of the effects of the treatment once it has been applied; we have completed the research for the identification of procedures for the creation of applicators with cold points and those with inflatable balloons with spreading liquid. These activities were conducted as part of the TRAP project with funds received from the European Union issued by the Department of Economic Development of the Region of Tuscany.

We have continued activities for the development of laser equipment and devices for the treatment of cutaneous ulcers (TROPHOS project). This project like the above mentioned TRAP, are conducted with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany.
At the same time, active clinical experimentations have continued in Italy and in qualified European and American centers 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.

At El.En. he have conducted research for new medical applications in the recently created PHOTOBIOLAB for the study of the interaction between light and biological tissue. As part of this project, a laboratory for in vitro trials of pre-prototype equipment and for the education of the operators has been set up.

The collaboration of El.En.’s Research and Development department for medical laser devices with Cynosure for the development of new laser equipment for the treatment of adipose layers was concluded during this period.

At Cynosure they have continued experimental activity on the treatment of cellulitus using a new instrument which has innovative characteristics in terms of the power level and the control of feeding elements with rectroactivated systems with information supplied by temperature sensors and using multiple wave lengths.

Quanta System continued the development of two types of lasers, one with holmium and the other with Thulium infra-red, for the therapy for the treatment of benign prostate hypertrophy and of a fiber laser with augmented performance with respect to the state of the art, with contributions derived from financing for a European Union project.
We are also actively conducting research on new laser equipment with multiple wave lengths with Q-switch technology.

DEKA M.E.L.A. carried on an 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, gynecological 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 Italian and foreign academic and professional medical centers.

Asclepion received an important grant from the region in which it operates, Turingia, for the development and experimentation of lasers for surgery; the activity of research and development of equipment for applications in urology and the related clinical trials are now in progress.

Laser systems and applications for industry

We have completed experimental trials and started activities for the integration into our products of groups of innovative electronic subsystems based on a system in Digital Electronics (VOYAGER) which was developed inside the company, for the control and management of equipment for marking recently created at OT-LAS.
For cutting applications on metallic materials we have developed a capacitive sensor for controlling the position of the focal zone of the laser ray with respect to the material; experimental activities were concluded.
As part of the strategy for the development of restoration methods, a project (TEMART) was approved and El.En. is responsible for the development of the laser equipment used for certain special types of conservation work.
We continued experimentation work on new diagnostic systems for paper in antique books using lasers; this system has recently been patented.

We are developing laser systems to be used for cutting and sealing plastic materials in equipment for packaging foods and chemicals for various uses.
We have developed new testing methods for mirrors for marking devices of different dimensions on the basis of the high speed scansion in machines performing laser decoration on large surfaces.

Cutlite Penta is a company that operates in a market of high technological intensity and maintains its competitive position by amplifying its range both by offering newly designed systems as well as renovating technical solutions in systems that are already being manufactured.
They completed verification trials on structural and functional innovations developed on sealed CO_2 sources manufactured by El.En. They continued work on the development of an electronic system for remote diagnosis and remote assistance of industrial machines. They have developed new compact cutting systems with higher performance and limited costs, and have continued the applicative study for the identification of new cutting solutions, in particular those for cutting sheet metal.
They are developing systems to eliminate most of the optical routes of the CO_2 laser ray with solutions that include the direct assembly of the new sources with Radiofrequency pumping on the mobile portal of the machine. They are now about to complete the development of the software for the execution using raster scansion for marking metal and other kinds of surfaces on the cutting machine.

Quanta System has 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 Ot-las they are completing the development of a new generation machine for continual decorating of rolls of fabric over large areas and they have developed the specific software for using VOYAGER boards on this machine (MX). For this same machine, they have completed the preliminary study for the 2800 mm version. In accordance with the mid- and long-term plans they have developed the software for the remote monitoring of the new RF333 radio-frequency sources now in progress at El.En.

We have continued work on 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 chart shows the expenses for Research and Development for this semester.

thousands of euros	**30/06/2011**	**30/06/2010**
Costs for staff and general expenses	5.969	4.865
Equipment	83	76
Costs for testing and prototypes	989	530
Consultancy fees	339	398
Other services	261	301
Intangible assets	0	0
Total	**7.643**	**6.170**

As was the case for both the sales volume and profits, 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. 4,7 million dollars as opposed to 3,5 million dollars for 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 expenses sustained was equal to 8% of the consolidated sales volume of the Group. The portion related to Cynosure was, as mentioned above, 4,7 million dollars and represents 10% of its sales volume; the remaining part of the expenses is sustained for mainly by El.En. SpA. and is equal to 9% of its sales volume.

1.11. Risk factors and procedures for 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 residua 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 2011, most, approx. 60% 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.

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 represent about 12% of the total trade receivables from third parties
In relation to guarantees granted to third parties, it should be noted that the Parent Company El.En along with a minority partner, has underwritten a bank guarantee for a maximum of 1 million Euros to guarantee the loan of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing of 900 thousand Euros, the installments for which expire up to 84 months after the date of issuance, which took place in the second half of 2009.
During last year the Parent Company has also underwritten:

- a bank guarantee together with the other companies that participate in the ATI constituted for this purpose, for a maximum of 763 thousand Euros as a guarantee for the pay back of the amount granted as a down payment on the “TROPHOS” research project which has been included in the grant issued by the Bando Unico R&S in the year 2008 and approved by the Region of Tuscany with Directive Decree 6744 on December 31st 2008.
- a bank guarantee together with the other companies that participate in the ATI constituted for this purpose, for a maximum of 1.203 thousand Euros as a guarantee for the pay back of the amount granted as a down payment on the “TRAP” research project which has been included in the grant issued by the Bando Unico R&S in the year 2008 and approved by the Region of Tuscany with Directive Decree 6744 on December 31st 2008
-a bank guarantee, jointly with the companies which participate in the ATS constituted for this purpose for a maximum of 1.434 thousand Euros as a guarantee for the payback of the amount granted as down payment on the “TEMART” research project which has been included in the grant issued by the Bando Unico R&S in the year 2008 and approved by the Region of Tuscany with Directive Decree 5673 on November 21st 2008.
- a bank guarantee for a maximum of 751 thousand Euros as a guarantee for the payment of the sum required as a reimbursement for the VAT related to the tax period 2008.

The subsidiary Quanta System has issued bank guarantees in favor of some credit institutions of the associated company Grupo Laser Idoseme for a residual total of 550 thousand Euros which came due on February 28th 2011 and was renewed for an amount of 350 thousand Euros up until February 27th 2012 and for an amount of 100 thousand Euros up until August 27th 2011. This latter has not been renewed.

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.
As mentioned above, the net financial position of the Group without Cynosure is instead negative for an amount of 2,7 million Euros. The economic and financial structure of the Group without Cynosure in any case registers a low level of debt, even in relation to its own means. We believe therefore, that these risks are remote.

Management of 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.

The financial structure of the Group reveals on the whole a low level of debt also for the consolidated without Cynosure.

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 2011 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 3 of the "Codice di Autodisciplina delle Società Quotate"

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", to which are assigned the tasks in conformity with art. 6 of the self-disciplining Code for companies quoted on the stock market;
   2. the "Compensation committee" to which are assigned the tasks in conformity with art. 7 of the self-disciplining Code for companies quoted on the stock market;
   3. the "Internal controls committee" to which are assigned the tasks in conformity with art. 8 of the self-disciplining Code for companies quoted on the stock market in relation to internal controls as well as those derived from the CONSOB Regulations for Related parties concerning operations with related parties.
c) Up until 2000 the Board of Directors had appointed one or more subjects to verify that the system of internal controls was always adequate, completely operative and functioning (provost(s) 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. Related parties

In compliance with Regolamento Consob dated March 12th 2010, n. 17221 and subsequent modifications, the Parent Company, El.En. SpA approved the rules disciplining relations with related parties ("*Regolamento per la disciplina* delle operazioni con parti correlate") which can be consulted on the internet site of the company www.elengroup.com *section.* "*Investor Relations*". These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties ("*Regolamento Operazioni con Parti Correlate*") n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010. The procedures contained in the "*Regolamento per la disciplina delle operazioni delle parti correlate*" went into force on January 1st 2011.

The operations conducted with related parties, including the inter-Group relations cannot be qualified as atypical or unusual; these operations are regulated by ordinary market conditions.

In regard to the relations with related parties, please refer to the specific paragraph in the Explanatory Notes.

1.14. Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we wish to state that during the first half of 2011 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.15. Significant events which occurred during first half of 2011

On February 2nd 2011, Cynosure Inc. acquired some activities from Elémé Medical for an overall cost of 2,5 million US dollars. The purpose of the operation was to add to its range of products a non-invasive system for removal of cellulitis, *SmoothShapes®XV* of Elémé Medical and to purchase the relative intellectual property rights.

On may 11th 2011 the shareholders assembly of Elesta Srl, a company in which the Parent Company El.En. SpA holds a 50% equity, voted to make up the losses registered in the financials on December 31st 2010 and in the financial report of March 31st 2011 drawn up in conformity with art. 2482- bis c.c., for a total amount of Euros 517.572, by reducing to zero the capital stock and making a further payment on the part of the shareholders for the residual amount. They also voted to reconstitute the capital stock to the original amount of 110 thousand Euros, and this amount was totally underwritten by the shareholders.

Also on May 11th 2011the shareholders assembly of Raylife Srl voted to change the name of the company to Pharmonia Srl and to restate the company mission using a description that is more consistent with the activity that the company intends to conduct. In particular, the company intends to distribute aesthetic systems specifically created and manufactured for use in pharmacies.

On May 12th 2011 in Thailand, the subsidiary Quanta System Spa, created the company Quanta System Asia Pacific of which it detains 49% of the capital stock; the company will be involved, among other things, in the marketing of Quanta brand products in Thailand and surrounding areas.

The shareholders' assembly of the Parent Company El.En. SpA, convened on May 13th 2011 approved the financials for the year 2010; they further voted to distribute the profits of 1.061.672,00 Euros as follows:
- 117.428,00 Euros as extraordinary reserve;
- to distribute to the shares in circulation on the payment date of coupon 10 on May 23rd, 2011 in conformity with art. 2357-ter, second subsection Civil Code- a dividend of 0,20 Euros gross for each share in circulation for an overall amount on this date of 944.244,00 Euros; they also voted to accrue in a special fund the for retained earnings the residual dividend destined for other treasury stock held by the company on the date of payment.

On June 28th 2011 Cynosure Inc. announced the acquisition of the medical and aesthetic laser activities of HOYA ConBio®, for 24,5 million dollars in cash. As part of the wide range of products offered by the El.En. Group in the medical and aesthetic sector in which the subsidiaries DEKA, Asclepion, Quanta System and Esthelogue operate successfully, the acquisition will extend Cynosure's range with the "photoAcoustic energy" technology belonging to

HOYA ConBio®, which involves the use of extremely brief impulses of energy to penetrate the skin in nanoseconds, minimizing the thermal effect in each application.
The popular MedLite® C series and RevLite®, are part of the range of Nd:YAG Q-Switched products belonging to HOYA ConBio® ; these products were developed to offer great facility of use and minimal discomfort to the patient in a vast range of applications that includes photo-rejuvenation, removal of tattoos and pigmented lesions, reduction of wrinkles and acne.
The terms of the agreement include the acquisition by Cynosure of all the assets in the sector of aesthetic lasers of HOYA ConBio®, including the intellectual property as well as the assumption of the debts for guarantees and towards suppliers.

1.16. Significant events which occurred after the closing the first half of 2011

On July 11th 2011the subsidiary Quanta System spa increased its equity in Quanta France Sarl by acquiring 42% from the other partners at the price of about 27 thousand Euros, thus bringing its equity in the company to 60%.
On July 12th 2011, after the assembly of Quanta France Sarl had voted to increase the capital on the same date, Quanta System spa underwrote their quota for the amount of 15 thousand Euros through a compensation of the receivables they held from the French company.

On July 20th 2011 the Parent Company El.En. spa further increased the amount of its equity in Deka M.E.L.A. srl by acquiring 5% from a minority partner at the price of 250 thousand Euros, thus bringing the amount of its equity to 75%.

1.17. Current outlook

The results for the first half of this year are considered to be satisfactory - although they are below the expectations of the directors – as far as the operating management is concerned, while they have been penalized on account of the accruals for risks, losses on exchange rates, and high tax rates.

For the consolidated statement drawn up without Cynosure, in relation to which we have given indications on the outlook for 2011, we can make similar considerations: the increase in sales has not been sufficient to allow for the hoped for improvement in the EBIT, and the above mentioned accruals, both financial and extraordinary, have comported an unexpected series of losses for the Parent Company in this half.

In consideration of the half-yearly results and the general conditions expected for the second half of the year which are even less favorable than those for the first, the objectives for the year (only for the consolidated without Cynosure) of growth of the sales volume of 10% and the improvement in the EBIT will be very difficult to achieve. The management believes that a more realistic goal for the second half would be to improve on the EBIT registered for the first half and they do not expect that a similar situation of accruals for risks and for high tax rates which had such a negative effect on the net income and earnings before taxes in the first half will occur again.

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 2011

Consolidated statement of financial position

	Notes		30/06/2011		31/12/2010
Statement of financial position					
Intangible assets	1		22.617.152		6.991.986
Tangible assets	2		28.105.566		29.075.514
Equity investments:	3				
- in associates		426.139		520.506	
- other investments		173.291		173.291	
Total equity investments			599.430		693.797
Deferred tax assets	4		6.041.037		5.521.103
Other non current assets	4		4.684.492		7.642.922
Total non current assets			**62.047.677**		**49.925.322**
Inventories	5		66.650.906		55.650.185
Accounts receivables:	6				
- from third parties		48.411.105		44.780.858	
- from associates		2.085.380		1.933.542	
Total accounts receivables:			50.496.485		46.714.400
Tax receivables	7		6.224.186		7.051.225
Other receivables:	7				
- from third parties		6.811.410		6.580.528	
- from associates		33.565		37.241	
Total other receivables			6.844.975		6.617.769
Financial instruments	8		28.599.932		44.676.217
Cash and cash equivalents	9		30.708.695		41.514.927
Total current assets			**189.525.179**		**202.224.723**
TOTAL ASSETS			**251.572.856**		**252.150.045**
Common stock	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		33.517.423		34.896.907
Treasury stock	13		-2.575.611		-2.575.611
Retained earnings / (deficit)	14		19.821.550		19.448.171
Net income / (loss)			-1.569.912		1.267.547
Group stockholders’ equity			**90.295.739**		**94.139.303**
Minority interests in consolidated subsidiaries			72.549.108		77.585.072
Total equity			**162.844.847**		**171.724.375**
Severance indemnity	15		2.688.967		2.701.696
Deferred tax liabilities			773.122		666.833
Other accruals	16		6.507.244		5.627.198
Financial liabilities:	17				
- to third parties		4.178.541		4.881.763	
Total financial liabilities			4.178.541		4.881.763
Non current liabilities			**14.147.874**		**13.877.490**
Financial liabilities:	18				
- to third parties		15.005.755		6.459.617	
Total financial liabilities			15.005.755		6.459.617
Accounts payables:	19				
- to third parties		34.039.289		34.937.474	
- to associates		236.724		200.145	
Total accounts payables			34.276.013		35.137.619
Income Tax payables	20		1.647.804		2.143.609
Other payables:	20				
- to third parties		23.650.563		22.807.335	
Total other payables			23.650.563		22.807.335
Current liabilities			**74.580.135**		**66.548.180**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			**251.572.856**		**252.150.045**

Consolidated Statement of Income

Statement of Income	Note		30/6/2011		30/6/2010
Revenues:	21				
- from third parties		97.360.699		90.794.060	
- from associates		890.220		1.061.984	
Total revenues			98.250.919		91.856.044
Other revenues and income:	22				
- from third parties		1.550.580		863.437	
- from associates		2.450		13.457	
Total other revenues and income			1.553.030		876.894
Total revenues and income			**99.803.949**		**92.732.938**
Purchase of raw materials:	23				
- to third parties		48.951.183		34.932.999	
- to associates		68.908		222.512	
Total purchase of raw materials			49.020.091		35.155.511
Change in inventory of finished goods and WIP			(6.795.762)		2.818.034
Change in inventory of raw material			(4.400.601)		(2.516.912)
Other direct services:	24				
- to third parties		9.561.373		8.727.610	
- to associates		1.000		14.100	
Total other direct services			9.562.373		8.741.710
Other operating services and charges:	24				
- to third parties		22.484.851		20.409.087	
- to associates		112.279		98.000	
Total other operating services and charges			22.597.130		20.507.087
For staff costs	25		24.156.701		22.428.005
Depreciation, amortization and other accruals	26		5.147.456		4.226.817
EBIT			**516.561**		**1.372.686**
Financial charges:	27				
- to third parties		(1.160.686)		(1.000.601)	
- to associates					
Total financial charges			(1.160.686)		(1.000.601)
Financial income	27				
- from third parties		544.393		1.409.706	
- from associates				170	
Total financial income			544.393		1.409.876
Share of profit of associated companies			(399.731)		(244.155)
Other net expenses	28		(32.804)		(459.135)
Income (loss) before taxes			**(532.267)**		**1.078.671**
Income taxes	29		1.710.912		2.037.700
Income (loss) for the financial period			**(2.243.179)**		**(959.029)**
Minority interest			(673.267)		(1.211.761)
Net income (loss)			**(1.569.912)**		**252.732**

Basic net (loss) income per share		(0,33)	0,05
Diluted net (loss) income per share		(0,33)	0,05
Basic weighted average common shares outstanding	30	4.721.220	4.721.220

Consolidated statement of comprehensive income

	30/06/2011	30/06/2010
Reported net (loss) income	-2.243.179	-959.029
Cumulative Conversion adjustments	-6.498.312	14.718.409
Unrealized gain (loss) on marketable securities	8.227	13.970
Total comprehensive (loss) income	-8.733.264	13.773.350
Referable to:		
Parent Shareholders	-3.156.614	4.017.604
Minority Shareholders	-5.576.650	9.755.746

Consolidated statement of cash flow

Statement of cash flows	Note	30/06/2011	related parties	30/06/2010	related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		-2.243.179		-959.029	
Amortizations and depreciations	26	3.266.466		3.207.380	
Devaluations of equity investments				457.297	457.297
Share of profit of associated companies		399.731	399.731	244.155	244.155
Stock Options	25	1.028.598		1.278.320	
Change of employee severance indemnity	15	-12.729		-11.655	
Change of provisions for risks and charges	16	880.046		309.254	
Change of provisions for deferred income tax assets/liabilities		-413.645		-255.174	
Stocks	5	-8.362.514		-3.113.865	
Account Receivables	6	-2.488.236	-151.838	-7.697.573	44.037
Tax receivables	7	827.039		1.275.773	
Other receivables	7	-32.347		-1.723.680	
ccount Payables	19	-1.862.090	36.579	4.564.062	191.291
Income Tax payables	20	-495.805		785.301	
Other payables	20	-103.289		4.087.746	
		-7.368.775		3.407.341	
Cash flow generated by operating activity		-9.611.954		2.448.312	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-1.483.074		-3.241.410	
(Increase) decrease in intangible assets	1	135.112		-599.714	
(Increase) decrease in equity investments and non current assets	3-4	2.653.066	-313.786	1.653.109	-140.785
Increase (decrease) in financial receivables	7	-93.150	3.676	-258	
(Increase) decrease investments which are not permanent	8	16.076.285		-26.627.914	
Cash flow from purchase of subsidiary companies		-18.660.486			
Cash flow generated by investment activity		-1.372.247		-28.816.187	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	17	-703.222		-293.638	
Increase (decrease) in current financial liabilities	18	8.546.138		1.055.021	
Change in Capital and Reserves		31.936		14.636	
Change in Capital and Reserves of third parties		105.130		48.918	
Change in Treasury Stock				-61.394	
Dividends distributed	31	-1.279.548		-204.900	
Cash flow from financing activity		6.700.434		558.643	
Change in cumulative conversion adjustment reserve and other no monetary changes		-6.522.465		14.764.479	
Increase (decrease) in cash and cash equivalents		-10.806.232		-11.044.753	
Cash and cash equivalents at the beginning of the financial period		41.514.927		49.572.862	
Cash and cash equivalents at the end of the financial period		30.708.695		38.528.109	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.
Interest earned during this financial period on bank deposits amounts to about 415 thousand Euros.
The weakness of the US dollar during this half produced a negative effect on the net financial position of about 3,5 million Euros.

Statement of changes in consolidated Stockholders' equity

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					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares	-2.575.611					-2.575.611
Others reserves:						
Extraordinary reserves	33.302.687					33.302.687
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	-3.163.640				3.761.655	598.015
Other reserves	1.322.778			91.707		1.414.485
Retained earnings	24.552.143	-5.257.666		280.988	3.217	19.578.682
Profits (loss) of the year	-5.257.666	5.257.666			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			-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

STOCKHOLDERS' EQUITY:	**Balance 31/12/2010**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2011**
Common stock	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Own shares	-2.575.611					-2.575.611
Others reserves:						
Extraordinary reserves	33.663.109	117.428				33.780.537
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	-1.237.873				-1.588.619	-2.826.492
Other reserves	1.507.712			91.707		1.599.419
Retained earnings	19.448.171	1.150.119	-944.244	165.587	1.917	19.821.550
Profits (loss) of the year	1.267.547	-1.267.547			-1.569.912	-1.569.912
Parent company's stockholders' equity	94.139.303	0	-944.244	257.294	-3.156.614	90.295.739
Capital and reserves of third parties	78.419.072	-834.000	-335.304	875.990	-4.903.383	73.222.375
Profit (loss) of third parties	-834.000	834.000			-673.267	-673.267
Minority interests	77.585.072	0	-335.304	875.990	-5.576.650	72.549.108
Total Stockholders' equity	171.724.375	0	-1.279.548	1.133.284	-8.733.264	162.844.847

The amount referred to the conversion reserve entered in the column "Comprehensive (loss) income" is related mainly to the positive change in that reserve which was caused in particular by the devaluation of the US dollar.

Other operations in the stockholders' equity of the Group refer to:

- the variation in the stock option reserve (other reserve) for an amount of 92 thousand Euros which includes the amount related to the costs determined in conformity with IFRS 2 of the stock option plan assigned by El.En. SpA for the amount which matured on June 30th 2011;
- the changes in the undivided earnings which, among other things, summarizes the increase in the stockholders' equity registered for Cynosure as a consequence of the stock option plans now in effect.

EXPLANATORY NOTES

INFORMATION ON THE COMPANY

The parent 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.
The Consolidated Half-yearly Statement for the El.En. Group as of June 30th 2011 was examined and approved by the Board of Directors on August 29th 2011.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The consolidated statement 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 this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

This Report consists of:

- the Consolidated Statement of financial position,
- the Consolidated Statement of income,
- the Consolidated statement of comprehensive income
- the Consolidated statement of cash flows
- 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 2011 and of 2010. The financial information, however, is supplied with reference to June 30th 2011 and December 31st 2010.

The charts used by the El.En. Group for the intermediate period ending on June 30th 2011 have not been changed with respect to those used on December 31st 2010 and June 30th 2010.

CONFORMITY WITH IFRS STANDARDS

This consolidated statement for the period ending June 30th 2011 has been drawn up in conformity with article 154-ter D. Lgs 24 febbraio 1998 n. 58 (TUF) and later modifications and additions in conformity with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly 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 2010.

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 2010 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 2011

IAS 24 Financial information on the operations with related parties (modification)
The standard includes a modification of the definition of related party. The new definition emphasizes the asymmetry in the identification of the related subjects and gives a clearer definition of the circumstances in which persons and management with strategic responsibilities must be considered related parties. The modification of IAS 24, moreover, has introduced a significant change with exemption granted to public entities. The adoption of these modifications has not had any impact on the financial position or on the results of the Group.

IAS 32 ***Financial instruments: display in the statement (modification)***
The standard includes a modification of the definition of financial liability for the purposes of the classification for the issuing of rights in foreign currency (and of some options and warrants) as instruments that are representative of capital, in those cases in which these instruments are attributed on a pro-rata basis to all the possessors of the same class of instrument (not derived) representative of capital of the entity, or for the purchase of a set number of instruments representative of capital of the entity for a set amount in any kind of currency. This modification has not had any impact on the financial position or on the results of the Group.

IFRIC 14 ***Advance payments related to the expectation of a minimal contribution (modification)***
The modification removes a non-intentional consequence that occurs when an entity that is subject to the requirements of minimum contribution and affects advance payment to meet these requirements. The modifications make it possible for an entity to treat the advance payments related to the expectation of minimum contribution as an asset. This modification has not had any impact on the financial position or on the results of the Group.

IFRIC 19 ***Settlement of financial liabilities with instruments representative of capital***
The interpretation clarifies that the instruments that are representative of capital issued in favor of a creditor in order to settle a financial liability are qualified as paid equivalents. The instruments representative of capital that are issued are measured at fair value of the liability which has been settled. Any profit or loss is immediately entered into the Statement of Income.

Improvements to the IFRS (issued in May 2010)
In May of 2010 the IASB issued a third series of improvements to the standards, mainly for the purpose of eliminating some of the inconsistencies and to clarify the terminology. Every standard includes certain transitory rules. The adoption of the following improvements has comported changes in the accounting policies but has not had any effect on the financial and economic situation or the performance of the Group.

IFSR 3 ***Business combinations***
The options available for measuring the profit-sharing of third parties have been modified. It is possible to evaluate at fair value or, as an alternative, in relation to the proportional quota of the identifiable net asset of the company acquired only the profit sharing of third parties which represent an actual quota of investment, which guarantees the possessors a quota that is proportional to the net asset of the company in case of liquidation. All the other components must be evaluated at fair value on the date of acquisition.

IFRS 7 ***Financial instruments – additional information***
This modification is intended to simplify and to improve the information sheet by reducing the volume of the information related to the warranties held and meeting the request for more good quality information in order to put into context the qualitative part.

IAS 1 ***Presentation of the financial statement***
The modification clarifies the fact that an analysis of each of the other components of the Statement of Income can be included either, in the chart of the variations in the shareholders' equity or the notes to the financial statements.

IAS 34 ***Intermediate financial statements***
The modification requires an additional information sheet for the fair value or the variations in classification of the financial assets as well as the changes in potential assets and liabilities in the intermediate reports.

The modifications that follow have not had any impact on the accounting policies, the financial position or the results of the Group:

- IFRS 3 – Business combinations – the modification clarifies the potential equivalents that may be derive from business combinations before the adoption of IFRS 3 (as modified in 2008) are entered into accounts in conformity with IFRS 3 (2005).

- IFRS 3 – Payments based on shares (voluntarily substituted or not substituted) and their accounting treatment in the context of a combination.
- IAS 27 – Consolidated and individual financial statement – Application of the rules of transition of the IAS 27 (revised in 2008) to the standards which were consequently modified.
- IFRIC 13 – Client loyalty programs – In determining the fair value of the premiums the entity must consider discounts and incentives which otherwise would be offered to clients that are not participating in the client loyalty programs.

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but is not yet in effect.

AREA OF CONSOLIDATION

SUBSIDIARY COMPANIES

The half-yearly consolidated statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. 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 (ITA)	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	12.796	23,30%		23,30%	23,30%
Cynosure GmbH	7	Langen (GER)	EURO	25.565		100,00%	100,00%	23,30%
Cynosure Sarl	7	Courbevoie (FRA)	EURO	970.000		100,00%	100,00%	23,30%
Cynosure KK	7	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,30%
Cynosure UK	7	Cookham (UK)	GBP	1		100,00%	100,00%	23,30%
Suzhou Cynosure Medical Devices Co.	7	Suzhou (CHINA)	YUAN	no par value		100,00%	100,00%	23,30%
Cynosure Spain	7	Madrid (SPAIN)	EURO	864.952		100,00%	100,00%	23,30%
Cynosure Mexico	7	S. Jeronimo Aculco (MEX)	MEX	no par value		100,00%	100,00%	23,30%
Cynosure Korea	7	Seul (S. KOREA)	KRW	350.800.000		100,00%	100,00%	23,30%
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	50.000		100,00%	100,00%	100,00%
Ratok Srl	12	Solbiate Olona (ITA)	EURO	20.000		70,00%	70,00%	42,00%
Pharmonia 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 byBRCT (100%)
(12) owned by Quanta System Spa (70%)
(13) owned by Asclepion (100%)
(14) owned by BRCT (100%)

Operations conducted during this financial period
For the operations conducted during this financial period, see paragraph 1.15 of the Half-yearly Report.

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%
Quanta System Asia Pacific Co.LTD	Bangkok (Thailand)	5.000.000		49,00%	49,00%	29,40%
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 and of Quanta System Asia Pacific which is expressed in Baht..

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

Immobiliare Del.Co. Srl:	255 thousand Euros
Actis Srl:	1 thousand Euros
SBI S.A.:	37 thousand Euros
Quanta Asia:	56 thousand Euros
Laser International Ltd:	140 thousand Euros
Elesta Srl:	-55 thousand Euros
Grupo Laser Idoseme SL:	-8 thousand Euros

Operations conducted during this financial period
For the operations conducted during this financial period, see paragraph 1.15 of the Half-yearly Report.

TREASURY STOCK

On March 3rd 2008, the shareholders' meeting of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire, in compliance and within the limits established by articles 2357 and following of the Civil Code, within 18 months of that date, treasury stock representing not more than 10% of the capital stock in accordance with the law, at a price which was not less than 20% more nor more than 10% more than the official price for negotiations registered on the day preceding the purchase. With the same vote they authorized the method for disposing of the shares which can be put back into circulation within 3 years of the purchase at a price which is not less than 95% of the average of the official prices for negotiations registered during the five days preceding the sale , all of which must take place respecting the laws in force in this regard.

Consequently, between March and April 2008 the Board of Directors of El. En. SpA proceeded with the purchase of 103.148 shares of the company at an average price of 24,97 Euros for a total of 2.575.611 Euros and these shares are still held in the portfolio of the company.

Upon request of the Board of Directors, the Shareholders' Assembly of the Parent Company which met on October 28th 2010 renewed the authorization of the Board to purchase in one or more tranches, on the regular stock market, and therefore according to the conditions described in art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob*, and following the operative procedures established by the organization and management regulations of the market issued by the Borsa Italiana S.p.A., within 18 months of that date, treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed one-fifth of the capital stock, respecting the laws and regulations, at a price that is not more than 20% less or over 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders' also authorized the Board of Directors to put the shares back into circulation within ten years of the date of purchase, including those already held in the portfolio on December 28th 2010, at a price that is not less than 95% of the average official price for negotiations registered during the five days preceding the sale, all of which must take place respecting the regulations in force.
As of June 30th 2011 no further purchase have been made and therefore the treasury stock acquired by the company is equal to 103.148 shares at the average price of 24,97 Euros for an overall amount of 2.575.611 Euros.

STANDARDS OF CONSOLIDATION

The intermediate statements used for the consolidation are the intermediate statements as of June 30th 2011 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 Statement of Income.
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 Statement of Income, 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 Statement of Income 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:

Currencies	Exchange Rate 31/12/2010	Average exchange rate 30/06/2011	Exchange Rate 30/06/2011
USD	1,3362	1,4032	1,4453
Yen	108,65	114,97	116,25
Baht	40,17	42,67	44,38
Yuan	8,822	9,18	9,34
Real	2,2177	2,29	2,26

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 and depreciation, 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 Statement of Income. 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.

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. expiration date	Outstanding options 01.01.11	Options issued 01.01.11-30.06.11	Options cancelled 01.01.11-30.06.11	Options exercised 01.01.10-30.06.11	Expired option not exercised 01.01.11-30.06.11	Outstanding options 30.06.11	Exercisable options 30.06.11	Exercise price
Plan 2008/2013	May, 15 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 2011 the average price registered for El.En. stock was approx. 13,7 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 2011.

Outstanding options 01.01.11	Options granted 01.01.11 - 30.06.11	Options cancelled, expired 01.01.11 -30.06.11	Options exercised 01.01.11 -30.06.11	Outstanding options 30.06.11	Exercisable options 30.06.11
2.095.151	344.500	36.259	53.069	2.350.323	1.659.784

The chart below shows the average exercise prices and the average remaining contractual life of the options in circulation as of June 30th 2011.

Average exercise price	Outstanding options 30.06.11	Exercisable options 30.06.11	Average life
$14,87	2.350.323		7,04
$16,25		1.659.784	6,24
	2.350.323	1.659.784	

ACQUISITIONS MADE DURING THIS PERIOD

HOYA ConBio®

On June 27th 2011 the American subsidiary acquired the assets in the sector of medical and aesthetic lasers of HOYA ConBio® for 24,5 million dollars. The purpose of this operation was to amplify the portfolio of products offered by Cynosure with the "photoAcoustic Energy" technology detained by HOYA ConBio®, which uses very short energy impulses to penetrate the skin in nanoseconds, thus minimizing the thermal effect of each application; this technology has been designed to treat a vast range of applications including photo-rejuvenation, removal of tattoos and pigmented lesions, reduction of wrinkles and acne scars. Cynosure Inc. has temporarily allocated the purchase price of the operation among the tangible and intangible assets and liabilities, based on a preliminary estimate of June 27th 2011. The assets and liabilities that were acquired, including the intangible assets temporarily allocated under the heading of goodwill, are therefore temporary and will be become definitive after the end of the operations of evaluation which were still in progress on the date of closure of this document and, in any case, not more than twelve months after the date of acquisition.

	Estimated fair value on the date of acquisition (USD/000)
Assets	
Property and equipment	528
Prepaids and other assets	147
Accounts receivable	1.709
Inventory	3.077
Total	**5.461**
Liabilities	
Accounts payable	(1.446)
Other payables	(1.130)
Total	**(2.576)**
Net assets identifiable to fair value	**2.885**
Goodwill	21.615
Cash paid per agreement	**24.500**

Please refer to note (32) of this document for a description of the impact of this operation on the Statement of Income and the financial position of the Group.

Elémé Medical
On February 2nd 2011 the American subsidiary Cynosure Inc. acquired some of the assets of Elémé Medical, for an amount of 2,5 million dollars. The purpose of this operation was to amplify the portfolio of products offered by Cynosure Inc. with the "*SmoothShapes*" technology for the treatment of cellulitis, as well as acquiring the related intellectual property rights for this technology. The purchase price for this operation was allocated among the tangible and intangible assets and liabilities while the remainder was registered under the heading of goodwill, which is attributed to the expectation of using the *SmootShapes* technology in the anti-cellulitis products and the use of the pre-existing international distribution channels.

The chart below illustrates the fair value amounts of the assets and liabilities on the date of acquisition.

	Recognized fair value on the date of acquisition (USD/000)
Assets	
Property and equipment	363
Accounts receivable	161
Inventory	736
Intangible assets	988
Total	**2.248**
Liabilities	
Accrued warranty and royalty	(238)
Total	**(238)**
Net assets identifiable to fair value	**2.010**
Goodwill	460
Cash paid per agreement	**2.470**

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 31/12/10	Variation	(Devaluation)	Other Operations	(Amortizations)	Conversion Adjustments	Balance 30/06/11
Goodwill	6.089.082	15.285.749				-195.005	21.179.826
Patents and rights to use patents of others	34.125	477.936			-20.154	-2.065	489.842
Concessions, licences, trade marks and similar rights	810.270	284.111			-161.091	-33.520	899.770
Other	58.509	6.001			-15.718	-1.078	47.714
Total	**6.991.986**	**16.053.797**			**-196.963**	**-231.668**	**22.617.152**

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.

CASH GENERATING UNIT (CGU)	Goodwill 30/06/2011	Goodwill 31/12/2010
Cynosure Inc.	17.141.254	2.007.007
Cynosure Korea	918.507	962.010
Quanta System SpA	2.079.260	2.079.260
ASA Srl	439.082	439.082
Cutlite Penta Srl	407.982	407.982
Ot-Las Srl	7.483	7.483
Asclepion Laser Technologies GmbH	72.758	72.758
Arex Srl	55.000	55.000
Deka MELA Srl	31.500	31.500
Deka Laser Technologies	27.000	27.000
Total	21.179.826	6.089.082

The variation in the charge value of the goodwill of Cynosure Inc. can be attributed, besides the effect of the exchange rate, to the acquisition of the assets of HOYA ConBio® and Elémé Medical made in the first half of 2011. For the analysis of the single operations, please refer to the half-yearly Report and the chapter dedicated to "Acquisition made during this period" in this document.
The variations in the charge value for the goodwill of Cynosure Korea can be attributed to the effects of the exchange rate.

It should be recalled that at the end of last year, the recoverable value of the CGU shown in note (1) of the Notes for the consolidated statement closed on December 31st 2010 was subjected to *impairment* tests for the purpose of verifying the existence of losses in value, by comparing the accounting value of the unit and the utilizable value, i.e. the present value of the expected future financial flow which is assumed will be derived from the continued use and the discarding of the unit at the end of its useful life. For the results of the test, please refer to note (1) as mentioned above.

On the basis of the results shown by the CGU mentioned, which are aligned with the prospective plans arranged for purposes of the impairment test on December 31st 2010, no indications of impairment were identified which, on the date of the present intermediate financial report, have made it necessary to conduct further tests in order to verify the existence of long lasting losses in value.

Other intangible assets

The "industrial patents and rights to use patents of others" are related to the capitalization of costs sustained for the acquisition of patents and license agreements by Cynosure Inc., Deka Laser Technologies, Asa Srl and Arex Srl. The increase with respect to December 31st 2010 can be attributed for the most part to the acquisition of some of the assets of Eléмé Medical by Cynosure Inc.

Under the heading of "Concessions, licenses, trade marks and similar rights" we have entered, among other things, the overall cost sustained by the subsidiaries Cynosure, Asclepion and Quanta System for new 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 31/12/10**	**Increments**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/11**
Lands	2.420.641					-12.679	2.407.962
Buildings	14.756.456	2.086				-35.340	14.723.202
Plants and machinery	4.132.190	54.874		-94	-2.940	-8.494	4.175.536
Industrial and commercial equipment	26.795.942	2.257.486		1.506.509	-635.545	-1.463.642	28.460.750
Other goods	11.265.923	408.832		17.381	-258.801	-350.832	11.082.503
Tangible assets under construction	16.645			-14.344		-845	1.456
Total	**59.387.797**	**2.723.278**		**1.509.452**	**-897.286**	**-1.871.832**	**60.851.409**

Depreciation provisions	**Balance 31/12/10**	**Depreciation**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/11**
Lands							
Buildings	1.576.475	222.309				-5.601	1.793.183
Plants and machinery	1.815.247	205.840		2	-2.938	-6.996	2.011.155
Industrial and commercial equipment	18.536.786	2.138.075		1.250.518	-303.473	-1.032.816	20.589.090
Other goods	8.383.775	503.279		-6.739	-253.836	-274.064	8.352.415
Tangible assets under construction							
Total	**30.312.283**	**3.069.503**		**1.243.781**	**-560.247**	**-1.319.477**	**32.745.843**

Net value	**Balance 31/12/10**	**Increments**	**Other operations**	**(Depreciations and devaluations)**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/11**
Lands	2.420.641					-12.679	2.407.962
Buildings	13.179.981	2.086		-222.309		-29.739	12.930.019
Plants and machinery	2.316.943	54.874	-96	-205.840	-2	-1.498	2.164.381
Industrial and commercial equipment	8.259.156	2.257.486	255.991	-2.138.075	-332.072	-430.826	7.871.660
Other goods	2.882.148	408.832	24.120	-503.279	-4.965	-76.768	2.730.088
Tangible assets under construction	16.645		-14.344			-845	1.456
Total	**29.075.514**	**2.723.278**	**265.671**	**-3.069.212**	**-337.039**	**-552.355**	**28.105.566**

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 2011 was 2.408 thousand Euros.

The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (Florence), where the Parent company operates along with the three subsidiaries Deka M.E.L.A., Cutlite Penta, Esthelogue Srl and Pharmonia 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.

The category of “Plants and machinery” includes investments made in particular by the Parent Company El.En. SpA, Asclepion GmbH and ASA Srl.

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 Technologie Laser Sarl and Deka Mela Srl; in relation to this latter, it should be recalled that, as 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 amount entered under the heading of “Other movements” is related to the acquisition of assets by Cynosure Inc., as described above.

For the category of “Other goods” in this half there have not been any significant investments.

Under the heading of “Tangible assets under construction”, in the “Other movements” column we have entered, the reallocation of the costs sustained for the enlargement of the headquarters of the Parent company El.En. in the specific categories as described above.

The tangible assets held in leasing amount to 0,2 million Euros and are mostly entered among the industrial and commercial equipment.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/11	31/12/10	Variation	Var. %
Equity investments in:				
associated companies	426.139	520.506	-94.367	-18,13%
other companies	173.291	173.291	0	0,00%
Total	599.430	693.797	-94.367	-13,60%

For a detailed analysis of the equities held by Group companies in associated companies, refer to the paragraph relative to the area of consolidation.
It should be recalled 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 and Quanta System Asia Pacific Co Ltd are consolidated using the stockholders’ equity method.

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

Other non current assets	30/06/2011	31/12/2010	Variation	Var. %
Securities	4.518.267	7.476.074	-2.957.807	-39,56%
Deferred tax assets	6.041.037	5.521.103	519.934	9,42%
Other non current assets	166.225	166.848	-623	-0,37%
Total	10.725.529	13.164.025	-2.438.496	-18,52%

The heading of Securities refers to investments made this year by Cynosure in mid-term government bonds for an amount of about 6,5 million dollars which are entered into accounts as non-current assets. It should be recalled that the amount entered under the heading of non-current assets on December 31st 2010 for 1,5 million dollars, as of June 30th 2011 has been reclassified among the current assets since it is related to bonds that mature in the first half of 2012.

Deferred tax assets amount to 6.041 thousand Euros. Among the main variations that occurred during this half, there is that related to the deferred tax assets calculated on the temporary differences between the fiscal and civil earnings which are referred, among other things to the stock obsolescence provision, to the variations in inter-Group profits on the inventory for the period, and the devaluations made on some of the receivables.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	30/06/11	31/12/10	Variation	Var. %
Raw materials and consumables	26.994.644	23.048.840	3.945.804	17,12%
Work in progress and semi finished products	15.159.526	11.089.966	4.069.560	36,70%
Finished products and goods for sale	24.496.736	21.511.379	2.985.357	13,88%
Total	66.650.906	55.650.185	11.000.721	19,77%

A comparison of the final inventories shows an increase in the amounts; this effect is in part due to the acquisition of the assets of Hoya ConBio® made by Cynosure Inc. (about 3 million US dollars) besides the increase in the volume of production.

The chart below shows the breakdown of the total inventory, distinguishing between the amount of obsolete stock from the gross amount:

Inventory:	30/06/2011	31/12/2010	Variation	Var. %
Gross amount	74.101.238	63.028.511	11.072.727	17,57%
minus: devaluation provision	-7.450.332	-7.378.326	-72.006	0,98%
Total	66.650.906	55.650.185	11.000.721	19,77%

The incidence of the obsolescence provision on the gross value of the inventory fell from 11,71% on December 31st 2010 to 10,05% on June 30th 2011.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	30/06/11	31/12/10	Variation	Var. %
Trade debtors	48.411.105	44.780.858	3.630.247	8,11%
Associated debtors	2.085.380	1.933.542	151.838	7,85%
Total	50.496.485	46.714.400	3.782.085	8,10%

Trade debtors:	30/06/2011	31/12/2010	Variation	Var. %
Italy	15.787.622	16.237.360	-449.738	-2,77%
European Community	9.314.826	10.418.826	-1.104.000	-10,60%
Outside of European Community	29.666.150	23.629.342	6.036.808	25,55%
minus: devaluation provision for debtors	-6.357.493	-5.504.670	-852.823	15,49%
Total	48.411.105	44.780.858	3.630.247	8,11%

The increase in the receivables shown on the chart above was determined, among other things, by the acquisition of the assets of Hoya ConBio® by Cynosure Inc., as well as by the increase in the business volume of the Group.

The chart below shows the operations which took place this year in provision for devaluation of receivables:

Provision for bad debts	**2011**	**2010**
At the beginning of the period	**5.504.670**	**4.699.413**
Amounts accrued	1.087.948	2.093.340
Amounts utilized	-96.651	-1.437.905
Unused amounts reversed	-6.021	-22.188
Conversion adjustment	-132.453	172.010
At the end of the period	**6.357.493**	**5.504.670**

For a detailed analysis of trade receivables from associated companies, please refer to the chapter on “Information on related parties” in this document.

Tax receivables/Other receivables (note 7)

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

	30/06/2011	**31/12/2010**	**Variation**	**Variation %**
Tax debtors				
VAT credits	5.297.553	5.807.188	-509.635	-8,78%
Income tax credits	926.633	1.244.037	-317.404	-25,51%
Total tax debtors	6.224.186	7.051.225	-827.039	-11,73%

Financial receivables				
Financial receivables from third parts	146.826	50.000	96.826	193,65%
Financial receivables from associated companies	33.565	37.241	-3.676	-9,87%
Total	180.391	87.241	93.150	106,77%
Other receivables				
Security deposits	509.305	542.394	-33.089	-6,10%
Down payments	1.612.567	1.975.770	-363.203	-18,38%
Other credits	4.542.712	4.012.364	530.348	13,22%
Total	6.664.584	6.530.528	134.056	2,05%
Total financial and other receivables	6.844.975	6.617.769	227.206	3,43%

The semester closed with a VAT credit of over 5,3 million Euros which was mostly a result of the intense export activity of the Group and the difficulty in obtaining reimbursements beyond the annual compensation quotas.

Among the income tax receivables we have entered credits derived from the difference between the pre-existing tax credit or down payment and the tax debt which had matured by the date to which the financial statement refers.

For a detailed analysis of the financial receivables from associated companies, please refer to the following chapter regarding “Information on Related parties”.

Financial instruments (note 8)

Investments which are not permanent:	30/06/2011	31/12/2010	Variation	Var. %
Other investments	28.599.932	44.676.217	-16.076.285	-35,98%
Total	28.599.932	44.676.217	-16.076.285	-35,98%

The amount entered under the heading of "Other investments" consists of temporary uses of cash made by cynosure using part of the cash they detain.
In particular, these investments are stocks belonging to the category "financial assets available for sale" made up mainly of investments in bonds and similar securities, for a value of about 41 million dollars (59 million dollars on December 31st 2010); it should be remembered that under this heading we have classified securities for an amount of about 1,5 million dollars which on December 31st 2010 were entered into accounts as non-current assets, as described in the preceding note (4).

Cash at Bank and on Hand (note 9)

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	30/06/2011	31/12/2010	Variation	Var. %
bank and postal current accounts	30.649.820	41.447.509	-10.797.689	-26,05%
cash in hand	58.875	67.418	-8.543	-12,67%
Total	30.708.695	41.514.927	-10.806.232	-26,03%

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

Net financial position as of June 30th 2011

The net financial position of the Group as of June 30th 2011 expressed in thousands of Euros, was as follows:

Net financial position		
	30/06/2011	**31/12/2010**
Cash and bank	30.709	41.515
Financial instruments	28.600	44.676
Cash and cash equivalents	**59.309**	**86.191**
Short term financial receivables	**147**	**50**
Bank short term loan	(13.909)	(5.290)
Part of financial long term liabilities due within 12 months	(1.097)	(1.169)
Financial short term liabilities	**(15.006)**	**(6.460)**
Net current financial position	**44.450**	**79.782**
Bank long term loan	(1.998)	(2.164)
Bonds	(550)	(784)
Other long term financial liabilities	(1.630)	(1.934)
Financial long term liabilities	**(4.179)**	**(4.882)**
Net financial position	**40.271**	**74.900**

The net financial position of the Group has decreased since December 31st 2010 and is now registered for an amount of about 40 million Euros, most of which is held by the subsidiary Cynosure Inc.
Among the uses of cash made during this period, were the acquisitions made by Cynosure of the assets of Elémé Medical and of Hoya ConBio® which involved the expenditure of 2,5 million dollars and 24,5 million dollars, respectively; moreover, dividends were paid to third parties by El.En. spa for an amount of 944 thousand Euros and by ASA Srl for 335 thousand Euros.
The net financial position is also negatively affected by the weakness of the US dollar for an amount of about 3,5 million Euros. The effects on the exchange rate due to the fall in the US currency with respect to the Euro also comported the relative devaluation of the considerable amount of cash held by Cynosure. A further use of cash is related to the increase in net working capital which was proportionally greater than the increase in the business volume..

This latter phenomenon is more evident in the consolidated statement drawn up excluding Cynosure: as is shown on the chart in the intermediate director's report on operations, the net financial position this half decreased from a cash position of 10 million Euros to a position of liability of 2,5 million Euros.

From the net financial position we have excluded financial receivables from associated companies for an amount of 33 thousand Euros, since these are related to the policy of financial support of the companies in the Group (for a break-down, see the chapter on information on related parties). In continuation of past policy, we felt it opportune not to include this type of financing in the net financial position displayed above.
For further details and information, see the consolidated statement of cash flow.

Comments on the main liabilities

Capital and Reserves

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

Capital stock (note 10)

As of June 31st 2011, 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	**31/12/2010**	**Increase.**	**(Decrease.)**	**30/06/2011**
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 Statute. 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 assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases 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, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated stockholders' 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, organized 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, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were working in a subordinate position. The stock option plan is divided into two equal portions which can be implemented in conformity with the following terms:
a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report 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 report 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 report 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 proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting votes in favor 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 proposed annual report 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 proposed annual report 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 report for 2012, approves the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 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 proposed annual report 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 2011 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2010.

Other reserves (note 12)

Other reserves	30/06/2011	31/12/2010	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	33.780.537	33.663.109	117.428	0,35%
Reserve for conversion adjustments	-2.826.492	-1.237.873	-1.588.619	128,33%
Stock options reserve fund	1.586.027	1.494.320	91.707	6,14%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	13.392	13.392		0,00%
Total	33.517.423	34.896.907	-1.379.484	-3,95%

As of June 30th 2011 the "extraordinary reserve" was 33.780 thousand Euros. The increase which took place with respect to December 31st 2010 is related to the addition to the reserve of part of the profits from 2010 by the Parent Company El.En., in accordance with the decision voted by the stockholders' assembly on May 13th 2011.

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

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. As of June 30th 2011 the value can be attributed essentially to the devaluation of the US dollar. The effects for the first half of 2011 are shown in the column " Comprehensive (loss) income " in the stockholders' equity chart.

The reserve for contributions in capital account must be considered a reserve 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 2011, the treasury stock purchased by the company amounted to a total of 103.148 shares at the average price of 24,97 Euros per share for a total amount 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 this financial year the variation is due to the clearance account of the profits from last year and the entering into accounts of the Cynosure stock options according to IFRS 2 standards as shown in the "Other operations" column of the Stockholders' 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 31/12/2010	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 30/06/2011
2.701.696	482.930	-169.271	-326.388	2.688.967

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 benefit subsequent to the termination of employment”; this is an obligation of the “defined benefit ” type which entails entering a liability similar to that entered for defined benefit pension plans.
As far as the companies located in Italy are concerned, 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 provision 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 provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This provision, 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 to 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 2011 the net accumulated value of the actuarial profits not registered was equal to 65 thousand Euros. The present value of the liabilities as of June 30th 2011 was 2.600 thousand Euros.

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

Financial hypotheses	**Year 2010**	**Year 2011**
Annual implementation rate	4,50%	4,50%
Annual inflation rate	2,00%	2,00%
Annual increase rate of salaries (including inflation)	Executives 4% White collar workers 2,50% Blue collar workers 2,50%	Executives 4% 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 quotas deducted from the fund because they were intended for other additional non-company funds or to the treasury Fund managed by INPS (with particular reference to the Parent Company El.En and the subsidiary Quanta System), in accordance with the choices made by the employees.

Other accruals (note 16)

The chart below shows the operations made with other accruals:

	Balance 31/12/2010	Accrual	(Utilisation)	Other	Conversion Adjustments	Balance 30/06/2011
Reserve for pension costs and similar	484.806	64.752		-1		549.557
Others:						
Warranty reserve on the products	2.792.703	610.139	-36.716	210.328	-166.786	3.409.668
Reserve for risks and charges	2.308.689	212.349	-13.464		-555	2.507.019
Other minor reserves	41.000					41.000
Total other reserves	5.142.392	822.488	-50.180	210.328	-167.341	5.957.687
Total	5.627.198	887.240	-50.180	210.327	-167.341	6.507.244

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on June 30th 2011, amounted to 490 thousand Euros as opposed to 438 thousand Euros on December 31st 2010.
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 2010**	**Year 2011**
Annual rate of implementation	4,50%	4,50%
Annual rate of inflation	2,00%	2,00%

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.

Other potential debts and 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 2011, 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 firmly opposed the requests of the adverse parties, and their position was sustained by the first sentence of the Court of the state of Massachusetts in the month of July 2010.
During 2009 moreover, Cynosure initiated a suit against its own insurance company because they considered that these damages were covered by an insurance policy stipulated by the same company. During the first half of 2009 the first sentence of the court of Massachusetts established that the insurance company must provide assistance and pay damages should Cynosure lose their suit. This decision was appealed by the defendant in January of 2010 and in May 2011 the court of Appeals reversed the judgment of the Court of Massachusetts and ruled in favor of the insurance company. The final decision was issued in May of 2011.

Amounts owed and financial liabilities (note 17)

Financial m/l term debts	**30/06/2011**	**31/12/2010**	**Variation**	**Var. %**
Bonds	550.460	784.264	-233.804	-29,81%
Amounts owed to banks	1.997.994	2.163.677	-165.683	-7,66%
Amounts owed for leasing	208.622	290.738	-82.116	-28,24%
Amounts owed to other financiers	1.421.465	1.643.084	-221.619	-13,49%
Total	4.178.541	4.881.763	-703.222	-14,41%

The heading "Bonds" includes the remaining amount of the mid/long-term debenture loan issued in 2010 by the subsidiary With Us for the original amount of 130 million Yen which matures between 2011and 2013, reimbursed at an annual fixed rate of 0,55% for the first six months and at a variable rate for the remaining period. The bonds are guaranteed by the Bank of Tokyo-Mitsubishi UFJ and by the President of the company. The debenture loans have been entered into accounts in compliance with IAS39.

The medium/ long term debts owed to banks as of June 30th 2011 represent, for the most part, the quotas which are payable after the year of the bank financing which was granted to Asclepion GmbH for the construction of the building where the company is now operating.

"Amounts owed to other financers" consist, among other things, in the quotas which are payable after this year for:

a) Facilitated financing for applied research, issued by MIUR, to Quanta System SpA, granted in several installments, for an amount of 673.500 Euros at the annual interest rate of 0,50%, payable in 14 semi-annual deferred installments, starting on January 1st 2009.
b) Financing issued by the Banca Nazionale del Lavoro to the subsidiary Quanta System SpA, granted for an overall amount of 500 thousand Euros at the rate of 2,56%, for a duration of five years from the date of issuance including a period of pre-amortization of 6 months, to be paid back in deferred quarterly installments including capital and interest starting on January 15th 2010
c) Facilitated financing from Finlombarda/Regione Lombardia for applied research, issued to the subsidiary Quanta System SpA for a total of 900.000 Euros, at the rate of 0,50% on half of the capital and 4,01% annually on the other half, to be paid back in 14 half-yearly installments with the last installment on June 30th 2016.
d) Centrobanca facilitated financing for applied research, granted to the subsidiary Lasit for 231.060 Euros at the annual interest rate of 0,96% last installment August 5th 2014.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	30/06/2011	31/12/2010	Variation	Var. %
Bonds	368.444	393.309	-24.865	-6,32%
Amounts owed to banks	13.909.033	5.290.231	8.618.802	162,92%
Amount owed for leasing	159.495	211.835	-52.340	-24,71%
Liabilities (forward exchange contracts)		57.416	-57.416	-100,00%
Amounts owed to other financiers	568.783	506.826	61.957	12,22%
Total	15.005.755	6.459.617	8.546.138	132,30%

The heading of “Bonds” is related to the short-term quota of the debenture loan issued by the subsidiary With Us described above.

The heading of “Amounts owed to banks” is mainly composed of:
- opening of credit on a checking account for fixed use for 3,5 million Euros granted to the Parent Company El.En. spa, at the rate of 2,495%, with maturity on September 30th 2011
- debts for advance payments on invoices of the subsidiary Esthelogue Srl.
- short-term financing contracted by Asclepion (see note 17)
- overdraft coverage granted by credit institutions to the Parent Company El.En and to subsidiary companies and, in particular, to Quanta System SpA, ASA Srl and With Us Co.
- bank financing granted to Wuhan Penta Chutian Laser Equipment Co., Ltd for an amount of about 856 thousand Euros (corresponding to 8 million Yuan) at an annual rate of 7,92%.

The entry “amounts owed to other financiers” includes the short-term financings described in the note above and the following items:
a) Facilitated financing MPS for applied research, reference TRL01 granted to the Parent company El.En. S.p.A. for an amount of 681.103 Euros at a fixed annual rate of' 2%, last installment July 1st 2012.
b) Facilitated financing IMI for applied research, issued to the subsidiary Quanta System SpA, for the amount of 929.157 Euros at the annual rate of 2% , to be reimbursed in 16 installments post dated starting on July 1st 2003.

Amounts owed for supplies (note 19)

Trade debts:	30/06/2011	31/12/2010	Variation	Var. %
Amounts owed to suppliers	34.039.289	34.937.474	-898.185	-2,57%
Amounts owed to associated companies	236.724	200.145	36.579	18,28%
Total	34.276.013	35.137.619	-861.606	-2,45%

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

The income tax debts matured for some of the companies belonging to the Group on June 30th 2011 amounted to 1,6 million Euros and are entered net of the down payments and deductions.

The breakdown of the Other debts is shown on the chart:

	30/06/2011	31/12/2010	Variation	Variation %
Social security debts				
Debts owed to INPS	1.260.215	1.449.654	-189.439	-13,07%
Debts owed to INAIL	68.240	123.520	-55.280	-44,75%
Debts owed to other Social Security Institutions	189.125	237.879	-48.754	-20,50%
Total	1.517.580	1.811.053	-293.473	-16,20%
Other debts				
Debts owed to tax administration for VAT	598.067	837.771	-239.704	-28,61%
Debts owed to tax administration for deductions	1.029.272	1.017.490	11.782	1,16%
Other tax debts	95.477	194.926	-99.449	-51,02%
Owed to staff for wages and salaries	6.151.662	5.593.042	558.620	9,99%
Down payments	3.966.805	4.597.512	-630.707	-13,72%
Other debts	10.291.700	8.755.541	1.536.159	17,54%
Total	22.132.983	20.996.282	1.136.701	5,41%
Total Social security debts and other debts	23.650.563	22.807.335	843.228	3,70%

The amounts "Owed to staff" include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2011.
The entry of "Down payments" is made up of down payments received from clients.

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

Within the El.En. Group the sectors which have been identified as relevant for IFRS purposes are the same as those analyzed below together with the statement entries associated with them.

30/06/11	Total	Medical	Industrial	Other
Revenues	98.833	78.817	19.479	537
Intersectorial revenues	(582)	0	(200)	(383)
Net Revenues	98.251	78.817	19.279	155
Other revenues and income	1.553	742	133	678
Gross Margin	52.418	42.739	8.986	692
Inc.%	*53%*	*54%*	*46%*	*83%*
Margin	8.159	5.769	1.698	692
Inc.%	*8%*	*7%*	*9%*	*83%*
Not assigned charges	7.643			
EBIT	517			
Net financial income (charges)	(616)			
Share of profit of associated companies	(400)	(396)	(8)	5
Other Income (expense) net	(33)			
Income (loss) before taxes	(532)			
Income taxes	1.711			
Income (loss) for the financial period	(2.243)			
Minority interest	(673)			
Net income (loss)	(1.570)			

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 (loss) before taxes	1.079			
Income taxes	2.038			
Income (loss) for the financial period	(959)			
Minority interest	(1.212)			
Net income (loss)	253			

30/06/2011	Total	Medical	Industrial	Other
Assets assigned	236.577	185.730	50.847	
Equity investments	344	50	294	
Assets not assigned	14.652			
Total assets	251.573	185.781	51.140	0
Liabilities assigned	58.631	43.698	14.933	
Liabilities not assigned	30.097			
Total liabilities	88.728	43.698	14.933	0

31/12/2010	Total	Medical	Industrial	Other
Assets assigned	236.240	190.331	45.909	
Equity investments	443	147	295	
Assets not assigned	15.467			
Total assets	252.150	190.479	46.204	0
Liabilities assigned	55.326	41.399	13.927	
Liabilities not assigned	25.100			
Total liabilities	80.426	41.399	13.927	0

30/06/2011	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	14.653	15.074	(421)	0
- not assigned	2			
Total	14.655	15.074	(421)	0

31/12/2010	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	4.922	2.121	2.801	0
- not assigned	(5.675)			
Total	(752)	2.121	2.801	0

Comments on the main entries in the Statement of income

Revenue (note 21)

In the first six months of 2011 the Group continued in its phase of recovery and consolidation of its position: the sales volume showed a fair growth, thus confirming the tendency shown last year towards a recovery of the volume of business. The sales volume showed an overall increase of about 7%; the industrial sector maintains a substantial growth rate and registers an increase of 21%; customer assistance and service also grew more than 12%, while the medical sector showed some progress with an increase of about 2%. For detailed comments on the single types of revenue, please consult the intermediate director's report on operations.

	30/06/2011	30/06/2010	Variation	Var. %
Sales of industrial laser systems	16.902.666	13.959.300	2.943.366	21,09%
Sales of medical laser systems	61.107.382	59.872.201	1.235.181	2,06%
Service and sales of spare parts	20.240.871	18.024.543	2.216.328	12,30%
Total	98.250.919	91.856.044	6.394.875	6,96%

Other revenue and income (note 22)

The analysis of the other income is as follows:

	30/06/2011	30/06/2010	Variation	Var. %
Recovery for accidents and insurance reimbursements	23.385	8.587	14.798	172,33%
Expense recovery	409.436	319.572	89.864	28,12%
Capital gains on disposal of fixed assets	125.080	135.424	-10.344	-7,64%
Other income	995.129	413.311	581.818	140,77%
Total	1.553.030	876.894	676.136	77,11%

The heading of "Expense recovery" refers mainly to reimbursements for shipping costs.

The entry "Other income" consists for the most part of grants for research projects which have been entered into accounts. The most sizeable amounts were entered by the Parent Company, El.En. SpA for the amount of approx. 401 thousand Euros, by the subsidiary Asclepion GmbH for 111 thousand Euros, and by the subsidiary Quanta System for an amount of 222 thousand Euros.

Costs for the purchase of goods (note 23)

The analysis is shown on the following table:

	30/06/2011	30/06/2010	Variation	Var. %
Purchase of raw materials and finished products	47.326.437	33.969.067	13.357.370	39,32%
Purchase of packaging	386.217	315.121	71.096	22,56%
Shipment charges on purchases	407.692	351.807	55.885	15,89%
Other purchase expenses	570.065	291.394	278.671	95,63%
Other purchases	329.680	228.122	101.558	44,52%
Total	49.020.091	35.155.511	13.864.580	39,44%

The increase in purchases is greater the amount of growth in the volume of business and this is reflected in the increase in inventory during this period.

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

Breakdown of this category is shown on the chart below:

	30/06/2011	30/06/2010	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	2.439.882	1.995.658	444.224	22,26%
Technical services	653.440	429.247	224.193	52,23%
Shipment charges on sales	814.464	889.433	-74.969	-8,43%
Commissions	4.087.619	4.165.140	-77.521	-1,86%
Royalties	15.435	12.696	2.739	21,57%
Travel expenses	1.273.483	1.110.080	163.403	14,72%
Other direct services	278.050	139.456	138.594	99,38%
Total	*9.562.373*	*8.741.710*	*820.663*	*9,39%*
Operating services and charges				
Maintenance and technical assistance on equipments	1.004.027	739.306	264.721	35,81%
Services and commercial consulting	1.878.974	1.828.782	50.192	2,74%
Legal and administrative services	1.889.804	1.090.707	799.097	73,26%
Auditing fees and charges	497.109	538.559	-41.450	-7,70%
Insurances	642.259	660.274	-18.015	-2,73%
Travel and overnight expenses	1.831.692	1.680.709	150.983	8,98%
Promotional and advertising expenses	4.400.580	3.988.667	411.913	10,33%
Building charges	1.117.975	1.080.097	37.878	3,51%
Other taxes	208.083	181.592	26.491	14,59%
Expenses for vehicles	683.128	616.874	66.254	10,74%
Office supplies	231.078	246.837	-15.759	-6,38%
Hardware and Software assistance	212.648	164.674	47.974	29,13%
Bank charges	353.747	321.202	32.545	10,13%
Rent	1.500.046	1.467.689	32.357	2,20%
Other operating services and charges	6.145.980	5.901.118	244.862	4,15%
Total	*22.597.130*	*20.507.087*	*2.090.043*	*10,19%*

The most significant changes in the category of “Direct services” is related to the “Assemblies outsourcing to third parties” and “technical services” and “Travel expenses” which increased because of the rise in the volume of business, while there was a slight drop in the commissions which was determined not so much by the variations in the volume of business as by the different mix in the channels of distribution, so that the incidence on the sales volume of the “Direct services” is substantially unchanged.

The single most important entries in the category of “other operating services and charges” are represented by costs of technical and scientific consulting and studies and research which amounted to about 1,8 million Euros and by the salaries paid to members of management and the statutory board of auditors for an amount of about 1,2 million Euros; “Legal and administrative services” represent a significant amount, 1,8 million Euros as of June 30th 2011, which registers an increase of about 73% with respect to last year, which is entirely due to the expenses of 1,3 million dollars sustained by the American subsidiary Cynosure Inc. for the acquisition of the assets of Hoya ConBio®; for further details on this operation, and for information related to the assets and to the costs of research and development, see the director’s report on operations for this half.

Personnel costs (note 25)

The chart below shows the costs for staff:

For staff costs	30/06/2011	30/06/2010	Variation	Var. %
Wages and salaries	18.799.074	17.071.126	1.727.948	10,12%
Social security costs	3.886.754	3.649.288	237.466	6,51%
Accruals for severance indemnity	425.588	413.578	12.010	2,90%
Stock options	1.028.598	1.278.320	-249.722	-19,54%
Other costs	16.687	15.693	994	6,33%
Total	24.156.701	22.428.005	1.728.696	7,71%

The cost for personnel was 24.157 thousand Euros an increase of 7,7% with respect to the 22.428 thousand Euros for the same period last year and shows a productivity which is substantially unchanged: the incidence on the sales volume in fact rose from 24,4% on June 30th 2010 to 24,6% on June 30th 2011. Among the personnel costs we have also entered the figurative costs for the stock options assigned to employees, prevalently referred to stock options issued by the subsidiary Cynosure Inc. On June 30th 2011 these costs were 1.029 thousand Euros as opposed to the 1.278 thousand Euros for June 30th 2010.

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	30/06/2011	30/06/2010	Variation	Var. %
Amortization of intangible assets	196.963	195.805	1.158	0,59%
Depreciation of tangible assets	3.069.212	3.011.575	57.637	1,91%
Accrual for risk on receivables	1.058.681	1.035.279	23.402	2,26%
Other accruals for risks and charges	822.600	-15.842	838.442	-5292,53%
Total	5.147.456	4.226.817	920.639	21,78%

The category “Depreciations, Amortizations and other accruals” includes some devaluations effected for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general.
The accrual for risks and charges includes, among other things the product guarantee accrual which increase as a consequence of the increase in the sales volume.

Financial income and charges (note 27)

The breakdown of the category is as follows:

	30/06/2011	30/06/2010	Variation	Var.%
Financial incomes:				
Interests from banks	273.228	130.898	142.330	108,73%
Interests from associated company		170	-170	-100,00%
Income from negotiations		87	-87	-100,00%
Foreign exchange gain	129.524	1.265.288	-1.135.764	-89,76%
Other financial incomes	141.641	13.433	128.208	954,43%
Total	544.393	1.409.876	-865.483	-61,39%
Financial charges:				
Interest on bank debts for account overdraft	-193.466	-118.509	-74.957	63,25%
Interest on bank debts for medium and long - term loans	-19.179	-24.390	5.211	-21,37%
Foreign exchange loss	-864.140	-759.571	-104.569	13,77%
other financial charges	-83.901	-98.131	14.230	-14,50%
Total	-1.160.686	-1.000.601	-160.085	16,00%

The interest paid on bank overdrafts refers mainly to the overdrafts granted by credit institutes to subsidiary companies.

The entry “other financial charges” includes, for the amount of 57 thousand Euros, the interest due on account of the application of accounting standard IAS 19 to the severance pay.

Other net income and charges (note 28)

	30/06/2011	30/06/2010	Variation	Var. %
Other charges				
Loss on equity investments	-32.804	-1.838	-30.966	1684,77%
Devaluation of equity investments		-457.297	457.297	-100,00%
Total	**-32.804**	**-459.135**	**426.331**	**-92,86%**

The entry under “loss on equity investments” quantifies the effects of the dilution of the value of the equity in Cynosure Inc. after the increase in capital for use in the stock option plan in favor of third parties.

Income taxes (note 29)

Description:	30/06/2011	30/06/2010	Variation	Var. %
Total income taxes	1.710.912	2.037.700	-326.788	-16,04%

The fiscal charges for the period were 1,7 million Euros calculated on the basis of the best estimation of the aliquots expected for the year 2011.
The tax rate for this half was increased by the presence of some negative components in the revenue which are not tax deductible, like the devaluations on some of the equities made mainly by the Parent Company; moreover, at Cynosure the conditions are not yet ripe for the entry of deferred taxes on the temporary differences between the taxable income and earnings before taxes.

Profits per share (nota 30)

The pondered average number of shares in circulation during this half remained constant at 4.721.220.

Dividends distributed (note 31)

The shareholders’ meeting held on May 13th 2011 voted to distribute a dividend of 0,20 Euros for each share in circulation at the maturity date of the coupon. The dividend paid amounted to 944.244 Euros.

Non-recurring significant events and operations (note 32)

For the financial period ending June 30th 2011 the only non-recurring significant event is represented by the acquisition of the assets of the medical sector of Hoya ConBio®. It should be mentioned that for the same period last year no non-recurring significant operations were registered.

	30/06/2011	Significant non-recurring events	Net Results
Statement of financial position			
Intangible assets	22.617	-14.955	7.662
Tangible assets	28.106	-365	27.740
Other non current assets	11.325		11.325
Total non current assets	**62.048**	**-15.321**	**46.727**
Inventories	66.651	-2.129	64.522
Accounts receivables	50.496	-1.182	49.314
Other receivables	13.069	-102	12.967
Cash and cash equivalents and Financial instruments	59.309	16.951	76.260
Total current assets	**189.525**	**13.538**	**203.064**
TOTAL ASSETS	**251.573**	**-1.782**	**249.791**
Group stockholders' equity	90.296	216	90.512
Minority interests in consolidated subsidiaries	72.549	711	73.260
Total equity	**162.845**	**926**	**163.771**
Financial liabilities	4.179		4.179
Other non current liabilities	9.969		9.969
Non current liabilities	**14.148**		**14.148**
Financial liabilities	15.006		15.006
Accounts payables	34.276	-1.927	32.349
Other payables	25.298	-782	24.517
Current liabilities	**74.580**	**-2.709**	**71.871**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**251.573**	**-1.782**	**249.791**

Net financial position	40.271	16.951	57.222

Statement of income	**30/06/11**	**Inc.%**	**Significant non-recurring events**	**Net Results**	**Inc.%**
Revenues	98.251	100,0%	0	98.251	100,0%
Gross margin	52.418	53,4%	0	52.418	53,4%
Other operating services and charges	22.597	23,0%	(926)	21.671	22,1%
EBITDA	5.664	5,8%	926	6.590	6,7%
EBIT	517	0,5%	926	1.443	1,5%
Income (loss) for the financial period	(2.243)	-2,3%	926	(1.317)	-1,3%
Minority interest	(673)	-0,7%	711	37	0,0%
Net income (loss)	(1.570)	-1,6%	216	(1.354)	-19,9%

The effect on the Statement of Income of this operation, which has already been described in the specific section of this Note, is related to the accessory expenses sustained by Cynosure as part of the acquisition of the assets of Hoya ConBio® for approx. 1,3 million dollars.

Information about related parties

All of the operations conducted with related parties cannot be qualified as either atypical or unusual. These operations are regulated at ordinary market conditions.

In particular the following conditions apply:

Subsidiary companies
Operations and payments between the companies belonging to the Group included in the area of consolidation are eliminated when the intermediate consolidated statement is drawn up and therefore they are not described in this document.

Associated companies :
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 2011 are clearly shown in detail.
The prices for the transfer 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			375.078	
Actis Srl			1.200	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			626.279	
Grupo Laser Idoseme SL			976.419	
Quanta System Asia Pacific Co.LTD	20.000		106.404	
Total	33.565	-	2.085.380	-

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl			3.008	
Immobiliare Del.Co. Srl			113.653	
Actis Srl			61.572	
SBI SA			33.373	
Laser International ltd.			25.118	
Total	-	-	236.724	-

Associated companies:	**Sales**	**Service**	**Total**
SBI S.A.	152.585		152.585
Elesta Srl	199.397	1.485	200.882
Grupo Laser Idoseme SL	387.504	41.640	429.144
Quanta System Asia Pacific Co.LTD	107.609		107.609
Total	847.095	43.125	890.220

Associated companies:	**Other revenues**
Elesta Srl	600
Actis Srl	1.200
Grupo Laser Idoseme SL	650
Total	2.450

Associated companies:	Purchase of raw materials	Services	Other	Total
Actis Srl	270	41.160		41.430
SBI S.A.	23.700			23.700
Elesta Srl	4.480			4.480
Immobiliare Delco Srl		71.119		71.119
JV Laser International Ltd	25.118			25.118
Grupo Laser Idoseme SL	15.340	1.000		16.340
Total	68.908	113.279	-	182.187

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

The chart below shows the impact that operations with related parties has had on the economic and financial situation of the Group.

Impact of related party transactions	Total	related parties	%
a) Impact of related party transactions on the Statement of financial position			
Equity investments	599.430	426.139	71,09%
Accounts receivables	50.496.485	2.085.380	4,13%
Other receivables	6.844.975	33.565	0,49%
Non current financial liabilities	4.178.541		0,00%
Current financial liabilities	15.005.755		0,00%
Accounts payables	34.276.013	236.724	0,69%
Other payables	23.650.563		0,00%
b) Impact of related party transactions on the profit and loss			
Revenues	98.250.919	890.220	0,91%
Other revenues and income	1.553.030	2.450	0,16%
Purchases of raw materials	49.020.091	68.908	0,14%
Other direct services	9.562.373	1.000	0,01%
Other operating services and charges	22.597.130	112.279	0,50%
Financial charges	1.160.686		0,00%
Financial income	544.393		0,00%

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 residua 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 2011, most of the consolidated sales (about 60%) 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.

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 provision which is accrued at the end of the year represents about 12% of the total trade receivables from third parties.

In relation to guarantees granted to third parties, it should be recalled that the Parent Company El.En. underwrote along with a minority partner, a bank guarantee for a maximum of one million Euros as a guarantee for the loan of the subsidiary Quanta System owed to the Banca Popolare di Milano for facilitated financing for a total amount of 900 thousand Euros, for which the reimbursement installments expire up to 84 months from the date of issuance, which occurred in the second half of 2009.

Last year the company also underwrote:

- a bank guarantee together with the other companies that participate in the ATI constituted for this purpose, for a maximum of 763 thousand Euros as a guarantee for the pay back of the amount granted as a down payment on the "TROPHOS" research project which has been included in the grant issued by the Bando Unico R&S in the year 2008 and approved by the Region of Tuscany with Directive Decree 6744 on December 31st 2008.
- a bank guarantee together with the other companies that participate in the ATI constituted for this purpose, for a maximum of 1.203 thousand Euros as a guarantee for the pay back of the amount granted as a down payment on the "TRAP" research project which has been included in the grant issued by the Bando Unico R&S in the year 2008 and approved by the Region of Tuscany with Directive Decree 6744 on December 31st 2008.
-a bank guarantee, jointly with the companies which participate in the ATS constituted for this purpose for a maximum of 1.434 thousand Euros as a guarantee for the payback of the amount granted as down payment on the "TEMART" research project which has been included in the grant issued by the Bando Regionale in the year 2008 and approved by the Region of Tuscany with Directive Decree 5673 on November 21st 2008.
- a bank guarantee for a maximum of 751 thousand Euros as a guarantee for the payment of the sum required as a reimbursement for the VAT related to the tax period 2008.

The subsidiary Quanta System issued a bank guarantee in favor of some credit institutions of the associated Grupo Laser Idoseme for a residual of 550 thousand Euros which fell due on February 28th 2011 and was renewed for an amount of 350 thousand Euros until February 27th 2012 and for an amount of 100 thousand Euros until August 27th 2011. This latter has not been renewed.

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 half 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.

As shown in the Director's report on operations, the net financial position of the Group without Cynosure is negative for an amount of 2,7 million Euros. The financial structure of the Group without Cynosure in any case shows a low level of debt, also in relation to its own means. We therefore believe that these risks are remote.

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.

The financial structure of the Group on the whole shows a low level of indebtedness even for the consolidated without Cynosure.

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 30/06/2011	Book value 31/12/2010	Fair value 30/06/2011	Fair value 31/12/2010
Financial assets				
Financial mid and long term receivables				
Financial receivables within 12 months	180.391	87.241	180.391	87.241
Mid and long term Financial instruments	4.518.267	7.476.074	4.518.267	7.476.074
Short term Financial instruments	28.599.932	44.676.217	28.599.932	44.676.217
Cash and cash equivalents	30.708.695	41.514.927	30.708.695	41.514.927
Financial liabilities				
Financial mid and long term debts	4.178.541	4.881.763	4.178.541	4.881.763
Financial liabilities due within 12 months	15.005.755	6.459.617	15.005.755	6.459.617

Fair value hierarchy

The Group uses the following hierarchy in order 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 the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

During the first six months of this year no significant transfers of financial instruments from level 1 to level 2 occurred; the El.En. Group does not possess financial instruments that are included in level 3.

As of June 30th 2011, the Group possesses the following securities evaluated at fair value.

	Level 1	Level 2	Level 3	Total
Money Market funds (1)	4.632.889	-	-	4.632.889
State & Municipal bonds	-	33.111.178	-	33.111.178
Equity securities	7.021	-	-	7.021
Total	**4.639.910**	**33.111.178**	**-**	**37.751.088**

(1) Included in cash and cash equivalent

The break down of the financial instruments available for brief or mid-term sale are shown on the chart below:

	Total	Within 1 year	After 1 year but not more than 5 years	More than five years
Treasuries and governament agencies	17.315.499	15.238.458	2.077.041	
State e Municipal bonds	15.795.679	13.354.453	2.441.225	
	33.111.178	**28.592.911**	**4.518.267**	

The financial instruments held by the American subsidiary Cynosure Inc., amount to about 33,1 million Euros (about 47,8 million dollars) are represented for an amount of 17,3 million Euros by bonds of US Government agencies and for an amount of 15,8 million Euros in state and municipal agency bonds.

Other information

Average number of employees divided by category

	Average 2011	30/06/2011	Average 2010	31/12/2010	Variation	Var. %
Total	1.020,5	1.072	921,5	969	103	10,63%

The increase in the number of employees with respect to the beginning of the year is almost totally due to the increase in the number of workers of the American subsidiary Cynosure Inc. which, after the acquisition of the assets of Hoya ConBio®, offered the employees the opportunity to work within their own organization, and to the personnel hired by the Chinese subsidiary Wuhan Penta Chutian.

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

Declaration of the Half-yearly financial Statement as of June 30th 2011 in conformity with article 154-*bis* of the Legislative Decree of February 24th 1998 n. 58 (TUF) and later modifications and additions

We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as 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 conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, for the half ending on June 30th 2011.
-

2. No significant aspect emerged concerning the above.

-

3. We also declare that:

3.1 this abbreviated financial statement:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the area of consolidation.

3.2 The intermediate director's report on operations on operations contains a reliable analysis of the important events of the first six months of this year and their impact on the half-yearly statement, together with a description of the principal risks and uncertainties to which they are exposed for the remaining six months of the year. This intermediate report also contains a reliable analysis of the significant operations with related parties.

Calenzano, August 29th 2011

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

ERNST & YOUNG

El.En S.p.A.

Condensed Consolidated financial statements as of June 30, 2011

Independent auditors' report
(Translation from the original Italian text)

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Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
El.En. S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in stockholders' equity and the related explanatory notes, of El.En. S.p.A. and its subsidiaries (the "El.En. Group") as of June 30, 2011. Management of El.En. S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 30, 2011 and on August 27, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of El.En. Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Firenze, August 29, 2011

Reconta Ernst & Young S.p.A.
Signed by: Lorenzo Signorini, Partner

This report has been translated into the English language solely for the convenience of international readers

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