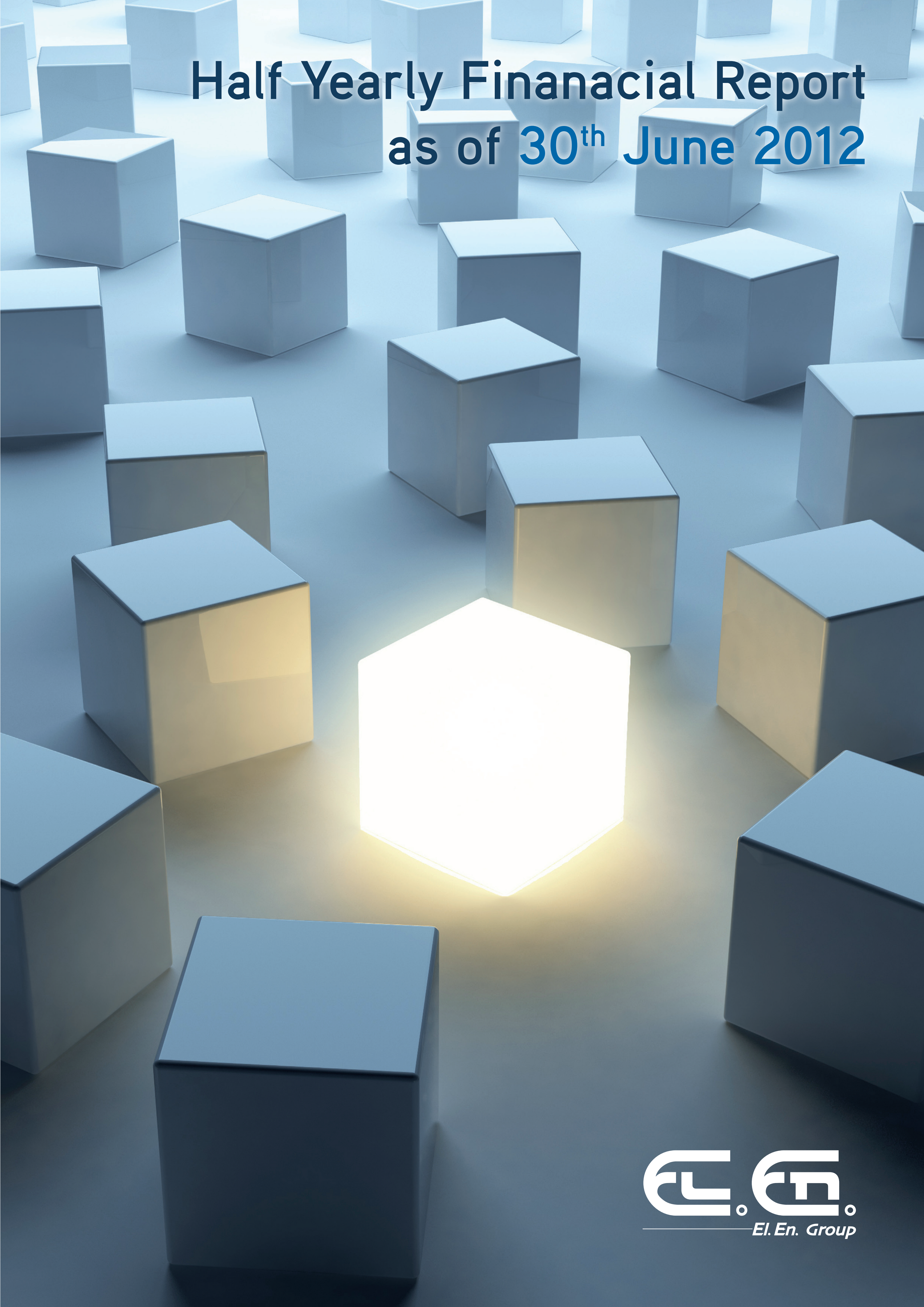
Half Yearly Finanacial Report as of 30th June 2012



El. En. Group

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Share Capital: Approved: € 2.591.871,36
Underwritten and paid : € 2.508.671,36

Florence Register of Companies – 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 2012)

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Michele Legnaioli

Stefano Modi

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Gino Manfriani

Executive officer responsible for the preparation of the Company’s financial statements

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

EL.EN. GROUP

HALF YEARLY DIRECTOR'S REPORT ON OPERATIONS

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This half-yearly director's report on operations for the half ending on June 30th 2012, approved by the Board of Directors on August 29th 2012, 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 2011 with the exception of those items described in the Explanatory Notes – paragraph pertaining to the "Accounting Principles and Evaluation Criteria".

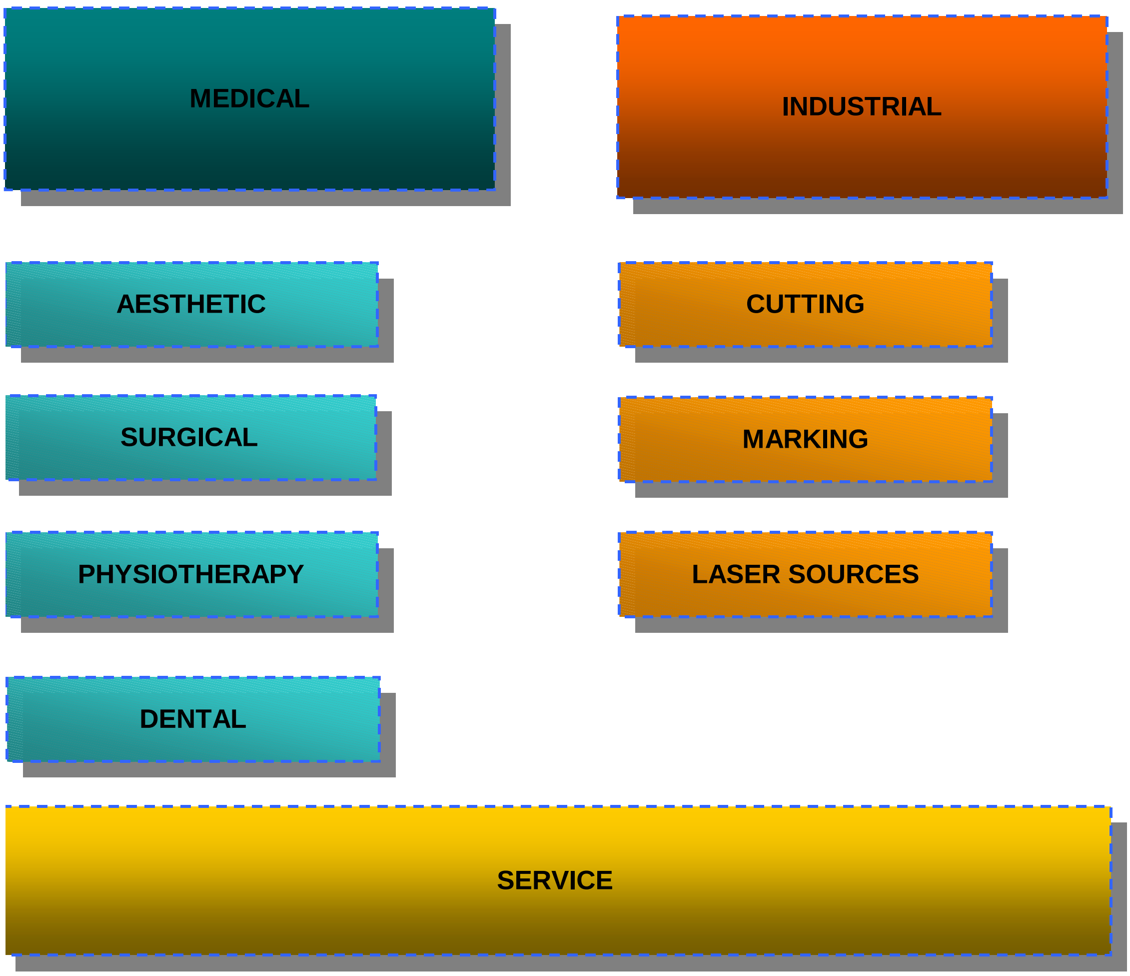
All amounts are expressed in thousands of Euros unless otherwise indicated.

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:

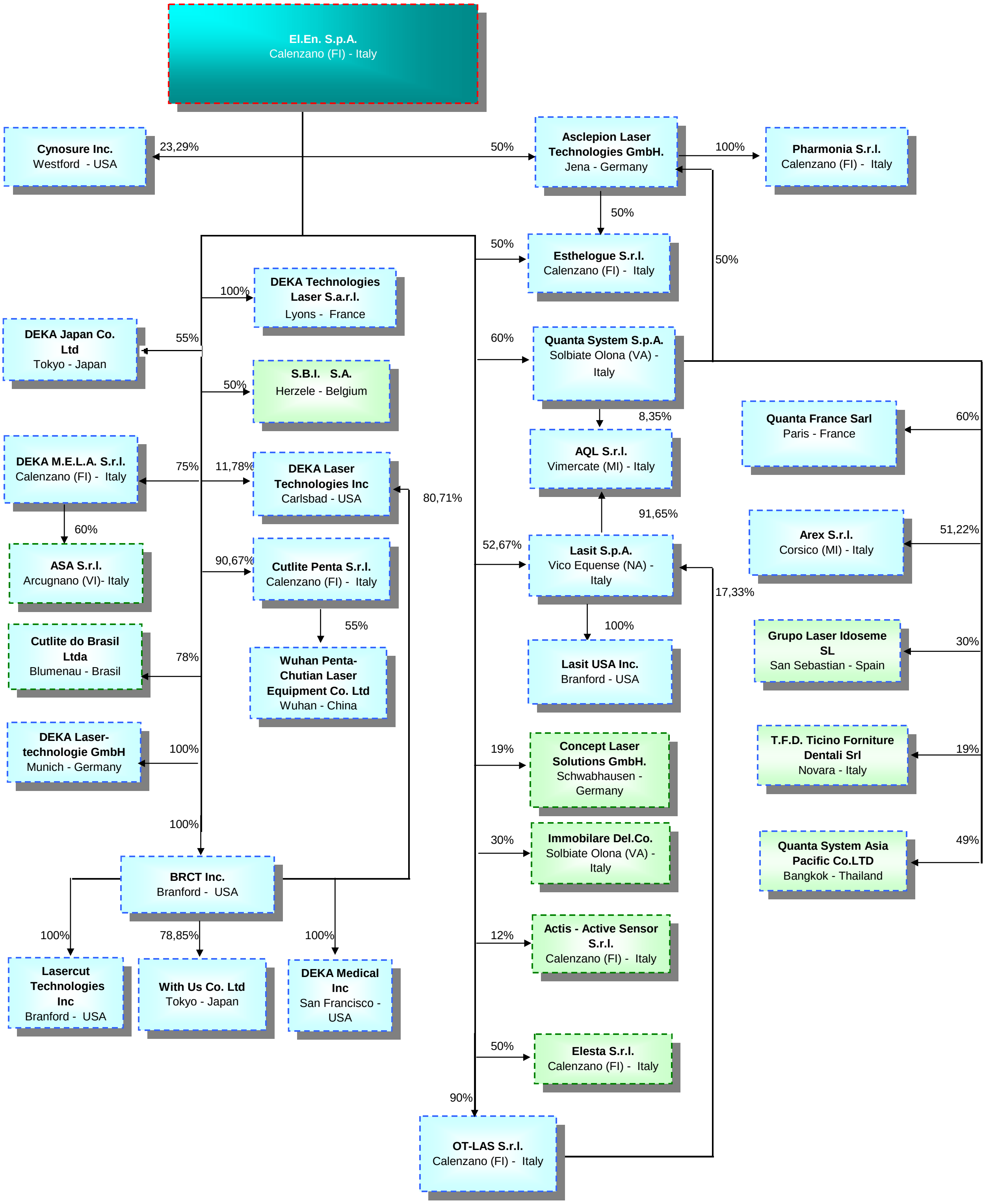


Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

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. Group Structure

As of June 30th 2012 the 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

The following performance indicators have been applied for the purpose of supplying additional information on the capital, financial and revenue structure of the Group:

	30/06/12	31/12/11	30/06/11
Profitability ratios (*):			
ROE	3,3%	-0,3%	-3,4%
(Net income / Share Capital and Reserves)			
ROI	5,1%	1,1%	0,4%
(EBIT / Total assets)			
ROS	5,7%	1,4%	0,5%
(EBIT/ Revenues)			
Structure ratios:			
Financial flexibility	0,77	0,76	0,75
(Current assets / Total assets)			
Leverage	1,13	1,11	1,12
((Shareholders' Equity + Financial liabilities) / Shareholders' Equity)			
Current Ratio	2,65	2,67	2,54
(Current assets / Current liabilities)			
Acid ratio	1,78	1,77	1,65
(Current receivables + Cash and cash equivalents)/ Current liabilities)			
Quick ratio	1,01	0,94	0,80
((Cash and cash equivalents + Investments) / Current liabilities)			
Turnover ratios (*):			
Total assets turnover	0,89	0,78	0,78
(Revenues / Total assets)			
Current assets turnover	1,16	1,03	1,04
(Revenues / Current assets)			
Inventory turnover	1,43	1,21	1,13
(COGS / Inventory)			
Days sales of inventory	254	301	322
(Inventory / COGS) *365			
Days sales outstanding	74	87	94
(Account receivables / Revenues)*365			

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

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

- Own Capital = Shareholders' equity of the Group – Net income (loss)
- Cost of goods sold = Purchases ± Change in the inventory

1.5. Alternative NON-GAAP measures

In compliance with the CESR/05-178b recommendations regarding alternative performance indicators, the Group presents, as part of the Director's report on operations, in addition to the financial measures required by the IFRS, some of the measures derived from these latter but not required by the IFRS (non – GAAP measures). These measures are defined here for the purpose of facilitating a better evaluation of the performance of the Group and should not be considered alternatives to those required by the IFRS.

As alternative performance indicators the Group uses:
- The EBITDA (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 amount of "Amortizations, depreciations, accruals and devaluations";
- The EBIT or the earnings before interest and income taxes;
- the **incidence** that the various accounts in the Income Statement have on the sales volume;
- the **net financial position** which is cash available + Securities entered as current assets + current financial receivables – debts and non-current financial liabilities - current financial debts;

These indicators are presented in the Income Statement chart and the Net Financial Position which are shown and commented below.

The alternative performance indicators are measures used by the company to monitor and evaluate the performance of the Group and they are not defined as accounting measures either in the Italian Accounting Standards or in the IAS/IFRS. Consequently, the determining criteria applied by the Group may not be the same as that adopted by other operators and/or groups and for this reason may not be comparable.

1.6. Group financial highlights

The first half of 2012 showed a significant increase in the consolidated sales volume and the return to a good level of revenue: the net profit of the Group reached 1,6 million Euros net of taxes for an amount of 2,9 million Euros and profit related to third parties for an amount of 2,5 million Euros, while in 2011 it had shown a net loss of about 1,6 million Euros; the subconsolidated drawn up excluding Cynosure also showed a marked improvement with an increase in the sales volume of 11%, the net profit of the Group is 0,7 million net of taxes for an amount of 2 million, and profit related to third parties for an amount of 0,8 million, showing a significant improvement over the loss of 0,7 million registered for the first half of last year.

The general climate in which these results have been obtained was quite unfavorable considering the adverse economic conditions which continue to have a negative influence on our clients' willingness to purchase. It is clear that the overall drop in consumption which is reflected in the recessive economy of Italy and many other European countries influences the tendency to buy investments goods like those we offer and the financial crisis, with the difficulty for companies to obtain credit which has continued now for several years, magnifies the negative aspects.

Nevertheless, the Group's ability to move on the market with highly innovative products, some acquisitions just concluded last year and the possibility of operating on some of the international markets which have been less affected by the economic problems that afflict Europe, have allowed the Group to improve its overall position and to obtain the good results which will be described in detail below.

Thanks to the acquisition of the assets of Eléme (non-invasive systems for body shaping) and of HOYA ConBio® (systems for the removal of tattoos and pigmented lesions), the management of the Pinpointe system (for the treatment of onicomicosis) and the formidable success in the United States obtained by the Cellulaze system for the removal of cellulitis, Cynosure (Nasdaq, CYNO) registered brilliant results with a growth in sales volume of 66% which allowed it to return to a significant level of net profit of over 2 million US dollars for this half. Besides the success of the choice and the handling of the acquisition targets, Cynosure benefitted from the conditions of the American economy which, although they are not good, are certainly better than the European ones and those registered in the USA in the past few years. Thanks to these results, the Group, which had benefitted from the growth of Cynosure between 2005 and 2008, and had then suffered the consequences of the massive reduction in sales volume and the losses after the sudden crisis of September 2008, now once again registers among their most positive data the excellent results of the American subsidiary. Besides the economic benefit, which is clearly evident from our economic and financial reports, Cynosure's results also have a significant effect on the capital due to the increase in the price of the Cynosure stock which rose from 12 US dollars at the beginning of this year to a record of over 25 US dollars in the month of July. It should also be noted that this increase in value did not have any effect on the market value of the El.En. stock , which continues to be effected by the adverse conditions of the local financial markets and where there is clearly difficulty for the so called "small caps" to see in the market quotations a fair reflection of the values expressed by the company complex and the underlying fundamentals.

After these comments on the excellent results which have been obtained by Cynosure and the value of its stock on the market, we must comment on the trends of the other activities of the Group which are reflected by the figures shown in the subconsolidated drawn up without Cynosure.
The sales volume showed an increase of 11,2%, which was slightly above expectations thanks to a decidedly positive trend in the medical sector which, notwithstanding the considerable difficulties encountered in Europe, showed an increase in sales volume for the sector thanks to the innovation of the product and the improved condition of some of the markets, particularly the oriental ones.
On the other hand, the conditions of economic crisis had a totally different effect on the sales volume in the industrial sector: the growth registered, which amounted to about 6%, was penalized by the stagnation in the growth of the Chinese market, and by the return of the problems which characterized the recent years of crisis in Italy and in Europe, i.e, a clientele disinclined to make investments and the difficulty in finding financing, with the consequent delay in the conclusion of negotiations and therefore, in the expansion of working capital.
The competitive pressure, with the necessity of offering more sophisticated solutions and extra services in order to maintain the market position, determined a slight drop in the sales margins, which however were not enough to cancel out the growth in sales volume which in any case made it possible to significantly increase the gross margin.

The good results obtained during this half encourage us to follow our development strategy based above all on innovation of the product which is a results of our intense research and development activity and the creation of production and distribution facilities which are adapted for serving the most interesting markets. We believe that these markets offer interesting development opportunities also on a mid-term basis; laser applications for aesthetics reflect a social need that is widespread and demographically sustained to maintain a pleasant appearance with the passing of the years. Surgical applications on the other hand, thanks to the minimally invasive techniques and the effectiveness, satisfy the need to reduce recovery time which benefits both the patient and the structures that offer the service; moreover, laser systems make it possible to make innovations in the procedure and in the product in the manufacturing process and thus improve the quality and effectiveness.

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 23,29% as of June 30th 2012) 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 scope 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 for the first half of 2012 compared with a similar breakdown for last year.

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Industrial systems and lasers	17.951	13,89%	16.903	17,20%	6,20%
Medical and aesthetic lasers	87.987	68,06%	61.107	62,20%	43,99%
Service	23.332	18,05%	20.241	20,60%	15,27%
Total	**129.270**	**100,00%**	**98.251**	**100,00%**	**31,57%**

An excellent result is also shown in all three of the main sectors. The medical sector registered a growth that was close to 44% thanks to the external growth of Cynosure; the industrial sector continues to grow notwithstanding the unfavorable conditions in the two main markets (Europe and China), while the activity in the sector of after-sales services saw its revenue expand as the number of installations increased and the clientele made intense use of our systems.

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

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Italy	13.363	10,34%	12.300	12,52%	8,65%
Europe	25.126	19,44%	25.753	26,21%	-2,44%
Rest of the world	90.781	70,23%	60.198	61,27%	50,80%
Total	**129.270**	**100,00%**	**98.251**	**100,00%**	**31,57%**

The geographic distribution of the sales volume of the Group reflects the general macro-economic conditions. Only in Italy were there a few specific sectors (in this case, professional aesthetics and sales of industrial systems) which succeeded in reversing the trend and part of the increase in the sales volume in any case is represented by Italian clients who later export our products. Sales volume fell in Europe and increased significantly in the rest of the world, where the United States and the Far East were the drivers in the growth.

Within the medical/aesthetic sector, which represents more than 68% of the sales of the Group, the trend in sales in the various segments is shown on the chart below:

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Surgical CO2	4.648	5,28%	4.988	8,16%	-6,80%
Physiotherapy	5.526	6,28%	3.039	4,97%	81,83%
Aesthetic	66.182	75,22%	41.914	68,59%	57,90%
Dental	1.500	1,70%	1.869	3,06%	-19,76%
Other medical lasers	8.205	9,32%	7.098	11,62%	15,60%
Accessories	1.926	2,19%	2.200	3,60%	-12,44%
Total	**87.987**	**100,00%**	**61.107**	**100,00%**	**43,99%**

The growth is related to the sectors of aesthetics, physical therapy and surgery (in the segment called "Others"), in which results were good enough to render negligible the decreases registered for the other segments.
Physical therapy grew 80% and benefitted greatly from the placement in this segment of the treatment for onicomicosis which was marketed by Cynosure on the basis of an agreement with Pinpointe: the Cynosure distribution network which is particularly effective in the United States, was able to place this technology very rapidly and obtain immediate consensus on the market.

The placement of new products through the Cynosure distribution network was also determining in the aesthetic sector, in particular, the ConBio laser for the removal of tattoos and pigmented lesions and the Elémé system for non-invasive body shaping, which were added after the acquisition along with the Cellulaze system for the removal of cellulitis. For this latter product which was developed jointly with El.En. S.p.A., the FDA clearance for marketing in the United States was received in February after a long preparatory period, and finally made this sought-after device available for sale, thus contributing significantly to the results obtained by Cynosure. Cynosure was not the only company that registered good results in the aesthetic sector: the launching of the Re:play hair removal system sustained the sales of Deka and the improved triple wave length system for tattoo removal allowed Quanta System to continue its phase of growth in this sector and the consolidation of the launching phase of the Mediostar Next with which Asclepion introduced new innovated hair removal systems revitalized the sector of professional aesthetics in Italy and the business volume of Asclepion.

In the residual sector of "Others" the excellent result in the sales of solid state laser systems for surgery stands out; in this field Quanta System has perfected its own a range of high power systems for the treatment of BPH (benign prostate hyperplasia) and has also consolidated its traditional OEM manufacturing capacity for medium powered systems for lithotripsy.

The other segments show a drop in sales volume which, in the case of the dental sector was quite significant and is indicative of the phase of difficulty which the stagnation in the economy has caused on the markets and on the companies of the Group. As far as the CO_2, laser sector is concerned, it has always been closely connected to that of the accessories which complete it and determine the type of application; this sector has now reached the phase of maturity of the leading application, that of skin resurfacing, while the interesting new applications which have been identified and experimented in order to maintain the relative level of revenue for this historic laser technology in which El.En. is among the few active companies at a global level, are now giving the first tangible results in terms of sales.

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

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Cutting	12.672	70,59%	11.701	69,23%	8,30%
Marking	4.551	25,35%	4.582	27,11%	-0,68%
Laser sources	598	3,33%	483	2,85%	23,95%
Welding, other industrial systems	130	0,73%	137	0,81%	-4,97%
Total	**17.951**	**100,00%**	**16.903**	**100,00%**	**6,20%**

Growth in this sector was just over 6% and is almost entirely derived from the cutting sector.
As mentioned in the previous reports, the Group has maintained a high level of investments in the industrial sector and has diversified its geographical position by setting up factories in China and Brazil, and it has operated directly in the field of metal cutting in Italy and the rest of Europe thanks to the investments in research and development which enabled the improvements in the range of high-power laser sources, as well as the investments in the structures for the promotion and commercial distribution of the range of metal cutting systems.
The worsening of the international crisis in 2011 had not affected the growth which continued to be quite significant during the year (30%); in the first six months of 2012 the general conditions have not improved on most of the markets, and they are actually slightly worse in China where the outlook for general economic growth has cooled off considerably so that our activity, which in China has its main selling market, has felt the negative effects and a drop in the growth rate. The present situation on the Chinese market also reflects the instability of the European market and the phase of transition in the administration of the country, but we believe that it cannot affect the outlook for mid-term growth on this market.

It should also be noted that in the marking segment the sales volume remains essentially unvaried due to a drop in the applications for large surfaces intended for decorations, which is a specialty of Ot-las S.r.l., and an equivalent increase in the applications for small and custom surfaces for identification in the field of industrial processes, which is a specialty of Lasit S.p.A..

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.

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Industrial systems and lasers	17.951	23,99%	16.903	25,12%	6,20%
Medical and aesthetic lasers	43.129	57,65%	37.711	56,05%	14,37%
Service	13.734	18,36%	12.666	18,83%	8,43%
Total	**74.814**	**100,00%**	**67.280**	**100,00%**	**11,20%**

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Italy	13.077	17,48%	11.993	17,83%	9,04%
Europe	15.321	20,48%	15.844	23,55%	-3,30%
Rest of the world	46.415	62,04%	39.443	58,63%	17,68%
Total	**74.814**	**100,00%**	**67.280**	**100,00%**	**11,20%**

	30/06/2012	Inc%	30/06/2011	Inc%	Var%
Surgical CO2	4.169	9,67%	3.937	10,44%	5,88%
Physiotherapy	2.808	6,51%	3.039	8,06%	-7,61%
Aesthetic	27.543	63,86%	22.306	59,15%	23,48%
Dental	1.500	3,48%	1.869	4,96%	-19,76%
Other medical lasers	5.242	12,15%	4.701	12,47%	11,49%
Accessories	1.868	4,33%	1.858	4,93%	0,55%
Total	**43.129**	**100,00%**	**37.711**	**100,00%**	**14,37%**

Even without the contribution of Cynosure and its acquisitions the Group shows a growth of about 11% thanks to the +14% registered in the medical sector and the +9% registered for Service; overall, this growth is interesting, especially in relation to the general economic conditions.

In the medical sector the continued consistent growth of the aesthetic segment (+23%) continues to be the driver: within this sector, as explained above, the most significant applications are the lasers for hair removal and for removal of tattoos and vascular lesions. Positive results were also achieved by the CO_2 systems and marginally, by the accessories, thanks also to the new applications mentioned above which do not involve the activities of Cynosure, which is exclusively oriented towards skin resurfacing. It should also be noted that there was a drop in the physical therapy sector, which in this case does not contain the sales for onicomicosis, for the decrease in the activities of Asa S.r.l. After an uninterrupted period of growth registered for the last few years, which we are sure we will be able to continue thanks to the development of new products.

The decrease in the dental sector reflects the reduction in revenue from the CO_2 systems on the American market and the phase of redefinition for the supply through the development of new products.

1.7 Consolidated income statement as of June 30th 2012

The chart below shows the consolidated Income Statement reclassified for the period ending on June 30th 2012 compared with that for the same period last year.

Income Statement	**30/06/12**	**Inc.%**	**30/06/11**	**Inc.%**	**Var.%**
Revenues	129.270	100,0%	98.251	100,0%	31,6%
Change in inventory of finished goods and WIP	3.608	2,8%	6.796	6,9%	-46,9%
Other revenues and income	1.636	1,3%	1.553	1,6%	5,3%
Value of production	**134.514**	**104,1%**	**106.600**	**108,5%**	**26,2%**
Purchase of raw materials	56.261	43,5%	49.020	49,9%	14,8%
Change in inventory of raw material	27	0,0%	(4.401)	-4,5%	
Other direct services	11.329	8,8%	9.562	9,7%	18,5%
Gross margin	**66.896**	**51,7%**	**52.418**	**53,4%**	**27,6%**
Other operating services and charges	24.309	18,8%	22.597	23,0%	7,6%
Added value	**42.587**	**32,9%**	**29.821**	**30,4%**	**42,8%**
For staff costs	29.859	23,1%	24.157	24,6%	23,6%
EBITDA	**12.728**	**9,8%**	**5.664**	**5,8%**	**124,7%**
Depreciation, amortization and other accruals	5.321	4,1%	5.147	5,2%	3,4%
EBIT	**7.407**	**5,7%**	**517**	**0,5%**	**1333,9%**
Net financial income (charges)	(78)	-0,1%	(616)	-0,6%	-87,3%
Share of profit of associated companies	(270)	-0,2%	(400)	-0,4%	-32,3%
Other net income (expense)	(1)	-0,0%	(33)	-0,0%	-97,0%
Income (loss) before taxes	**7.058**	**5,5%**	**(532)**	**-0,5%**	
Income taxes	2.967	2,3%	1.711	1,7%	73,4%
Income (loss) for the financial period	**4.090**	**3,2%**	**(2.243)**	**-2,3%**	
Minority interest	2.485	1,9%	(673)	-0,7%	
Net income (loss)	**1.605**	**1,2%**	**(1.570)**	**-1,6%**	

The gross margin was 66.896 thousand Euros, an increase of 27,6% over the 52.418 thousand Euros for the same period last year and with an incidence on the sales volume which registered a decrease from 53,4% on June 30th 2011 to 51,7% for this half which is the effect of a different mix of products and distribution channels.

It should be noted that, again in 2012, although the Group cashed in the sale price, 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 Income Statement for the year.

Costs for operating services and charges were 24.309 thousand Euros, showing an increase of 7,6% with respect to June30th 2011 but with a slight decrease in the incidence on the sales volume which dropped to 18,8% from 23,0% registered for the same period last year, thanks to the careful attention being paid to the operating costs during this unfavorable economic phase.

The costs for personnel were 29.859 thousand Euros which represents an increase of 23,6% over the 24.157 thousand Euros for the same period last year and indicates that productivity improved: the incidence on the sales volume in fact decreased from 24,6% on June 30th 2011 to 23,1% on June 30th 2012. Part of the staff expenses is represented by the figurative costs for the stock options assigned to staff members. On June 30th 2012 these costs (mainly related to the stock options issued by the subsidiary Cynosure Inc) were 1.730 thousand Euros, whereas on June 30th 2011 they were 1.029 thousand Euros.

As of June 30th 2012 the number of employees in the Group was 1.165 as opposed to the 1.139 registered on December 31st 2011 and the 1.072 on June 30th 2011; this increase is due mainly to new personnel hired by Cynosure Inc..

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. The grants registered into accounts on June 30th 2012 were 822 thousand Euros while for the same period in 2011 they were 734 thousand Euros.

Due to the situation described above, the EBITDA was 12.728 thousand Euros, an improvement over the 5.664 thousand Euros for June 30th 2011.

The costs for amortization, depreciations and accruals was 5.321 thousand Euros, an increase of 3,4% over that for 2011 which was 5.147 thousand Euros; the incidence on the sales volume dropped from 5,2% on June 30th 2011 to 4,1% for this half.

The EBIT therefore increased to 7.407 thousand Euros, a significant improvement over the 517 thousand Euros registered for June 30th 2011; the incidence on the sales volume was 5,7% which is still far from the potential of the Group, but still an important step in the right direction to bring the Group back to a higher profit level.

Net financial charges amounted to 78 thousand Euros as opposed to 616 thousand Euros for the same period last year which was mainly due to the favorable exchange rates, while the negative results of the associated companies was 270 thousand Euros , mostly attributable to Elesta Srl and the Spanish company GLI.

Pre-tax profit therefore amounted to 7.058 thousand Euros, a significant improvement over the pre-tax loss of 532 thousand Euros registered for June 30th 2011.

The fiscal costs for this year amounted to a total of 2,9 million Euros. The taxes owed for this half were calculated on the basis of the best estimate of the fiscal aliquots expected for the year 2012. The tax rate for the period of 42% is negatively affected by the presence of some negative non-deductable revenue components like the devaluations made on some equities made mostly by the Parent Company, and the failure to enter some deferred tax assets on the losses for the period by some of the companies.

The first half ends with a net profit for the Group of 1,6 million Euros as opposed to the loss of 1,6 million Euros registered for the first half of 2011.

1.8 Consolidated statement of financial position and net financial position as of June 30th 2012

The reclassified statement of financial position shown on the chart below makes it possible to compare the financial position for this half with that of last year.

	30/06/2012	31/12/2011	Var.
Statement of financial position			
Intangible assets	23.687	23.958	-272
Tangible assets	28.142	27.807	334
Equity investments	432	442	-10
Deferred tax assets	6.872	6.354	518
Other non current assets	6.766	5.217	1.549
Total non current assets	**65.898**	**63.779**	**2.119**
Inventories	73.458	69.344	4.114
Accounts receivables	52.161	50.530	1.631
Tax receivables	4.574	5.989	-1.416
Other receivables	8.253	7.056	1.196
Financial instruments	27.719	24.332	3.386
Cash and cash equivalents	57.313	48.365	8.948
Total current assets	**223.476**	**205.617**	**17.860**
TOTAL ASSETS	**289.374**	**269.396**	**19.978**
Share Capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	38.367	36.171	2.196
Treasury stock	-2.576	-2.576	
Retained earnings / (deficit)	19.470	20.278	-808
Net income / (loss)	1.605	-270	1.875
Share Capital and Reserves attributable to the Shareholders' of the Parent Company	**97.969**	**94.705**	**3.264**
Share Capital and Reserves attributable to non-controlling interests	85.300	80.405	4.895
Total equity	**183.269**	**175.110**	**8.159**
Severance indemnity	2.803	2.761	41
Deferred tax liabilities	1.110	1.172	-62
Other accruals	7.159	6.683	476
Financial liabilities	10.579	6.684	3.894
Non current liabilities	**21.650**	**17.301**	**4.349**
Financial liabilities	12.768	12.997	-230
Accounts payables	38.138	34.576	3.562
Income tax payables	1.778	762	1.017
Other payables	31.771	28.649	3.122
Current liabilities	**84.455**	**76.984**	**7.471**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**289.374**	**269.396**	**19.978**

Net financial position		
	30/06/2012	**31/12/2011**
Cash and bank	57.313	48.365
Financial instruments	27.719	24.332
Cash and cash equivalents	**85.031**	**72.697**
Short term financial receivables	**20**	**20**
Bank short term loan	(10.585)	(11.265)
Part of financial long term liabilities due within 12 months	(2.183)	(1.732)
Financial short term liabilities	**(12.768)**	**(12.997)**
Net current financial position	**72.284**	**59.720**
Bank long term loan	(8.688)	(4.548)
Bonds	(212)	(425)
Other long term financial liabilities	(1.679)	(1.711)
Financial long term liabilities	**(10.579)**	**(6.684)**
Net financial position	**61.705**	**53.035**

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

1.9 Consolidated income statement and net financial position as of June 30th 2012 (excluding Cynosure from the scope of consolidation)

The chart below shows the consolidated Income Statement for this half and the net financial position of the Group, excluding the subsidiary Cynosure from the scope of consolidation.

Income Statement	**30/06/12**	**Inc.%**	**30/06/11**	**Inc.%**	**Var.%**
Revenues	74.814	100,0%	67.280	100,0%	11,2%
Change in inventory of finished goods and WIP	1.015	1,4%	5.408	8,0%	-81,2%
Other revenues and income	1.432	1,9%	1.403	2,1%	2,1%
Value of production	**77.261**	**103,3%**	**74.091**	**110,1%**	**4,3%**
Purchase of raw materials	36.790	49,2%	36.247	53,9%	1,5%
Change in inventory of raw material	(474)	-0,6%	(2.330)	-3,5%	-79,6%
Other direct services	5.702	7,6%	5.960	8,9%	-4,3%
Gross margin	**35.244**	**47,1%**	**34.214**	**50,9%**	**3,0%**
Other operating services and charges	12.532	16,8%	12.759	19,0%	-1,8%
Added value	**22.712**	**30,4%**	**21.455**	**31,9%**	**5,9%**
For staff costs	16.406	21,9%	15.386	22,9%	6,6%
EBITDA	**6.306**	**8,4%**	**6.069**	**9,0%**	**3,9%**
Depreciation, amortization and other accruals	2.477	3,3%	2.876	4,3%	-13,9%
EBIT	**3.829**	**5,1%**	**3.192**	**4,7%**	**19,9%**
Net financial income (charges)	5	0,0%	(792)	-1,2%	
Share of profit of associated companies	(270)	-0,4%	(400)	-0,6%	-32,3%
Other net income (expense)	(1)	0,0%	0	0,0%	
Income (loss) before taxes	**3.562**	**4,8%**	**2.001**	**3,0%**	**78,0%**
Income taxes	2.018	2,7%	1.647	2,4%	22,5%
Income (loss) for the financial period	**1.545**	**2,1%**	**354**	**0,5%**	**336,8%**
Minority interest	849	1,1%	1.002	1,5%	-15,3%
Net income (loss)	**695**	**0,9%**	**(649)**	**-1,0%**	

Net financial position		
	30/06/2012	**31/12/2011**
Cash and bank	27.834	20.778
Financial instruments	101	81
Cash and cash equivalents	**27.935**	**20.859**
Short term financial receivables	**20**	**20**
Bank short term loan	(10.550)	(11.230)
Part of financial long term liabilities due within 12 months	(1.983)	(1.582)
Financial short term liabilities	**(12.534)**	**(12.813)**
Net current financial position	**15.421**	**8.066**
Bank long term loan	(8.603)	(4.469)
Bonds	(212)	(425)
Other long term financial liabilities	(1.332)	(1.409)
Financial long term liabilities	**(10.147)**	**(6.302)**
Net financial position	**5.274**	**1.764**

For the subconsolidated statement drawn up excluding Cynosure, as already mentioned, the increase in sales volume is less (+11,2%) than that registered for the consolidated statement of the Group.

The gross margin was 35.244 thousand Euros, an increase of 3,0% with respect to the 34.214 thousand Euros registered on June 30th 2011 but showing a slight drop in the incidence on the sales volume which decreased from 50,9% for last year to 47,1% for this half. The decrease in revenue from sales was mainly due to a different mix of products which was less favorable.

The “Costs for operating services and charges” showed a decrease in the incidence on the sales volume, which dropped from 19% on June 30th 2011 to 16,8% for this half, while the “Costs for personnel” decrease in their incidence from 22,9% last year to 21,9% on June 30th 2012.

As a result of these trends there was an EBITDA of about 6,3 million Euros, with an incidence of 8,4% on the sales volume as opposed to the 9,0% on June 30th 2011.

Costs for amortizations, depreciations and accruals amounted to 2.477 thousand Euros, a decrease with respect to June 30th 2011 when it was 2.876 thousand Euros; the incidence on the sales volume also decreased, from 4,3 to 3,3% for this half.

As a result, an EBIT of 3,8 million Euros was registered, an increase with respect to last year; the incidence on the sales volume also rose, to 5,1% from 4,7% for the first half of 2011.

Net financial income amounted to 5 thousand Euros (on June 30th 2011 instead it showed a loss of 792 thousand Euros) while the associated companies that showed negative results, pertain entirely to the Group without Cynosure; for this reason the relative cost entry is unchanged with respect to the consolidated statement of the Group and shows a loss of 270 thousand Euros, equal to 0,4% of the sales volume.

Pre-tax profit amounted to 3.562 thousand Euros, an improvement with respect to the 2.001 thousand Euros on June 30th 2011.

The fiscal costs for this half amounted to a total of 2 million Euros. The tax rate for this half was negatively affected by the presence of some fiscally non-deductable negative revenue components, like the devaluations made on some of the equities, mainly by the Parent company, and by the failure to enter some deferred tax assets on the losses of some of the companies during this half.

The first half of 2012 closes with a net profit for the Group of 0,7 million Euros as opposed to the loss of 0,7 million Euros registered for the first half of 2011.

1.10 Subsidiaries results

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 scope 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 half of 2012.

	Revenues 30-giu-12	Revenues 30-giu-11	Var. %	EBIT 30-giu-12	EBIT 30-giu-11	Net income 30-giu-12	Net income 30-giu-11
El.En. SpA	21.773	23.468	-7,22%	2.289	2.393	834	-715
Subsidiary companies:							
Cynosure (*)	56.733	34.256	65,61%	2.984	-2.152	2.133	-2.185
Deka Mela Srl	12.895	11.816	9,14%	369	601	441	672
Cutlite Penta Srl	4.225	4.328	-2,38%	-393	-32	-353	-50
Esthelogue Srl	1.547	686	125,51%	-115	-1.421	-96	-1.372
Deka Technologies Laser Sarl	1.222	1.526	-19,93%	-427	6	-426	5
Deka Lasertechnologie GmbH	40	105	-61,51%	-47	15	-47	15
Deka Laser Technologies Inc.	876	1.218	-28,04%	-192	-127	-199	-133
Deka Medical Inc.	1.555	982	58,31%	-194	-410	-193	-414
Quanta System SpA	12.602	11.393	10,61%	1.109	741	565	185
Asclepion Laser Technologies GmbH	9.101	7.576	20,13%	180	-251	111	-224
Asa Srl	3.034	3.313	-8,43%	410	665	259	406
Arex Srl	381	452	-15,74%	5	30	-5	11
AQL Srl	109	80	36,51%	-16	-33	-17	-26
Ot-Las Srl	669	1.078	-37,95%	-287	-199	-218	-152
Lasit Spa	3.711	2.983	24,40%	434	134	288	17
Lasercut Technologies Inc.	80	124	-35,01%	-40	5	-41	3
BRCT Inc.	0	0		-2	1	1	3
With Us Co LTD	13.104	9.522	37,62%	922	509	484	382
Deka Japan Co LTD	1.347	1.257	7,12%	63	147	35	75
Wuhan Penta Chutian Laser Equipment Co LTD	9.057	7.998	13,24%	388	1.134	633	760
Lasit Usa INC	460	389	18,30%	48	-20	47	-20
Cutlite do Brasil Ltda	1.485	2.074	-28,38%	-227	-40	-284	-33
Pharmonia Srl	757	890	-14,91%	-35	-81	-39	-64
Quanta France Sarl	215	0		-59	0	-59	0
Ratok Srl	0	0		0	2	0	2

(*) consolidated figures

El.En. S.p.A.

The parent company, El.En. SpA, is active in the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of after-sales services, like supplying of spare parts and consulting and technical assistance, which represent an integral part of its activity.

In following a policy of continued expansion over the years El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales.

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries, while the financial management of the equities takes on a major importance both in the absorbing of managerial resources as well as in the impact on the economic and financial results of the company.

As in earlier years, the activities of El.En. SpA, takes place at the headquarters in Calenzano (Florence) and in the local branch in Castellammare di Stabia (Naples).

Results of the operating activities in the first half of 2012 were not particularly satisfying and were affected by the continued economic crisis in Europe and the drop in sales volume. The increase in the financing granted in support of research and development and the control of expenses made it possible to maintain an EBITDA at the same level as last year; the accruals on receivables which was again made necessary by the operating and financial difficulties of clients

and subsidiary companies on the other hand produced a reduction in the EBIT which, in any case, improved in the incidence on the sales volume which was 10,5%.
The amount of earnings which pertained to the financial income was quite significant, thanks in particular to the positive difference in the exchange rate for some of the receivables in US dollars. The charges that the Parent Company must absorb in order to sustain the activities of the subsidiary companies, its main clients, are shown with the other charges and are still substantial although decreasing with respect to last year; the devaluation of the equities which, besides the loss of the initial capital is also affected by the necessity of covering the losses incurred during the year, reflect the financial investment needed to create new commercial markets for El.En. products and the necessity of financing the start-up phase which, in part due to the unfavorable economic climate, has turned out to be longer and more complex that initially expected.
Consequently, earnings before taxes were quite positive (7,9% of the sales volume) which made it possible to return to a net profit of 834 thousand Euros for the first half, reversing the losses for 715 thousand Euros registered for the first half of 2011.

In consideration of the persistence of the negative local and international economic climate, the outlook for the end of this year must be evaluated with great caution; we are, however, sure that in the second half we will be able to improve on the results for the first half of this year.

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. After the crisis of 2008 interrupted several years of exceptional growth and profits and caused a reduction in sales volume and profts for the years that followed, 2012 has represented a turning point with a return to fast growth and high EBIT and net income.
This result was obtained thanks to the recovery of the core markets and the excellent management of the assets acquired in 2011: Elémé with its interesting system SmoothShapes®XV for "body shaping", the marketing of Pinpointe for onicomicosis and, above all, the California company HOYA ConBio®, leader in the sector for removal of tattoos and vascular lesions. The total investment of about 30 million dollars made by Cynosure in 2011, thanks to the successful management of the integration of the new acquisitions, will assure an increase in the sales volume on an annual basis that is far greater than the amount of the investment.
In February of 2012 the Cellulaze system, an evolution of the Smartlipo system and the result of a joint project with El.En. S.p.A., obtained FDA clearance for marketing in the United States. The testing of the effectiveness of the system, the only one that removes cellulitis with a single, minimally invasive operation, required on the part of the FDA an extremely laborious procedure which was unusually long for this type of equipment and this fact caused a long delay in launching the product on the most important market. The results for 2012 were immediately benefitted, the business volume and the margins obtained, with this unique and innovative system for a widely requested application.
With its 360 employees, Cynosure combines its considerable marketing capacity with a brilliant research and development team, which is able to successfully handle highly innovative projects. One of the most interesting activities in the last few years has been the development of a new product intended for home use which has been conducted in partnership with the multinational Unilever and received FDA clearance in July of 2012; this product will be launched exclusively by Unilever next year.
Moreover, great interest was aroused by the preliminary application results of the innovative picosecond laser system "Picosure" presented for the first time at the ASLMS congress in April of 2012. This technology which, because of its complexity, up to now has been used only in research laboratories, has been developed into a system which is capable of revolutionizing application techniques in various specialties, above all in tattoo removal, for which it is much more effective than any system now available on the market.

Deka M.E.L.A. Srl
Deka represents the main marketing channel for the range of medical laser systems develpoed in the laboratories of the factory in Florence. It was one of the first companies to become part of the Group and has gradually consolidated its position on the market, first in Italy and later in other countries. Deka operates in the sector of dermatology, aesthetics, and surgery and makes use of a network of direct agents Italy and, for export, of highly qualified distributors. DEKA has assigned the management of the physical therapy segment to the subsidiary ASA, and obtained excellent results both in terms of sales volume and profits. For the dental sector in Italy, since 2010 Deka has managed their own distribution, after terminating earlier agreements with an outside distributor.
Although the level of sales volume is maintened and increased, in 2012 Deka has been subjected to constant pressure in relation to their sales margins, in particular in Italy where the economic situation made it impossible to sell high priced systems as they had done in the past, but also in the distribution of on European and non-European markets. For this reason, the results for 2012, although positive, show a decrease with respect to the same period in 2011, and at this time there are no expectations for making up the difference.

Cutlite Penta Srl

This company manufactures laser systems for industrial cutting applications and installs X-Y movements controlled by CNC on power laser sources manufactured by El.En. S.p.A..

The first half of 2012 represented for Penta a difficult phase of transition during which they had to sustain expenses for promotions, trade fairs and open houses, and a qualified staff with an aim to increasing the volume of business, in particular through the creation of a stable selling structure for metal cutting systems. All of this occurred during a period of difficulty for its main markets, which are mostly Italian and European and in the presence of a drop in sales to the subsidiary Wuhan Penta Chutian, which was also having to face market conditions that were less favorable than expected. The result was a loss, which was also penalized by the reduction in margins, however the company counts on a recovery in sales volume and revenue in the second half.

The financial situation of the company is characterized by a high level of payables to the Parent Company El.En. S.p.A., which is their fundamental technological partner , as well as their financial partner, also in the important controlling equity they have in Wuhan Penta Chutian.

Wuhan Penta Chutian

The company celebrated its fifth anniversary in May of this year. It is located in the Hubei region of central China and is involved in the development of the production of laser cutting systems for the local market. The company benefits from the system technology of Cutlite Penta, the laser sources manufactured by El.En. and the experience of the local partner for the manufacture and distribution. During its five year existence it has continued to show a constant growth in sales volume and earnings.

During the first half of 2012 the company again showed growth in sales volume and had to deal with the slow-down of the Chinese economy. This occurred at the same time that there was an increase in the level of expenditures which were intended to re-enforce the management for the purpose of improving the quality of the structure which aspires to reach an important part of the local market.

Quanta System SpA

Quanta System started as a research laboratory and became part of the scope 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.

The company has concentrated mainly on the medical-aesthetic sector and had planned its growth in particular in the aesthetic sector on the acquisition of the Spanish company GLI; when this company ran into difficulty, Quanta System differentiated its products and became a supplier of advanced technological solutions in the surgical sector.

Currently the products offered by Quanta System would appear to be particularly suitable for the requirements of the market. In the medical sector the Alexandrite hair removal systems have been highly successful, while using Q-switched technology they produce systems for the removal of tattoos and vascular lesions; the former have become very popular in the USA and the latter in the Far East. In the surgical sector sales are concentrated on endovascular treatments and those for BPH (benign hyperplasia of the prostate) thanks in particular to the Tullium technology and, for lithotripsy the 30W Holmium laser has become the standard treatment used by numerous partners that buy from Quanta in OEM.

The activities in OEM, which represent a significant quota of the sales volume of Quanta, are conducted to the benefit of partners of major importance including some companies of the Group; in 2011 Cutera Inc., quoted on Nasdaq (CUTR) and one of the leaders on the international markets, also became one of the partners.

The EBIT for this half was positive and improved those of last year. The net income also showed a marked improvement thanks to the decrease in incidence of the negative effects derived from the results of the associated company GLI which, even though operating in an economic situation of considerable tension, was able to reduce the losses. The outlook for the second half of 2012 therefore remains positive.

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 gradually acquired a high standing on the international markets for laser equipment for medical applications.

The last two years have been characterized by a series of difficulties with the volume of business limited by the crisis and the expansion in the specific aesthetic sector which came to a halt without achieving the objectives which had been set. Starting in the fourth quarter of 2011, in particular after the launching of the Mediostar Next hair removal system, the company again became a market leader and achieved positive results; at the end of 2011 Asclepion became part of the capital of Esthelogue S.r.l., which distributes its systems on the professional aesthetic market in Italy.

The outlook for the end of 2012 is good, also in view of the fact that traditionally the fourth quarter is the best one in the year.

With Us

This company distributes Deka products on the Japanese market and on account of its importance several specific models are produced specifically for its requirements. 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. In the first months of 2012 the company registered a significant increase in the sales volume, thanks in part to the improved exchange rate between the Japanese currency and the Euro, and the numerous sales, in distribution, of some of the aesthetic equipment manufactured locally. The sales margin for these latter is less than those that are subject to traditional sale, with an obvious effect in the reduction of the sales margins which, however, thanks to the high volume of sales, did not prevent them from achieving a considerable improvement in the EBIT and net profits for this half.

It should be noted that in March of this year the company acquired treasury stock and bought out one of the minority partners, thus raising the quota of the Group’s equity from 51,25% to 78,85%, an operation that even on a short term basis confirms its advantage.

The general out look for the company’s activities remains good.

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. The perfect balance between the innovation of products and the clinical and commercial activities directed towards the support of the therapeutic methods of the systems developed has consolidated the quality of their offer and along with it their position on the market so that the company has been able to register a constant growth rate, even in these years of crisis. In the first half of 2012 the sales volume decreased with a consequent drop in revenue which, however, still maintains a good level. The plans for 2012 include the objective of continued growth, a goal which is, in any case, achievable notwithstanding the drop in the first half.

Other companies in the medical sector

In France **Deka Technologies Laser Sarl** distributes the Deka range of of laser systems. In 2011 the growth in sales came to a sudden halt and, combined with the increase in expenses, caused a loss for the period. The beginning of 2012 confirmed the period of difficulty with a sales volume that was far below breaking even, in part also for the drop in the sales margins. The operating expenses decreased slightly but were not sufficient to avoid the heavy losses that were registered, of such an entity that it is not likely they will be recovered in the second half. **Deka Lasertechnologie GmbH,** which has the same purpose as the French company but operates on the German market, at the beginning of 2012 attempted to revitalize their stagnant volume of business with a series of initiatives which increased their operating costs without producing the hoped for results, at least up to now.

Deka Japan is now entering its fourth year of activity and is involved in the distribution of medical systems in Japan. The volume of business remains on substantially the same level as last year, with moderate revenue conditions. During July the MOH or Ministry of Health issued the authorization for sale of the Smartxide Dot system, which can now be marketed and promoted in Japan thus increasing sales.

The distribution of DEKA systems in the United States is made through **Deka Laser Technologies Inc**. for the dental sector and **Deka Medical Inc**. for the medical/aesthetic and surgical sector. The marked improvement registered at the beginning of the year by Deka Medical, while reducing the operating losses, still was unable to produce a break-even in the Income Statement. In the dental sector, costs were reduced in an attempt to balance the sales volume, for which a recovery is expected in the next few months.

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. After registering a rapid growth in 2010 the main problems related to this sector began to emerge, in particular the financing and solvency of the clientele and because of the losses that had been incurred it became necessary to down size the structure of the company. On the basis of this smaller structure with lower overhead and more adapted for the particular market situation, besides the financial and operative support of the El.En. and Asclepion partners, the activity was relaunched and is now going through a positive phase. The recovery of the sales volume is satisfactory and the EBIT is negative only due to the accruals on receivables boked in the past. It should be recalled that for our products, which are distinguished by the high technical quality and the dedication to laser systems, reaped great benefit from the legislative intervention of July 2011 which clarified the area of use of laser technologies in this sector.

Raylife Srl, a subsidiary of the German company Asclepion, has abandoned the aesthetics distribution sector and has changed its name to **Pharmonia Srl;** under this name it will distribute aesthetic systems specifically designed and manufactured for use in pharmacies, for which the first installations have already been made.

During 2011 Quanta System Spa acquired control of its French distributor, **Quanta France Sarl**, which represents a sisal branch office on French territory; during this half the company did not develop a sales volume that was sufficient to break even.
The medical center **Arex Srl**, which is specialized in the treatment of psoriasis and vitiligo continued their activity in a satisfactory manner.

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. The negative phase with losses which occurred in 2011 persist in the first months of 2012 to the extent that measures have been taken to reduce overhead and modify the organizational structure of the production in order to face this prolonged period of drop in demand with lower general expenses.

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 crisis and re-organization in which they broke even in 2010, Lasit continued its strong growth and in 2011 obtained the best results in its history and started a trend which continued and even improved in 2012; the result for this half is excellent and shows an increase in sales volume of 24% and an EBIT that is more than double.

The subsidiaries **Lasit Usa Inc**. showed a good level in the sales volume for this half and a positive EBIT which contributed to the excellent results of the controlling company.

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 areas of this country most suited for manufacturing activity. After a first quarter which showed significant recovery, activities again suffered a slow-down in the sales volume and registers a loss for this half.

1.11 Research and Development activities

During first half of 2012 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. Valid innovations, in fact, can convince clients in both the medical and industrial sectors to overcome their fears concerning the amount of the investment to be made.
In general, for highly technological products in particular, the global market requires that the competition be met by continually placing on the market completely new products and innovative versions of old products which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid-term schedules.
The innovative results consist essentially in the creation of new laser applications and the development of suitable equipment for the new applications. In other words, we conduct research in order to understand unresolved or new problems in the fields of medicine and industry and we look for solutions on the basis of our experience and culture in laser systems related, on the one hand, to its generation and level of power and, on the other, its management over time and in the shape of the ray.
The research which is aimed at obtaining mid-long-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 Research Institutions or Regional structures in Italy and other countries.
The El.En. 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.

<u>Systems and applications for lasers in medicine</u>
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, and in this field we have continued or started research on new clinical applications; for this purpose we are now working on further technological innovations that are contained in the scansion systems that are characterized by newly developed optical systems and electronic management which make it possible to perform surgical operations on various parts of the body with extreme precision.
For some of the versions of this group of devices, there is the possibility of having a second semi-conductor laser source with a wave length that can be selected by the client when ordering; for semiconductor sources we are conducting research in collaboration with medical specialists for uses in new fields. At numerous centers in Italy and other countries there is an intense activity in the collection of clinical results related to the innovative applicative possibilities created by the machines belonging to this group.
The research activities that are part of the MILORDS project have continued. This project was approved by the Region of Tuscany and co-financed by the European Union; the MILORDS project involves the development of new robot-controlled laser systems for surgical applications in opthamology, cutaneous ulcers, treatment of benign hypertrophy of the prostate, and, eventually, the percutaneous ablation of masses inside the human body. The project, of which El.En. is the leader, has as its partners the leading research centers in Tuscany in this sector and companies that are connected to multinationals in the field of robotics. The research of this type is part of the current involving development of systems for minimally invasive surgery which has a major impact both on the quality of life of the patient and on the reduction of expenses of the health care agencies.
We are now concluding the development phase of the new platform (Alex+Nd:YAG+IPL). 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. We are also in the conclusive phase of the activity involving the collection of data from the experimentation in clinics in Italy and other countries.
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) and RLT (Regenerative Laser Treatment) for uses in physical therapy, dermatology (cutaneous ulcers), with experiments also conducted in the USA in collaboration with various research centers, using animal models, like horses.
We have concluded, the complex procedure for the validation of clinical trials as part of the collaboration for new experimental research on treatments of patients with cartilage diseases of the knee joint with the Istituti Rizzoli of Bologna which have been our partners now for several years, and with specialized orthopedic clinics in Germany. Procedures are now in progress in order to obtain authorization from the Ethics Committees of the various health institutions involved.
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.
We have continued research and experimentation in collaboration with the university clinics of Pisa and Florence and with the Department of Engineering and Telecommunications of the University of Florence; we are now concluding research for the creation of interaction laser tissue models for programming ablation operations. Moreover, we are continuing research aimed at identifying methods for characterizing tissue treated with radio-frequency ultrasonic signals in order to improve the verification phase of the effects of the treatment received; we have completed the activities aimed at identifying the procedures for making cooled point applicators with forced circulation of liquid. These activities were conducted as part of the technological phase which follows the research conducted as part of the TRAP project with grants from the European Union issued through 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, while at the same time obtaining protection for the brand names and applications for the most important countries.
At El.En. we have conducted research for new medical applications in the recently created PHOTOBIOLAB for the study of the interaction between light and biological tissue. We have continued activities for autonomous research with the help of molecular biology methods. As part of this project we have a workroom for in vitro trials of pre-prototype equipment and for the education of the operators. The creation of laser devices for surgical operations in the venous vascular sector has been completed.
At Cynosure they have completed experiments on the treatment of cellulitis with new instruments which have innovative characteristics in terms of the power levels and control of their output with recto-activated systems using information from temperature sensors working on more than one wave length.
Clinical studies were continued on new methods for eliminating tattoos and discolorations on the skin with as new alexandrite laser with impulses in pico-seconds using a wide range of pigment colors.

Quanta System continued their activity for the development of two new laser types, a Holmium and a Tullium infrared, for the treatment of benign hypertrophy of the prostate and for a fiber laser with increased performance with respect to the state of the art; which was in part financed by funds from a European Union project. They 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 conducted studies related to the use of turbines with magnetic bearings for CO_2 power lasers for the purpose of reducing pollution from gaseous mixtures of the active means and guarantee reliable functioning on high speed rotation.
We are now developing methods for optimizing the emission wave length for CO_2. power lasers for applications in the field of cutting and sealing plastic materials.
We are now in the testing and experimentation phase for scansion and focalizing heads for fiber lasers for remote welding of metallic materials for the automotive sector and the manufacture of furniture. As part of this research we are developing a new dynamic system for the focalization with high speed response. We have concluded the experimentation activities related to cutting applications of metallic materials after developing a capacitive sensor for controlling the position of the focal zone of the laser ray with respect to the surface of the material.
As part of the program sustaining the development of methods and equipment for restoration of art works in Tuscany the regional project (TEMART) is now in its final phases; in this project El.En. is responsible for the development of the laser equipment for particular types of cleaning of various kinds of art works. An important result was obtained, among others, for the generation of programmable short-term impulses. We have scheduled the work phases and conducted feasibility studies 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 conducted tests and experiments on the 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 is active in the development of new systems and innovation of 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. and they started new developments in this family of sources with higher degree of compacting.
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.

They are now working on developing methods for eliminating most of the optical routes of the CO_2 laser ray with solutions that include the direct assembly of the new sources with radio-frequency pumping on the mobile portal of the machine.
They have also completed the development of the software for the raster scanning used for superficial marking of metals and other materials on the cutting machines. They have initiated feasibility studies for new laser applications in the production cycle of glass objects.
At Quanta System they have completed a research program on the use of laser based working technologies on components for exploiting solar energy; financing for the project has been approved by the special commissions of the European Union.

At Ot-las the engineering and development activities have been concentrated on the integration of technological components supplied by the Parent Company El.En. S.p.A. in laser marking systems which are designed to identify and to satisfy the new needs for maufacturung production, in particular with high added value and creative content. They have continued the development of systems destined for the OEM market and the integration into production lines or cells for working on high speed 2D marking lines for 3D cutting of plastic components and heat perforated plastics.

The chart below shows the expenses sustained for Research and Development.

thousands of euros	**30/06/2012**	**30/06/2011**
Costs for staff and general expenses	7.259	5.969
Equipment	164	83
Costs for testing and prototypes	897	989
Consultancy fees	308	339
Other services	442	261
Total	**9.069**	**7.643**

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. 6,7 million dollars as opposed to the 4,7 spent during the same period last year.

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

The amount of the expenses sustained corresponds to 7% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 6,7 million dollars which represents about 9% of its sales volume; the rest of the expenses were sustained mostly by El.En. SpA and represents 10% of its sales volume.

1.12 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, derivative contract 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
In the first half of 2012 , approx. 70% 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 13% of the total trade receivables from third parties.

In relation to guarantees granted to others, it should be noted that the Parent Company El.En along with a minority partner, in 2009 underwrote a bank guarantee for a maximum of 1 million Euros to guarantee the debt 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.
In 2010 the Parent Company, El.En. SpA underwrote the following:
- 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, with original expiration date in April 2012, prolonged until October 31st 2012;
- 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, with original expiration date in April 2012 prolonged until October 31st 2012;
- 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, with expiration date July 2012;
- 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, with expiration date in November 2013;
And during 2011:
- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, which expires in September 2014.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum amount of 1.178 thousand Euros as a guarantee for the payment of the sum required for the reimbursement of the VAT for the fiscal year 2010, with expiration date in March 2015.

The subsidiary Quanta System issued a bank guarantee in favor of some credit institutions of the associated Grupo Laser Idoseme for a residual of 312 thousand Euros which fell due on February 27th 2012 and was renewed for an amount of 200 thousand Euros until February 27th 2013; for the remaining portion a bank guarantee was issued which will be renewed every quarter for gradually decreasing amounts until it is extinguished on January 31st 2013.

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.

Management of the capital
The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness and a correct financial structure sustaining the business are maintained so as to guarantee an adequate ratio between capital and reserves and debts.

1.13 Governance

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 May 15th 2012 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 2014, voted that there should be eight members making up the administrative organ of the company.

As of June 30th 2012 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 2012, 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.

1.14 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.

1.15 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 2012 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.16 Significant events during the first half of 2012

On January 30th 2012 the subsidiary Cynosure, Inc. (NASDAQ: CYNO) announced that the U.S. Food and Drug Administration ("FDA") had authorized the commercial distribution of the Cellulaze™ in the United States. After almost four years of clinical research Cellulaze has been placed in a class of excellence of its own: it is the only procedure which has given clinical proof that it reduces cellulitis in a sole treatment. Cellulaze therefore completes the family of Smartlipo™ systems for body shaping.
After the authorization for the sale of this innovative system, which is the result of collaboration between the research teams of Cynosure and El.En., we expect a significant rise in sales and a consolidation of the leadership position of the Group in the minimally invasive laser-lipolysis applications, in which Cellulaze represents the ultimate device designed specifically for removal of cellulitis.
The President and CEO of Cynosure has stated that "Cellulaze is the first and only minimally-invasive system for treating women who have struggled to eliminate cellulitis with diet and exercise or have tried the many lotions and creams now on the market. Unlike these products, Cellulaze is the only device that directly treats the physiological structure of cellulitis and has given clinical proof of effectiveness".
It is estimated that about 85% of women over 20 have some kind of cellulitis – small sacks of fat deposited under the surface of the skin, around the hips, thighs and gluteus which produce an "orange peel" effect. According to market research, the treatment of cellulitis constitutes a multi-million dollar business.

On January 31st 2012 the Parent Company sold the equity they held in Alfa Laser Srl (19%) to a third party for an amount of 1.000 Euros.

On March 30th 2012 the Japanese subsidiary With US Co. acquired shares equal to 35% of the capital stock of the company from a minority shareholder. As a result of this operation, the amount of the equity of the Group in this company was increased from the 51,25% previously held to 78,85%. The shares were purchased at the nominal value of 35.000.000 Japanese Yen, for the corresponding value of the amount of the shareholders' equity of the company with reference to March 31st 2012, which was about 107 million Yen. The greater value obtained in this way, which amounted to about 650 thousand Euros, does not represent revenue and increases the consolidated shareholders' equity and, percentagewise, that of the Group.

On May 7th 2012 the ordinary shareholders' meeting of Elesta S.r.l., a company in which the Parent Company El.En. S.p.A .holds a 50% equity, voted to cover the losses shown in the financial statement on December 31st 2011 and the financial statement drawn up on March 31st 2012 in compliance with art. 2482-bis c.c., for an amount of 643.602 Euros, by reducing the capital stock to zero, using the reserve that had been created for this purpose during the preceding financial year for an amount of 128.472 Euros plus an extra payment. They also voted to re-establish the capital stock for the original amount of 110 thousand Euros: the increase was entirely underwritten by the partners.

On May 15th 2012 the ordinary shareholders' meeting of the Parent Company El.En. S.p.A. approved the following measures:

Approval of the financials dated December 31st 2011

The assembly approved the financial statements of El.En. SpA and voted to deposit the profits for the year, amounting to 1.264.103,00 Euros in an extraordinary reserve.

Approval of the report on remuneration

The assembly approved the report on remuneration drawn up in compliance with art. 123-ter D.Lgs. of February 24 1998, n. 58.

Appointment of the members of the Board of Directors

After determining the number of members that constitute the Board, the assembly renewed the Board of Directors of the company and confirmed all of the previous members of the Board and the president, Gabriele Clementi. The members of the new Board will remain in office until the shareholders' meeting that is convened to approve the financials on December 31st 2014.

The assembly also voted on the maximum gross amount of the indemnity to be assigned to the Board members.

Appointment of the independent auditors for 2012/2020

In compliance with articles 12, 14 and 17 of D.Lgs. January 27th 2010, n. 39, upon expiration of the term of appointment as auditors which had been conferred to Reconta Ernst & Young SpA, Deloitte & Touche SpA were appointed as auditors for the years 2012/2020; the assembly also voted on the amounts of remuneration on the basis of the proposals advanced by the Board of Statutory Auditors.

In a special session the Assembly also approved:

Adjustment of the company by-laws

The assembly voted to adapt the company by-laws in compliance with L. 12 July 2011 n. 120 and the new Self-disciplining Code for companies listed on the stock market to the modifications on articles 19, 25 20 and 25.

Other modifications in the by-laws

The Assembly also voted to change art. 13 with the modification of the publication title for the notice of convocation of the assembly.

On May 15th 2012 the newly appointed Board of Directors, confirmed as managing directors the president of the Board Gabriele Clementi and the executive members Barbara Bazzocchi and Andrea Cangioli and assigned to them, separate from each other and with the right of signature, all the ordinary and extraordinary powers of administration for conducting the activities set forth in the company by-laws, with the exception of those attributions for which proxies . are prohibited by law and by the company by-laws. The Board than proceeded with the appointment of the committee members in compliance with the Self-disciplining Code for listed companies, and confirmed the members whose term was expiring, as well as the revision of the regulations naming of the committees in view of the recent modifications in the Self-disciplining Code.

1.17 Subsequent events

On August 3rd 2012 the subsidiary Ot-las Srl sold its equity in Lasit SpA, equal to 17,33% to the Parent Company El.En. S.p.A., for an amount of 450 thousand Euros.

Also on August 3rd 2012 the Parent Company El.En. S.p.A. increased the amount of its equity in Ot-las by buying 10% from a minority shareholder for 150 thousand Euros, thus bringing the amount of their equity to 100%.

On August 27th the Company received from Dott. Angelo Ercole Ferrario the letter of resignation from his position of board member from Dott. Angelo Ercole Ferrario.

1.18. Current outlook

The results for the first half of this year were satisfactory: they were above expectations as far as Cynosure and consolidated financial statement is concerned and essentially aligned with the expectations for the sub-consolidated without Cynosure.
For the consolidated statement drawn up excluding Cynosure, in consideration of the good half-yearly results and while awaiting more stable general conditions, we believe that we can confirm the objectives that were formulated at the beginning of the year based on the hypothesis of an improved economic scenario: a 10% increase in sales volume and an EBIT of 5% on the sales volume.

For the Board of Directors
Managing Director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30th 2012

Consolidated statement of financial position

	Notes		30/06/2012		31/12/2011
Statement of financial position					
Intangible assets	1		23.686.786		23.958.312
Tangible assets	2		28.141.530		27.807.086
Equity investments:	3				
- in associates		296.096		306.283	
- other investments		135.755		135.846	
Total equity investments			431.851		442.129
Deferred tax assets	4		6.871.999		6.354.281
Other non current assets	4		6.765.957		5.217.436
Total non current assets			**65.898.123**		**63.779.244**
Inventories	5		73.457.881		69.344.148
Accounts receivables:	6				
- from third parties		51.014.641		49.151.139	
- from associates		1.146.119		1.378.867	
Total accounts receivables:			52.160.760		50.530.006
Tax receivables	7		4.573.552		5.989.431
Other receivables:	7				
- from third parties		8.189.088		6.992.660	
- from associates		63.565		63.565	
Total other receivables			8.252.653		7.056.225
Financial instruments	8		27.718.736		24.332.276
Cash and cash equivalents	9		57.312.591		48.364.542
Total current assets			**223.476.173**		**205.616.628**
TOTAL ASSETS			**289.374.296**		**269.395.872**
Share Capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		38.367.352		36.170.908
Treasury stock	13		-2.575.611		-2.575.611
Retained earnings / (deficit)	14		19.470.314		20.278.069
Net income / (loss)			1.604.891		-270.336
Share Capital and Reserves attributable to the Shareholders' of the Parent Company			**97.969.235**		**94.705.319**
Share Capital and Reserves attributable to non-controlling interests			85.300.143		80.405.058
Total equity			**183.269.378**		**175.110.377**
Severance indemnity	15		2.802.707		2.761.474
Deferred tax liabilities			1.109.934		1.172.423
Other accruals	16		7.158.777		6.683.048
Financial liabilities:	17				
- to third parties		10.578.665		6.684.237	
Total financial liabilities			10.578.665		6.684.237
Non current liabilities			**21.650.083**		**17.301.182**
Financial liabilities:	18				
- to third parties		12.767.671		12.997.172	
Total financial liabilities			12.767.671		12.997.172
Accounts payables:	19				
- to third parties		38.010.578		34.452.352	
- to associates		127.449		124.139	
Total accounts payables			38.138.027		34.576.491
Income Tax payables	20		1.778.351		761.740
Other payables:	20				
- to third parties		31.770.786		28.648.910	
Total other payables			31.770.786		28.648.910
Current liabilities			**84.454.835**		**76.984.313**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**289.374.296**		**269.395.872**

(The operations with related parties refer to the associated companies. For further details, please consult the specific section of this report)

Consolidated Income Statement

Income statement	Note		30/6/2012		30/6/2011
Revenues:	21				
- from third parties		128.384.497		97.360.699	
- from associates		885.543		890.220	
Total revenues			129.270.040		98.250.919
Other revenues and income:	22				
- from third parties		1.619.830		1.550.580	
- from associates		16.215		2.450	
Total other revenues and income			1.636.045		1.553.030
Total revenues and income			**130.906.085**		**99.803.949**
Purchase of raw materials:	23				
- to third parties		56.143.745		48.951.183	
- to associates		117.574		68.908	
Total purchase of raw materials			56.261.319		49.020.091
Change in inventory of finished goods and WIP			(3.607.564)		(6.795.762)
Change in inventory of raw material			27.196		(4.400.601)
Other direct services:	24				
- to third parties		11.290.586		9.561.373	
- to associates		38.355		1.000	
Total other direct services			11.328.941		9.562.373
Other operating services and charges:	24				
- to third parties		24.237.161		22.484.851	
- to associates		72.271		112.279	
Total other operating services and charges			24.309.432		22.597.130
For staff costs	25		29.858.849		24.156.701
Depreciation, amortization and other accruals	26		5.320.690		5.147.456
EBIT			**7.407.222**		**516.561**
Financial charges:	27				
- to third parties		(1.125.655)		(1.160.686)	
Total financial charges			(1.125.655)		(1.160.686)
Financial income	27				
- from third parties		1.047.566		544.393	
Total financial income			1.047.566		544.393
Share of profit of associated companies			(270.487)		(399.731)
Other net expenses	28		(1.000)		(32.804)
Income (loss) before taxes			**7.057.646**		**(532.267)**
Income taxes	29		2.967.406		1.710.912
Income (loss) for the financial period			**4.090.240**		**(2.243.179)**
Minority interest			2.485.349		(673.267)
Net income (loss)			**1.604.891**		**(1.569.912)**
Basic net (loss) income per share			0,34		(0,33)
Diluted net (loss) income per share			0,34		(0,33)
Basic weighted average common shares outstanding	30		4.721.220		4.721.220

(The operations with related parties refer to the associated companies. For further details, please consult the specific section of this report).

Consolidated Statement of Comprehensive Income

	30/06/2012	30/06/2011
Reported net (loss) income	4.090.240	-2.243.179
Cumulative conversion adjustments	2.639.353	-6.498.312
Unrealized gain (loss) on marketable securities and on hedging derivatives	-14.405	8.227
Total comprehensive (loss) income	6.715.188	-8.733.264
Referable to:		
Parent Shareholders	2.449.003	-3.156.614
Minority Shareholders	4.266.185	-5.576.650

Consolidated Cash Flow Statement

Cash Flow Statement	Note	30/06/2012	Related parties	30/06/2011	Related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		4.090.240		-2.243.179	
Amortizations and depreciations	26	4.129.278		3.266.466	
Devaluations of equity investments	28	1.000			
Share of profit of associated companies		270.487	270.487	399.731	399.731
Stock Options	25	1.729.988		1.028.598	
Change of employee severance indemnity	15	41.233		-12.729	
Change of provisions for risks and charges	16	475.729		880.046	
Change of provisions for deferred income tax assets	4	-517.718		-519.934	
Change of provisions for deferred income tax liabilities		-62.489		106.289	
Stocks	5	-4.113.733		-8.362.514	
Receivables	6	-1.630.754	232.748	-2.488.236	-151.838
Tax receivables	7	1.415.879		827.039	
Other receivables	7	-1.196.428		-32.347	
Payables	19	3.561.536	3.310	-1.862.090	36.579
Income Tax payables	20	1.016.611		-495.805	
Other payables	20	3.121.876		-103.289	
		8.242.495		-7.368.775	
Cash flow generated by operating activity		12.332.735		-9.611.954	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-3.602.387		-1.483.074	
(Increase) decrease in intangible assets	1	-589.809		135.112	
(Increase) decrease in equity investments and non current assets		-1.809.730	-261.209	2.653.066	-313.786
Increase (decrease) in financial receivables	7			-93.150	3.676
(Increase) decrease investments which are not permanent	8	-3.386.460		16.076.285	
Cash flow from purchase of subsidiary companies				-18.660.486	
Cash flow generated by investment activity		-9.388.386		-1.372.247	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	17	3.894.428		-703.222	
Increase (decrease) in current financial liabilities	18	-229.501		8.546.138	
Change in Capital and Reserves		96.566		31.936	
Change in Capital and Reserves of third parties		318.006		105.130	
Change in Treasury Stock		-349.545			
Dividends distributed	31	-374.986		-1.279.548	
Cash flow from financing activity		3.354.968		6.700.434	
Change in cumulative translation adjustment reserve and other no monetary changes		2.648.732		-6.522.465	
Increase (decrease) in cash and cash equivalents		8.948.049		-10.806.232	
Cash and cash equivalents at the beginning of the financial period		48.364.542		41.514.927	
Cash and cash equivalents at the end of the financial period		57.312.591		30.708.695	

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 257 thousand Euros.

The strengthening of the US dollar during this half produced a positive effect on the net financial position of about 1,5 million Euros.

Changes in Consolidated Shareholders' Equity

SHAREHOLDERS' EQUITY:	**Balance 31/12/2010**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2011**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury 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 shareholders' 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
Share Capital and Reserves attributable to non-controlling interests	77.585.072	0	-335.304	875.990	-5.576.650	72.549.108
Total Shareholders' equity	171.724.375	0	-1.279.548	1.133.284	-8.733.264	162.844.847

SHAREHOLDERS' EQUITY:	**Balance 31/12/2011**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2012**
Share Capital	2.508.671	0	0	0	0	2.508.671
Additional paid-in capital	38.593.618	0	0	0	0	38.593.618
Legal reserve	537.302	0	0	0	0	537.302
Treasury shares	-2.575.611	0	0	0	0	-2.575.611
Others reserves:						
Extraordinary reserves	33.780.537	1.264.103	0	1	0	35.044.641
Reserve for contribution on capital account	426.657	0	0	0	0	426.657
Cumulative conversion adjustments reserve	-259.710	0	0		863.918	604.208
Other reserves	1.686.122	0	0	87.602	-19.180	1.754.544
Retained earnings	20.278.069	-1.534.439	0	727.310	-626	19.470.314
Profits (loss) of the year	-270.336	270.336	0	0	1.604.891	1.604.891
Parent company's shareholders' equity	94.705.319	0	0	814.913	2.449.003	97.969.235
Capital and reserves of third parties	80.423.527	-18.469	-374.986	1.003.886	1.780.836	82.814.794
Profit (loss) of third parties	-18.469	18.469	0	0	2.485.349	2.485.349
Share Capital and Reserves attributable to non-controlling interests	80.405.058	0	-374.986	1.003.886	4.266.185	85.300.143
Total Shareholders' equity	175.110.377	0	-374.986	1.818.799	6.715.188	183.269.378

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 increase in the value of the US dollar.
Other operations in the shareholders' equity of the Group refer to:

- the variation in the stock option reserve (other reserve) for an amount of 88 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 2012;

- the changes in the undivided earnings which, among other things, summarizes the increase in the shareholders' equity registered for Cynosure as a consequence of the stock option plans now in effect and the capital gains which were a registered as a result of the purchase of treasury stock made by With US.

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 Condensed consolidated Half-yearly Financial Statements for the El.En. Group as of June 30th 2012 was examined and approved by the Board of Directors on August 29th 2012.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The Condensed Half-yearly Consolidated Financial Statements 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 Income Statement,
- the Consolidated Statement of Comprehensive Income
- the Consolidated Cash Flows Statement
- the Statement of changes in the Consolidated Shareholders' Equity,
- the following Explanatory Notes

The economic information which is provided here is related to the first half of 2012 and of 2011. The financial information, however, is supplied with reference to June 30th 2012 and December 31st 2011.

The charts used by the El.En. Group for the intermediate period ending on June 30th 2012 have not been changed with respect to those used on December 31st 2011 and June 30th 2011.

CONFORMITY WITH IFRS STANDARDS

This Condensed Half-yearly Consolidated Financial Statements for the period ending June 30th 2012 has been drawn up in conformity with article 154-ter D. Lgs 24 February 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 Condensed Half-yearly Consolidated Financial Statements is drawn up in condensed 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 2011.

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 2011 with the exception of the adoption of the new or revised standards applicable starting January 1st 2012, as explained below.

IFRS 7 – Additional information
On October 7th 2010 the IASB published some amendments which were applicable to the financial periods starting after July 1st 2011. These amendments were issued with the intention of improving the comprehension of transfer transactions (derecognition) of financial assets, including the comprehension of the possible effects derived from any risk that might have remained with the firm that was transferring the assets. Moreover, the amendments require additional information for those cases when a disproportionate number of these transactions was initiated at the end of an accounting period.

New accounting standards, amendments and interpretations which are not yet applicable and not applied in advance by the Group:

As of the date of this consolidated half-yearly report the governing bodies of the European Union had not yet concluded the procedure for the authorization necessary for the adoption of the amendments and standards described below.

IAS 12 – Income taxes
The modification, issued by the IASB on December 20th 2010, requires that companies evaluate deferred taxes derived from assets (mainly real estate investments evaluated at fair value) on the basis of the manner in which the accounting value of the asset will be recovered (either through continued use or by sale). As a consequence of this amendment *SIC-21 – Income taxes – Recoverability of a re-evaluated non-amortizable asset* will no longer be applicable. The amendment should be retroactively applicable starting January 1st 2012 but since it has not yet been authorized by the European Union it cannot be applied to the half-yearly report of June 30th 2012. The adoption of this modification in any case would not have produced any effect from an evaluation point of view on the amounts shown in the report on June 30th 2012.

IFRS 9 – Financial instruments
The standard issued by the IASB on November 2009 and later amended in October of 2010, represents the first part of a process that is intended in gradual stages to entirely replace IAS 39 and introduces new criteria for the classification and the evaluation of assets and liabilities and the elimination of financial assets from the statement. The standard will be applicable retroactively starting on January 1st 2015.

IFRS 10 – Consolidated financial statements
This standard will replace *SIC-12 Consolidation – Specific purpose companies (vehicle companies)* and parts of IAS 27 – *Consolidated and separate statements* which will be renamed Separate Statement and will regulate the accounting treatment of the equities in the separate statement. The new standard is based on the existing standards and identifies in the concept of control the determining factor for the purposes of consolidation of a company in the consolidated statement of the controlling company. It offers, moreover, a guide for determining the existence of control in those cases where it is difficult to establish. The standard will be applicable retroactively starting on January 1st 2013.

IFRS 11 – Joint arrangements
This standard which will replace *IAS 31 – Equities in joint ventures*, and *SIC 13 – Jointly controlled companies*, will be retroactively applicable starting on January 1st 2013. This standard supplied the criteria for identifying agreements for joint control based on the rights and duties derived from the agreements rather than the legal form of the latter and establishes that the sole method for entering into accounts the equities in jointly controlled companies in the consolidated statement is that of the shareholders' equity method. After the standard was issued, *IAS 28 – Equities in associated companies* was amended so that, starting from the date that the standard came into force, it also included, in its range of application, the equities in jointly controlled companies.

IFRS 12 – Disclosure of interests in other entities
This standard, issued by the IASB in May of 2011 will be retroactively applicable starting on January 1st 2013. It specifically stipulates that additional information be supplied for every type of equity, including subsidiary companies, associated companies, joint venture agreements, vehicle companies and other non-consolidated vehicle companies.

IFRS 13 – Fair value measurement
This standard, issued by IASB in May of 2011 will be applicable starting on January 1st 2013. The standard defines *fair value*, clarifies how it should be determined and presents an information sheet which is common to all amounts evaluated at fair value. The standard is applied to all the transactions or payments in which another standard requires or allows an evaluation at fair value.

IAS 32 – Financial instruments: Presentation
The modification proposes a systematic chart for the compensation of financial instruments that are assets with financial instruments that are liabilities. The modifications will be retroactively applicable starting on January 1st 2014.

IFRS 7 – Financial instruments: Disclosures
This amendment requires information on the effects or potential effects of compensation contracts for financial assets and liabilities on the financial situation. The amendments will be applicable for companies starting activity on or after January 1st 2013 and for the intermediate periods after that date. Information must be supplied retroactively.

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

As of the date of this half-yearly consolidated statement the governing bodies of the European Union, on the other hand, have concluded the process of authorization necessary for the adoption of the amendments and standards described below, which however, the Group has decided not to apply in advance.

Modification of IAS 1 – Presentation of the Financial Statements
On June 16th 2011 the IASB issued an amendment to IAS 1 – *Presentation of the statement* which requires that companies group together all of the components presented among the “Other total earnings (losses)” according to whether they can be reclassified later in the income statement. The modifications will come into force starting on July 1st 2012.

Modifications to IAS 19 – Benefits to employees
On June 16th 2011 the IASB issued an amendment to IAS 19 – *Benefits to employees* which eliminates the option of deferring the recognition of actuarial gain and losses with the corridor method and requires the presentation in the economic and financial situation of the deficit or surplus of the fund, the recognition of the cost components related to the execution of the work and the net financial charges in the income statement, and the recognition of the actuarial earnings or losses which are derived from re-evaluation of the liabilities and assets among the “Other total earnings (losses). Moreover, the performance of the assets included among the net financial charges must be calculated on the basis of the discount rate of the liabilities and not on the expected yield of the assets. Lastly, the amendment introduces new additional information to be supplied in the report with the statement. The amendment will be applicable retroactively starting in the financial year which begins on January 1st 2013.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The Condensed Half-yearly Consolidated Financial Statements 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 scope 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	75,00%		75,00%	75,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	103.480	90,67%		90,67%	90,67%
Esthelogue Srl	1	Calenzano (ITA)	EURO	100.000	50,00%	50,00%	100,00%	90,00%
Deka Technologies Laser Sarl		Lyons (FRA)	EURO	76.250	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH		Munchen (GER)	EURO	51.129	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	2	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	3	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	4	Jena (GER)	EURO	2.025.000	50,00%	50,00%	100,00%	80,00%
Arex Srl	5	Solbiate Olona (ITA)	EURO	20.500		51,22%	51,22%	30,73%
AQL Srl	6	Vimercate (ITA)	EURO	50.000		100,00%	100,00%	67,58%
ASA Srl	7	Arcugnano (ITA)	EURO	46.800		60,00%	60,00%	45,00%
Cynosure Inc.		Westford (USA)	USD	12.848	23,29%		23,29%	23,29%
Cynosure GmbH	8	Langen (GER)	EURO	25.565		100,00%	100,00%	23,29%
Cynosure Sarl	8	Courbevoie (FRA)	EURO	970.000		100,00%	100,00%	23,29%
Cynosure KK	8	Tokyo (JAP)	YEN	10.000.000		100,00%	100,00%	23,29%
Cynosure UK	8	Cookham (UK)	GBP	1		100,00%	100,00%	23,29%
Suzhou Cynosure Medical Devices Co.	8	Suzhou (CHINA)	YUAN	no par value		100,00%	100,00%	23,29%
Cynosure Spain	8	Madrid (SPAIN)	EURO	864.952		100,00%	100,00%	23,29%
Cynosure Mexico	8	S. Jeronimo Aculco (MEX)	MEX	no par value		100,00%	100,00%	23,29%
Cynosure Korea	8	Seul (S. KOREA)	KRW	350.800.000		100,00%	100,00%	23,29%
With Us Co Ltd	9	Tokyo (JAP)	YEN	100.000.000		78,85%	78,85%	78,85%
Deka Japan Co. Ltd		Tokyo (JAP)	YEN	10.000.000	55,00%		55,00%	55,00%
Wuhan Penta Chutian Laser Equipment Co Ltd	10	Wuhan (CHINA)	YUAN	20.467.304		55,00%	55,00%	49,87%
Lasit Usa Inc.	11	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.	12	Branford (USA)	USD	50.000		100,00%	100,00%	100,00%
Pharmonia Srl	13	Calenzano (ITA)	EURO	50.000		100,00%	100,00%	80,00%
Deka Medical Inc	14	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
Quanta France Sarl	15	Paris (FRA)	EURO	35.000		60,00%	60,00%	36,00%

(1) owned by Elen SpA (50%) and Asclepion (50%)
(2) owned by BRCT Inc. (80,71%) and by ElEn Spa (11,78%)
(3) owned by Elen Spa (52,67%) and [illegible]

Ot-las (17,33%)
(4) owned by Elen SpA (50%) and Quanta System SpA (50%)
(5) owned by Quanta System SpA (51,22%)
(6) owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)
(7) owned by Deka Mela Srl (60%)
(8) owned by Cynosure Inc. (100%9
(9) owned by BRCT (78,85%)
(10) owned by Cutlite Penta Srl (55%)
(11) owned by Lasit SpA (100%)
(12) owned by BRCT (100%)
(13) owned by Asclepion (100%)
(14) owned by BRCT (100%)
(15) owned by Quanta System SpA (60%)

Operations conducted during this financial period
For the operations conducted during the first half of 2012 , see paragraph 1.15 of the Half-yearly Director's Report on Operations, "Significant events which occurred during the first half of 2012".

INVESTMENT IN ASSOCIATES

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)	1.200.000	50,00%		50,00%	50,00%
Elesta Srl	Calenzano (ITA)	110.000	50,00%		50,00%	50,00%
Grupo Laser Idoseme SL (1)	Donostia (SPAIN)	1.045.280		30,00%	30,00%	18,00%
Quanta System Asia Pacific Co.LTD (2)	Bangkok (Thailand)	5.000.000		49,00%	49,00%	29,40%

The capital stock of the associated companies is expressed in Euros except for Quanta System Asia Pacific expressed in Baht Thailandese
(1) owned by Quanta System SpA (30%)
(2) owned by Quanta System SpA (49%)

Operations conducted during this financial period
For the operations conducted during the first half of 2012 , see paragraph 1.15 of the Half-yearly Director's Report on Operations, "Significant events which occurred during the first half of 2012".

TREASURY SHARES

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' Meeting 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 October 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.

BASIS OF CONSOLIDATION

The intermediate statements used for the consolidation are the intermediate statements as of June 30th 2012 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 scope 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 shareholders' 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 Income statement.
The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the shareholders' 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 Income statement, 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 shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income statement 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:

	Exchange Rate	**Average exchange rate**	**Exchange Rate**
Currencies	**31/12/2011**	**30/06/2012**	**30/06/2012**
USD	1,29	1,30	1,26
Yen	100,20	103,31	100,13
Baht	40,99	40,37	39,87
Yuan	8,16	8,19	8,00
Real	2,42	2,41	2,58

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 Income statement. 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 01.01.12	Options issued 01.01.12-30.6.12	Options cancelled 01.01.12-30.6.12	Options exercised 01.01.12-30.6.12	Expired option not exercised 01.01.12-30.6.12	Outstanding options 30.06.12	Exercisable options 30.06.12	Exercise price
Plan 2008/2013	May, 15 2013	152.000	0	0	0	0	152.000	76.000	€ 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 770 thousand Euros.

During the first half of 2012 the average price registered for El.En. stock was approx. 11,45 Euros.

For the characteristics of the stock option plan as well as the increase in capital approved for its implementation, refer to 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 2012.

Outstanding options 01.01.12	Options granted 01.01.12- 30.06.12	Options cancelled, expired 01.01.12- 30.06.12	Options exercised 01.01.12- 30.06.12	Outstanding options 30.06.12	Exercisable options 30.06.12
2.376.341	612.771	338.782	46.256	2.604.074	1.948.833

The chart below shows the average exercise prices and the average remaining contractual life of the options in circulation as of June 30th 2012.

Average exercise price	Outstanding options 30.06.12	Exercisable options 30.06.12	Average life
$14,11	2.604.074		6,63
$13,98		1.948.833	5,84
	2.604.074	1.948.833	

ACQUISITIONS MADE DURING THIS PERIOD

During this half the El En. Group did not make any acquisitions. For the acquisitions made last year, please refer to the description given in the annual financial Report dated December 31st 2011.

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 31/12/11	Variation	(Devaluation)	Other Operations	(Amortizations)	Conversion Adjustments	Balance 30/06/12
Goodwill	17.393.236	-7.438				391.445	17.777.243
Costs of research, development							
Patents and rights to use patents of others	1.850.202	7.336			-165.595	46.255	1.738.198
Concessions, licences, trade marks and similar rights	2.690.250	45.970		-2	-175.344	22.136	2.583.010
Other	2.024.624	1.500		-2	-520.396	82.609	1.588.335
Total	**23.958.312**	**47.368**		**-4**	**-861.335**	**542.445**	**23.686.786**

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.
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 Directors have of their own activity.

The chart below shows the accounting value of the goodwill for each "cash generating unit".

CASH GENERATING UNIT (CGU)	Goodwill 30/06/2012	Goodwill 31/12/2011
Cynosure Inc.	14.593.278	14.209.271
Quanta System SpA	2.079.260	2.079.260
ASA Srl	439.082	439.082
Cutlite Penta Srl	407.982	407.982
Asclepion Laser Technologies GmbH	72.758	72.758
Arex Srl	55.000	55.000
Ot-Las Srl	7.483	7.483
Deka MELA Srl	31.500	31.500
Deka Laser Technologies	27.000	27.000
Quanta France	63.900	63.900
Total	17.777.243	17.393.236

The variations in the charge value of the goodwill of Cynosure can be attributed to the reduction caused by some of the stock options being picked up, as well as the effects of the exchange rate.

It should also 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 2011 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 2011, 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 “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 Quanta System.

Under the heading of “Concessions, licenses, trademarks and similar rights” we have entered, among other things, the overall cost sustained by the subsidiaries Cynosure, Asclepion, Quanta System and ASA for new software.

Under the heading of “Others” the entries consist mainly of multi-annual charges of the subsidiary Cynosure Inc. as a consequence of the acquisitions made last year.

Tangible fixed assets (note 2)

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

Cost	Balance 31/12/11	Increments	Devaluations	Other operations	(Disposals)	Conversion Adjustments	Balance 30/06/12
Lands	2.426.132					4.808	2.430.940
Buildings	14.773.847	2.487		1		13.403	14.789.738
Plants and machinery	4.248.247	42.471			-7.984	-1.135	4.281.599
Industrial and commercial equipment	30.203.521	3.005.905		3.109	-1.587.211	525.854	32.151.178
Other goods	12.117.068	959.018		2.381	-400.261	114.756	12.792.962
Tangible assets under construction	3.384	36.144		-6.360		69	33.237
Total	**63.772.199**	**4.046.025**		**-869**	**-1.995.456**	**657.755**	**66.479.654**

Depreciation provisions	Balance 31/12/11	Depreciation	Devaluations	Other operations	(Disposals)	Conversion Adjustments	Balance 30/06/12
Lands							
Buildings	2.027.030	223.252		-1		2.589	2.252.870
Plants and machinery	2.205.938	205.330		-1.587	-6.513	935	2.404.103
Industrial and commercial equipment	22.876.294	2.246.394		-756	-1.087.578	442.501	24.476.855
Other goods	8.855.851	592.967		1.258	-346.186	100.406	9.204.296
Tangible assets under construction							
Total	**35.965.113**	**3.267.943**		**-1.086**	**-1.440.277**	**546.431**	**38.338.124**

Net value	Balance 31/12/11	Increments	Other operations	(Depreciations and devaluations)	(Disposals)	Conversion Adjustments	Balance 30/06/12
Lands	2.426.132					4.808	2.430.940
Buildings	12.746.817	2.487	2	-223.252		10.814	12.536.868
Plants and machinery	2.042.309	42.471	1.587	-205.330	-1.471	-2.070	1.877.496
Industrial and commercial equipment	7.327.227	3.005.905	3.865	-2.246.394	-499.633	83.353	7.674.323
Other goods	3.261.217	959.018	1.123	-592.967	-54.075	14.350	3.588.666
Tangible assets under construction	3.384	36.144	-6.360			69	33.237
Total	**27.807.086**	**4.046.025**	**217**	**-3.267.943**	**-555.179**	**111.324**	**28.141.530**

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 2012 was 2.431 thousand Euros.

The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (Florence), where the company operates along with the four subsidiaries Deka M.E.L.A., Cutlite Penta, Esthelogue Srl and Pharmonia Srl, the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008, the building in the city of Torre Annunziata purchased in 2006 for the research, development and production activities of the subsidiary Lasit SpA, the building located in Branford, Connecticut, which the subsidiary BRCT possesses where Lasercut Technologies Inc. operates and the building which since May of 2008 houses the activities of the subsidiary Asclepion GmbH.

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 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 increases in the category “Other goods” refer mainly to the purchase of motor vehicles and electronic equipment.

The net value of the tangible assets being leased amounts to about 0,6 million Euros. Most of these assets are entered among the industrial and commercial equipment.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/12	31/12/11	Variation	Var. %
Equity investments in:				
associated companies	296.096	306.283	-10.187	-3,33%
other companies	135.755	135.846	-91	-0,07%
Total	431.851	442.129	-10.278	-2,32%

For a detailed analysis of the equities held by Group companies in associated companies, refer to the paragraph relative to the scope of consolidation in this document.
It should be recalled that the associated companies GLI SA, Immobiliare Del.Co. Srl, Smartbleach International SA (SBI SA), Elesta Srl and Quanta System Asia Pacific Co Ltd are consolidated using the shareholders' equity method.

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

Immobiliare Del.Co. Srl:	260 mila euro
Actis Srl:	1 mila euro
SBI S.A.:	297 mila euro
Elesta Srl:	58 mila euro
Grupo Laser Idoseme SL:	-403 mila euro
Quanta Asia:	83 mila euro

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

Other non current assets	30/06/2012	31/12/2011	Variation	Var. %
Securities	6.425.936	5.096.801	1.329.135	26,08%
Deferred tax assets	6.871.999	6.354.281	517.718	8,15%
Other non current assets	340.021	120.635	219.386	181,86%
Total	13.637.956	11.571.717	2.066.239	17,86%

The entry "Securities" is related to investments made by Cynosure in mid-term government bonds and as such, entered among the non-current assets for a total amount of 8,1 million dollars. It should be recalled that about 3,8 million dollars entered on December 31st 2011 among the non-current assets have been reclassified as of June 30th 2012 among the current assets since they are related to securities which mature during the first half of 2013.

Deferred tax assets amount to 6.872 thousand Euros and are referred, among other things, to the stock obsolescence provision, to the variations in inter-Group profits on the inventory for the period, to the devaluations made on some of the receivables and to fiscal losses brought forward.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	30/06/12	31/12/11	Variation	Var. %
Raw materials and consumables	27.764.450	27.625.779	138.671	0,50%
Work in progress and semi finished products	15.211.153	15.317.124	-105.971	-0,69%
Finished products and goods for sale	30.482.278	26.401.245	4.081.033	15,46%
Total	73.457.881	69.344.148	4.113.733	5,93%

A comparison with the final inventories shows the increase in their quantity which is in part due to the increase in the volume of production as well as the desire to maintain a large inventory in order to guarantee rapid delivery of all products in the range on this highly competitive market.

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

Inventory:	30/06/2012	31/12/2011	Variation	Var. %
Gross amount	82.932.224	77.081.772	5.850.452	7,59%
minus: devaluation provision	-9.474.343	-7.737.624	-1.736.719	22,45%
Total	73.457.881	69.344.148	4.113.733	5,93%

The incidence of the obsolescence provision on the gross value of the inventory rose from 10,04% on December 31st 2011 to 11,42% on June 30th 2012.

Commercial receivables (note 6)

Receivables are composed as follows:

Debtors:	30/06/12	31/12/11	Variation	Var. %
Trade debtors	51.014.641	49.151.139	1.863.502	3,79%
Associated debtors	1.146.119	1.378.867	-232.748	-16,88%
Total	52.160.760	50.530.006	1.630.754	3,23%

Trade debtors:	30/06/2012	31/12/2011	Variation	Var. %
Italy	17.441.645	18.436.593	-994.948	-5,40%
European Community	11.388.778	10.513.733	875.045	8,32%
Outside of European Community	29.584.366	27.268.804	2.315.562	8,49%
minus: devaluation provision for debtors	-7.400.148	-7.067.991	-332.157	4,70%
Total	51.014.641	49.151.139	1.863.502	3,79%

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

Provision for bad debts	**2012**	**2011**
At the beginning of the period	**7.067.991**	**5.504.670**
Amounts accrued	796.496	2.359.476
Amounts utilized	-516.534	-827.425
Unused amounts reversed		-57.638
Conversion adjustment	52.195	88.908
At the end of the period	**7.400.148**	**7.067.991**

For a detailed analysis of trade receivables from associated companies, please refer to the chapter on "Information on related parties" in this document (note 33).

Tax receivables/Other receivables (note 7)

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

	30/06/2012	31/12/2011	Variation	Variation %
Tax debtors				
VAT credits	4.144.070	4.537.951	-393.881	-8,68%
Income tax credits	429.482	1.451.480	-1.021.998	-70,41%
Total tax debtors	4.573.552	5.989.431	-1.415.879	-23,64%

Financial receivables				
Financial receivables from third parts	20.000	20.000	-	0,00%
Financial receivables from associated companies	63.565	63.565	-	0,00%
Total	83.565	83.565	-	0,00%
Other receivables				
Security deposits	424.305	616.631	-192.326	-31,19%
Down payments	1.881.405	1.952.611	-71.206	-3,65%
Other credits	5.863.378	4.403.418	1.459.960	33,16%
Total	8.169.088	6.972.660	1.196.428	17,16%
Total financial and other receivables	8.252.653	7.056.225	1.196.428	16,96%

The semester closed with a VAT credit of about 4,1 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" (note 33).

Financial instruments (note 8)

Investments which are not permanent:	30/06/2012	31/12/2011	Variation	Var. %
Other investments	27.718.736	24.332.276	3.386.460	13,92%
Total	27.718.736	24.332.276	3.386.460	13,92%

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 35 million dollars (31 million dollars on December 31st 2011); it should be remembered that under this heading securities for an amount of about 3,8 million dollars which on December 31st 2011 were entered into accounts as non-current assets, as described in the preceding note (4), have been reclassified.

Cash and cash Equivalents (note 9)

Cash at bank and on hand is composed as follows:

Cash and cash Equivalents:	30/06/2012	31/12/2011	Variation	Var. %
bank and postal current accounts	57.228.931	48.256.782	8.972.149	18,59%
cash on hand	83.660	107.760	-24.100	-22,36%
Total	57.312.591	48.364.542	8.948.049	18,50%

The heading of "Bank and postal current accounts" includes a deposit (12 months starting in May of 2012) which is regulated, if not released before the maturity date, by an interest rate of 3,75% underwritten by the Parent Company El.En. S.p.A..
For an analysis of the variations in cash at bank and on hand, please refer to the Cash Flow Statement.

Net financial position as of June 30th 2012

The net financial position of the Group as of June 30th 2012 expressed in thousands of Euros, was as follows:

Net financial position		
	30/06/2012	**31/12/2011**
Cash and bank	57.313	48.365
Financial instruments	27.719	24.332
Cash and cash equivalents	**85.031**	**72.697**
Short term financial receivables	**20**	**20**
Bank short term loan	(10.585)	(11.265)
Part of financial long term liabilities due within 12 months	(2.183)	(1.732)
Financial short term liabilities	**(12.768)**	**(12.997)**
Net current financial position	**72.284**	**59.720**
Bank long term loan	(8.688)	(4.548)
Bonds	(212)	(425)
Other long term financial liabilities	(1.679)	(1.711)
Financial long term liabilities	**(10.579)**	**(6.684)**
Net financial position	**61.705**	**53.035**

The net financial position of the Group has improved since December 31st 2011 and now amounts to about 62 million Euros, most of which is held by the subsidiary Cynosure Inc.
From the net financial position we have excluded financial receivables from associated companies for an amount of 64 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 shareholders' equity are shown below:

Share Capital (note 10)

As of June 30th 2012, the Share Capital 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	**31/12/2011**	**Increase.**	**(Decrease.)**	**30/06/2012**
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 plans

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 shareholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, 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 meeting 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.

As of the writing of this document no stock options have been picked up.

Additional paid in capital (note 11)

On June 30th 2012 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2011.

Other reserves (note 12)

Other reserves	**30/06/2012**	**31/12/2011**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	35.044.641	33.780.537	1.264.104	3,74%
Reserve for conversion adjustments	604.208	-259.710	863.918	-332,65%
Stock options reserve fund	1.760.332	1.672.730	87.602	5,24%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	-5.788	13.392	-19.180	-143,22%
Total	38.367.352	36.170.908	2.196.444	6,07%

As of June 30th 2012 the "extraordinary reserve" was 35.045 thousand Euros. The increase which took place with respect to December 31st 2011 is related to the addition to the reserve of the profits from 2011 by the Parent Company El.En., in accordance with the decision voted by the shareholders' meeting on May 15th 2012.

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 2012 the value can be attributed essentially to the increased value of the US dollar. The effects for the first half of 2012 are shown in the column "Comprehensive (loss) income" in the shareholders' equity chart.

The reserve for contributions in capital account must be considered a reserve of profits.

The changes which have taken place under the heading of "Other reserves" are entirely related to the evaluation in accordance with IAS 39 of the derivative contract underwritten by the Parent Company El.En. S.p.A.

Treasury Shares (note 13)

As described in detail in the paragraph related to the scope of consolidation, at the date of closing of this document, June 30th 2012, the treasury shares 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.

Retained earnings/(deficit) (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the shareholders' 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 Shareholders' equity chart, net of the decrease in treasury stock and the capital gains amount which were a consequence of the repurchase of treasury stock made by With US.

Non-current liabilities

Severance indemnity fund (note 15)

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

Balance 31/12/2011	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 30/06/2012
2.761.474	516.232	-137.709	-337.290	2.802.707

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 2012 the net accumulated value of the actuarial profits not registered was equal to 117 thousand Euros. The present value of the liabilities as of June 30th 2012 was 2.670 thousand Euros.

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

Financial assumptions	**Year 2011**	**Year 2012**
Annual implementation rate	4,60%	4,60%
Annual inflation rate	2,00%	2,00%
Annual increase rate of salaries (including inflation)	Executives 4,00% White collar workers 2,50% Blue collar workers 2,50%	Executives 4,00% White collar workers 2,50% Blue collar workers 2,50%

The amount entered in the column “Payment to complementary pension forms, to INPS fund and other movements” of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity 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 31/12/2011	Accrual	(Utilisation)	Other	Conversion Adjustments	Balance 30/06/2012
Reserve for pension costs and similar	557.612	50.882		-9.749		598.745
Others:						
Warranty reserve on the products	3.600.587	151.509	-59.818	-3.121	74.845	3.764.002
Reserve for risks and charges	2.480.849	240.504	-16.500		177	2.705.030
Other minor reserves	44.000	91.000		-44.000		91.000
Total other reserves	6.125.436	483.013	-76.318	-47.121	75.022	6.560.032
Total	6.683.048	533.895	-76.318	-56.870	75.022	7.158.777

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on June 30th 2012, amounted to 544 thousand Euros as opposed to 506 thousand Euros on December 31st 2011.

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 assumptions	Year 2011	Year 2012
Annual rate of implementation	4,60%	4,60%
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.

The changes which occurred under the heading of "Other minor funds" are due to:
- accruals made for cautionary purposes by the subsidiaries Deka Mela Srl and Quanta System SpA due to the probable controversy which could arise from the verifications made by the internal revenue service, both of which were concluded after the end of this half.
- reclassification under the heading of tax debts of the amount accrued during the past financial periods as a consequence of the underwriting in July of 2012, by the subsidiary Cutlite Penta, of the judicial conciliation related to fiscal verifications on the financial periods 2005/2006.

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 2012, 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, which denied the legitimacy of a class action suit in this case. This sentence was appealed by the plaintiff but was confirmed by the court in January of 2012. In July of 2012 a new class action suit based on the same arguments as those presented in Massachusetts was presented to the federal court of the East District in New York. As of this writing, the company has received no summons or compliant in this regard.

Financial liabilities (note 17)

Financial m/l term debts	30/06/2012	31/12/2011	Variation	Var. %
Bonds	212.307	425.099	-212.792	-50,06%
Amounts owed to banks	8.687.633	4.547.896	4.139.737	91,03%
Amounts owed for leasing	637.664	507.749	129.915	25,59%
Other financial liabilities	1.041.061	1.203.493	-162.432	-13,50%
Total	10.578.665	6.684.237	3.894.428	58,26%

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 2011 and 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 mid- to long-term debts owed to banks as of June 30th 2012 represent mostly the amounts due after one year for:

a) bank financing granted to Asclepion GmbH for the construction of the building where the company now runs its business;
b) a loan granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for an overall amount of 3,4 million Euros to be reimbursed at a constant installment every six months starting on December 15th 2011 and ending on June 15th 2016. For 1,7 million Euros the interest rate for the first installment was 2,40%; for the remaining 1,7 million the interest rate was 5,70%; for all of the next installments the interest rate will be that of the Euribor rate for six months, as registered on the second target working day before the due date of the preceding period of interest, increased by a spread. The spread is 3,90 points on the first half of the financing and is reduced to 0.60 on the remaining portion.
c) a loan granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for an overall amount of 2,8 million Euros to be reimbursed at a constant installment every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied up until June 29th 2012 was 3,95% (equal to the Euribor at six months registered the second target working day before the date the contract was stipulated, increased by 2,90 points); for every six-month period that follows, the interest rate will be the same as the Euribor at six months as registered on the second target working day before the due date of the preceding six-month period increased by in 2,90 points;
d) a loan granted to El.En. S.p.A .by Mediocredito Italiano S.p.A. for an overall amount of 2,2 million Euros to be reimbursed at a constant installment every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied was, up until June 29th 2012, 3,95% (the same as Euribor at six months registered on the second target working day before the date of stipulation of the contract, increased by 2,90 points); for every six-months period that follows the interest rate will be the same as the Euribor at six months registered on the second target working day before the due date for the preceding six months period, increased by 2,90 points;
e) a loan with a SACE guarantee granted to El.En. S.p.A. by the Banco Popolare s.c.r.l. for an overall amount of 2 million Euros to be reimbursed in 12 quarterly installments with payment delayed until the starting date of June 30th 2012 and ending on March 31st 2015. The interest rate applied is the same as Euribor at three months registered on the second working day before the end of each quarter, increased by 2,50 points.

“Other Financial liabilities” consist, among other things, in the quotas which are payable after one 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, last installment due on July 1st 2015;
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 Euribor rate 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 October 9th 2009, last installment on April 9th 2014.
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.
e) Financing issued by BMW Group Financial Service, to the subsidiary Lasit for a total of 89.200 Euros to be reimbursed in monthly installments starting on May 22nd 2012, last installment on April 22nd 2016.

Current liabilities

Financial liabilities (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	30/06/2012	31/12/2011	Variation	Var. %
Bonds	429.762	427.660	2.102	0,49%
Amounts owed to banks	10.585.069	11.264.978	-679.909	-6,04%
Amount owed for leasing	323.766	275.140	48.626	17,67%
Liabilities (derivatives on interest and forex rates)	23.915		23.915	0,00%
Other financial liabilities	1.405.159	1.029.394	375.765	36,50%
Total	12.767.671	12.997.172	-229.501	-1,77%

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:
- debts for advance payments on invoices of the subsidiary Esthelogue Srl.
- short term financing for loans contracted by El.En. (see note 17);
- short-term financing contracted by Asclepion (see note 17);
- overdraft coverage granted by credit institutions in particular to subsidiary companies Quanta System SpA, and With Us Co.
- bank financing granted to Wuhan Penta Chutian Laser Equipment Co., Ltd for an amount of about 3.196 thousand Euros (corresponding to about 25 million Yuan) of which:
- 15 million at a variable rate which varies according to the rate of the Central Chinese Bank, increased by a spread with due date in 2013;
- 2 million at the annual rate of 7,02% with expiration date on December 29th 2012;
- 8 million at the annual rate of 7,57% with expiration date on June 28th 2013.

The heading "Liabilities (derivatives on interest and forex rates)" includes the evaluation at fair value according to IAS 39 for derivative contracts initiated by the Parent Company El.En. S.p.A. and by the subsidiary Quanta System S.p.A.. In particular:

- the Parent Compan El.En. S.p.A. stipulated a derivative IRS contract in order to cover the interest on the SACE financing issued by the Banco Popolare s.c.r.l. (see note 17). The contract expires on March 31st 2015, nominal value on June 30th 2012 was 1.833.333 Euros, the fair value on June 30th 2012 was –19.180 Euros;
- The subsidiary Quanta System stipulated a derivative IRS contract in order to cover the interest rate on the financing issued by the BNL bank (see note 17). The contract expires on April 15th 2014, nominal value on the 30th of June was 210.526 Euros, the fair value on June 30th 2012 was – 4.735 Euros.

The heading of "Other financial liabilities" besides including the short-term quotas of the financing described in the preceding note, also includes:
a) Facilitated financing IMI for applied research, issued to the subsidiary Quanta System SpA, for an overall amount of 929.157 Euros at the annual rate of 2%, to be reimbursed in 16 half-yearly delayed installments starting on July 1st 2003;
b) Unicredit financing issued to the subsidiary Quanta System SpA, granted for an overall amount of 500.000 Euros at the interest rate of 2,85%, to be reimbursed in 6 monthly installments starting in April 2012;
c) Financing granted to Wuhan Penta Chutian by the employees of the latter for an amount of about 587 thousand Euros (corresponding to about 4,7 million Yuan) at an annual rate of 9%, last installment on April 17th 2013.

Accounts payables (note 19)

Trade debts:	**30/06/2012**	**31/12/2011**	**Variation**	**Var. %**
Trade accounts payables	38.010.578	34.452.352	3.558.226	10,33%
Trade accounts payables with associated companies	127.449	124.139	3.310	2,67%
Total	38.138.027	34.576.491	3.561.536	10,30%

Trade accounts payables increased as the volume of business increased.

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 2012 amounted to 1,8 million Euros and are entered net of the down payments and deductions.

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

	30/06/2012	**31/12/2011**	**Variation**	**Variation %**
Social security debts				
Debts owed to INPS	1.368.086	1.544.018	-175.932	-11,39%
Debts owed to INAIL	68.558	137.623	-69.065	-50,18%
Debts owed to other Social Security Institutions	175.428	232.232	-56.804	-24,46%
Total	1.612.072	1.913.873	-301.801	-15,77%
Other debts				
Debts owed to tax administration for VAT	1.114.452	1.105.834	8.618	0,78%
Debts owed to tax administration for deductions	845.724	1.069.974	-224.250	-20,96%
Other tax debts	185.743	92.043	93.700	101,80%
Owed to staff for wages and salaries	7.196.206	6.081.340	1.114.866	18,33%
Down payments	9.515.461	6.759.198	2.756.263	40,78%
Other debts	11.301.128	11.626.648	-325.520	-2,80%
Total	30.158.714	26.735.037	3.423.677	12,81%
Total Social security debts and other debts	31.770.786	28.648.910	3.121.876	10,90%

The amounts “Owed to staff” include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2012.
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.

Segment information

Within the El.En. Group the sectors which have been identified as relevant for IFRS 8 purposes are the same as those analyzed below together with the statement entries associated with them.

30/06/12		Total	Medical	Industrial	Other
Revenues		129.836	108.915	20.478	443
Intersectorial revenues		(566)	0	(123)	(443)
Net Revenues		129.270	108.915	20.355	0
Other revenues and income		1.636	705	109	822
Gross Margin		66.896	58.341	7.733	822
	Inc.%	*51%*	*53%*	*38%*	*100%*
Margin		16.476	15.436	219	822
	Inc.%	*13%*	*14%*	*1%*	*100%*
Not assigned charges		9.069			
EBIT		7.407			
Net financial income (charges)		(78)			
Share of profit of associated companies		(270)	(271)	0	1
Other Income (expense) net		(1)			
Income (loss) before taxes		7.058			
Income taxes		2.967			
Income (loss) for the financial period		4.090			
Minority interest		2.485			
Net income (loss)		1.605			

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)			

30/06/2012	Total	Medical	Industrial	Other
Assets assigned	269.408	215.104	54.304	
Equity investments	172	54	118	
Assets not assigned	19.794			
Total assets	289.374	215.158	54.422	0
Liabilities assigned	73.448	54.649	18.799	
Liabilities not assigned	32.657			
Total liabilities	106.105	54.649	18.799	0

31/12/2011	Total	Medical	Industrial	Other
Assets assigned	253.362	201.297	52.065	
Equity investments	183	65	118	
Assets not assigned	15.851			
Total assets	269.396	201.362	52.183	0
Liabilities assigned	65.917	48.458	17.460	
Liabilities not assigned	28.368			
Total liabilities	94.285	48.458	17.460	0

30/06/2012	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	161	170	(9)	0
- not assigned	(98)			
Total	63	170	(9)	0

31/12/2011	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	15.678	16.106	(429)	0
- not assigned	20			
Total	15.698	16.106	(429)	0

Comments on the main entries in the Consolidated Income Statement

Revenue (note 21)

The revenue recognised as of June 30th 2012 amounted to 129 million Euros and showed an increase of 31,57% with respect to the 98 million registered for the same period last year.
All three of the main sectors showed an increase in the sales volume. The medical sector came close to 44% thanks to the growth of Cynosure's acquisitions; the industrial sector continued to grow notwithstanding the unfavorable conditions on the two main selling markets (Europe and China), while the activity in after-sales service received income that grew in proportion to the increase in the number of installations and the intense use of our systems by the clientele.

For detailed comments on the single types of revenue, please consult the intermediate director's report on operations.

	30/06/2012	30/06/2011	Variation	Var. %
Sales of industrial laser systems	17.951.129	16.902.666	1.048.463	6,20%
Sales of medical laser systems	87.986.929	61.107.382	26.879.547	43,99%
Service and sales of spare parts	23.331.982	20.240.871	3.091.111	15,27%
Total	129.270.040	98.250.919	31.019.121	31,57%

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2012	30/06/2011	Variation	Var. %
Recovery for accidents and insurance reimbursements	6.011	23.385	-17.374	-74,30%
Expense recovery	440.340	409.436	30.904	7,55%
Capital gains on disposal of fixed assets	236.377	125.080	111.297	88,98%
Other income	953.317	995.129	-41.812	-4,20%
Total	1.636.045	1.553.030	83.015	5,35%

The heading of "Expense recovery" refers mainly to reimbursements for shipping costs.
The heading "Other income" refers mostly to grants received for research projects; in particular, these grants have been entered by the Parent Company for an amount of 821 thousand Euros.

Costs of purchase goods (note 23)

The analysis is shown on the following table:

	30/06/2012	30/06/2011	Variation	Var. %
Purchase of raw materials and finished products	54.756.517	47.326.437	7.430.080	15,70%
Purchase of packaging	361.450	386.217	-24.767	-6,41%
Shipment charges on purchases	436.177	407.692	28.485	6,99%
Other purchase expenses	338.749	570.065	-231.316	-40,58%
Other purchases	368.426	329.680	38.746	11,75%
**Total*	56.261.319	49.020.091	7.241.228	14,77%

The increase in the purchases of goods was 14,77% which was a consequence of the increase in the sales volume.

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

Breakdown of this category is shown on the chart below:

	30/06/2012	30/06/2011	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	1.988.779	2.439.882	-451.103	-18,49%
Technical services	474.532	653.440	-178.908	-27,38%
Shipment charges on sales	764.961	814.464	-49.503	-6,08%
Commissions	6.202.752	4.087.619	2.115.133	51,74%
Royalties	20.158	15.435	4.723	30,60%
Travel expenses	1.616.701	1.273.483	343.218	26,95%
Other direct services	261.058	278.050	-16.992	-6,11%
Total	*11.328.941*	*9.562.373*	*1.766.568*	*18,47%*
Operating services and charges				
Maintenance and technical assistance on equipments	1.379.222	1.004.027	375.195	37,37%
Services and commercial consulting	1.888.807	1.878.974	9.833	0,52%
Legal and administrative services	1.337.419	1.889.804	-552.385	-29,23%
Auditing fees and charges	521.789	497.109	24.680	4,96%
Insurances	738.579	642.259	96.320	15,00%
Travel and overnight expenses	2.183.986	1.831.692	352.294	19,23%
Promotional and advertising expenses	4.759.808	4.400.580	359.228	8,16%
Building charges	1.285.760	1.117.975	167.785	15,01%
Other taxes	225.204	208.083	17.121	8,23%
Expenses for vehicles	822.310	683.128	139.182	20,37%
Office supplies	323.102	231.078	92.024	39,82%
Hardware and Software assistance	206.281	212.648	-6.367	-2,99%
Bank charges	551.217	353.747	197.470	55,82%
Rent	1.785.668	1.500.046	285.622	19,04%
Other operating services and charges	6.300.280	6.145.980	154.300	2,51%
Total	*24.309.432*	*22.597.130*	*1.712.302*	*7,58%*

The most significant variations in the category of “Direct services” is related to travelling expenses for technical assistance and commissions, which have increased on account of the increase in the sales volume.
The single most important entries under the heading of “Other operating services and charges” are related to the costs for technical and scientific consulting services and research studies for an amount of 1,1 million Euros and the honorariums paid to members of the administrative bodies and the Statutory board of auditors for a total amount of 1,2 million Euros; there is also an important decrease in the expenses for legal and administrative services and consulting which, on June 30th 2011 included the expenses which had been sustained up to that time (amounting to 1,3 million dollars) by the American subsidiary Cynosure Inc. for the acquisition of activities during that period, for which ample information is given in the annual financial report dated December 31st 2011.
For the activities and the costs of research and development, please refer to the director’s report on operations.

Personnel costs (note 25)

The chart below shows the costs for staff:

For staff costs	30/06/2012	30/06/2011	Variation	Var. %
Wages and salaries	23.169.338	18.799.074	4.370.264	23,25%
Social security costs	4.451.551	3.859.650	591.901	15,34%
Accruals for severance indemnity	456.953	425.588	31.365	7,37%
Stock options	1.729.988	1.028.598	701.390	68,19%
Other costs	51.019	43.791	7.228	16,51%
Total	29.858.849	24.156.701	5.702.148	23,60%

The cost for personnel was 29.859 thousand Euros, an increase of 23,6% with respect to the 24.157 thousand Euros for the same period last year. 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 2012 these costs were 1.730 thousand Euros as opposed to the 1.278 thousand Euros for June 30th 2011.

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	30/06/2012	30/06/2011	Variation	Var. %
Amortization of intangible assets	861.335	196.963	664.372	337,31%
Depreciation of tangible assets	3.267.943	3.069.503	198.440	6,46%
Devaluations of fixed assets		-291	291	-100,00%
Accrual for risk on receivables	813.457	1.058.681	-245.224	-23,16%
Other accruals for risks and charges	377.955	822.600	-444.645	-54,05%
Total	5.320.690	5.147.456	173.234	3,37%

The heading of "Amortization of intangible assets" increased mainly as a result of the acquisitions made by the subsidiary Cynosure last year. For further details, see Note 1 of this document.
The "Accrual for risk on receivables" includes some devaluations made 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.

Financial income and charges (note 27)

The breakdown of the category is as follows:

	30/06/2012	30/06/2011	Variation	Var.%
Financial incomes:				
Interests from banks	185.590	273.228	-87.638	-32,08%
Dividends	6.668		6.668	0,00%
Interests on investments	1.256		1.256	0,00%
Income from negotiations	128		128	0,00%
Foreign exchange gain	783.563	129.524	654.039	504,96%
Other financial incomes	70.361	141.641	-71.280	-50,32%
Total	1.047.566	544.393	503.173	92,43%
Financial charges:				
Interest on bank debts for account overdraft	-259.957	-193.466	-66.491	34,37%
Interest on bank debts for medium and long - term loans	-131.665	-19.179	-112.486	586,51%
Foreign exchange loss	-621.940	-864.140	242.200	-28,03%
other financial charges	-112.093	-83.901	-28.192	33,60%
Total	-1.125.655	-1.160.686	35.031	-3,02%

The interest paid on bank overdrafts refers mainly to the overdrafts granted by credit institutes to the Parent Company and some of the subsidiary companies. The interest on bank debts for mid- and long-term loans refers mostly to mid- and long-term loans granted to the Parent Company El.En. SpA.
The entry "other financial charges" includes, for the amount of 59 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)

	30/06/2012	30/06/2011	Variation	Var. %
Other charges				
Loss on equity investments		-32.804	32.804	-100,00%
Devaluation of equity investments	-1.000		-1.000	0,00%
Total	**-1.000**	**-32.804**	**31.804**	**-96,95%**

The heading of "Devaluation of equity investments" refers to the equity held in "Alfa Laser Srl" (evaluated at cost), the equity was sold during this half by the Parent Company El.En. SpA.

Income taxes (note 29)

Description:	30/06/2012	30/06/2011	Variation	Var. %
Total income taxes	2.967.406	1.710.912	1.256.494	73,44%

The fiscal charges for this half amounted to a total of 2,9 million Euros. The taxes for this half were calculated on the basis of the best estimation of the aliquots expected for the year 2012.
The tax rate for this half was 42% and 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 and the failure to enter some deferred tax assets on the losses incurred by some of the companies during this half.

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 15th 2012 voted not to distribute a dividend and decided to allocate the profits for this period, for an amount of 1.264.103,00 Euros to an extraordinary reserve.

Non-recurring significant events and operations (note 32)

During the half that ended on June 30th 2012 no non-recurring significant events or operations were recorded. It should be recalled that during the same period last year, the acquisition of the assets in the medical sector of Hoya ConBio® was considered a non-recurring significant event. For further details, see Note 33 of the annual financial report dated December 31st 2011.

Information about related parties (note 33)

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 scope 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 2012 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			2.000	
Actis Srl			1.200	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			866.652	
Grupo Laser Idoseme SL			202.286	
Quanta System Asia Pacific Co.LTD	50.000		73.981	
Total	63.565	-	1.146.119	-

	Financial payables		**Commercial payables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl			5.665	
Immobiliare Del.Co. Srl			71.343	
Actis Srl			43.076	
SBI SA			2.660	
Quanta Syatem Asia Pacific Co.,Ltd.			4.705	
Total	-	-	127.449	-

Associated companies:	**Sales**	**Service**	**Total**
SBI S.A.	19.311		19.311
Elesta Srl	533.265	2.670	535.935
Grupo Laser Idoseme SL	167.364	18.775	186.139
Quanta System Asia Pacific Co.LTD	144.158		144.158
Total	864.098	21.445	885.543

Associated companies:	Other revenues
Elesta Srl	600
Actis Srl	1.200
Grupo Laser Idoseme SL	14.415
Total	16.215

Associated companies:	Purchase of raw materials	Services	Other	Total
SBI S.A.	2.660			2.660
Elesta Srl	59.914			59.914
Immobiliare Delco Srl		72.271		72.271
Grupo Laser Idoseme SL		35.080		35.080
Quanta Syatem Asia Pacific Co.,Ltd.	55.000	3.275		58.275
Total	117.574	110.626	-	228.200

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

The chart below shows the impact that operations with related parties have 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	431.851	296.096	68,56%
Other non current assets			
Accounts receivables	52.160.760	1.146.119	2,20%
Other receivables	8.252.653	63.565	0,77%
Non current financial liabilities	10.578.665		0,00%
Current financial liabilities	12.767.671		0,00%
Accounts payables	38.138.027	127.449	0,33%
Other payables	31.770.786		0,00%
b) Impact of related party transactions on the income statement			
Revenues	129.270.040	885.543	0,69%
Other revenues and income	1.636.045	16.215	0,99%
Purchases of raw materials	56.261.319	117.574	0,21%
Other direct services	11.328.941	38.355	0,34%
Other operating services and charges	24.309.432	72.271	0,30%
Financial charges	1.125.655		0,00%
Financial income	1.047.566		0,00%
Income taxes	2.967.406		0,00%

Risk factors and Procedures for the management of financial risks (note 34)

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, derivative contract, 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

In the first half of 2012, 70% of the 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 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 13% 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. in 2009 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.

In 2010 the Parent Company, El.En. SpA underwrote the following:
- 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, with original expiration date in April 2012, prolonged until October 31st 2012;
- 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, with original expiration date in April 2012 prolonged until October 31st 2012;
- 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, with expiration date July 2012;
- 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, with expiration date in November 2013;
And during 2011:
- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, which expires in September 2014.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum amount of 1.178 thousand Euros as a guarantee for the payment of the sum required for the reimbursement of the VAT for the fiscal year 2010, with expiration date in March 2015.

The subsidiary Quanta System issued a bank guarantee in favor of some credit institutions of the associated Grupo Laser Idoseme for a residual of 312 thousand Euros which fell due on February 27th 2012 and was renewed for an amount of 200 thousand Euros until February 27th 2013; for the remaining portion a bank guarantee was issued which will be renewed every quarter for gradually decreasing amounts until it is extinguished on January 31st 2013.

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.

Management of the capital

The objective of the management of the capital of the Group is to guarantee that a low level of indebtedness and a correct financial structure sustaining the business are maintained so as to guarantee an adequate ratio between capital and reserves and debts.

Financial Instruments (note 35)

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 30/06/2012	Book value 31/12/2011	Fair value 30/06/2012	Fair value 31/12/2011
Financial assets				
Financial receivables within 12 months	83.565	83.565	83.565	83.565
Mid and long term Financial instruments	6.425.936	5.096.801	6.425.936	5.096.801
Short term Financial instruments	27.718.736	24.332.276	27.718.736	24.332.276
Cash and cash equivalents	57.312.591	48.364.542	57.312.591	48.364.542
Financial liabilities				
Financial mid and long term debts	10.578.665	6.684.237	10.578.665	6.684.237
Financial liabilities due within 12 months	12.767.671	12.997.172	12.767.671	12.997.172

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 2012, the Group possesses the following securities evaluated at fair value.

	Level 1	Level 2	Level 3	Total
Money Market funds (1)	5.891.033	-	-	5.891.033
State & Municipal bonds (2)	-	37.122.754	-	37.122.754
Equity securities	13.616	-	-	13.616
Total	**5.904.649**	**37.122.754**	**-**	**43.027.403**

(1) Included in cash available as of June 30th 2012

(2) For 3 million Euros in the available cash on June 30th 2012

Other information *(note 36)*

Average number of employees divided by category

	Average 2012	30/06/2012	Average 2011	31/12/2011	Variation	Var. %
Total	1.152,0	1.165	1.054,0	1.139	26	2,28%

On June 30th 2012 the number of employees working for the Group was 1.165 as opposed to the 1.139 working on December 31st 2011 and the 1.072 working on June 30th 2011; this increase was mainly due to the subsidiary Cynosure Inc.

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

Declaration of the Half-yearly financial Statement as of June 30th 2012 in conformity with article 154-*bis* of the Legislative Decree of February 24th 1998 n. 58 (TUF) and later modifications and additions

1. 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 2012.
-

2. No significant aspect emerged concerning the above

3. We also declare that:

3.1 this condensed 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 listed company and of the other companies included in the scope of consolidation.

3.2 The intermediate director's report 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 2012

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

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AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
EL.EN. S.p.A.

1. We have reviewed the half-yearly condensed consolidated financial statements of EL.EN. S.p.A. and subsidiaries (the "EL.EN. Group"), which comprise the statement of financial position as of June 30, 2012, and the income statement, the statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the cash flow statement for the six-month period then ended, and the related selected explanatory notes. The Company's Directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying consolidated financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

   As far as comparative figures related to the year ended December 31, 2011 and the six-month period ended June 30, 2011 are concerned, reference should be made to other auditors' report issued on March 30, 2012 and other auditors' review report issued on August 29, 2011, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of EL.EN. Group as of June 30, 2012 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
August 29, 2012

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