EL.EN GROUP

SIX MONTHS REPORT

2003

1. STRUCTURE OF MANAGEMENT

Board of Directors

Gabriele Clementi	President
Barbara Bazzocchi	Deputy Member
Andrea Cangioli	Deputy Member
Francesco Muzzi	Board Member
Paolo Blasi	Board Member
Michele Legnaioli	Board Member
Marco Canale	Board Member
Horace Furumoto	Board Member
Paolo Ernesto Agrifoglio	Board Member
Alberto Pecci	Board Member

Board of Auditors

Vincenzo Pilla	President
Paolo Caselli	Auditor
Giovanni Pacini	Auditor

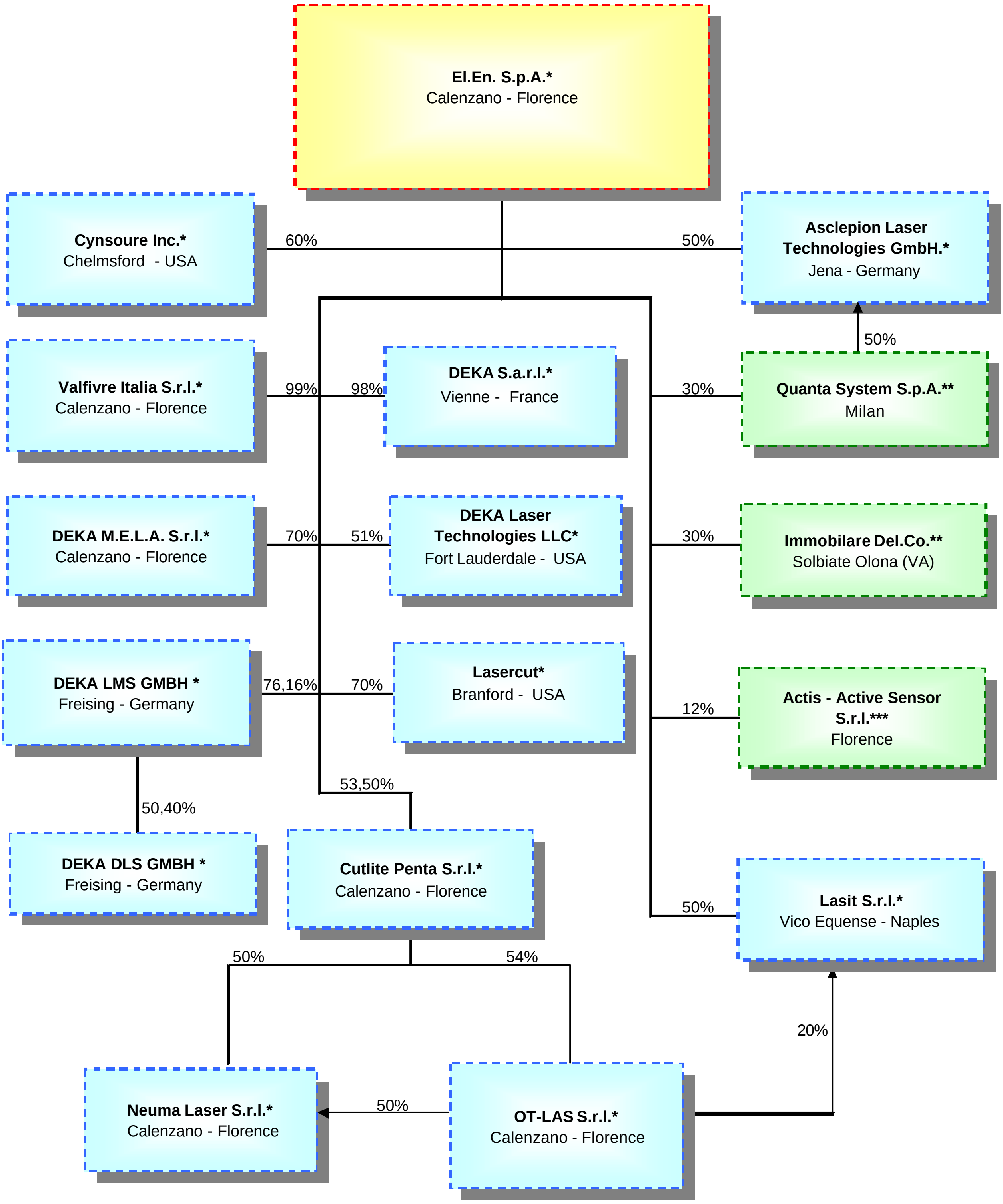
Auditing Company

Reconta Ernst & Young S.p.A.

2. EXPLANATORY NOTES

2.1 Description of the Group

As June 30th 2003 the structure of the Group is as shown below:

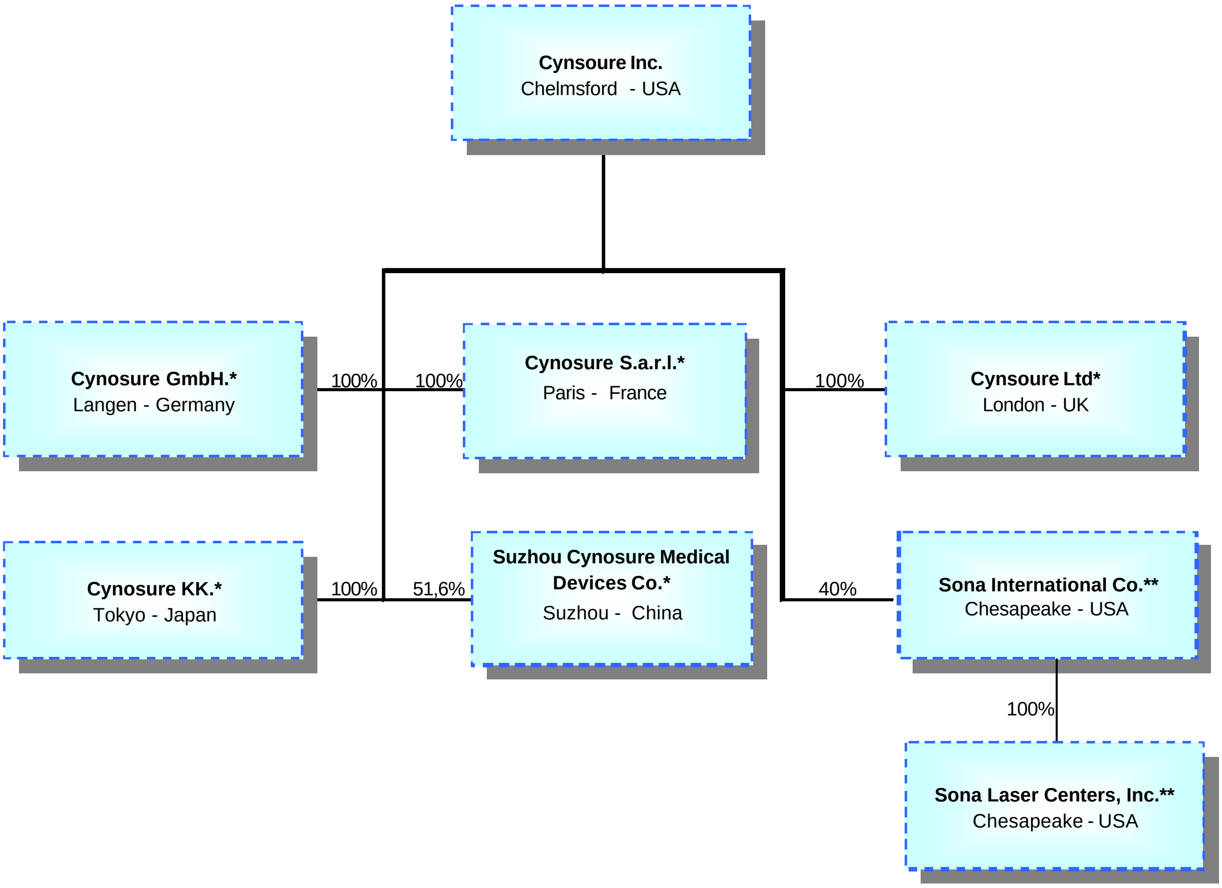


* *Entirely consolidated*

** *Consolidated in relation to net worth*

*** *Kept at cost*

Cynosure Inc. in turn controls a group of companies. As of June 30th 2003, the structure of the Cynosure group was as follows:



* *Entirely consolidated*

** *Consolidated in relation to net worth*

In the month of February of this year, in the United States, Deka Laser Technologies LLC, was founded as a subsidiary of El.En. SpA for the purpose of distributing laser systems for dentistry in the USA. The company will distribute the vast range of products that El.En. SpA offers in this sector: CO_2, erbium, neodymium, and diode lasers which cover the entire range of applications of lasers for dental use.

During this financial period, Lasercut Inc., an American company with headquarters in Brandford (Connecticut), became part of the El. En. Group. The company is specialized in the design, manufacture and sale of laser systems for flat cutting. The sale was concluded in April of 2003, when the sole partner in the company sold 70% of the stock to El. En Spa.
The reliability and quality of the products, together with a company policy which has never sacrificed customer service to financial expediency, has given the Lasercut brand the best reputation on the American market. There is tremendous potential for development in the program of Cupertino with the El. En. Group; in particular, the Group will soon be able to place the laser cutting systems manufactured by Cutlite Penta on the Lasercut distribution network as well as completing the range of laser sources offered by Lasercut with those manufactured by El.En. Later on, Lasercut can act as a bridgehead in America for all of the activities of the Group related to the manufacture of laser products, i.e., Ot-las products for marking large surfaces, Lasit products for Nd:YAG marking, and Valfivre Italia products for special laser systems. The competence and know-how of Lasercut, especially in the field of metal cutting technology, can be combined with the knowledge of the Group's research and development facility in order to create innovative projects for new products.

The profit and loss account for Lasercut Inc. has been consolidated starting from the month of April 2003; it therefore appears in the consolidated profit and loss account for a period of three months.

Moreover, in the month of May, El.En. SpA concluded negotiations aimed at acquiring the dermatological branch of Carl Zeiss Meditec AG of Jena, Germany, sold by the new company, Asclepion Laser Technologies GmbH.

This operation was concluded with the cooperation of the associated company (for 30%) Quanta System SpA, which is owner of the other 50% of Asclepion Laser Technologies GmbH. This latter company was founded in February of 2003 as a vehicle for effecting the operation, and, through an "asset deal", acquired certain activities which are pertinent to the dermatological and dentistry business of Carl Zeiss Meditec.
The businesses which were purchased have a long history, thanks to Asclepion Meditec which, as one of the strongest protagonists in the sector of ophtalmological lasers, as well as in the dermatological and dental sectors, was one of the most successful companies in the fields in the 1990s. The negative trend of the business in the years that followed, as well as the failure of some foreign ventures, brought about the down-sizing of the company and its merger in 2002 with Carl Zeiss Meditec, a branch of the Carl Zeiss Group for ophthalmology. As part of this new structure, the role of the business unit was of secondary importance outside of the core business, and their activities were not successfully incorporated into the new organization.
By means of a management policy that is more consonant with the requirements of the sector, and the exploitation of the obvious operational synergism which Quanta System SpA and El.En. SpA have with Asclepion (distribution, development, manufacture), the Group intends to launch the activities of the company by reinforcing its role in the group as a leader on the European market; in particular it is hoped that Asclepion, in consideration of its favourable position in ex-German Democratic Republic, can affirm its position on the Eastern European markets.
The profit and loss account for Asclepion Laser Technologies GmbH is consolidated starting in the month of May 2003, and therefore appears in the consolidated account for only two months.

In the month of April, the equity in Deka LMS GmbH, the company which distributes medical lasers produced by El.En. SpA, in Germany, was increased by the purchase 24,61% of the capital for the sum of 520 thousand euros from the partner and chief executive. The equity now held in the company is therefore increased to 76,16%.

El.En S.p.A. has equities in several other companies, like Quanta System SpA and Immobiliare Del Co. Srl. which it does not control; the financial statements of these companies, therefore, are not entirely consolidated in the Group financial statement, but are usually consolidated in relation to their net worth. These companies are not required to submit financial reports during the year, but they have drawn up semi-annual reports in order to make it possible to submit a consolidated statement of current net worth as of June 30th 2003.

2.2 Activities of the subsidiary companies

El.En controls a group of thirteen companies which operate in some aspect of the laser field, and each of which supplies a particular type of laser application or function.

The following table is a summary of the semi-annual trend of the companies of the Group which are included in the consolidation. After the table there is a brief description of the activity of each company and a comment on the results of the first semester of 2003, with the exception of the recently purchase companies, for which the financial data are related only to the date of acquisition and June 30th 2003.

The data in the chart below and in all those that follow are expressed in thousands of Euro, unless otherwise indicated.

	Net Turnover 30/06/2003	Net Turnover 30/06/2002	Var. %	Net income 30/06/2003	Net income 30/06/2002
Cynosure (*) (**)	11.261	4.344	159,24%	140	-41
Deka Mela Srl	7.332	7.365	-0,45%	229	546
Cutlite Penta Srl	2.131	3.601	-40,80%	-229	-139
Valfivre Italia Srl	205	177	15,63%	17	10
Deka Sarl	955	597	60,04%	43	-68
Deka Lms GmbH	730	590	23,79%	33	17
Deka Dls GmbH	124	211	-41,22%	-66	-3
Deka Laser Technologies LLC	0	0		-78	0
Asclepion Laser Technologies GmbH	1.165	0		70	0
Ot-Las Srl	1.911	2.530	-24,48%	47	230
Lasit Srl	1.535	0		-23	0
Lasercut Inc.	455	0		-123	0
Neuma Laser Srl	33	45	-26,44%	-47	-73

(*) consolidated data
(**) consolidated data on June 30th, 2002 are referred to the period May 1st – June 30th, 2002

Cynosure Inc.
This company produces and sells laser systems for medical and cosmetic applications; the factory and headquarters are located in Chelmsford, Mass. (USA) and international offices are located in Europe and Asia. The company was founded in 1991 by Horace Furumoto, a pioneer in the field of lasers for medical use, and founder of the Candela Company which is now number two on the world market. Cynosure has achieved its present size thanks to the high performance and excellent quality of its products, in particular the dye-laser for vascular applications and the alexandrite laser for hair removal. The company manages its sales and marketing activity in the USA and abroad by means of a network of subsidiary companies and distributors. Manufacture, as well as research and development, a key factor in the success of the company, is carried on almost entirely in Chelmsford.
Cynosure is the head company of a group of companies which operate in the laser market all over the world. Cynosure Sarl in France. Cynosure Ltd. In Great Britain, Cynosure Gmbh in Germany, and Cynosure KK in Japan are 100% owned and operated by the parent company and operate as local distributors and providers of after-sale service. The company has a 52% equity in Suzhou Cynosure in the People's Republic of China, which produces special dermatological equipment.
Cynosure also owns a 40% equity in Sona International Inc., a company which it manages directly and through franchises in salons for hair removal by laser; Cynosure provides Sona with the lasers it uses in for its businesses. Moreover, Sona International controls 100% of Sona Laser Center, a company which was formed in 2002 in order to manage the franchising of the brand and the model for hair removal centers created by Sona.

The sharp reduction of the losses recorded for this six month period represents the first in a series of positive results derived from the re-organization of the company which was begun at Cynosure for the purpose of returning to a profitable level.
On September 10th 2003, the company nominated Michael R. Davin as new CEO. Mr. Davin, who has had experience at Altus Medical and at Coherent Medical, replaced Dr. Furumoto, founder of the company, president and CEO, who has retired.
With the appointment of Davin as chief executive officer of Cynosure, the El. En. Group is pursuing the re-organization operations which began upon purchase of the company in May of 2002. With his marketing ability and experience Davin should be able to give a more aggressive turn to the sales activities of the company than that which characterised the management of Cynosure prior to the retirement of Dr. Furumoto, and should be able to increase the overall revenue of the company.

Deka M.E.L.A. Srl
This company distributes the laser devices for medical uses produced by El.En S.p.A., in Italy and abroad.
It should be noted that although the amount invoiced was approximately the same as that recorded for the same financial period last year, a general increase in operating costs in a percentage which was greater than that of the amounts invoiced, was the cause for a reduction in profits.

Cutlite Penta Srl
This company manufactures laser systems for industrial applications of cutting and marking, by means of the installation of CNC motion controlled laser power sources produced by El.En. S.p.A.
During the first semester of 2003 the company showed a drop in amount invoiced in comparison to the same period last year in the cutting sector, which was severely damaged by the difficulties in the sector at this time and the closing of many transactions which took place at the end of 2002. In any case, the development activity for new industrial systems which is essential for the introduction of new products capable of attracting the clientele, was carried on as usual.

Valfivre Italia Srl
As in the preceding financial period, the Company manufactured and offered technical assistance for special laser systems for industrial applications, as well as service activities for the firms in the Group.

Ot-Las Srl
Ot-Las designs and manufactures special laser systems for CO_2 laser marking for the decoration of large surfaces. Just as explained for Cutlite Penta Srl, the crisis in the manufacturing sector has been responsible for a sharp drop in the amount invoiced for the first six months of 2003, and has caused a decrease in comparison to the same period last year.. The company is a leader in the field of laser cutting for large surfaces with state-of-the-art technology , thanks in part to its dose technical collaboration with the parent company, El.En., in the development of strategic components. Notwithstanding the drop in revenue, the company has been able to maintain an acceptable profit level, even though it is well below the amounts registered for this period last year.

Neuma Laser Srl
This company is involved in after-sales technical assistance and technical support services for sales activity in the Far East and in South America for laser equipment and devices sold by companies belonging to the Group. The revenues

shown for this period reflect the decrease in sales of laser systems by the other companies of the Group in these particular geographical areas.

Deka Sarl
Deka Sarl distributes in France the medical and cosmetic laser equipment and relative accessories manufactured by El.En. and supplies after sales service for industrial, medical and cosmetic laser systems. After several years during which it suffered from the negative effects of the French market, the company is now showing a sales volume which is fulfilling expectations, and, after obtaining a good position on the French market, has now reached economic stability for this semester.

Deka Lms GmbH
Deka Lms GmbH distributes in Germany the medical and cosmetic laser equipment produced by El.En. S.p.A.. Notwithstanding the fact that the German market has continued to have difficulties, the sales volume reached during the first six months of 2003 has been positive for this period, and will probably improve in the future, should the German market become less uncertain, as has usually been the case in the past for the second semester.

Deka Dls GmbH
Deka Dls GmbH distributes laser systems for dentistry in Germany. During this semester, the sales volume reached was not sufficient to cover the operating costs. The introduction on the market of a series of new products will help to increase the sales volume in the future and to enable the company to reach a stable revenue level.

Deka Laser Technologies LLC
This company distributes laser systems for dentistry manufactured by El.En. SpA in the United States. The company registered its first profits in July and during this semester concentrated on creating the foundations necessary for future expansion from a legal (FDA approval) and distributive point of view. Its losses therefore are equal to the operating costs sustained during its 3 months of activity.

Lasercut Inc.
This company is the leading American firm in the field of design, manufacture and sales of laser systems for flat cutting. During the first few months of new management, the company registered a sales volume of approx. 502 thousand dollars, with an operating loss of approx. 133 thousand dollars. The break even sales volume of around 2,5 million dollars is an objective which will not be reached during 2003, but will be possible by the end of 2004.

Asclepion Laser Technologies GmbH
The company, which was entirely consolidated for the months of May and June, showed a sales volume of 1,165 thousand euros. The sales volume expected for the first financial year under new management is approx. 5 million euros. During these first few months, the Group management has formulated a strategic development plan which includes the redefinition of the product range, a highly aggressive marketing policy intended to return the Asclepion brand to the higher level of quality, appreciation and consumption that it deserves.

2.3 Related parties

In accordance with I.A.S.24, the following subjects are considered related parties:

- the associated companies that are not included in the area of consolidation or evaluated using the shareholders' equity method;
- members of the Board of Directors or Board of Auditors of the Parent company and the other executives with strategic responsibilities;
- physical persons, and members of their immediate family, who detain the right to vote in the Parent Company which gives them a dominating influence on the company;
- companies in which an sizeable equity is owned by one of the main shareholders of the Parent Company, or by one of the shareholders of the Parent Company who is on the voting board, or by a member of the Board of Directors of the Parent Company, by a member of the Board of Auditors, or by another executive with strategic responsibilities.

One of the Board members, main shareholder of the Parent Company, and on the voting board underwritten by the shareholders before the shares of the company were quoted on the New Stock Market, possesses 25% interest in Immobiliare del Ciliegio Srl., which is also a partner of the Parent Company.

All the transactions with the related parties took place under ordinary market conditions.

2.4 Structure of company management

As per article 19 of the Articles of Incorporation, the firm is administered by a Board of Directors, which is composed of a minimum of three to a maximum of fifteen members.

The present board of directors is made up of ten members, and presently in *regime prorogatio* since their term expired on September 5th 2003 (the Assembly for appointment of the new Board has been called for November 5th, 2003, first convocation and, for November 6th , 2003 second convocation. The Board is composed of the following members:

NAME	POSITION	PLACE AND DATE OF BIRTH
Gabriele Clementi	President of the board	Incisa Valdarno, 8 July 1951
Barbara Bazzocchi	Board director	Forlì, 17 June 1940
Andrea Cangioli	Board director	Florence, 30 December1965
Francesco Muzzi	Board member	Florence, 9 September 1955
Marco Canale**	Board member	Naples, 12 November 1959
Paolo Blasi*	Board member	Florence, 11 February 1940
Michele Legnaioli*	Board member	Florence, 19 December 1964
Horace Furumoto	Board member	Hawaii (USA), 13 December 1931
Alberto Pecci	Board member	Pistoia, 18 September 1943
Paolo Ernesto Agrifoglio	Board member	Genoa, 1 January 1966

* Independent administrators, as per art. 3 of the Self-disciplining code for companies quoted on the stock market
** Appointed by the Banca Toscana in accordance with agreements which are no longer in existence

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

On September 5th, 2000, the Board of directors appointed as administrative directors Mr. Andrea Cangioli and Mrs. Barbara Bazzocchi, to whom all powers for ordinary and extraordinary administration were conferred, with the exception of those powers which cannot be delegated in accordance with art. 2381 of the Civil Code, with the power to sign all documents.

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

a. On September 5th 2000 the company appointed Prof. Paolo Blasi and Dr. Michele Legnaioli as independent administrators;
b. On September 5th , 2000 the Board created the following committees: 1) the "Committee for appointments", which has the task of making the procedure for the appointment of the board members more simple and flexible; 2) the "Committee for fees" which has the task of simplifying and giving information regarding the method of payment and the setting of amounts for the fees to be paid to the members of the board; 3) the "Auditors Committee" which has the task of guaranteeing the accuracy and the adequacy of the internal auditing system.
c. On September 5th 2000 the Board of Directors appointed a lawyer, Maria Federica Masotti as supervisor of internal auditing.

The Board of Directors meets at least every trimester in order to guarantee adequate information for the Board of Auditors concerning the activities and the most important operations conducted by the Company.

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 organisational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members and have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organisation of the activities of the Group.

As far as the accounting information is concerned, before the end of the month following the trimester 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.

On October 27th 2000, and with a later document dated April 14th 2003, the partners, Immobiliare del Ciliegio Srl, Andrea Cangioli, Gabriele Clementi, Barbara Bazzocchi, Francesco Muzzi, Pio Burlamacchi, Carlo Raffini and Autilio Pini stipulated a company pact (the "Pact") the subject of which was:

a. A majority vote syndicate which conferred a total of 2.391.994 ordinary shares of El.En. S.p.A. equivalent to 52,00% of the Share Capital;
b. A block syndicate, in which they conferred a total of 2.391.994 ordinary shares of El.En. S.p.A. equivalent to 52,00% of the Share Capital.

The Pact also contains several clauses which prevent the transfer of shares and others which regulate the right to vote in the assemblies of the Company.
As far as the first of these clauses is concerned, the members who adhere to the Pact are bound to not transfer or offer as warranty the shares (and relative rights) of the Company which have been conferred to them by the Pact for a period of at least three years.

As far as the second of these clauses, regarding the right to vote, is concerned, the Pact stipulates that the Board of Directors (to which all of the Pact members belong) must meet before each assembly of the Company in order to decide how to act during the assembly and in which way they are going to vote. The decisions of the Board of Directors are made on the basis of majority vote calculated on the basis of the number of shares possessed by each Member and are binding for the partners who must vote in the company assembly in accordance with the majority vote decisions of the Board.

2.5 Relations with associated companies included among the financial assets, but not included in the area of consolidation or evaluated with the method of shareholders' equity.

The chart below contains a brief summary of the economic relations between the associated firms, as well as their assets and liabilities for the financial period.

	Financial credits		Commercial credits	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Quanta System Spa	7		25	
Immobiliare Del.Co. Srl	14			
M&E			13	
Sona International Co.			108	
Total	**21**		**146**	

	Financial payables		Commercial payables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Quanta System Spa			514	
Actis Srl			3	
Total			**517**	

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
Quanta System Spa	64			64
Actis Srl	2			2
Total	**66**			**66**

Associated companies:	**Sales**	**Service**	**Total**
Quanta System Spa	44		44
SONA International Co.	690		690
Total	735	0	735

The amounts shown above refer to operations which are inherent to the standard management practices of the company.

2.6 Profit and loss account consolidated and reclassified as of 30/06/2003

The chart below shows the profit and loss account which has been consolidated and reclassified for the period ending on June 30th 2003.

Profit and loss account	30/06/2003	Inc.%	30/06/2002	Inc.%	Var.%
Net turnover from sales and services	30.242	86,1%	21.113	95,1%	43,2%
Variation in stock of finished goods and WIP	4.490	12,8%	1.031	4,6%	335,3%
Other revenues and income	377	1,1%	57	0,3%	559,7%
Value of production	**35.109**	**100,0%**	**22.202**	**100,0%**	**58,1%**
Costs for raw materials	16.493	47,0%	10.215	46,0%	61,5%
Variation in stock of raw material	(1.114)	-3,2%	(785)	-3,5%	41,9%
Other direct services	3.426	9,8%	2.470	11,1%	38,7%
Gross margin	**16.304**	**46,4%**	**10.303**	**46,4%**	**58,3%**
Other operating services and charges	6.420	18,3%	3.487	15,7%	84,1%
Added value	**9.884**	**28,2%**	**6.816**	**30,7%**	**45,0%**
For staff costs	8.184	23,3%	4.231	19,1%	93,4%
Gross operating profit	**1.701**	**4,8%**	**2.584**	**11,6%**	**-34,2%**
Depreciation, amortisation and other accruals	1.874	5,3%	939	4,2%	99,5%
Net operating profit	**(173)**	**-0,5%**	**1.645**	**7,4%**	
Net financial income (charges)	96	0,3%	175	0,8%	-45,3%
Operating profit	**(77)**	**-0,2%**	**1.820**	**8,2%**	
Value adjustments (Devaluations)	645	1,8%	39	0,2%	1536,9%
Extraordinary income (Charges)	(1)	-0,0%	71	0,3%	
Earning before taxes	**567**	**1,6%**	**1.931**	**8,7%**	**-70,7%**
Income taxes on the income of the period	496	1,4%	866	3,9%	-42,7%
Profit before interest of third parties	**71**	**0,2%**	**1.065**	**4,8%**	**-93,4%**
Minority interest in income	(6)	-0,0%	216	1,0%	
Net profit	**76**	**0,2%**	**849**	**3,8%**	**-91,0%**

2.7 Comments on the financial results

The sales volume for the semester shows an increase of 43% with respect to the same period last year, mainly as a result of the new acquisitions, and this data confirms the constant and rapid growth trend of the Group. The contribution of Cynosure was decisive in this increase and without this company the growth rate would have been only 14%.

On the basis of the sales volume for the first semester, the sales forecasts for the Group for the year 2003 can be confirmed. This objective will be obtained thanks to the new acquisitions, since it will be possible to come close to the budget goals, in particular in the industrial sector.

The table below shows the sales volume divided by activity sectors of the Group for the first six months of 2003, compared with the results for the same period for last year.

	30/06/2003	Inc%	30/06/2002	Inc%	Var%
Industrial systems and lasers	6.338	20,96%	6.481	30,70%	-2,21%
Medical and cosmetic lasers	18.524	61,25%	11.975	56,72%	54,69%
Research and Development	76	0,25%	73	0,35%	4,71%
Service	5.303	17,54%	2.584	12,24%	105,22%
Total	30.242	100,00%	21.113	100,00%	43,24%

The internal growth of the Group and the contribution of Cynosure and of Asclepion have kept their growth rate in the medical sector well over 50%. Despite the unfavourable market conditions, results in terms of sales are good even on the American market, while they are slightly below expectations for the original nucleus of companies in the Group.

The situation in the industrial sector is, unfortunately, totally different and quite difficult, and, notwithstanding the contribution of Lasit and Lasercut, no growth in the sales volume was registered. After an extremely brilliant result for the year 2002, the first six months of 2003 appeared to be uncertain to say the least, and the few signs of vitality that were shown at the beginning of the Summer give little hope for a complete recovery of the levels reached last year. The Group is paying the consequences of the profound crisis in the manufacturing sector and, in particular, in that of machine tools..

The total amount invoiced for technical assistance and accessory services shows the expected gain, which is a natural result of the increase in the amount of equipment installed. Cynosure has contributed for the most part to this increase, as a large portion of the revenues of this company are derived from after-sales service and from “revenue-sharing”, i.e., the renting of their own laser equipment with rental fees proportionate to the profits brought in by the equipment. A further contribution to this sector will be made by .Asclepion, which has the advantage of possessing a vast installation base in Germany (over 500 units just for erbium lasers) which are serviced through specific assistance contracts.

The amounts received from research projects and the relative reimbursements on the basis of contracts stipulated with the institutes financed by MIUR are of small little importance for this financial period. It should be noted, in any case, that most of these grants have been entered into accounts under the heading of “other income”, limiting the impact of these activities on the sales. During this financial period, the “other income” derived from research amounted to about 288 thousand euros, thanks to payment of the grants related to the Choclab and TRL01 projects..

The following chart shows the results for this financial period divided by geographical area.

	30/06/2003	Inc%	30/06/2002	Inc%	Var%
Italy	7.820	25,86%	8.696	41,19%	-10,07%
Europe	9.314	30,80%	4.578	21,68%	103,46%
Rest of the world	13.108	43,35%	7.840	37,13%	67,20%
Total	30.242	100,00%	21.113	100,00%	43,24%

The drop in sales volume for Italy reflects the negative trend in the industrial sector, which is still the main point of reference for the Italian market. The sales volume for Europe has doubled, thanks mainly to the good and, in some cases, outstanding results obtained by the subsidiaries distributing products for the medical sector, and to the contribution of Asclepion. The increase in sales volume for the rest of the world reflects the entry of Cynosure and Lasercut into the area of consolidation.

The chart below shows the results for the various sectors of activity in the medical-cosmetic field.

	30/06/2003	Inc%	30/06/2002	Inc%	Var.
Surgical CO2	662	3,58%	954	7,96%	-30,53%
Physiotherapy	283	1,53%	265	2,22%	6,65%
Cosmetic	10.918	58,94%	8.304	69,35%	31,48%
Dental	1.879	10,15%	865	7,22%	117,38%
Other medical lasers	4.601	24,84%	1.418	11,84%	224,36%
Accessories	180	0,97%	169	1,41%	6,83%
Total	18.524	100,00%	11.975	100,00%	54,69%

The growth rate remain strong in more than one sector. Cynosure and their “Dye lasers” had a favourable impact in the “others” category; with approx. 7,6 million (evenly distributed between Dye lasers for dermatology and lasers for cosmetic use) Cynosure represents about 41% of the total sales volume of the Group for the medical sector.

The presence of Asclepion in the Group has contributed to the growth of sales in the cosmetic and dental sector; this latter field represents a large portion of the sales of Asclepion which uses the same method for operating on the market as that used by El.En., i.e., they use a highly prestigious OEM distributor with an international reputation (KaVo).

Even without the contributions of the new companies, the results for this area were good, especially for the cosmetic and dental sectors; this was achieved thanks to a series of new products and to improvements made on pre-existing products that the company was able to develop and implement in a brief period of time in order to satisfy the demands of a particularly variable market like that of the cosmetic sector. The intense pulsating lights used for hair removal and rejuvenation represent the most popular systems of the moment, and the traditional long impulse Nd:YAG system continues to be successful, particularly in the United States, where it is now one of the best selling products in the Cynosure line. The new range of products for dentistry is now fulfilling expectations and new developments will be appearing soon, thanks to Deka Laser Technologies, which will distribute the dental lasers in the United States; the sector has benefited from an internal reclassification of CO2 lasers for dental use, although this same reclassification has penalised the sector of CO2 lasers for surgery, which, in fact, shows a slight decrease in sales volume. As it has always done in the past, the Group has reacted to this momentary difficulty by offering a product which is innovative both in concept and design. Starting in the third quarter of this year, the new models, Smartxide and Smart US 20, with their attractive compact design, will be available on the market and promise excellent results in terms of sales.

The physical therapy sector showed no particular changes, and requires innovative support in terms of equipment and procedures, as well as greater marketing efforts directed specifically toward this area. The sales volume for accessories has decreased also as a result of the drop in the CO_2 sector to which it is related.

For the sector of industrial applications, the table below shows the break down of sales according to the various market sectors in which the Group is active.

	30/06/2003	Inc%	30/06/2002	Inc%	Var%
Cutting	2.218	35,00%	3.499	53,98%	-36,61%
Marking	3.337	52,65%	2.697	41,61%	23,72%
Laser sources	626	9,87%	205	3,16%	205,43%
Welding	157	2,48%	80	1,24%	95,44%
Total	6.338	100,00%	6.481	100,00%	-2,21%

The crisis in the manufacturing field has been the cause of an overall decrease in the sales volume of this sector notwithstanding the contributions of Lasit and Lasercut, which have a sales volume of about two million euros, representing 30% of sales in the sector. This amount, therefore, would correspond to the decrease in sales for the industrial sector for the same area of consolidation. The cutting sector, which was the principal one during the last financial period, has been the hardest hit by the crisis and is now second to the marking sector, to which Lasit contributed about 1,3 million.

Even though the overall picture is hardly encouraging, there are a few positive aspects for this sector. First of all, the excellent sales volume reached by laser sources as a result of a strategic mid-term project which required sizeable investments in research and development, and which will allow El.En. to play an important role on the market of power laser sources. Trends in the sales of restoration and welding systems also appear to be interesting and open to new developments thanks to the projects created for the purpose of spreading the use of laser assisted restoration techniques. Finally, attention should be called to the potential that the acquisition of Lasercut represents in the cutting sector, and to the fact that these benefits should start to become apparent already in the second semester of 2003.

Before commenting on the net results, attention should be called to the fact that the entry into the area of consolidation of the new companies, already described in the introduction, besides the strictly financial aspect connected to the acquisition and capitalisation of the firms, has involved the Group in a major reorganization project which, in some ways can be considered more of a start-up than an acquisition. All of the operations are aimed at expanding the operating base of the Group, by means of the acquisition of companies to which El. En. can offer its technology and Cupertino so as to better exploit its own know-how and market position, with an aim to increasing the profits shown for a given financial period.

The gross margin is approx. 16.304 thousand euros; this represents an increase with respect to the same period last year, thanks to the increase in sales volume. On the average, a slight decrease is shown in the margins, and this is due, in reality, more to the companies belonging to the original core group than to Cynosure, the high margins of which are, actually, increasing slightly: aside from this exception, the pressure of our competitors, in particular for the industrial sector, where the main market difficulties exist, has caused a drop in the sales margins for this financial period. Part of this decrease in margin is without a doubt due to the weakness of the dollar.

Operational costs and services amounted to 6.420 thousand euros with an incidence of 18% on the Value of Production, which represents an increase of 16% over the same period in 2002. In the evolution of this incidence there is an important element for interpreting the results of the Group: the important increase in sales volume was, in any case, percentage-wise less than the increase in operating costs which, on one hand had been calculated for a better sales volume, and, on the other hand, had increased on account of the start-up and restructuring of some of the activities. The added value, therefore, shows an incidence on the total amount invoiced which is lower than that of the preceding financial period, i.e., around 28%. An important part of this aggregate cost is represented by the growing marketing and advertising expenses for the medical/cosmetic sector, which is always an important expense item for this area, whereas for the industrial sector, they represent the consequences of the necessity to stimulate the weak market demand.

Costs for personnel also showed a dramatic increase (+93%) as a consequence of the company acquisitions and the reinforcement of some positions within the original core companies of the Group. Expenses for employees amounted to. 8.184 thousand euros with a percentage incidence which rises from 19% recorded for the first semester of 2002, to 23%. The number of staff members rose 295 units on 31/12/02 to 372 on 30/06/2003.

The arrival of Asclepion in the Group brought 43 new staff members who are involved in all sectors of activity typical of a firm operating in this sector: research and development, production, sales, after-sales assistance. The administrative and secretarial staff, in particular, has been maintained at an essential level, in consideration of the considerable use of outsourcing.

A large portion of the expenses for personnel are directed towards research and development, for which the Group receives grants and reimbursements of expenses for specific contracts which have been stipulated with the research institutes set up for this purr pose. This grants make it possible to conduct certain types of research and limit their impact on the profit and loss account. The delays in the payments of the grants and the rigidity of the accounting principles do not always allow for a direct connection in the entering into accounts of the revenues and the costs sustained. During this semester for example, 434 thousand euros were received as a deposit for the NIM02, EUV02, NMED02 projects, for which El.En. SpA had already spent more than 392 thousand euros in costs, but this payment were entered into accounting as deposits (prepayments) and not as revenue; in fact, they will become revenue only when the institute that is paying has given their final approval of the costs sustained and the results obtained.

As a consequence of this situation, the Gross Operating Margin is registered at 1.701 thousand, showing a drop of 34%, with an incidence of 5% on the Value of Production.

The entry of amortis ations and accruals shows an increase (+99%) compared with the same period last year, also on the incidence on the Value of Production. Of the 1.639 thousand euros, 344 thousand euros are due to the difference in consolidation for the payment of goodwill for the purchase of Cynosure, and approx. 18 thousand euros for the amortisation of the goodwill paid for Lasercut. It should also be remembered that Cynosure rents equipment for hair removal, which requires a volume of investment, not only structural but for amortisations, which is greater than what was required for the Group before acquisition of the company;, in general, in fact, the activity of the Group does not require major investments in technical assets to carry on its activity. Of much greater importance, in fact, are the expenses for research which are entered into accounting with personnel expenses and general operating expenses.

For this reason, an operating loss of 173 thousand euros at the consolidated level is shown for this semester. The exclusion of Cynosure from the area of consolidation comports an improvement in the operating result since Cynosure in the second quarter was still unable to off set the negative result shown for the first quarter, even though they basically broke even.

The results of the financial management are positive for 96 thousand euros, which is a negligible amount compared with that shown for the preceding years; the cash available, the drop in interest rates, and the loss on currency exchanges due to the weakness of the dollar, are the main causes of this decrease..

Value rectifications are positive for the amount of 645 thousand euros approx. and represent a positive before-taxes result. 568 thousand euros of these rectifications are due to the entry in the consolidated financial statement of Cynosure, of the results of the associated companies Sona International and Sona Laser Centers. These two companies operate as hair removal centers where the laser systems developed by Cynosure are used with the "revenue sharing" formula. Sona International manages directly some of the centers and co-ordinates the activities of the associated centers; Sona laser Centers was created for the purpose of promoting the spread of the Sona centers through franchising contracts and acquires revenue through the services supplied for the start up of new centers and for the concession of the brand name and business model. In the first six months of this year, Sona International showed a net profit of 763 thousand dollars and Sona Laser Centers, 773 thousand dollars, and go towards reconstituting the amount of the equity, which was originally 1,4 million dollars, brought back to zero during 2002, and then again devaluated because of the obligations signed by Cynosure on behalf of Sona (guarantee for payment of the rent for some of the buildings).

The other companies evaluated according to the shareholder's equity system, i.e., Quanta System SpA and Immobiliare Del.Co. Srl, drew up a six-months report which has made it possible to enter their results in the consolidated statement. The results of Quanta System SpA, have been particularly brilliant, and have shown a sharp increase in sales volume and profits. El.En. has further strengthened its business connections with Quanta System SpA as a result of the Asclepion acquisition , in which they participated as a joint venture.

The extraordinary management does not present any noteworthy events.

The before-tax results are 567 thousand euros which represents a drop with respect to the 1.930 thousand euros for the same period last year, and shows an incidence of the Value of Production which falls from the 9% of 2002 to 2% for this period.

The fiscal load for this period has increased with respect to the same period last year. In this regard, it should be pointed out that, with the exception of the subsidiary Cutlite Penta Srl, no advance taxes have been entered for the losses registered by the subsidiaries and not even the costs of amortisation for the goodwill paid for the newly acquired companies (Cynosure Inc., first of all), comport the entry of anticipated taxes.

From the chart below it is evident that the average fiscal cost sustained by the companies showed a tax rate of 39% of the result before taxes, while the tax recovery for advance taxes related to the companies in the red, and to the consolidation adjustments amount to 16% and 23% respectively. The combination of these two effects has caused a further burden in terms of fiscal costs for the period, and has made the tax rate rise from 44% in the first semester of 2002 to the 88% for the period described in this report.

The chart below illustrates the evolution of the tax load for the first semester of 2003.

	Companies in the black	**Companies in the red**	**Consolidation adjustments**	**Consolidated**
Result before taxes	2.020.684	(645.195)	(808.896)	566.593
Current taxes	(770.226)	(3.157)	0	(773.383)
Deferred Taxes	(10.842)	105.829	182.403	277.390
Net result	1.239.616	(542.523)	(626.493)	70.600
	0	0	0	0
Incidence of cost/recovery on the result before taxes	39%	16%	23%	88%

2.8 Consolidated balance sheet and net financial position as of 30/06/2003

The reclassified balance sheet shown below shows the results of this financial period compared with the preceding one

	30/06/2003	31/12/2002
Balance Sheet		
Intangible assets	8.707	8.242
Tangible assets	7.070	6.196
Equity investments	1.276	966
Other investments	1.259	901
Total fixed assets (A)	**18.311**	**16.305**
Stocks	20.749	14.786
Trade debtors	15.431	15.781
Other debtors	3.636	2.299
Own shares	364	374
Cash in banks and on hand	18.510	27.129
Total current assets (B)	**58.690**	**60.369**
Trade creditors	13.457	11.851
Other debtors	7.597	6.789
Financial liabilities due within 12 months	820	888
Total current liabilities (C)	**21.875**	**19.528**
Net working capital (D)= B-C	**36.815**	**40.841**
Employee severance indemnity	984	949
Other provisions	2.378	2.559
Net medium and long term financial debts	2.013	1.871
Mid and long terms creditors (E)	**5.375**	**5.379**
Net invested capital (A + D - E)	**49.751**	**51.768**
Shareholders' equity	44.148	45.554
Minority interest on equity	5.603	6.214
Shareholders' equity	**49.751**	**51.768**
Memorandum accounts		
Real guarantees	357	740
Total memorandum accounts	**357**	**740**

The net financial position of the company as of 30/06/2003 is as follows:

Net financial position		
	30/06/2003	**31/12/2002**
Financial mid and long term debts	(2.013)	(1.871)
Financial mid and long term debts	*(2.013)*	*(1.871)*
Financial liabilities due within 12 months	(2.320)	(888)
Cash in banks and on hand	18.510	27.129
Net financial short term position	*16.190*	*26.241*
Total financial net position	**14.177**	**24.369**

The net financial position remains positive for the amount of over 14 million euros.

During this semester the net financial position decreased by 10 million euros. A large portion of this amount was used for operations of an extraordinary nature, and the rest is due to the cash flow of normal management.

The main expenses of an extraordinary nature sustained during this semester were the following: final payment for the shares of Cynosure for the amount of approx. 1.346 thousand euros; acquisition of Lasercut Inc. for approx. 467 thousand euros, as well as a down payment for the purchase of the building where the company has its headquarters of for approx. 747 thousand euros, purchase of Asclepion Gmbh followed by the purchase of the activities of the business unit for 1.263 thousand euros of which 513 thousand already paid and 750 thousand to be paid by the end of the year, and for the distribution of dividends for 1.114 thousand euro.

The cash on hand was used by the Group for short-term no-risk investments. We cannot exclude that new operations of an extraordinary nature will be conducted should a favourable opportunity arise for the development strategy of the Group.

2.9 Comments on the research and development activities

During the first semester of 2003, the Group continued its intense research and development activities, with an aim to placing innovative new products on the market and finding new laser applications in the medical and industrial sectors.

The global market, especially for highly technological products, requires that competition be met by the continual presentation of new products, and renewed versions of products with better performance and with up-dated technology and components. For this reason an extensive research and development activity organized with short- and mid-term programming is essential. Research aimed at obtaining mid-term results is characterized by attention to higher risk subjects which are differentiated according to a range determined by internal intuition of company management and the outlook indicated by scientific work in the laboratories and centers for advanced research around the world. Research aimed at obtaining short-term results, on the other hand, is active in investigating subjects for which selection feasibility studies have already been conducted on the basis of preliminary information on their market potential which has been obtained either through direct experience or from structures involved as consultants in the phase of preliminary study.

The research which is conducted is, for the most part, applied research, although, for come subjects this activity borders of basic research. Both applied research and the development of prototypes are sustained by financial resources which are in part provided by the Group and in part by grants which are derived from research contracts stipulated with the managing institutions on behalf of the Ministry of Instruction, University and Research, with the European Union or directly with the Research Institutes.

Some of the research projects conducted during this semester are described in the following paragraphs.

A project studying the methods and instruments for the characterization and the control during function of the main features of the laser beam for industrial cutting applications (European project “EUREKA 2379”) was completed.
Another subject on which research was conducted was an excimer laser system for the nanomanufacture of devices for electronics and for opto-electronics.
Also for the industrial sector, a study was made for the development of new galvanometers for the movement of the laser beam by means of mirrors, for the purpose of marking or treating the surface of various types of materials for the decoration of garments and for craft products. A research project was also begun aimed at the development of a solid state, high-power laser source with active ceramic material.

In the medical sector, clinical experimentation of laser equipment for applications in physical therapy and orthopaedics continued, as well as the training program for young researchers with an aim to reinforcing the Group’s research and development department.

The activity aimed at developing laser devices and equipment for mini-invasive robot-assisted micro-surgery also continued; this activity has been initiated as part of the Nuova Ingegneria Medica project as a FIRB (Fondo per Investimento per Ricerca di Base) study, financed in part by MIUR (Ministero Istruzione Università e Ricerca) on the basis of grants which are issued upon the favourable opinion of an international board of experts.

At the same time, in Italy and in qualified European and American centers, clinical experimentation goes on to try to confirm and to determine the effectiveness of innovative therapeutic treatments in various medical fields, which employ the laser.
A new research project that has just been initiated is related to a program for innovative technologies for ophtalmological use involving the attachment of the cornea by means of a laser beam.
Another research program that is now in progress involves the development of diode lasers for applications in neurosurgery.
With a grant from the European Union, a research program is now in progress on meccatronic applications for the biomedical industry.
Another program which is now active, is dedicated to the development of new laser equipment for evaluating the condition of art works. In co-operation with PON (Piani Operativi Nazionali) for the development of strategic sectors in Southern Italy.

The chart below shows expenses for Research and Development during this semester.

thousands of euro	**30/06/2003**
Costs for personnel and general expenses	2.852
Costs for instruments and equipment	191
Costs for building of prototypes	287
Costs for technological consultants	164
Services provided	159
Intangible assets	2
Total	**3.655**

Just as was shown on the charts for sales and for profits, the presence of Cynosure is significant also as far as research and development expenses are concerned, considering the intense activity hat the company has conducted in this specific area. The amount of expenses sustained by Cynosure for research and development during the first semester was. 1.182 thousand dollars.

Following the usual company policy, the expenses listed on this table have been entirely entered among the operating expenses.

The amount of expenses sustained corresponds to 12% of the consolidate sales of the Group. The amount related to Cynosure, which, as stated above, is 1.182 thousand dollars, represents approx. 10% of its invoiced amounts; the remaining part of the expenses was paid almost entirely by El.En. S.p.A. and amounts to 20% of its total invoice amounts. During this financial period, El.En. S.p.A. has entered into accounts revenue also in the form of grants and advance payments for an amount of approx. 850 thousand euros. These figures show clearly that considerable effort is expended in this direction as well as considerable resources.

2.10 Extraordinary operations

As has been pointed out above, during this six-month period several operations of an extraordinary nature where concluded which involved the absorption into the area of consolidation of two newly acquired companies (Lasercut Inc, Asclepion Laser Technologies GmbH)and one newly founded company (Deka Laser Technologies LLC).

Deka Laser Technologies LLC, was founded in February of 2003 for the purpose of distributing in the United States the laser systems which El.En. SpA produces for the dentistry field.
The investment in terms of capital, was negligible (500 dollars), but El.En. SpA also supported the activity with financing for the amount of 160 thousand dollars for start up expenses.

The acquisition of Lasercut Inc., which was concluded during the month of April, was negotiated through the sale, by the sole partner, of 70% of the company stock for an amount of 500 thousand dollars (467thousand euros at the closing exchange rate) upon the signing of the contract, the seller balanced out the financial position of the company by giving up financing issued for a total of 2 million dollars and bringing to 150 thousand dollars the net financial position and to approx. 318 thousand dollars the accounting deficit (excluding the result of the semester). El.En. SpA also proceeded to issue financing for the amount of 500 thousand dollars, later extended to 1.175 thousand dollars in the period from July to October in order to sustain the current operations of the company.

As part of this same transaction, El.En. SpA underwrote an obligation for the purchase of the building where Lasercut operates, an industrial structure of approx. 1.500 sq. Mts., with offices and all the equipment necessary to continue the activity, for the amount of 800 thousand dollars. El.En. SpA made a down payment of the entire amount required for the purchase, which will be concluded when the necessary certificates related to environmental risk have been issued. The building will be leased to Lasercut Inc. at normal market conditions.

Finally, in the month of May, El.En. SpA concluded a transaction which brought into the Group the dermatological activities of Asclepion Laser Technologies GmbH, formerly held by Carl Zeiss Meditec AG of Jena, Germany.
The transaction was concluded in Cupertino with the associated (for 30%) company, Quanta System SpA, which became owner of the other 50% of Asclepion. This latter, which was created in the month a February as a vehicle for

the operation, by means of an "asset deal" acquired selected activities pertaining to the dermatological and dentistry businesses which were the property of Carl Zeiss Meditec.

Quanta System SpA and El.En. SpA acquired, for a total of 25.000 euros, 100% of the company, and, moreover, guaranteed the debt towards Carl Zeiss Meditec which was a result of the purchase of the above mentioned businesses. For the warehouses and goods pertinent to the business, as well as for the brand names and patents, the amount to be paid was set at 2,5 million euros, a million of which has already been paid, and the remainder of 1,5 million to be paid by the end of 2003. Carl Zeiss Meditec also transferred to the new company 43 employees who were variously involved in research, production, after-sales service, marketing and sales, so that the company could continue its activities in all sectors, and included in the purchase price, several administrative services and the rent for the headquarters (about 1.500 mq) through the month of August.

No other events of an extraordinary nature took place during the semester which is the subject of this report.

2.11 Noteworthy events that took place after the closing of the semester.

No events of note took place after the closing of the semester.

2.12 Probable evolution of the financial period now in progress

During the first semester of 2003, the Group was not able to achieve the objectives of sales and revenues that had been set. While the continuing crisis in the manufacturing sector will prevent us from reaching the budget goals in the industrial sector, the recent acquisitions will stimulate sales in both the industrial and medical sectors so that sales objectives can be reached at the consolidated level.
This recovery with respect to the sales target will make it possible for the Group to return to the profit levels which have been typical of the Group's recent history.

The financial means at hand will enable the Group to plan for further expansion through acquisitions. The efforts required to integrate the new companies into the Group will be considerable and will open new avenues for development. The residual cash, though of a minor amount, will still allow us to effect extraordinary financial operations without having to accept onerous conditions, and therefore enable us to take advantage of favourable opportunities should they arise.

For the Board of Directors
The President

Ing. Gabriele Clementi President