El.En. GROUP

SIX MONTHS REPORT

2002

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

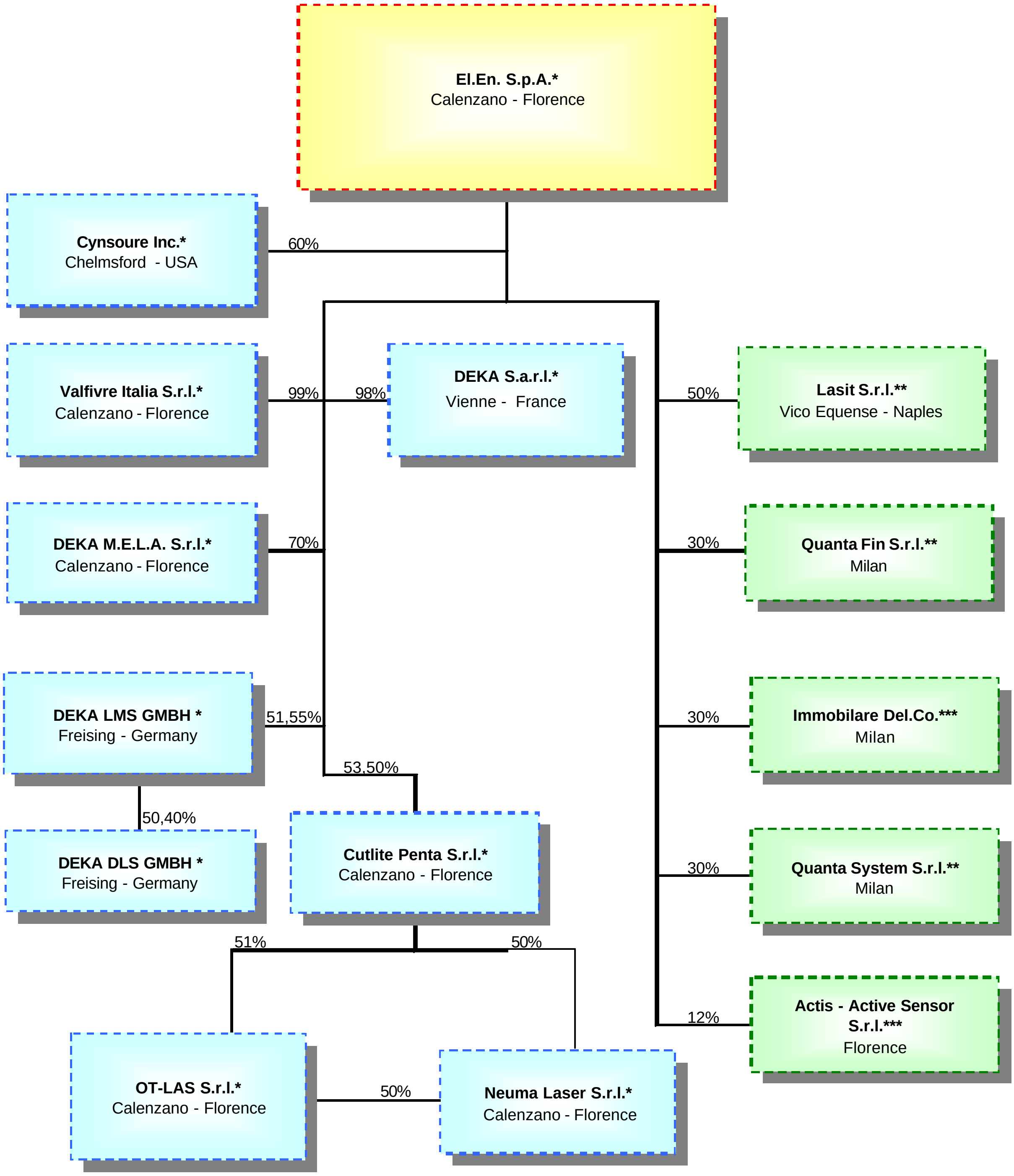
Auditing Company

Reconta Ernst & Young S.p.A.

2. EXPLANATORY NOTES

2.1 Description of the Group

As of June 30th, 2002, the structure of the Group is as shown below:



* *Entirely consolidated*
** *Consolidated in relation to net worth*
*** *Kept at cost*

During this past semester, as a result of the purchase of 60% of their stock by El. En S.p.A., the prestigious American company, Cynosure Inc, a leader in the field of design, manufacture and sales of laser systems for the medical field, became part of the El.En Group. This transaction was of extreme importance for the Group because the acquisition of a company of these dimensions, both in terms of annual revenues and number of employees, practically doubles the size of the Group, and because the presence of Cynosure offers new growth opportunities on the American and international markets that can now be fully taken advantage of.

The financial statements for Cynosure are consolidated starting from the month of May 2002, and therefore effect the consolidated financial statement of the Group for only two months.
In this report, the financial statements for the new company, DEKA-DLS GMBH, created for the distribution in Germany of laser systems for dentistry, are included in the consolidation for the first time. The effects of this consolidation are minimal, considering the small size of this start-up company.

El.En S.p.A. is shareholder in several other companies which are active in the same field, but 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, Quanta System Fin Srl and Lasit Srl, 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 2002.

2.2 Activities of the subsidiary companies

El.En controls a group of nine 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 2002, with the exception of the subsidiary Cynosure, for which the financial data are related only to the third two-month period of 2002, i.e, the date on which the company was purchased.

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

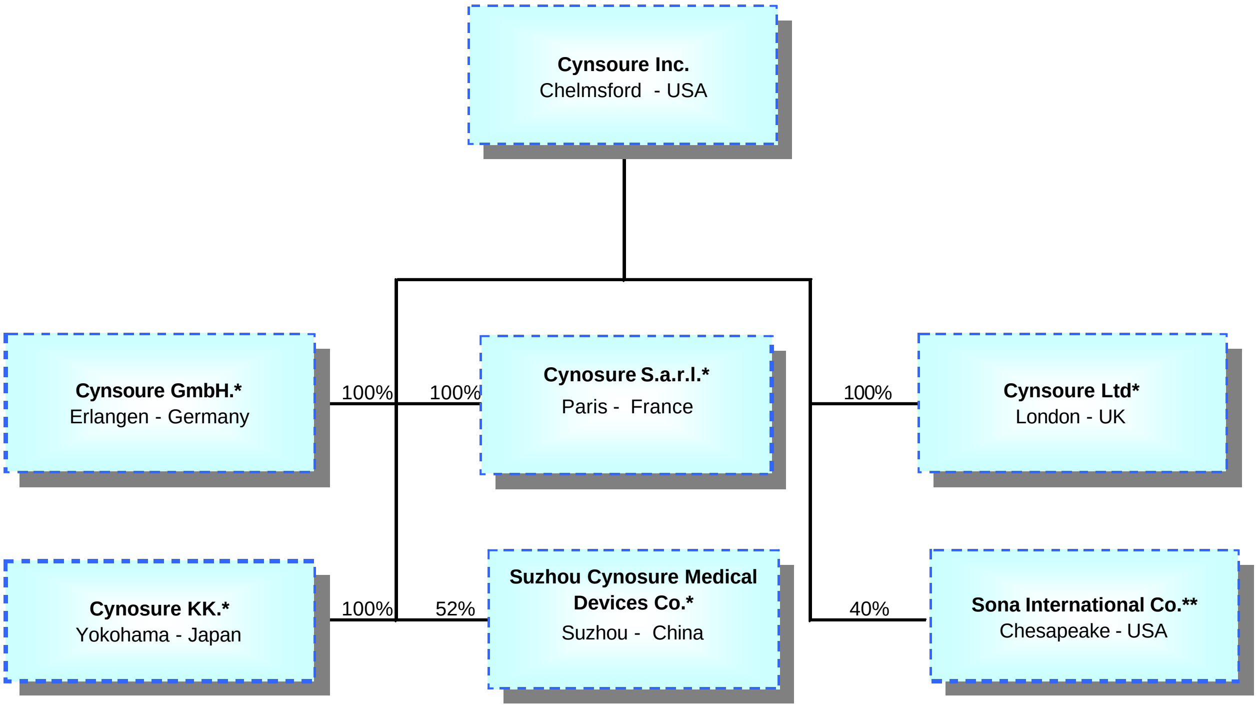
	Net Turnover 30/06/2002	Net Turnover 30/06/2001	Var. %	Net income 30/06/2002	Net income 30/06/2001
Cynosure (*)	4.344	0		-41	0
Deka Mela Srl	7.365	6.021	22,33%	546	543
Cutlite Penta Srl	3.601	3.427	5,06%	-139	-152
Valfivre Italia Srl	177	321	-44,86%	10	-1
Deka Sarl	597	457	30,47%	-68	-157
Deka Lms GmbH	590	219	169,36%	17	-28
Deka Dls GmbH	211	0		-3	0
Ot-Las Srl	2.530	1.165	117,18%	230	82
Neuma Laser Srl	45	116	-61,32%	-73	-12

(*)consolidated data

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.

As of June 30, 2002, the structure of the Cynosure Group was as follows:



* *Entirely consolidated*
** *Consolidated in relation to net worth*

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. In the first semester of 2002, revenues increased 22% with respect to the same semester of the previous financial period. This growth is due to the excellent trend of the international markets, in particular that of the Far East, which is crucial for Deka M.E.L.A.'s activity, and the European markets, except that of Italy, which showed a decrease.

Cutlite Penta Srl
This company produces industrial laser systems for 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 2002, revenues increased by 5% with respect to the same semester of the previous financial period. This increase is due mainly to sales promotions and an increase in the expenses for staff and for development of new systems which had caused a loss to be shown for the financial period.

Valfivre Italia Srl
As in the preceding financial period, Valfivre provided manufacturing and technical assistance for special laser systems for industrial applications, and services for the other companies belonging to the Group.

Ot-Las Srl
Ot-Las designs and manufactures special laser systems for CO2 laser marking for the decoration of large surfaces. The first semester of 2002 showed an increase of 117% in revenues with respect to the first semester of 2001, and confirmed the very positive trend of the company, This growth is the result of years of work and investment in research and

development of the complex marking systems for large surfaces which the company produces. Ot-Las is the leader in this field, in which it has been able to offer state-of-the-art technological solutions, thanks in part to its close collaboration with the parent company, El.En, in the development of some of the strategic components. This success has of course had positive effects on the revenues of the company.

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, and in particular by Cut-lite Penta and Ot-Las Srl. 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. The company has continued to be hampered by the difficult situation on the French market, and has shown a sales volume which is lower than that expected and that for which it has been organised. The company has, however, conducted promotional activity in areas which are not only French, and from which the other companies of the Group, and the head company, El.En. in particular, have benefited.

Deka Lms GmbH
Deka Lms GmbH has been operative since March 1st, 2001; the company distributes in Germany the medical and cosmetic laser equipment manufactured by El.En. S.p.A. Although operating in an unfavourable economic climate, the company managed to show a profit for the financial period, thus confirming the validity of its sales activity.

Deka Dls GmbH
Deka Dls GmbH company was founded in January 2002 by our German distributor, Deka Lms Gmbh, for the distribution in Germany of the laser systems for use in dentistry. The company is now beginning to move into the market, in the hope of developing a greater sales volume.

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.

A savings and loan institution, Banca Toscana SpA , used by the Parent Company, is also partner with a certain amount of equity in the 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 Board of Directors, which was made up of the seven members appointed during the Assembly held on September 5th 2000, was recently enlarged after the vote which took place on April 24th 2002, appointing Horace Furumoto member of the Board, and the vote which took place on July 16th 2002, which appointed Alberto Pecci and Paolo Ernesto Agrifoglio. The present Board of Directors is composed as follows:

Name	**Position**	**Place and date of birth**
Gabriele Clementi	President of the Board	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Board director	Forlì, 17 June 1940
Andrea Cangioli	Board director	Florence, 30 December 1965
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 BancaToscana 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, 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 2.721.454 ordinary shares of El.En. S.p.A. equivalent to 59,16% 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**
Lasit Srl			3	
Quanta System Srl	7		137	
Immobiliare Del.Co. Srl	14			
M&E			13	
Total	**21**		**153**	

	Financial payables		Commercial payables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Lasit Srl			1	
Quanta Fin Srl	191			
Quanta System Srl			1	
Total	**191**		**2**	

The financial debts towards Quanta Fin Srl refer to the seven-year financing issued to the parent company of the Group, El.En. S.p.A. which are to be reimbursed in a single payment on June 30th 2003 with an option for partial early reimbursement.

Associated companies:	**Sales**	**Service**	**Total**
Quanta System Srl	23		23
Total	**23**		**23**

Financial debts for an amount of approx. 4 thousand Euros have been included in the financial statement and refer to the seven year financing issued by the associated company Quanta Fin Srl .

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 June 30th 2002

The chart below shows the consolidated and reclassified profit and loss account for the period ending on June 30th 2002.

Profit and loss account	30/06/2002	Inc.%	30/06/2001	Inc.%	Var.%
Net turnover from sales and services	21.113	95,1%	13.458	93,2%	56,9%
Variation in stock of finished goods and WIP	1.031	4,6%	893	6,2%	15,5%
Other revenues and income	57	0,3%	84	0,6%	-32,2%
Value of production	**22.202**	**100,0%**	**14.435**	**100,0%**	**53,8%**
Costs for raw materials	10.215	46,0%	7.578	52,5%	34,8%
Variation in stock of raw material	(785)	3,5%	(1.241)	8,6%	-36,7%
Other direct services	2.470	11,1%	1.456	10,1%	69,6%
Gross margin	**10.303**	**46,4%**	**6.642**	**46,0%**	**55,1%**
Other operating services and charges	3.487	15,7%	2.657	18,4%	31,2%
Added value	**6.816**	**30,7%**	**3.985**	**27,6%**	**71,0%**
For staff costs	4.231	19,1%	2.145	14,9%	97,3%
Gross operating profit	**2.584**	**11,6%**	**1.840**	**12,7%**	**40,5%**
Depreciation, amortisation and other accruals	939	4,2%	578	4,0%	62,5%
Net operating profit	**1.645**	**7,4%**	**1.262**	**8,7%**	**30,3%**
Net financial income (charges)	175	0,8%	638	4,4%	-72,6%
Operating profit	**1.820**	**8,2%**	**1.900**	**13,2%**	**-4,2%**
Value adjustments (Devaluations)	39	0,2%	39	0,3%	0,1%
Extraordinary income (Charges)	71	0,3%	57	0,4%	25,7%
Earning before taxes	**1.931**	**8,7%**	**1.996**	**13,8%**	**-3,3%**
Income taxes on the income of the period	866	3,9%	667	4,6%	29,9%
Profit before interest of third parties	**1.065**	**4,8%**	**1.329**	**9,2%**	**-19,9%**
Minority interest in income	216	1,0%	116	0,8%	85,4%
Net profit	**849**	**3,8%**	**1.213**	**8,4%**	**-30,0%**

In the chart that follows, the data shown for the profit and loss account is related to the first semester 2002, with the exclusion of Cynosure from the area of consolidation.

Profit and loss account - without Cynosure Inc.	30/06/2002	Inc.%	30/06/2001	Inc.%	Var.%
Net turnover from sales and services	17.082	94,4%	13.458	93,2%	26,9%
Variation in stock of finished goods and WIP	964	5,3%	893	6,2%	7,9%
Other revenues and income	51	0,3%	84	0,6%	-39,9%
Value of production	**18.096**	**100,0%**	**14.435**	**100,0%**	**25,4%**
Costs for raw materials	8.301	45,9%	7.578	52,5%	9,5%
Variation in stock of raw material	(493)	2,7%	(1.241)	8,6%	-60,2%
Other direct services	2.242	12,4%	1.456	10,1%	54,0%
Gross margin	**8.046**	**44,5%**	**6.642**	**46,0%**	**21,1%**
Other operating services and charges	2.716	15,0%	2.657	18,4%	2,2%
Added value	**5.331**	**29,5%**	**3.985**	**27,6%**	**33,8%**
For staff costs	2.783	15,4%	2.145	14,9%	29,7%
Gross operating profit	**2.548**	**14,1%**	**1.840**	**12,7%**	**38,5%**
Depreciation, amortisation and other accruals	664	3,7%	578	4,0%	14,9%
Net operating profit	**1.884**	**10,4%**	**1.262**	**8,7%**	**49,3%**
Net financial income (charges)	168	0,9%	638	4,4%	-73,7%
Operating profit	**2.052**	**11,3%**	**1.900**	**13,2%**	**8,0%**
Value adjustments (Devaluations)	126	0,7%	39	0,3%	220,4%
Extraordinary income (Charges)	3	0,0%	57	0,4%	-95,1%
Earning before taxes	**2.181**	**12,1%**	**1.996**	**13,8%**	**9,2%**
Income taxes on the income of the period	894	4,9%	667	4,6%	34,0%
Profit before interest of third parties	**1.287**	**7,1%**	**1.329**	**9,2%**	**-3,2%**
Minority interest in income	221	1,2%	116	0,8%	90,0%
Net profit	**1.066**	**5,9%**	**1.213**	**8,4%**	**-12,1%**

2.7 Comments on management results

The income reported for the first semester of 2002 shows an increase of 56.95% compared with the first semester of the preceding financial period, mainly due to the presence of the revenue from Cynosure.

The following chart illustrates the income divided by category of activity within the Group for the first semester of 2002, compared with the same categories for the first semester of 2001.

	30/06/2002	Inc%	30/06/2001	Inc%	Var%
Industrial systems and lasers	6.481	30,70%	5.101	37,90%	27,06%
Medical and cosmetic lasers	11.975	56,72%	7.382	54,85%	62,21%
Research and Development	73	0,35%	52	0,38%	41,35%
Service	2.584	12,24%	923	6,86%	179,95%
Total	21.113	100,00%	13.458	100,00%	56,89%

The amounts of income registered show two-figure increases for all categories, which demonstrates the exceptional vitality of the group and the trend towards expansion, notwithstanding the generally unfavourable market conditions.

With the acquisition of Cynosure, the importance of the medical sector is accentuated within the Group, and shows an increase of 62.2% for the financial period. The other sectors remain strong and contribute to the positive results, which are even better than those forecast by the management; the industrial laser sector shows an increase of 27.6%, which is an excellent result considering the general stagnation of this particular market. In the field of after-sales service, the results achieved correspond to expectations and are mostly the result of the increase in the number of systems installed during the last financial period. For this sector, the growth determined by the acquisition of Cynosure is even more evident, because of the numerous installations supplied by the American company which are already operating.

The revenue derived from research activity has increased in comparison with the amount recorded for the preceding financial period, remaining however, at an extremely low level with respect to the average for a group which carries on intense research and development activity, and which considers this activity as one of its strong points. This low level is due to the delay (with respect to the completion of the project) in payment of reimbursements for specific research projects which were the subject of contracts signed with institutions financed by MIUR.

The chart below illustrates results for the financial period according to their geographical distribution.

	30/06/2002	Inc%	30/06/2001	Inc%	Var%
Italy	8.696	41,19%	8.184	60,81%	6,25%
Europe	4.578	21,68%	2.007	14,91%	128,08%
Rest of the world	7.840	37,13%	3.267	24,27%	140,01%
Total	21.113	100,00%	13.458	100,00%	56,89%

The presence of Cynosure moves the distribution of revenue towards the United States and the international markets in general; even without the contribution of Cynosure, the international markets would have had an increasing influence on the revenue of the Group, since the growth rate is higher than that of the Italian market. The innovative products offered have made it possible to overcome the difficulties of a generally negative situation and climate of uncertainty which dominate the market.

The medical-cosmetic sector represents 56.7% of the sales of the Group and showed considerable growth during this period. The following chart shows the income derived from this sector divided by category of activity.

	30/06/2002	Inc%	30/06/2001	Inc%	Var%
Surgical CO2	954	7,96%	776	10,52%	22,81%
Physiotherapy	265	2,22%	424	5,74%	-37,40%
Cosmetic	8.304	69,35%	4.792	64,91%	73,29%
Dental	865	7,22%	765	10,36%	13,07%
Other medical lasers	1.418	11,84%	467	6,33%	203,75%
Accessories	169	1,41%	158	2,14%	6,74%
Total	11.975	100,00%	7.382	100,00%	62,21%

Cynosure's products are concentrated in two areas of activity: cosmetic and dermatological. In this latter category (included under the heading of "others"), Cynosure provides colouring systems which are the most sophisticated products available on the market.
During this period, some important new products introduced during 2001, became commercial successes, in particular, Photosilk for hair removal and Triactive for cellulitis removal. The dramatic events which influenced the final months of 2001 prevented these products from obtaining the success they deserved at the time, but their worth has since been demonstrated and given positive results, thanks also to the promotional expenses which were sustained in order to market them. The physical therapy sector showed a decrease in revenue, but important technological and clinical research projects on this type of application are now in progress and it is expected that they will completely renew the market

The chart below shows the income from the sector of industrial applications, divided by the market categories in which the Group is operating.

	30/06/2002	Inc%	30/06/2001	Inc%	Var%
Cutting	3.499	53,98%	3.084	60,46%	13,47%
Marking	2.697	41,61%	1.430	28,04%	88,59%
Laser sources	205	3,16%	492	9,64%	-58,36%
Welding	80	1,24%	95	1,86%	-15,32%
Total	6.481	100,00%	5.101	100,00%	27,06%

The results in terms of sales are still very positive for the laser cutting systems and, even more, for the marking systems. The sector of laser sources and welding have shown a decrease in sales; for welding this result conforms to the forecasts, while laser sources are expected to catch up in the next few months thanks to the new range of high power laser source products. Intense support operations for sales have been activated also in the industrial sector, including marketing promotions and the use of foreign distributors. Consequently, a marked growth has been achieved notwithstanding the negative market scenario, although sometimes lower sales margins have had to be accepted.

Gross margin is up to 10.303 thousand Euros, showing an increase compared with the same period in 2001 , with the influence on Value of Production up to 46.4% from the 46.0% recorded for the preceding period. Sales profitability is hurt in the cosmetic/medical market by the difficult market conditions, which, in spite of the rise in sales, puts increased pressure on sales margins, and in the industrial market by the aggressive sales policy aimed at the acquisition of new market sectors. On the other hand, the profitability of the sales remains at an excellent level, especially in consideration of the fact that revenues from research and development, amounting to almost nothing during this period, and used predominantly for reimbursing staff costs, have considerable impact on the gross margin percentage.

The other operating services and charges amounted to 3.487 thousand Euros, with a 15.7% impact on Value of Production, down from the 18.4% shown for the first six months of 2001. The consolidation of Cynosure does significantly alter the impact of operating costs on Value of Production.

Staff costs amounted to 4.231 thousand Euro, with an impact rising to 19.1% from 14.9% shown for the first six months of 2001. The number of employees in the Group increased from 129 at the end of 2001 to 265 on 30/06/2002. This increase is due to the addition of the 110 Cynosure employees, and the rest to an increase in company staff, except for the one employee of the new company, DEKA-Dls GmbH. The staff has been reinforced in all departments, especially in research and development and in sales, but also in administration and production.

The Gross Operating Profit accounts for 2.584 thousand Euros, up 40.5%, with an impact of 11.6%, down from the 12.7% registered for the same period last year. Due in part to the acquisition of Cynosure, a trend towards an increase in the overall amount of the Gross Operating Profit, even with impact of the Gross Operating Profit on the Value of Production, will be typical for the next quarters.

Depreciation and amortisation accounts for amounts, and for a percentage impact on the Value of Production, that are analogous to those of the preceding financial period. In overall terms, a change of 62.5% is registered, due to the amortisation of the difference in consolidation which emerged after the acquisition of Cynosure. This consolidation difference a accounts for 7,534 thousand Euros and generated amortisation for 125 thousand Euros approx. for the two months of consolidation of the Cynosure financials. The amortisation of the consolidation goodwill paid for the purchase of Cynosure, will be a highly relevant cost entry within the consolidated financials for the next few years.

The operating profit (EBIT) therefore amounts to 1.645 thousand Euros, with an increase of 30.3% and an impact of 7.4% on the Value of Production.

The net financial income is positive (175 thousand Euros) but shows a marked decrease with respect to the previous year (638 thousand Euros). There are three causes for this decrease: the decrease in interest rates, the use of a significant portion of the cash for the acquisition of Cynosure, and the losses in foreign currency due to the decreased value of the U.S. dollar. As far as this last factor is concerned, the deposits opened before the Cynosure transaction was closed, affected the income with a 99 thousand Euro entry for foreign exchange loss at the moment of the final registration of the shares acquired. The change in financial revenue affects earning before taxes of the period forcing its decrease on a quarterly basis with respect to the previous year.

The extraordinary income is in the black for an amount of 110 thousand Euros, accounting also for a relevant share of the net income earned in the period by the associated companies, Quanta System Srl, Quanta Fin Srl and Lasit Srl for a total amount of 126 thousand Euros, and of the loss of Cynosure's Sona International, for 87 thousand Euros.

Profit before taxes amounts to 1.931 thousand Euros.

The tax load for the period increased by 29.9%, mainly due to the modifications imposed by the DIT. This proviso drastically reduced the earlier tax benefits, severely penalising the Group, and in particular the Parent Company, El.En, in its condition of a company newly quoted on the stock market. The average tax rate of the Group rose from 33% in the first semester of 2001 to 41% in the first semester of 2002, and the effects of the this change are evident in the result related to the Group which amounts to 849 thousand Euros.

2.8 Consolidated balance sheet and financial position as of June 30th 2002

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

	30/06/2002	31/12/2001
BALANCE SHEET		
Intangible assets	9.425	1.669
Tangible assets	6.332	3.693
Equity investments	1.155	808
Other investments	982	705
Total fixed assets (A)	**17.893**	**6.874**
Stocks	15.656	9.115
Trade debtors	11.647	8.358
Other debtors	2.628	2.837
Own shares	238	
Cash in banks and on hand	25.652	32.478
Total current assets (B)	**55.820**	**52.788**
Trade creditors	10.577	6.235
Other debtors	6.644	2.011
Financial liabilities due within 12 months	927	357
Total current liabilities (C)	**18.148**	**8.603**
Net working capital (D)= B-C	**37.672**	**44.185**
Employee severance indemnity	739	695
Other provisions	2.667	1.357
Net medium and long term financial debts	2.189	2.249
Mid and long terms creditors (E)	**5.596**	**4.302**
Net invested capital (A + D - E)	**49.970**	**46.757**
Shareholders' equity	44.317	45.049
Minority interest on equity	5.653	1.709
Shareholders' equity	**49.970**	**46.757**

The net financial position of the company as of June 30th 2002, is as follows:

Net financial position		
	30/06/2002	**31/12/2001**
Financial mid and long term debts	(2.189)	(2.249)
Financial mid and long term debts	*(2.189)*	*(2.249)*
Financial liabilities due within 12 months	(927)	(357)
Cash in banks and on hand	25.652	32.478
Net financial short term position	*24.725*	*32.121*
Total financial net position	**22.536**	**29.872**

The net financial position is in the black for an amount of over 22,536 thousand Euros.

The acquisition of Cynosure, concluded during the quarter, involved an investment of 9,897 thousand dollars, entered into accounts at an exchange rate of 0.9002 Euros per dollar. The agreement includes a second instalment to be calculated according to the year 2002 net sales of Cynosure; for the purpose of drawing up this report, this amount has been assumed to be 1,916 thousand dollars. Other costs have been allocated to the cost of the shares, for a total amount of 292 thousand dollars.

As part of the transaction, El.En's payment allowed a share capital increase for 1,749 thousand dollars, due to the exercising of stock options which had been assigned to employees. Cynosure obtained about 350 thousand dollars more by the payment of loans granted to shareholders for the purchase of shares, because the shareholders could obtain the cash to pay back their debts to the company. During the month of June, Cynosure obtained a federal tax reimbursement for over 870 thousand dollars, which made it possible to enter the net financial position of the Cynosure Group at 2,715 thousand dollars as of June 30th 2002. The conditions of the purchase transaction therefore made it possible to obtain an appropriate financing of the company, which was needed to put it in a position to pursue its goals in research and development and distribution as a member of the Group.

During this period, cash has also been absorbed by the payment of dividends by El.En. for 920 thousand Euros and for the purchase of 30% of Immobiliare Del.Co. Srl (274 thousand Euros, which will be described in the following paragraphs.

Net of the extraordinary uses of cash, of the payment of dividends and eliminating the cash retained by Cynosure, the net financial position increased by 2,334 thousand Euros in this period, as a direct effect of cash generated by the present business activities.

2.9 Comments of Research and Development activities

As in previous years, during the first six moths of 2002, the Group has promoted an intense activity of research and development, aimed at he creation of innovative products and new applications in both the medical and industrial fields. Research and Development plays a fundamental strategic role for the Group, and the ability to introduce on the markets new, original products for a wide range of applications has always been the focus of our activity.

The R & D activities are partially financed by contracts underwritten with research centres and with MURST (University and Technological Research Institute) and by contributions on staff costs which can also be granted in the form of tax credits.

Among the various projects that have been that have been undertaken in this period, among the most significant are: that for determining the characteristics of the beam and optical components for laser systems, for the use of lasers in the conservation of works of art, for physiotherapy and the for new applications of old technologies which will lead to the introduction of innovative products on the market.

Moreover, clinical experiments conducted for the purpose of confirming and recording the effectiveness of certain laser treatments has been undertaken for new, highly innovative laser applications in cooperation with qualified independent research laboratories.
The chart below shows the expenses incurred for research and development.

thousands of euro	**30/06/2002**
Costs for personnel and general expenses	1.724
Costs for instruments and equipment	40
Costs for building of prototypes	136
Costs for technological consultants	137
Services provided	28
Total	**2.065**

The expenses for research and development amounts to about 9.7% of the consolidated turnover and about 19.6% of the turnover of El.En. Spa, which pays most of the R & DS expenses. From these figures it is evident that a considerable amount of effort and resources are dedicated systematically to research and development.

For the expenses listed in the chart, the Group received revenues for cost reimbursement or for research programs fpr a total amount of 73 thousand Euros, plus other revenues amounting to 5 thousand Euros. This amount is absolutely inadequate in consideration of the amount of effort expended and the contracts already in existence and in progress with the various institutions.

Besides the other projects which require minor financing, there is also the CHOCLAB project which has been approved by MIUR (Ministry for the University and for Research) which, out of the cost of 856 thousand Euros paid or still to be paid between 2000 and 2003, will procure a contribution of 579 thousand Euros. Although an amount of approx. 568 thousand Euros has already been entered on the books, the procedure for approval of the expense accounts as of this time has not yet made it possible to enter any of the grants for this project on the books.

As reported by the "Gazzetta Ufficiale" dated April 24th 2002, El.En. S.p.A. has been awarded a grant of 322 thousand Euros, and a loan of 681 thousand Euros for a project called "Research and development of new laser systems for applications in orthopaedics and physiotherapy". The expenses which have already been paid or are yet to be paid between 2001 and 2004 should be about 1,135 thousand Euros. The company has already entered on the books expenses for about 578 thousand Euros but, as is the case for the project described in the preceding paragraph, no revenue has yet been entered for in the first semester of 2002.

2.10 Cynosure operation

On May 6th 2002 El.En acquired a 60% equity in Cynosure. This transaction was concluded with an increase in capital, the income from which was used for a buy-back of shares by Cynosure. El.En paid 9,897 million dollars, which was about 80% of the presumed total amount, and the remainder will be paid within 12 months of that date. Conditions for the payment of the remaining amount involve an earn-out, with reference to the overall evaluation of the company which will be determined by its consolidated annual revenues for the financial year 2002, minus the consolidated operating loss incurred for the year 2001.

In order to enter on the books the costs of the shares purchased, based on the budget issue by the management and the actual performance during the first six months, an assumption had to be made: the expected sales volume of 23.5 million dollars set a value of Cynosure at 19,7 million dollars. Based on this assumption, El.En would pay 11.8 million dollars for the 60% of which 9,897 million dollars had already been paid, and 1.9 million dollars remained to be paid. The actual amount due will be calculated on the basis of the net sales registered in the consolidated, audited balance sheet of Cynosure deposited on December 31st 2002. The consolidation difference entered in the books with the consolidated financials has been calculated based on the same assumption, according to the calculations shown in the chart below:

	USD		Euro	
Amount of equity		12.105.400		13.449.115
Reclassified capital and reserves of Cynosure on 30.04.02	7.125.355		7.915.557	
Increase in capital	1.749.193		1.943.179	
Rectified capital and reserves of Cynosure on 30.04.02	8.874.549		9.858.736	
Amount of shareholder's equity		5.324.729		5.915.242
Difference in consolidation		6.780.671		7.533.873

2.11 Other significant events which occurred during the semester

On May 20th 2002, El.En S.p.A. acquired an equity of 30% in the Immobilare Del Co. S.r.l., with headquarters in Solbiate Olona (VA) for the amount of 274.200 Euros. The company is owner of a building which, after the completion of the remodelling project, will be rented to the associated company Quanta System, S.r.l. Since the difference between the purchase price of the equity and the corresponding amount of shareholder's equity was approx. 261 thousand Euros approx., on account of the greater value of the land and buildings belonging to Immobiliare Del Co, Srl, as stated in the estimate report given for the evaluation of the same, the company decided that it would be appropriate to enter this equity on the books at cost.

On June 24th 2002 a special assembly of the shareholders of Quanta Fin Srl and Quanta System Srl approved the merger of the two companies. The act of merger will be effective starting on October 17th 2002 and the economic effects will be retro-dated to January 1st, 2002. Before the merger, El.En. Spa sold off a 20% share of Quanta Fin to Laser Fin, the only other shareholder in the company, for the amount of 42,324 Euros, with a capital gain of 5,195 thousand Euros on a consolidated basis.

Following the vote taken on April 24th 2002, the Board of Directors of El.En. proceeded to purchase their own shares according to the program which had been voted on by the same assembly. On June 30th 2002 the Company had purchased 9,439 shares of stock for a value of 109,424 Euros ad an average price of 11.593 Euros. These shares were maintained at the purchase price since the market price on June 30th and during the months of July, August and September, showed no significant difference. From July 1st 2002 until September 30th 2002, the parent company, El.En. purchased an additional 10,015 shares for an amount of 110,477 Euros, at an average price of 11.304 Euros for a total of 219,901 Euros.

No other unusual events occurred during the financial period described in this report.

2.12 Significant events which occurred after the end of the semester

On July 16, 2002, the extraordinary shareholder meeting of El.En. Spa decided to revoke, for the unexecuted part, the resolution of the shareholders' meeting held June 7, 2000, which had given the Board of Directors the power to increase the share capital by issuing a maximum of 240.000 ordinary shares, to be executed without any option right, to be reserved in option to employees and directors of the company and its subsidiaries (stock options). This revocation became necessary because the Board was no longer able to implement the share capital increase, since the minimum option price had been set at 26 euro, the IPO value, which was not adequate for an incentive plan considering the current market value of the stock.
During the same meeting the shareholders resolved to reassign to the Board of Directors the power to issue, either all at once or on different occasions, even in a revocable form, within 5 years of the date of the vote, against payment, an increase in the share capital up to a nominal maximum of 124,800 Euros by issuing a maximum of up to 240,000 new shares, to be set aside exclusively for underwriting by the employees of the Company and its subsidiaries. When the employee decides to exercise his right of option, he must pay the price of the underwriting. This price will be determined by the Board of Directors according to the regulations in force at a unit price, which will include the share premium and be equal to the greater amount among the following i) net worth per share value determined on the basis of the consolidated financial statement of El.En Group on December 31st of the year preceding the granting of the options, ii) the average of the official stock price on the New Stock Market during the six months before the date on which the options were granted; iii) the average of the official stock price on the New Stock Market during the thirty days before the date on which the options were granted; iv) the average of the official stock price on the New Stock Market during a period before the date of the granting of the options, to be selected by the Board of Directors from the rules in the incentive program.

2.13 Short term evolution

The acquisition of Cynosure considerably increased the dimensions of the Group, and rendered inadequate the forecasts for growth which had been made before the purchase of the company, which indicated an expected growth rate of 21% in sales for the year. In consideration of the new structure of the Group, the management now expects an annual growth of 85%. Since Cynosure operates exclusively in the medical sector, this area is expected to show the fastest increase, with medical laser sales up 111%, while industrial laser systems sales should be up 22% as indicated in the previous forecast.

Profit margins were expected to increase with respect to the previous years. The consolidation of Cynosure, a company that had a very negative year in 2001 and that managed to break even only after the first months of the year 2002, will affect the profit margins in terms of impact on the value of production, without significantly influencing the total amount of the profits.

For the Board of Directors
The President

Ing. Gabriele Clementi President