

El.En. Group

COMMENTS OF THE MANAGEMENT ON THE CONSOLIDATED DATA FOR THE QUARTER ENDING June 30th 2007

(Approved by the Board of Directors of the company on August 7th 2007)

Report for the quarter ending on June 30th 2007

Introduction

This report for the quarter ending June 30th 2007 on the consolidated economic and financial data of El.En. SpA was drawn up and divulged in compliance with Art. IA 2.17.2 of the Instruction for the Regulations of the Markets (*Istruzioni al Regolamento dei Mercati*) and to Art. 82 of the CONSOB regulations adopted after vote no. 11971 and later modifications. The task of examining the data and the information provided in this report has not been assigned to an auditing firm, because, as of this writing, it is not compulsory.

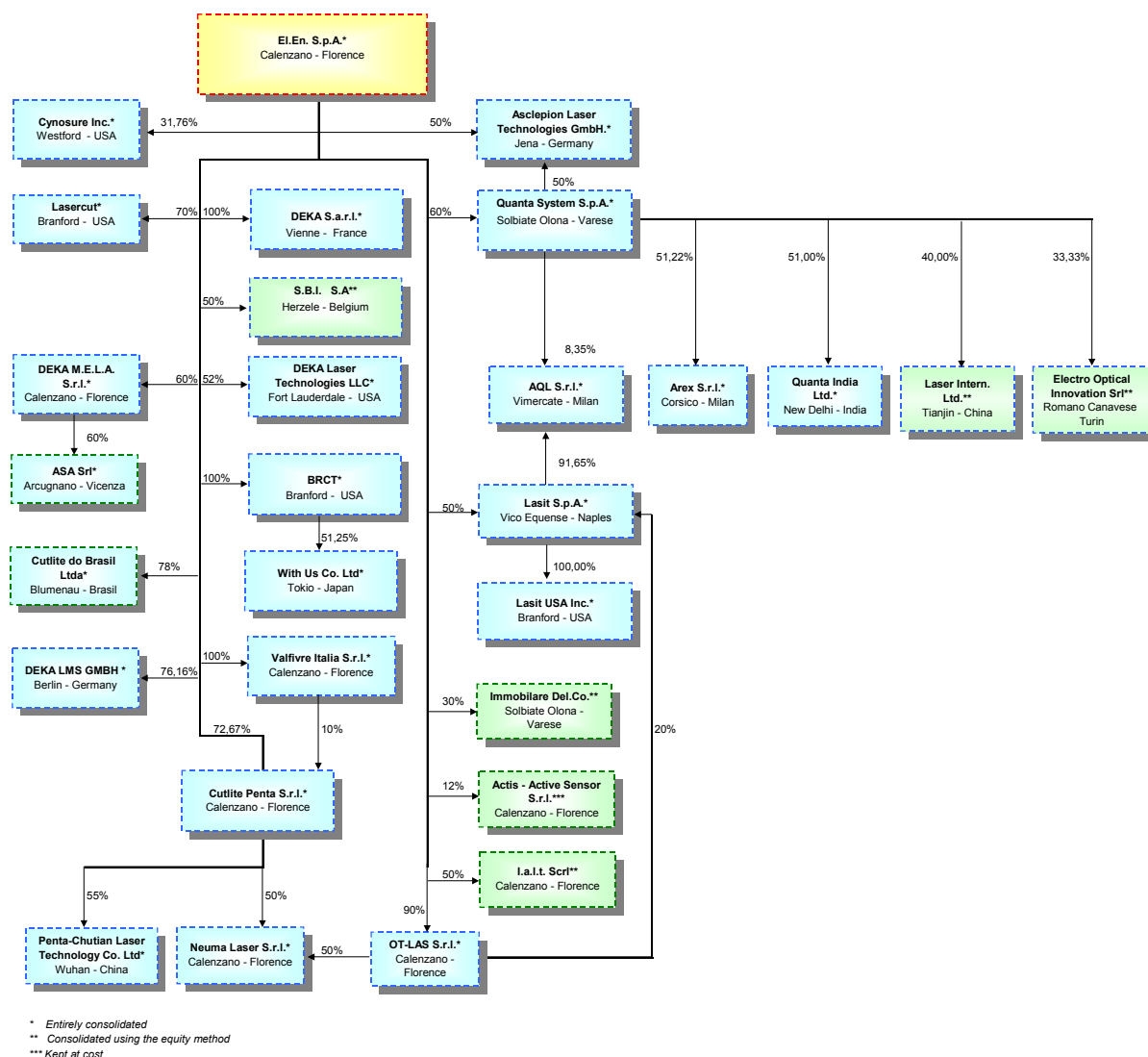
The information which is shown below was organized in conformity with the international accounting principles, IAS/IFRS, which have been obligatory since 2005 for drawing up the consolidated statements of companies which are listed on the regulated stock markets.

The results for the quarter ending June 30th 2007 are shown in comparative form with the corresponding data for the same quarter last year. All of the amounts are expressed in Euros unless otherwise stated.

Description of the Group

El. En. SpA controls a group of companies which operate in the field of design, manufacture and distribution of laser sources and systems which are intended for a variety of applications. El.En. SpA itself conducts important operations within the Group, in particular research and development activities, design and manufacture.

As of June 30th 2007 the structure of the Group was as follows:



In the month of April 2007, during the assembly of the AQL Srl company, after voting in favour of releasing the capital stock for the purpose of covering the losses which had emerged in the annual report dated December 31st 2006, the partner Lasit SpA agreed to reconstitute the capital stock of the associated company in order to reach the amount of 50 thousand Euros.

In May of 2007, our subsidiary Quanta System SpA founded the Electro Optical Innovation Srl company in which it holds a 33.33% interest, and which will operate in the design and sale of high technology goods.

Also in the month of May, the parent company El.En. SpA founded in Brazil the Cutlite do Brasil Alta Tecnologia a Laser Ltda, which will distribute and manufacture laser systems for industrial applications. The company was established in the city of Blumenau in the state of Santa Catalina, in the center of major industrial development in Brazil. El.En. SpA holds a 78% interest in the company.

Moreover, during the quarter which is the subject of this report, in the United States Lasit SpA established Lasit USA, Inc., a company which will be directly involved in the management of their distribution activity in the U.S.A, which was started up a few months ago in collaboration with Lasercut Inc..

Cynosure Inc., a company which is quoted on the American stock market Nasdaq (NASDAQ:CYNO), in turn controls six companies in Germany, France, Great Britain, Spain, Japan and China which distribute its products and in which they hold a 100% interest.

Economic and financial results of the Group

The growth of the sales volume of the Group continued at a rapid pace and is essentially equal to 25% both for the quarter and for the half-year. This figure represents an important result which demonstrates the ability of the Group to reach the goals for expansion which had been set.

In a situation which, on the whole, can be described as encouraging, there are in any case, areas of major success which drew in greater revenue and profits, while others experienced difficulties, in some cases of a transitory nature.

The best results were obtained by Cynosure, the American subsidiary which operates in the medical-aesthetic sector, and in particular on the American market. Cynosure showed a growth of 50% with a considerable increase in profits thanks also to Smartlipo, a product which El.En supplies exclusively to them for the North American market.

The results of the companies operating in the medical-aesthetic sector were on the whole very good, showing a good growth rate and an improvement in profitability. Although it did not show an increase in terms of sales volume with respect to last year, due in part to the decrease in the activity of the subsidiary Lasercut Inc., the industrial sector continued its positive trend and with good prospects for improvement during the rest of the year.

Considering the impact that the subsidiary company Cynosure has on the consolidated results and the considerable interest in the company which is held by third parties (the controlling interest held by El.En., in fact, is 31,76%), we will complete the data sheet by showing not only the data relative to the consolidated results of the Group, but also the results of the Group excluding Cynosure from the area of consolidation.

The chart below shows the figures for the Profit and Loss Account for the second quarter of 2007, displayed in comparative form with the same results for last year.

Profit and loss account - 3 months	30/06/07	Inc.%	30/06/06	Inc.%	Var.%
Revenues	47.077	100,0%	37.803	100,0%	24,5%
Change in inventory of finished goods and WIP	3.227	6,9%	1.298	3,4%	148,6%
Other revenues and income	373	0,8%	438	1,2%	-14,8%
Value of production	50.677	107,6%	39.539	104,6%	28,2%
Purchase of raw materials	20.039	42,6%	16.957	44,9%	18,2%
Change in inventory of raw material	(1.024)	-2,2%	(1.444)	-3,8%	-29,1%
Other direct services	5.039	10,7%	4.034	10,7%	24,9%
Gross margin	26.623	56,6%	19.992	52,9%	33,2%
Other operating services and charges	9.600	20,4%	7.641	20,2%	25,6%
Added value	17.023	36,2%	12.350	32,7%	37,8%
For staff costs	10.155	21,6%	8.137	21,5%	24,8%
EBITDA	6.868	14,6%	4.213	11,1%	63,0%
Depreciation, amortization and other accruals	1.486	3,2%	1.084	2,9%	37,1%
EBIT	5.382	11,4%	3.129	8,3%	72,0%
Net financial income (charges)	256	0,5%	564	1,5%	-54,7%
Share of profit of associated companies	(25)	-0,1%	(16)	-0,0%	52,2%
Other Income (expense) net	(662)	-1,4%	(135)	-0,4%	391,6%
Income before taxes	4.951	10,5%	3.542	9,4%	39,8%

The chart below shows the results of the Profit and Loss Account for the first half of 2007, displayed in comparative form with those for last year.

Profit and loss account	30/06/07	Inc.%	30/06/06	Inc.%	Var.%
Revenues	90.077	100,0%	72.146	100,0%	24,9%
Change in inventory of finished goods and WIP	6.515	7,2%	4.650	6,4%	40,1%
Other revenues and income	685	0,8%	1.009	1,4%	-32,1%
Value of production	97.278	108,0%	77.805	107,8%	25,0%
Purchase of raw materials	39.243	43,6%	34.561	47,9%	13,5%
Change in inventory of raw material	(1.900)	-2,1%	(2.502)	-3,5%	-24,0%
Other direct services	9.254	10,3%	7.681	10,6%	20,5%
Gross margin	50.681	56,3%	38.064	52,8%	33,1%
Other operating services and charges	18.439	20,5%	14.851	20,6%	24,2%
Added value	32.242	35,8%	23.212	32,2%	38,9%
For staff costs	20.357	22,6%	16.088	22,3%	26,5%
EBITDA	11.885	13,2%	7.124	9,9%	66,8%
Depreciation, amortization and other accruals	2.674	3,0%	2.295	3,2%	16,5%
EBIT	9.211	10,2%	4.829	6,7%	90,7%
Net financial income (charges)	501	0,6%	1.005	1,4%	-50,1%
Share of profit of associated companies	(26)	-0,0%	(16)	-0,0%	61,3%
Other net income (expense)	(1.275)	-1,4%	(149)	-0,2%	753,7%
Income before taxes	8.411	9,3%	5.669	7,9%	48,4%

The chart below shows in detail the net financial position of the Group:

Net financial position	30/06/2007	31/03/2007	31/12/2006
Cash and bank	34.167	23.289	24.361
Financial instruments held for sale	35.821	38.155	34.011
Cash and cash equivalents	69.988	61.445	58.372
Short term financial receivables	0	0	0
Bank short term loan	(1.565)	(393)	(621)
Part of financial long term liabilities due within 12 months	(749)	(745)	(680)
Other short term financial liabilities	0	0	0
Financial short term liabilities	(2.314)	(1.137)	(1.301)
Net current financial position	67.674	60.308	57.071
Bank long term loan	0	(13)	(13)
Bonds	0	0	0
Other long term financial liabilities	(2.294)	(1.851)	(1.918)
Financial long term liabilities	(2.294)	(1.864)	(1.930)
Net financial position	65.380	58.444	55.141

The chart below shows the Profit and Loss Account for the first half of the year and the net financial position of the Group excluding the subsidiary Cynosure from the area of consolidation.

Profit and loss account	30/06/07	Inc. %	30/06/06	Inc. %	Var. %
Revenues	51.592	100,0%	45.600	100,0%	13,1%
Change in inventory of finished goods and WIP	3.433	6,7%	2.242	4,9%	53,1%
Other revenues and income	498	1,0%	833	1,8%	-40,2%
Value of production	55.524	107,6%	48.674	106,7%	14,1%
Purchase of raw materials	27.450	53,2%	24.911	54,6%	10,2%
Change in inventory of raw material	(1.811)	-3,5%	(3.085)	-6,8%	-41,3%
Other direct services	5.235	10,1%	5.112	11,2%	2,4%
Gross margin	24.650	47,8%	21.736	47,7%	13,4%
Other operating services and charges	8.426	16,3%	7.327	16,1%	15,0%
Added value	16.224	31,4%	14.409	31,6%	12,6%
For staff costs	10.673	20,7%	9.197	20,2%	16,1%
EBITDA	5.551	10,8%	5.212	11,4%	6,5%
Depreciation, amortization and other accruals	1.436	2,8%	1.260	2,8%	14,0%
EBIT	4.115	8,0%	3.953	8,7%	4,1%
Net financial income (charges)	(150)	-0,3%	(449)	-1,0%	-66,5%
Share of profit of associated companies	(26)	-0,1%	(16)	0,0%	61,3%
Other net income (expense)	(172)	-0,3%	(62)	-0,1%	178,5%
Income before taxes	3.767	7,3%	3.425	7,5%	10,0%

Net financial position	30/06/2007	31/03/2007	31/12/2006
Cash and bank	17.053	14.058	13.964
Financial instruments held for sale	57	707	939
Cash and cash equivalents	17.111	14.765	14.903
Short term financial receivables	0	0	0
Bank short term loan	(1.544)	(368)	(466)
Part of financial long term liabilities due within 12 months	(433)	(429)	(375)
Other short term financial liabilities	0	0	0
Financial short term liabilities	(1.977)	(797)	(841)
Net current financial position	15.134	13.967	14.062
Bank long term loan	0	(13)	(13)
Bonds	0	0	0
Other long term financial liabilities	(1.619)	(1.084)	(1.106)
Financial long term liabilities	(1.619)	(1.097)	(1.118)
Net financial position	13.515	12.870	12.944

Comments on management results

Using an articulated corporate structure designed to cover each of the individual geographic and merchandising sectors of the particular market, the Group operates in the field of design, manufacture and distribution of laser sources and systems. The main selling markets are those of laser equipment for medical and aesthetic use and laser systems for industrial purposes. Along with the manufacture of laser systems, the company has always provided the clientele with after-sales technical assistance and SpAre parts and this activity is very significant also in relation to the revenue it earns. The research and development activities also contribute to the volume of business with revenues for research projects and income from reimbursements, but, above all, they represent the essence of the Group by guaranteeing the sales structures a continuous flow of innovative products, which is the key to success on the high tech markets in which the companies of the Group compete at a global level.

As mentioned in the introduction, the growth of the consolidated sales volume during the first six months of 2007 was about 25% and has stayed above the average growth rate forecast for this year, thus confirming the positive initial results shown for the first quarter.

The results of the consolidated operating profits are also positive and arrive early with respect to the annual distribution which had been forecast. While registering these positive results however, it should be noted that the companies belonging to the Group normally operate with a portfolio of orders capable of covering less than two months of activity, and hence any extrapolation of the half-yearly results on an annual basis is based exclusively on market forecasts and not on orders already received.

The table below shows the subdivision of the sales volume according to sectors of activity of the Group during the last six months in comparison with the same data for the same period last year.

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Industrial systems and lasers	10.505	11,66%	10.744	14,89%	-2,23%
Medical and aesthetic lasers	67.266	74,68%	52.488	72,75%	28,16%
Consulting and Research	-		-		
Service	12.306	13,66%	8.914	12,36%	38,05%
Total	90.077	100,00%	72.146	100,00%	24,85%

The customer assistance service and SpAre parts sales show an increase in revenue of over 38%, which was achieved not only because of the natural increase in the amount of equipment installed, but also thanks to the sale of consumer items which are required for some of the recently introduced medical applications. The With Us company, moreover, is directly involved in technical assistance to customers in Japan and has brought into the area of consolidation of the Group the technical assistance and SpAre parts sales for hundreds of pieces of equipment installed in Japan.

Results in the medical sector are brilliant again, with a growth rate well above that of the market in general. The industrial sector on the other hand shows no expansion although prospects still are good, due mainly to the operations which have been initiated by the Group in view of an internationalization of their activities through the establishment of companies operating in China and Brazil.

The residual category "Consulting and research" is zero for this period, however we are retaining the heading because this item should be considered, along with others, with the revenue received for research activity under the heading of "Other income". During the first half of 2007, income from research activities was 223 thousand Euros as opposed to 560 thousand euros for the same period last year.

Results for this quarter in relation to the geographic distribution of the sales volume, are shown on the chart below.

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Italy	13.543	15,03%	14.201	19,68%	-4,64%
Europe	26.963	29,93%	22.824	31,64%	18,13%
Rest of the world	49.571	55,03%	35.121	48,68%	41,14%
Total	90.077	100,00%	72.146	100,00%	24,85%

The tendency towards an increased impact of the non-European markets on the sales volume of the Group continued. The recent operations initiated by the Group are aimed at an internationalization also in the industrial sector which, even more than the medical sector, considers the Italian and European markets the main point of reference. Sales volume for Italy was approx. 15%, a percentage which was second only to that of the American market.

The chart below shows sales, divided according to the various categories, for the medical aesthetic sector, which represents almost 75% of the sales of the Group.

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Surgical CO2	1.375	2,04%	1.340	2,55%	2,55%
Physiotherapy	2.093	3,11%	2.189	4,17%	-4,40%
Aesthetic	54.174	80,54%	39.215	74,71%	38,15%
Dental	3.596	5,35%	3.935	7,50%	-8,62%
Other medical lasers	5.659	8,41%	5.422	10,33%	4,36%
Accessories	370	0,55%	387	0,74%	-4,18%
Total	67.266	100,00%	52.488	100,00%	28,16%

Sales volume of the medical-aesthetic sector demonstrate that this category is the most important and the most dynamic one. At this time it represents 60% of the consolidated sales volume and continues to grow at a high rate due to the growing popularity of laser applications for aesthetic purposes and to the ability of the Group to offer innovative high technology products that are capable of satisfying the continual demand for novelties on the part of the clientele.

During 2007 some of the most successful products in this category were: the Smartlipo system manufactured by El.En. and distributed in the USA by Cynosure which became the standard for fat removal by means of laser lipolysis, a mini-invasive alternative to liposuction; the Affirm system which is offered by Cynosure for the so-called "skin tightening", which is generically defined as a skin rejuvenation technique; the Synchro HP system offered by Deka, a multi-functional platform which combines the functions of hair removal, photo-rejuvenation and vascular treatments in a single system with a performance level which is unique in the world.

The physical therapy sector, which is assigned to the ASA company, showed a slight decrease in comparison to 2006, however this result was not unexpected considering the fact that during 2006 several unusually large orders had been received.

Under the heading of "Others", of particular interest is the sales volume for Dye equipment, of which Cynosure is one of the two main manufacturers in the world, and for which they have developed the innovative "Multiplex" technique, a technological tour de force which enhances the efficacy of some vascular treatments.

The dental sector showed a slight drop in part due to the unexpectedly poor results registered by the American subsidiary Deka Laser Technologies, which is active only in the dental sector and only in the USA.

The CO₂ surgical sector and the accessories sector showed, the first a slight increase and the second a slight drop. The prospects for development in this area are good thanks mainly to the innovative accessories which have recently been introduced on the market and which make it possible to extend the traditional field of application for CO₂ lasers to some extremely interesting aesthetic applications.

For the industrial applications sector, the chart below shows a break-down of the sales volume according to the market segments in which the Group operates.

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Cutting	4.481	42,66%	4.466	41,57%	0,32%
Marking	4.008	38,15%	3.965	36,90%	1,08%
Laser sources	1.942	18,49%	2.045	19,03%	-5,00%
Welding, other industrial systems	74	0,71%	269	2,50%	-72,40%
Total	10.505	100,00%	10.744	100,00%	-2,23%

During the second quarter the acceleration in the sector which had been registered at the beginning of the year began to slow down, and the sector in general showed a slight drop off in terms of sales volume.

The overall market situation and the efforts made by the Group to consolidate their activities by creating manufacturing centers in Brazil and in China offer excellent prospects for achieving a satisfactory growth rate also in this sector. It should be noted in any case that a certain amount of the sales volume has been “cut” since it was not capable of generating revenue and therefore, in terms of sales volume the sector has substantially improved its profitability.

The cutting sector, in fact, has undergone the re-organization of Lasercut and the consequent delay of some sales, which has caused a flat trend in terms of sales volume; the same results apply to the marking sector, although the small surface sector showed signs of growing vitality.

The core sector of laser sources showed a decrease although the outlook in this area continues to be good.

The welding and restoration sector, which is of marginal overall importance, registered a sharp drop in revenue.

The tables below show the composition of the consolidated sales volume of the sub-consolidated which excludes Cynosure, with the exclusion of the break-down chart for the industrial sector in which Cynosure does not operate.

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Industrial systems and lasers	10.505	20,36%	10.744	23,56%	-2,23%
Medical and aesthetic lasers	33.445	64,83%	29.994	65,78%	11,51%
Consulting and Research	-		-		
Service	7.642	14,81%	4.862	10,66%	57,19%
Total	51.592	100,00%	45.600	100,00%	13,14%

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Surgical CO2	1.375	4,11%	1.340	4,47%	2,55%
Physiotherapy	2.093	6,26%	2.189	7,30%	-4,40%
Aesthetic	23.869	71,37%	19.896	66,33%	19,97%
Dental	3.596	10,75%	3.935	13,12%	-8,62%
Other medical lasers	2.143	6,41%	2.248	7,49%	-4,66%
Accessories	370	1,11%	387	1,29%	-4,18%
Total	33.445	100,00%	29.994	100,00%	11,51%

	30/06/2007	Inc%	30/06/2006	Inc%	Var%
Italy	13.459	26,09%	13.918	30,52%	-3,30%
Europe	18.335	35,54%	16.146	35,41%	13,56%
Rest of the world	19.799	38,38%	15.536	34,07%	27,44%
Total	51.592	100,00%	45.600	100,00%	13,14%

As occurred during the first quarter, the growth of Cynosure in the medical sector was above the average of the Group, which, in any case, was over 10%, thanks mostly to the growth of the aesthetic sector which was almost 20%. The considerations previously made also pertain to the other segments, with the exception of the “Others” category, which is the only one in which Cynosure operates, with its Dye equipment. These are the which generated growth at the Group level and which do not appear in this sub-consolidation. As far as the geographic distribution of the sales volume is concerned, the tendency is the same as that for the consolidated sales volume.

The margin of contribution was 50.681 thousand Euros, an increase of 33% over the 38.064 thousand Euros for the same period last year, with an increase in terms of incidence on the sales volume which increased to 56,3% from 52,8% for the same period last year. Cynosure contributed decisively to this excellent result and improved its margins notwithstanding the payment of royalties to Palomar in accordance with the contract signed in 2006, and, to a lesser degree, to the other activities of the Group.

The costs of services and operating charges were 18.439 thousand Euros, an increase of in 24,2% over the first six months of 2006 and with an incidence on the sales volume which decreased to 20,5% from 20,6%.

Costs for personnel were 20.357 thousand Euros, an increase of 26,5% over the 16.088 thousand Euros for the first six months of 2006, with a slight increase in terms of the incidence on the sales volume, which went from 22,3% for the first six months of 2006 to 22,6%. The amounts entered in to accounts that are related to the stock options granted to

employees are part of the personnel costs. During the first six months of 2006 these costs were 863 thousand Euros and they rose to 2.363 thousand Euros during the first six months of 2007; of these, 2.143 thousand Euros are related to the stock options issued by the subsidiary Cynosure, Inc.

As a consequence of the reform in the severance pay (TFR) policy, the accounting method used for calculating the amount in accordance with IAS 19 has changed. According to the prevailing theory, and while awaiting the confirmation from the OIC, the different evaluation of the TFR fund which matured on December 31st 2006 with respect to the evaluation made according to the old rules, must be treated as a “curtailment” and consequently entered into the Profit and Loss Account, including the actuarial profits and losses which had not been previously entered into accounts in application of the so-called “corridor method”. This change generated a lower liability of about 200 thousand Euros which is reflected in a decreased cost for personnel of the same entity.

As of June 30th 2007 there were 733 employees in the Group, 25 of which came with the acquisition of With US, with respect to the 635 employees for the end of 2006 and the 598 for June 30th 2006 thus maintaining the continuing tendency to increase the number of personnel.

A considerable portion of the personnel expenses is directed towards research and development costs, for which the Group also receives grants and reimbursements on the basis of specific contracts undersigned by the institutions created for this purpose. These grants make it possible to broaden the range of research by limiting the economic impact. Grants were entered into accounts during this financial period amounted to 223 thousand Euros.

The EBITDA was 11.885 thousand Euros with respect to the 7.124 thousand Euros for the same period last year, with an incidence on the sales volume which rose from 9,9% to 13,2%.

The costs for depreciation, amortizations and accruals were 2.674 thousand Euros, an increase of 16,5% with respect to the same period last year, but with a slight decrease in the incidence on the sales volume which fell from 3,2% to 3%. Under this heading, among other things, we have entered the accruals for product guarantees and for credit devaluation.

The EBIT was 9.211 thousand Euros with respect to the 4.829 thousand Euros for June 30th 2006, practically double that of last year and showed an incidence on the sales volume which rose from 6,7% for the same period last year to 10,2% for the six months now being reported.

The result of the financial management which was 501 thousand Euros, (1.005 thousand Euros for the same period last year) was influenced by the reduction in interest earned on bank deposits as well as the negative exchange rate difference which was a result of the weakness of the US dollar in relation to the Euro.

Other net income and charges showed a negative result for an amount of 1.275 thousand Euros and were influenced by the rectification of consolidation which derived from the increase in capital of Cynosure for the assignment of stock options at a price which was below the charging price of the stock in consolidation (they were, in fact, options assigned mostly before the IPO of 2005 with an option price of less than five dollars per share) with the consequent reduction of the percentage of ownership of Cynosure by El.En.

The earnings before taxes therefore were 8.411 thousand Euros, an increase of 48,4% over the 5.669 thousand Euros registered for June 30th 2006.

In relation to the results of the Group excluding Cynosure, it should be noted that the growth in sales was around 13%, with a level of profits for the sales of the first six months substantially constant with respect to last year, and therefore recovering during the second quarter. Considering that manufacture takes place within the Euro area, sustaining constant margins of profit for an activity with a high percentage of exports in the face of a such a negative Euro-Dollar exchange rate is, in any case, an indicator of the high level of competitiveness on the markets.

Notwithstanding a slight worsening of the incidence of set structural costs, in terms of both operating costs and costs for personnel, the increase in the volume of business still made it possible to register an increase in the overall value of the earnings before interest and taxes which was essentially in conformity with expectations.

Financial management improved, thanks in particular to the exchange rate with the dollar, which is still negative but less so with respect to 2006. An exceptional net charge was registered for the founding of the Cutlite do Brasil company, for which El.En. allowed the minority partners to enter the partnership structure free of charge, thus recognising on their behalf a goodwill which was entered into accounts this quarter.

The earnings before taxes therefore improved with respect to the same period last year and are basically in conformity with expectations.

Comments on the net financial position of the Group

The amount of cash held by the Group is still sizeable and during the half rose to 65 million Euros.

Of this amount, the majority is held by Cynosure Inc., as a result of the IPO of December 2005; after that time Cynosure has not made any investments of particular importance but has used the cash available to finance its own operations and in this endeavour has been extremely successful, as shown by the fact that during the first half of 2007 the company generated cash notwithstanding a growth rate of approx. 50%.

During this financial period several payments of an extraordinary nature were made, like the final payment for the building in Torre Annunziata acquired by El.En. SpA for the purpose of conduct the manufacturing and development activities of the subsidiary Lasit SpA, the purchase by the subsidiary BRCT Inc. of the controlling share of With Us Co., with a payment of approx. 200 thousand dollars, start-up of the Chinese joint venture by Cutlite Penta Srl, which invested 275 thousand Euros during the first six months of 2007, the foundation of Cutlite do Brasil with an overall investment of approx. 560 thousand Euros besides the payment of dividends to third parties for approx. 1800 thousand Euros.

Gross investmets made during this quarter

The table below shows the gross investments which were made during this financial period.

<i>Progressive</i>	30/06/07	30/06/06
Intangible assets	235	85
Tangible assets	2.910	1.840
Equity investments	0	0
<i>Total</i>	3.146	1.925

<i>3 Months</i>	30/06/07	30/06/06
Intangible assets	142	67
Tangible assets	1.553	1.018
Equity investments	0	0
<i>Total</i>	1.695	1.085

The value of the investments in fixed assets increased with respect to the same period last year.

No investments of particular importance were made during this period. The expense category which showed the greatest growth in investments in fixed assets was that of equipment, i.e., for the use of laser systems for sales demonstrations and clinical experiments. Cynosure in particular assigns one or more pieces of “demo” equipment to most of its domestic agents, a policy which represents a major investment which, however, has produced excellent results in terms of facilitating sales.

Comments on Research and Development activities

During the first half of 2007 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market.

For highly technological products in particular, the global market requires that the competition be met by continually placing on the market completely new products and innovative versions of old products which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid-term schedules.

Research projects which are conducted in order to obtain results according to a mid-term schedule are characterized by the fact that they are oriented towards higher risk subjects inspired by intuitions which arise within the company and by prospects indicated by the scientific work in laboratories and in advanced research centres around the world, some of which we collaborate with.

Research which is dedicated to achieving results according to a short-term schedule, above all for products developed for new laser applications, is concentrated on subjects for which all the preliminary feasibility studies have been completed. For these subjects a choice has already been made regarding the main functional characteristic and

specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists working for the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study.

The research which is conducted is mainly applied and is basic for some specific subjects. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University Instruction and Research (MIUR) and the European Union, as well as directly with the Research Institutions or Regional structures.

A brief summary of the main research projects conducted by the Group during this quarter is shown below.

Systems and applications for lasers in medicine.

We have now entered the final phase of our activity for the development of laser equipment and devices for mini-invasive micro-surgery; this activity is developed as part of a project of the New Medical Engineering program of FIRB (Investment Fund for Basic Research) financed in part by MIUR (Ministero Istruzione Università e Ricerca).

The verification phases of the experimental studies on the determination of the doses for cutting and ablation processes on soft tissue and cauterization of small blood vessels have now been completed and we have completed the formulation of the specifications for a compact CO₂ source which will be especially designed for this application.

We are now in the final phases of the manufacture of prototypes for a directable laser micro-tweezer. We are continuing the research activity aimed at identifying the manufacturing technology required for new optical-acoustic and acoustical-optical micro-probes for mini-invasive diagnostics. These probes will be used for early detection of the malignant nature of small lesions; we are now examining the results of trials on the prototypes of optical-acoustic transmitters and acoustical-optical receivers using different technologies. We are also involved in trials for the purpose of obtaining FDA approval at a prestigious eye clinic in the USA (Bascon Palmer of Miami) for performing operations first on animals and subsequently on human patients, using lasers to glue the cornea to the eye without the use of stitches. This activity is a result of the research projects conducted with IFAC of the CNR by the associated company, Actis Active Sensors.

In collaboration with the IFAC institute of the CNR we are now conducting an important research project involving the creation of a technique and the related equipment for the laser assisted anastomosis of blood vessels.

We continued to work on the development of instruments and the clinical experiments for innovative laser equipment for uses in physical therapy and orthopaedics, and the experiments have now been extended also to the USA in collaboration with the Rizzoli Institute of Bologna which has been a partner of ours for several years now. With the University of Aquila, we are now conducting research on some laser biological tissue interactions in the dermatological field.

A new research project has been initiated involving new methods for the characterisation of cellulitis by means of ultrasound. Research has also begun on new devices for aesthetic medicine, in particular for the stimulation of the regeneration of collagen in the derma layers of the face. Research is also in progress on a new micro-manipulator for uses in otorhinolaryngology. Research has continued on new devices and methods for the percutaneous laser ablation of the liver and thyroid, as part of the activity conducted by the consortium company IALT (Image Aided Laser Therapy) created by El.En. and Esaotele.

A project financed by the European Union on new methods of diagnosis using nano-particles and laser systems with ultrasound inter-agents has continued. For this project we are collaborating with prestigious European institutions like Fraunhofer IBMT.

At the same time, active clinical experimentation has continued in Italy and in qualified European and American centres in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odonto-stomatology and aesthetics.

The research activity aimed at developing a diode laser for neurosurgery applications with mini-invasive techniques was continued.

With a grant from the European Union, a research program on mecha-tronic and micro-technological applications for the biomedical industry is now in progress.

We have started tests to determine the effects of photo-mechanic stimulation of Chondrocytes.

At Cynosure we have developed refractive lenses for laser rejuvenation of the skin and a patent has been deposited for the device.

Activities for the completion of the laser lipolysis experiments were continued at Cynosure.

We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis.

Laser systems and applications for industry

The project related to excimer laser systems for use in the nano-manufacture of electronic and optical-electronic devices continued.

Experimental trials on the electronics based on a "Digital Signal Processor" for on line setting and numerical control of the galvanometers for scansion heads have been conducted.

A research project was conducted on the evolution of position sensors of galvanometers with characteristics of high stability over long periods of time.

We continued studies for determining the algorithms, calculus programs and hardware structures for artificial vision systems to be employed for the automation of surface decorations using laser marking on leather and other materials and for the cutting and marking of objects spread out on the work surface.

We are about to complete experimental trials on a new ultra-compact radio-frequency pumped CO₂ laser source.

Research activity as part of a project for a solid state high power laser source with active material in an amorphous ceramic support is now in progress.

The development of new laser equipment for use in diagnosing and documenting the condition of art objects was completed.

As part of this same project we ran trials consisting in the insertion, into the special crates used for transporting important works of art, of equipment for the referenced acquisition and memorisation over time and SpAce of the data of three-dimensional sensors of acceleration, temperature, pressure, humidity and light exposure on the various bands from infra-red to ultra-violet.

A new system for representing thermal transistors for the study of the state of conservation of works of art and of industrial products in the start-up in the manufacturing process is now in the experimentation phase.

Work on the development of a new diagnostic system using lasers on the paper of antique books has continued and recently been granted a patent.

We continued work on the development of an electronic system for the tele-diagnosis and tele-assistance of industrial machinery, with the prospect that it may also have applications in medicine.

The following table shows the expenses for Research and Development during this half.

<i>thousands of euros</i>	30/06/2007	30/06/2006
Costs for staff and general expenses	4.540	3.833
Equipment	74	196
Costs for testing and prototypes	649	433
Consultancy fees	361	280
Other services	44	45
Intangible assets	2	1
Total	5.670	4.788

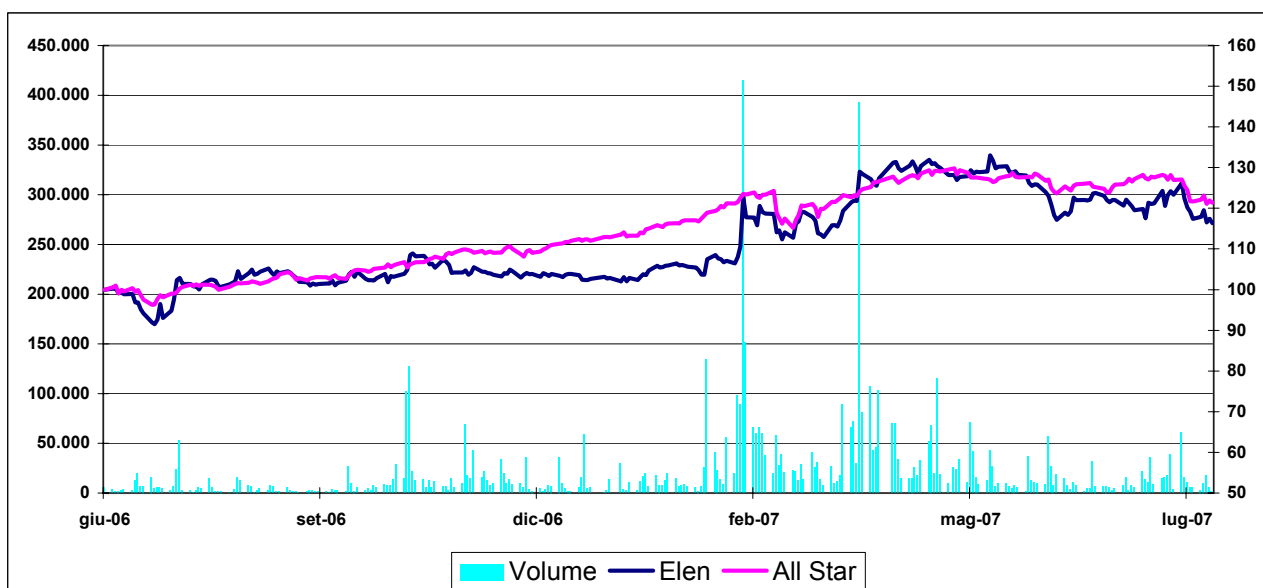
As was the case for both the sales volume and profits, the contribution of Cynosure is highly significant also for the research and development expenses considering the intense activity the company conducts in this sector. The amount of expenses sustained by Cynosure during this period for research and development was approx. 3,5 million dollars.

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

The amount of the expenses sustained corresponds to 6% of the consolidated sales volume of the Group. The amount related to Cynosure, as stated above, is 3,5 million dollars which represents about 6% of its sales volume; the rest of the expenses were paid mostly by El.En. SpA and represents 9% of its sales volume.

Trend of the EI.En. stock

The trend of the EI.En. stock is shown in the graph below with reference to the quotation on June 30th which was for approx. 33 Euros.



The trend of the Cynosure stock is also interesting and reflects the excellent results of the company and, up until mid-July, the positive trend of the American financial markets. The stock hit its highest point at about 39 dollars a share, a remarkable increase over the value of the IPO of December 2005 which was 15 dollars a share. At this time the stock is no longer at its maximum value and has fallen to around 32 dollars per share.

Other significant events which occurred during this quarter

No other events of significant importance took place during the first half of 2007.

Other events which took place after the quarter was closed

No events of particular importance occurred after the closure of the quarter.

Short term evolution foreseen for the financial period now in progress

The good start for the financial year 2007 was confirmed again during the second quarter with sales volume and profitability slightly ahead of the schedule which had been proposed in order to achieve the annual objectives which, it should be recalled, showed 185 million Euros for the consolidated sales volume and 19 million for the consolidated EBIT. The management, however, does not feel that it is necessary to alter the schedule at this time.

For the Board of Directors

Deputy Board Member
Ing. Andrea Cangioli

**ANNEX A: DECLARATION IN CONFORMITY WITH ART. 154BIS, COMMA 2,
D.LGS. N.58 / 1998**

The undersigned Enrico Romagnoli, acting as executive responsible for drawing up the corporate accounting documents of El.En. S.p.A.

declares

that in conformity with comma 2° of art. 154-bis of the Legislative Decree n. 58 February 24th 1998, that to his knowledge, the Quarterly Report dated June 30th for the El. En. Group corresponds to the information reported in the documents, accounting books and accounting entries.

Calenzano, August 7th 2007.

Executive in charge of the financial reports
Enrico Romagnoli